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October 21, 2021

Seasonax

How You Can Benefit from Little Known Seasonal and Cyclical Patterns

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How You Can Benefit from Little Known Seasonal and Cyclical Patterns

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SEASONAX

Interactive Brokers
October 21st 2021

Wide Field of Seasonality and Other Cycles

Seasonal patterns occur in many markets:

- Indexes
- Stocks
- Currencies
- Commodities
- Bonds

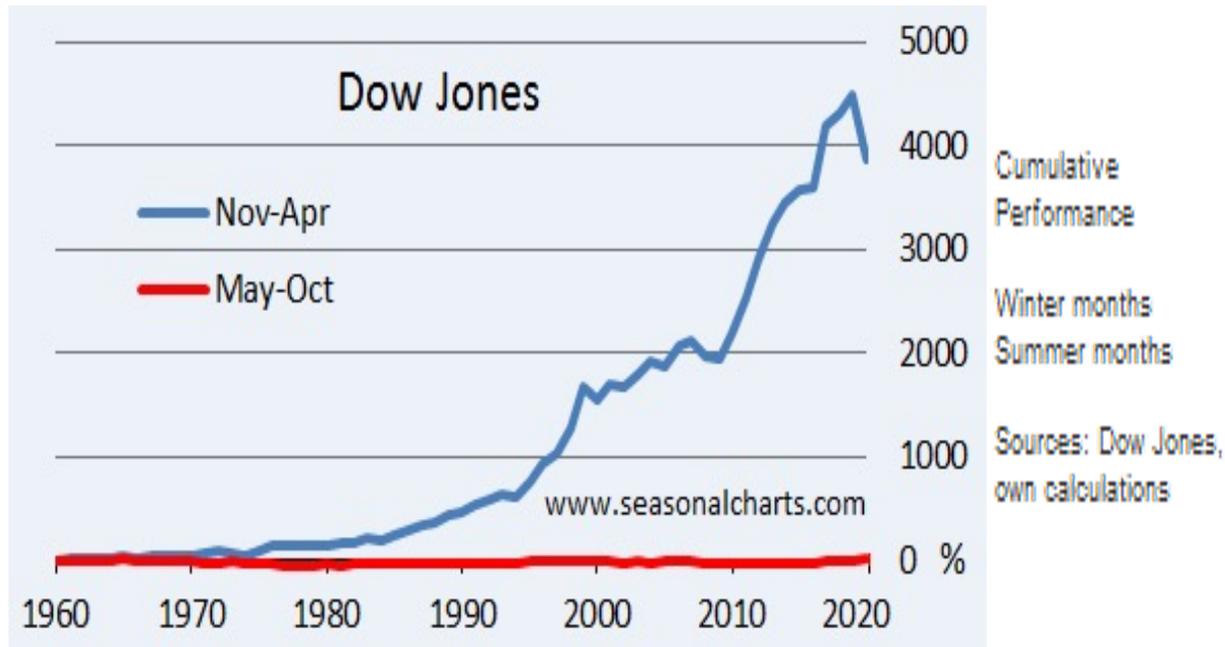
→ Many instruments have seasonal patterns

There are many periods and recurring events

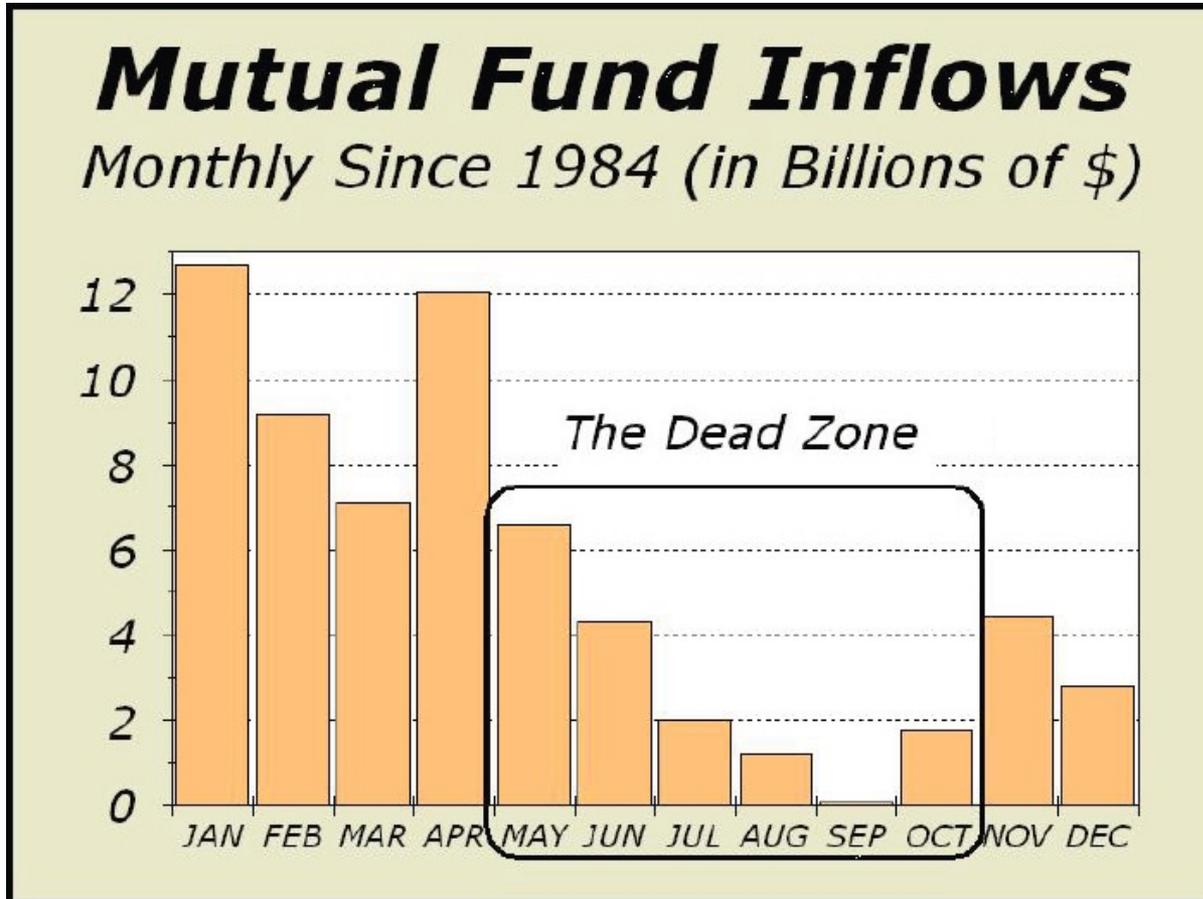
- Annual
- Intra-month
- Intraweek
- Intraday
- Recurring Events

Do Seasonal Trends Actually Exist?

- The saying “Sell in May and go away“ is known since the 1930s.
- Also since then, that rule has outperformed its seasonal opposite.



Investment Flows Lead to Summer Weakness



Source: Alan Newman

Sell in May and Go Away

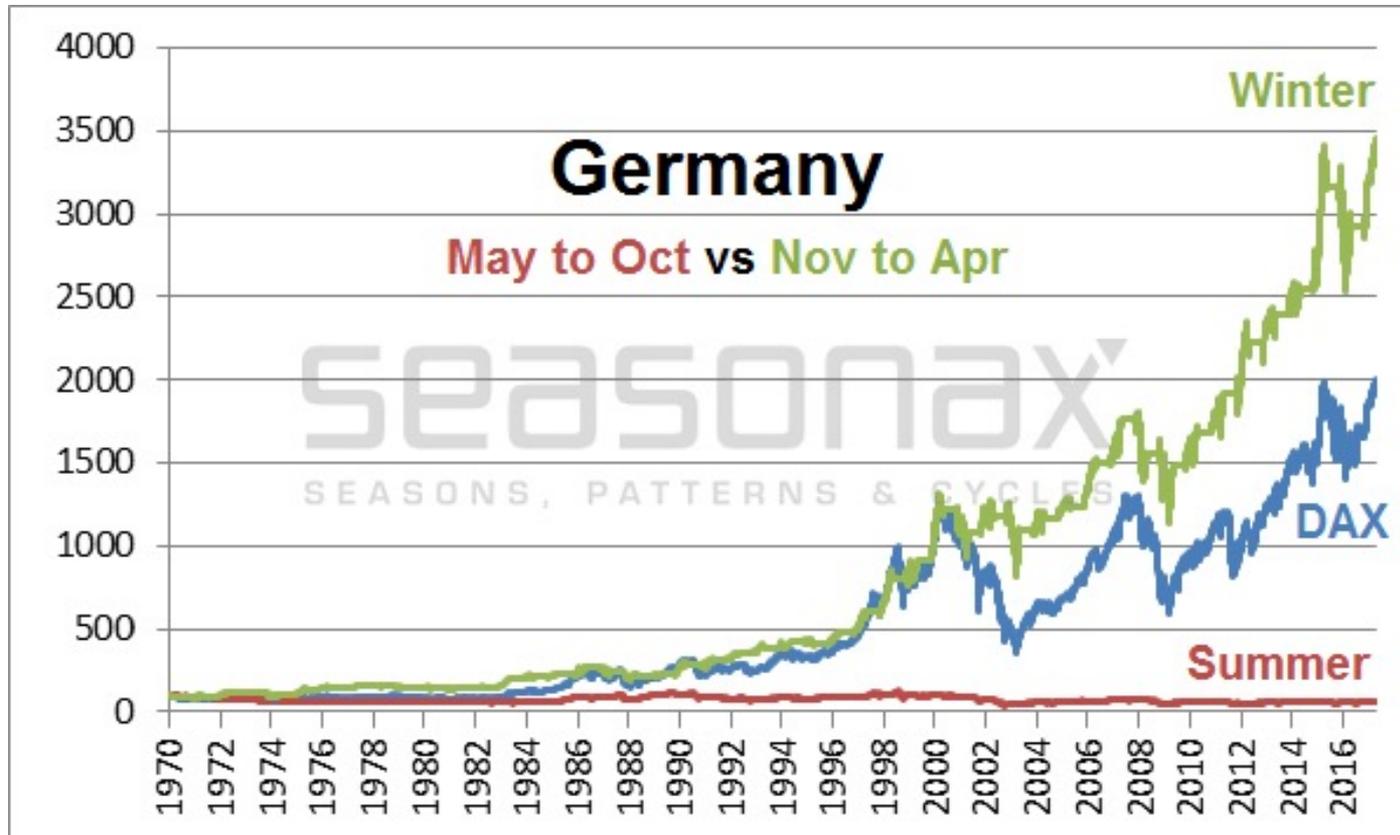
- The Halloween effect works in 11 out of 11 countries, in 9 distinctly

Country	Index	Start	End	Return		
				Summer	Winter	Total
Canada	S&P/TSX Comp	1/1970	4/2020	-0.22%	5.68%	5.45%
China	Shanghai Comp	1/1991	4/2020	0.06%	12.03%	12.10%
France	CAC 40	7/1987	4/2020	-3.24%	6.74%	3.28%
Germany	DAX 30 TR	1/1970	4/2020	-1.11%	6.92%	5.73%
Hong Kong	Hang Seng	1/1970	4/2020	3.35%	6.91%	10.49%
India	Nifty 50	7/1990	4/2020	5.79%	6.25%	12.40%
Japan	Nikkei 225	1/1970	4/2020	-2.25%	6.68%	4.28%
Korea	Kospi	1/1980	4/2020	0.04%	7.56%	7.60%
Taiwan	TWSE/TAIEX	1/1970	4/2020	-3.45%	13.42%	9.51%
UK	FTSE 100	1/1984	4/2020	-0.51%	5.45%	4.91%
USA	S&P 500	1/1970	4/2020	1.04%	5.95%	7.05%
			Average:	-0.05%	7.60%	7.53%

Source: Seasonax

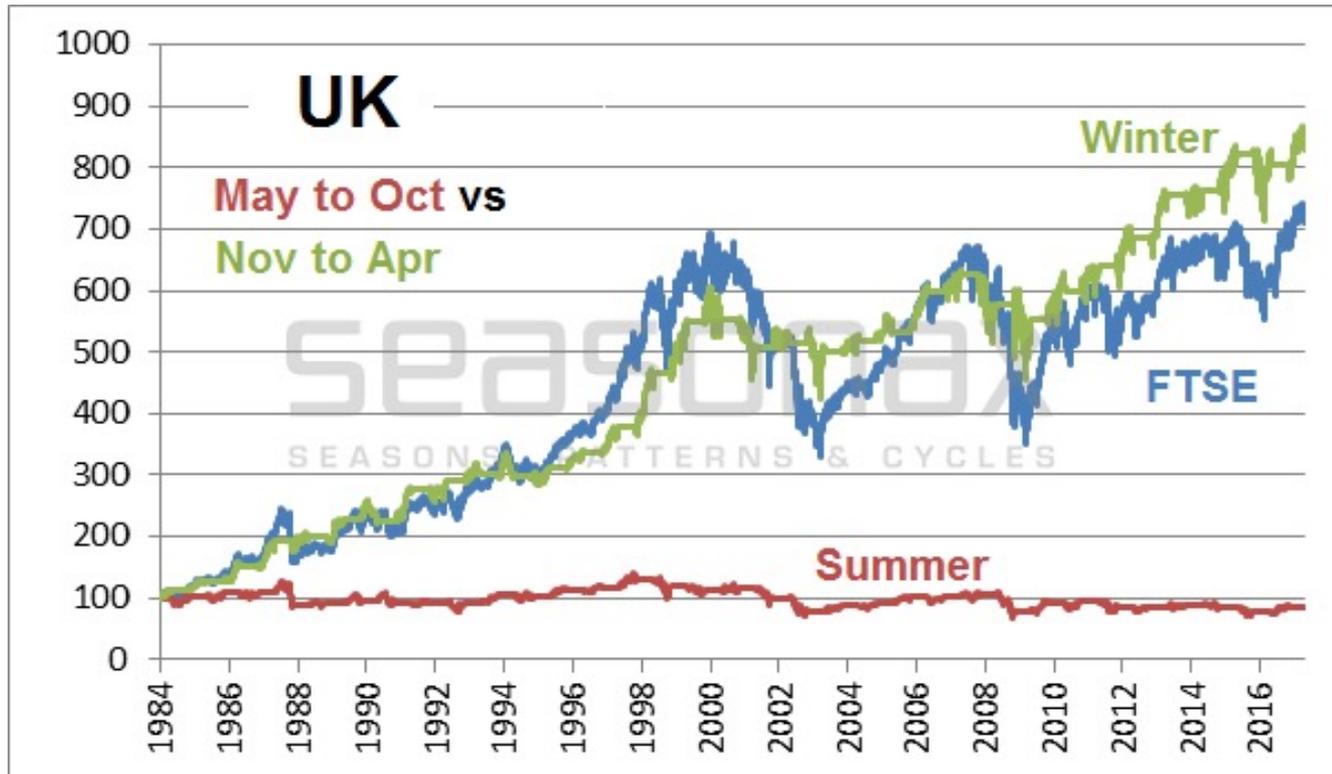
Halloween in Germany

- In Germany the winter beats the whole year significantly!



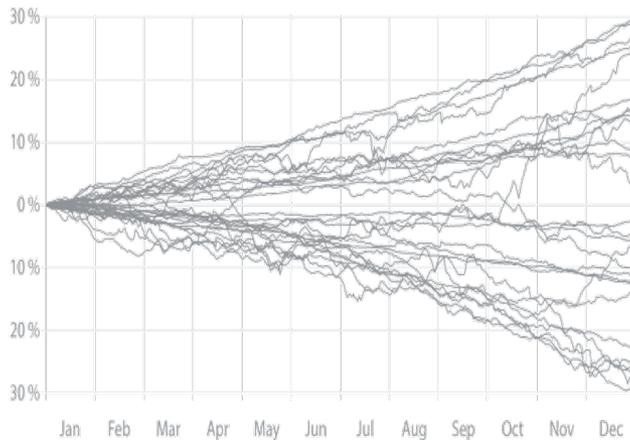
Halloween in UK

- In UK the winter beats the whole year!



Seasonal Trends At a Glance

- Seasonal price trends are shown by averaging the movement of previous years
- You can see the seasonal trend of a particular stock at a glance



Source: Seasonax

What a Seasonal Chart Does Show You

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➤ Chart shows the seasonal trend of the Dow Jones over 25 years.



horizontal axis
= months
vertical axis
= % move

- Strong April
- Weak during summer
- Year-end rally

Seasonal Price Trends of the DAX



- Often “Sell in May...”

Seasonal Price Trends of the CAC



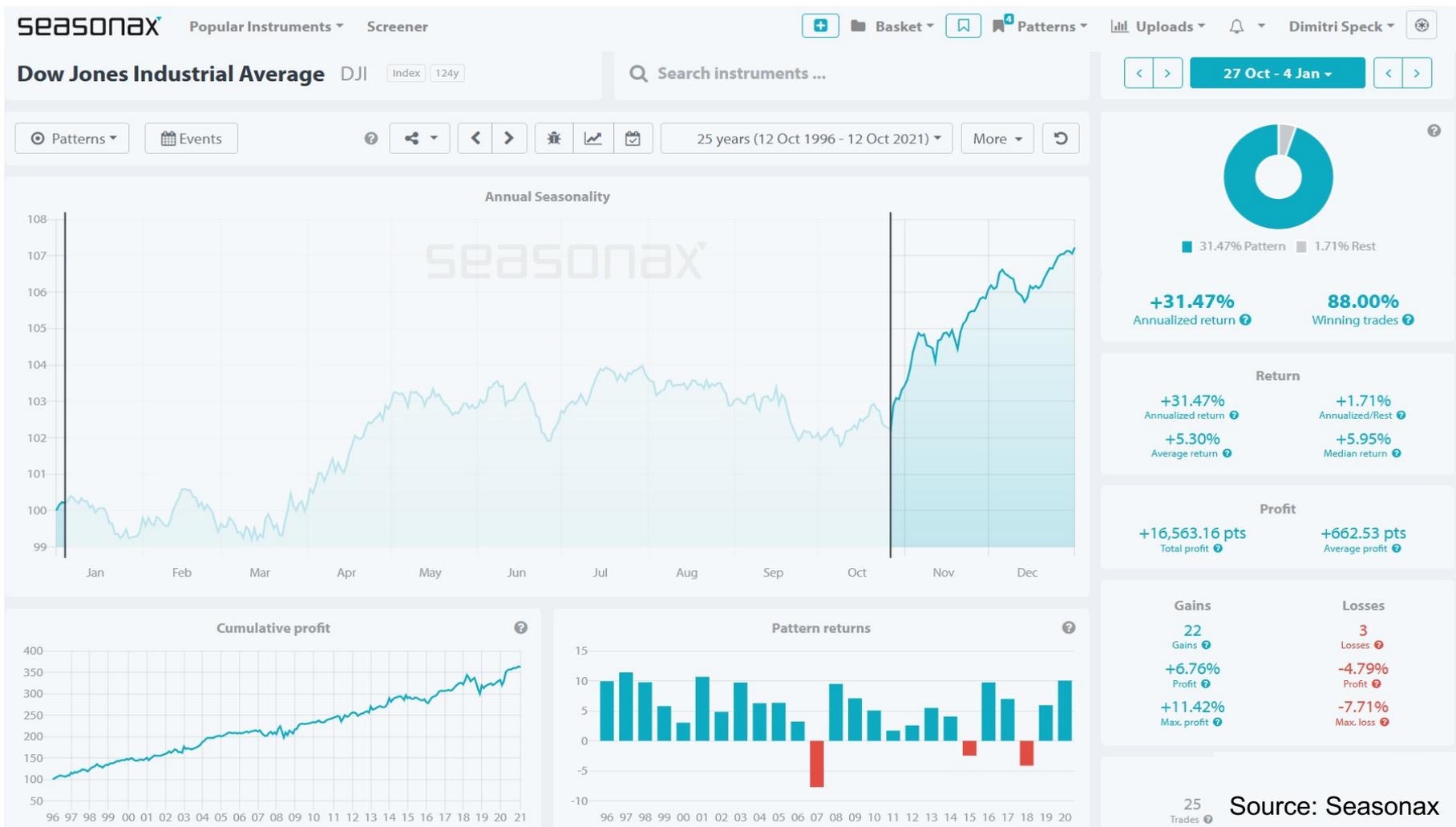
- Again May 1st...

Seasonal Price Trends of the FTSE



- Slightly later in May
- Very strong Santa Claus rally

Seasonal Pattern: Autumn Rally Dow Jones 13



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Pattern-Details

Start date	Start price	End date	End price	Profit	Profit %	Max rise	Max drop
28 Oct 1996	5,972.73	06 Jan 1997	6,567.17	+594.44	+9.95%	+9.95%	0.00%
27 Oct 1997	7,161.14	05 Jan 1998	7,978.99	+817.85	+11.42%	+13.80%	0.00%
27 Oct 1998	8,366.04	04 Jan 1999	9,184.26	+818.22	+9.78%	+12.05%	0.00%
27 Oct 1999	10,394.90	04 Jan 2000	10,997.94	+603.04	+5.80%	+10.60%	0.00%
27 Oct 2000	10,590.62	04 Jan 2001	10,912.41	+321.79	+3.04%	+3.65%	-2.57%
29 Oct 2001	9,269.50	04 Jan 2002	10,259.74	+990.24	+10.68%	+10.68%	-2.10%
28 Oct 2002	8,368.04	06 Jan 2003	8,773.57	+405.53	+4.85%	+6.74%	-0.77%
27 Oct 2003	9,608.16	05 Jan 2004	10,544.07	+935.91	+9.74%	+9.74%	0.00%
27 Oct 2004	10,002.03	04 Jan 2005	10,630.78	+628.75	+6.29%	+8.52%	0.00%
27 Oct 2005	10,229.95	04 Jan 2006	10,880.15	+650.20	+6.36%	+6.86%	0.00%
27 Oct 2006	12,090.26	04 Jan 2007	12,480.69	+390.43	+3.23%	+3.48%	-0.86%
29 Oct 2007	13,870.26	04 Jan 2008	12,800.18	-1,070.08	-7.71%	+0.43%	-8.12%
27 Oct 2008	8,175.77	05 Jan 2009	8,952.89	+777.12	+9.51%	+17.73%	-7.63%
27 Oct 2009	9,882.17	04 Jan 2010	10,583.96	+701.79	+7.10%	+7.10%	-1.71%
27 Oct 2010	11,126.28	04 Jan 2011	11,691.18	+564.90	+5.08%	+5.08%	-1.08%
27 Oct 2011	12,208.55	04 Jan 2012	12,418.42	+209.87	+1.72%	+1.72%	-8.00%
31 Oct 2012	13,096.46	04 Jan 2013	13,435.21	+338.75	+2.59%	+2.59%	-4.23%
28 Oct 2013	15,568.93	06 Jan 2014	16,425.10	+856.17	+5.50%	+6.47%	-0.15%
27 Oct 2014	16,817.94	05 Jan 2015	17,501.65	+683.71	+4.07%	+7.35%	0.00%
27 Oct 2015	17,581.43	04 Jan 2016	17,148.94	-432.49	-2.46%	+1.92%	-2.58%
27 Oct 2016	18,169.68	04 Jan 2017	19,942.16	+1,772.48	+9.76%	+9.93%	-1.55%
27 Oct 2017	23,434.19	04 Jan 2018	25,075.13	+1,640.94	+7.00%	+7.00%	-0.70%
29 Oct 2018	24,442.92	04 Jan 2019	23,433.16	-1,009.76	-4.13%	+7.15%	-10.84%
28 Oct 2019	27,090.72	06 Jan 2020	28,703.38	+1,612.66	+5.95%	+5.95%	-0.00%
27 Oct 2020	27,463.19	04 Jan 2021	30,223.89	+2,760.70	+10.05%	+10.05%	-0.00%

Source: Seasonax

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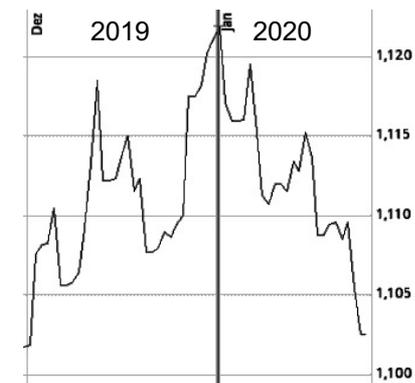
The Euro in The Course of The Year

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- Seasonally, the Euro performs strong at year's end.
- But weakens afterwards.



- Money is being shifted out and then back into US (based on taxes).



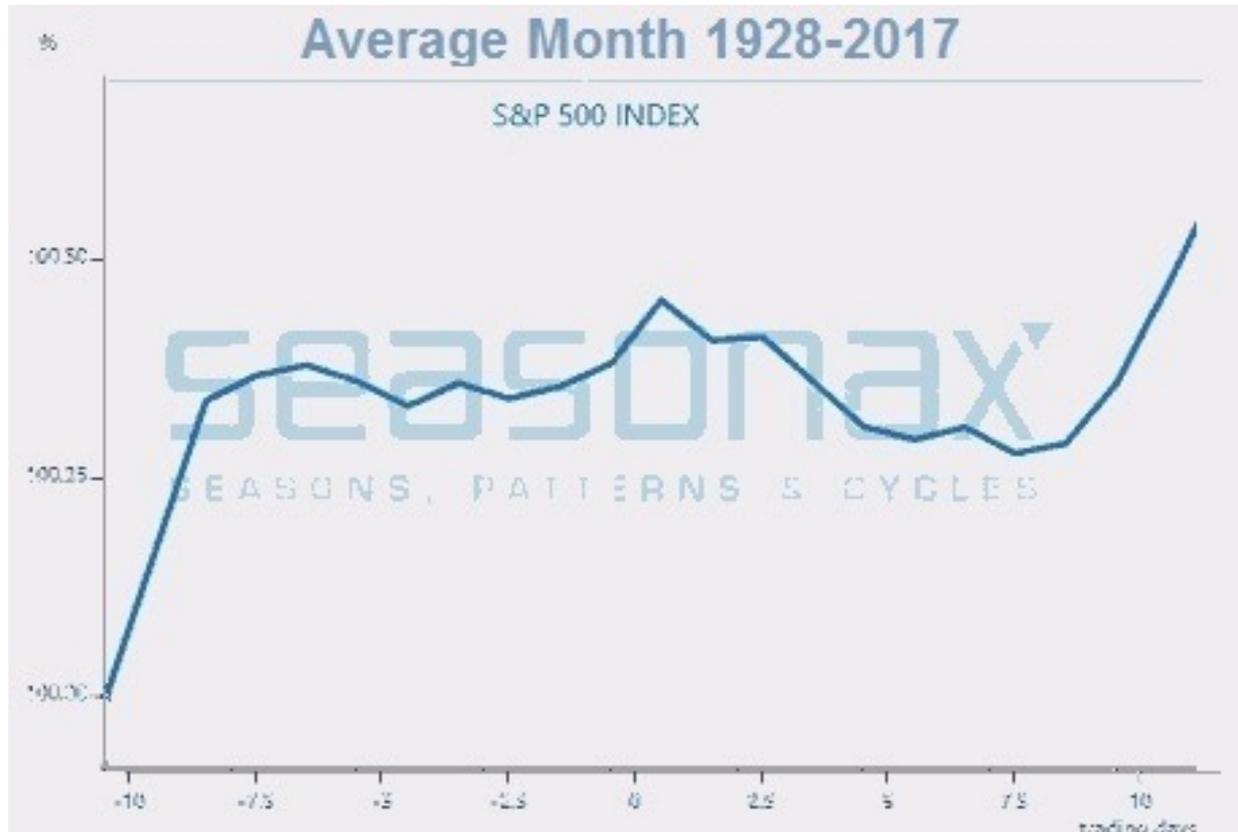
Source: Comdirect

Microsoft in The Course of The Year

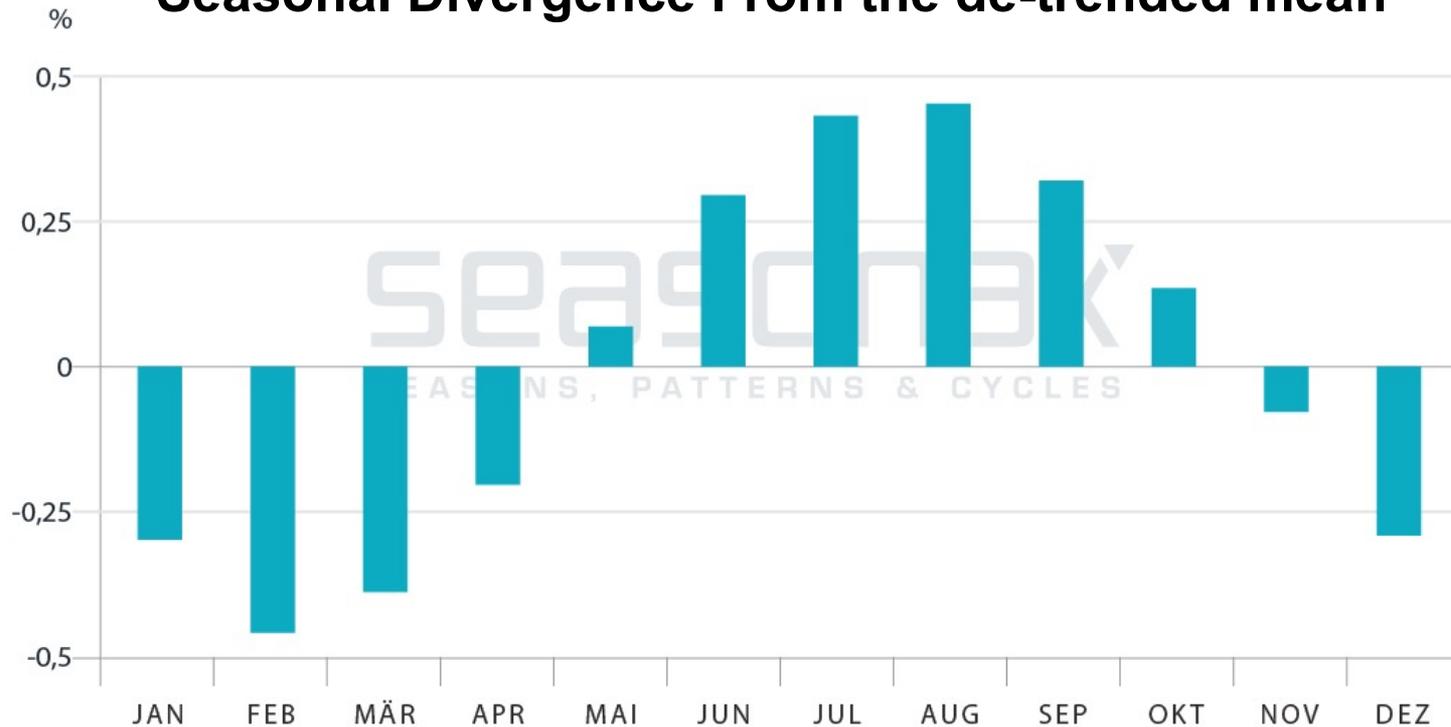


Other Periods: Intra-Month

- Chart depicts the intra-month average of the S&P 500.



US Home Prices: Seasonal Divergence From the de-trended mean



The Turn-of-the-Month Effect Internationally

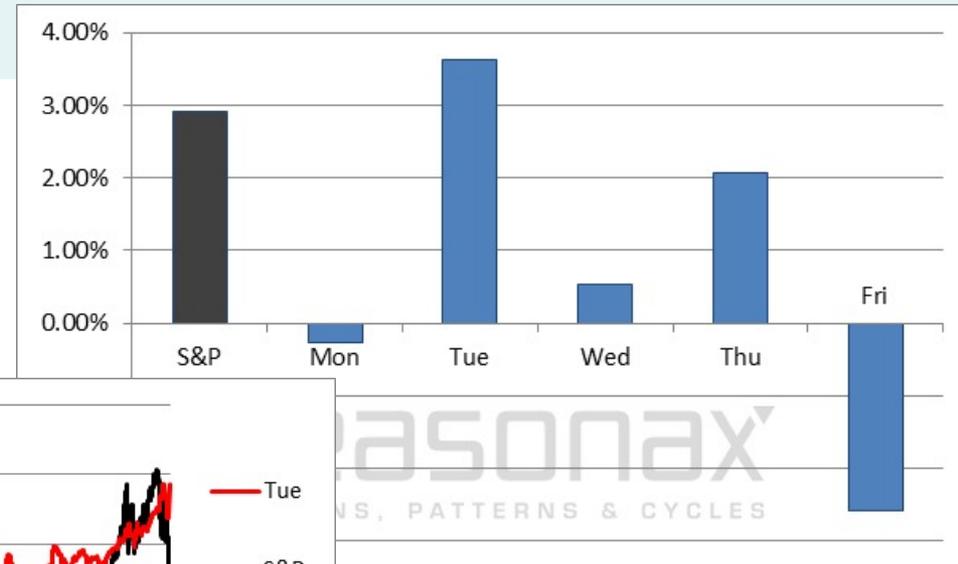
- The turn-of-the-month effect worked in all 11 countries

Country	Index	Start	End	Return		Diff	Total
				Mid	Turn		
				of The Month			
Canada	S&P/TSX Comp	1/1977	4/2018	0.31%	6.39%	6.08%	6.70%
China	Shanghai Comp	1/1991	4/2018	3.59%	8.26%	4.67%	11.85%
France	CAC 40	7/1987	4/2018	-1.65%	6.09%	7.74%	4.44%
Germany	DAX 30 TR	1/1970	4/2018	-0.40%	6.79%	7.19%	6.39%
Hong Kong	Hang Seng	1/1970	4/2018	4.02%	8.78%	4.76%	12.80%
India	Nifty 50	7/1990	4/2018	1.03%	12.63%	11.60%	13.66%
Japan	Nikkei 225	1/1970	4/2018	0.26%	5.43%	5.17%	5.69%
Korea	Kospi	1/1980	4/2018	-3.50%	12.49%	15.99%	8.99%
Taiwan	TWSE/TAIEX	1/1970	4/2018	1.69%	7.90%	6.21%	9.59%
UK	FTSE 100	1/1984	4/2018	-1.08%	7.76%	8.84%	6.68%
USA	S&P 500	1/1970	4/2018	2.37%	4.71%	2.34%	7.08%
			Average:	0.60%	7.93%	7.33%	8.53%

Source: Seasonax

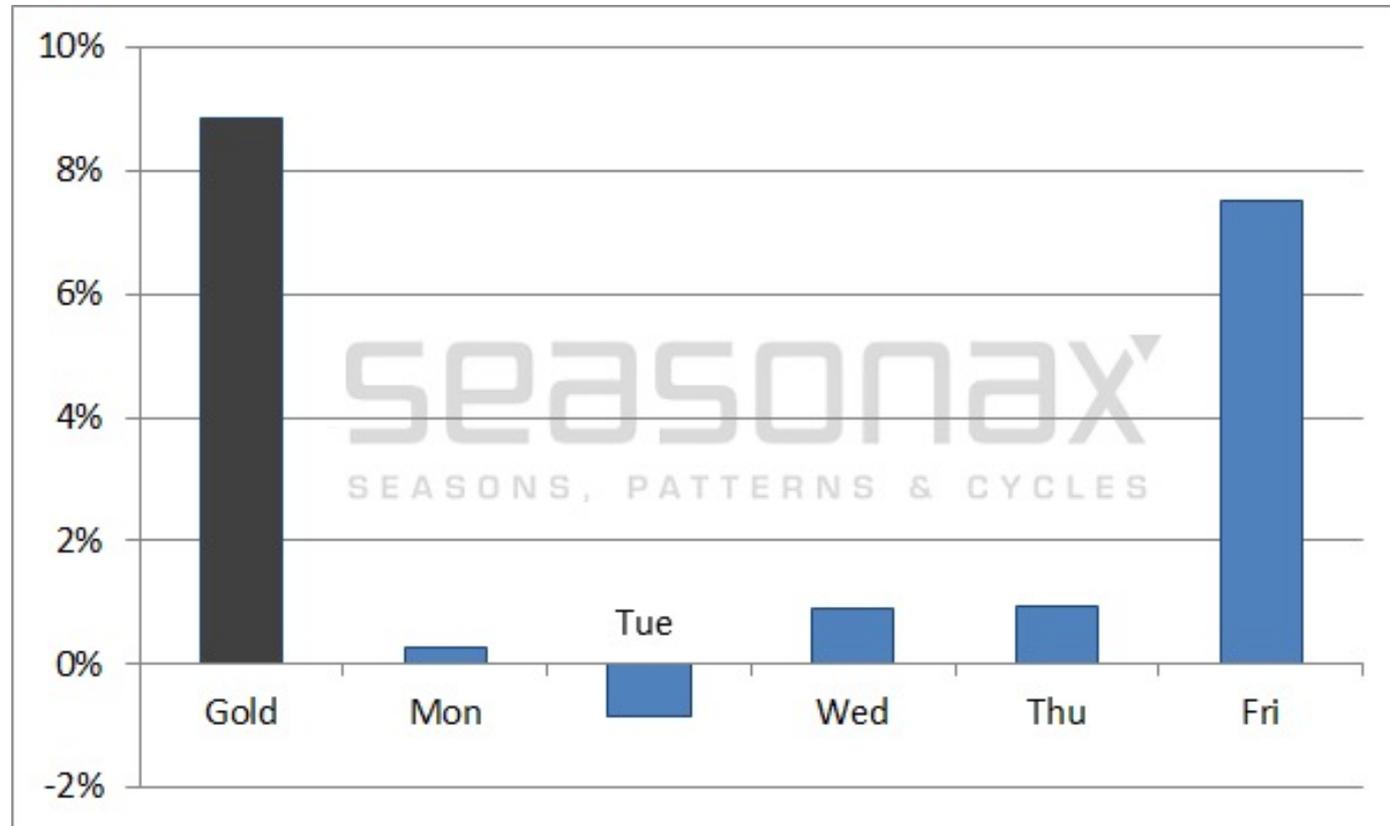
Intraweek S&P 500

- Tuesday and Thursday strong
- Friday weak

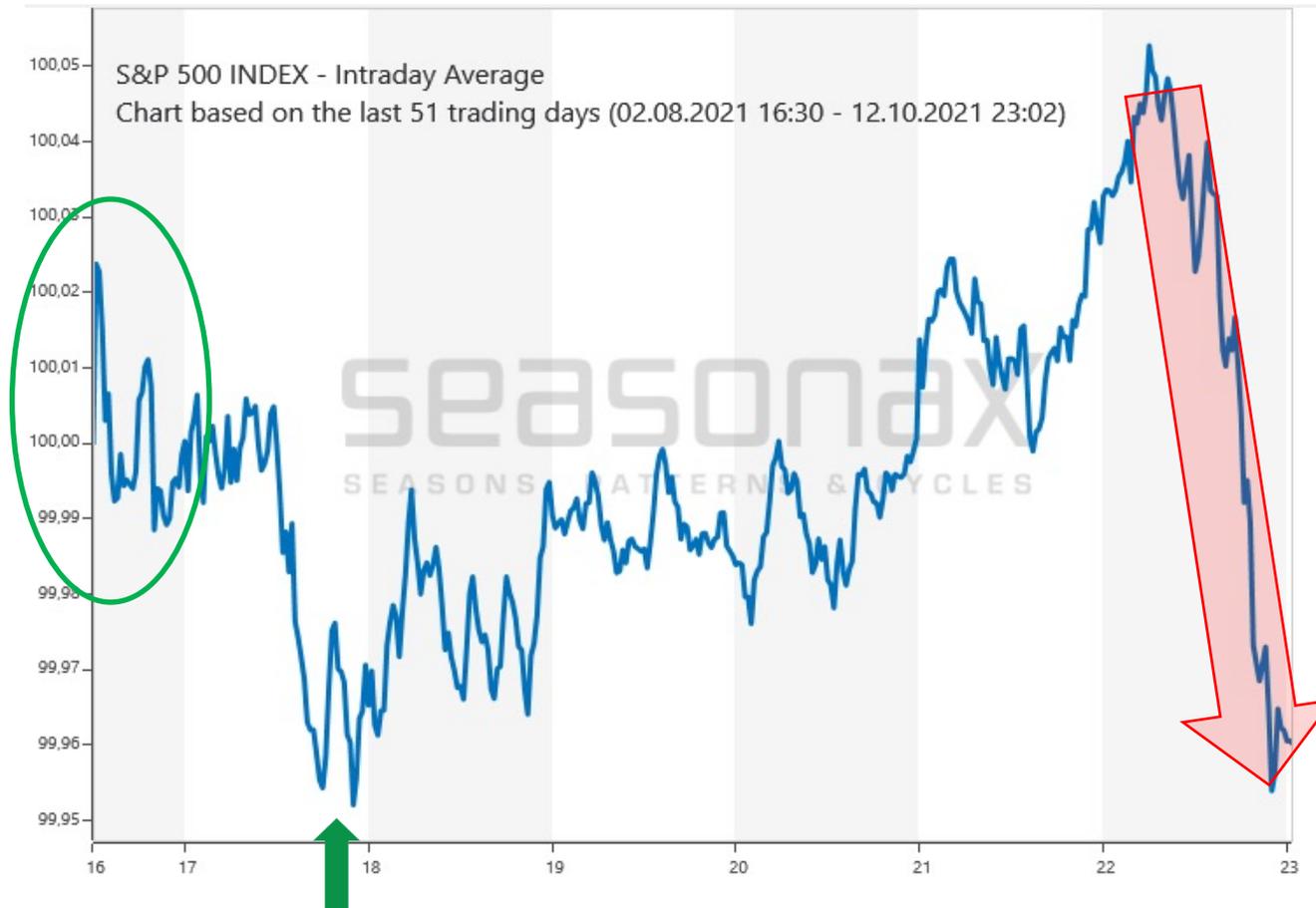


Intraweek Gold

➤ Friday strong!

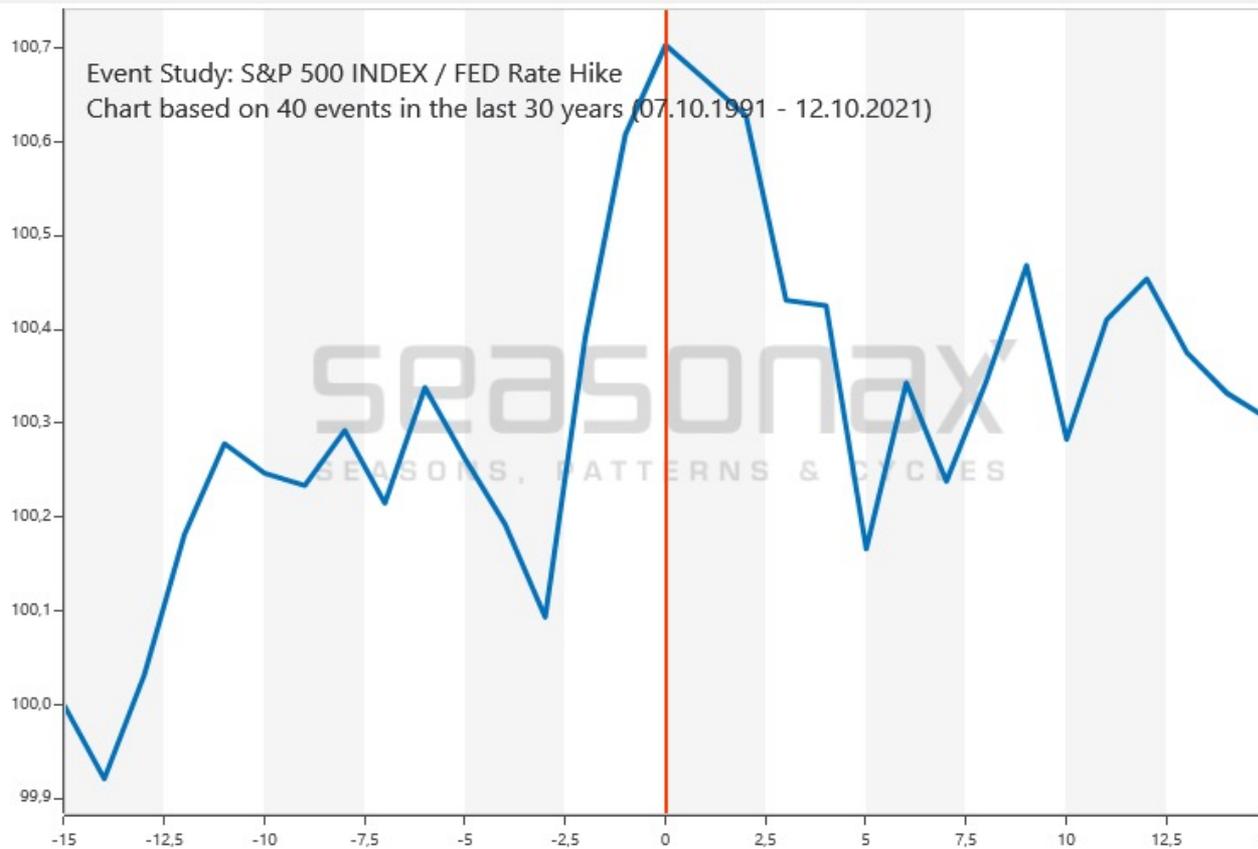


S&P 500 Intraday



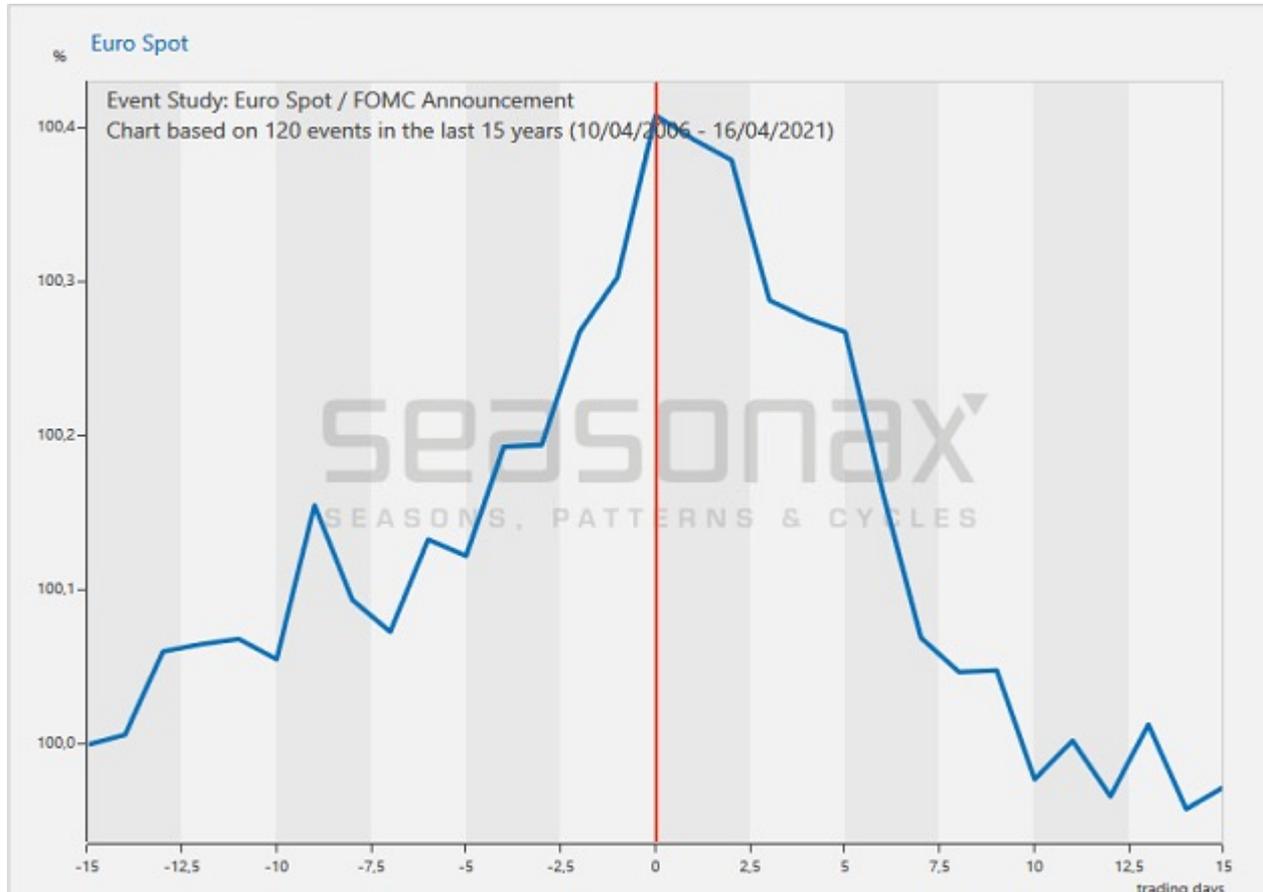
- The Chart shows the average intraday course of the S&P 500.
- In the last 50 days, weakness was concentrated on the last 45 trading minutes.

Event Study: S&P FED Rate Hike



- Chart shows S&P 500 +/- 15 days before/after 40 FED rate hikes
- 3 days rise before, then drop

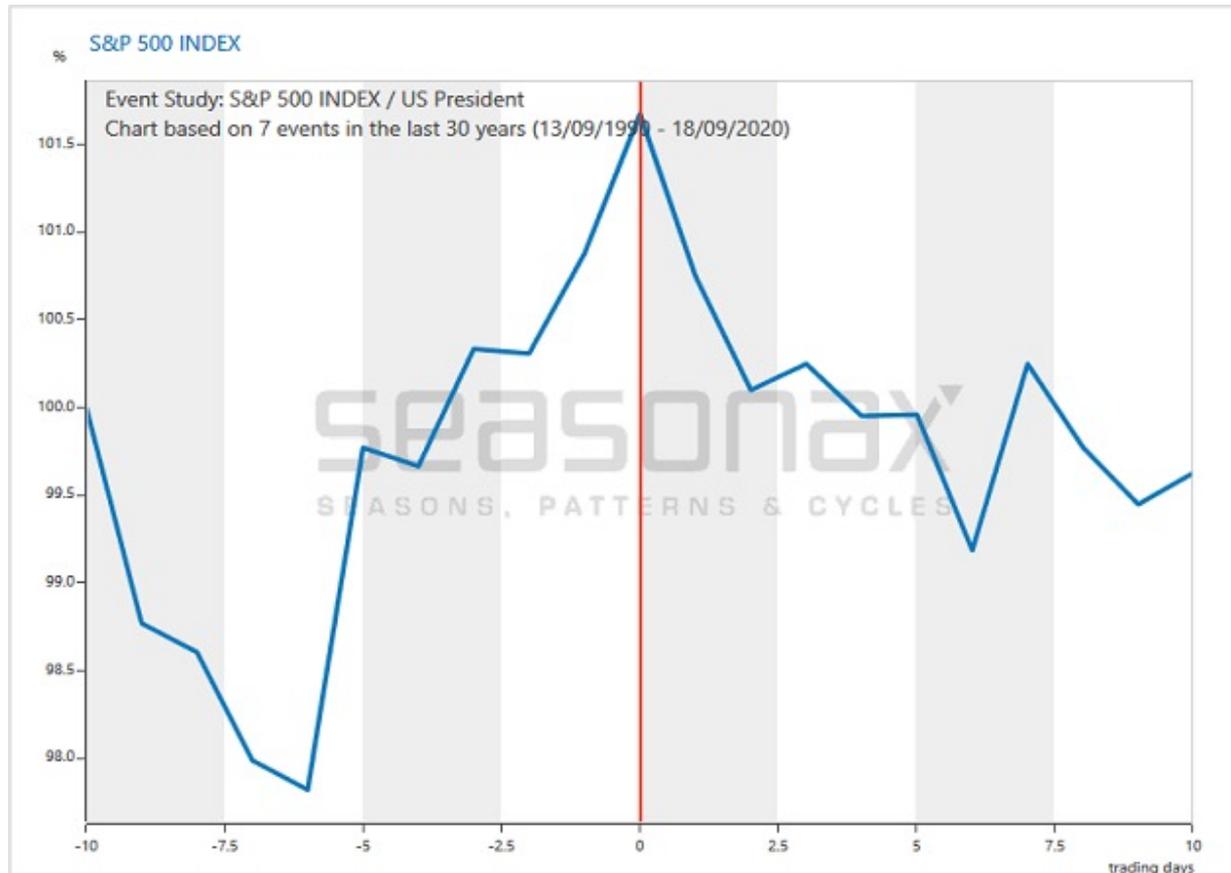
Event Study: Euro FOMC Meetings



- Chart shows +/- 15 days before/after FOMC announcement
- The days before the announcement rising, then dropping.

Event Study: S&P around US Elections

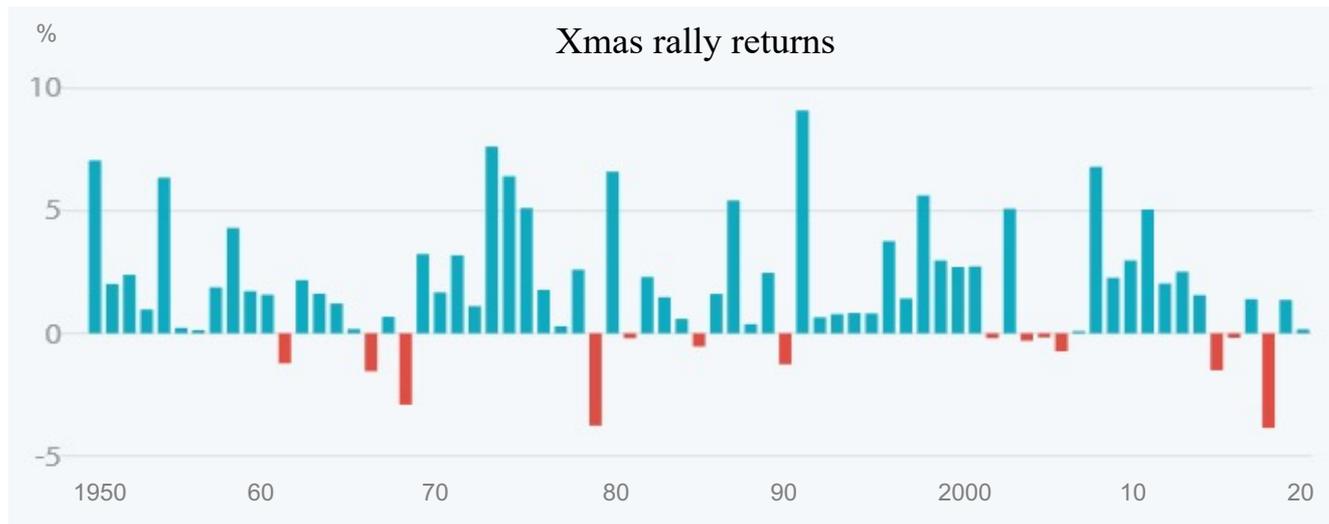
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- Chart shows +/- 10 days before/after US presidential elections
- S&P rises before and drops after elections
- First hope, then disappointment or realistic view

Practice: Some Years don't Follow Seasonality

- Xmas rally is one of the more consistent seasonal patterns.
- In the last 71 years the S&P 500 rose 57 times between Dec 15 and Jan 3, but 14 times not:



Source: Seasonax



Practice: Distribution

Infineon



Align Technology



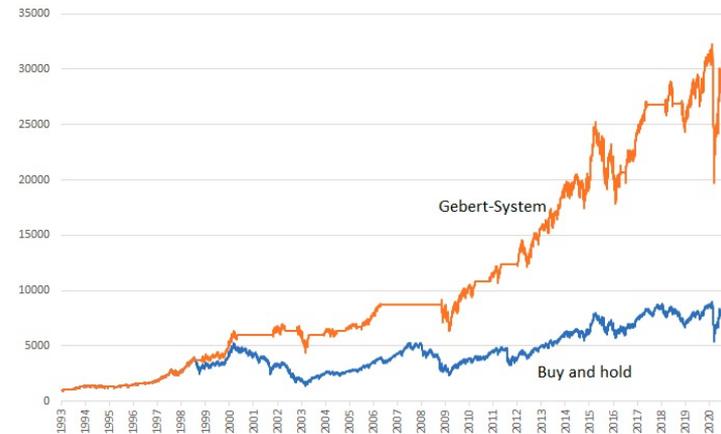
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5 Ways to use Seasonality in Investing

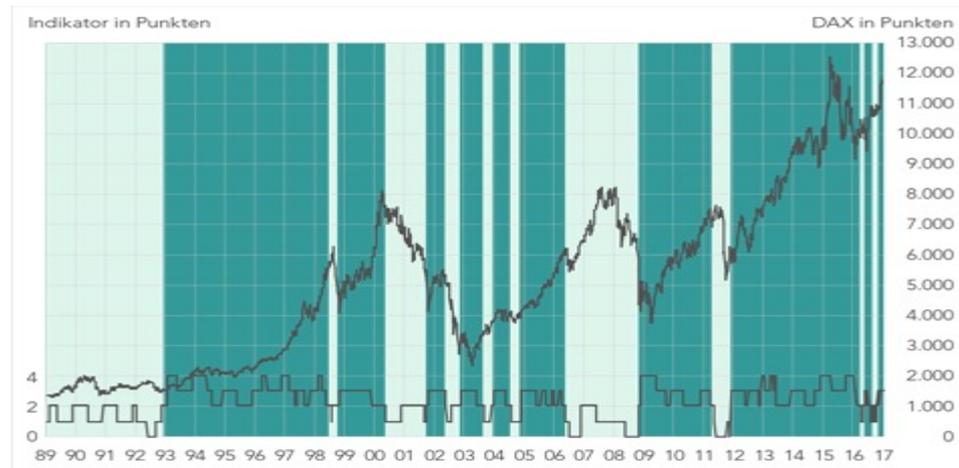
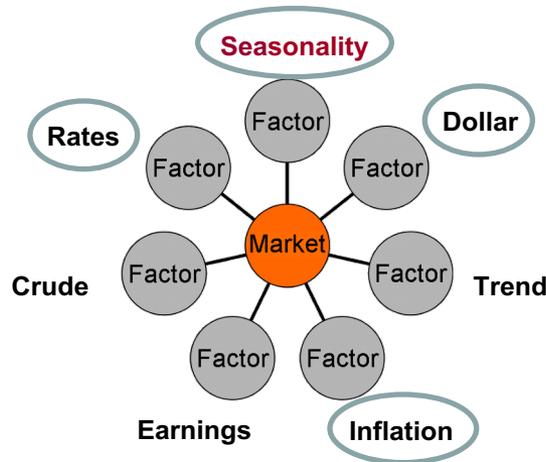
- Directly: Seasonal patterns can be traded directly.
- Timing: Seasonal patterns can be used for timing; e.g. stocks in November instead of the beginning of January.
- Filter: Seasonal patterns can be used for filtering and exposure; e.g. reduce stock exposure while seasonality is negative.
- Seasonality as additional input.
- Selection: E.g. Stock rolling

Seasonality as Additional Input

- Use seasonality additionally to your existing decision factors.
- This approach is easy to implement and promising.



DAX-System

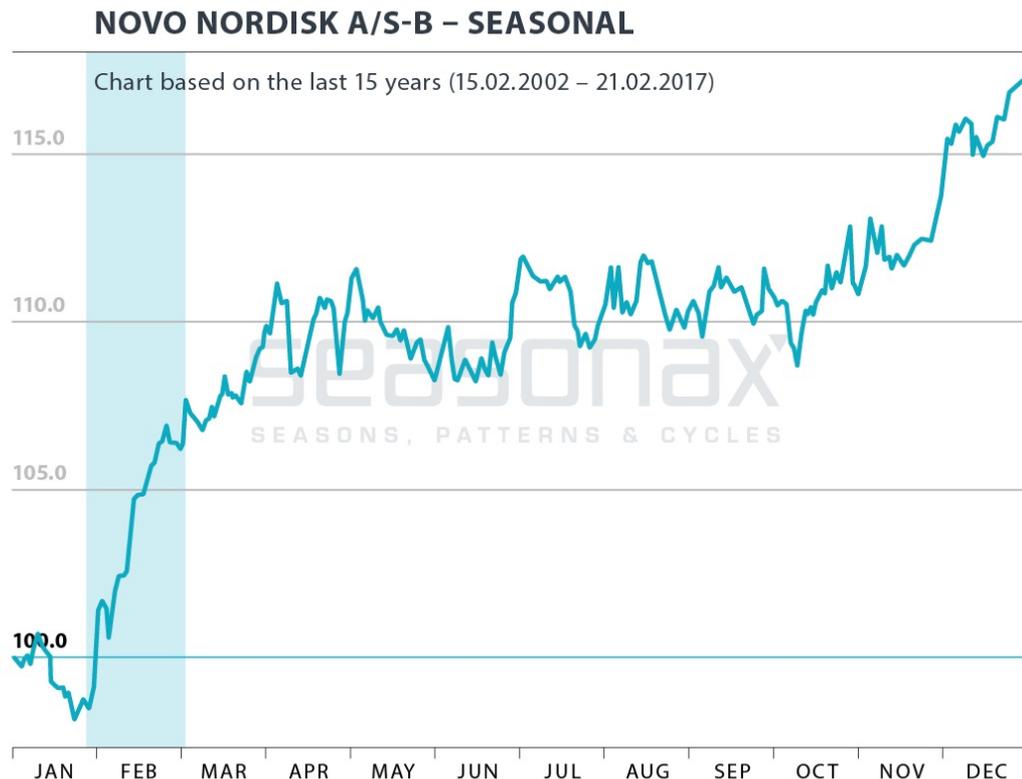


Source: Thomas Gebert

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Novo Nordisk in The Course of The Year

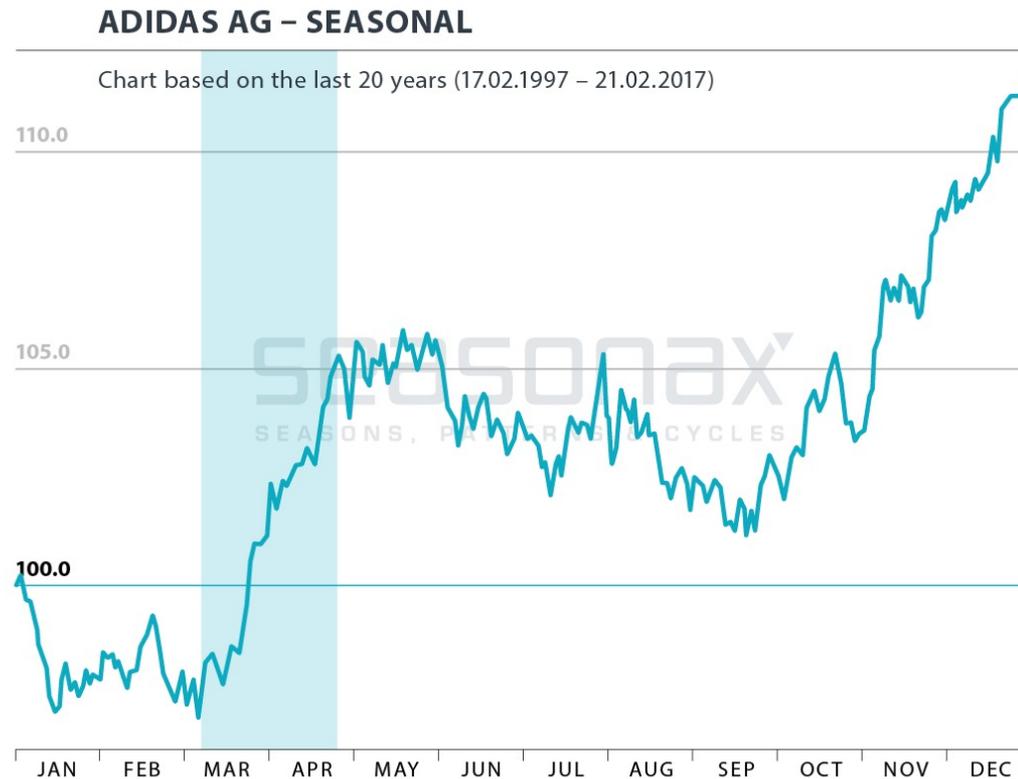
➤ What's about Novo Nordisk in February?...



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Adidas in The Course of The Year

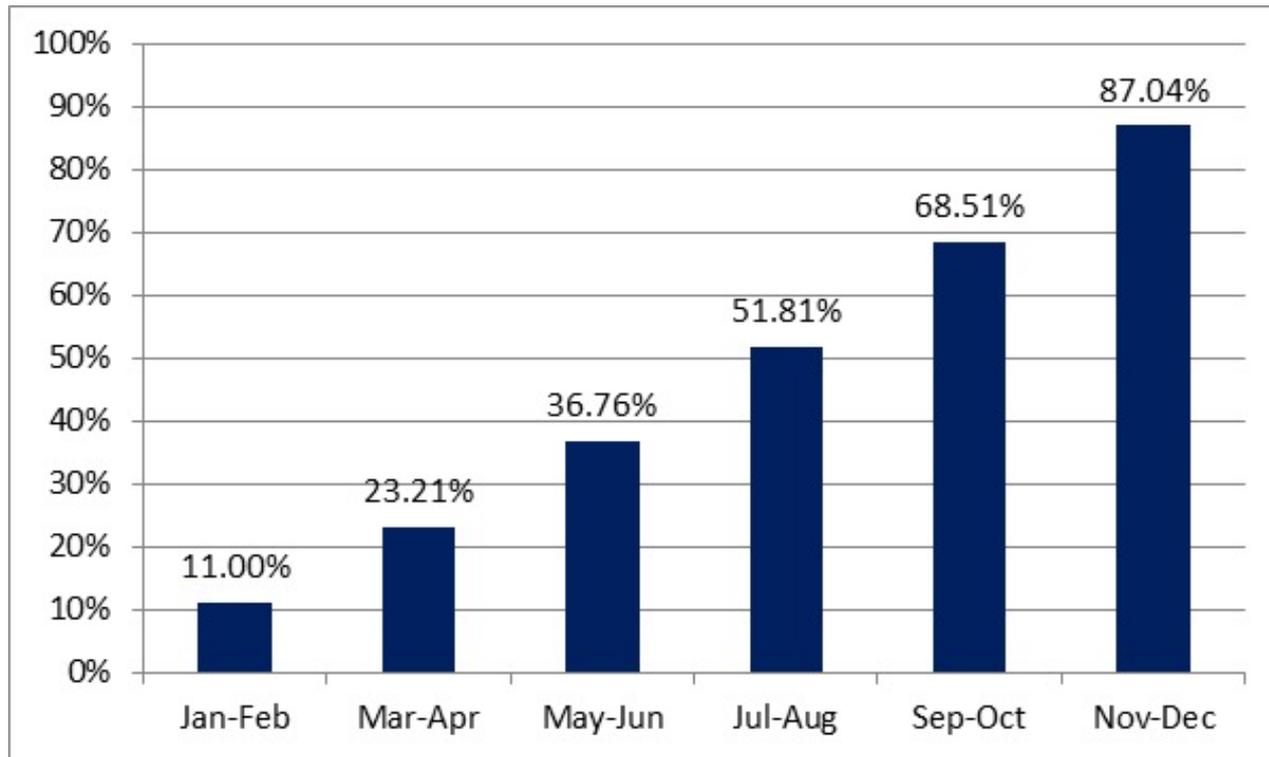
➤ ...and Adidas in March/April?



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Stock Rolling

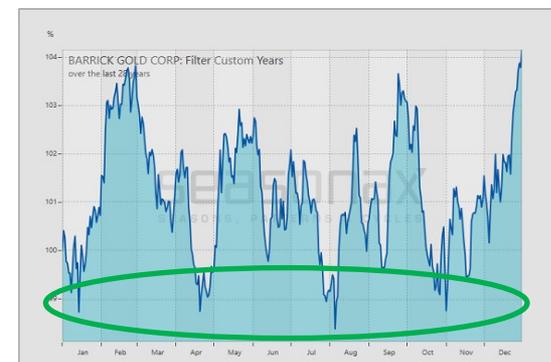
- This scheme shows you the idea of rolling from one stock to another :



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Screening Instruments for Selection

Rank	Name	Symbol (Equity)	Average Return %	Annualized Return % p.a.	Detrended Return %	Total Profit % Over 15 Years	Max. Profit %	Max. Loss %	Percent Winning Trades %	Profit Winners %	Profit Losers %	Standard Deviation %	Duration (Calendar Days)	End Date	Later Low on (Date)	Later Low Lower by %
1	PRICELINE GROUP INC/THE	PCLN UW	19.41	118.39	11.34	1330.2	264.18	-23.80	60.00	44.96	-10.74	51.56	83	06/15	n/a	n/a
2	UNITED RENTALS INC	URI UN	11.99	189.75	10.97	446.3	72.46	-8.35	73.33	19.34	-5.98	21.15	39	05/02	n/a	n/a
3	AMAZON.COM INC	AMZN UW	16.62	116.15	10.58	904.0	88.80	-8.04	80.00	23.12	-6.12	21.09	73	06/05	n/a	n/a
4	MACERICH CO/THE	MAC UN	10.97	166.02	9.86	376.7	176.62	-19.50	80.00	16.63	-9.03	30.72	39	05/02	03/27	-1.29
5	AES CORP	AES UN	10.19	148.91	11.30	328.7	110.06	-6.10	73.33	15.64	-3.50	21.20	39	05/02	n/a	n/a
6	VERTEX PHARMACEUTICALS INC	VRTX UW	13.64	89.81	12.34	580.6	81.88	-33.21	80.00	24.92	-22.18	30.39	73	06/05	03/28	-0.38
7	CAPITAL ONE FINANCIAL CORP	COF UN	10.39	123.68	10.17	340.8	137.24	-13.78	66.67	19.37	-5.58	27.51	45	05/08	03/29	-1.25
8	PIONEER NATURAL RESOURCES	PXD UN	14.86	82.67	11.25	699.3	67.54	-17.10	80.00	22.97	-12.55	21.90	84	06/16	n/a	n/a
9	TENET HEALTHCARE CORP	THC UN	11.76	78.67	13.70	430.4	230.97	-20.76	80.00	19.84	-15.46	38.15	70	06/02	n/a	n/a
10	UNIVERSAL HEALTH SERVICES-	UHS UN	13.33	79.97	10.59	553.7	48.12	-7.78	93.33	15.02	-7.78	12.49	78	06/10	n/a	n/a
11	AMERICAN EXPRESS CO	AXP UN	9.31	130.80	8.86	280.0	98.83	-4.48	73.33	14.04	-2.71	19.08	39	05/02	03/29	-1.63
12	SOUTHWESTERN ENERGY CO	SWN UN	13.81	76.79	10.84	596.3	52.60	-15.07	73.33	22.69	-7.44	19.30	83	06/15	03/29	-0.12
13	FORD MOTOR CO	F UN	8.63	149.87	9.16	245.9	81.21	-15.23	73.33	15.74	-8.77	21.42	33	04/26	03/31	-1.54
14	HUNTINGTON BANCSHARES INC	HBAN UW	9.19	97.97	9.58	273.7	228.16	-20.07	66.67	17.50	-5.71	37.02	47	05/10	03/28	-1.71
15	FIFTH THIRD BANCORP	FTB UW	8.98	89.83	10.08	263.2	286.38	-10.69	46.67	28.48	-5.64	42.95	49	05/12	03/29	-0.60
16	OWENS-ILLINOIS INC	OI UN	9.48	87.00	8.82	289.2	96.25	-15.47	73.33	17.11	-9.02	22.48	53	05/16	n/a	n/a
17	SNAP-ON INC	SNA UN	8.82	116.40	7.48	255.4	28.50	n/a	100.00	8.82	-100.00	7.07	40	05/03	03/28	-0.21
18	XL GROUP PLC	XL UN	9.06	82.01	9.82	267.0	92.60	-1.94	80.00	11.79	-1.25	18.22	53	05/16	03/28	-0.29
19	HELMERICH & PAYNE	HP UN	7.98	156.23	7.31	216.3	33.92	-5.64	80.00	11.08	-3.58	9.51	30	04/23	n/a	n/a
20	SL GREEN REALTY CORP	SLG UN	10.71	73.92	9.04	359.9	107.99	-8.08	80.00	15.36	-6.11	21.39	67	05/30	03/28	-0.94
21	AMPHENOL CORP-CL A	APH UN	9.99	86.11	7.04	317.3	70.23	-9.44	86.67	12.62	-5.67	15.39	56	05/19	03/29	-0.48
22	FLIR SYSTEMS INC	FLIR UW	12.12	77.40	6.98	455.9	138.18	-17.48	60.00	27.32	-7.36	30.03	73	06/05	n/a	n/a
23	MOHAWK INDUSTRIES INC	MIHK UN	8.56	108.06	7.05	242.7	83.47	-10.93	73.33	14.14	-5.43	17.81	41	05/04	n/a	n/a
24	HOST HOTELS & RESORTS INC	HST UN	7.83	103.15	7.59	210.0	93.98	-4.60	66.67	13.31	-2.34	18.84	39	05/02	03/28	-1.98

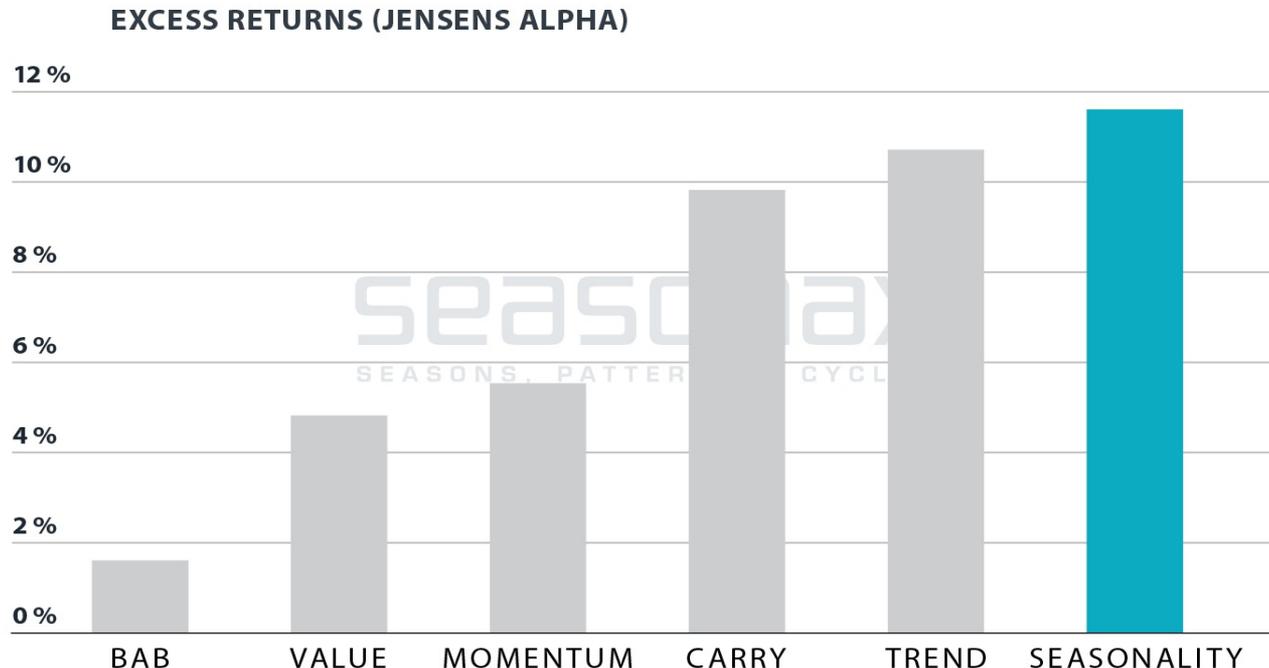


Source: Seasonax

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Academic Long-Term Study

- Up to 217 years, 4 asset classes, 68 markets (Guido Baltussen, Laurens Swinkels, Pim Van Vliet).



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