



**SIGNAL**  
TRADING GROUP

# SEASONAL TRADING OUTLOOK

## Featured Markets

Crude Oil	Cotton	Live Cattle
RBOB Gasoline	Coffee	Lean Hogs
London Gas Oil	KC Wheat	
Bean Oil	Sugar	

## Editors

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WINTER 2018



Seasonal opportunities begin to present themselves at the resolution of a new year and those who can take advantage of these market trends early on will frequently outperform those who do not have access to this information. Seasonality is a powerful, often overlooked tool, that uses historical market data averaged over different time frames, to give you the market's prior behavioral tendencies so you can make the most informed, high-quality trade possible in conjunction with technical indicators and an established trading system. Seasonal charts function as road maps to the cyclical nature of markets.

All markets exhibit seasonal trends based on general supply and demand logistics and how the market perceives the commodity balances projected into the future. The underlying reasoning for the trend behavior of a market could consist of climate-based harvest cycles, seasonal demand and monetary-based stimuli among others. Signal Trading Group has designed the following quarterly newsletters—Spring, Summer, Fall, Winter—to assist you in recognizing when optimal seasonal opportunities arise for select commodity futures markets throughout the year. We strongly recommend cross referencing the information contained within each newsletter to Signal Trading Group's website to conduct a full seasonal evaluation to ensure that the highlighted markets are accurately tracking their seasonal tendencies. For further information on conducting in depth, step-by-step seasonal reviews, consult Signal Trading Groups ebook, *Seasonality Analysis: A GPS Guide to Enhanced Trading Profitability*.

The Winter 2018 newsletter will highlight 11 significant market opportunities with high seasonal strength and numerous trading opportunities for the winter quarter of the year. It is important to remember when examining the major trend between pivot points on the ten year historical charts that these are normalized prices for the period. As can be seen, all values at the beginning of the year begin at +100 and in this way we are able to demonstrate visually through a **Value Added Daily Index (VADI)**, the percentage return on an initial investment. Values exceeding 100 provide the percentage of asset value appreciation, while those below 100 conversely denote percentage depreciation of the initial investment. The percentage returns and losses are updated, as you would expect from a daily index, on a daily basis in the charts. Although the first three months of the year have been segmented for the purposes of this newsletter, is important to distinguish that markets are not discrete and trends frequently continue from December into the start of January, and likewise bridge from the end of March into April for the start of the upcoming Spring newsletter.

**Seasonal Turning Points**

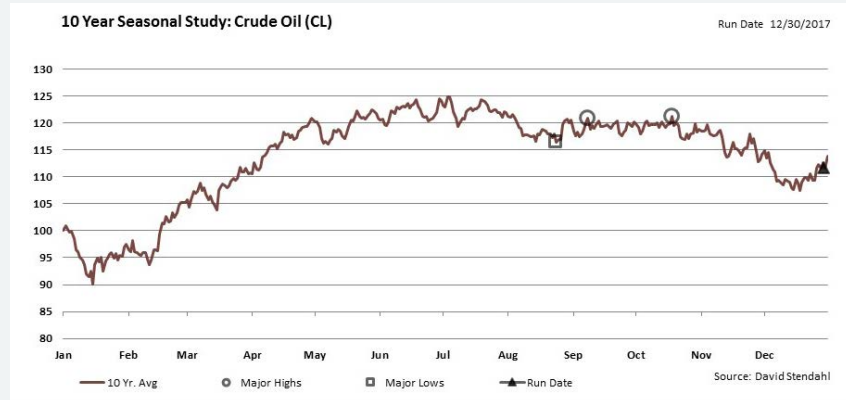
A road map to trading the markets with seasonal charts.

Major Winter Seasonal Opportunities (Defined as exceeding 10 opportunities in either long or short biased directions without mixed tendencies - strong trending opportunities in focus only). Excludes Currency and Interest Rate Markets.

## 01 | January

### Crude Oil (CL\_F/USO/OIL) - Short

Crude Oil exhibits excellent shorting potential in the month of January, as a combination of lower driving fuel demand during the winter and extraction/production is uninhibited generally during the fall months, increasing storage builds that are factored into depressed prices at the start of the year.



10 Year Seasonal Study: Crude Oil (CL)

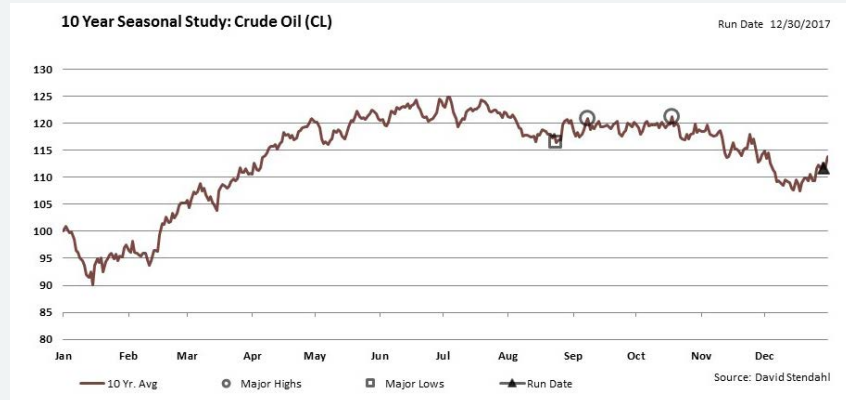
## 02 | February

### Crude Oil (CL\_F/USO/OIL) - Long

One can see a transition from short opportunities to long opportunities in Crude Oil markets from January to February, with significant opportunities generally exhausted by March.

The summer vehicle driving season begins in April and continues until the end of August. Prior to this period, the Crude Oil Futures market is priced into a bullish trend generally beginning in February. This pattern reflects two

fundamental causes, the first being increased transportation demands from vehicles (summer vacation trips and travel are a large component). Typically Crude Oil storage stockpiles denoted in EIA reports peak in the winter and subsequently begin to dwindle. The second cause is a result of industrial turnaround activities causing scheduled downtime for refineries primarily in the spring season. These outages diminish the supply capacity of crude oil globally into the driving season and the combination of low supply and high demand for crude oil increases its commodity value.

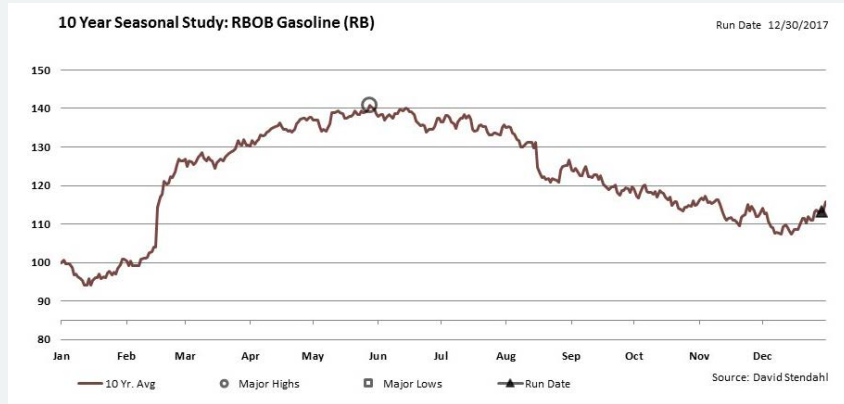


10 Year Seasonal Study: Crude Oil (CL)

## 02 | February (cont'd)

### RBOB Gasoline (RB\_F/UGA) - Long

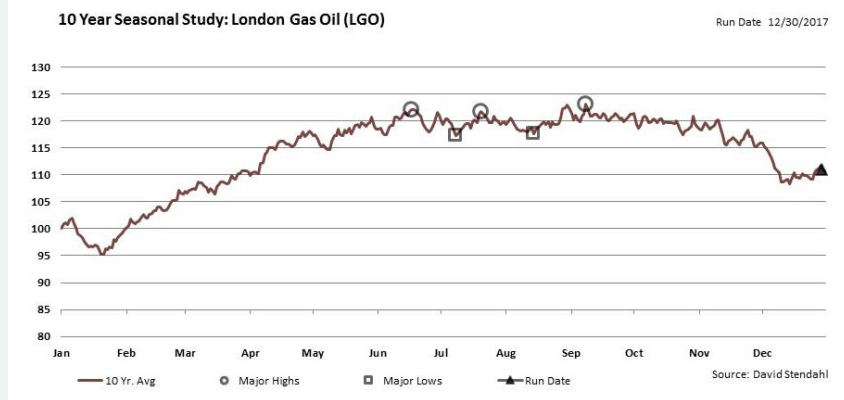
RBOB, or unleaded gasoline is one of the refinery derivative products of crude oil hence, the seasonality chart closely models that of crude oil, its base commodity, as seen below rising greater than 25% in value typically in the month of February.



10 Year Seasonal Study: RBOB Gasoline (RB)

### London Gas Oil (LGO\_F) - Long

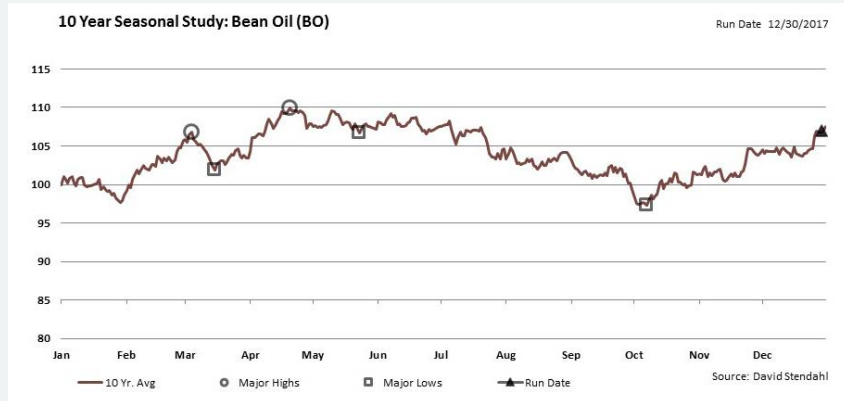
Gas oil, traded in the UK futures markets, is typically used for space heating and for machinery in construction and agricultural activities. As it is yet a different type of distillate product from crude oil, the price chart closely models the prior two.



10 Year Seasonal Study: London Gas Oil (LGO)

### Bean Oil (ZL\_F) - Long

Soybeans and their respective derivative commodity, Bean Oil Futures, have a relatively similar 10 year profile. This is particularly noticeable within the first quarter, with the major planting season for soybeans in the U.S. (38% global production) taking place in late April through to June, where the bullish trend (L2H) is clearly defined as stockpiles are drawn down until new produce is matured and ready for harvest. As usual, price precedes event and futures

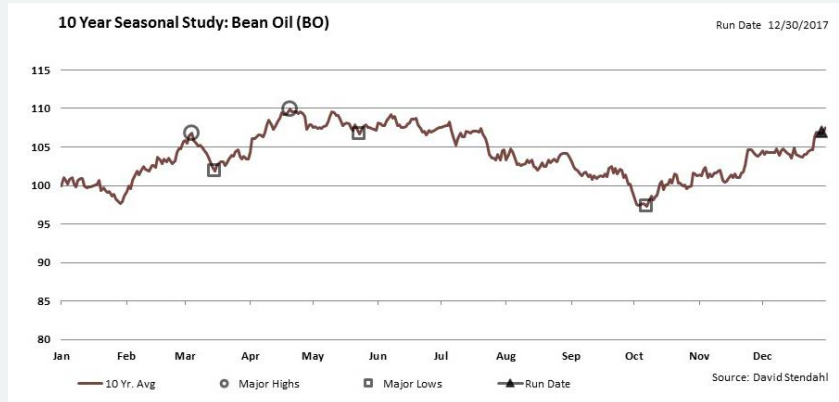


10 Year Seasonal Study: Bean Oil (BO)

## 02 | February (cont'd)

### Bean Oil (ZL\_F) - Long (cont'd)

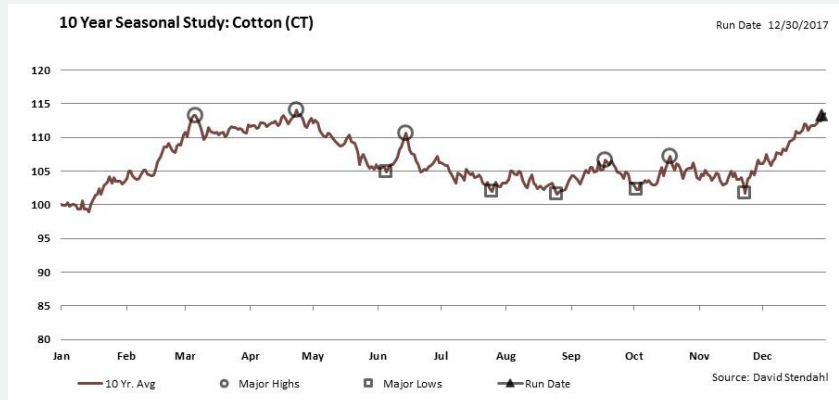
prices are typically driven up several months in advance in anticipation of the bean planting season, with a major pivot high evident in late February. Because the bean oil contracts behave so similarly to the bean contracts in the first quarter of the year, one can presume the bean oil prices are primarily factored on those of the base commodity, with little effect from manufacturing or large contract trades of bean oil to fluctuate the price significantly.



10 Year Seasonal Study: Bean Oil (BO)

### Cotton (CT\_F/BAL) - Long

To understand the supply-demand logistics that drive cotton prices, one must look beyond clothing and fabric production - cottonseed is used to generate cattle feed and crushed in preparation of cottonseed oil that can be used in pharmaceuticals and plastics, in addition to food. The planting season for cotton typically concludes in mid-June, so naturally supply inventories dwindle in the prior months amounting to numerous major highs. Generally, there is a minor price retracement in early March following a pivot high, so it is important to take into consideration trading indicators and other environmental overlays when holding a position towards that time frame.

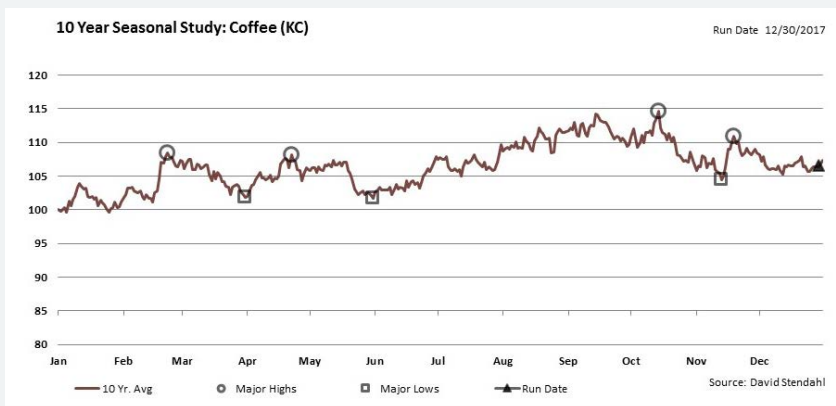


10 Year Seasonal Study: Cotton (CT)

## 02 | February (cont'd)

### Coffee (KC\_F/JO) - Long

Coffee typically hits a major pivot high in late February, primarily from a 12% greater global consumption of coffee in winter months relative to the summer as the hours of daylight contract to a minimum in North America and Europe. The majority of consumption is driven by countries in the Northern hemisphere, and as this declines into early spring prices drop towards a major pivot low. Furthermore, the coffee harvest begins in the dry season (June through September) in Brazil, the world's greatest producer of this commodity, so storage capacities are diminished the most around this time of the year.

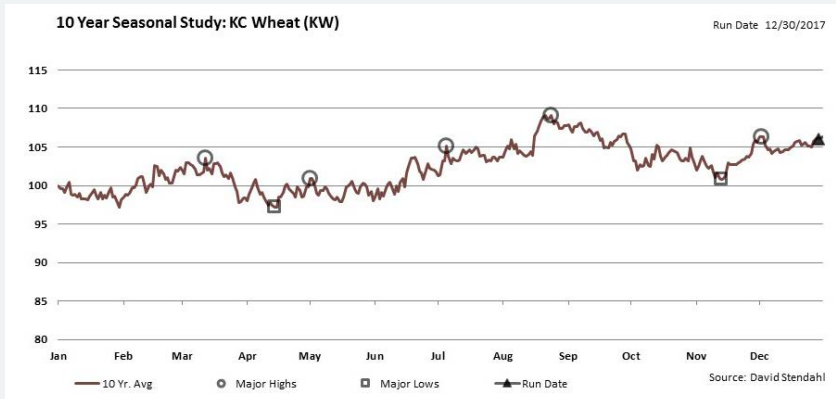


10 Year Seasonal Study: Coffee (KC)

## 03 | March

### KC Wheat (KW\_F) - Short

Wheat is produced predominantly by China (18% global production) and U.S. (8%). Kansas City Wheat, alternatively known as hard red winter wheat, is typically planted from mid-August to October, with harvest beginning in mid-May. The mid-May harvest contribution to global storage supply can be seen largely priced into the drop in futures prices from a pivot high to pivot low between March and April, below. The pivot low generally takes place in early April but the trend is running on fumes, as no new opportunities are introduced on the short side in April as you may notice in the subsequent Spring edition newsletter.

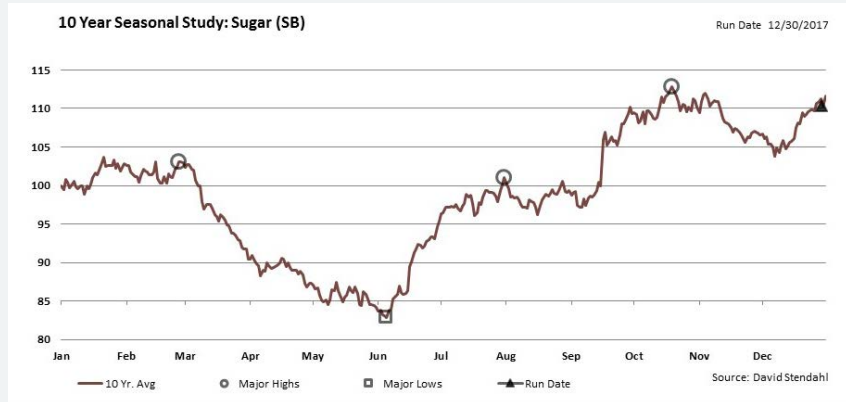


10 Year Seasonal Study: KC Wheat (KW)

### 03 | March (cont'd)

#### Sugar (SB\_F/CANE/SGG) - Short

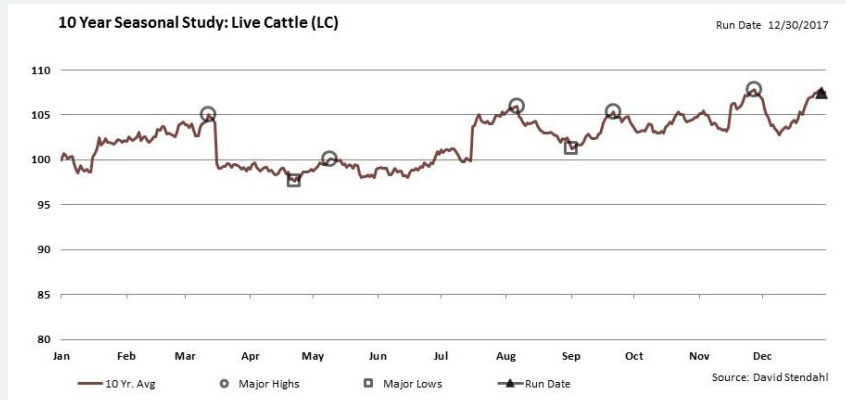
Sugar tends to decline in the several months prior to June because of the pre-sale of sugar harvest by Brazilian producers, prior to the harvest that begins in June through to November. This decline is severely accentuated with the major initial drop beginning in late February to early March from a period of consolidation, as denoted by the circular pivot top point below.



10 Year Seasonal Study: Sugar (S)

#### Live Cattle (LC\_F/COW) - Short

The majority of calves and other live-stock are born in the U.S. in the early spring from February to April, and the bulk of this bullish price action is priced in ahead from January to early March. As we can observe from the chart action, similarly to hogs, the non-storable nature (the majority of meat is chilled not frozen and must be transported and sold relatively quickly) of this commodity results in distinct price drops as supplies from the slaughter become bountiful and readily available at retailers in preparation for the late spring grilling season start. In years, with particularly cold winter weather, cattle births may be delayed and mature weights at slaughter reduced further accentuating supply-demand imbalances that drive prices higher.



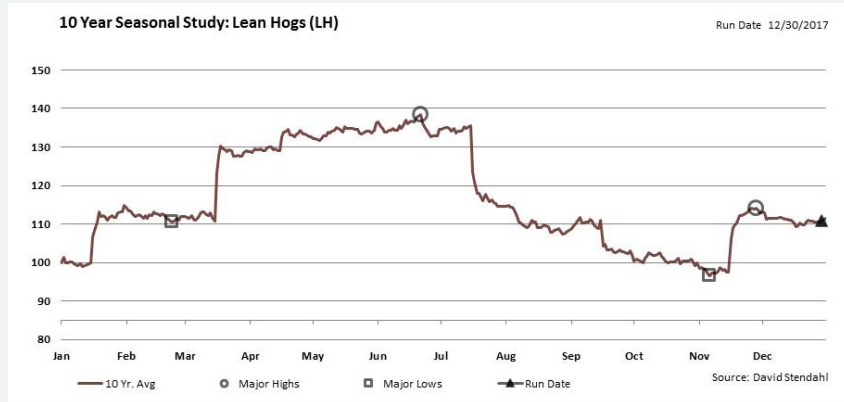
10 Year Seasonal Study: Live Cattle (LC)



## 03 | March (cont'd)

### Lean Hogs (LH\_F/HOGS/COW) - Long

The U.S. is the largest pork exporter, with the bulk of lean hogs raised (growth from birth to slaughter is approximately 6 months) in Midwestern states such as Illinois. Between mid-March and June, consumer demand for meat rises with the return of hotter weather in the U.S. and the barbecue season. A pivot low can be seen in late February, followed by a rapid surge in prices snapping out of consolidation in mid-March as the slaughter is priced in.



10 Year Seasonal Study: Lean Hogs (LH)

Next Issue:

**Spring Newsletter**

March 21, 2018

Future Issues:

Summer • June 21, 2018

Fall • September 21, 2018

Winter • December 21, 2018

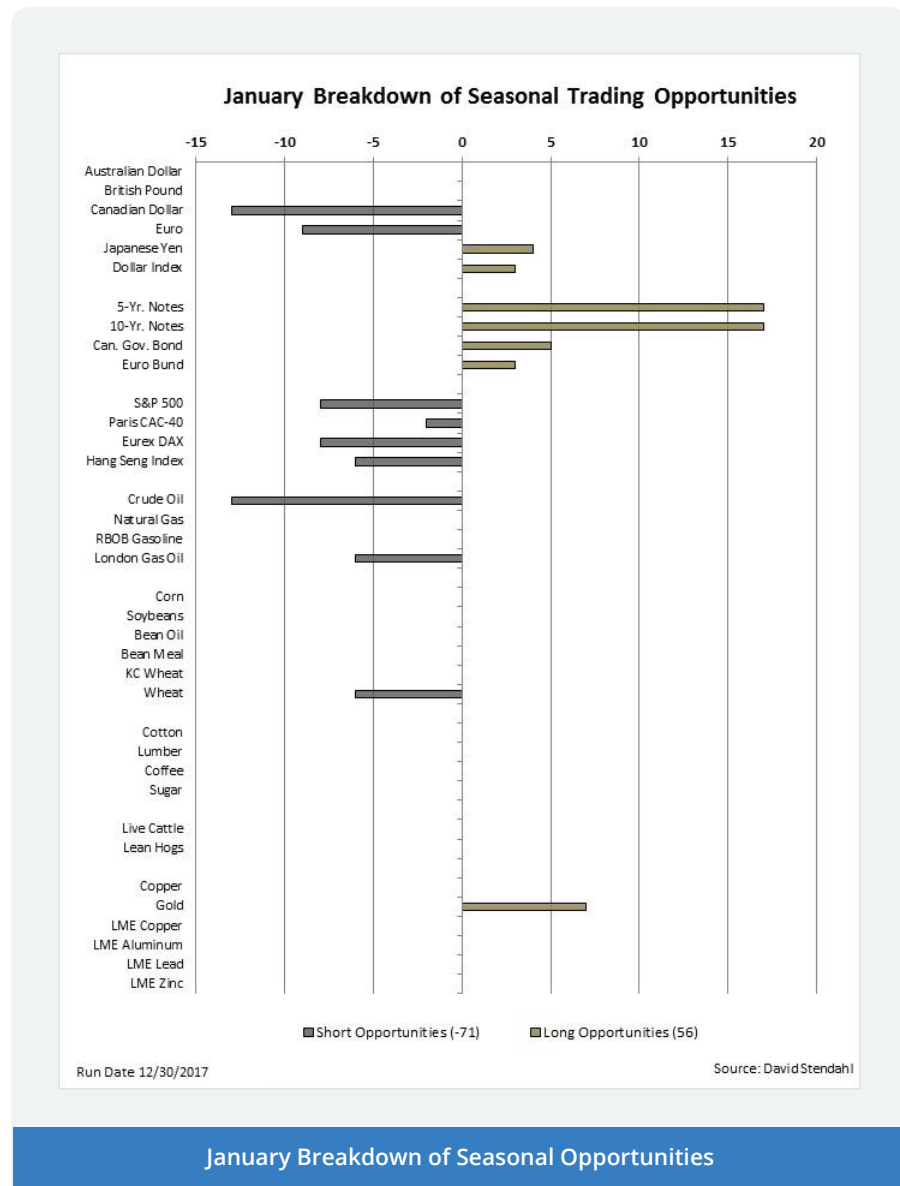
The Spring newsletter will have a narrower scope of opportunities in commodity markets, but this will be more than compensated for by the appearance of strong opportunities in equity markets. We encourage you to review our ETF/ETN listings in Appendix II at the end of this newsletter, as these funds and notes can be a low expense alternative to exposure in futures markets.



## Appendix I: Complete Seasonal Trading Opportunities Overview

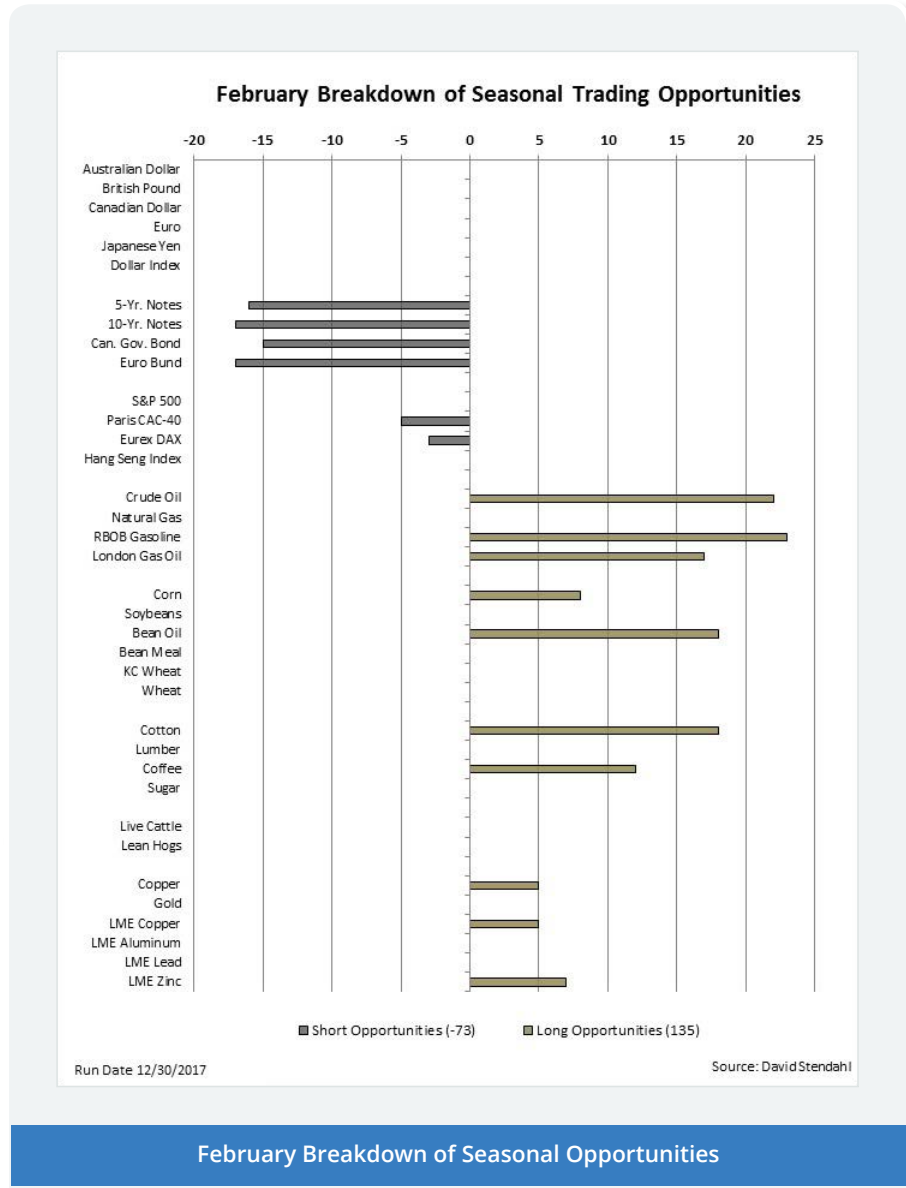
All Seasonal Trading Opportunities of varying magnitudes for the months January, February and March have been included in the bar charts below, including currencies and interest rate markets. The greater the magnitude of the opportunity number is, the greater the probability of seasonal tendencies supporting the long or short trade bias.

January



# Appendix I (con'd)

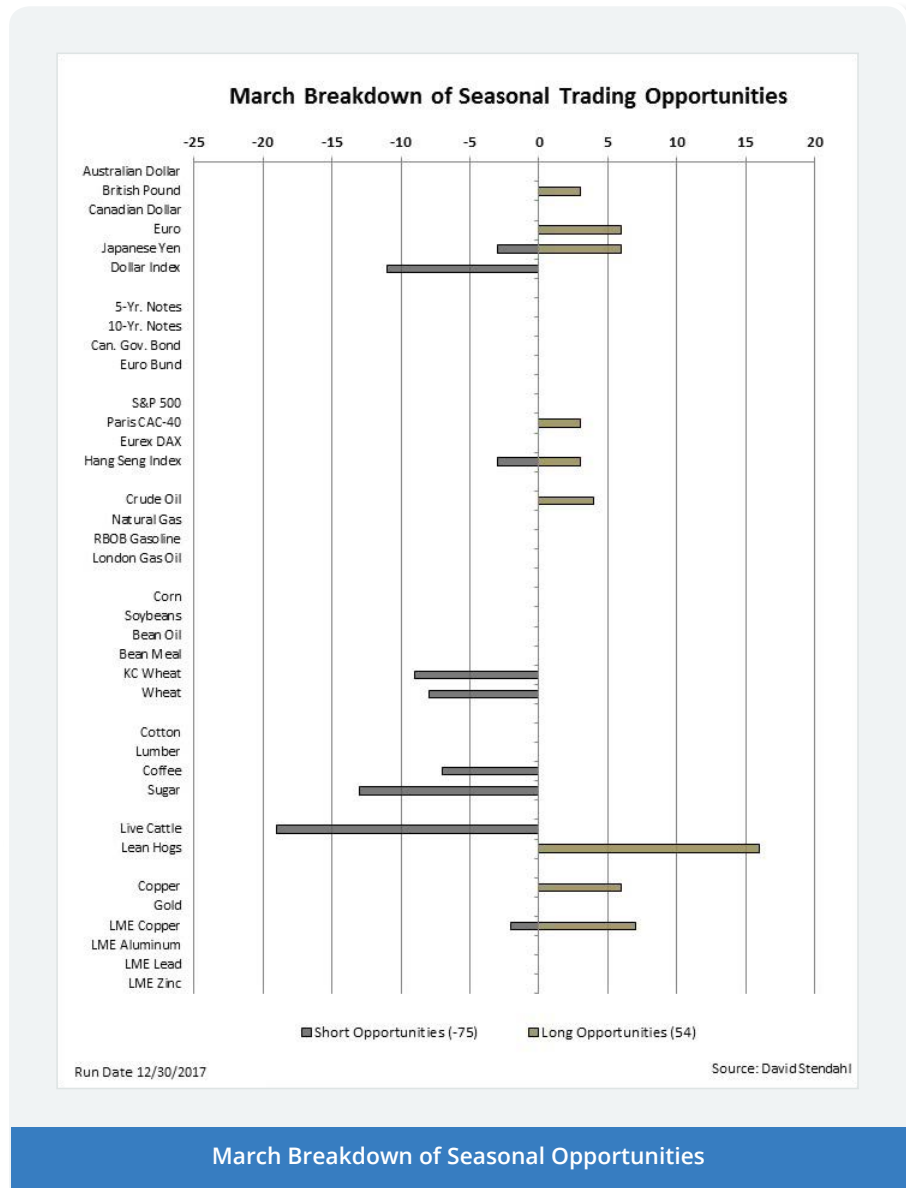
February



February Breakdown of Seasonal Opportunities

# Appendix I (con'd)

March



March Breakdown of Seasonal Opportunities

## Appendix II: 8 Sector Based Tables for Futures and Indices with currently available ETF/ETN “equivalents”

ETF/ETN is a sample selection, chosen from funds with most liquid average volumes and greatest total asset backing values from each category. ETFs/ETNs are associated with variable management fees; it is the responsibility of the investor to ensure expenses and liquidity meets their individual investment criteria. While ETNs may have advantages such as more precise index tracking, their debt notes structure means the financial institution issuing the ETN can default leaving investors without collateral to mitigate losses.

### Currencies

Sector/ Market	Currency Futures (U.S. Markets)	ETF	ETN
<b>Currencies</b>			
Australian Dollar	A6_F	FXA	-
British Dollar	B6_F	FXB	GBB
Canadian Dollar	D6_F	FXC	-
Euro Currency	E6_F	FXE	ERO
Dollar Index	DX_F	UUP	USDU
Japanese Yen	36_F	FXY	JYN

### Energies

Sector/ Market	Commodity Futures	ETF	ETN
<b>Energies</b>			
Crude Oil	CL_F	USO	OIL
RBOB Gasoline	RB_F	UGA	-
Natural Gas	NG_F	UNG	-

## Appendix II: Cont'd

### Equities

Sector/ Market	Equity Futures	ETF	ETN
<b>Equities</b>			
Eurex DAX	FDAX_F	DAX	-
Hang Seng	HSI_F	EWB	-
Paris CAC-40	FCE_F	CAC	-
S&P 500	ES_F	SPY	-

### Interest Rates

Sector/ Market	Interest Rate Futures	ETF	ETN
<b>Interest Rates</b>			
5 Year Notes	FV_F	IEI (3 to 7 yr)	DFVL
10 Year Notes	TY_F	IEI (7 to 10 yr)	DTYL

### Grains

Sector/ Market	Commodity Futures	ETF	ETN
<b>Grains</b>			
Corns	ZC_F	CORN	-
Soybeans	ZS_F	SOYB	-
Wheat	ZW_F	WEAT	-

## Appendix II: Cont'd

### Meats

Sector/ Market	Commodity Futures	ETF	ETN
<b>Meats</b>			
Lean Hogs	LH_F	HOGS	COW (39% Exposure)
Live Cattle	LC_F	-	COW (61% Exposure)

### Metals

Sector/ Market	Commodity Futures	ETF	ETN
<b>Metals</b>			
Gold	GC_F	GLD	UBG
Copper	HG_F	CPER	JJC
Aluminum	MHA_F	-	JJU
Lead	MPB_F	LEAD	LD

### Softs

Sector/ Market	Commodity Futures	ETF	ETN
<b>Softs</b>			
Coffee	KC_F	-	JO
Cotton	CT_F	-	BAL
Lumber	LB_F	WOOD	-
Sugar	SB_F	CANE	SGG

## Disclaimer

**Trade smart and accept the reality that trading futures is risky. This newsletter does not provide buy/sell recommendations. Our information is strictly provided for educational purposes only. As always trade at your own risk and analysis.**

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