

# Profiting from Seasonal Analysis and Top Momentum Indicators

John Person, CTA



# Profiting From Seasonality & Consensus Studies

- Copyright @ 1999-2010 by John L Person III, N. Palm Beach, FL 33408. The opinions presented, are for informational and educational purpose only.
- By law I must submit this disclaimer: There is no warranty of profits as a result of using these or any methods. Past performance is not indicative of future results.
- The use of "stop loss" or "stop limit" orders will not necessarily limit your losses to the intended amounts, since market conditions may make it impossible to execute such orders.
- Any decision to purchase or sell as a result of the opinions expressed in this report will be the full responsibility of the person authorizing such transaction.
- It is unlawful to reproduce, distribute or exhibit this material to anyone other than the individual assigned.
- You cannot reproduce this material without express written consent of the author, John L. Person and authorized by John Person Inc.

# Seasonal Analysis Explained

- To be truly successful in achieving wealth from trading the markets comes, apart from good risk management and being properly positioned in a trade, understanding the psychological impact trading has on ones own psyche, understanding what little exists in *predictability in the market* and the application of good sound technical analysis to help time entries, exits, risk and profit objectives.

# Seasonal Analysis Explained

- One must *be careful* because specific events can mute, magnify or even alter these seasonal cycles.
- For example, if overall economic conditions change, as in the case of a recession, this may reduce demand thereby causing limited price gains in periods of seasonal strength.
- Also, the supply of goods and services during certain times of the year can change causing fluctuations in supply/demand balances.
- This is seen in markets for equity, precious metals, financials, agriculture and livestock markets.

# The U.S. economy grows above 3% in 2010

## Bull Case

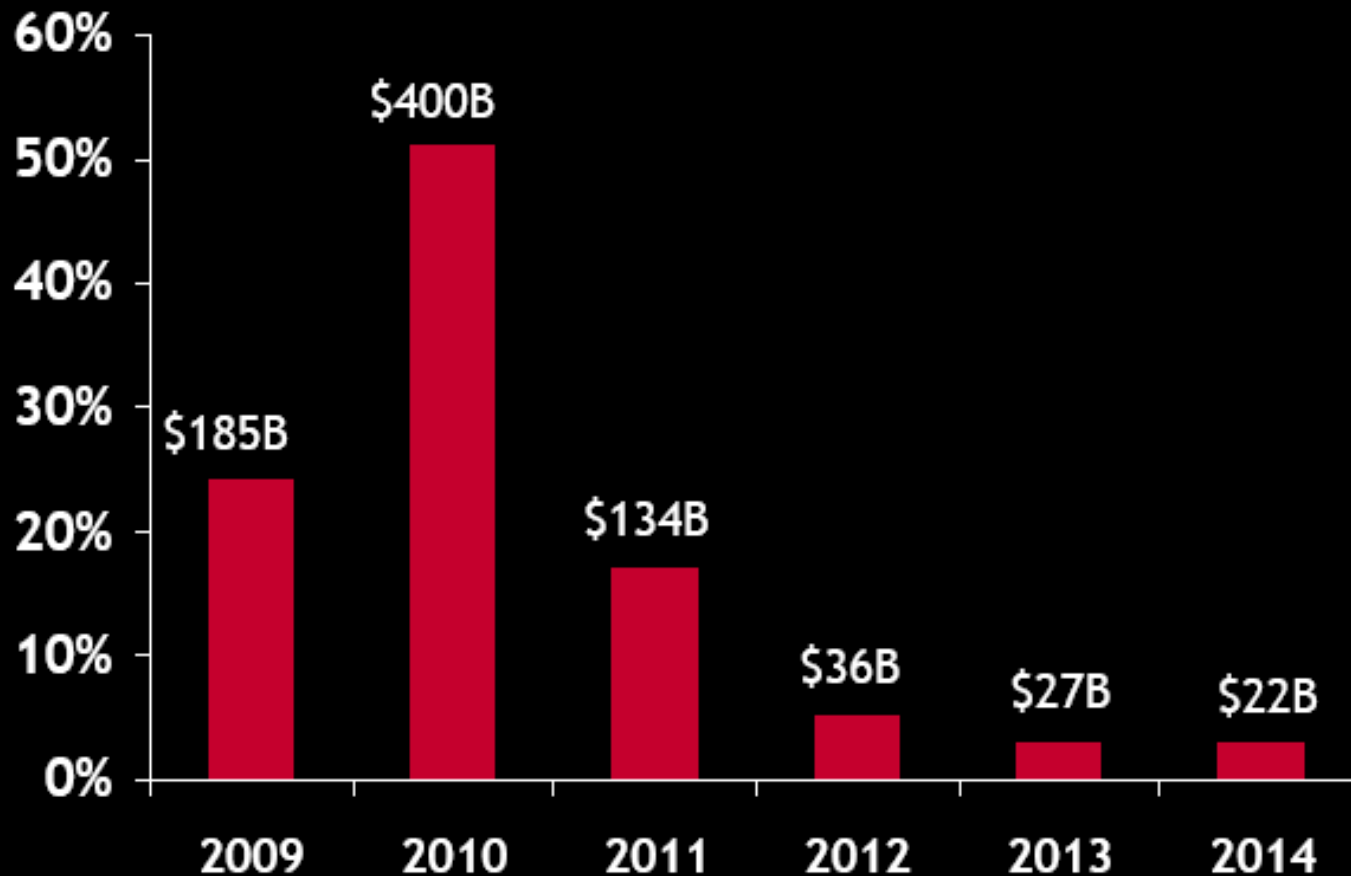
1. Synchronized global upturn underway.
2. Unprecedented stimulus.
3. Inventory cycle unfolding.
4. Bounce back from depression level spending.
5. Strong productivity tailwind.
6. Business cycle investment.
7. Low absolute interest rates.
8. Positive yield curve.
9. Improved US competitiveness.
10. Emerging economies tailwind.

## Bear Case

1. Higher consumer savings rate needed.
2. Deleveraging still underway.
3. Banking system far from normal.
4. Securitization banking system shut down.
5. Government deficit fighting headwinds to come.
6. Government reform intervention.
7. State and local government problems severe.
8. Cautious (regulated) lending.
9. Overcapacity overhang.
10. Unemployment remains high.

## The U.S. economy grows above 3% in 2010

Majority of fiscal stimulus planned for 2010  
(\$787 billion)



# Knowing the Pros Secrets: Seasonal Analysis!

- Most markets demonstrate seasonal price patterns, meaning they tend to make highs or lows near the same time period year after year.
- Stocks, Commodities, Even Foreign Currencies have a strong tendency to demonstrate seasonal patterns but these moves can either be muted or magnified depending on economic turmoil, political events, monetary and fiscal policy (stimulus) changes.
- HELPS ALERT YOU WAY, I MEAN WAY, BEFORE OF IMPENDING MARKET MOVES.

# Seasonal Analysis Explained

- Traders can analyze the change in the price direction of markets through several timeframes: secular, cyclical and seasonal.
- Seasonal price patterns follow a trend within a year and conform to that pattern over a number of years.
- The changes are created by regular shifts in supply and demand.
- Staying with the seasonal price flow or dominant trend is like running with the wind at your back.



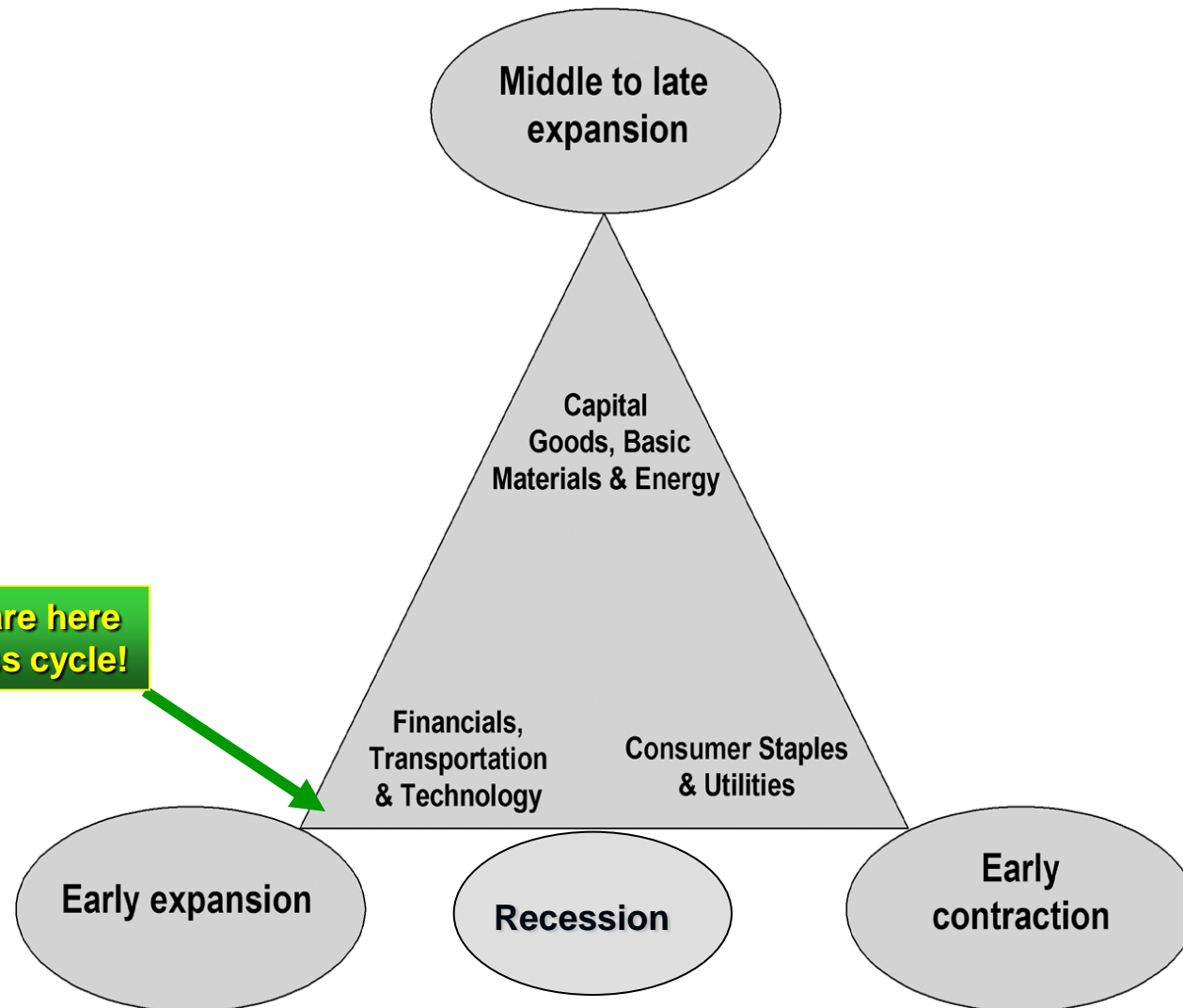
# Seasonal Analysis Explained

- **Technical analysis techniques, set-ups and triggers will help you time your entries / exits.**
- **Macro Economic environment and following the longer term trend and market conditions will help give you an edge in your trading.**
- **There are always unique events\* that will affect certain market, sector or a specific company that can influence prices.**
- **\*i.e. Mad Cow disease, Swine flu, Pharmaceutical Companies, Health Care Sector**

# The Business Cycle- The Big Picture

- Investing directly in individual stocks provides greater chance of returns than investing in index funds. Risks are greater as well.
- Focus on the business cycle, the stocks in a sector that benefits most in that cycle, and leaders in that sector.
- Different sectors do better during various stages of the business cycle.
- ✓ Do you know what sectors perform best under what business conditions or “business cycle”?

# The Business Cycle- The Big Picture





ATT, AAPL, CSCO, GOOG, HPQ, INTC, IBM, MSFT, ORCL, VZ

Bullish Engulfing & Piercing Pattern!



xlf



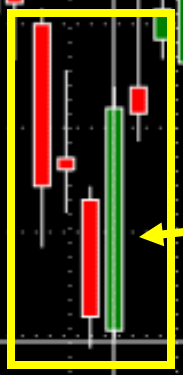
xlf  
Price M (Weeks)



**Interval Data View**

Open: 7.31  
High: 7.44  
Low: 5.88  
Close: 6.18  
Volume: 1,106,500,781  
Date: 3/6/2009

**AXP, BAC, BK, GS, JPM, MET, MS, TRV, USB, WFC**



**Bullish Engulfing & Piercing Pattern!**



# Stock Sector Seasonality Plays

- Do you ever wonder what stocks perform during which months?
- Why do Wall Street Professions continue to switch money around?
- Familiar with the terms “asset re-allocation” or sector rotation?

# The Business Cycle- The Big Picture

- **Money flows into the equity markets, go into “sector rotation” as the economy goes into expansion to contraction back to expansion.**
- **Technology stocks led the late 90’s: home builders led in 2003, oil led the way in 2007-2008.**
- **Commodities & Technology now lead the way in 2009-2010.**
- **Consumer staples, blue chips, and utilities were in vogue as the economy showed weakness.**
- **In early-mid 2009, we had a surge in Trans, Tech and Financials.**
- **Focus on the leaders in the strong sectors, here’s a tip how...**



# Stock Sector Seasonality Plays

<u>Ticker</u>	<u>Sector</u>	<u>Begins</u>	<u>Ends</u>	<u>Avg. Return 10Yr.</u>
XNG	Nat. Gas	Feb.	June	18.9%
RXH	Healthcare Prov.	March	June	12.3%
XCI	Computer Tech.	April	July	11.5%
MSH	High-Tech	April	July	11.9%
IIX	Internet	April	July	12.1%
XAU	Gold & Silver	July	Feb.	19.8%
UTY	Utilities	July	Jan.	11.6%
BTK	Biotech	August	March	35.5%
DRG	Pharmaceutical	August	May	10.6%
CMR	Consumer	Sept.	June	14.2%
XTC	Telecom	Sept.	Jan.	17.8%
<b>BKX</b>	<b>Banking</b>	<b>Oct.</b>	<b>June</b>	<b>18.4%</b>
<b>XBD</b>	<b>Broker / Dealer</b>	<b>Oct.</b>	<b>April</b>	<b>38.6%</b>
<b>XLB</b>	<b>Materials</b>	<b>Oct.</b>	<b>May</b>	<b>20.4%</b>
<b>DBA</b>	<b>Agriculture</b>	<b>Nov.</b>	<b>June</b>	<b>*****</b>
XLE	Energies	Feb.	Sept.	17.1%

# Top- Down Trading Approach

- **The business cycle and sector rotation impacts equity markets, especially the Dow. It will always provide volatility and trading opportunities, as well as clues as to where we are in a business cycle.**
- **Dow components include consumer staple products as well as technology, financials and energy.**
- **Equity markets are warning that an economic expansion is on the horizon.**
- **Technology stocks are outpacing Consumer staples and blue chips. This is an offensive play when we exit periods of economic contractions (recessions).**

# 30 Dow Component Stocks

## As of 1-4-2010

- ALCOA
- AT&T
- AMERICAN EXPRESS
- BOEING
- BANK AMERICA
- CATERPILLAR
- CISCO
- CHEVRON
- COCA COLA
- DU PONT
- EXXON MOBIL
- GENERAL ELECTRIC
- HOME DEPOT
- HEWLETT PACKARD
- IBM
- INTEL
- JOHNSON AND JOHNSON
- JP MORGAN
- KRAFT
- MCDONALDS
- 3M
- MERCK
- MICROSOFT
- PFIZER
- PROCTER GAMBLE
- TRAVELERS
- UNITED TECHNOLOGY
- VERIZON
- WALMART
- WALT DISNEY

# Top –Down Trading Approach: How to Choose the Strongest Stocks

- Stock selection can be complex or we can make it simple.
- Several websites provide info: [www.yahoo.com](http://www.yahoo.com) Yahoo finance is one of many.
- They have a stock screener to research companies backgrounds

# Seasonal Pros & Cons

- Pro's

- Guide traders to typical changes in price direction.
- Enables traders to give better price forecasting models.
- Aids in establishing leverage, risk & reward targets.
- All traders can benefit.

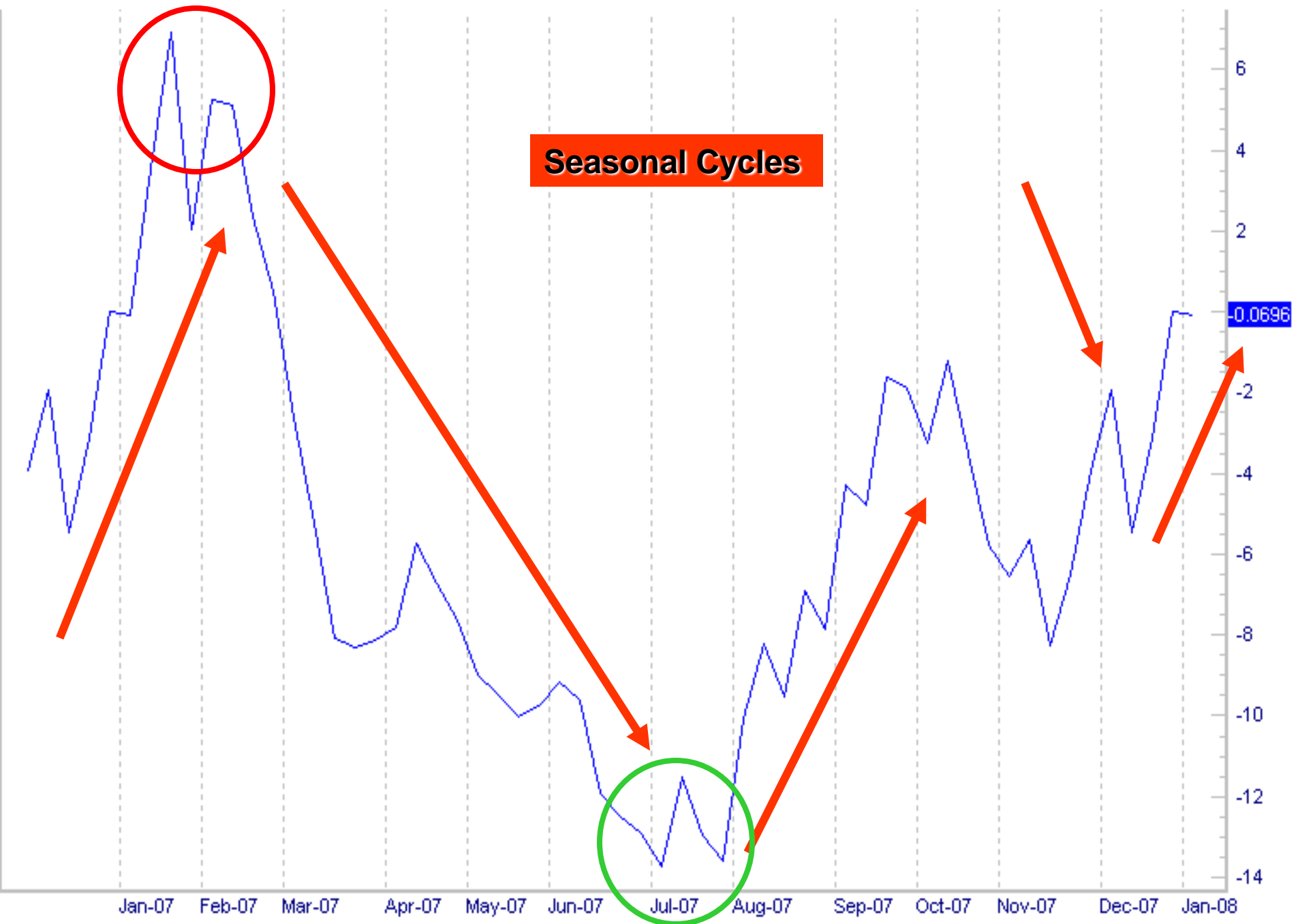
- Con's

- Does not give exact time and price of each move.
- Not reliable to anticipate supply/demand imbalances.
- Simplicity of this tool enables the user to forget using confirming indicators (not all years are created equal).

# Commodity Seasonality Plays

- Read Background Information on current condition (USDA Reports).
- Gather statistics (*Seasonal price patterns*).
- Understand macro economic cycle (helps to mute or magnify expectations).
- Use price forecasting tools to target potential price ranges (Pivot Points).
- Time Trade entry tools based on technical analysis triggers and price patterns.
- Use risk management and have an exit strategy.

GC-057: Gold Comex (Pit) Cont Liq. (Weekly bars)



S GLD 1 5 15 360 720 S M L

Fx T

F

GLD  
Price M (Weeks)

Interval Data View

0 H/L C H/L C

Interval Data View



**Interval Data View**

Open:	91.47
High:	97.8
Low:	88.82
Close:	89.51
Volume:	56,978,681
Date:	7/9/2009

Interval Data View



# *Consensus Studies*

- Finding out what others “say” about the market is an important aspect in trading.
- As the saying goes, 80-90% of traders lose, if the majority is long, then I want to be out or short!
- We have several ways to take the “temperature” of the market’s bullishness or bearishness.
- Consensus or contrarians views are important and easy to gain access to.

# *Consensus Studies: Go against the crowd*

- 
- VIX, VXN, VXO
  - Put– to– Call Ratio
  - Margin Rate Changes \*\*\*
  - Media Attention \*\*\*
  - CFTC COT Reports \*\*\*

# No Free Lunches?



# Use The CFTC COT

## *“The Insiders Report”*

- **No free lunches**, but we do have access to *free snacks* once in a while!
- Here is a little known tool most traders... especially fund managers... **don't** use.
- This is very valuable information especially for those who trade highly correlated ETF's and stocks to commodity markets.
- Products like Gold and Gold Mining Stocks (i.e. AEM or NEM), the ETF (GLD), or energy markets.

# Use The CFTC COT *“The Insiders Report”*

- Commodity Futures Trading Commissions “Commitment of Traders Report.”
- The primary purpose for this report is to monitor and have a tight surveillance program in order to identify situations that might pose a threat of a market or price manipulation, and therefore allow traders to take appropriate action.
- Some consider this “insider trading” information because every week we get to take a look at which investor group is taking which side of a trade.

**NationalFutures.com**  
 by indicators and trading strategies

- The Most Effective Trading Course
- Learn Proven & Effective Trading Methods
- High Powered Trading Signals
- John Person-Proprietary Indicators

**Sign Up for Our Next Event**

Events & Seminars	Trading Courses Books	Trading Systems	John Person's Newsletter	<b>Software Indicators &amp; Strategies</b>	Chat Room & University
-------------------	-----------------------	-----------------	--------------------------	---	------------------------

**COT Reports**

**John Person Software Indicators & Strategies**

Designed for Forex Trading, Stock Trading and Futures Trading. These helpful indicators will help you calculate the projected Pivot Points Support and Resistance numbers based on a proprietary set of algorithms that incorporates the Pivot Point Averages as if relates to the close and Pivot Point value.

Green arrows appear indicating a change in momentum that illustrate an entry or exit point. this is a great tool that will not only supplement other trading software, it may be the best trading tool used by individual traders today.

[more info](#)

**YAHOO! FINANCE**

Enter Symbol

Quote Web

NAME	LAST TRADE	CHANGE
*IXIC - NAS NASDAQ Composite	\$2,287.99	28.75 1.24%

**1 YEAR CHART**

NEWS

John Person Welcomes All Traders

**SUCCESS STORIES !!**

**Learn why using "Candles and Pivots"™** can help you quickly identify trading opportunities by plotting changes in momentum. John's techniques can help you identify powerful and amazing turn signals.

**John Person 's Calendar** - John Person developed this specialized and highly accurate method and incorporates it in his weekly Newsletter and teaches traders looking for the best approach in trading. Check his Newsletter and video updates by registering for a free trial.

**This is an independent investment research**

**John Person's Products**

**Seminar Schedules**

- Live Seminars
- John's schedule
- Webinars schedule

**John's Store**

- Books - Courses

**Software Plug ins**

- Genesis Plug-ins
- TradeStation Pivots

**Subscriptions**

- Newsletter

OPTION AND FUTURES COMBINED POSITIONS AS OF 11/24/09

							NONREPORTABLE		
<u>NON-COMMERCIAL</u>			<u>COMMERCIAL</u>		TOTAL		<u>POSITIONS</u>		

Long	Short	Spreads	Long	Short	Long	Short	Long	Short	
CONTRACTS OF 100 TROY OUNCES)					OPEN INTEREST:			693,661	
302,732	29,180	142,454	162,524	481,326	607,709	652,959	85,951	40,701	

CHANGES FROM 11/17/09 (CHANGE IN OPEN INTEREST: -80,020)

2,915	127	-55,705	-17,823	-10,792	-70,614	-66,370	-9,406	-13,650
-------	-----	---------	---------	---------	---------	---------	--------	---------

PERCENT OF OPEN INTEREST FOR EACH CATEGORY OF TRADER

43.6	4.2	20.5	23.4	69.4	87.6	94.1	12.4	5.9
------	-----	------	------	------	------	------	------	-----

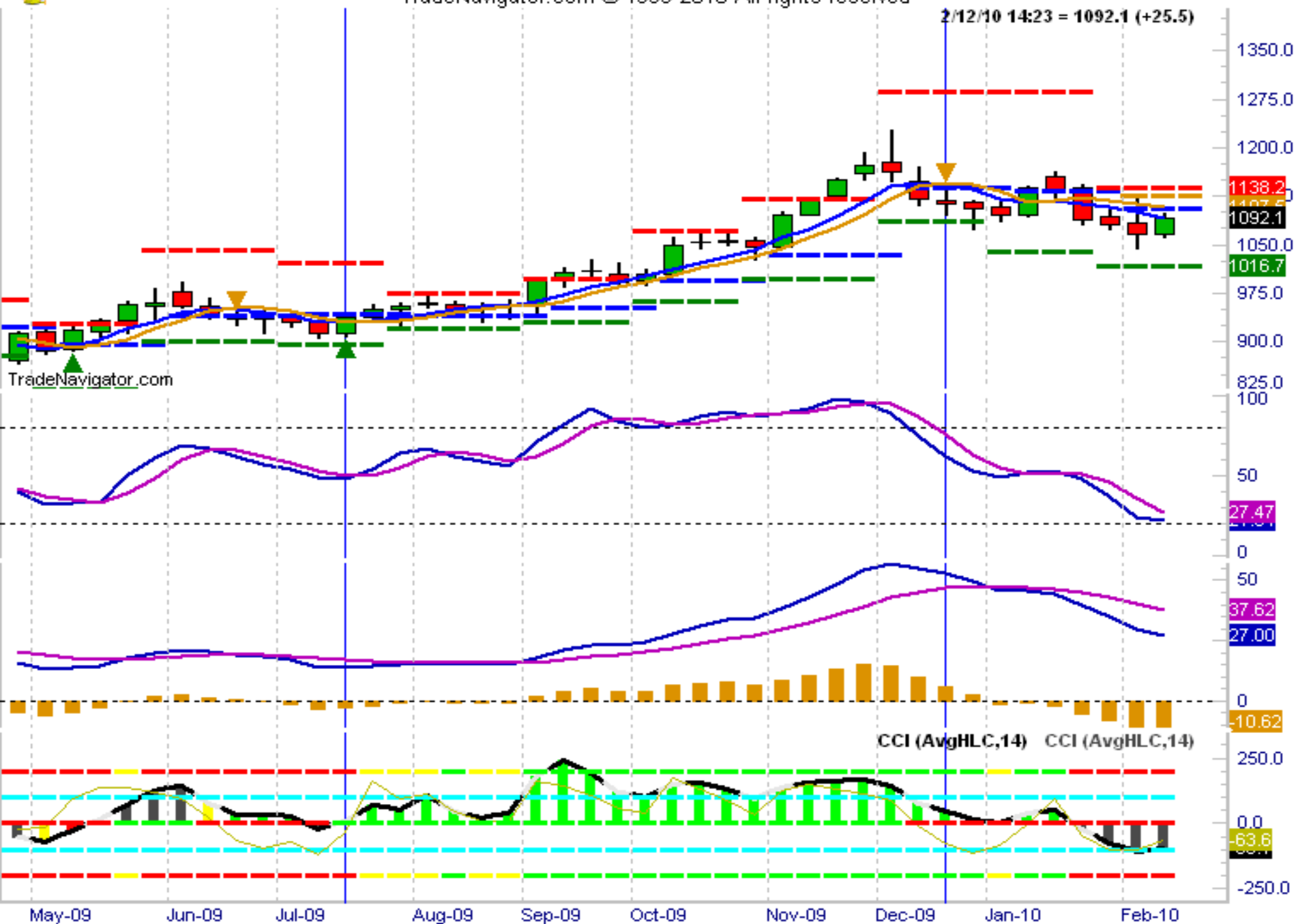
NUMBER OF TRADERS IN EACH CATEGORY (TOTAL TRADERS: 373)

237	57	116	50	63	323	208
-----	----	-----	----	----	-----	-----



# ZG-057: Gold 100oz CBOT Cont Liq (Weekly bars)

TradeNavigator.com © 1999-2010 All rights reserved





# Conclusion

- Follow **Political changes** “Smart Money” does!
- Seasonal Analysis alerts to trends.
- Technical analysis indicates potential interim price tops or bottoms.
- Commodity Futures Trading Commissions “Commitment of Traders Report” reveals whose hands the market is in.

# Sign-up for 30 Day Trial

- **Trial to my Newsletter and Video Updates.**
- **Indicator Library for Signals.**
- **Includes Person Sentiment Indicator**

# The End

## Contact Information

Email: [info@nationalfutures.com](mailto:info@nationalfutures.com)

Website: [Nationalfutures.com](http://Nationalfutures.com)

Phone: [561-655-1881](tel:561-655-1881)