

Global Seasonal Analysis

Seasonal Trends In Global Financial Markets

February 2017

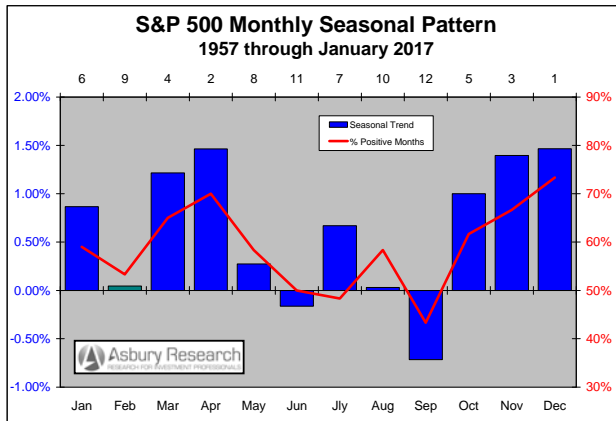
John J. Kosar, CMT
February 2nd, 2017

Executive Summary

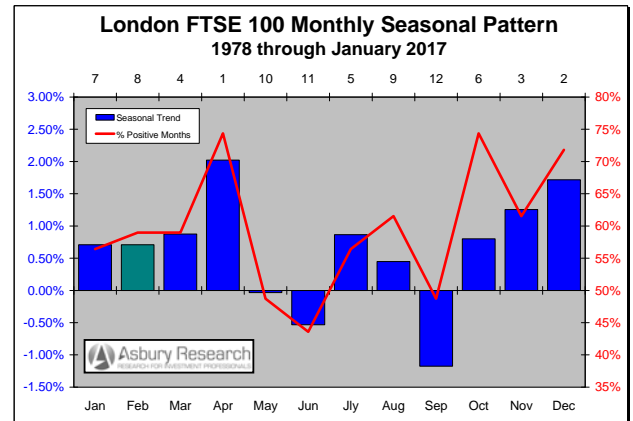
- **Global Equity Prices: NEAR TERM NEGATIVE, INTERMEDIATE TERM POSITIVE.** February represents a one-month seasonal decline from January that leads into a gradually escalating two-month recovery during March and April in US, European and Japanese indexes, after which the “sell in May and go away” phenomenon begins.
- **US Interest Rates: NEAR TO INTERMEDIATE TERM POSITIVE.** February represents a strong recovery from a very weak January in 10-, 5- and 2-Year Treasury yields, and the beginning of three months of seasonal strength that extends through April.
- **UK Interest Rates: NEAR TO INTERMEDIATE TERM POSITIVE.** February, the 4th weakest month of the year for the yield of the 10-Year Euro (formerly German) Bund, leads into three months of seasonal strength in March, April and May.
- **Japanese Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** February, the seasonally weakest month of the year for the yield of the 10-Year Japanese Government Bond (JGB), represents the second of a six-month period of overall seasonal weakness in these yields that runs through June.
- **The US Dollar: NEAR TERM NEGATIVE, INTERMEDIATE TERM POSITIVE.** Although the Dollar is one of the least seasonally-influenced assets we track, this time of the year does show a clear pattern of acute January strength, strong February weakness, then a March recovery versus Europe.
- **Gold: NEAR TO INTERMEDIATE TERM NEGATIVE.** February, the 5th seasonally strongest month of the year for gold prices, represents a modest one-month seasonal decline from January that leads into the weakest month of the year, March, after which gold prices remain seasonally weak through July.



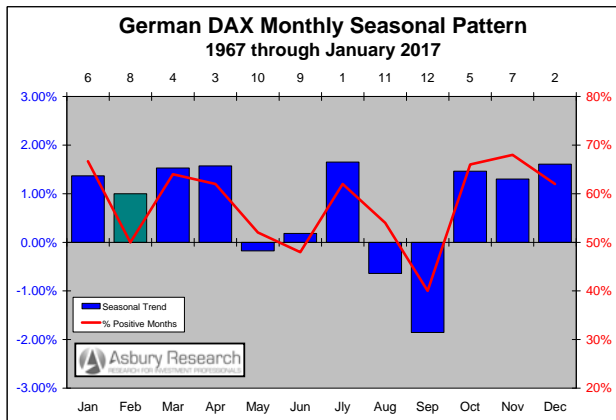
Global Equity Prices



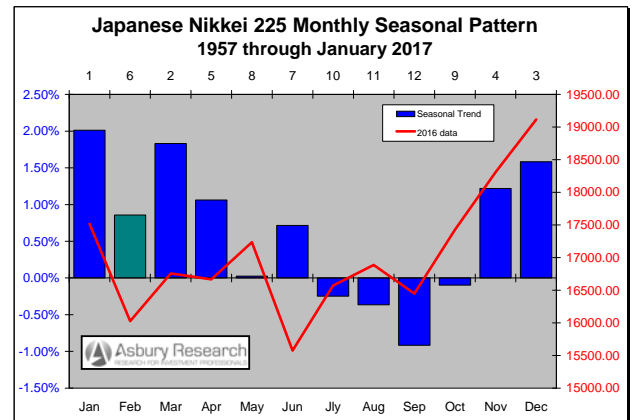
United States: S&P 500 Index



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 February in four major world stock indexes, plus their larger seasonal patterns into midyear. 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 2016.

February represents a one-month seasonal decline from January that leads into a gradually escalating two-month recovery during March

and April in the US, Europe and Japan, after which the “sell in May and go away” phenomenon emerges in all related indexes.

S&P 500 Monthly Seasonal Pattern Since 1957

In the S&P 500 Index (SPX, chart at upper left), the barely visible green bar highlights February as the 9th seasonally strongest or 4th weakest month of the year based on data since 1957. It represents the end of a two-month seasonal decline from December, which is the strongest month of the year, and leads into a two-month

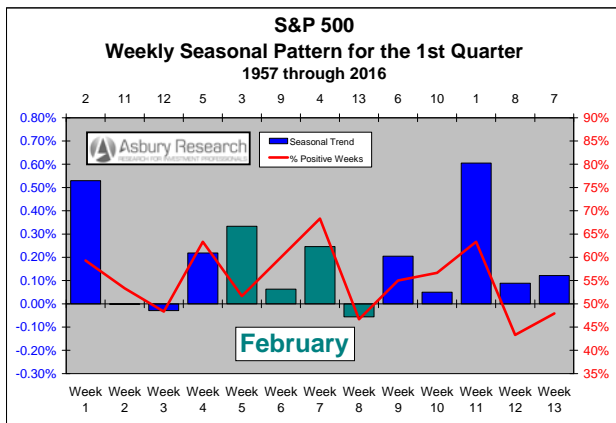


rebound in March and April, the 4th and 2nd strongest months of the year.

The height of the green bar on the chart indicates that, on average since 1957, the **S&P 500 has closed just 0.05 higher in February**. The red line shows that, also on average since 1957, **SPX has posted a positive February close 53% of the time**.

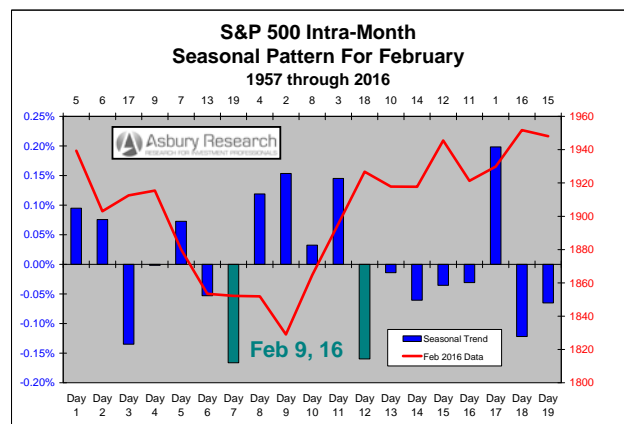
S&P 500 Weekly Seasonal Pattern For Q1 Since 1957

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 February in green. The chart shows that **the first and third weeks of February are the 3rd and 4th strongest of the 1st Quarter**, and that the final week of February is the weakest of the quarter.



S&P 500 Daily Seasonal Pattern For January Since 1957

The next chart breaks the seasonal pattern down even further, into a monthly time frame via 19 daily increments that plot *the average daily percent change* in the S&P 500 during February since 1957. The chart shows that **Days 7 and 12, which are February 9th and 16th, are the two seasonally weakest of the month**.



Investment Implications & Strategy

These monthly, weekly and daily charts collectively suggest a potential near to intermediate term buying opportunity, on weakness, in between February 9th and the end of the month with a strategy of closing out the position during April seasonal strength.



London FTSE 100 Monthly Seasonal Pattern Since 1978

In the London FTSE 100 Index (chart at upper right on Page 2), the green bar highlights February as the 8th seasonally strongest month of the year based on data since 1978. It represents a lateral move from January, the 7th strongest month, but leads into a strong seasonal rebound during March and April, which are the 4th and 1st strongest months of the year.

The height of the green bar indicates that, on average since 1978, **the FTSE has risen by 0.71% in February**. The red line shows that, also on average since 1978, **the FTSE has posted a positive February close 59% of the time**.

German DAX Monthly Seasonal Pattern Since 1967

The green bar in the chart at lower left on Page 2 shows that February is the 8th seasonally strongest or 5th weakest month of the year in the DAX, based on data since 1967. It represents a modest one-month seasonal decline from January, the 6th strongest month, but like the US and London leads into a two-month rebound during March and April, the 4th and 3rd strongest months of the year.

The height of the green bar indicates that, on average since 1967, the **DAX has closed 1.00% higher in February**. The red line shows that, also on average since 1967, **the DAX has posted a positive February close 50% of the time**.

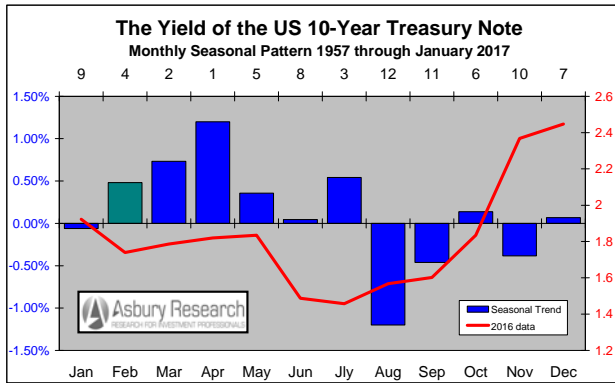
Japanese Nikkei 225 Monthly Seasonal Pattern Since 1957

The green bar on the chart at lower right on Page 2 highlights February as the 6th seasonally strongest month of the year in the Japanese Nikkei 225 Index based on data since 1957. It represents a one-month seasonal decline sandwiched in between the two strongest months of the year, January and March, after which the Nikkei gradually declines into September, which is the weakest month of the year.

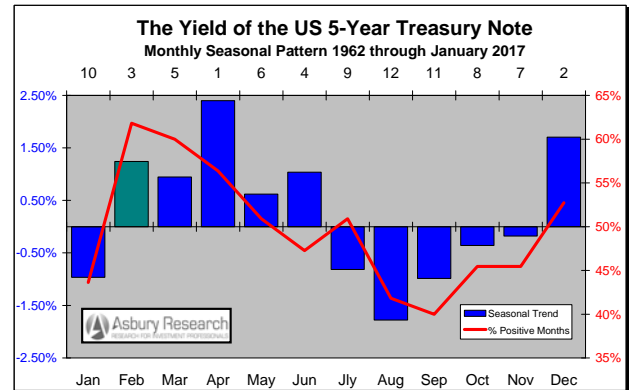
The height of the green bar on the chart indicates that, on average since 1957, the **Nikkei 225 has risen by 0.86% in February**. The red line plots the Nikkei's monthly closing levels in 2016.



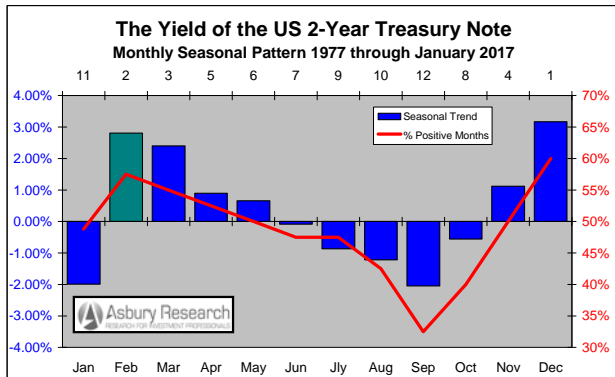
Global Interest Rates (United States)



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 February in the yield of the US 10-, 5-, and 2-Year Treasury Note, as well as their broader seasonal trends through the 2nd Quarter. 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 2016.

Common to all maturities is that February represents a strong recovery from a very weak

January and the beginning of three months of seasonal strength that extends through April.

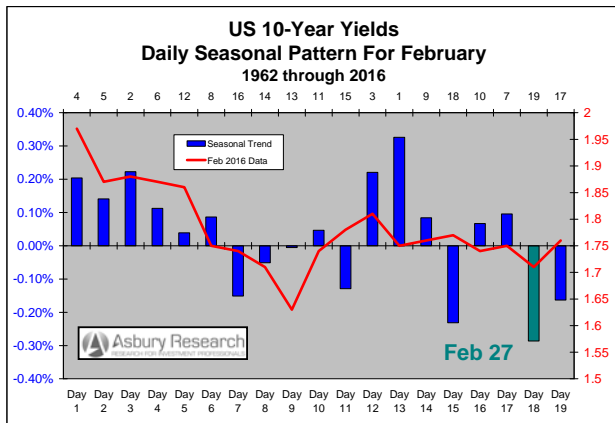
US 10-Year Yield Monthly Seasonal Pattern Since 1957

The green bar in the chart at upper left highlights February as the 4th seasonally strongest month of the year in the yield of the US 10-Year Treasury Note based on data since 1957. It represents a strong one-month recovery from January, the 4th weakest month, and leads into more acute seasonal strength in March and April, the 2nd and 1st strongest months.



The height of the green bar indicates that, on average since 1957, **the yield of the 10-Year has risen by 0.48% in February**, which means it is essentially unchanged from December. The red line plots the 10-Year's monthly closing yields during 2016.

US 10-Year Yield **Daily** Seasonal Pattern For February Since 1962



The 19 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 February since 1962. The green column shows that **these yields seasonally bottom for the month on Day 18 or February 27th this year**.

Investment Implications & Strategy

These monthly and daily charts collectively suggest a potential near to intermediate term selling opportunity in long dated Treasury prices on or around February 27th, as yields bottom for the month, with a strategy of covering the position during acute March-April yield strength.

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

The green bar on the chart at upper right on the previous page shows that February is the 3rd seasonally strongest month of the year in the yield of the 5-Year Treasury Note based on data since 1962. It represents a strong one-month seasonal rebound from January, the 3rd weakest month, and precedes more seasonal strength in March and April, the 5th and 1st strongest months.

The height of the green bar indicates that, on average since 1962, **5-Year Treasury yields have risen by 1.24% in February**. The red line shows that, also on average since 1962, **these yields have posted a positive February close 62% of the time**, which is the highest incidence of a positive close for any month during this period.

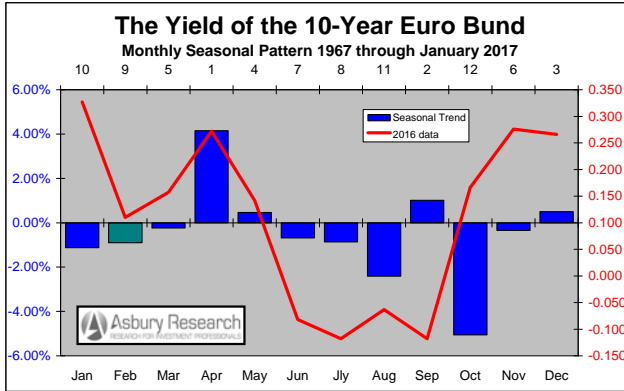
US 2-Year Yield **Monthly** Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that February is the 2nd seasonally strongest month of the year in the yield of the 2-Year Note based on data since 1977. Like the 5-Year, it represents a strong one-month seasonal recovery from a weak January, which is the 2nd weakest month of the year, that leads into more acute seasonal strength in March, the 3rd strongest month.

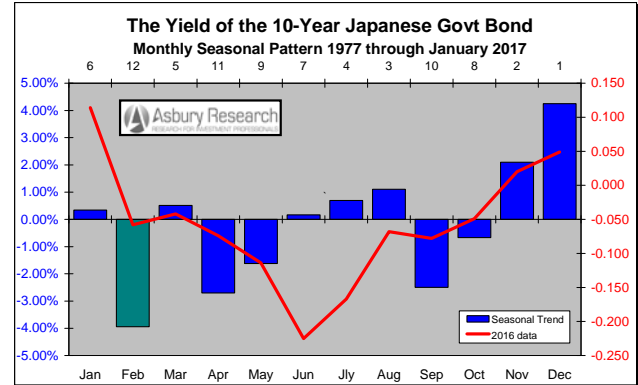
The height of the green bar indicates that, on average since 1977, **the yield of the 2-Year has risen by 2.81% in February**. The red line shows that, also on average since 1977, **these yields have posted a positive February close 58% of the time**, their second highest incidence of a positive close for any month during this period.



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 February as the 9th seasonally strongest or 4th weakest month of the year for the yield of the 10-Year Euro (formerly German) Bund based on data since 1967. It represents an essentially lateral one-month seasonal move from January, the 3rd weakest month, but leads into three months of seasonal strength in March, April and May with April being, by far, the strongest month of the year.

The depth of the green bar indicates that, on average since 1967, **Bund yields have declined by 0.90% in February**. The red line plots these yields' monthly closing levels during 2016.

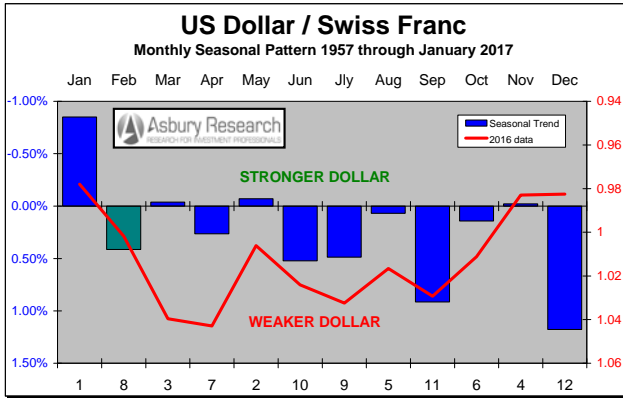
Japanese Government Bond 10-Year Yield Monthly Seasonal Pattern Since 1977

The green bar in the chart above highlights February as the seasonally weakest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) based on data since 1977. It represents the second of a six-month period of overall seasonal weakness that runs through June and includes three of the four weakest months of the year.

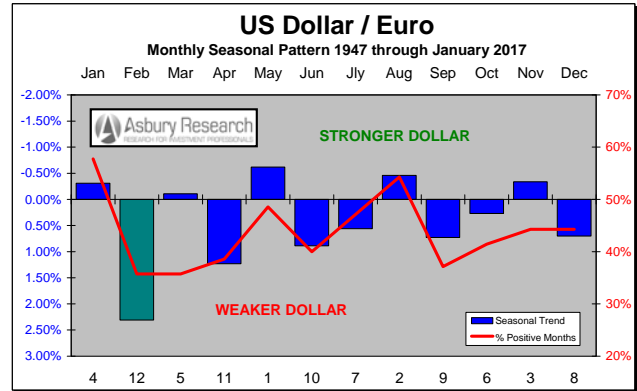
The depth of the green bar indicates that, on average since 1977, **10-year JGB yields have declined by 3.94% in February**. The red line plots these Japanese yields' monthly closing levels during 2016.



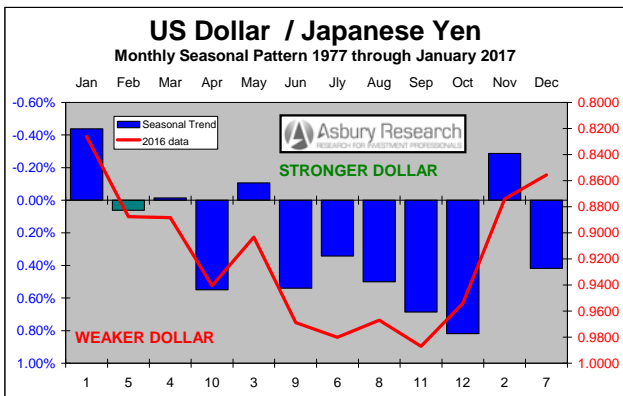
Global Foreign Exchange Rates



US Dollar / Swiss franc



US Dollar / Euro



US Dollar / Japanese yen

Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of February in the US Dollar versus Europe and Japan, as well as the greenback’s seasonal trend deeper into the 1st Quarter. 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 2016.

Although the Dollar is one of the least seasonally-influenced assets we track, this time of the year does show a clear pattern of acute

January strength, strong February weakness, then a March recovery versus Europe.

USDCHF Monthly Seasonal Pattern Since 1957

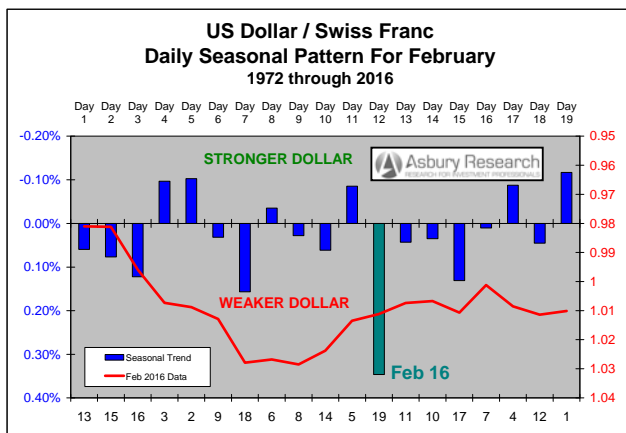
The green bar on the chart at upper left highlights February as the 8th seasonally strongest or 5th weakest month of the year for the US Dollar versus the Swiss franc based on data since 1957. It represents a sharp one-month decline from January, which is, by far, the strongest month of the year, but leads into a rebound in March, the 3rd strongest month.



The depth of the green bar shows that, on average since 1957, the **US Dollar has underperformed the franc by 0.41% in February**. The red line plots USDCHF's monthly closing levels in 2016.

USDCHF Daily Seasonal Pattern For February Since 1972

The 19 columns in the next chart display the daily seasonal pattern in Dollar/Swiss, based on its average daily percent change during the month of February since 1972. The red line plots the daily closing quotes in USDCHF during February 2016.



The green bar shows that the **Dollar seasonally bottoms for the month versus the franc on Day 12 or February 16th**.

Investment Implications & Strategy

These monthly and daily data suggest a potential near term buying opportunity in USDCHF, on weakness, on or around February 16th with a strategy of closing out the position during March seasonal strength.

USDEUR Monthly Seasonal Pattern Since 1947

The green bar on the chart at upper right on the previous page highlights February as being, by far, the seasonally weakest month of the year for the US Dollar versus the euro (formerly German Mark) based on data since 1947. Like USCHF, February represents a sharp one-month seasonal decline from a strong January that leads into a March rebound.

The depth of the green bar shows that, on average since 1947, the **US Dollar has underperformed the euro by 2.31% in February**. The red line shows that, also on average since 1977, **USDEUR has posted a negative February close 64% of the time**, its highest incidence of a negative close for any month during this period.

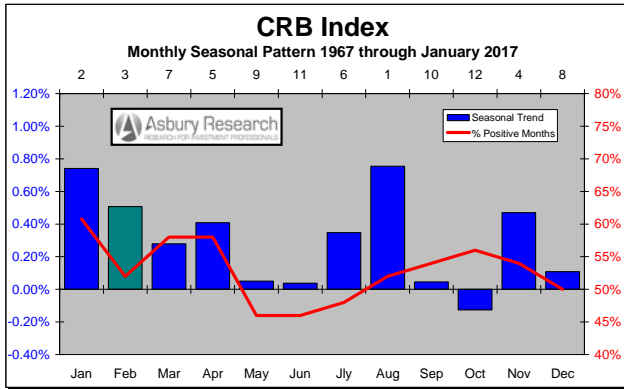
USDJPY Monthly Seasonal Pattern Since 1977

The green bar in the chart at lower left on the previous page identifies February as the 5th seasonally strongest month of the year for the US Dollar versus the Japanese yen based on data since 1977. It represents the beginning of a gradual three-month decline from January, the strongest month of the year, that culminates in April, the greenback's 3rd weakest month of the year.

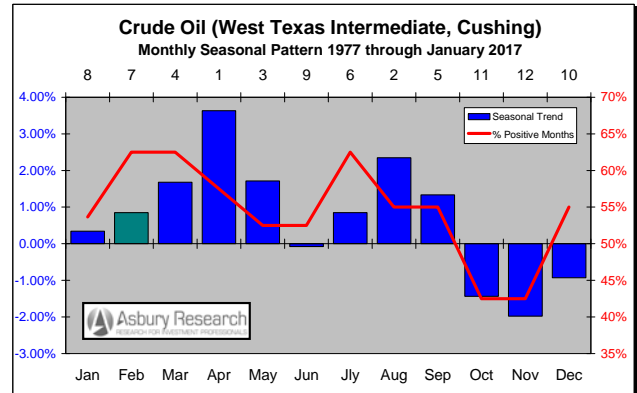
The depth of the green bar shows that, on average since 1977, the **US Dollar has underperformed the yen by 0.06 in February**. The red line, which plots the monthly closing levels in USDJPY during 2016, shows that the US currency closely tracked its long term seasonal trend versus Japan last year.



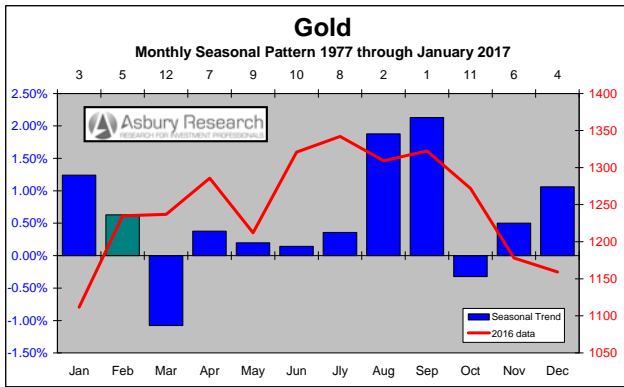
Commodity Prices



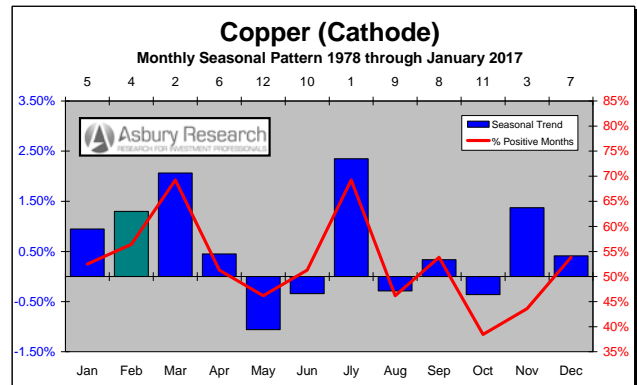
CRB Index



Crude Oil (West Texas Intermediate)



Gold



Copper

Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of February in three key commodity prices and one broad commodity index, plus their larger seasonal patterns through the 1st Half of the 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 2016.

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 February is the 3rd seasonally strongest



month of the year in the CRB Index based on data since 1967. It represents the second of a two-month period of seasonal strength (January is the 2nd strongest month) that leads into a sustained period of seasonal weakness that runs through June, the 5th strongest month.

The height of the green bar on the chart indicates that, on average since 1967, the **CRB has risen by 0.51% in February**. The red line shows that, also on average since 1967, the CRB has posted a positive February close 52% of the time.

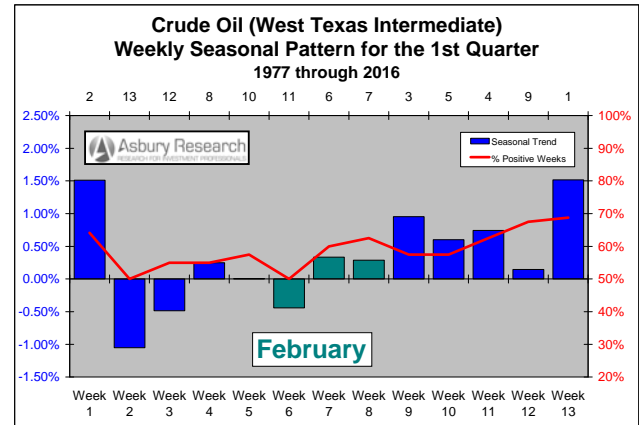
Crude Oil Monthly Seasonal Pattern Since 1977

The green bar on the chart at upper right on the previous page highlights February as the 7th seasonally strongest month of the year for West Texas Intermediate crude oil prices based on data since 1977. It represents a slight one-month seasonal improvement over January, the 8th strongest month, and leads into the 4th, 1st, and 3rd strongest months of the year in March, April and May.

The height of the green bar indicates that, on average since 1977, **crude oil prices have risen by 0.85% in February**. The red line shows that, also on average since 1967, crude oil posted a positive February close 63% of the time which, along with March and July, is its highest incidence of a positive close for any month during this period.

Crude Oil Weekly Seasonal Pattern For Q1 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 February highlighted in green. The chart shows that the first two weeks of February are the 4th and 3rd weakest of the 1st Quarter, after which oil prices seasonally rebound into the first week of March, which is the 3rd strongest week of the quarter.



Investment Implications & Strategy

Combined, these monthly and weekly data suggest a potential near to intermediate term buying opportunity, on weakness, during the first two weeks of February with a strategy of closing out the position during April, which is the seasonally strongest month of the year.

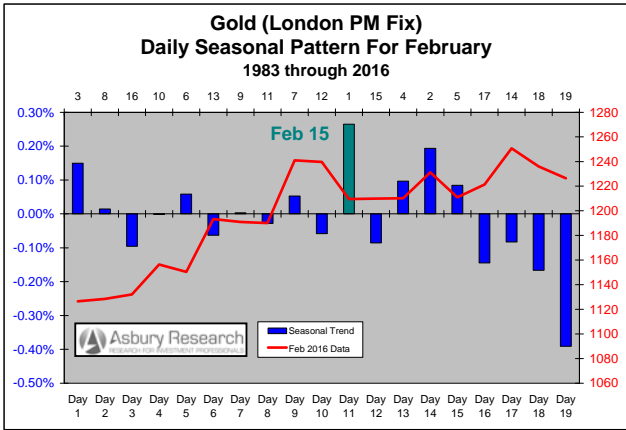
Gold Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that February is the 5th seasonally strongest month of the year for gold prices based on data since 1977. It represents a modest one-month seasonal decline from January, the 3rd strongest month, and leads into the weakest month of the year, March, after which gold prices remain seasonally weak through July, the 8th strongest month.

The height of the green bar indicates that, on average since 1977, **gold prices have risen by 0.63% in February**. The red line plots gold prices' monthly closing levels during 2016.



Gold Daily Seasonal Pattern For February Since 1982



The 19 columns on the chart above display the daily seasonal pattern in gold prices, based on the average daily percent change during the month of February since 1983. The red line plots the daily closing prices during February 2016. The green column shows that gold prices historically peak for the month on Day 11 or February 15th.

Investment Implications & Strategy

Combined, these monthly and daily data suggest a potential near to intermediate term selling opportunity on strength on or around February 15th with a strategy of either closing out the position during acute seasonal weakness in March or holding it into June.

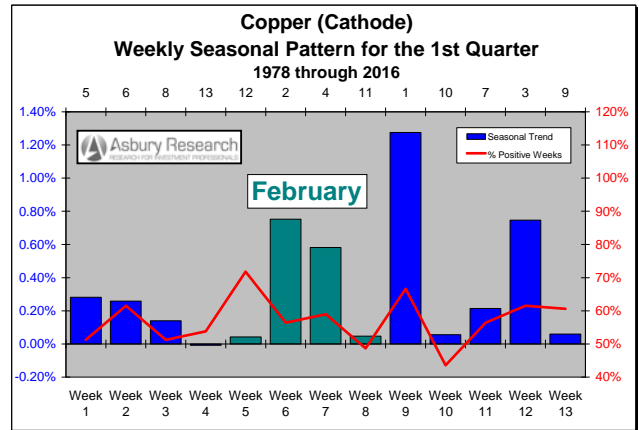
Copper Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower right on Page 10 highlights February as the 4th seasonally strongest month of the year for copper cathode (mined copper ore) prices based on data since 1977. It represents a slight one-month seasonal improvement over January, the 5th strongest month, and leads into the 2nd strongest month of the year, March, before prices collapse into their May annual lows.

The height of the green bar indicates that, on average since 1977, copper prices have risen by 1.30% in February. The red line shows that, also on average since 1978, copper prices have posted a positive February close 56% of the time.

Copper Weekly Seasonal Pattern For Q1 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 February highlighted in green. The chart shows that the first and last weeks of February are the 2nd and 3rd weakest of the 1st Quarter, and that the middle two weeks of February are the 2nd and 4th strongest of the quarter.



Investment Implications & Strategy

Combined, these monthly and quarterly data suggest a potential near term buying opportunity, on weakness, during the first and the final weeks of February with a strategy of closing out the position during March seasonal strength. March is the 2nd strongest month of the year.

Copyright © 2005-2017 Asbury Research LLC. All rights reserved. This material is for your private information, and we are not soliciting any action based upon it. This material should not be redistributed or replicated in any form without prior consent of Asbury Research LLC. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such.