

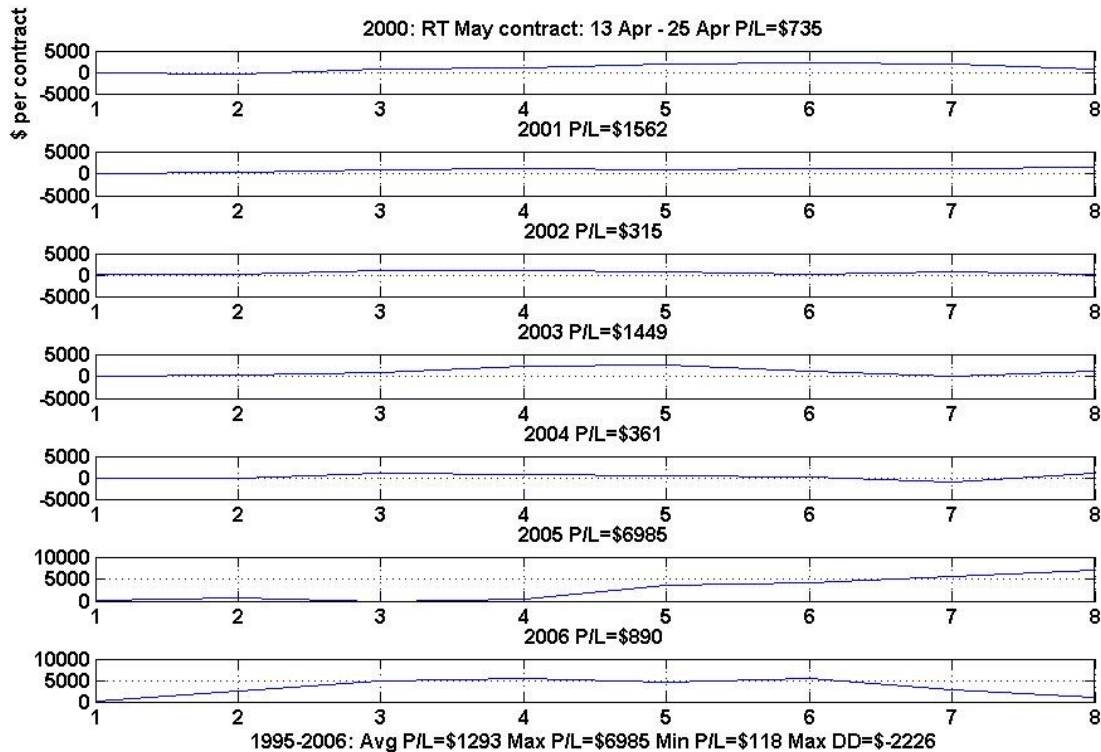
A seasonal trade in gasoline futures

By Ernest P. Chan, Ph.D.

April 2, 2007

With the summer driving season coming up, it should not surprise us that gasoline futures prices will be rising seasonally. The only question for the trader is: which month contract to buy, and to hold for what period? After scanning the literature, the best trade I have found so far is one where we buy 1 contract of RT (the unleaded gasoline futures trading on the NYMEX) at the close of April 13, and sell it at the close of April 25. Historically, we would have realized a profit every year since 1995! Here is the annual P/L and maximum drawdown (measured from day 1, the entry point) experienced by this position:

Year	P/L Maximum Drawdown	
1995	\$1037	\$0
1996	\$1638	-\$2226
1997	\$227	-\$664
1998	\$118	\$0
1999	\$197	-\$588
2000	\$735	-\$315
2001	\$1562	\$0
2002	\$315	\$0
2003	\$1449	-\$38
2004	\$361	-\$907
2005	\$6985	-\$25
2006	\$890	\$0



The average P/L of this trade is \$1,293, the

maximum P/L is \$6,985, the minimum P/L is \$118, while the maximum drawdown is -\$2,226. Not bad for a trade that lasted all of 8 days!

(For those who desire even less risk, you can buy the mini gasoline futures QU at NYMEX which trades at half the size of RT.)

References

This research has been inspired by the monthly seasonal trades that [Mr. Paul Kavanaugh](#) at [PFG](#) publishes.

Other useful references include:

["Seasonal surprises"](#) by Sandy Fielden at Logical Information Machines.

["Fill 'Er-Up! Benefit from Seasonal Price Patterns in Energy Futures"](#) by Jerry Toepke at SFO Magazine.

Disclaimer

This research is for informational purposes only, and is not a recommendation to buy or sell any securities mentioned. As always, past performance is no guarantee of future results!

Dr. Ernest P. Chan is a quantitative consultant who helps his clients implement automated, statistical trading strategies using Matlab. His office is located in Toronto and can be reached through www.epchan.com.