



# The Seasonality Module

## Find Explosive M

### How Seasonality Affects Stocks

When we think of seasonality most of us think of commodities. Agricultural products typically are higher in the fall. Hence the saying, "Buy in the summer, sell in the fall." But did you know that many stocks also follow seasonal tendencies?

Take a look at the charts for Microsoft on the right. In five out of six years from 2002 through 2007, Microsoft declined January-March and rose in October-November.

How can we profit from this information? Clearly, it would be best to only trade short signals in the first quarter and long signals in the fourth. Or, at least, we should refrain from taking counter-seasonal trades in Microsoft.

Why do stocks behave this way? In the case of Microsoft, it is most likely due to the fact that companies buy new technology early in the 4th quarter for the coming year. But other companies are seasonal for different reasons.

One of the most interesting cases we discovered was Oracle (ORCL) which has gone up in June nine out of the past ten years. Why? It could be because their fiscal year ends May 31st. So they book as many orders as they can by that date, leading to increased earnings.

By identifying those stocks that are poised to go up or down based on seasonal tendencies, you increase your odds for making money. You could in fact base an entire trading approach on this concept.

Microsoft 2002-2007



Microsoft has shown strong seasonal tendencies, with most years showing a decline in the 1st quarter and a rally in the 4th quarter.

# oves in Volatile Markets!

## Put the Power of Seasonality to Work Today

We have created a powerful new tool that plugs right into OmniTrader to take advantage of the seasonal tendencies. It's called the Seasonality Module and with this module installed, you can instantly see seasonal tendencies in any chart you bring up!

The Seasonal indicator is easy to use and intuitive to understand. Bring up the Seasonality window and instantly any chart you plot in OmniTrader will be analyzed for seasonal tendencies.

Bullish or bearish zones are clearly marked, with strong seasonal tendencies highlighted in a strong color. The module is totally configurable—you can test as many years as you like. And, the entire analysis can be performed on ten years of data in less than a second.

To the right is the analysis on Intel. Note the bright green and red zones. These are the strong seasonal tendencies. Click the Chart tab to see the seasonal (average) chart.

OmniTrader charts also display the seasonal tendencies in the new Seasonal indicator, which can show quarterly or monthly seasonality. Just activate this indicator, and at a glance you can tell if the stock you are about to trade has a *seasonal bias*. This simple check could make or save you thousands of dollars.

## Seasonality Interface

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
Quarterly		8.0%			6.2%		1.4%						
Monthly	7.4%	0.4%	-1.0%	2.4%	3.2%	-0.4%	2.6%	1.2%	-3.5%	5.1%	5.2%	-0.7%	27.5%
Directional	72.2%	61.1%	-72.2%	61.1%	96.6%	66.7%	90.0%	66.7%	72.2%	61.1%	96.6%	77.8%	
2008													
2007	2.5%	5.3%	-2.0%	12.3%	2.8%	6.3%	-1.1%	9.3%	0.2%	3.3%	-2.3%	2.4%	30.4%
2006	-15.6%	-3.0%	6.1%	1.5%	-10.2%	5.3%	-6.6%	9.4%	3.4%	3.8%	0.1%	-5.0%	-19.6%
2005	-5.0%	6.7%	-4.6%	0.8%	14.7%	-2.9%	3.5%	-5.6%	-3.6%	-5.0%	15.1%	-7.3%	5.6%
2004	-5.7%	5.4%	6.2%	-6.0%	9.6%	-2.7%	11.0%	-11.4%	-4.9%	9.6%	0.9%	-4.0%	-27.7%
2003	-2.0%	10.2%	-5.0%	12.1%	13.2%	-0.9%	19.3%	15.4%	-4.3%	10.4%	0.6%	-5.2%	100.1%
2002	9.8%	-18.0%	4.5%	5.1%	-3.2%	-33.4%	2.4%	-11.0%	15.7%	23.1%	22.1%	-28.8%	-51.2%
2001	20.6%	-22.9%	-6.9%	18.6%	-12.2%	7.3%	0.8%	-8.7%	25.8%	20.8%	33.1%	-2.6%	2.5%
2000	18.8%	14.9%	16.9%	-3.5%	-2.5%	8.9%	-0.8%	11.6%	45.0%	4.8%	14.1%	-21.9%	-27.8%
1999	17.5%	-14.7%	0.1%	2.0%	-11.6%	10.6%	15.5%	17.6%	-11.2%	4.3%	-1.2%	8.2%	37.3%
1998	14.6%	8.7%	-13.1%	4.3%	-11.7%	7.2%	13.1%	-14.9%	20.5%	5.9%	15.9%	12.0%	67.7%
1997	23.1%	-13.2%	-1.4%	11.3%	-1.2%	-7.9%	29.4%	0.7%	-0.8%	-17.0%	1.0%	-10.5%	6.6%
1996	-3.7%	6.9%	-1.3%	10.6%	12.1%	-2.2%	1.9%	5.9%	20.6%	16.1%	15.5%	4.0%	120.3%
1995	5.1%	14.9%	6.4%	20.8%	8.9%	12.6%	2.6%	-5.6%	-1.8%	15.3%	-13.9%	-7.5%	78.4%
1994	4.9%	5.8%	-1.9%	-6.9%	2.9%	-6.4%	0.6%	11.9%	-5.1%	0.5%	2.1%	2.8%	2.6%
1993	22.7%	8.9%	-1.6%	-17.2%	-15.6%	0.9%	-8.0%	23.0%	11.0%	-11.8%	2.8%	0.4%	42.5%
1992	23.0%	5.6%	-12.8%	-3.4%	-6.7%	14.1%	5.1%	-3.6%	14.1%	3.1%	6.9%	21.3%	78.9%
1991	20.4%	4.4%	-2.0%	5.4%	15.0%	-16.5%	0.5%	4.2%	-14.2%	-4.4%	-1.5%	20.2%	28.9%
1990	14.5%	2.3%	4.0%	-4.6%	22.2%	-2.6%	5.4%	-23.7%	0.1%	1.5%	13.6%	1.7%	11.3%

The Seasonal Grid shows in-depth information on month by month performance and creates a seasonal chart.



Chart with Seasonal indicator and monthly Seasonality. Note how the indicator would have kept us out of the short trade in April while confirming the other trades – all of which made a profit. The confirmed seasonal trades are circled.

# Seasonality Module

## Awesome Prospecting Power

Using the power of the Focus List, you can add Seasonality to a column of the list and see which stocks with a buy signal ALSO have a bullish seasonal tendency.

Using the new indicator column feature in OmniTrader 2009, you can add specific columns for the Focus List that instantly tell you how well the stock is matching its seasonal trend.

Once added, the Seasonal indicators will be calculated each time you run the To Do List. It's then a simple matter to sort and find those stocks with the highest seasonal trends that ALSO have buy or sell signals.

The other way to use Seasonality is as a confirming tool. Just add the columns and check them before you buy or sell, to make sure you are not trading opposite the seasonal tendency.

## A Powerhouse in This Market

You may be wondering if Seasonality is helpful in the increased volatility we have been seeing. Absolutely! When the entire market goes down, even stocks with strong seasonal tendencies will be dragged down with it. BUT, when the market starts back up, it is those stocks with a seasonal, upward bias that are most likely to experience an explosive upside move. Needless to say, this tool could help you make a LOT of money in the coming months.

The Seasonality Module is a great addition to OmniTrader 2009. All it takes is one good trade—or avoiding one bad one—to pay for it!



Here we see the Seasonal indicator in both the charts and in a column in the Focus List. We sorted the column to bring the highest seasonal percentage movers to the top. Both DELL and AAPL show high seasonal gain percentages. When the market begins to rally, these stocks and others with strong seasonal tendencies should be among the biggest winners.

## The POWER of Seasonality NEW SEMINAR by Jeremy Williams



This seminar by Jeremy Williams goes through the ins and outs of seasonal theory, reviewing powerful trades confirmed through seasonality and how to use this module to its maximum potential.

Armed with this knowledge and the new Seasonality Module, you will be ready to apply this unique technique to your trading.

### The Power of Seasonality Includes:

#### Seasonality Primer

- What is Seasonality?
- Seasonality Case Studies
- Season Calculations
- Market Relative Seasonality

#### Seasonality Modules

- Interface Walkthrough
- Performing Seasonal Analyses
- Interpreting Seasonal Charts
- Using Seasonality in the Focus List

#### Trading with Seasonality

- Seasonality as the Ultimate Confirmation Tool
- Using Seasonal Correlation
- Trading Methods Utilizing Seasonality