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Global Seasonal Analysis

Seasonal Trends In Global Financial Markets

May 2018

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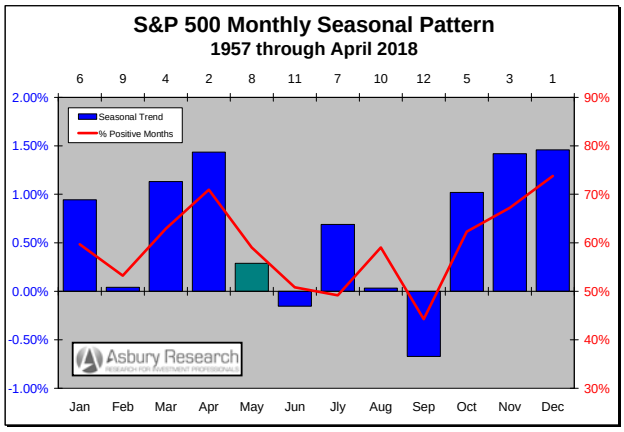
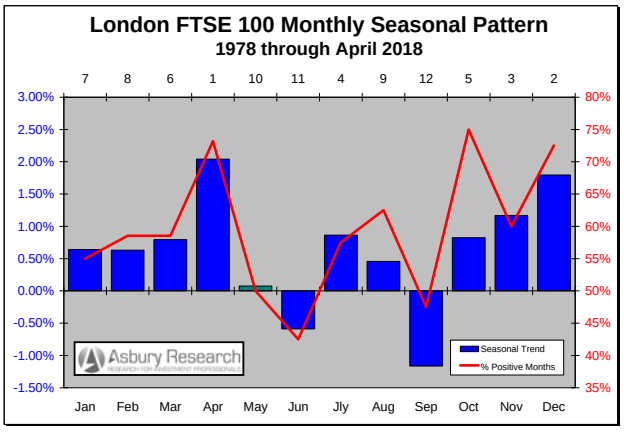
Executive Summary

- **Global Equity Prices: NEAR TO INTERMEDIATE TERM NEGATIVE.** May represents a one-month seasonal decline from a strong April in the US, European, and Japanese stock markets, and the beginning of an extended decline that culminates in September, which is their seasonally weakest month of the year.
- **US Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** May represents a significant one-month decline in the 10- and 5-Year maturities from April, which is their strongest month of the year, and marks the beginning of a gradual decline into August, the weakest month of the year.
- **UK Interest Rates**: **NEAR TO INTERMEDIATE TERM NEGATIVE.** May, the 6th seasonally strongest month of the year for the yield of the 10-Year Euro (formerly German) Bund, represents a sharp one-month seasonal decline from April, the strongest month of the year, and marks the beginning of an overall decline into August and October.
- **Japanese Interest Rates**: **NEAR TO INTERMEDIATE TERM POSITIVE.** May, the 3rd seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB), represents a strong one-month seasonal improvement over April, the 2nd weakest month, and leads into more modest strength in June before two months of seasonal weakness emerge in July and August.
- **The US Dollar: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** May represents a strong one-month seasonal rebound in the Dollar versus both Europe and Japan, from a weak April, but leads into more seasonal weakness in June and July.
- **Commodities: NEAR TERM NEGATIVE, INTERMEDIATE TERM POSITIVE.** Common to the CRB Index, crude oil and gold prices is a minor seasonal decline into June that leads into acute seasonal strength in August and September.

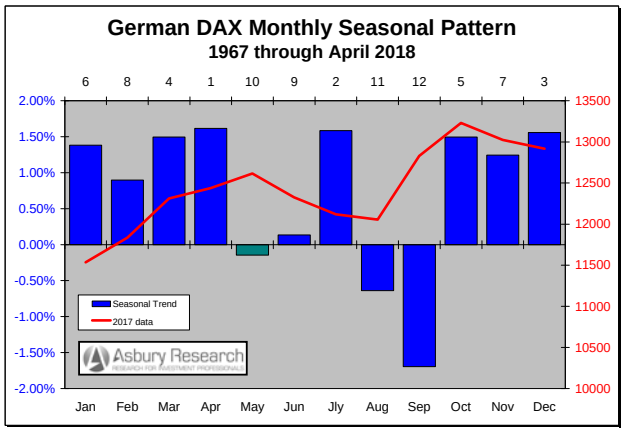
Global Equity Prices



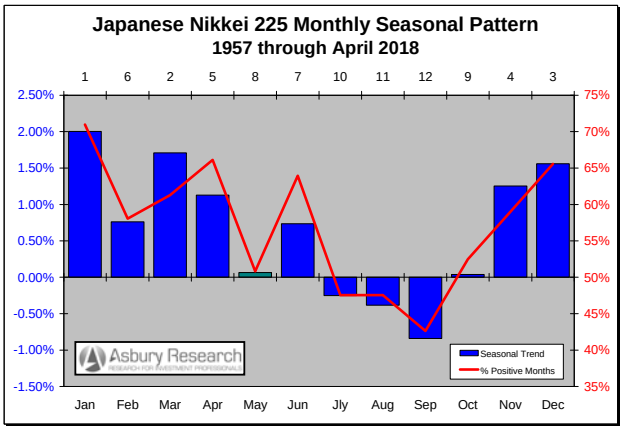
United States: S&P 500 Index



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 into the fall. 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 2017.

Common to all is that May represents a one-month seasonal decline from a strong April, and also the beginning of an extended decline that culminates in September, which is their seasonally weakest month of the year.

S&P 500 Yearly Seasonal Pattern Since 1957

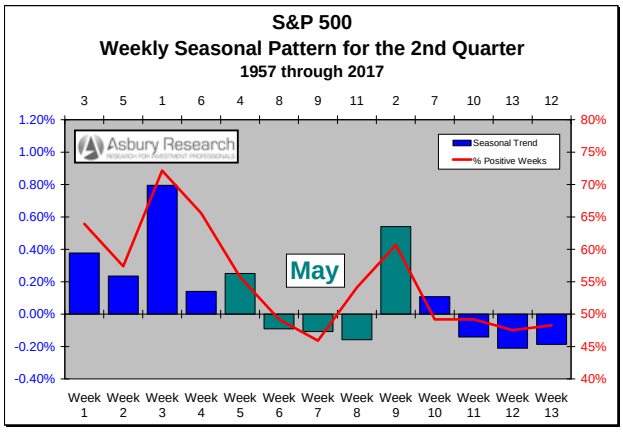
In the S&P 500 Index (SPX, chart at upper left), the green bar highlights May as being the 8th seasonally strongest or 5th weakest month of the year based on data since 1957. It represents a sharp one-month seasonal decline from April, the 2nd strongest month, and immediately precedes the three weakest months of the year in June (2nd weakest),

August (3rd weakest), and September (1st weakest).

The height of the green bar on the chart indicates that, on average since 1957, the **S&P 500 has closed 0.29% higher in May**. The red line shows that, also on average since 1957, **SPX has posted a positive May close 59% of the time**.

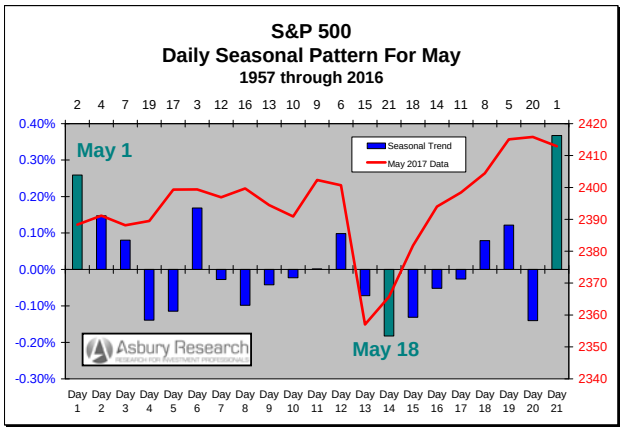
S&P 500 Quarterly Seasonal Pattern For Q2 Since 1957

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 middle three weeks of May are among the weakest of the quarter, but are bookended by the first and last weeks of the month which are the 4th and 2nd *strongest* of the quarter.**



S&P 500 Monthly 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 red line plots the daily closing levels in SPX during May 2017.



The green bars show that the first and final days of May are the two seasonally strongest of the month, and that the 14th day, May 18th, is the weakest.

Investment Implications & Strategy

These yearly, quarterly, and monthly charts collectively suggest potential intermediate term selling opportunities, on strength, during the first and the final weeks of May, with a strategy of covering the position either on late June seasonal weakness or holding into more acute weakness in September.

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 May as the 10th seasonally strongest or 3rd weakest month of the year based on data since 1978. It represents a sharp one-month seasonal decline from April, the strongest month of the year, and leads into more acute weakness in June, the 2nd *weakest* month. Overall, like the US market, May marks the beginning of an overall seasonal skid by the FTSE into September, which is the weakest month of the year.

The height of the barely visible green bar on the chart indicates that, on average since 1978, **the FTSE has risen by just 0.08% in May**. The red line shows that, also on average since 1978, the FTSE **has posted a positive May close 50% of the time**.

German DAX Yearly Seasonal Pattern Since 1967

The green bar in the chart at lower left on Page 2 shows that, like the FTSE, May is also the 10th seasonally strongest or 3rd weakest month of the year in the DAX, based on data since 1967. Also like the FTSE, it immediately follows the strongest month of the year, April, and like the FTSE and S&P 500 leads into more acute seasonal weakness in June, August, and September, which in this case include three of the four weakest months of the year.

The depth of the green bar indicates that, on average since 1967, the **DAX has closed 0.14% lower in May**. The red line plots the DAX's monthly closing levels in 2017.

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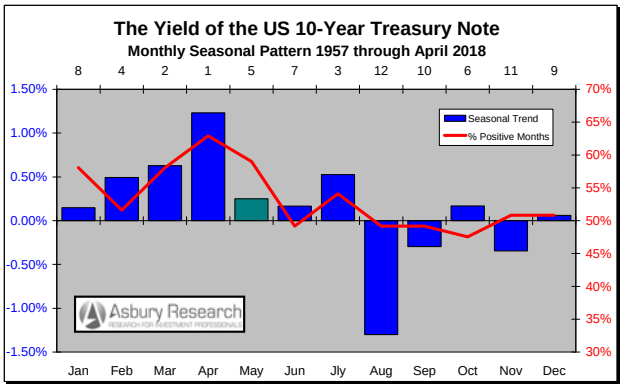
Japanese Nikkei 225 Yearly Seasonal Pattern Since 1957

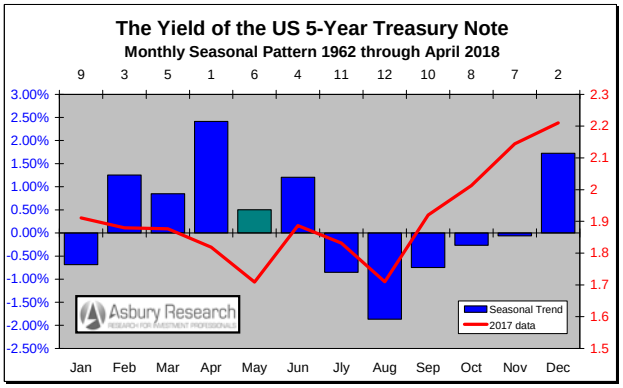
The short green bar on the chart at lower right on Page 2 highlights May as the 8th seasonally strongest or 5th weakest month of the year in the Japanese Nikkei 225 Index, based on data since 1957. It represents the beginning of a gradual, sustained seasonal decline in the index that reaches its nadir in September but extends through October.

The height of the green bar indicates that, on average since 1957, the **Nikkei 225 has risen by just 0.06% in May**. The red line shows that, also on average since 1957, **the Nikkei has posted a positive May close 51% of the time**.

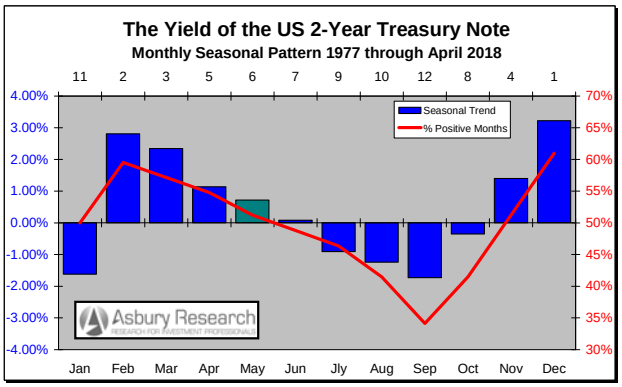
Global Interest Rates (United States)



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 through the 3rd 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 2017.

May represents a significant one-month decline in the 10- and 5-Year maturities from April, their strongest month of the year, and marks the beginning of a gradual decline into August, the weakest month of the year.

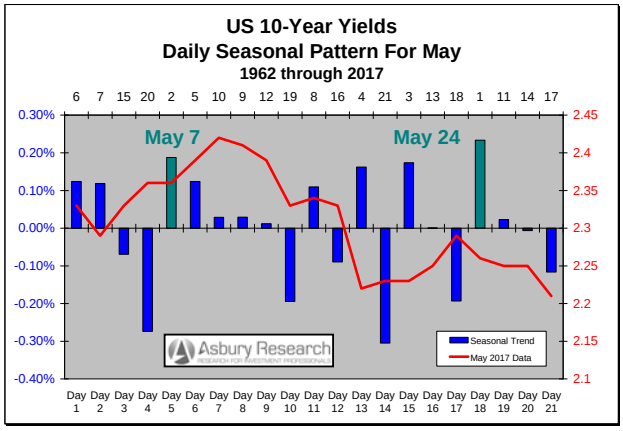
US 10-Year Yield Yearly Seasonal Pattern Since 1957

The green bar in the chart at upper left highlights May as the 5th seasonally strongest month of the year in the yield of the US 10-Year Treasury Note, based on data since 1957. It represents a sharp one-month decline from April and leads into the three weakest months of the year in August (1st weakest), September (3rd weakest), and November (2nd weakest).

The height of the green bar indicates that, on average since 1957, **the yield of the 10-Year has risen by 0.25% in May.** The red line shows that, also on average since 1957, **these yields have posted a positive May close 59% of the time,** which is the second highest incidence (after April) of a positive monthly close during this period.

US 10-Year Yield Monthly Seasonal Pattern For May Since 1962

The 21 columns in the chart below 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 red line plots these yields' daily closing levels in May 2017.



The green columns show that **these yields seasonally peak for the month on Days 5 and 18, which are May 7th and 24th.**

Investment Implications & Strategy

These yearly and monthly charts suggest a potential near to intermediate term buying opportunity in long dated Treasury *prices*, on weakness on or around May 7th and/or 24th as yields peak for the month, with a strategy of either closing out the position on intra-month yield weakness or waiting for more acute yield weakness in August.

US 5-Year Yield Yearly Seasonal Pattern Since 1962

The green bar on the chart at upper right on the previous page shows that May is the 6th seasonally strongest month of the year in the yield of the 5-Year Treasury Note, based on data since 1962. It represents a significant one-month seasonal decline from April, the strongest month, and similar to the 10-Year, leads into the three weakest months of the year in July (2nd weakest), August (1st weakest), and September (3rd weakest).

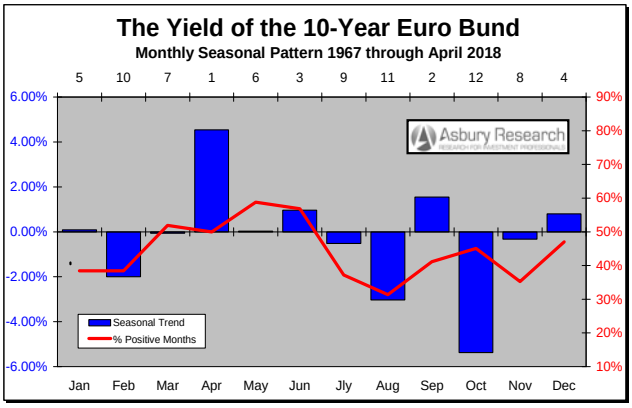
The height of the green bar indicates that, on average since 1962, **5-Year Treasury yields have risen by 0.50% in May**. The red line plots the 5-Year's monthly closing yield levels during 2017.

US 2-Year Yield Yearly Seasonal Pattern Since 1977

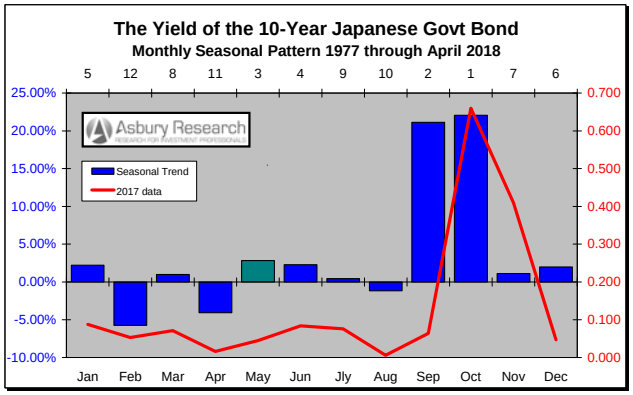
The green bar on the chart at lower left on the previous page shows that May is the 6th seasonally strongest month of the year in the yield of the 2-Year Note, based on data since 1977. It represents the second of a gradual six-month decline into September, which is the seasonally weakest month of the year.

The height of the green bar indicates that, on average since 1977, **the yield of the 2-Year has risen by 0.72% in May.** The red line shows that, also on average since 1962, **these yields have posted a positive May closing yield 51% of the time**.

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 barely visible green bar on the chart above highlights May as the 6th 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 sharp one-month seasonal decline from April, the strongest month of the year, and marks the beginning of an overall decline into August and October, the 2nd and 1st weakest months.

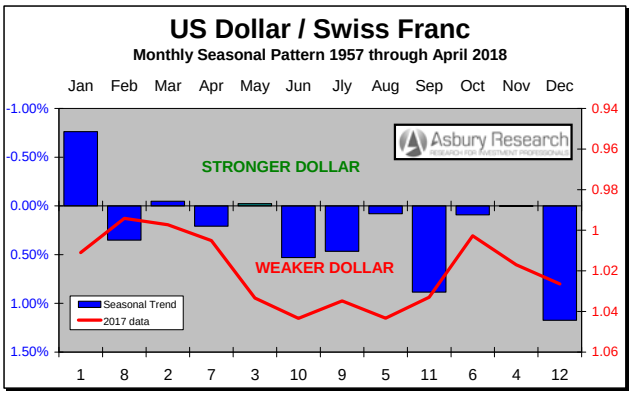
The height of the green bar indicates that, on average since 1967, **Bund yields have risen by just 0.04% in May**. The red line shows that, also on average since 1967, Bund yields have posted a positive May close 50% of the time.

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

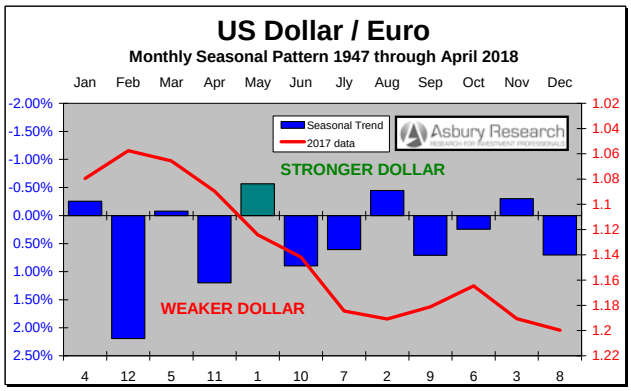
The green bar in the chart above highlights May as the 3rd seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB), based on data since 1977. It represents a strong one-month seasonal improvement over April, the 2nd weakest month, and leads into more modest strength in June before two months of seasonal weakness emerge in July and August, which are the 4th and 3rd weakest months.

The height of the green bar indicates that, on average since 1977, **10-year JGB yields have risen by 2.84% in May**. The red line plots these yields' monthly closing levels during 2017.

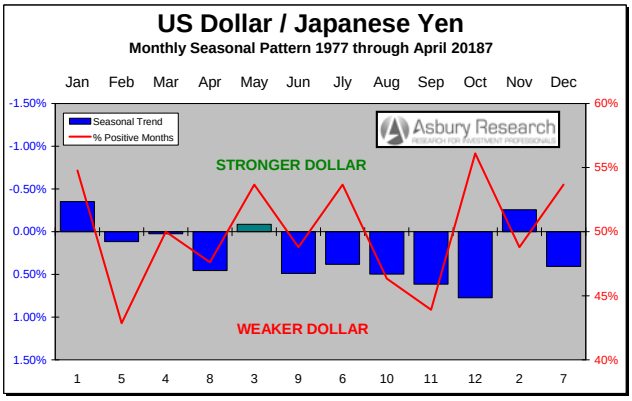
Global Foreign Exchange Rates



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 overall seasonal trend into the fall. 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 2017.

May represents a strong one-month seasonal rebound in the Dollar versus both Europe and Japan, from a weak April, but leads into more seasonal weakness in June and July.

USDCHF Yearly Seasonal Pattern Since 1957

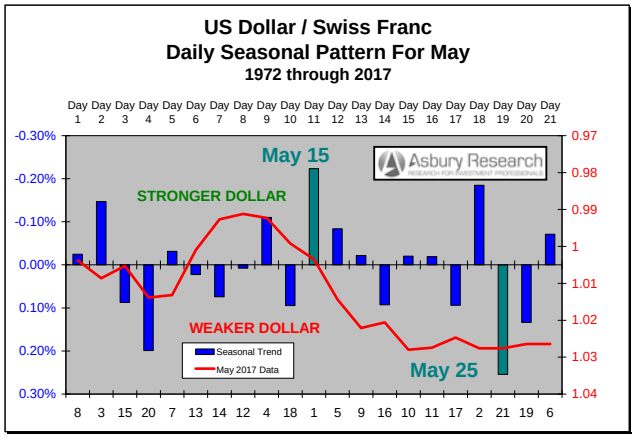
The short green bar in the chart at upper left highlights May as the 3rd seasonally strongest month of the year for the US Dollar versus the Swiss franc based on data since 1957. It represents a modest one-month improvement over April, the 7th strongest month, but leads into three of the four seasonally weakest months of the year between June and September.

The height of the green bar shows that, on average since 1957, the **US Dollar has outperformed the franc by just 0.02% in May**. The red line, which plots the monthly closing levels in USDCHF during 2017, shows that the

greenback pretty closely followed its long term seasonal trend last year.

USDCHF Monthly 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 2017.



The green bars show that **the Dollar seasonally peaks for the month versus the franc on Day 11 or May 15th, and bottoms for the month on Day 19 or May 25th.**

Investment Implications & Strategy

These yearly and monthly data suggest a potential intermediate term selling opportunity in USDCHF, on strength on or around May 15th, with a strategy of covering the position during seasonal weakness in June, July, or September.

USDEUR Yearly Seasonal Pattern Since 1947

The green bar on the chart at upper right on the previous page highlights May as 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 one-month seasonal rebound in the greenback sandwiched between acute seasonal weakness in April and June, which are the 2nd and 3rd weakest months.

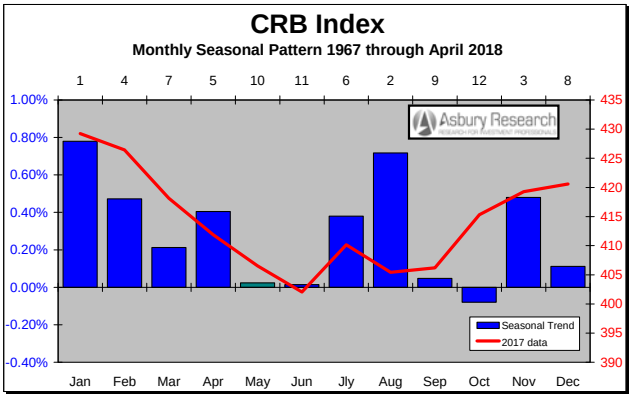
The height of the green bar shows that, on average since 1947, the **US Dollar has outperformed the euro by 0.57% in May**. The red line plots USDEUR's monthly closing levels during 2017.

USDJPY Yearly Seasonal Pattern Since 1977

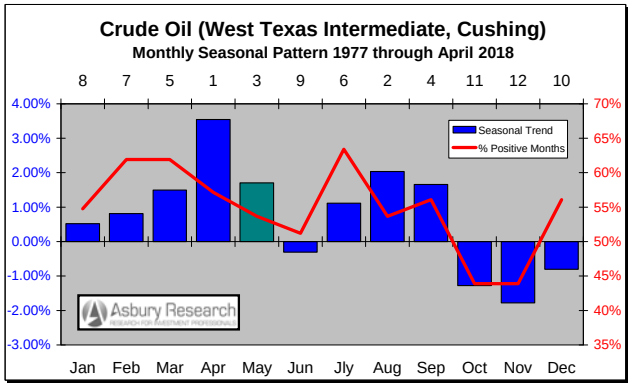
The green bar in the chart at lower left on the previous page highlights May as being the 3rd seasonally strongest month of the year in the US Dollar versus the Japanese yen, based on data since 1977. Like the Dollar versus the European currencies, it represents a one-month seasonal rebound sandwiched in between seasonal weakness in April and June, and in this case is followed by more sustained seasonal weakness through October, which is the 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 0.09% in May.** The red line shows that, **also on average since 1977, USDJPY has posted a positive May close 54% of the time**.

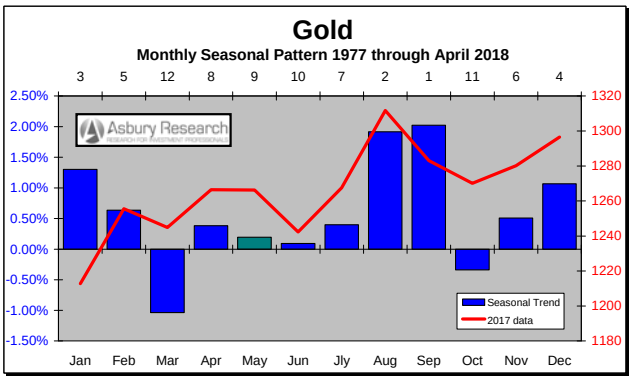
Commodity Prices



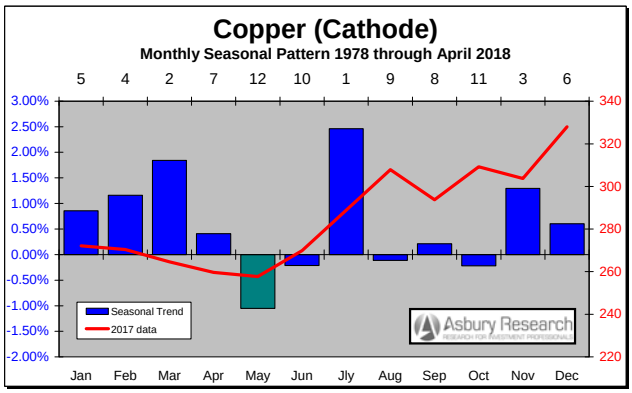
CRB Index



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 second 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 2017.

Common to the CRB Index, crude oil and gold prices is a minor seasonal decline into June that leads into acute seasonal strength in August and September.

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 seen by investors as a bellwether of market-based inflation.

The green bar in the chart at upper left shows that May is the 10th seasonally strongest or 3rd weakest month of the year in the CRB Index

based on data since 1967. It represents a monthly decline from April, the 5th strongest month, and is followed by more seasonal weakness in June, the 2nd weakest month, before the seasonal trend turns positive into August, which is the 2nd strongest month.

The height of the short green bar indicates that, **on average since 1967, the CRB has risen by just 0.02% in May**. The red line, which plots the monthly closing levels in the CRB in 2017, shows that the index pretty closely tracked its long term seasonal trend last year.

Crude Oil Yearly Seasonal Pattern Since 1977

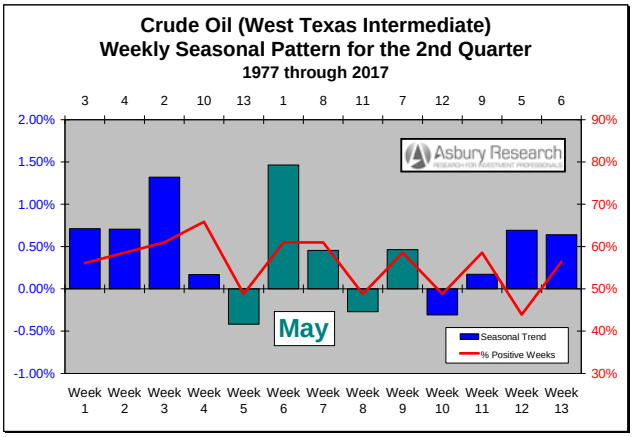
The green bar on the chart at upper right on the previous page highlights May as the 3rd seasonally strongest month of the year in West Texas Intermediate crude oil prices, based on data since 1977. It represents a modest one-month decline from April, the seasonally strongest month, and leads into two months of weakness in June and July, the 9th and 6th strongest months, before the seasonal trend strengthens in 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 shows that, also on average since 1977, **crude oil prices have posted a positive May close 54% of the time**.

Crude Oil Quarterly 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 the first week of May is the seasonally weakest of the entire 2nd Quarter and that the second week is the strongest of the quarter, after which the seasonal trend remains weak through month end.



Investment Implications & Strategy

Combined, these yearly and quarterly data suggest a potential near term selling opportunity on strength during the second week of May (the week of May 7th), with a strategy of covering the position during June seasonal weakness.

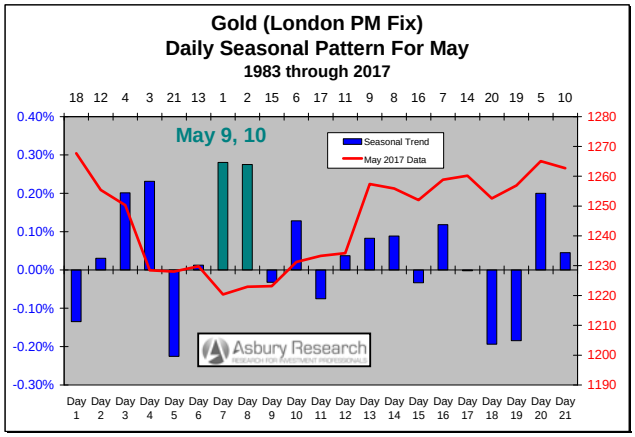
Gold Yearly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that May is the 9th seasonally strongest or 4th weakest month of the year for gold prices, based on data since 1977. It represents the midpoint of five months of seasonal weakness that runs from March through July, after which the seasonal trend turns very positive in August and September, which are the two strongest months of the year.

Gold Monthly Seasonal Pattern For May Since 1982

The 21 columns on the next chart (next page) 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 2017.

The green highlights show that **gold prices historically peak for the month on Days 7 and 8, which are May 9th and 10th**.



Investment Implications & Strategy

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

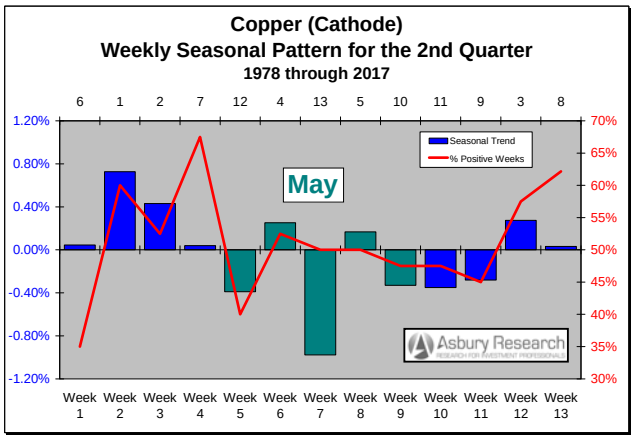
Copper Yearly Seasonal Pattern Since 1978

The green bar on the chart at lower right on Page 10 highlights May as the seasonally weakest month of the year in copper cathode (mined copper ore) prices based on data since 1978. It is followed by more seasonal weakness in June, the 3rd weakest month, but leads into the strongest month of the year in July.

The depth of the green bar indicates that, on average since 1977, **copper prices have declined by 1.05% in May**. The red line plots the monthly closing levels in copper cathode prices during 2017.

Copper Quarterly 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 first, middle, and final weeks of May and the first week of June are the four seasonally weakest weeks of the entire 2nd Quarter**.



Investment Implications & Strategy

Combined, these yearly and quarterly data suggest a potential intermediate term buying opportunity on weakness during May or early June, with a strategy of closing out the position during July acute seasonal strength.