

Global Seasonal Analysis

Seasonal Trends In Global Financial Markets

July 2017

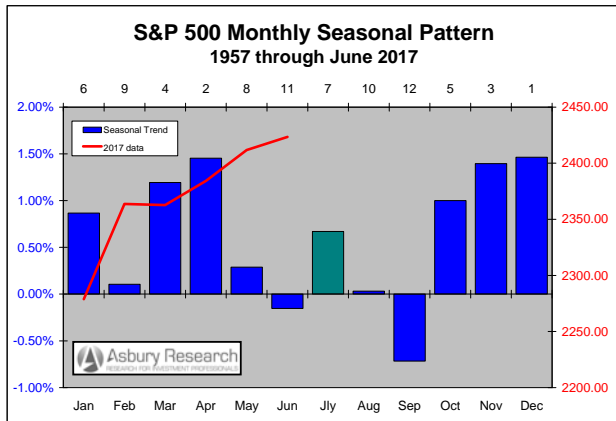
John J. Kosar, CMT
July 7th, 2017

Executive Summary

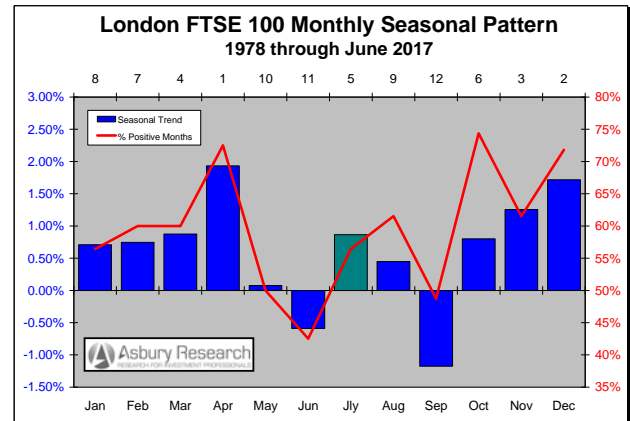
- **Global Equity Prices: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** Common to the US and European indexes is that July represents a one-month rebound from a weak June that eventually leads into the seasonally weakest month of the year, September, in these indexes plus Japan.
- **US Interest Rates: NEAR TERM, INTERMEDIATE TERM NEGATIVE.** Common to 10-, 5-, and 2-Year Treasury yields is three months of upcoming acute seasonal weakness between August and October.
- **UK Interest Rates: NEAR TERM, INTERMEDIATE TERM NEGATIVE.** July, the 5th seasonally weakest month of the year for the yield of the 10-Year Euro (formerly German) Bund, represents a one-month seasonal decline from June that leads into more acute weakness in August and October, which are the 2nd and 1st weakest months of the year.
- **Japanese Interest Rates: NEAR TERM, INTERMEDIATE TERM NEGATIVE.** July, the 7th seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB), represents the beginning of a four-month period of sustained seasonal weakness that runs through October.
- **The US Dollar: NEAR TERM, INTERMEDIATE TERM NEGATIVE.** July represents the second month of a sustained period of generally escalating seasonal weakness in the US currency versus both Europe and Japan that, with just a few minor interruptions, extends into year end.
- **Commodities: NEAR TERM, INTERMEDIATE TERM POSITIVE.** In the CRB Index, and in crude oil, gold, and copper prices, July represents a one month seasonal improvement over a weak June, which leads into more acute seasonal strength during the August-September period in the CRB, crude oil, and gold.



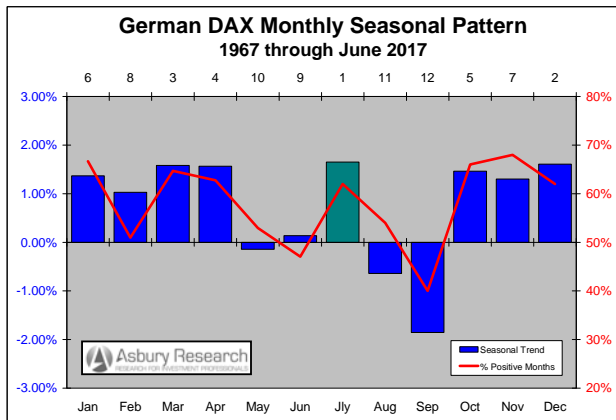
Global Equity Prices



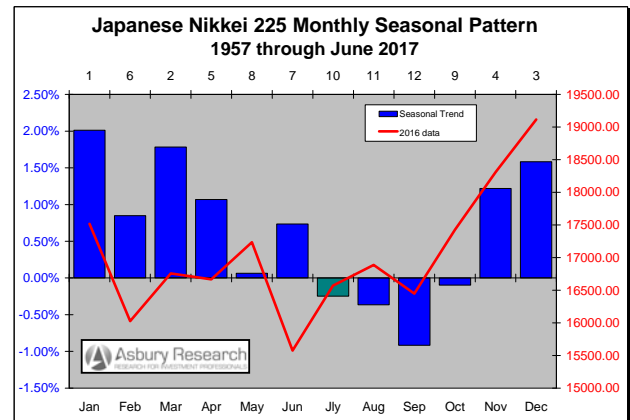
United States: S&P 500 Index



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 July in four major world stock indexes, plus their larger seasonal patterns through year end. 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 or thus far in 2017.

Common to the US and European indexes is that July represents a one-month rebound from a weak June that leads into the seasonally

weakest month of the year, September, in all four indexes.

S&P 500 Monthly Seasonal Pattern Since 1957

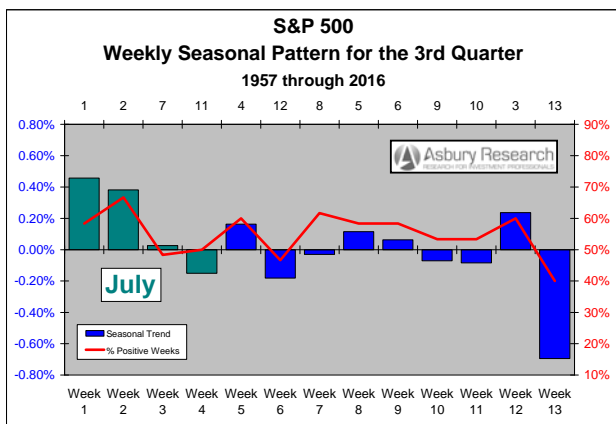
In the S&P 500 Index (SPX, chart at upper left), the green bar highlights July as the 7th seasonally strongest month of the year based on data since 1957. It represents a modest one-month rebound from June, the 2nd weakest month of the year, but leads into the 3rd and 1st weakest months in August and September.



The height of the green bar on the chart indicates that, on average since 1957, the **S&P 500 has closed 0.67% higher in July**. The red line plots SPX's monthly closing levels thus far in 2017.

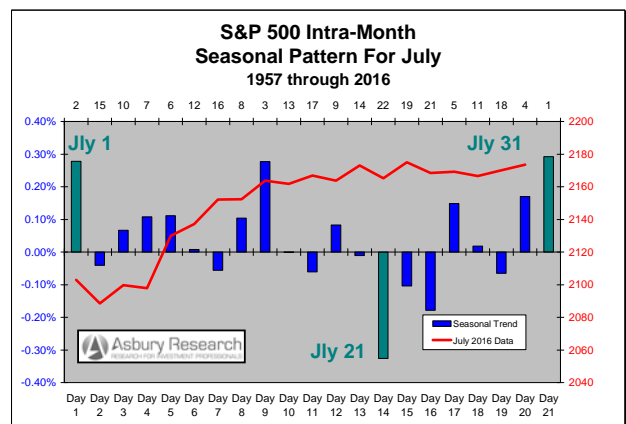
S&P 500 Weekly Seasonal Pattern For Q3 Since 1957

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 July in green. The chart shows that **the first two weeks of July are the 1st and 2nd strongest of the entire 3rd Quarter, after which the index gradually weakens into quarter end.**



S&P 500 Daily Seasonal Pattern For July 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 July since 1957. The green bars show that the first and final days of the month are the two seasonally strongest, and that Day 14 or July 21st is the weakest.



Investment Implications & Strategy

These monthly, weekly and daily charts collectively suggest a potential near to intermediate term selling opportunity in the S&P 500, on strength, during the first two weeks of July, with a strategy of covering the position during acute September weakness.



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 July as the 5th seasonally strongest month of the year based on data since 1978. Like the US market, July represents a modest one-month rebound from June, which in this case is the 2nd weakest month of the year, June, but leads into more acute weakness in August and September.

The height of the green bar on the chart indicates that, on average since 1978, **the FTSE has risen by 0.87% in July**. The red line shows that, also on average since 1978, **FTSE has posted a positive July close 56% of the time**.

German DAX Monthly Seasonal Pattern Since 1967

The green bar in the chart at lower left on Page 2 shows that July is the seasonally strongest month of the year in the DAX based on data since 1967. It represents a sharp one-month rebound sandwiched between the four seasonally weakest months of the year in May-June and in August-September.

The height of the green bar indicates that, on average since 1967, the **DAX has closed 1.65% higher in July**. The red line shows that, also on average since 1978, the **DAX has posted a positive July close 62% of the time**.

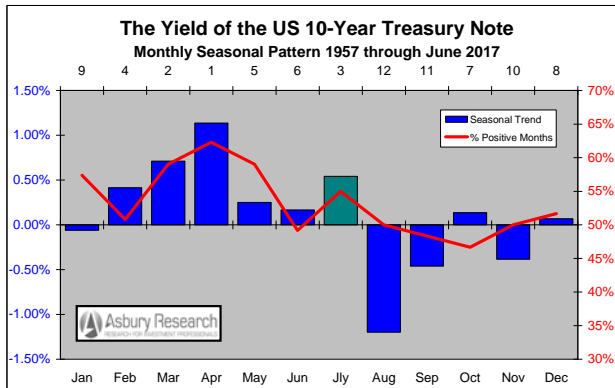
Japanese Nikkei 225 Monthly Seasonal Pattern Since 1957

The green bar on the chart at lower right on Page 2 highlights July as the 10th seasonally strongest or 3rd weakest month of the year in the Japanese Nikkei 225 Index based on data since 1957. It represents the first of a four-month period of sustained seasonal weakness that runs through October and includes the four weakest months of the year.

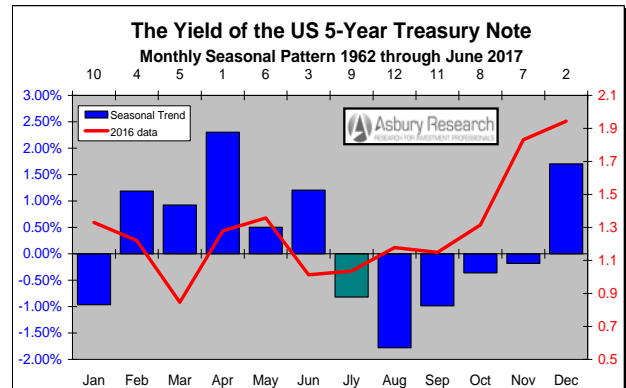
The depth of the green bar indicates that, on average since 1957, the **Nikkei 225 has declined by 0.25% in July**. The red line plots the Japanese index's monthly closing levels during 2016.



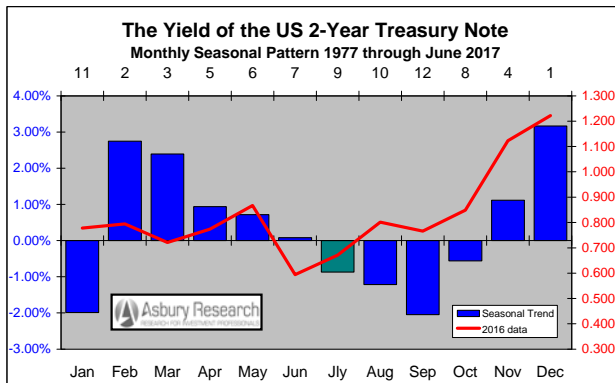
Global Interest Rates (United States)



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 July in the yield of the US 10-, 5-, and 2-Year Treasury Note, as well as their broader seasonal trends into the 4th 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 three months of upcoming acute seasonal weakness between August and October.

US 10-Year Yield Monthly Seasonal Pattern Since 1957

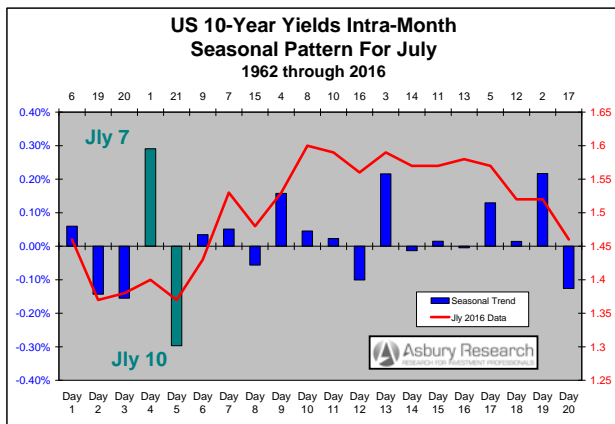
The green bar in the chart at upper left highlights July as the 3rd seasonally strongest month of the year in the yield of the US 10-Year Treasury Note based on data since 1957. It represents a modest one-month seasonal improvement over June, the 6th strongest month, but leads into the two seasonally



weakest months of the year in August and September.

The height of the green bar indicates that, on average since 1957, **the yield of the 10-Year has risen by 0.54% in July**. The red line shows that, also on average since 1957, **these yields have posted a positive July close 55% of the time**.

US 10-Year Yield Daily Seasonal Pattern For July Since 1962



The 20 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 July since 1962. The green column shows that **these yields seasonally peak for the month on Day 4 or July 7th, and bottom for the month on Day 5 or July 10th**.

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 July 7th as yields peak for the month, with a strategy of closing out the position during acute August *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 July is the 9th seasonally strongest or 4th weakest month of the year in the yield of the 5-Year Treasury Note based on data since 1962. It represents a sharp one-month seasonal decline from June, the 3rd strongest month, and the beginning of a five-month period of sustained yield weakness that runs through November and includes 5 of the 6 weakest months of the year.

The depth of the green bar indicates that, on average since 1962, **5-Year Treasury yields have declined by 0.82% in July**. The red line plots these yields' monthly closing levels during 2016.

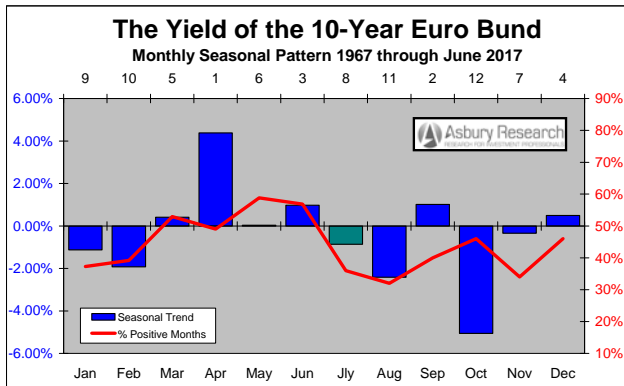
US 2-Year Yield Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that July is also the 9th seasonally strongest or 4th weakest month of the year in the yield of the 2-Year Note. It represents the second of a five-month period of sustained seasonal weakness that runs through October and, also like the 5-Year, includes 5 of the 6 weakest months of the year.

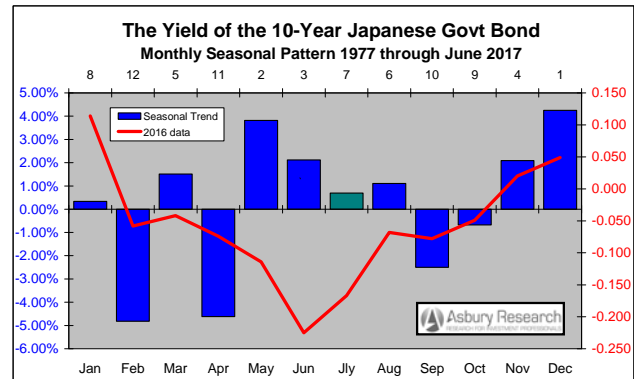
The depth of the green bar indicates that, on average since 1977, **the yield of the 2-Year has declined by 0.87% in July**. The red line plots the monthly closing levels in these yields during 2016, showing that they loosely tracked their long term seasonal pattern last year.



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 July as the 8th seasonally strongest or 5th weakest 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 June, the 3rd strongest month, and leads into more acute weakness in August and October, the 2nd and 1st weakest months of the year.

The depth of the green bar indicates that, on average since 1967, **Bund yields have declined by 0.86% in July**. The red line shows that, also on average since 1967, **Bund yields have posted a negative July close 64% of the time**.

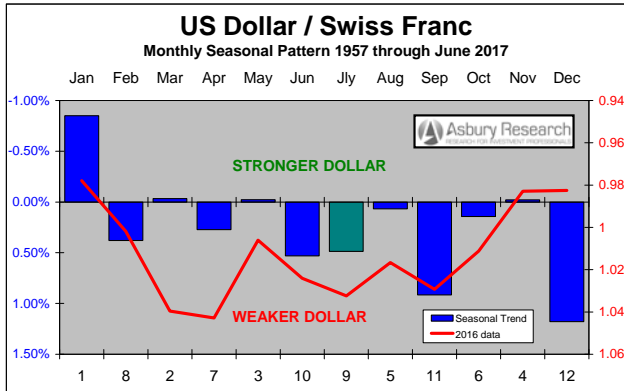
Japanese Government Bond 10-Year Yield Monthly Seasonal Pattern Since 1977

The green bar in the chart above highlights July as the 7th seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) based on data since 1977. It represents the beginning of a four-month period of seasonal weakness that runs through October and reaches its low point in September, the 3rd weakest month of the year.

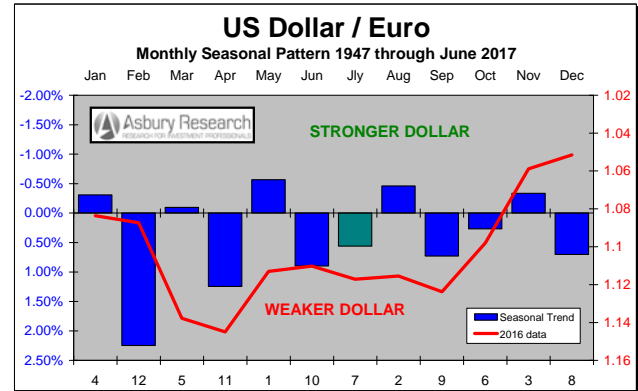
The height of the green bar indicates that, on average since 1977, **10-year JGB yields have risen by 0.69 in July**. The red line plots these yields' monthly closing levels during 2016.



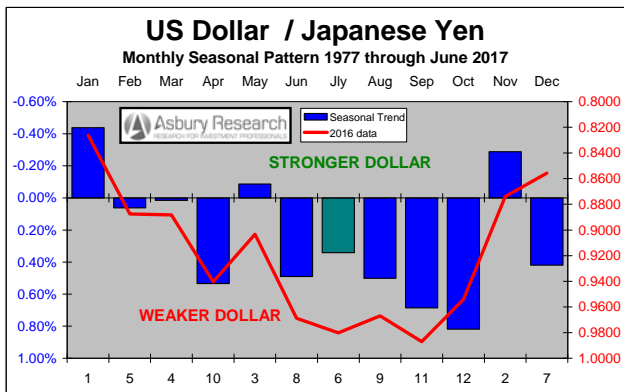
Global Foreign Exchange Rates



US Dollar / Swiss franc



US Dollar / Euro



US Dollar / Japanese yen

Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of July in the US Dollar versus Europe and Japan, as well as the greenback's larger seasonal trend into the 4th 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 greenback versus both Europe and Japan is that July represents the second month of a sustained period of generally escalating seasonal weakness that, with just a few minor interruptions, extends into year end.

USDCHF Monthly Seasonal Pattern Since 1957

The green bar in the chart at upper left highlights July as the 9th seasonally strongest or 4th weakest month of the year for the US Dollar versus the Swiss franc based on data since 1957. A modest one-month recovery in August, the 5th strongest month, then leads into the two seasonally weakest months of the year in September and December.

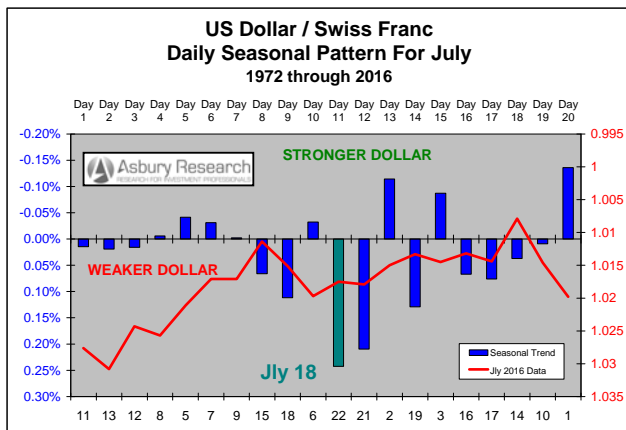
The depth of the green bar shows that, on average since 1957, the **US Dollar has underperformed the franc by 0.49% in July**. The red line shows that USDCHF generally



tracked its long term annual seasonal trend during 2016.

USDCHF Daily Seasonal Pattern For July Since 1972

The 20 columns in the next chart display the daily seasonal pattern in Dollar/Swiss, based on its average daily percent change during the month of July, since 1972. The red line plots the daily closing levels in USDCHF during July 2016.



The green bar shows that the Dollar seasonally bottoms for the month versus the franc on Day 11 or July 18th.

Investment Implications & Strategy

These monthly and daily data collectively suggest a potential near term buying opportunity in USDCHF, on weakness on or around July 18th, with a strategy of closing out the position during a modest August seasonal rebound.

USDEUR Monthly Seasonal Pattern Since 1947

The green bar on the chart at upper right on the previous page highlights July as being the 7th seasonally strongest month of the year for the US Dollar versus the euro (formerly German Mark) based on data since 1947. It represents a modest one-month seasonal improvement over June, the 3rd weakest month, and leads into the 2nd strongest month of the year, August, before more seasonal weakness emerges in September, October and November.

The depth of the green bar shows that, on average since 1947, the US Dollar has underperformed the euro by 0.56% in July. The red line plots USDEUR's monthly closing levels during 2016.

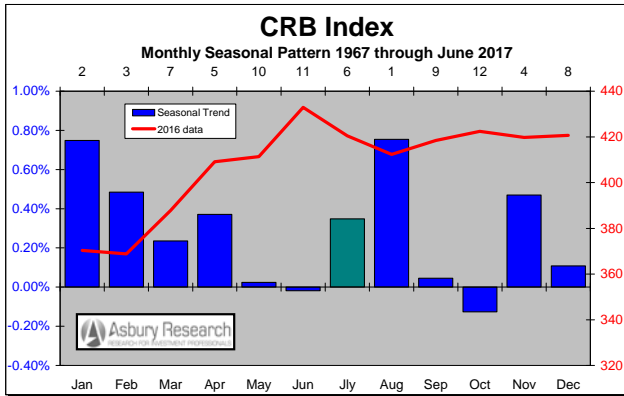
USDJPY Monthly Seasonal Pattern Since 1977

The green bar in the chart at lower left on the previous page identifies July as the 6th seasonally strongest month of the year for the US Dollar versus the Japanese yen, based on data since 1977. It represents the second of a five-month period of gradually increasing seasonal weakness that runs through October, which is the weakest month of the year.

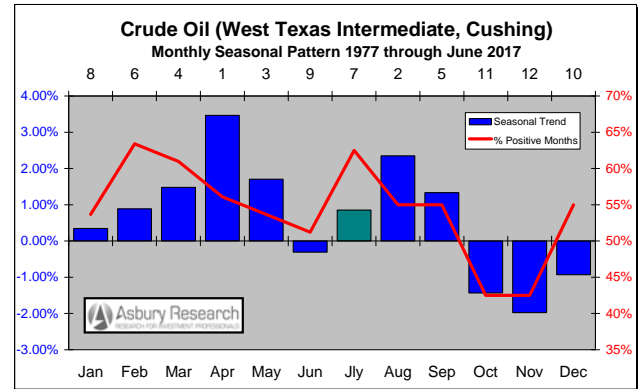
The depth of the green bar shows that, on average since 1977, the US Dollar has underperformed the yen by 0.34 in July. The red line, which plots the monthly closing levels in USDJPY during 2016, shows that the US currency closely tracked its long term seasonal trend versus Japan last year.



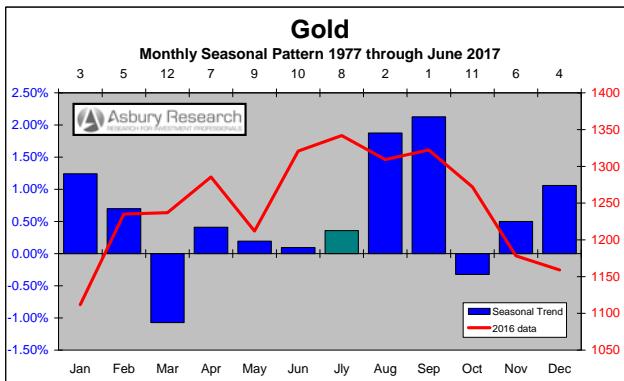
Commodity Prices



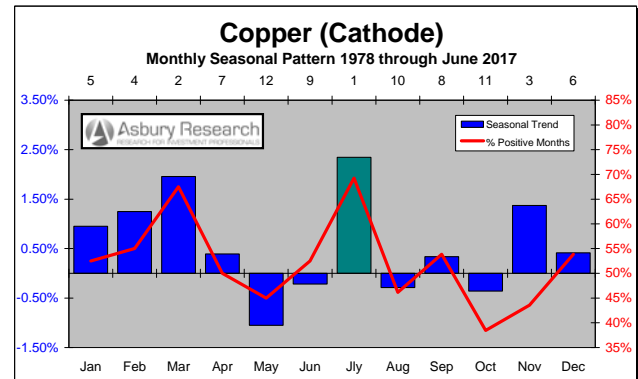
CRB Index



Crude Oil (West Texas Intermediate)



Gold



Copper

Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of July in three key commodity prices and one broad commodity index, plus their larger seasonal patterns into the 4th 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 July represents a one-month seasonal improvement over a weak June, which leads into more acute seasonal strength

in the CRB Index, crude oil, and gold during August-September.

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 on the previous page shows that July is the 6th seasonally strongest month of the year in the CRB Index based on data since 1967. It represents a one-month segue between June, the 2nd weakest month of the year, and August, the strongest month, before more seasonal weakness emerges in September and October.

The height of the green bar indicates that, on average since 1967, the **CRB has risen by 0.35% in July**. The red line plots the CRB's monthly closing levels during 2016.

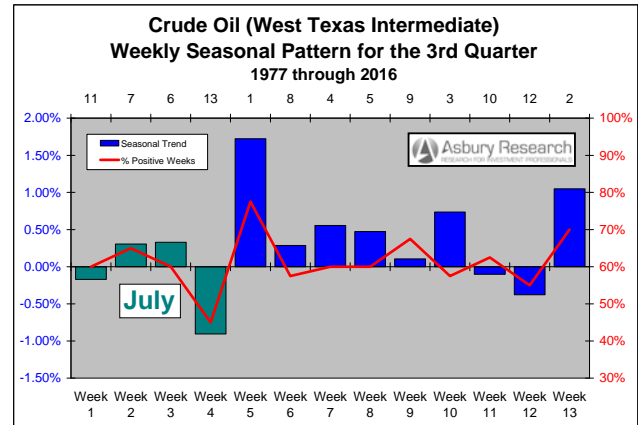
Crude Oil Monthly Seasonal Pattern Since 1977

The green bar on the chart at upper right on the previous page highlights July as the 7th seasonally strongest month of the year for West Texas Intermediate crude oil prices based on data since 1977. Similar to the seasonal pattern in the CRB Index it represents a one-month segue between June, which in this case is the 4th weakest month, and the 2nd and 5th strongest months in August and September, right before the three weakest months of the year emerge during the 4th Quarter.

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

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 July highlighted in green. The chart shows that the first and final weeks of July are the 3rd and 1st weakest of the entire 3rd Quarter.



Investment Implications & Strategy

Combined, these monthly and weekly data suggest a potential near term buying opportunity, on weakness during the beginning and/or end of July, with a strategy of closing out the position during early August strength.

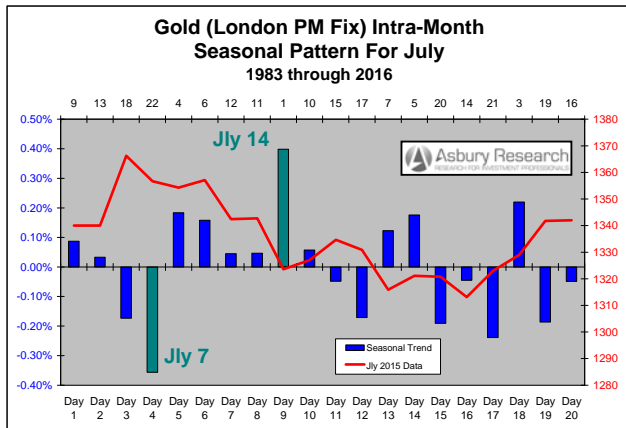
Gold Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that July is the 8th seasonally strongest or 5th weakest month of the year for gold prices based on data since 1977. It represents a slight seasonal improvement over June, the 3rd weakest month, and leads into the two strongest months of the year in August and September.

The height of the green bar indicates that, on average since 1977, **gold prices have risen by 0.36% in July**. The red line plots gold prices' monthly closing levels during 2016.



Gold Daily Seasonal Pattern For July Since 1982



The 20 columns on the chart above display the daily seasonal pattern in gold prices, based on the *average daily percent change* during the month of July, since 1983. The red line plots the daily closing prices during July 2016. The green column shows that **gold prices historically bottom for the month on Day 4 or July 7th, and peak for the month on Day 9 or July 14th.**

Investment Implications & Strategy

Combined, these monthly and daily data suggest a potential near to intermediate term buying opportunity on weakness on or around July 7th, with a strategy of closing out the position during acute August-September strength.

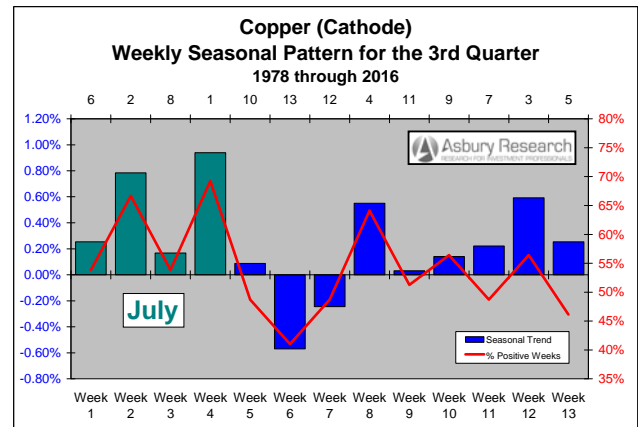
Copper Monthly Seasonal Pattern Since 1978

The green bar on the chart at lower right on Page 10 highlights July as the seasonally strongest month of the year for copper cathode (mined copper ore) prices based on data since 1977. It represents a one-month island of acute seasonal strength sandwiched between seasonally weak May-June and August-October periods.

The height of the green bar indicates that, on average since 1977, **copper prices have risen by 2.35% in July**. The red line shows that, also on average since 1978, **copper prices have posted a positive July close 69% of the time**, their highest incidence of a positive close for any month during this period.

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 July highlighted in green. The chart shows that **the second and final weeks of July, which are the weeks of July 10th and 24th, are the 2nd and 1st strongest of the entire 3rd Quarter**, and also that the second week of August is the seasonally weakest of the quarter.



Investment Implications & Strategy

Combined, these monthly and quarterly data suggest a potential near to intermediate term selling opportunity, on strength during the weeks of July 10th and 24th, with a strategy of closing out the position on weakness either during the second week of August or in October, the 2nd weakest month.

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