

Answering Critics of Seasonality

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Not only is seasonality a major force in the markets, but it is also consistent, persistent and capable of being validated statistically. The vast amount of historical data that is available on seasonal tendencies in all aspects of economic variables makes the task of validating seasonality both relatively simple, as well as a joy for those of us who seek objectivity in trading.

Critics of Seasonal Trading and Their Errors

Since I first became aware of seasonal price behavior in the markets (1968), it has never ceased to amaze me how much negativity and criticism this very simple but very powerful concept has generated. Indeed, it would seem to me that in a world that is steadily growing more favorable to technology, science and objective assessment of theories, traders would welcome a methodology that is so readily testable. And yet the amount of disbelief, criticism and anger that seasonal trading methods have generated is utterly amazing, as well as distressing. What do the critics say? Here are some of their objections and my responses:

1. The concept of seasonality is too simple. History does not repeat as regularly as supporters of seasonality claim.

RESPONSE: The statistics clearly support several levels of seasonality. Anyone who doubts their existence need only subject seasonality to hard statistical testing.

2. Seasonality exists, however, since “everyone” knows about the seasonal patterns their effect will already have been factored into prices and will not be reflected in price behavior.

RESPONSE: This is the most patently absurd point of view since, to begin with, NOT EVERYONE knows the seasonals and moreover, seasonal price moves are highly predictable. If their effect is already factored into prices then the markets would not clearly and unmistakably show seasonality.

3. Seasonality is a self-fulfilling prophecy. The simple fact that “everyone” knows about the seasonals means that many traders will take positions ahead of seasonal moves and, thereby, cause them to happen.

RESPONSE: Again, the fact is that **NOT EVERYONE** knows the seasonals. Furthermore, even if all traders did know and use the seasonals, the fact remains that not all traders will enter the markets at the same time, exit the markets at the same time or, for that matter, have the same price target(s).

What to Believe

The fact that the markets are swimming in a sea of useless methods and information is axiomatic. What should you believe? Where can you turn for useful information? How can you determine whether seasonality is right for you? The answers to these questions are exceptionally simple.

Believe only what you can see. Believe only what makes you money. Believe only that which gives you an objective set of rules, procedures, set-ups, triggers and follow-through in the form of risk limitation procedures and profit maximizing methods. Nothing else matters.

Don't believe me - see for yourself. See how the seasonals work and IF they work. Take your time and develop a set of solid procedures and evaluate the method within these parameters.

Only then will you have the confidence and methodology that will work consistently in the markets.

I want you to see for yourself how seasonality can be a solid and fully objective tool in your arsenal for trading and investing success. Naturally, any method is only as good as the weakest link in the trading chain. And that weak link is Us. We, the traders, are the most fundamental enemies to success.

If you believe, on the basis of your objective studies, that seasonality is a major market force, as well as a path to profits then don't listen to the detractors, critics and objections. Play your own game consistently, objectively, and decide for yourself.