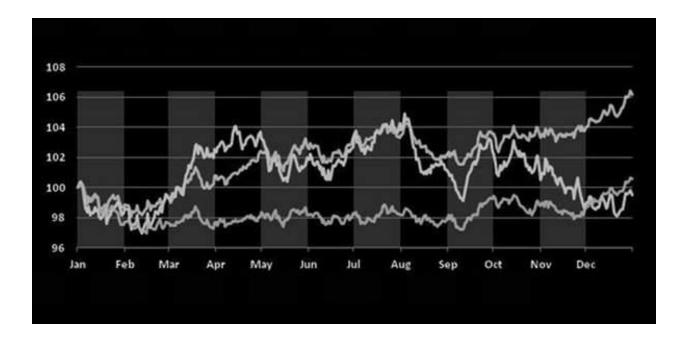# Forex Seasonal Patterns:

The seasonal patterns of the EUR/USD, GBP/USD, USD/JPY, AUD/USD, USD/CAD and Dollar Index

Use seasonality to discover when forex pairs typically rally and fall during the year, as well as to confirm reversals or trends using other methods.

Table of Contents

Introduction to Seasonality

Normally we look at charts in chronological order, day after day, week after week and year after year. The typical chart chronicles the price path of a currency (pair) over the years and can provide a lot of information for technicians to use. Yet there is another way to view currency charts, and that is to look at them in a seasonal fashion.

So what are forex seasonal patterns, or forex seasonal charts? For our purposes, seasonality is the tendency of a currency to bottom or top or rally or fall, at certain points in the year (in commodities this can occur with the seasons of the year).

Instead of looking at the last 15 or 30 years of currency data in chronological order, what if you took each year (January to December) and could put each year on top of each other. All 30 years are then averaged and set to an initial value providing one line which shows how the currency acts on average between January and December, over the last 30 years (throughout the book we will look at the 5, 10, 15, 20 and 30 year averages).

Remember transparencies? Those clear sheets which were used for making presentations with a projector. Imagine each year of data on a transparency sheet, and then stacking them all on top of each other. This will create a sort of average which shows the tendencies of a forex pair possibly not seen by looking normal charts.

Lucky for us, we don't need to go through this process to create a seasonal average or seasonal chart.

The yearly data is taken and, as shown in the charts throughout this book, set to an initial value of 100 to provide one line which shows how the currency acts on average between January and December, over a particular number of years.

Will these averages show a forex seasonal pattern where a forex pair generally turns higher in certain months, or turns lower in others?

Throughout this eBook currency Futures charts will be shown. The information is then made relevant to the forex pair being analyzed to find the forex pair's seasonal patterns. For example Euro futures will be used to find seasonal patterns in the EUR/USD currency pair.

It should be noted that Euro, GBP and AUD Futures (shown in the charts throughout) will move with the EUR/USD, GBP/USD and AUD/USD currency

pairs respectively. CAD and JPY Futures will move the opposite direction of the USD/CAD and USD/JPY forex pairs respectively. For example as CAD Futures rally, the USD/CAD will fall as the USD loses strength relative to the Canadian Dollar. When CAD Futures fall the USDCAD will rally because the USD is gaining strength against the CAD. When applicable a reminder will be provided of this.

It is important to note that seasonality *is an average, not a rule. In any given year price can deviate from the seasonal tendency and traders shouldn't fight it.*

Seasonality is not a tool to use on its own (although strategies can be based on it), but rather should be combined with price pattern analysis to determine entry and exit points. Seasonality provides us with windows of time where we can watch for trend reversals and feel more confident if we see a price pattern that indicates a reversal during that time.

It is important to keep the overall trend of the market in mind; in uptrends use seasonal low points to buy, in overall downtrends use seasonal high points to get short or to sell.

EUR/USD Seasonal Patterns

Below we look at the seasonal pattern of Euro Futures and by extension the EUR/USD

There is a seasonal pattern to the Euro, and we can see it by looking at the following seasonal chart of Euro futures.

Euro Seasonal Chart- 5, 10 and 15 Year

5/10/15 Year Seasonal Study: Euro (CU)   Run Date 02/10/2012

Months — 5 Yr. Avg — 10 Yr. Avg — 15 Yr. Avg   Source: David Stendahl

Source: Signal Financial Group

The chart shows the tendencies of the Euro over the last 5, 10 and 15 years. From looking at the tendencies of Euro futures we can isolate times which are likely to be strong or weak for the EURUSD:

- The Euro typically forms a bottom in mid-February and then moves higher into mid-march. A pull back then occurs then we see another climb into the end of April.
- Another low in June which climbs into late July/early August.
- Usually a decline from early August to early September.
- Early to late September is a good time for the Euro, and then usually sees a decline in early October.
- After October our averages diverge which means the signals are less concise and less reliable.
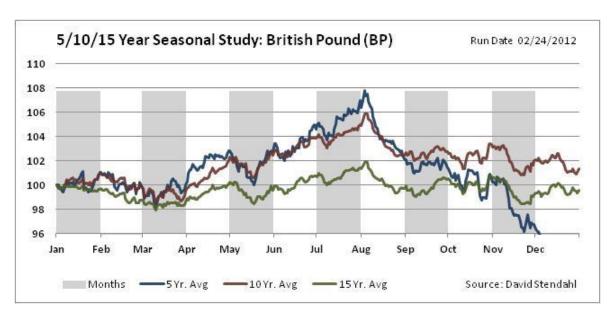
GBP/USD Seasonal Patterns

Below we look at Pound Futures and by extension the GBP/USD seasonality patterns. Therefore, this information can be used in both the Futures and Forex market.

5, 10 and 15 Year Seasonality

There are indeed consistent GBP/USD seasonality patterns, and we can see these patterns by looking at the following seasonal chart of Pound Futures.
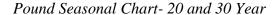
Pound Seasonal Chart- 5, 10 and 15 Year
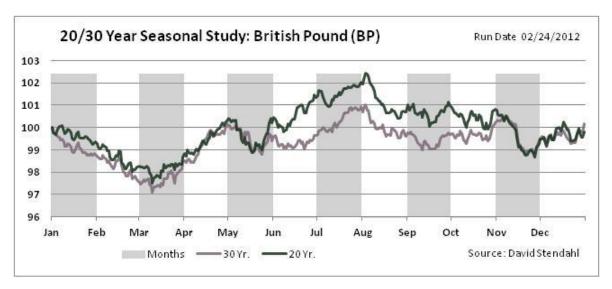
Source: Signal Financial Group

The chart shows the tendencies of the Pound over the last 5, 10 and 15 years. As we can see each average provides a different line, yet we can find commonalities which occur in all three averages:

- The Pound typically forms a bottom in early to late March and then moves higher into the end of April.
- Early May to mid-May is usually a bearish time.
- A bottom typically forms again in mid-May we see a move higher into early August.
- Price usually peak early in August and decline into early September.
- After October our averages diverge with the short-term (5 year) not providing the same information as the longer-term seasonality averages (10 and 15 year) thus making the seasonal tendencies less concise and less reliable during this time.
- Averages re-align to form a top in early November and the price slides into mid-to-late November. After this the averages diverge again.

20 and 30 Year Seasonality

For the sake of thoroughness we can also use more data to make sure that the 5, 10, 15 year GBP/USD seasonality patterns align with the longer-term 20 and 30 year patterns.

Pound Seasonal Chart- 20 and 30 Year

Source: Signal Financial Group

For the most part the short-term seasonal tendencies align with the longer-term, although there are some slight variations. Here are GBPUSD seasonal patterns for the 20 and 30 year time frame:

- The Pound typically forms a bottom in early March and then moves higher into the end of April.
- Early May to mid-May is usually a bearish time.
- A bottom typically forms again in mid-May we see a move higher into early August.
- Price usually peak early in August and decline into mid-September.
- Price peaks in early November and the price slides into mid-to-late November.
- Prices bottom in late November and rally into the end of the year.

Trade the GBP/USD Seasonality Patterns

From looking at the tendencies of Pound futures we want to find the time that are most reliable across all time frames. Therefore, we are only looking for seasonality patterns which occur in all the 5, 10, 15, 20 and 30 time frames.

From the factors above we can isolate a few times in the year which are likely turning points. **Based on all the information these are the most highly probable GBPUSD seasonality patterns (or Pound futures seasonal patterns) in any given year:**

- The Pound bottoms by late March and then moves higher into the end of April.
- Price peaks in very early May and is bearish till mid-May.
- A bottom typically forms in mid-May we see a move higher into early August.
- Price usually peak early in August and decline into early September.
- Price peaks in early November and the price slides into mid-November.
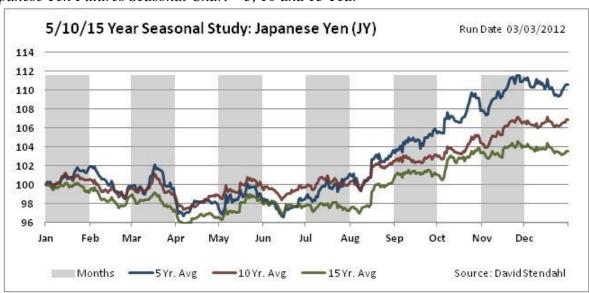
USD/JPY Seasonal Patterns

Below we look at the JPY or Yen Futures, and since the Yen futures are traded relative to US dollars, we can use patterns seen in the futures market to trade USDJPY seasonality patterns. Therefore, this information can be used in both the futures and forex market.

Yen Futures will move with the JPYUSD forex pair. Since most traders look at this pair the other way–USDJPY–the direction of Yen Futures is opposite that of the USDJPY. As Yen futures rally, the USDJPY will fall. When Yen Futures fall the USDJPY will rally because the USD is gaining strength against the JPY.

5, 10 and 15 Year Seasonality

There are indeed consistent USDJPY seasonal patterns, and we can see these patterns by looking at the following seasonal chart of Yen Futures.

Remember, these are Japanese Yen Futures–so a bearish time on the chart means the USDJPY is likely to rise. At the end we will go over the major seasonal patterns of the Yen Futures and also the USDJPY seasonal patterns so there is no confusion.

Japanese Yen Futures Seasonal Chart – 5, 10 and 15 Year

Source: Signal Financial Group
The chart shows the tendencies of the Yen over the last 5, 10 and 15 years.

20 and 30 Year Seasonality

For the sake of thoroughness we can also use more data to make sure that the 5, 10, 15 year USDJPY seasonality patterns align with the longer-term 20 and 30 year USDJPY seasonal patterns.

Again, keep in mind these are Japanese Yen Futures–so a bullish month like April means the USDJPY is likely to decline.

Japanese Yen Seasonal Chart – 20 and 30 Year

Source: Signal Financial Group

Trade the USDJPY Seasonal Patterns

From looking at the tendencies of Yen Futures we want to find the moves that are most reliable across all time frames. Therefore, we are only looking for seasonality patterns which occur on all–5, 10, 15, 20 and 30 year–time frames. Minor fluctuations and small moves have been left out, even though some may consistently appear across the time frames.

From the factors above we can isolate a few times in the year which are likely turning points. To keep things clear, let's first look at the dominant tendencies of the Yen Futures, as shown in the charts above. After, we will flip them around so the tendencies can be used for trading the USDJPY.

If you only trade forex, skip this section and move down to the USDJPY seasonality patterns below.

- Mid-March to early April is a bearish period for the Yen.
- May is a bullish month for the Yen.
- Early to mid-August often sees an aggressive Yen rally which carries into early September before leveling off (more recently the mid-August rally has carried into late November).

- Early October to mid-October often sees a rise.
- Early November to late November is a bullish time.

Above are the Yen Futures seasonal patterns. We flip them around to get the USD/JPY seasonal patterns.

Based on all the information these are the most highly probable USDJPY seasonality patterns in any give year:

- Mid-March to early April is a bullish time for the USDJPY.
- May is a bearish month for the USDJPY.
- Early to mid-August often sees an aggressive USDJPY decline which carries into early September before leveling off (more recently the mid-August decline has carried into late November).
- Early October to mid-October often sees a decline in the USDJPY.
- Early November to late November is a bearish time for the USDJPY.

AUD/USD Seasonal Patterns

Below we look at the pattern of Australian Dollar futures which provide us with the forex seasonal patterns of the AUDUSD.

Australian Dollar Seasonal Chart- 5, 10 and 15 Year

Source: Signal Financial Group

The chart shows the tendencies of the AUD over the last 5, 10 and 15 years. As we can see each average provides a different line, yet we can find commonalities which occur in all three averages:

- The AUD typically turns higher in early to mid-March and continues higher into the early part of May
- After correcting in May, the AUD typically bottoms out again in late May and then moves higher into the end of July.
- Early August to late-August is typically a bearish time for the AUD.
- November is typically a bearish month for the AUD.
- December rallies often occur.
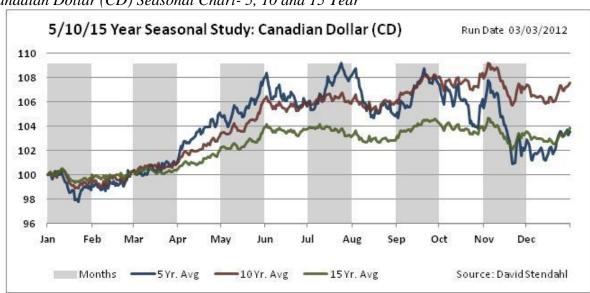
USD/CAD Seasonal Patterns

Below we look at CAD Futures, and since the CAD futures are traded relative to US dollars, we can use patterns seen in the futures market to trade USDCAD seasonality patterns. Therefore, this information can be used in both the futures and forex market.

CAD Futures will move with the CADUSD forex pair. Since most traders look at this pair the other way–USDCAD–the direction of CAD Futures is opposite that of

the USDCAD. As CAD futures rally, the USDCAD will fall. When CAD Futures fall the USDCAD will rally because the USD is gaining strength again the CAD.

5, 10 and 15 Year Seasonality

There are indeed consistent USDCAD seasonal patterns, and we can see these patterns by looking at the following seasonal chart of CD Futures. Again, remember, these are Canadian Dollar Futures–so a bearish month like November means the USDCAD is likely to rise. At the end we will go over the major seasonal patterns of the CD Futures and also the USDCAD seasonal patterns so there is no confusion.
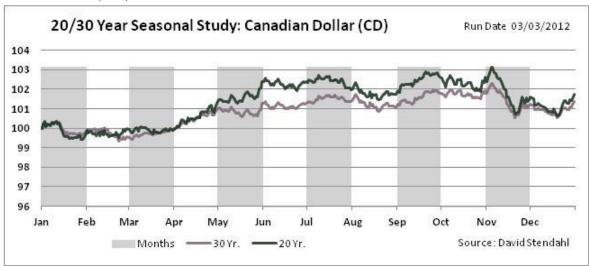
Canadian Dollar (CD) Seasonal Chart- 5, 10 and 15 Year

Source: Signal Financial Group

The chart shows the tendencies of the Canadian Dollar over the last 5 years, 10 years and 15 years. For the sake of thoroughness we can also use more data to make sure that the 5, 10, 15 year USDCAD seasonality patterns align with the longer-term 20 and 30 year patterns.

20 and 30 Year Seasonality

Keep in mind these are Canadian Dollar Futures–so a bullish month like April means the USDCAD is likely to decline.

Canadian Dollar (CD) Seasonal Chart- 20 and 30 Year

Source: Signal Financial Group

Trade the USDCAD Seasonal Patterns

From looking at the tendencies of Canadian Dollar Futures we want to find the times that are most reliable across all time frames. Therefore, we are only looking for seasonality patterns which occur on all–5, 10, 15, 20 and 30 year–time frames. Minor fluctuations and small moves have been left out, even though some may consistently appear across the time frames.

From the factors above we can isolate a few times in the year which are likely turning points. To keep things clear, let's first look at the dominant tendencies of the Canadian Dollar Futures, as show in the charts above. After, we will flip them around so the tendencies can be used for trading the USDCAD.

If you only trade forex, skip this section and move down to the USDCAD seasonality patterns below.

- There is usually a short lived decline around mid-January, and then prices quickly stabilize.
- The CAD has bottomed out by (often before) the end of February and is bullish until the first few days of June.
- Mid to late July is often a peak in the CAD and the price declines into mid-August.
- Mid-August is a trough and the CAD rallies into mid-September.
- Early November often sees another peak and a short but sharp decline occurs until mid-November.

Above are the CDD Futures seasonal patterns. We flip them around to get the **USDCAD seasonal patterns.**
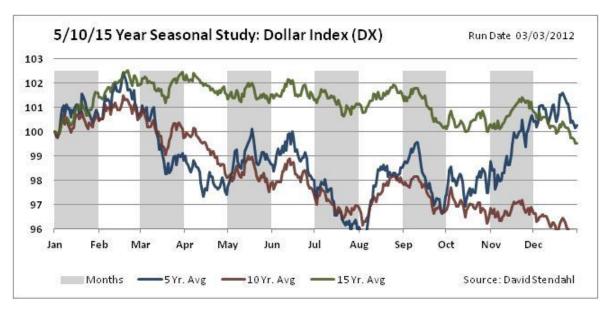
Based on all the information these are the most highly probable USDCAD seasonality patterns in any give year:

- There is a usually a short lived rally in mid-January, then prices quickly stabilize.
- The USDCAD has topped out by (often before) the end of February and is bearish until the first few days of June.
- Mid to late July is often a trough in the USDCAD and the price rallies into mid-August.
- Mid-August is a peak and the USDCAD declines into mid-September.
- Early November often sees another trough and a short but sharp rally occurs until mid-November.

Dollar Index Seasonal Patterns

The first time frames looked at are the 5, 10 and 15 year seasonal trends. Therefore, we are only looking for common points where all three time frames bottom or top at similar times of the year. By looking at multiple time frames, and finding commonalities, we can extract the strongest Dollar Index seasonal trends. After this, the 20 and 30 trends will also be analyzed.

USD Seasonal Chart – 5, 10 and 15 Year
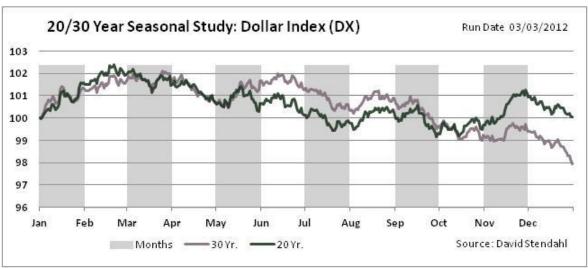

Source: Signal Financial Group

Over the three time frames studied we can extract the commonalities to find usual tendencies in the USD over the last 5, 10 and 15 years:

- Start of the year to mid-February has an upward bias.
- Typically tops out in the middle of February and declines into mid-March.
- Last half of March is usually strong and then sells off into late April.
- Beginning to middle of May is a strong time for the USD, but then falls into a short-term low by the end of May.
- End of May to Mid-June may see some price appreciation.
- Middle of June usually marks a short-term high and the USD declines into the end of July.
- Rally from beginning of August to early September.
- Early November to late-November sees a rise.
- Late December is a bearish time.

20 and 30 Year Seasonality

The 5, 10 and 15 Dollar Index seasonal trends data above is useful, but by looking at a longer term time-frame we can erase some of the noise which is seen on the shorter time-frames above. Here we will look at the Dollar Index seasonal trends which occur on the 20 and 30 year time-frames.

USD Seasonal Chart – 20 and 30 Year

Source: Signal Financial Group

- January to late-February is generally a bullish time.
- Early March to mid-March is bearish.
- There is normally a short rally from mid-March to late-March.
- Late March to early May is bearish time.
- Mid-June is often a high point followed by a decline into the end of July.
- Early August to mid-August usually sees a bit of a rise.
- Mid-August and mid-September mark short-term highs followed by declines into the end of September.
- Mid-November to late November can be a bullish time.
- December is a bearish month.

Dollar Index - Dominant Seasonal Trends

In our final step we will we will extract the common patterns from all time frames to provide the most reliable seasonal patterns…which have been present in all the 5, 10, 15, 20 and 30 year seasonal trends.

- Start of the year to mid-February is usually bullish.
- Early March to mid-March is bearish.
- Last half of March sees prices rise.
- Late March to late April is a bearish time.
- Middle of June usually marks a short-term high and the USD declines into the end of July.
- Early August to mid-August is a bullish time.
- Mid-November to late November often sees a rise.
- Late December is a bearish time.

Summary

Remember, seasonality *is an average, not a rule. In any given year price can deviate from the seasonal tendency and traders shouldn't fight it.*

Seasonality is not a tool to use on its own (but strategies can be built off of it), but rather should be combined with price pattern analysis to determine entry and exit points. Seasonality provides us with windows of time where we can watch for trend reversals and feel more confident if we see a price pattern that indicates a reversal during that time.

It is important to keep the overall trend of the market in mind; in uptrends use seasonal low points to buy, in overall downtrends use seasonal high points to get short or to sell.