

Global Seasonal Analysis

Seasonal Trends In Global Financial Markets

September 2018

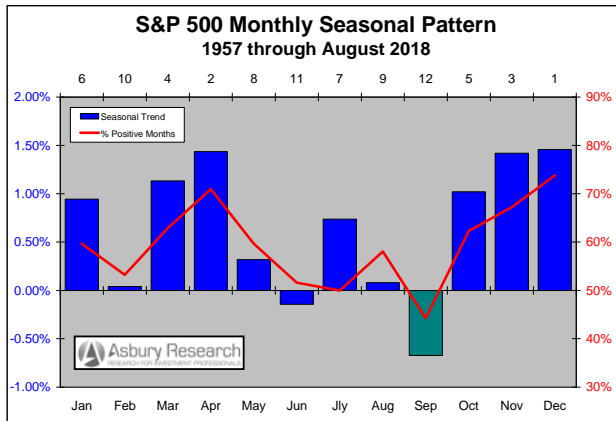
John J. Kosar, CMT
September 7th, 2018

Executive Summary

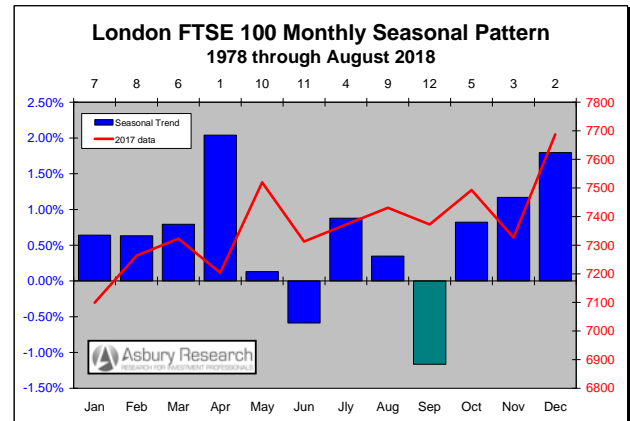
- **Global Equity Prices: NEAR TERM NEGATIVE, INTERMEDIATE TERM POSITIVE.** September is the seasonally weakest month of the year in the US, European, and Japanese stock markets, after which the US and European indexes strengthen through December and Japan strengthens into January.
- **US Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** Common to the 10- and 5-Year maturities is that August is the weakest month of the year, after which the seasonal trend remains mostly weak through January.
- **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 a strong one-month rebound between the two weakest months of the year, August and October, after which these yields remain mostly weak through March of next year.
- **Japanese Interest Rates: NEAR TO INTERMEDIATE TERM POSITIVE.** September, the 2nd seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB), leads into more acute strength in October, the strongest month of the year, after which these yields shift into a mostly negative seasonal trend through April of next year.
- **The US Dollar: NEAR TO INTERMEDIATE TERM NEGATIVE.** September represents a weaker Dollar than in August versus both Europe and Japan and, with the exception of a minor rebound in November, this weakness extends through year end.
- **Gold: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** September, the seasonally strongest month of the year for gold prices based on data since 1977, follows the 2nd strongest month, August, but immediately precedes a sharp one-month seasonal decline in October, the 2nd weakest month, before the seasonal trend improves between December and February.



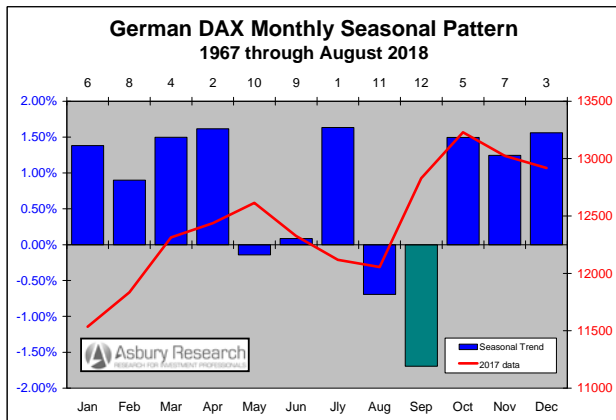
Global Equity Prices



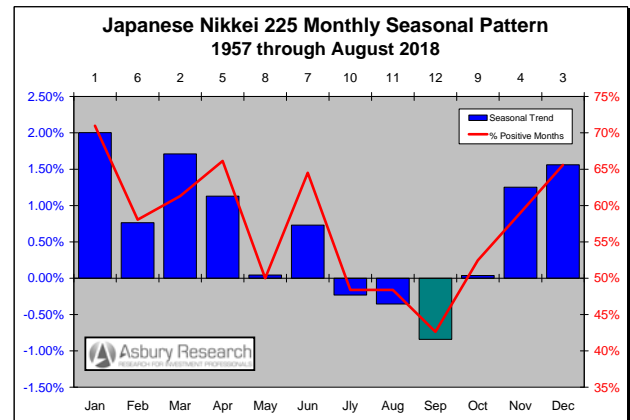
United States: S&P 500 Index



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 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 2017 or thus far in 2018.

September is the seasonally weakest month of the year in all four indexes, after which the US

and European indexes strengthen through December and Japan strengthens into January.

S&P 500 Yearly Seasonal Pattern Since 1957

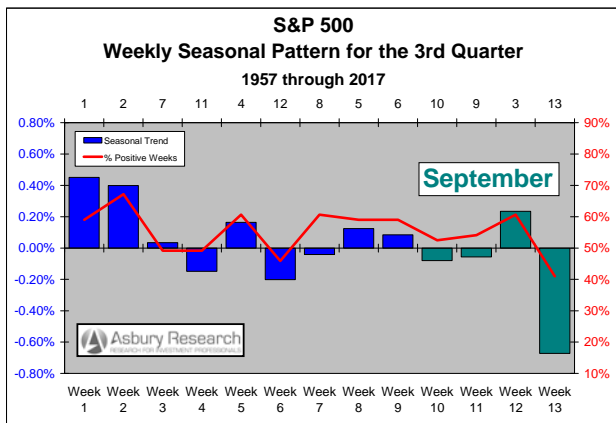
In the S&P 500 Index (SPX, chart at upper left), the green bar highlights September as the seasonally weakest month of the year based on data since 1957. It represents a significant one-month decline from August, the 4th weakest month, but precedes a gradual three-month rise into December, which is the 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 0.67 lower in September**. The red line shows that, also on average since 1957, **SPX has posted a negative September close 56% of the time**, its highest incidence of a negative close for any month during this period.

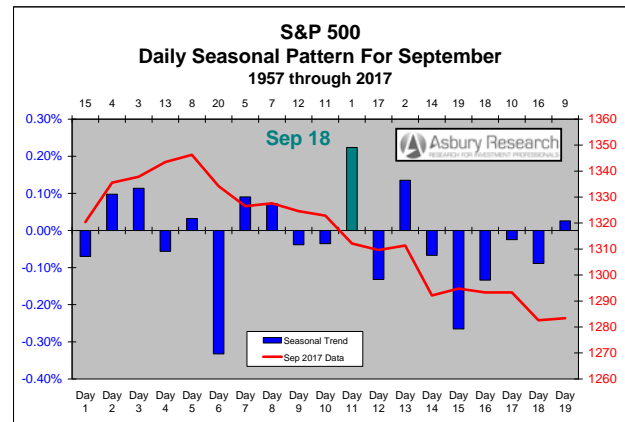
S&P 500 Quarterly Seasonal Pattern For Q3 Since 1957

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 three of the five seasonally 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 19 daily increments that plot *the average daily percent change* in the S&P 500 during September since 1957. The red line plots the daily closing levels in SPX during September 2017.



The green bar shows that **Day 11, which is September 18th, is the seasonally strongest day of the month**.

Investment Implications & Strategy

These yearly, quarterly, and monthly charts collectively suggest a potential near term selling opportunity on strength, either early in the month or on or around September 18th, with a strategy of covering the position during late September weakness.



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 by far the seasonally weakest month of the year based on data since 1978. Like the US market, the FTSE's weakness in September leads into a gradually strengthening 4th Quarter.

The depth of the green bar on the chart indicates that, on average since 1978, **the FTSE has declined by 1.17% in September**. The red line plots the FTSE's monthly closing levels during 2017.

German DAX **Yearly** Seasonal Pattern Since 1967

The green bar in the chart at lower left on Page 2 shows that September is also the seasonally weakest month of the year in the DAX based on data since 1967. Like the US and London markets, September also leads into a gradually strengthening 4th Quarter in the DAX.

The depth of the green bar indicates that, on average since 1967, the **DAX has closed 1.69% lower in September**. The red line plots the DAX's monthly closing levels in 2017, showing that the German index closely tracked its long term annual seasonal pattern last year.

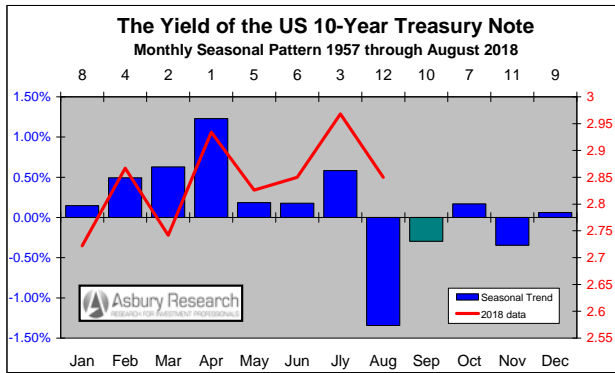
Japanese Nikkei 225 **Yearly** Seasonal Pattern Since 1957

The green bar on the chart at lower right on Page 2 shows that September is also the seasonally weakest month of the year in the Japanese Nikkei 225 Index based on data since 1957. Like the US and European indexes, September also leads into a several month seasonal rebound in the Nikkei 225, but in this case it extends through January.

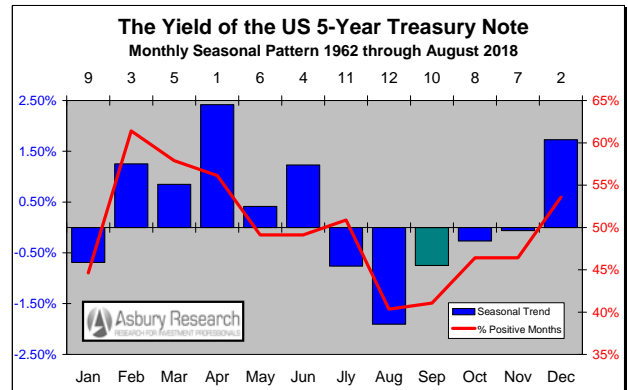
The depth of the green bar indicates that, on average since 1957, the **Nikkei 225 has declined by 0.84% in September**. The red line shows that, also on average since 1957, **the Japanese index has posted a negative September close 57% of the time**, which is the highest incidence of a negative close for any month during this period.



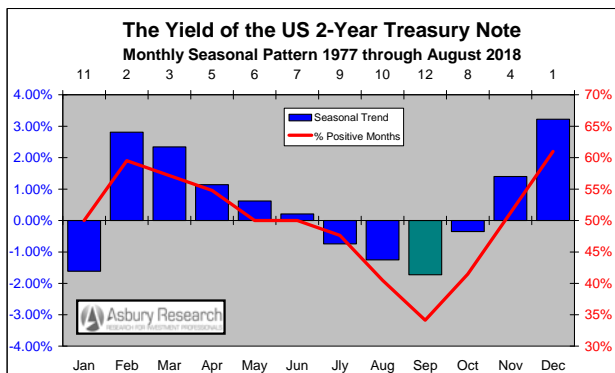
Global Interest Rates (United States)



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 into early next year. 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 or thus far in 2018.

Common to the 10- and 5-Year maturities is that August is the weakest month of the year,

after which the seasonal trend remains mostly weak through January.

US 10-Year Yield Yearly Seasonal Pattern Since 1957

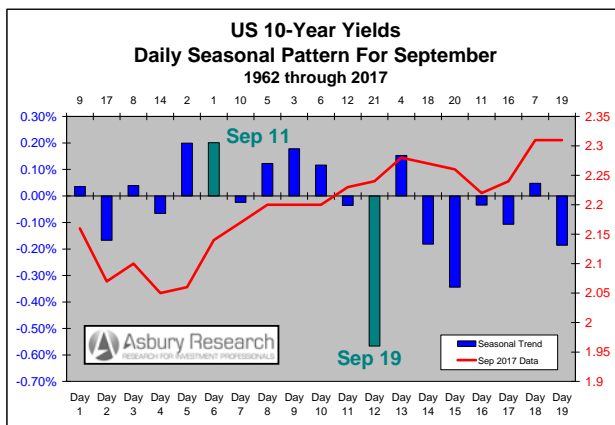
The green bar in the chart at upper left highlights September as the 10th seasonally strongest or 3rd weakest month of the year in the yield of the US 10-Year Treasury Note based on data since 1957. It represents the second of a six month period of sustained seasonal weakness that extends through January and includes these yields' six weakest months of the year.



The depth of the green bar indicates that, on average since 1957, **the yield of the 10-Year has declined by 0.30% in September.** The red line plots these yields' monthly closing levels thus far in 2018.

US 10-Year Yield Monthly Seasonal Pattern For September 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 September since 1962. The red line plots these yields' daily closing levels in September 2017.



The green column shows that **these yields seasonally peak for the month on Day 6 or September 11th, and bottom for the month on Day 12 or September 19th.**

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 September 11th, as yields peak for the month, with a strategy of closing out the position on rising prices and declining yields either later this month or later in the year.

US 5-Year Yield Yearly Seasonal Pattern Since 1962

The green bar on the chart at upper right on the previous page shows that, like the 10-Year, September is also the 3rd weakest month of the year in the yield of the 5-Year Treasury Note, based on data since 1962. It is followed by more modest weakness in October and November before a strong one-month seasonal rebound emerges in December, the 2nd strongest month of the year.

The depth of the green bar indicates that, on average since 1957, **the yield of the 5-Year has declined by 0.75% in September.** The red line shows that, also on average since 1957, **these yields have posted a negative September close 59% of the time,** the second highest (after August) incidence of a negative close for any month during this period.

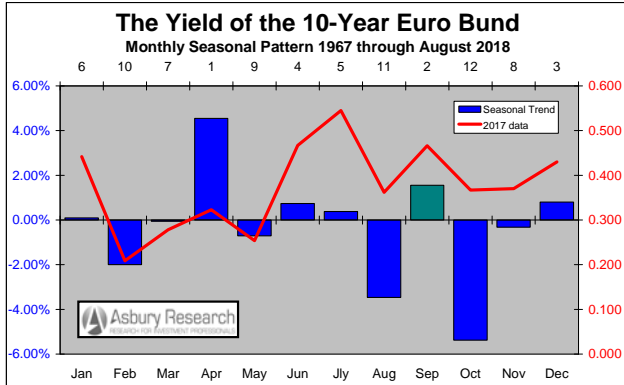
US 2-Year Yield Yearly Seasonal Pattern Since 1977

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. However, it leads into a gradual 4th Quarter recovery into December, which is the strongest month of the year

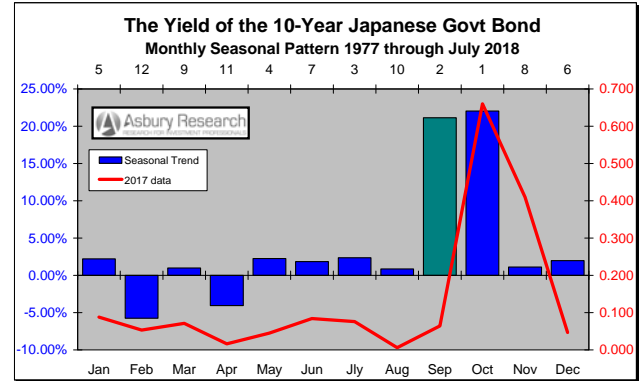
The depth of the green bar indicates that, on average since 1977, **the yield of the 2-Year has declined by 1.73% in September.** The red line shows that, also on average since 1977, **these yields have posted a negative September close 66% of the time,** their highest incidence of a negative close for 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 a strong one-month rebound between the two weakest months of the year, August and October, after which these yields remain mostly weak through March of next year.

The height of the green bar indicates that, on average since 1967, **Bund yields have risen by 1.55% in September**. The red line plots these yields' monthly closing levels during 2017 and shows that they loosely tracked their long term annual seasonal pattern last year.

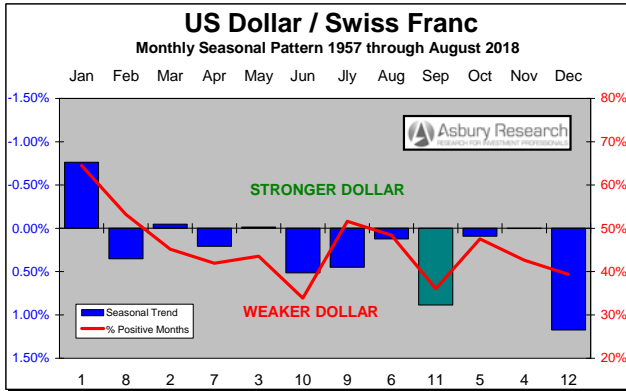
Japanese Government Bond 10-Year Yield Yearly Seasonal Pattern Since 1977

The green bar in the chart above highlights September as the 2nd seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) based on data since 1977. It leads into more acute strength in October, the strongest month of the year, after which these yields shift into a mostly negative seasonal trend through April of next year.

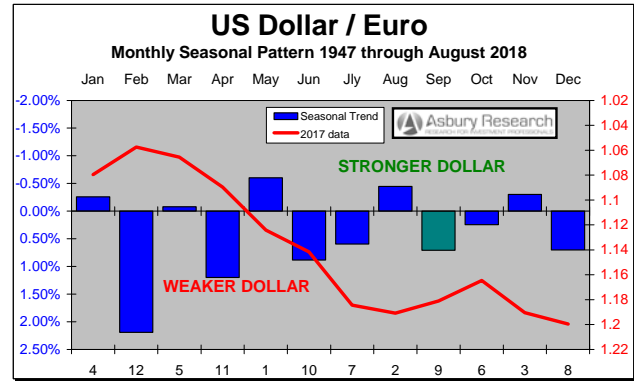
The height of the green bar indicates that, on average since 1977, **10-year JGB yields have spiked higher by 21.14% in September**. The red line shows that these yields loosely tracked their long term seasonal pattern in 2017.



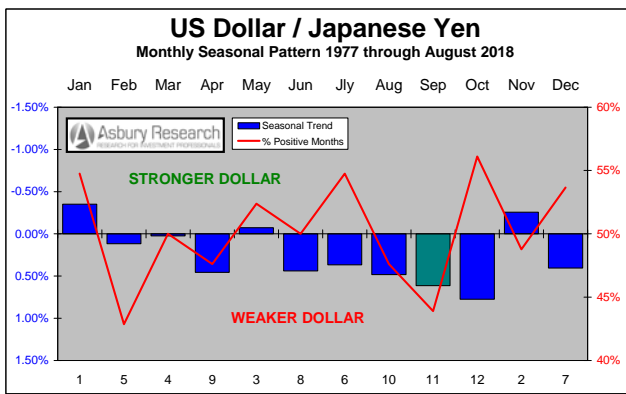
Global Foreign Exchange Rates



US Dollar / Swiss franc



US Dollar / Euro



US Dollar / Japanese yen

Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of September in the US Dollar versus Europe and Japan, as well as the greenback’s overall seasonal trend through 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 2017.

Common to all is that September represents a weaker Dollar than in August and, with the exception of a minor rebound in November, this weakness extends through 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 the fourth of a seven-month period of mostly sustained seasonal Dollar weakness that runs through December, the greenback’s weakest month of the year.

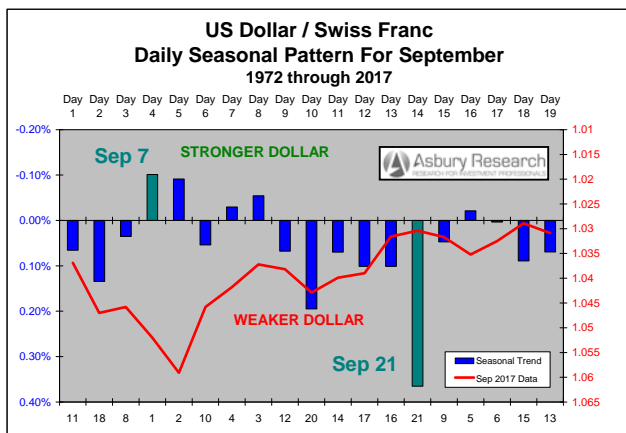
The depth of the green bar shows that, on average since 1957, the **US Dollar has underperformed the franc by 0.88% in**



September. The red line shows that, also on average since 1957, USDCHF has posted a negative September close 64% of the time, its second highest incidence (following June) of a negative monthly close 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 2017.



The green bars show that the Dollar seasonally peaks for the month versus the franc on Day 4 or September 7th, and bottoms for the month on Day 14 or September 21st.

Investment Implications & Strategy

These yearly and monthly data suggest a potential near term buying opportunity in USDCHF, on weakness on or around September 21st, with a strategy of closing out the position during an October-November seasonal rebound.

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 in the US Dollar versus the euro (formerly German Mark) based on data since 1947. Like USDCHF, this represents a one-month decline from a stronger August and leads into a modest rebound in November before more seasonal weakness emerges in December.

The depth of the green bar shows that, on average since 1947, the **US Dollar has underperformed the euro by 0.71% in September.** The red line plots USDEUR's monthly closing levels during 2017.

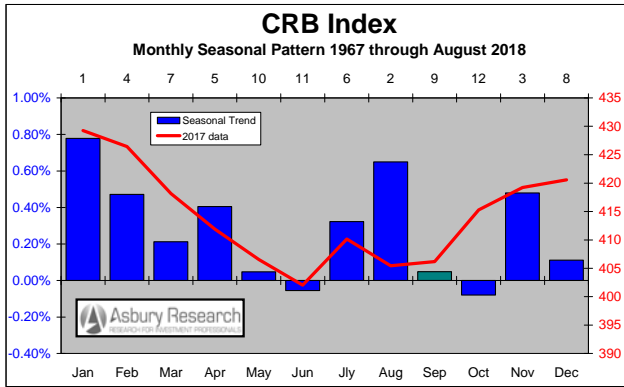
USDJPY Yearly Seasonal Pattern Since 1977

The green bar in the chart at lower left on the previous page highlights September as being the 11th seasonally strongest or 2nd weakest month of the year in the US Dollar versus the Japanese yen based on data since 1977. It represents the midpoint of the greenback's three seasonally weakest months of the year versus Japan, after which the seasonal trend significantly improves in November and January, the Dollar's two seasonally strongest months of the year.

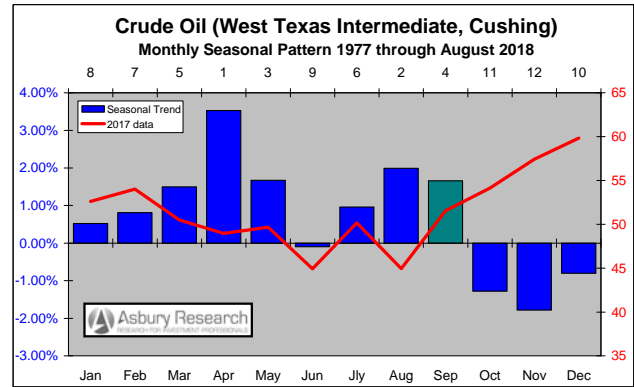
The depth of the green bar shows that, on average since 1977, the **US Dollar has underperformed the yen by 0.61% in September.** The red line shows that, also on average since 1977, **USDJPY has posted a negative September close 56% of the time,** its second highest incidence (following February) of a negative monthly close during this period.



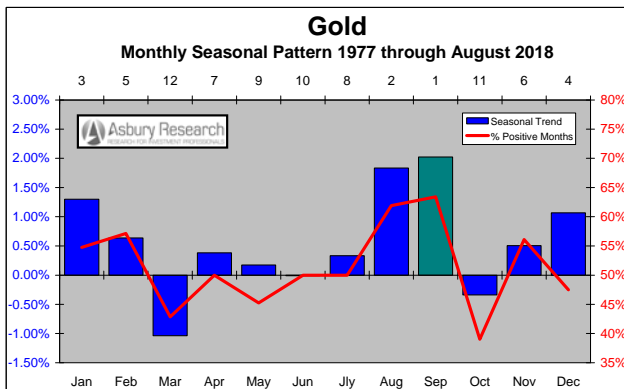
Commodity Prices



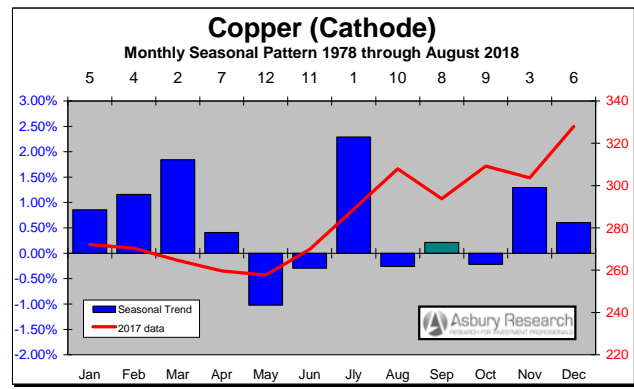
CRB Index



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 2017.

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 September is the 9th seasonally strongest or



4th weakest month of the year in the CRB Index based on data since 1967. It leads into the weakest month of the year, October, before the seasonal trend significantly improves between November and February.

The height of the green bar indicates that, **on average since 1967, the CRB has risen by just 0.05% in September.** The red line, which plots the CRB's monthly closing levels during 2017, shows that the index pretty closely tracked its long term seasonal trend last year.

Crude Oil Yearly Seasonal Pattern Since 1977

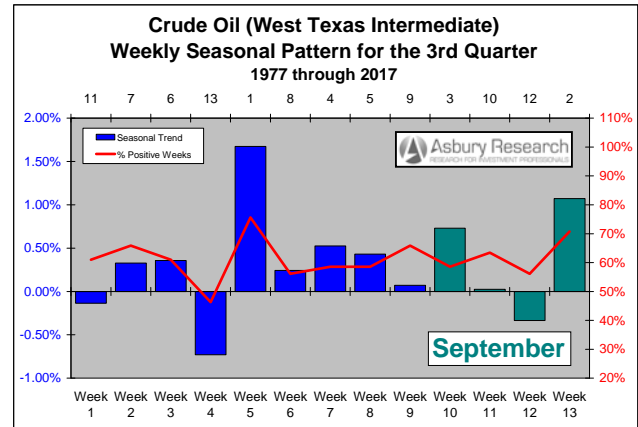
The green bar on the chart at upper right on the previous page shows that September is the 4th seasonally strongest month of the year in West Texas Intermediate crude oil prices based on data since 1977. It follows an even better August, the 2nd strongest month, but leads into the three weakest months 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 1.66% in September.** The red line shows that, also on average since 1977, **crude oil prices have posted a positive September close 56% of the time.**

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.**



Investment Implications & Strategy

Combined, these yearly and quarterly data suggest a potential near to intermediate term selling opportunity, on strength, during the first and final weeks of September, with a strategy of covering the position during acute 4th Quarter 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 follows the 2nd strongest month, August, but immediately precedes a sharp one-month seasonal decline in October, the 2nd weakest month, before the seasonal trend improves between December and February.

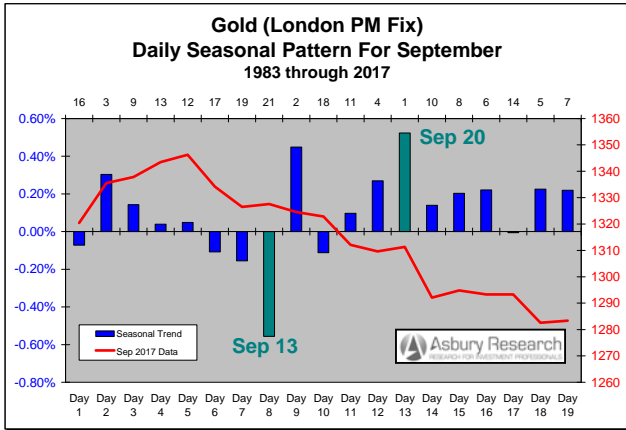
The height of the green bar indicates that, **on average since 1977, gold prices have risen by 2.02% in September.** The red line shows that, also on average since 1977, **gold prices have plotted a positive September close 63% of the time,** the highest incidence of a positive close for any month during this period.

Gold Monthly Seasonal Pattern For September Since 1983

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 September, since 1983. The red line plots the daily closing prices during September 2017.



The green highlights show that **gold prices historically bottom for the month on Day 8 or September 13th, and peak for the month on Day 13 or September 20th.**



Investment Implications & Strategy

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

Copper Yearly Seasonal Pattern Since 1978

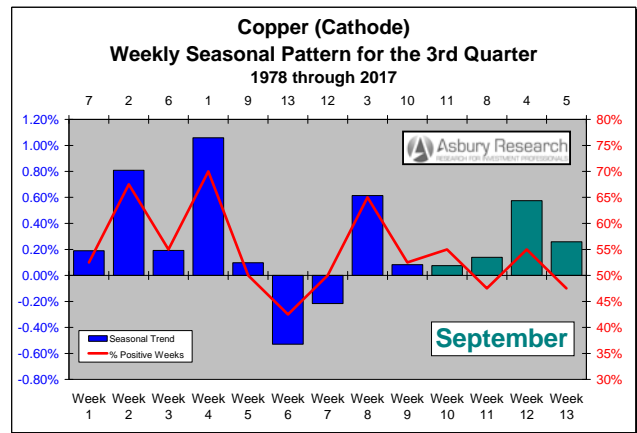
The green bar on the chart at lower right on Page 10 highlights September as the 8th seasonally strongest or 5th weakest month of the year in copper cathode (mined copper ore) prices based on data since 1978. September represents the second of three months of seasonal weakness sandwiched in between July and November, the latter which are 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 0.21% in September.** The red line plots

copper prices’ monthly closing levels during 2017.

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 green highlights show that **the first week of September is the 3rd weakest of the entire 3rd Quarter, and that the final two weeks of September are the 4th and 5th strongest of the quarter.**



Investment Implications & Strategy

Combined, these yearly and quarterly data suggest a potential intermediate term buying opportunity, on weakness, during the first half of September, with a strategy of closing out the position during November seasonal strength.

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