

WHAT'S NEW ---  
\* \* \* \* \*

A SIMPLE WAY TO PREDICT  
MARKET TURNING POINTS  
(and impress your friends)

CSI would like to wish everyone a HAPPY EASTER. On GOOD FRIDAY, March 28th, all markets and CSI will be closed.

This brief report is designed to advise customers who may have an interest in systems, methods, or services which predict market turning points far into the future. If you have been solicited by any firm that does this, you may gain some important insight into this area by reading on. Whether you plan to purchase such a service, system, or secret is your personal choice. CSI has no preference for one commercially available procedure over another. We simply wish to point out facts that may be helpful to our customers.

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If I were to tell you to "Pick any date in the future, for any commodity, and I will show you the next turning point that will occur relative to that date.", you might think I'm crazy...or strongly doubt my claim. The truth is, however, that anyone can do this within an accuracy of, say, three days about 70% of the time, or within four days 80 to 90 per cent of the time.

- \* \* \* Exciting new QUICKMARKET ANALYZER™ product resembles QUICKDAYTRADER™ Turn to page 3
- \* \* \* Hardware accessory sale for IBM PC/XT® or compatibles such as QUICKPC™ Page 3
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The secret depends upon how one defines "turning points". Suppose we define intermediate market swings or turning points to occur about 25 times per year, or twice per month. Since there are about 250 trading days per year, this allows for one turning point per 10 days. With a dart and a calendar into the future, the dart will hit some seven day time interval (the day hit plus or minus three days) each time it is thrown. If turning points occur, on the average, once every 10 days, then there is a 70% chance my dart will include a turning point within three days.

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Additionally, if I know that last week we had a definite low in the market, then my next turning point will be a peak. I'm not interested in 1997; I may not live that long. I can only make money if I can bet

on the next immediate turning point for various cycle lengths.

There is not enough room in this Newsletter to show how market turning points can be predicted with more reliability, but it is possible to provide an unbiased estimate of the next peak and the next trough for each given predominate cycle period. Using a method which treats peaks independent of troughs can produce a non-regular period between peaks and troughs (a more realistic behavior) for future market cycles.

Before spending your hard-earned funds on any system, be careful to discover what you can do under purely chance conditions without it. #

### MORE ON OPTIMIZATION

Many readers of our February Newsletter had further questions on optimization, and three newsletter publishers asked permission to reprint last month's feature story. The following additional information concerning the optimization of a trading plan may answer some of your questions.

An important consideration on the repetitive or iterative testing of historical data is to keep the number of controlling parameters to a brief few. Very often, this can be done by examining each of the parameters and determining whether any two or more explain the same phenomena. Of course, we want to keep the parameters at a minimum to reduce user control so our results are unbiased. If two parameters explain the same event, they are redundant and the results of the optimization will improve, but the reliability or predictability of the model will decrease.

For example, if two of the parameters were volume and price range, and volume and price range are highly correlated, then you will have consumed two degrees of freedom when only one was necessary. In other words, if a wide price range occurs while prices are going up or a high volume occurs while price is going up, then in either case, you might conclude that current market strength is bullish.

But, on the other hand, if a wide

price range is correlated with high volume then both of these independent variables would explain the same market condition. The independent variable with the highest overall performance should be the one chosen. For your system to have a fair chance of succeeding, keep the number of parameters over which you take control to a minimum.

When you complete your optimization work, be sure to check your results on an independent period of time. If you optimized the year 1985, for example, don't use the results unless they worked profitably in 1984. Be sure to check draw-down as well as profit and don't forget to get sufficient samples to verify your method. If 1984 proves to be unprofitable, you produced a forced fit of your parameters with the 1985 data. You cannot use the results generated. You must try another approach.

And finally, insist that your software supplier provide you with a system design that permits this cross checking capability. Without it, the risk is assigned to your account, and the profit is assigned to your software supplier's account.

If you want it to work, keep it simple. You will save time, trouble, and money.

We were gratified by the interest expressed by the many customers who called with comments and questions about last month's Optimization article. We found it virtually impossible to answer all the phone calls we received while we are so involved in the many new additions to our service. We will look forward to hearing from you by mail on that letter and this, should you have any questions. #

### CSI - CONSUMER ADVOCATE ?

Customers have been very appreciative of the articles we write and many have said we have saved them from making unnecessary purchases.

I don't believe we could be classified as a consumer advocate, but we have noticed that customers who leave our service do so for one overwhelming reason: Poor market

performance. We decided to write on popular issues on which we may offer some help. If we can offer information which may conserve your capital in anyway you may stay with CSI. We are also planning certain software that will, we hope, make your futures trading more sane and rational. Please read about our new QUICKMARKET ANALYZER product below.

### CURRENT CSI LEADS

As you may be aware, CSI does not supply customer names to mailing list purchasers. However, most brokerage firms and computer firms will have an interest in the new leads that CSI develops on a monthly basis. Our advertising brings between 400 and 1500 new inquirers into our service each month. These are individuals who own, or plan to purchase, a micro-computer and have an interest in the commodity, stock, or financial markets.

CSI will accept orders for six month subscriptions to this new "Inquirer List" for \$150 per month. We offer a pre-payment discount of 10% for full payment of a six month subscription. We know that anyone with a need for such a service can benefit from our responsive promotional campaign which attracts an audience of new traders who may need brokerage or analysis hardware and software services. This offer is only available to existing customers of CSI. #

### QUICKMARKET ANALYZER

This is a new product which has been programed for the Apple and is available now. It is an interesting and exciting product in that it identifies over a longer period of time the type of market that currently exists. It classifies market type into the three categories of trading, trending, or indeterminate. It works on daily data and has some resemblance to the QUICKDAYTRADER product, which we have completed, but which we have not yet distributed.

QUICKMARKET ANALYZER gives you a bar chart, a point and figure display, and summary results of a statistical analysis to determine the class of trading market that exists. Eventually, this product will have other study capabilities with additional graphic displays. It should be

very helpful in trading today's markets. This product is free, but the recipient must have his account paid up and prepay a \$295 historical data order before it will be supplied. Since QUICKDAYTRADER purchasers have not received their software, such purchasers may substitute QUICKMARKET ANALYZER in its place. Customers desiring both QUICKDAYTRADER and QUICKMARKET ANALYZER must prepay an additional \$100 of historical data to receive both products. However, until we officially announce the release of QUICKDAYTRADER, please do not order that product.

### ACCESSORY HARDWARE PRODUCTS FOR YOUR IBM PC OR COMPATIBLE

We have enclosed an order form of accessory hardware items which we regularly provide to QUICKPC purchasers. These hardware items will work with your IBM PC/XT, are guaranteed for 60 days and may be returned within five days for a full refund if you are not satisfied with their performance. The prices should be much lower than can be obtained through normal outlets. Please make all checks for your hardware purchase payable to Financial Micro-Data, Inc. #

### BASE PRICE INCREASE ANNOUNCEMENT (affects only users with less than 21 contracts)

Effective on April 1, 1986, CSI's base price for daily data service will be increased approximately 10% to 15%. This price increase will affect domestic users of ten contracts or less and could affect some users who collect less than 21 contracts. The increase is necessary to cover rising network and other operating costs.

Foreign users will be affected slightly more since the minimum monthly charge will now be \$41.00, a price necessary for CSI to break even on these accounts.

We have actually been servicing our smaller users at a loss for the past year and hope this token increase will not be a burden to any of our customers.

The new base rate schedule for ten

contracts only affect long distance and network users. The 21 contract rate is also modified for foreign users. The top lines of the new schedule are as follows: #

QUANTITY COLLECTED DAILY		(Cost per Month of Access) NETWORK USERS OF TELENET/TYMNET/UNINET			
Qty. of Stocks or Options	Quantity of Commodity Contracts	Long Distance Base Rate	U.S. RURAL, HAWAII ALASKA, CANADA & MEXICO FOREIGN USERS		
			U.S. BIG CITY USERS	QUICKTRIEVE	QUICKTRIEVE
20	10	\$33	\$45	\$59	\$41
42	21	44	54	70	41

**NOTES FROM CUSTOMER SERVICE**

**GENERIC AND SPECIFIC CONTRACTS:**

Customers who have the "generic" portfolio set-up are encouraged not to use the Customer Subsystem's "Change User Portfolio" to modify their daily portfolio. The subsystem was not designed to handle changes to the number of contracts to receive each day or the date of roll forward. Deletion of an unwanted delivery month will only remove the current month and year being sent and may result in your receiving the same delivery month but with a delivery year of the next year out. You may use the "Enter message for CSI" portion to send a message requesting any changes to your "generic" portfolio. Otherwise you would need to place a call to CSI's Customer Service Department to initiate the changes.

If you are currently using the "specific" format and have been using the Customer Subsystem, please note that the additions/deletions made through the subsystem directly interact with CSI's computer and can be realized on the user's end only after a system copy is made (8AM and 5PM daily). If you wish to set-up a portfolio change for some point in the future (the end of the month for example), please use either the message portion of the subsystem or call Customer Service. If you use the "Change user Portfolio" and then enter a message "do not process until end of month", we must enter your portfolio and delete the contacts as they will show up that afternoon in your collection. This will result in a \$5.00 portfolio charge fee, unless you have requested a historical file.

**IBM QUICKPLOT:** Questions have been raised about the method used in calculation of the ratio produced by answering "yes" to

the "Divide Two Contracts" question in the beginning of the QUICKPLOT Program. The ratio is calculated by dividing the O-H-L- of the first contract chosen by the close of the second. Further explanation of this option is described on page 74 of the IBM QUICKTRIEVE Manual.

**FULL WEEK COLLECTION:** When collecting the "full week" for the last five business days, please note that if done on Friday after the close, Saturday, Sunday or Monday until 9AM use the "current week" designation. After 9AM Monday the full week collection of the last five days should be done under "one week past".

**LOOKING FOR AN EXPERIENCED PROGRAMMER?**

Phil Borod, the INFORMATION CRAFTSMAN, would answer that description. He is an old friend of CSI and you may write him at P.O. Box 693218 in Miami 33269, or call 305/652-2930.

Manning Stoller of Commodity Futures Advisory, 36 Commerce Way, Woburn, MA 01801, is an old friend and loyal customer of CSI. He is available for tutoring in IBM Quicktrieve and Compu-Trac. His experience with both systems goes back to 1979, and he offers the new user a complete set-up for the computer hardware. His charge is \$50 per hour, plus expenses, and you may reach him at 617/938-4700.

Jules E. Greenstein is a Technicom distributor and offers a program called Profit Catcher Commodity Trading System. If you are interested in learning more about it, you may contact Mr. Greenstein at 2265 Westwood Boulevard, Los Angeles, CA 90064, or call 213/2-PROFIT.

David Muszynski of Memory Systems, P.O. Box 886, Skokie, IL 60076, has just released the latest version of their Technical Trader. For more information, please call him at 312/674-4833.

**MICROVEST SOFTWARE REVIEW**

We have taken a cursory look at the MicroVest software products of "High Tech" and "Profit Optimizer" and preliminarily find them to have many positive features. There are nearly two dozen "studies" and a capability for parameter