

# Global Seasonal Analysis

## *Seasonal Trends In Global Financial Markets*

### August 2016

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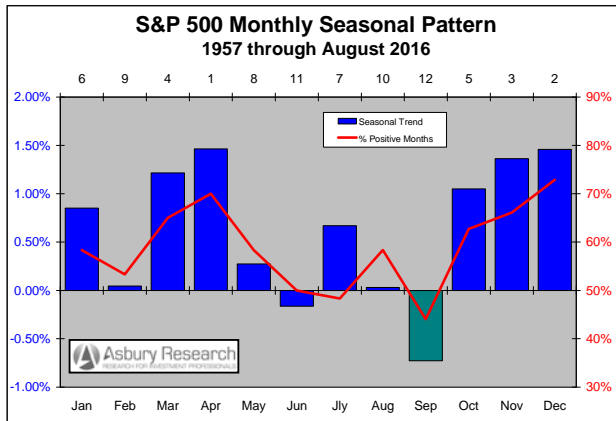
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## Executive Summary

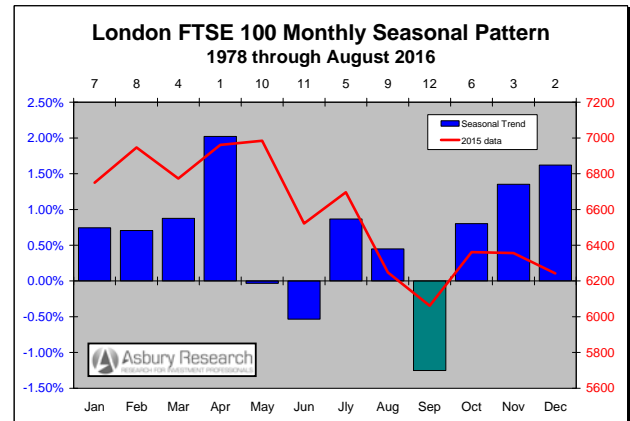
- **Global Equity Prices: NEAR TERM NEGATIVE, INTERMEDIATE TERM POSITIVE.** September is the seasonally weakest month of the year in the US, English, French and Japanese stock markets but leads into a gradually strengthening 4th Quarter rebound, one that extends into January in Japan.
- **US Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** Common to the 10-, 5- and 2-year maturities is a period of sustained and sometimes acute seasonal weakness between August and November.
- **UK Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** September, the 7<sup>th</sup> seasonally strongest month of the year for the yield of the 10-Year Euro (formerly German) Bund based on data since 1967, represents the fourth of a six-month period of overall seasonal weakness that runs from June through November.
- **Japanese Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** September, the 2<sup>nd</sup> weakest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977, represents the second of a four-month period of seasonal weakness that runs from August through November and includes four of the six weakest months of the year.
- **The US Dollar: INTERMEDIATE TERM NEGATIVE.** Although the Dollar is one of the least seasonally-influenced assets we track, the data do show a common pattern of a one-month decline in September versus both Europe and Japan, followed by more weakness in December that precedes a strong January rebound.
- **Gold: NEAR TERM POSITIVE.** In gold prices, September is the seasonally strongest month of the year based on data since 1977 and immediately precedes the 2<sup>nd</sup> weakest month of the year, October, before more modest seasonal strength emerges between November and January.



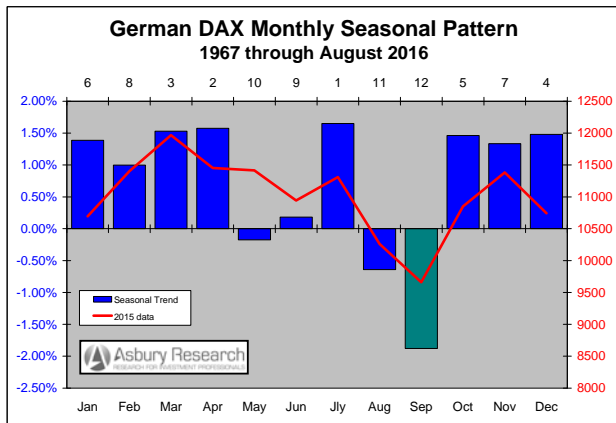
## Global Equity Prices



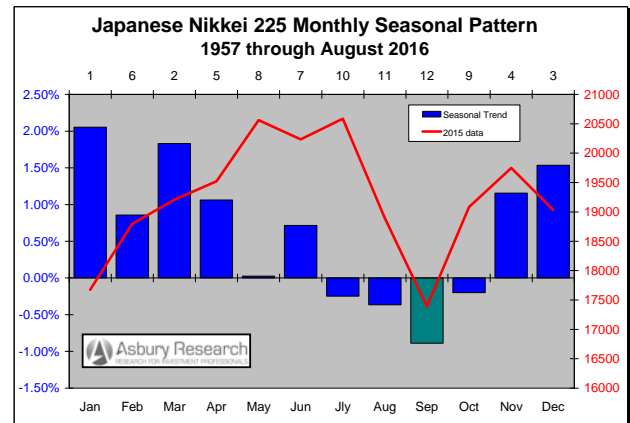
**United States: S&P 500 Index**



**England: FTSE 100 Index**



**Germany: DAX Index**



**Japan: Nikkei 225 Index**

### Analysis & Commentary

The four charts above highlight the seasonal tendencies for the month of September in four major world stock indexes, plus their larger seasonal patterns through year end/early next year. The red lines on the charts plot either 1) the percentage of positive monthly closes during the period displayed or 2) the *actual monthly closing levels* during 2015 or 2016.

Common to all four indexes is that September is the seasonally weakest month of the year but leads into a gradually strengthening 4<sup>th</sup> Quarter

rebound, one that extends into January in Japan.

### S&P 500 Monthly Seasonal Pattern Since 1957

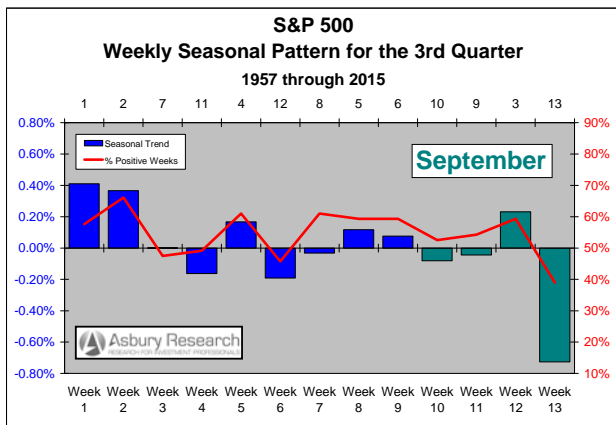
In the S&P 500 Index (SPX, chart at upper left), the green bar highlights September as the seasonally weakest month of the year based on data since 1957. It represents a strong one-month decline from August, the 10<sup>th</sup> strongest month, but leads into a gradually strengthening 4<sup>th</sup> Quarter rebound that culminates with the 2<sup>nd</sup> strongest month of the year, December.



The depth of the green bar on the chart indicates that, on average since 1957, the **S&P 500 has closed 0.73% lower in September**. The red line shows that, also on average since 1957, **SPX has posted a negative September close 56% of the time**, which is its highest incidence of a negative close for any month during this period.

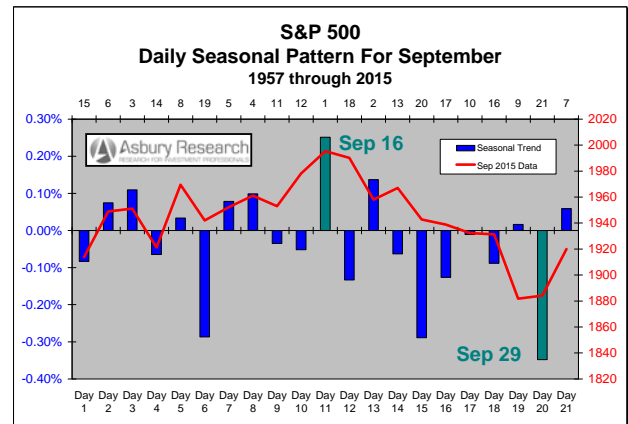
### S&P 500 Weekly Seasonal Pattern For Q3 Since 1957

The next chart breaks the seasonal pattern in the S&P 500 down further, into a quarterly time frame via 13 weekly increments and highlights the month of September in green. The chart shows that **the first, second and final weeks of September include 3 of the 5 weakest of the entire 3rd Quarter**.



### S&P 500 Daily Seasonal Pattern For September Since 1957

The next chart (next column) breaks the seasonal pattern down even further, into a monthly time frame via 21 daily increments that plot *the average daily percent change* in the S&P 500 during September since 1957. The chart shows that **Day 11 or September 16<sup>th</sup> is the strongest of the month**, and that **Day 20 or September 29<sup>th</sup> is the weakest of the month**.



### Investment Implications & Strategy

These monthly, weekly and daily charts collectively suggest a potential intermediate term buying opportunity on weakness on or around September 29<sup>th</sup> with a strategy of closing out the position during December strength.

### London FTSE 100 Monthly Seasonal Pattern Since 1978

In the London FTSE 100 Index (chart at upper right on the previous page), the green bar highlights September as the seasonally weakest month of the year based on data since 1978. Like the S&P 500, September weakness in the FTSE leads into a gradually escalating 4<sup>th</sup> Quarter seasonal rebound.

The depth of the green bar indicates that, on average since 1978, the **FTSE has declined by 1.25% in September**. The red line shows that the FTSE pretty closely tracked its 37-year seasonal trend during 2015.



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### German DAX Monthly Seasonal Pattern Since 1967

The green bar in the chart at lower left on Page 2 shows that September is also the seasonally weakest month of the year in the DAX based on data since 1967. September represents a modest one-month seasonal decline from August, the 11<sup>th</sup> strongest month, but immediately precedes the 5<sup>th</sup> strongest month of the year, October. Moreover, that modest October rebound carries through the end of the year as December is the 4<sup>th</sup> seasonally strongest month.

The depth of the green bar indicates that, on average since 1967, the **DAX has closed 1.88% lower in September**. The red line shows that the DAX closely tracked its long term annual seasonal pattern in 2015.

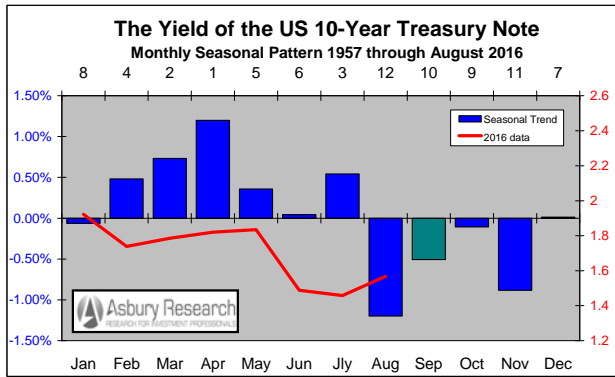
### Japanese Nikkei 225 Monthly Seasonal Pattern Since 1957

The green bar on the chart at lower right on Page 2 highlights September as the seasonally weakest month of the year in the Japanese Nikkei 225 Index based on data since 1957. Like the DAX it represents a modest one-month decline from August, the 11<sup>th</sup> strongest month, and like the US it leads into a gradually strengthening 4<sup>th</sup> Quarter, one which culminates with the 3<sup>rd</sup> strongest month of the year, December.

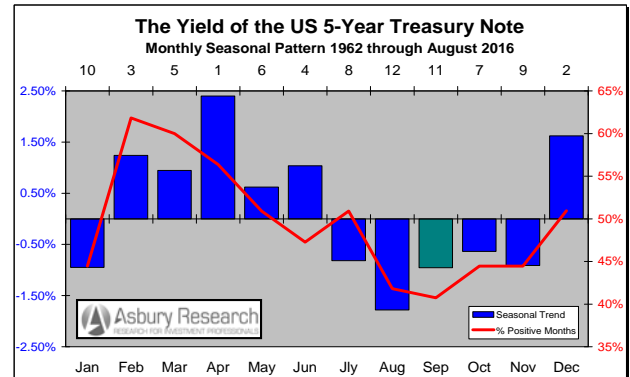
The depth of the green bar on the chart indicates that, on average since 1957, the **Nikkei 225 has declined by 0.89% in September**. The red line shows that the Nikkei 225 also closely tracked its long term annual seasonal pattern in 2015.



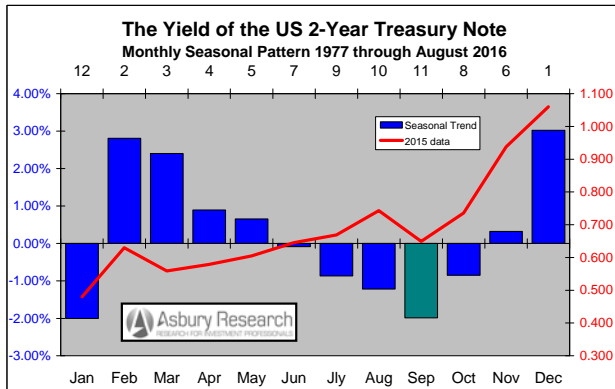
## Global Interest Rates (United States)



United States: 10-Year Treasury Yield



United States: 5-Year Treasury Yield



United States: 2-Year Treasury Yield

### Analysis & Commentary

The blue bars and colored highlights on the charts above display the seasonal tendencies for the month of September in **the yield of the US 10-, 5-, and 2-Year Treasury Note**, as well as their broader seasonal trends into year end. The red lines plot either 1) the *percentage of positive monthly closing yields* during the period displayed or 2) the *actual monthly closing yields* during 2015 or 2016.

Common to all maturities is a period of sustained and sometimes acute seasonal yield weakness between August and November.

### US 10-Year Yield Monthly Seasonal Pattern Since 1957

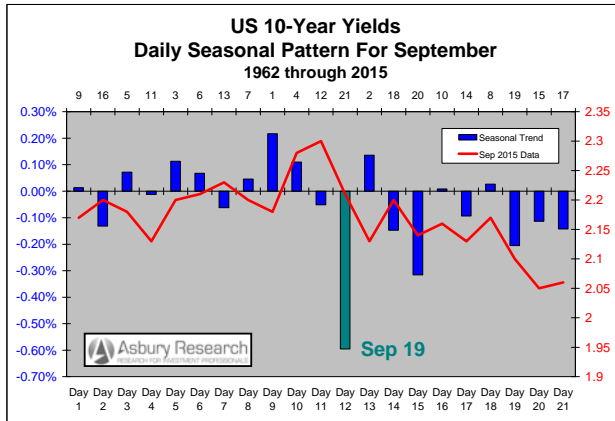
The green bar in the chart at upper left highlights September as the 10<sup>th</sup> seasonally strongest or 3<sup>rd</sup> weakest month of the year in the yield of the US 10-Year Treasury Note based on data since 1957. It represents the second of a six-month period of sustained seasonal weakness that extends through January and includes the six weakest months of the year.

The depth of the green bar indicates that, on average since 1957, **the yield of the 10-Year**



has declined by 0.51% in September. The red line plots the 10-Year's monthly closing yields thus far in 2016.

### US 10-Year Yield Daily Seasonal Pattern For September Since 1962



The 21 columns in the chart above display the daily seasonal pattern, based on *the average daily percent change*, in the yield of the 10-Year Treasury Note during the month of September since 1962. The green column shows that **these yields seasonally bottom for the month on Day 12 or September 19<sup>th</sup>** this year.

### US 5-Year Yield Monthly Seasonal Pattern Since 1962

The green bar on the chart at upper right on the previous page shows that September is the 2<sup>nd</sup> seasonally weakest month of the year in the yield of the 5-Year Treasury Note based on data since 1962. It follows the weakest month of the year, August, and represents the midpoint of a five-month period of sustained weakness that runs from July through November and includes five of the six weakest months of the year.

The depth of the green bar indicates that, on average since 1962, **5-Year Treasury yields have declined by 0.96% in September**. The red line shows that, also on average since 1957, **these yields have posted a negative September closing yield 59% of the time**, which is the highest incidence of a negative close for any month during this period.

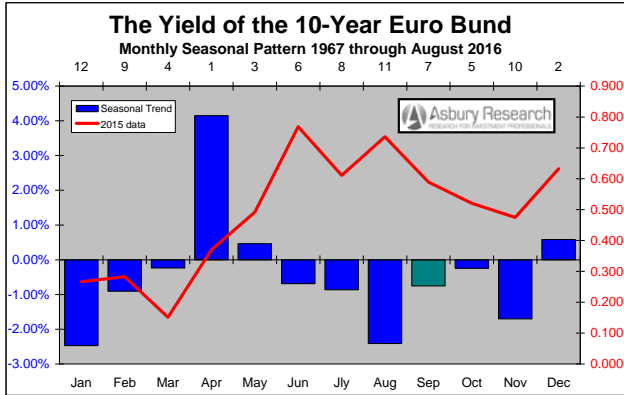
### US 2-Year Yield Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that September is the 11<sup>th</sup> seasonally strongest or 2<sup>nd</sup> weakest month of the year in the yield of the 2-Year Note based on data since 1977. It represents the fourth of a five-month period of seasonal weakness that runs from June through October which includes four of the five weakest months of the year.

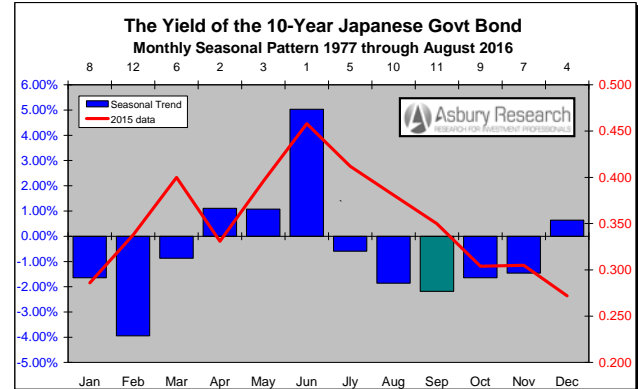
The depth of the green bar indicates that, on average since 1977, **the yield of the 2-Year has declined by 1.99% in September**. The red line plots the monthly closing yield of the 2-Year during 2015.



## Global Interest Rates, cont. (Europe & Japan)



Europe: 10-Year Euro Bund Yield



Japan: 10-Year Japanese Govt. Bond Yield

### Euro Bund 10-Year Yield Monthly Seasonal Pattern Since 1967

The green bar on the chart above highlights September as the 7<sup>th</sup> seasonally strongest month of the year for the yield of the 10-Year Euro (formerly German) Bund based on data since 1967. It represents the fourth of a six-month period of overall seasonal weakness that runs from June through November.

The depth of the green bar indicates that, on average since 1967, **Bund yields have declined by 0.75% in September**. The red line plots the Bund's monthly closing yields in 2015.

### Japanese Government Bond 10-Year Yield Monthly Seasonal Pattern Since 1977

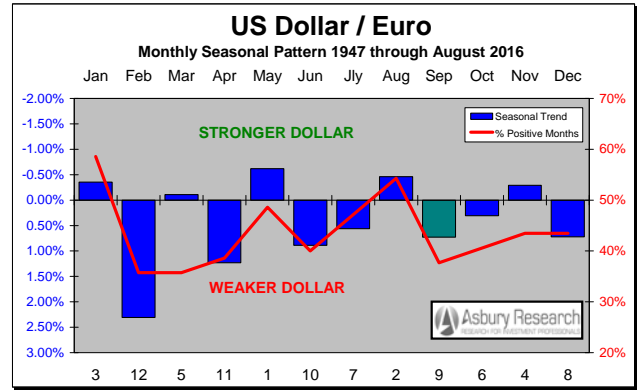
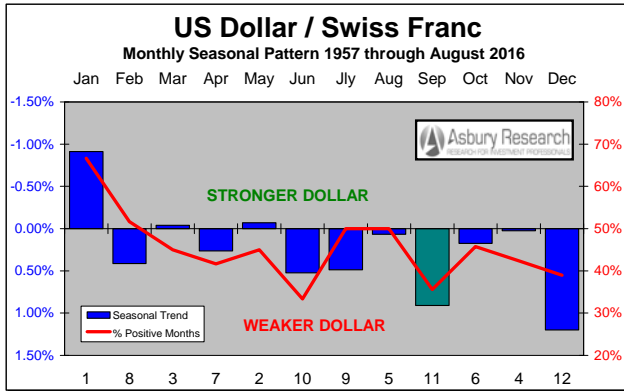
The green bar in the chart above highlights September as the 11<sup>th</sup> seasonally strongest or 2<sup>nd</sup> weakest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977. It represents the second of a four-month period of seasonal weakness that runs from August through November and includes four of the six weakest months of the year.

The depth of the green bar indicates that, on average since 1977, **10-year JGB yields have declined by 2.18% in September**. The red line shows that these yields closely tracked their long term annual seasonal pattern during 2015.



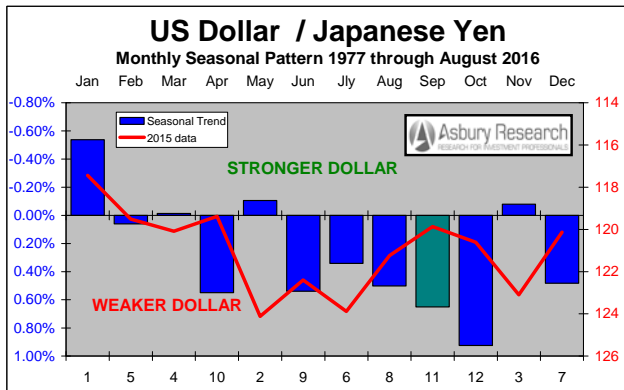


## Global Foreign Exchange Rates



US Dollar / Swiss franc

US Dollar / Euro



US Dollar / Japanese yen

### Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of September in the US Dollar versus Europe and Japan, as well as the greenback’s larger seasonal trend into early next year. The red lines plot either 1) the *percentage of positive monthly closes* by the US currency during the period displayed or 2) the *actual monthly closing levels* during 2015.

Although the Dollar is one of the least seasonally-influenced assets we track, the charts above do show a common pattern of a one-month decline in September, followed by

more weakness in December that precedes a strong January rebound.

### USDCHF Monthly Seasonal Pattern Since 1957

The green bar on the chart at upper left highlights September as the 11<sup>th</sup> seasonally strongest or 2<sup>nd</sup> weakest month of the year for the US Dollar versus the Swiss franc based on data since 1957. It represents a significant one-month decline from August, the 5<sup>th</sup> strongest month, and eventually leads into the weakest month of the year in December.

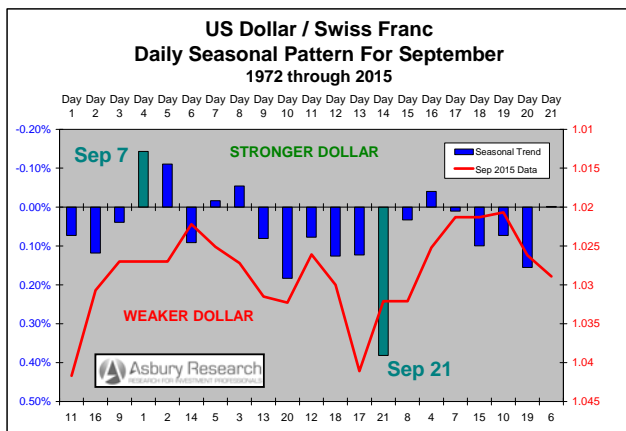




The depth of the green bar shows that, on average since 1957, the **US Dollar has underperformed the franc by 0.91% in September**. The red line shows that, also on average since 1957, **the US currency has underperformed the franc 64% of the time in September**, which is the second highest incidence (after June) of monthly underperformance by the greenback during this period.

### USDCHF Daily Seasonal Pattern For September Since 1972

The 21 columns in the next chart display the daily seasonal pattern in Dollar/Swiss, based on its average daily percent change during the month of September since 1972. The red line plots the daily closing quotes in USDCHF during September 2015.



The green bar shows that the **Dollar seasonally peaks for the month versus the franc on Day 4 or September 7<sup>th</sup>**, and bottoms for the month on **Day 14 or September 21<sup>st</sup>**.

### Investment Implications & Strategy

These monthly and daily data collectively suggest a potential near to intermediate term selling opportunity in USDCHF on strength on or around September 7<sup>th</sup> with a strategy of either covering the position on weakness on or near September 21<sup>st</sup> or waiting for more acute seasonal weakness during December.

### USDEUR Monthly Seasonal Pattern Since 1947

The green bar on the chart at upper right on the previous page highlights September as being the 9<sup>th</sup> seasonally strongest or 4<sup>th</sup> weakest month of the year for the US Dollar versus the euro (formerly German Mark) based on data since 1947. It represents a strong one-month seasonal decline from August, the Dollar's 2<sup>nd</sup> strongest month, and precedes more seasonal weakness in December, the 5<sup>th</sup> weakest month.

The depth of the green bar shows that, on average since 1947, the **US Dollar has underperformed the euro by 0.73% in September**. The red line shows that, also on average since 1947, **the US currency has underperformed the euro 62% of the time in September**, which is the second highest incidence (after February) of monthly underperformance during this period.

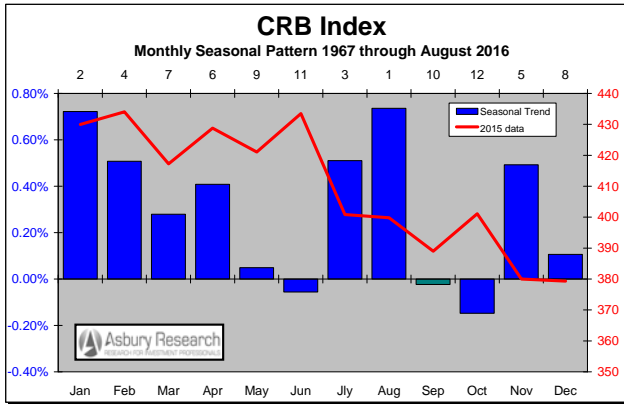
### USDJPY Monthly Seasonal Pattern Since 1977

The green bar in the chart at lower left on the previous page identifies September as the 11<sup>th</sup> seasonally strongest or 2<sup>nd</sup> weakest month of the year for the US Dollar versus the Japanese yen based on data since 1977. It represents the fourth of a five-month period of Dollar weakness that runs from June through October which includes four of the five weakest months of the year.

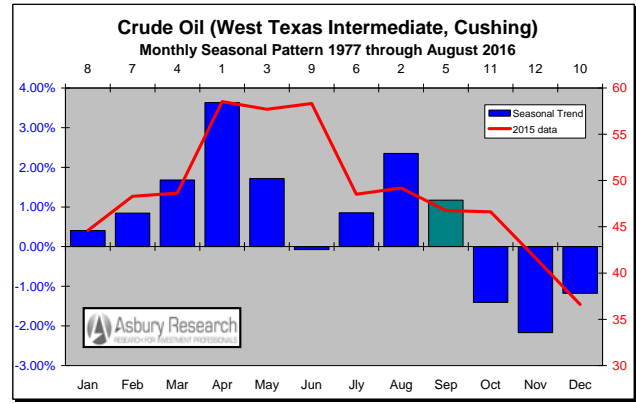
The depth of the green bar shows that, on average since 1977, the **US Dollar has underperformed the yen by 0.65 in September**. The red line plots the actual monthly closing levels in USDJPY during 2015.



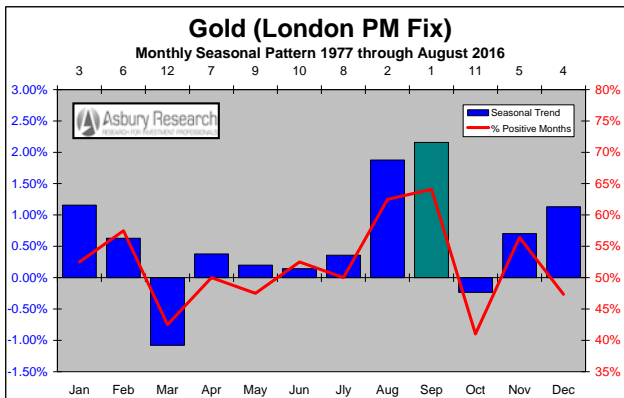
## Commodity Prices



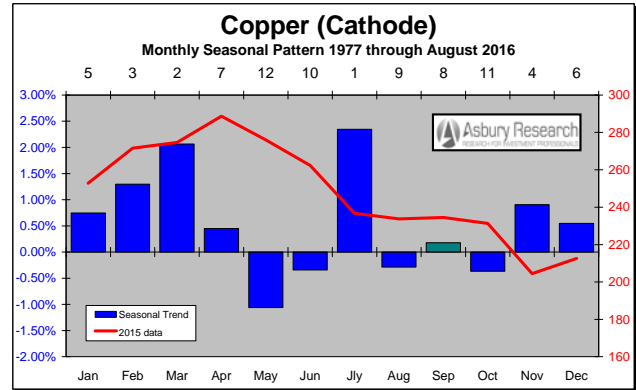
CRB Index



Crude Oil (West Texas Intermediate)



Gold



Copper

### Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of September in three key commodity prices and one broad index, plus their larger seasonal patterns into year end/early next year. The red lines plot either 1) the *percentage* of positive monthly closes during the period displayed, or 2) the *actual* monthly closing prices during 2015.

### CRB Index Monthly Seasonal Pattern Since 1967

The Thomson Reuters/Jefferies CRB Commodity Index is a weighted average of 19 commodities including aluminum, cocoa, coffee, copper, corn, cotton, crude oil, gold, heating oil, lean hogs, live cattle, natural gas, nickel, orange juice, silver, soybeans, sugar, unleaded gas, and wheat. The CRB has historically been viewed by investors as a bellwether of market-based inflation.

The green bar in the chart at upper left shows that September is the 10<sup>th</sup> seasonally strongest



or 3<sup>rd</sup> weakest month of the year in the CRB Index based on data since 1967. It represents a sharp one-month seasonal decline from August, which is the strongest month of the year, and leads into the weakest month of the year in October.

The depth of the barely visible green bar on the chart indicates that, on average since 1967, the **CRB has declined by just 0.02% in September**. The red line plots the CRB's monthly closing levels during 2015.

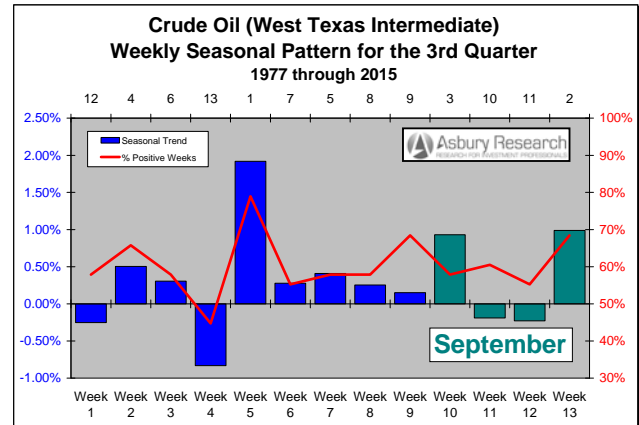
### Crude Oil Monthly Seasonal Pattern Since 1977

The green bar on the chart at upper right on the previous page highlights September as the 5<sup>th</sup> seasonally strongest month of the year for West Texas Intermediate crude oil prices based on data since 1977. It represents a one-month segue between the 2<sup>nd</sup> seasonally strongest month of the year, August, and the three weakest months of the year in October, November and December.

The height of the green bar indicates that, on average since 1977, **crude oil prices have risen by 1.17% in September**. The red line shows that oil prices closely tracked their 40-year annual seasonal pattern during 2015.

### Crude Oil Weekly Seasonal Pattern For Q3 Since 1977

The next chart (next column) breaks the seasonal pattern in crude oil prices down further, into a quarterly time frame via 13 weekly increments with September highlighted in green. The chart shows that **the first and final weeks of September are the 3<sup>rd</sup> and 2<sup>nd</sup> strongest of the entire 3<sup>rd</sup> Quarter, and that the middle two weeks of the month are the 4<sup>th</sup> and 3<sup>rd</sup> weakest of the quarter**.



### Investment Implications & Strategy

Combined, these monthly and weekly data suggest a potential near to intermediate term selling opportunity on strength during the first and/or last weeks of September with a strategy of closing out the position during 4<sup>th</sup> Quarter weakness.

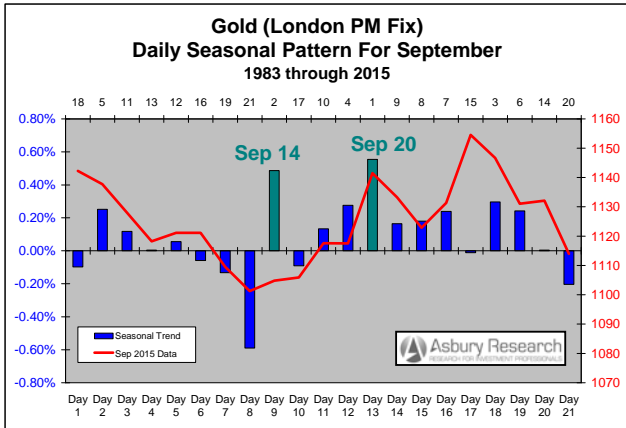
### Gold Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that September is the seasonally strongest month of the year for gold prices based on data since 1977. It represents a very modest one-month improvement over August, the 2<sup>nd</sup> strongest month, and immediately precedes the 2<sup>nd</sup> weakest month of the year, October, before more modest seasonal strength emerges between November and January.

The height of the green bar indicates that, on average since 1977, **gold prices have risen by 2.16% in September**. The red line shows that, also on average since 1977, **gold prices have posted a positive September close 64% of the time**, the highest incidence of a positive close for any month during this period.



### Gold Daily Seasonal Pattern For September Since 1982



The 21 columns on the chart above display the daily seasonal pattern in gold prices, based on the *average daily percent change* during the month of September since 1983. The red line plots the daily closing prices during September 2015. The green columns show that **gold prices historically peak for the month on Days 9 and 13, which are September 14<sup>th</sup> and 20<sup>th</sup> this year.**

### Investment Implications & Strategy

Combined, these monthly and daily data suggest a potential near term selling opportunity on strength on or around September 14<sup>th</sup> and 20<sup>th</sup>, with a strategy of covering the position during October weakness.

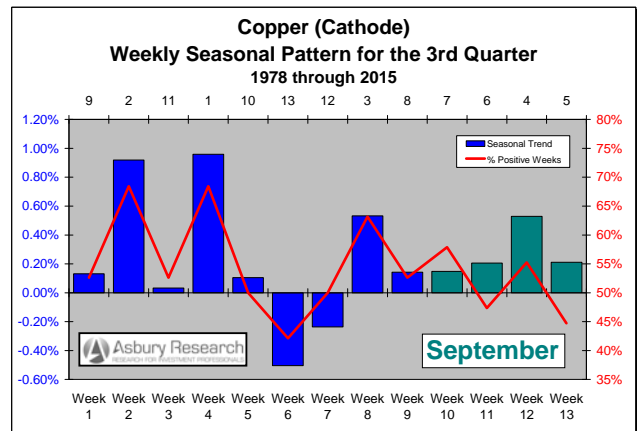
### Copper Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower right on Page 10 highlights September as the 8<sup>th</sup> seasonally strongest or 5<sup>th</sup> weakest month of the year for copper cathode (mined copper ore) prices based on data since 1977. It represents the midpoint of three months of seasonal weakness between August and October, which leads into a gradually increasing period of seasonal strength between November and March.

The height of the green bar indicates that, on average since 1978, **copper prices have risen by just 0.18% in September.** The red line plots copper's monthly closing prices during 2015.

### Copper Weekly Seasonal Pattern For Q3 Since 1978

The next chart breaks the seasonal pattern in copper prices down further, into a quarterly time frame via 13 weekly increments with the month of September highlighted in green. The chart shows that **the final two weeks of September are the 4<sup>th</sup> and 5<sup>th</sup> strongest of the entire 3<sup>rd</sup> Quarter.**



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