

Global Seasonal Analysis

Seasonal Trends In Global Financial Markets

September 2017

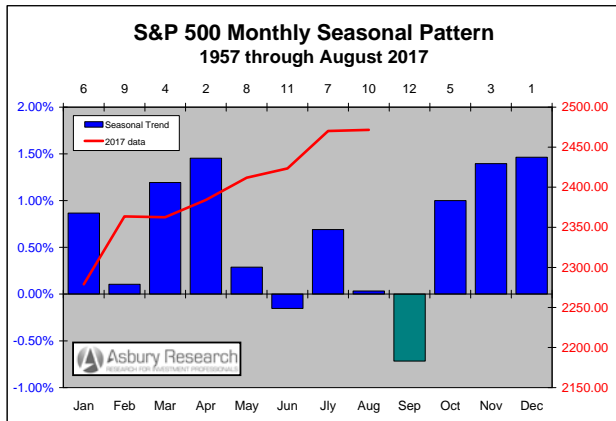
John J. Kosar, CMT
September 5th, 2017

Executive Summary

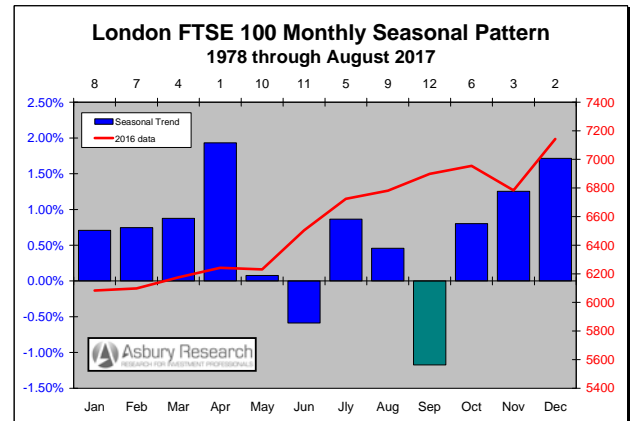
- **Global Equity Prices: NEAR TERM NEGATIVE, INTERMEDIATE TERM POSITIVE.** September is the seasonally weakest month of the year in the US, London, German, and Japanese stock markets, after which they all gradually rise into year end. In Japan, this rally extends into January.
- **US Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** September is one of the two seasonally weakest months of the year in 10-, 5-, and 2-Year Treasury yields, after which these yields gradually rise into late December / early next year.
- **UK Interest Rates: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** September, the 2nd seasonally strongest month of the year for the yield of the 10-Year Euro (formerly German) Bund, represents one month of acute seasonal strength sandwiched in between the 2nd and 1st weakest months of the year, August and October.
- **Japanese Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** September, the 3rd seasonally weakest month of the year for the yield of the 10-Year Japanese Government Bond (JGB), represents the midpoint of a three month period of seasonal weakness that runs through October, but is followed by the 4th and 1st strongest months of the year in November and December.
- **The US Dollar: NEAR TO INTERMEDIATE TERM NEGATIVE.** September represents a one month seasonal decline in the US currency from August, versus Europe and Japan, which generally extends into year end.
- **Gold: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** September is the seasonally strongest month of the year for gold prices based on data since 1977, but leads into the 2nd weakest month of the year in October before prices generally rise into February.



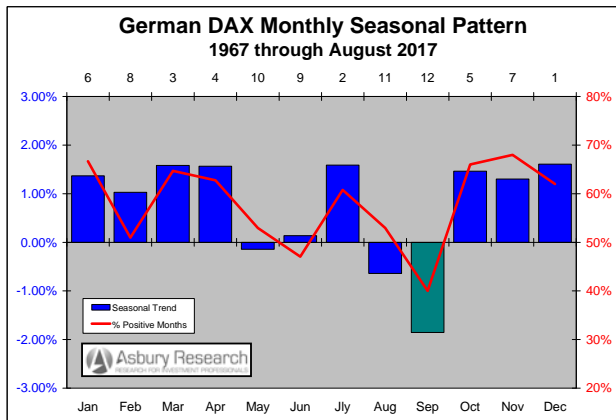
Global Equity Prices



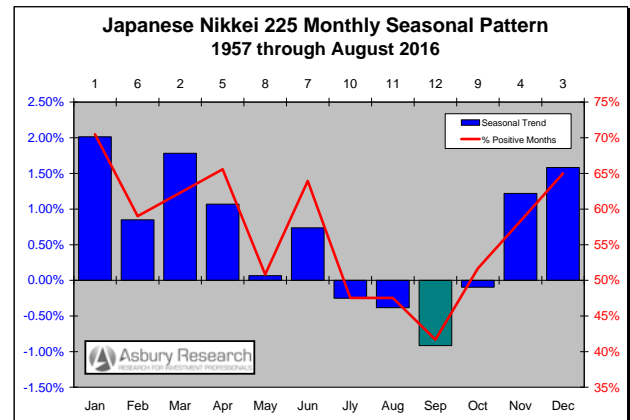
United States: S&P 500 Index



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 into 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 2016 or thus far in 2017.

September is the seasonally weakest month of the year in the US, London, German, and Japanese stock markets, after which they all

gradually rise into year end. In Japan, this rally extends into January.

S&P 500 Yearly Seasonal Pattern Since 1957

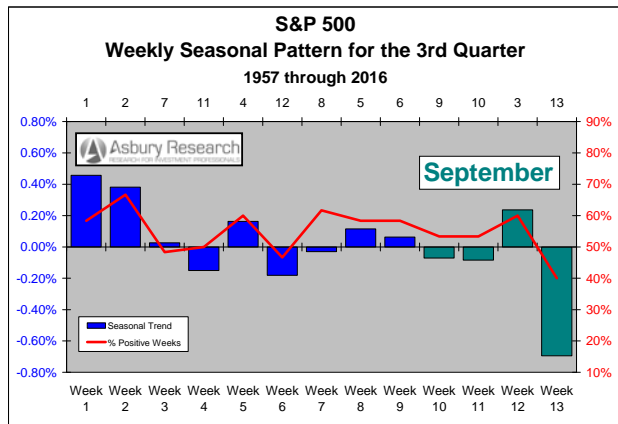
In the S&P 500 Index (SPX, chart at upper left), the green bar highlights September as being, by far, the seasonally weakest month of the year based on data since 1957. It represents a modest one-month decline from August, the 3rd weakest month, after which the index rises into December, which is the strongest month of the year.



The depth of the green bar on the chart indicates that, on average since 1957, the **S&P 500 has closed 0.72% lower in September**. The red line plots SPX's monthly closing levels thus far in 2017.

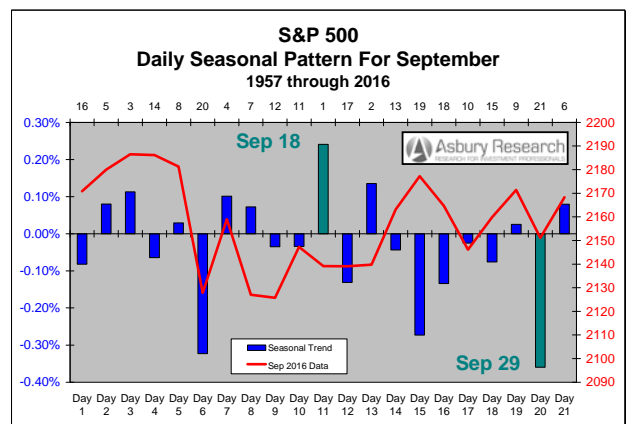
S&P 500 Quarterly Seasonal Pattern For Q3 Since 1957

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 Monthly Seasonal Pattern For September 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 September since 1957. The green bar shows that Day 11 or September 18th is the seasonally strongest day of the month, and that Day 20 or September 29th is the weakest day.



Investment Implications & Strategy

These yearly, quarterly, and monthly charts collectively suggest a potential near term selling opportunity in the S&P 500 on strength on or around September 18th, with a strategy of covering the position during late September weakness, and also a potential intermediate term buying opportunity on weakness at the end of September with a strategy of closing out the position during December strength.



London FTSE 100 Yearly Seasonal Pattern Since 1978

In the London FTSE 100 Index (chart at upper right on Page 2), the green bar highlights September as the seasonally weakest month of the year based on data since 1978. Like the US market, it leads into a gradually strengthening 4th Quarter rebound that culminates in December, which in this case is the 2nd strongest month of the year.

The depth of the green bar on the chart indicates that, on average since 1978, **the FTSE has declined by 1.18% in September**. The red line plots the monthly closing levels in the FTSE during 2016.

German DAX Yearly Seasonal Pattern Since 1967

The green bar in the chart at lower left on Page 2 shows that September is the seasonally weakest month of the year in the DAX based on data since 1967. It follows the 2nd weakest month of the year, August, and leads into a strong 4th Quarter seasonal recovery that culminates in December, the strongest month of the year.

The depth of the green bar indicates that, on average since 1967, the **DAX has closed 1.86% lower in September**. The red line shows that, also on average since 1967, **the DAX has posted a negative September close 60% of the time**, the highest incidence of a negative close for any month during this period.

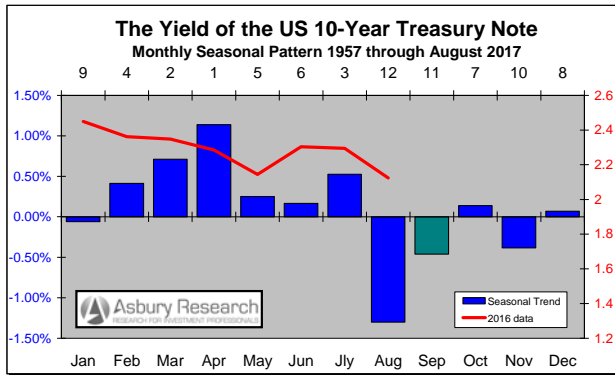
Japanese Nikkei 225 Yearly Seasonal Pattern Since 1957

The green bar on the chart at lower right on Page 2 highlights September as also being the weakest month of the year in the Japanese Nikkei 225 Index, based on data since 1957. It represents the third of a four-month period of sustained seasonal weakness in the index that runs from July through October and includes the four weakest months of the year. November then launches a strong three-month seasonal rebound that runs through January and includes three of the four strongest months of the year.

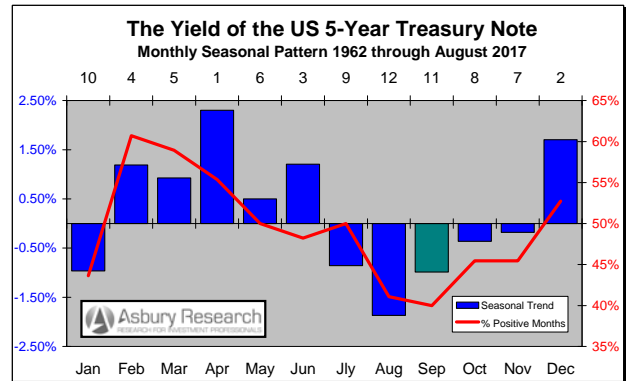
The depth of the green bar indicates that, on average since 1957, the **Nikkei 225 has declined by 0.92% in September**. The red line shows that, also on average since 1967, **the DAX has posted a negative September close 58% of the time**, the highest incidence of a negative close for any month during this period.



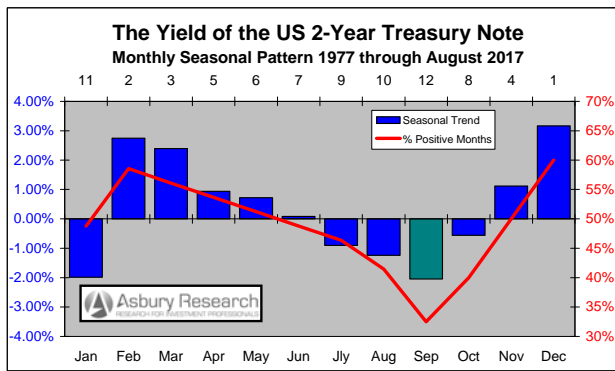
Global Interest Rates (United States)



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 through 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 2016 or thus far in 2017.

Common to all maturities is that September is one of the two seasonally weakest months of

the year, after which yields gradually rise into late December / early next year.

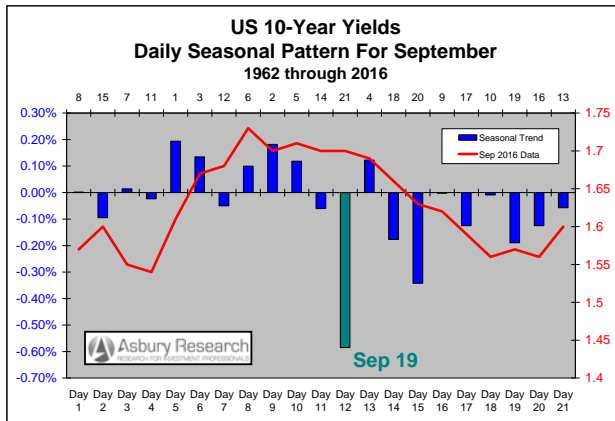
US 10-Year Yield Yearly Seasonal Pattern Since 1957

The green bar in the chart at upper left highlights September as the 2nd seasonally weakest month of the year in the yield of the US 10-Year Treasury Note based on data since 1957. It follows the weakest month of the year, August, after which the seasonal trend remains weak through January, which is the 4th weakest month.



The depth of the green bar indicates that, on average since 1957, the yield of the 10-Year has declined by 0.46% in September. The red line plots these yields' monthly closing levels since January.

US 10-Year Yield Monthly Seasonal Pattern For August 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 19th.

Investment Implications & Strategy

These yearly and monthly charts collectively suggest a potential intermediate term selling opportunity in long dated Treasury prices on strength, on or around September 19th as yields bottom for the month, with a strategy of covering the position amid a modest rebound in yields during October.

US 5-Year Yield Yearly Seasonal Pattern Since 1962

The green bar on the chart at upper right on the previous page shows that September is also the 2nd seasonally weakest month of the year in the yield of the 5-Year Treasury Note, based on data since 1962. It represents the midpoint of a five month period of sustained seasonal 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 0.99% in September. The red line shows that, also on average since 1962, these yields have posted a negative September close 60% of the time, which is the highest incidence of a negative close for any month during this period.

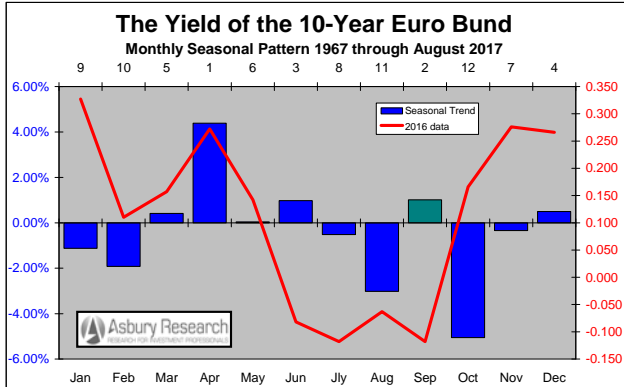
US 2-Year Yield Yearly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that September is the seasonally 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 sustained seasonal weakness that runs through October and, like the 5-Year, includes 5 of the 6 weakest months of the year.

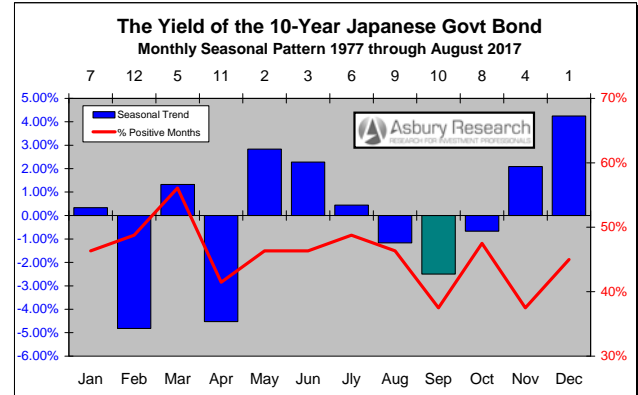
The depth of the green bar indicates that, on average since 1977, the yield of the 2-Year has declined by 2.05% in September. The red line shows that, also on average since 1962, these yields have posted a negative September close 67% of the time, the highest incidence of a negative close for any month 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 **Yearly** Seasonal Pattern Since 1967

The green bar on the chart above highlights September as the 2nd seasonally strongest month of the year for the yield of the 10-Year Euro (formerly German) Bund based on data since 1967. It represents one month of acute seasonal strength that is sandwiched in between the 2nd and 1st weakest months of the year, August and October.

The height of the green bar indicates that, on average since 1967, **Bund yields have risen by 1.01% in September**. The red line plots these yields' monthly closing levels during 2016.

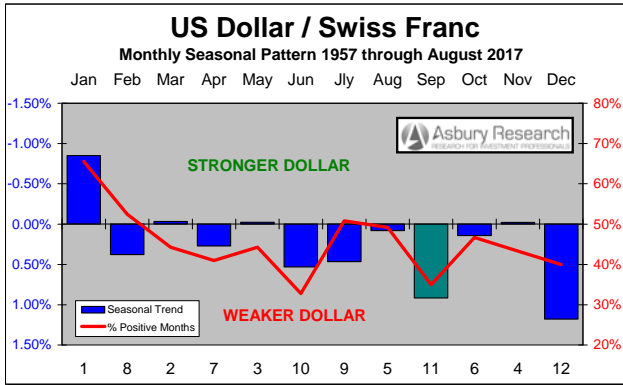
Japanese Government Bond 10-Year Yield **Yearly** Seasonal Pattern Since 1977

The green bar in the chart above highlights September as the 3rd 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 midpoint of a three month period of seasonal weakness that runs through October, but is followed by the 4th and 1st strongest months of the year in November and December.

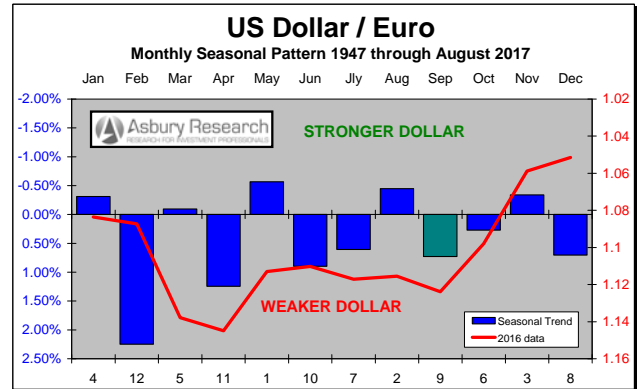
The depth of the green bar indicates that, on average since 1977, **10-year JGB yields have declined by 2.50% in September**. The red line shows that, also on averages since 1977, these yields have posted a negative September close 62% of the time which, along with November, is the highest incidence of a negative close for any month during this period.



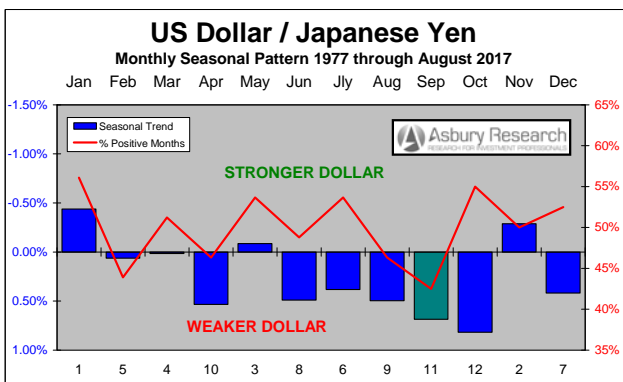
Global Foreign Exchange Rates



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 overall seasonal trend into year end. 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 US currency versus Europe and Japan is that September represents a one month seasonal decline from August that generally extends into year end.

USDCHF Yearly Seasonal Pattern Since 1957

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

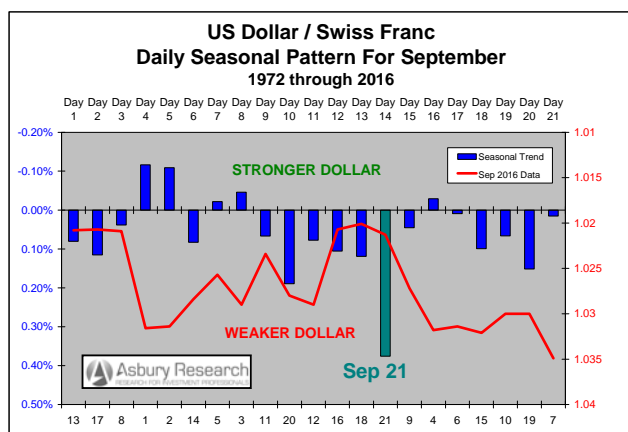
The depth of the green bar shows that, on average since 1957, the **US Dollar has underperformed the franc by 0.92% in September**. The red line shows that, also on average since 1957, USDCHF has posted a



negative September close 65% of the time, the 2nd highest incidence of a negative close for any month during this period.

USDCHF Monthly 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 levels in USDCHF during September 2016.



The green bar shows that **the Dollar seasonally bottoms for the month versus the franc on Day 14 or September 21st.**

Investment Implications & Strategy

These yearly and monthly daily data collectively suggest a potential near to intermediate term buying opportunity in USDCHF, on weakness on or around September 21st, with a strategy of closing out the position during November seasonal strength.

USDEUR Yearly Seasonal Pattern Since 1947

The green bar on the chart at upper right on the previous page highlights September as the 9th seasonally strongest or 4th weakest month of the year for the US Dollar versus the euro (formerly German Mark) based on data since 1947. Like USDCHF, it represents a one-month seasonal decline from August that leads into more weakness in December.

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 EURUSD loosely tracked its long term annual seasonal trend in 2016.

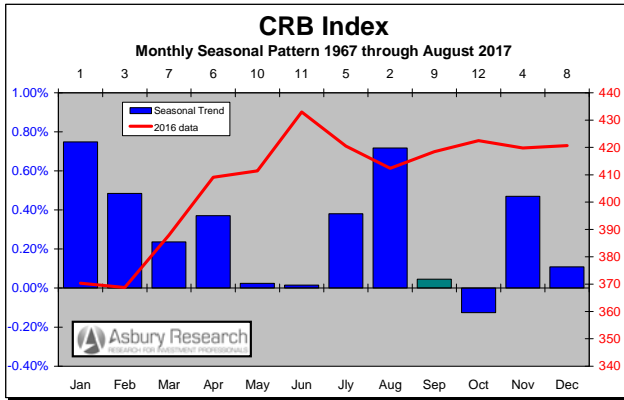
USDJPY Yearly Seasonal Pattern Since 1977

The green bar in the chart at lower left on the previous page identifies September as the 11th seasonally strongest or 2nd weakest month of the year for the US Dollar versus the Japanese yen, based on data since 1977. It represents the midpoint of a three month period of increasing seasonal weakness that runs through September, the weakest month of the year.

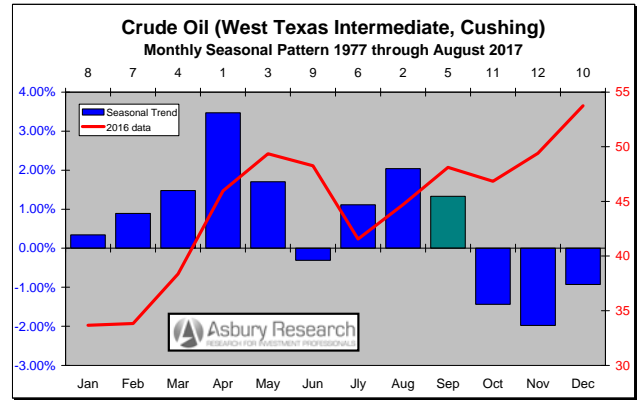
The depth of the green bar shows that, **on average since 1977, the US Dollar has underperformed the yen by 0.69 in September.** The red line shows that, also on average since 1977, USDJPY has posted a negative September close 57% of the time, its highest incidence of a negative close for any month during this period.



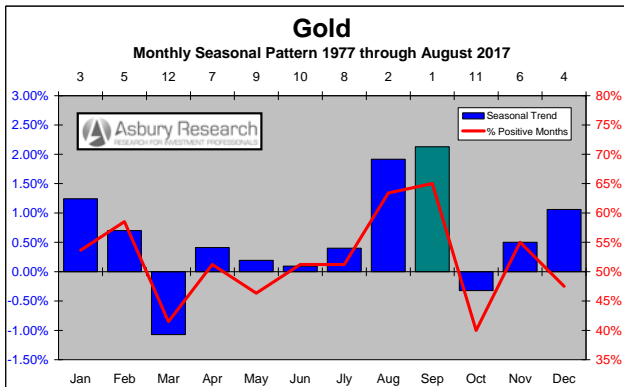
Commodity Prices



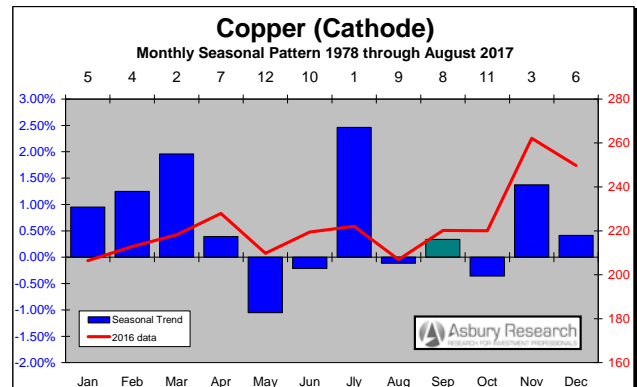
CRB Index



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 commodity index, plus their larger seasonal patterns into 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 2016.

Common to the CRB Index, gold and copper is acute October weakness that leads into a November-December rebound.

CRB Index Yearly 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 September is the 9th



seasonally strongest or 4th weakest month of the year in the CRB Index based on data since 1967. It represents a one month segue between August, the 2nd seasonally strongest month, and October, the seasonally weakest month, after which the index generally strengthens into January-February.

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

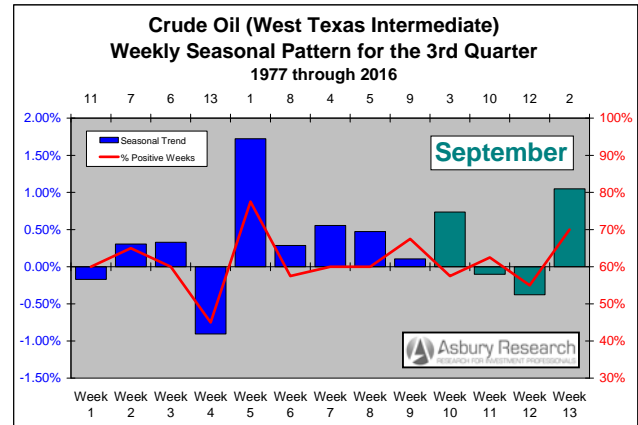
Crude Oil Yearly Seasonal Pattern Since 1977

The green bar on the chart at upper right on the previous page highlights September as the 5th seasonally strongest month of the year for West Texas Intermediate crude oil prices based on data since 1977. It represents a modest one month seasonal decline from August, the 2nd strongest month, that leads into 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 1.33% in September**. The red line plots crude oil prices' monthly closing levels in 2016.

Crude Oil Quarterly 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 3rd and 2nd strongest of the entire 3rd Quarter, and that the middle two weeks are the 4th and 2nd weakest of the quarter.



Investment Implications & Strategy

Combined, these yearly and quarterly data suggest a potential near to intermediate term selling opportunity on strength during the final week of September, with a strategy of covering the position during acute November weakness.

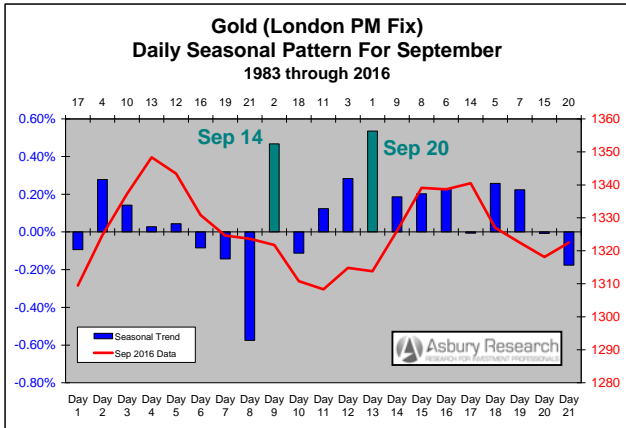
Gold Yearly Seasonal Pattern Since 1977

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 slight one-month seasonal improvement over August, the 2nd strongest month, but leads into the 2nd weakest month of the year in October before prices generally rise into February.

The height of the green bar indicates that, on average since 1977, **gold prices have risen by 2.13% in September**. The red line shows that, **also on average since 1977, gold prices have posted a positive September close 65% of the time**, their highest incidence of a positive close for any month during this period.



Gold Monthly 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 2016. The green column shows that **gold prices historically peak for the month on Days 9 and 13, which are September 14th and 20th this year.**

Investment Implications & Strategy

Combined, these yearly and monthly data suggest a potential near term selling opportunity on strength, on or around September 14th and 20th, with a strategy of closing out the position during acute October weakness.

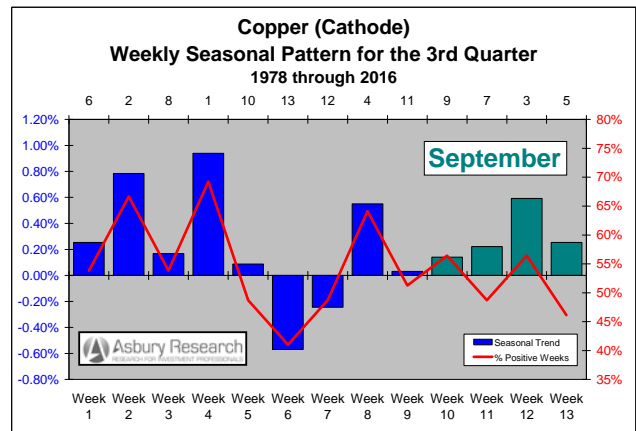
Copper Yearly Seasonal Pattern Since 1978

The green bar on the chart at lower right on Page 10 highlights September as the 8th seasonally strongest or 5th weakest month of the year for copper cathode (mined copper ore) prices based on data since 1978. It represents the midpoint of three months of seasonal weakness sandwiched in between July and November, the 1st and 3rd strongest months of the year.

The height of the green bar indicates that, on average since 1977, **copper prices have risen by 0.34% in September.** The red line plots copper prices' monthly closing levels in 2016.

Copper Quarterly 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 third week of September, which is the week of September 18th, is the 3rd strongest of the entire 3rd Quarter.**



Investment Implications & Strategy

Combined, these yearly and quarterly data suggest a potential near term selling opportunity, on strength, during the week of September 18th, with a strategy of covering the position during October seasonal weakness.

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