

# Global Seasonal Analysis

## *Seasonal Trends In Global Financial Markets*

### May 2017

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May 9<sup>th</sup>, 2017

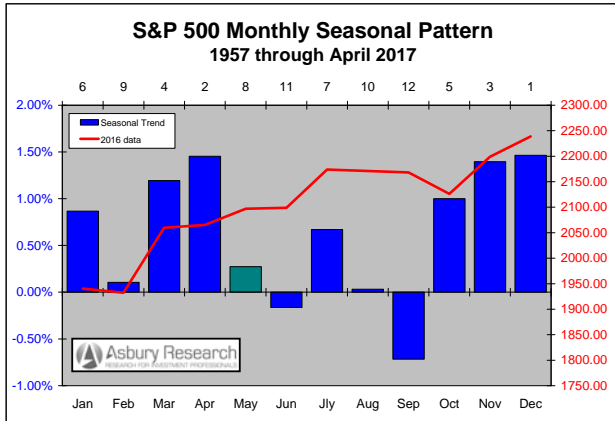
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## Executive Summary

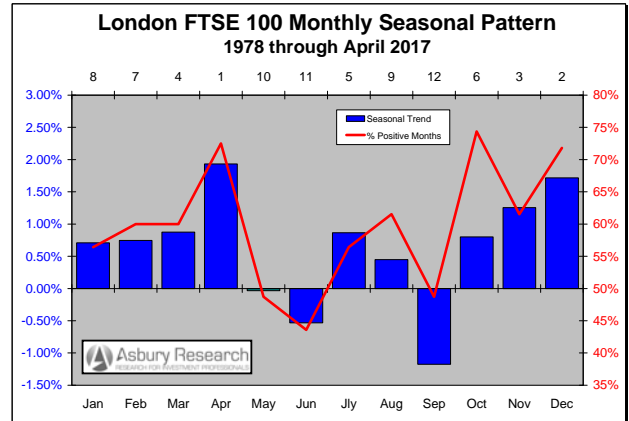
- **Global Equity Prices: NEAR TERM, INTERMEDIATE TERM NEGATIVE.** May represents the beginning of the “sell in May and go away” syndrome that runs through September in global stock indexes, which actually *did not* materialize last year.
- **US Interest Rates: NEAR TERM, INTERMEDIATE TERM NEGATIVE.** May represents a one-month decline from April in the 10-, 5-, and 2-Year maturities, especially in the 10- and 5-Year as April is the strongest month of the year in these, and kicks of a sustained period of increasing weakness that culminates in August and September.
- **UK Interest Rates: NEAR TERM, INTERMEDIATE TERM NEGATIVE.** May, the 4<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 a one-month seasonal decline from April, which is by far the strongest month of the year, and leads into a sustained and mostly-escalating decline into October.
- **Japanese Interest Rates: NEAR TERM, INTERMEDIATE TERM POSITIVE.** May, the 4<sup>th</sup> weakest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) based on data since 1977, represents a one-month improvement over April, and 2<sup>nd</sup> weakest month, and precedes a modest three-month rebound into August, the 4<sup>th</sup> strongest month.
- **The US Dollar: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** Common to the Dollar versus both Europe and Japan is that May represents a one-month rebound from a weak April, which immediately leads into more Dollar weakness through at least July.
- **Commodities: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** Common to the CRB Index and to crude oil, gold, and copper prices is that May/June weakness precedes a strong rally into the July-August-September period.



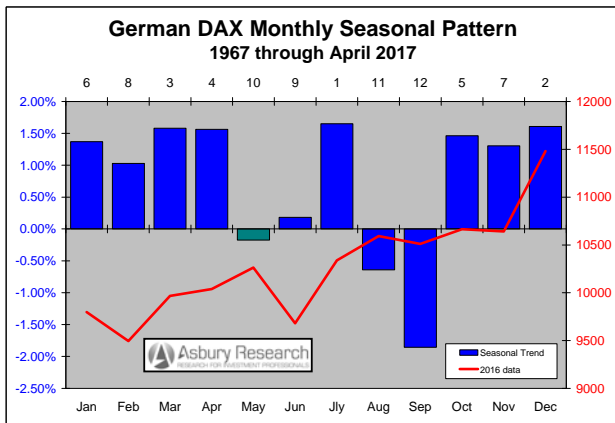
## Global Equity Prices



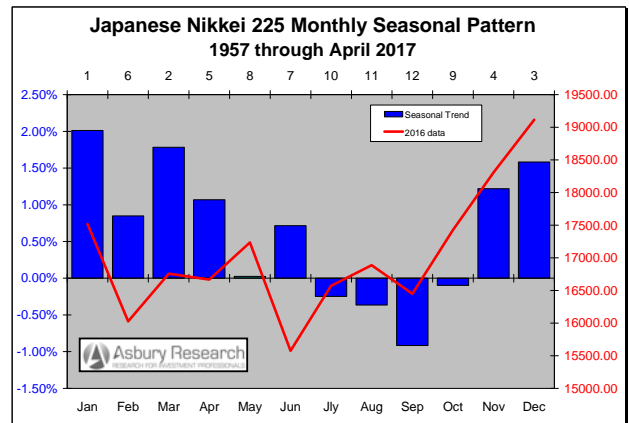
United States: S&P 500 Index



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 May in four major world stock indexes, plus their larger seasonal patterns through the 3<sup>rd</sup> Quarter. 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.

May represents the beginning of the “sell in May and go away” syndrome in global stock

indexes, which actually *did not* materialize last year.

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

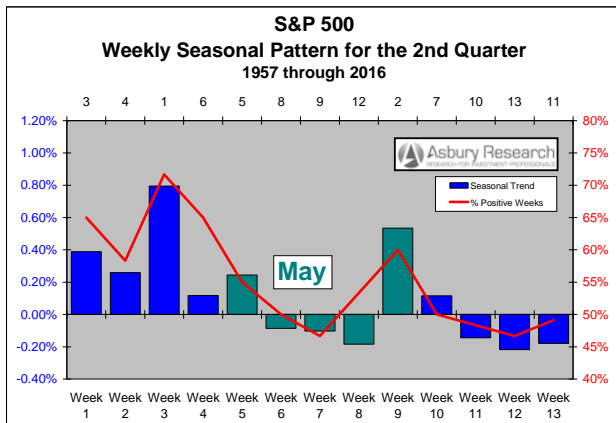
In the S&P 500 Index (SPX, chart at upper left), the green bar highlights May as the 8<sup>th</sup> seasonally strongest or 5<sup>th</sup> weakest month of the year based on data since 1957. It represents a strong one-month decline from April, the 2<sup>nd</sup> strongest month, and leads into the 2<sup>nd</sup> weakest month of the year, June.



The height of the green bar on the chart indicates that, on average since 1957, the **S&P 500 has closed 0.27% higher in May**. The red line, which plots SPX's monthly closing levels during 2016, shows that the broad market index actually bottomed in January and February last year.

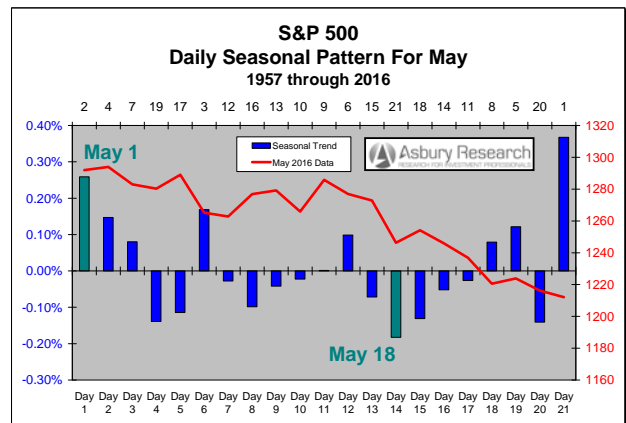
**S&P 500 Weekly Seasonal Pattern For Q2 Since 1957**

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 May in green. The chart shows that **the fourth week of May (the week of May 22<sup>nd</sup>) is the 2<sup>nd</sup> seasonally weakest of the entire 2<sup>nd</sup> Quarter, and that the final week of May (the week of May 29<sup>th</sup>) is the 2<sup>nd</sup> strongest of the quarter.**



**S&P 500 Daily Seasonal Pattern For May Since 1957**

The next chart 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 May since 1957. The chart shows that **the first and last days of May are the 2<sup>nd</sup> and 1<sup>st</sup> seasonally strongest of the month, and that Day 14, which is May 18<sup>th</sup>, is the weakest day of the month.**



**Investment Implications & Strategy**

These monthly, weekly and daily charts collectively suggest a near term selling opportunity, on strength, on or around May 1<sup>st</sup> and/or May 31<sup>st</sup>, with a strategy of covering the position during acute June weakness.



### London FTSE 100 Monthly Seasonal Pattern Since 1978

In the London FTSE 100 Index (chart at upper right on Page 2), the barely visible green bar highlights May as the 10<sup>th</sup> seasonally strongest or 3<sup>rd</sup> weakest month of the year based on data since 1978. It represents a sharp one-month decline from April, the strongest month of the year, and leads into more acute weakness in June, the 2<sup>nd</sup> weakest month.

The height of the green indicates that, on average since 1978, **the FTSE has declined by 0.03% in May**. The red line shows that, also on average since 1978, **FTSE has posted a negative May close 51% of the time** which, along with September, is its second highest incidence of a negative close for any month during this period.

### German DAX Monthly Seasonal Pattern Since 1967

The green bar in the chart at lower left on Page 2 shows that May is also the 10<sup>th</sup> seasonally strongest or 3<sup>rd</sup> weakest month of the year in the DAX, based on data since 1967. It is followed by another weak month in June, the 9<sup>th</sup> strongest month, before the strongest month of the year emerges in July.

The depth of the green bar indicates that, on average since 1967, **the DAX has closed 0.18% lower in May**. The red line plots the DAX's monthly closing levels during 2016.

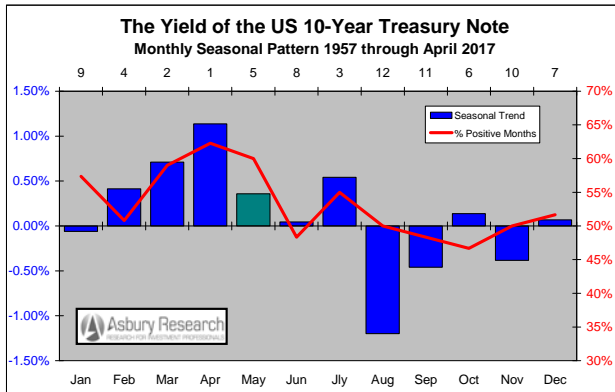
### Japanese Nikkei 225 Monthly Seasonal Pattern Since 1957

The barely visible green bar on the chart at lower right on Page 2 highlights May as the 8<sup>th</sup> seasonally strongest or 5<sup>th</sup> weakest month of the year in the Japanese Nikkei 225 Index based on data since 1957. It represents the beginning of a gradual seasonal decline into the weakest month of the year, September.

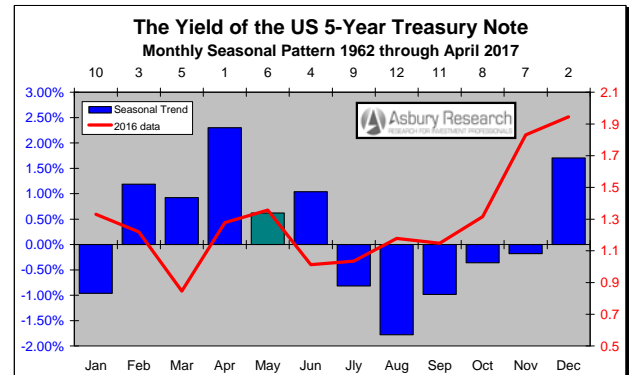
The height of the green bar indicates that, on average since 1957, **the Nikkei 225 has risen by just 0.03% in May**. The red line plots the Japanese index's monthly closing levels during 2016.



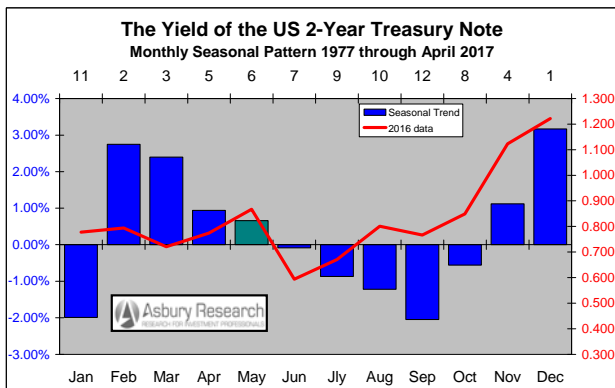
## Global Interest Rates (United States)



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 May in the yield of the **US 10-, 5-, and 2-Year Treasury Note**, as well as their broader seasonal trends into the 3<sup>rd</sup> 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.

May represents a one-month decline from April in all three maturities, especially in the 10- and

5-Year as April is the strongest month of the year in these, and kicks of a sustained period of increasing weakness that culminates in August and September.

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

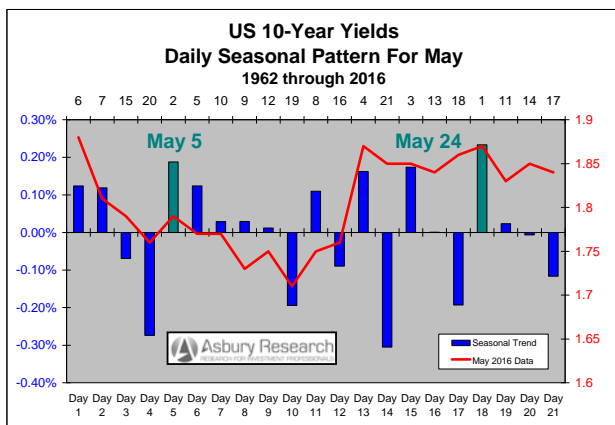
The green bar in the chart at upper left highlights May as the 5<sup>th</sup> seasonally strongest month of the year in the yield of the US 10-Year Treasury Note based on data since 1957. It represents a significant one-month decline from April, the strongest month of the year, and



leads into more acute weakness in June, the 8<sup>th</sup> strongest month.

The height of the green bar indicates that, on average since 1957, **the yield of the 10-Year has risen by 0.36% in May**. The red line shows that, also on average since 1962, **these yields have posted a positive May close 60% of the time**, their second highest incidence of a positive close (after April) for any month during this period.

### US 10-Year Yield Daily Seasonal Pattern For May 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 May since 1962. The green column shows that **these yields seasonally peak for the month on Days 5 and 18, which are May 5<sup>th</sup> and 24<sup>th</sup> this year**.

### Investment Implications & Strategy

These monthly and daily charts collectively suggest a potential near term buying opportunity in long dated Treasury *prices*, on weakness on or around May 5<sup>th</sup> and 24<sup>th</sup> as yields peak for the month, with a strategy of closing out the position during June yield weakness.

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

The green bar on the chart at upper right on the previous page shows that May is the 6<sup>th</sup> seasonally strongest month of the year in the yield of the 5-Year Treasury Note, based on data since 1962. Unlike the 10-Year, May precedes a modest one-month rebound in June, the 4<sup>th</sup> strongest month, before five more months of seasonal weakness emerge from July through November.

The height of the green bar indicates that, on average since 1962, **5-Year Treasury yields have risen by 0.62% in May**. The red line plots these yields' monthly closing levels during 2016.

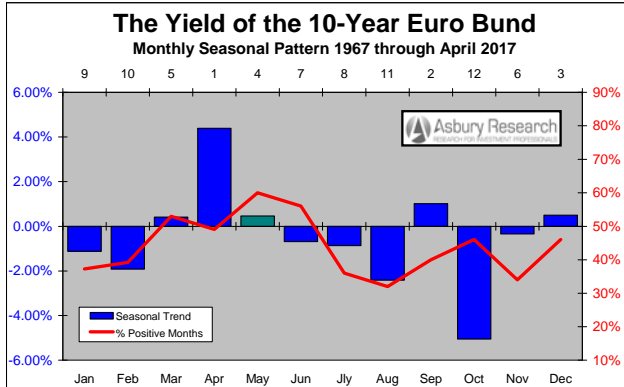
### US 2-Year Yield Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that, like the 5-Year, May is also the 6<sup>th</sup> seasonally strongest month of the year in the yield of the 2-Year Note, based on data since 1977. Unlike the 5- and 10-Year maturities, however, May represents a more modest seasonal decline from April, the 5<sup>th</sup> strongest month, before the seasonal decline escalates between June and October.

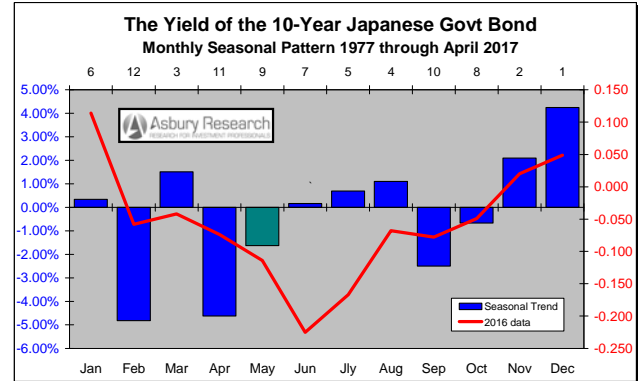
The height of the green bar indicates that, on average since 1977, **the yield of the 2-Year has risen by 0.66% in May**. The red line plots the monthly closing levels in these yields during 2016, showing that they loosely tracked their long term seasonal pattern last year.



## 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 May as the 4<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 a one-month seasonal decline from April, which is by far the strongest month of the year, and leads into a sustained and mostly-escalating decline into October, the weakest month of the year.

The height of the green bar indicates that, on average since 1967, **Bund yields have risen by 0.46% in May**. The red line shows that, also on average since 1967, these yields have posted a positive monthly close 60% of the time, their highest incidence of a positive close for any month during this period.

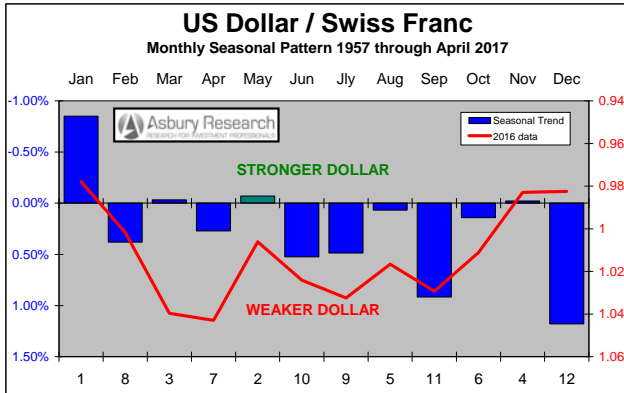
### Japanese Government Bond 10-Year Yield Monthly Seasonal Pattern Since 1977

The green bar in the chart above highlights May as the 9<sup>th</sup> seasonally strongest or 4<sup>th</sup> weakest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) based on data since 1977. It represents a one-month improvement over April, and 2<sup>nd</sup> weakest month, and precedes a modest three-month rebound into August, the 4<sup>th</sup> strongest month.

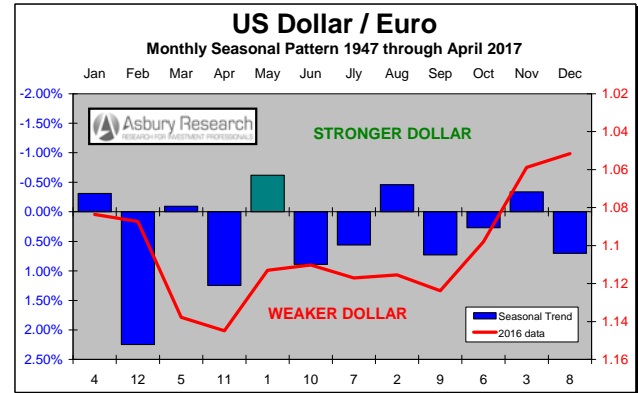
The depth of the green bar indicates that, on average since 1977, **10-year JGB yields have declined by 1.63% in May**. The red line plots the these yields' monthly closing levels during 2016.



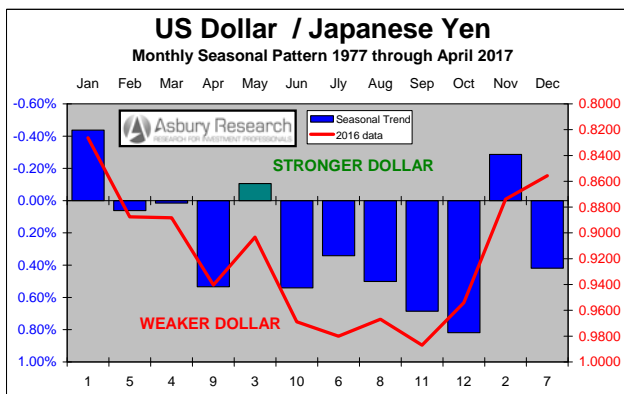
## Global Foreign Exchange Rates



US Dollar / Swiss franc



US Dollar / Euro



US Dollar / Japanese yen

### Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of May in the US Dollar versus Europe and Japan, as well as the greenback's seasonal trend into the 4<sup>th</sup> Quarter. The red lines plot either 1) the percentage of positive monthly closes by the US currency during the period displayed or 2) its actual monthly closing levels during 2016.

Common to the Dollar versus both Europe and Japan is that May represents a one-month rebound from a weak April that immediately leads into more Dollar weakness through at least July.

### USDCHF Monthly Seasonal Pattern Since 1957

The short green bar in the chart at upper left highlights May as the 2<sup>nd</sup> seasonally strongest month of the year for the US Dollar versus the Swiss franc based on data since 1957. It represents a one-month seasonal rebound from April, the 7<sup>th</sup> strongest month, but leads into more weakness in June and July, the 3<sup>rd</sup> and 4<sup>th</sup> weakest months.

The height of the green bar shows that, on average since 1957, the **US Dollar has outperformed the franc by 0.07% in May**. The

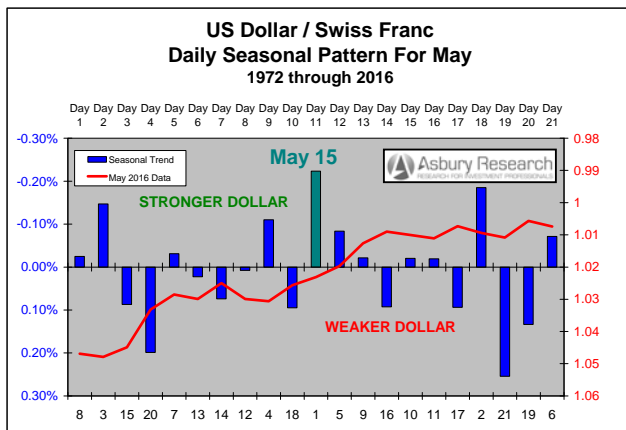




red line plots the monthly closing levels in USDCHF during 2016.

### USDCHF Daily Seasonal Pattern For May 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 May, since 1972. The red line plots the daily closing levels in USDCHF during May 2016.



The green bar shows that **the Dollar seasonally peaks for the month versus the franc on Day 11 or May 15<sup>th</sup>**.

### Investment Implications & Strategy

These monthly and daily data suggest a potential near to intermediate term selling opportunity in USDCHF, on strength, on or around May 15<sup>th</sup>, with a strategy of covering the position either during June seasonal weakness or holding it into year end as December is the greenback's weakest month of the year.

### USDEUR Monthly Seasonal Pattern Since 1947

The green bar on the chart at upper right on the previous page highlights May as being the seasonally strongest month of the year for the US Dollar versus the euro (formerly German Mark) based on data since 1947. It represents a sharp one-month seasonal recovery from April, the 2<sup>nd</sup> weakest month, but immediately precedes the 3<sup>rd</sup> weakest month of the year, June.

The height of the green bar shows that, on average since 1947, the **US Dollar has outperformed the euro by 0.62% in May**. The red line plots USDEUR's monthly closing levels during 2016.

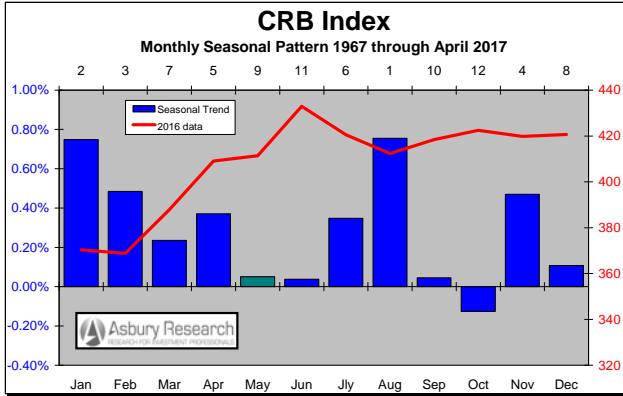
### USDJPY Monthly Seasonal Pattern Since 1977

The green bar in the chart at lower left on the previous page identifies May as the 3<sup>rd</sup> seasonally strongest month of the year for the US Dollar versus the Japanese yen based on data since 1977. It represents a one-month island of seasonal strength sandwiched in between the 4<sup>th</sup> and 3<sup>rd</sup> weakest months of the year in April and June, the latter which kicks off a sustained period of escalating seasonal weakness that runs through October, USDJPY's weakest month of the year.

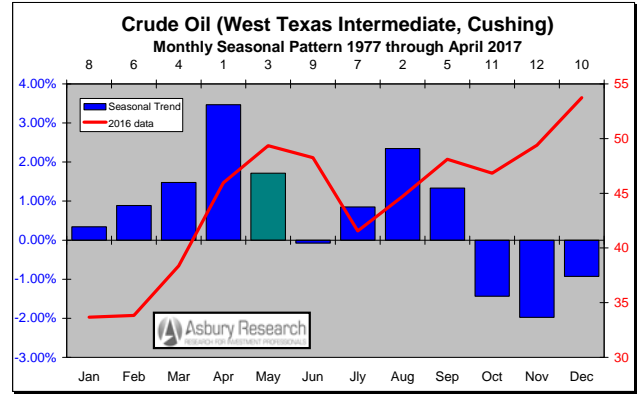
The height of the green bar shows that, **on average since 1977, the US Dollar has outperformed the yen by 0.11 in May**. The red line, which plots the monthly closing levels in USDJPY during 2016, shows that the US currency closely tracked its long term seasonal trend versus Japan last year.



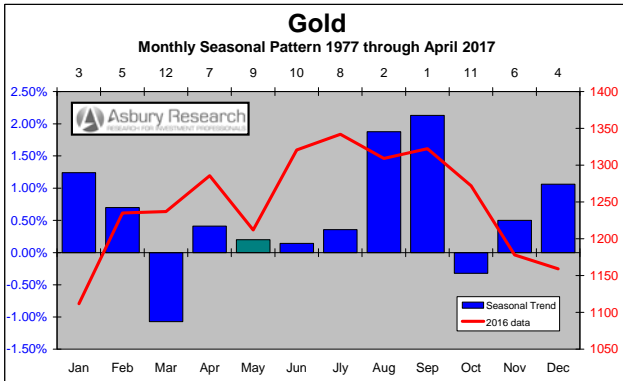
## Commodity Prices



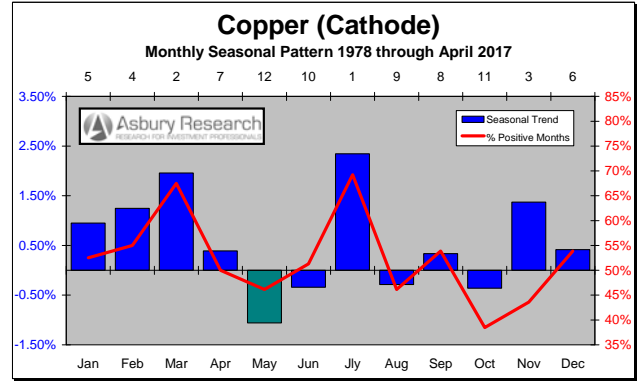
CRB Index



Crude Oil (West Texas Intermediate)



Gold



Copper

### Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of May in three key commodity prices and one broad commodity index, plus their larger seasonal patterns into the 3<sup>rd</sup> Quarter. 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.

Common to all is that May/June weakness precedes a strong rally into the July-August-September period.

### 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 short green bar in the chart at upper left shows that May is the 9<sup>th</sup> seasonally strongest or



4<sup>th</sup> weakest month of the year in the CRB Index based on data since 1967. It represents the first of two months of seasonal weakness that eventually leads into the strongest month of the year in August.

The height of the green bar on the chart indicates that, on average since 1967, the **CRB has risen by 0.05% in May**. The red line plots the CRB's monthly closing levels during 2016.

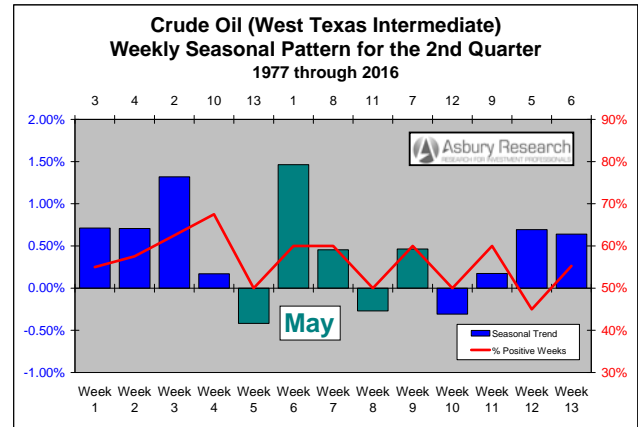
### Crude Oil Monthly Seasonal Pattern Since 1977

The green bar on the chart at upper right on the previous page highlights May as the 3<sup>rd</sup> seasonally strongest month of the year for West Texas Intermediate crude oil prices based on data since 1977. It represents the end of a three-month period of seasonal strength that begins in March and leads into the 4<sup>th</sup> weakest month of the year in June, after which prices historically rebound into August and September.

The height of the green bar indicates that, on average since 1977, **crude oil prices have risen by 1.71% in May**. The red line plots WTI crude oil prices' monthly closing levels during 2016.

### Crude Oil Weekly Seasonal Pattern For Q2 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 May highlighted in green. The chart shows that May is a very choppy month for oil prices as the first week of the month (the week of May 1<sup>st</sup>) is the weakest of the entire 2<sup>nd</sup> Quarter, and the second week of the month is the strongest of the quarter.



### Investment Implications & Strategy

Combined, these monthly and weekly data suggest a potential near term selling opportunity, on strength, during the week of May 8<sup>th</sup> (the 2<sup>nd</sup> week of May) with a strategy of covering the position on weakness during June, which is the 4<sup>th</sup> weakest month of the year.

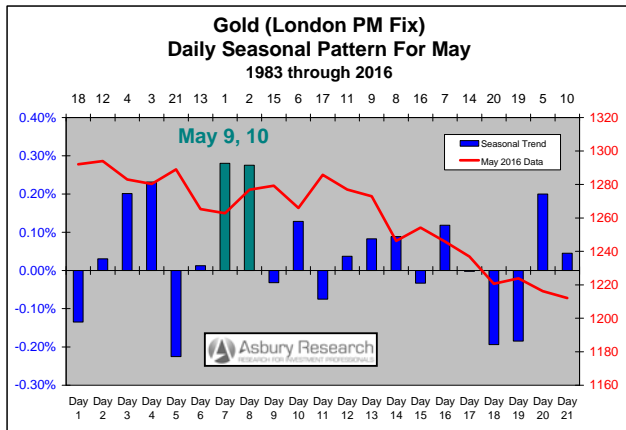
### Gold Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that May is the 9<sup>th</sup> seasonally strongest or 4<sup>th</sup> weakest month of the year for gold prices based on data since 1977. It leads into more seasonal weakness in June and July, the 3<sup>rd</sup> and 5<sup>th</sup> weakest months, before the two strongest months of the year emerge in August and September.

The height of the green bar indicates that, on average since 1977, **gold prices have risen by 0.20% in May**. The red line plots gold prices' monthly closing levels during 2016.



## Gold Daily Seasonal Pattern For May 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 May, since 1983. The red line plots the daily closing prices during May 2016. The green column shows that **gold prices historically peak for the month on Days 7 and 8, which are May 9<sup>th</sup> and 10<sup>th</sup>.**

### Investment Implications & Strategy

Combined, these monthly and daily data suggest a potential near term selling opportunity on strength on or around May 9<sup>th</sup> and 10<sup>th</sup> with a strategy of covering the position during June weakness.

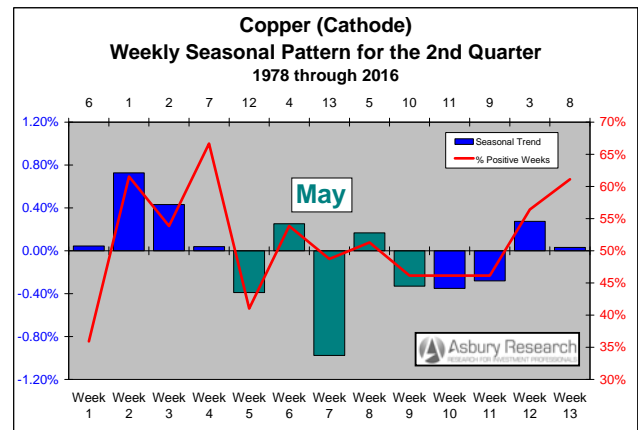
### Copper Monthly Seasonal Pattern Since 1978

The green bar on the chart at lower right on Page 10 highlights May as the seasonally weakest month of the year for copper cathode (mined copper ore) prices based on data since 1978. It represents the second month of a sustained period of seasonal weakness that runs through October, interrupted by just one month of acute seasonal strength in July which is the strongest month of the year.

The depth of the green bar indicates that, on average since 1978, **copper prices have declined by 1.06% in May**. The red line shows that, also on average since 1978, copper prices have posted a negative May close 54% of the time.

### Copper Weekly Seasonal Pattern For Q2 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 May highlighted in green. The chart shows that **the third week of May, which is the week of May 15<sup>th</sup>, is by far the weakest of the entire 2<sup>nd</sup> Quarter.**



### Investment Implications & Strategy

Combined, these monthly and quarterly data suggest a potential near to intermediate term buying opportunity, on weakness, during the week of May 15<sup>th</sup> with a strategy of closing out the position during acute July strength.

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