C S I   N E W S   J O U R N A L.

WHAT'S NEW ---
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PROBABLE DIRECTION INDEX℠ (PDI) EXPLAINED
(A Realistic Turning Point System that makes RSI and Stochastic look like a random walk)

If CSI regularly frequented the seminar route, we would ask a high price for the technique described below. Data vending is our main business, however, and we will be rewarded so long as users continue to subscribe to our Data Retrieval Service. This is why PDI, not available elsewhere, is free from CSI under the conditions outlined below:

Before CSI took the form of a data vending service to benefit commodity and stock traders, the firm was actively involved in the development of commodity trading systems, as suggested by our name, Commodity Systems, Inc. We developed systems both for our own use and for others. We accepted contract work for software development and, of course, maintained our extensive data base.

Testing the developed systems on long periods of data helped evolve the PERPETUAL CONTRACT© concept, now actively employed by thousands of traders. As the data base expanded and exchanges added new instruments to trade, the time we could allocate to systems work diminished, and we became better known for our data.

In the last year or so, many of the difficult problems associated with data collection and communications software have been solved. We are now looking back at many of the more promising concepts in systems and analysis-tool design that we had developed but never published. We hope to introduce many more useful tools in the months ahead.

In this issue of our News Journal, we are introducing a new and interesting analysis tool. It is an index, to be known as the PDI (Probable Direction Index),

and it resembles the Stochastic and RSI tools. In contrast to RSI and Stochastic tools, the PDI Index is far more sensitive and generally much earlier to warn of an impending market turning point. This is true because the market gives the user advance notice of a supply/demand curve shift through non-seasonal volume changes.

It is derived, however, from an altogether different basis and is far more powerful. It uses non-seasonal volume, price, and the probability density of recent prices to produce an index (a reading from 0 to 100) designed to measure the likelihood that prices will move higher or lower.

The user controls the process by selecting the half-cycle average estimate (an odd number from 3 to 21 representing minutes, days, weeks or months), and the smoothing constant (a value from 1 to half of the half cycle period). A half-cycle period is the average number of days between peaks and troughs for a given market. The smaller the smoothing constant, the more sensitive the predictive wave form.

It could be argued that the process detects, through non-seasonal volume changes (either positive or negative), whether a shift in the supply-demand curve for the commodity studied has occurred or will occur. The only parametric inputs the user enters is the market's short term half-cycle period and a smoothing factor.

Non-seasonal volume is defined as today's volume minus the absolute change between today's and yesterday's open interest. To be unbiased in the joint treatment of volume and price, a better solution can be obtained if any seasonal tendencies in volume are removed.

The birth and death process and the supply/demand fundamentals of a commodity produce definite seasonal trends in volume growth. To allow a planned or regular growth or decline in volume to influence trading decisions is a mistake that may produce contradictory results. Before volume is factored into an analysis model, some known biases may be removed by also including the impact of open interest.

The effects of rising raw volume with simultaneous modest price rises during the harvest period, for example, may falsely suggest a bullish situation. In fact, the reverse may be true if the de-seasonalized volume is decreasing with rising price. In this event, an opposite expected market direction may be more likely.
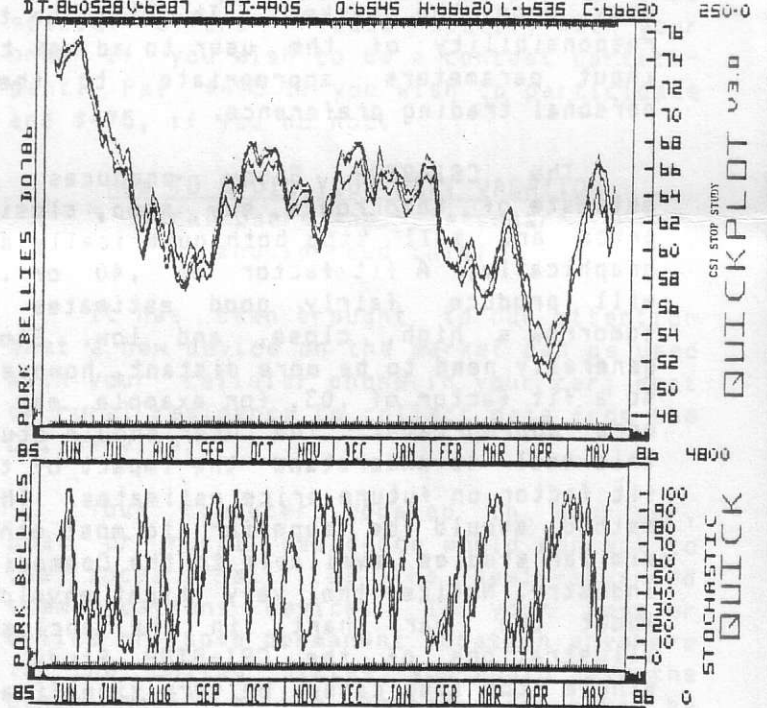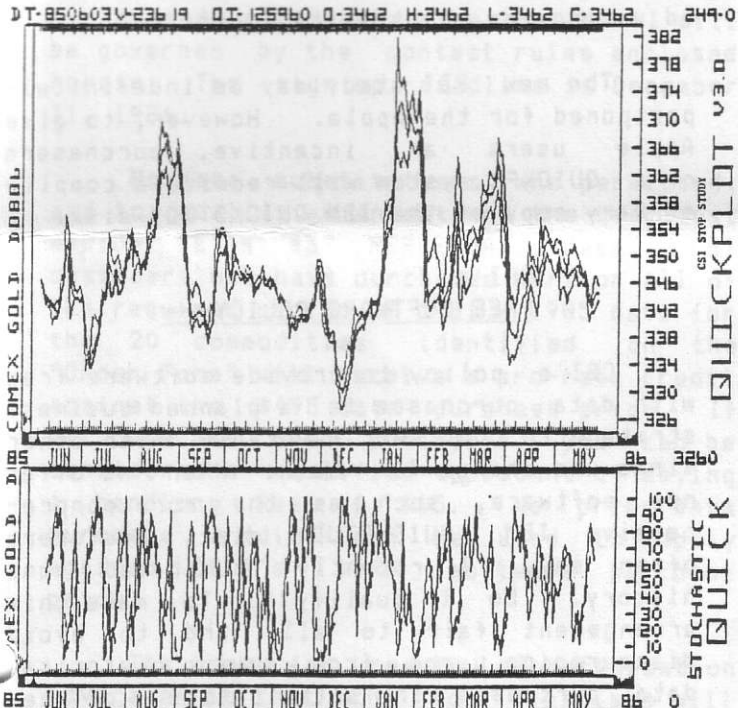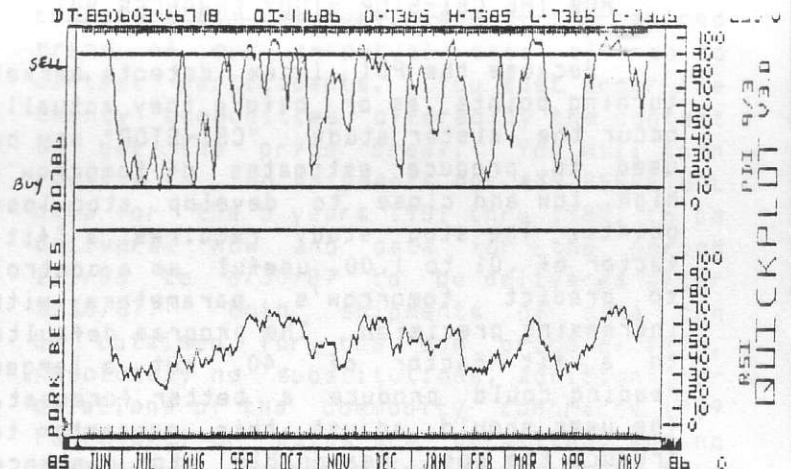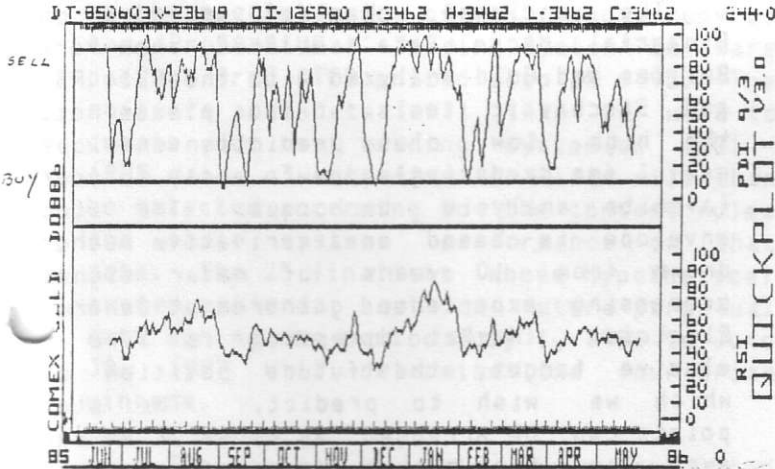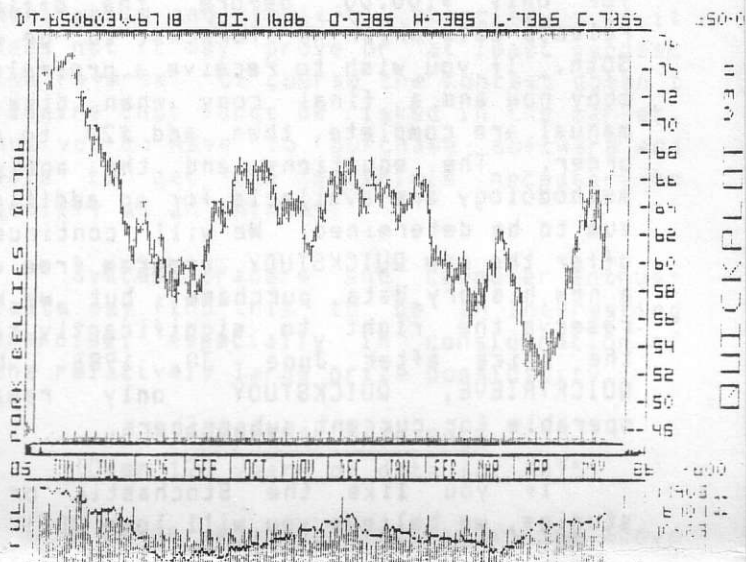
The mathematical method used incorporates some adaptive logic which, in effect, changes the weight emphasis for non-seasonal volume and price. As one factor or the other becomes more predictive, the program rapidly changes the weight to accommodate the more important input variable. The computer industry classifies this approach as "artificial intelligence". We consider it a necessary factor for speculator survival.

We believe we have successfully introduced most technical factors that are known to the market at the end of a day's trading. We won't claim to have made an important discovery about the markets, but we would be interested in your reflections on this method as a useful tool.

It is anticipated that this method will accurately predict short term market turning points with a high rate of success. For the times it does not, a reasonably close stop is suggested through a sister study, called "CSI-STOP", which will identify buy and sell points at which the trader should exit the market. When a trade is stopped out, the user should wait half the average half-cycle period before re-entering the market. CSI-STOP also does an excellent job of predicting tomorrow's closing price.

Exchange clearing operations make it impossible to produce both volume and open interest for today's trading. Therefore, the PDI Index for today will be an estimate, and yesterday's recalculated PDI will be a correction of yesterday's estimate. QUICKTRIEVE users of CSI's Data Retrieval Service receive today's estimated volume, which is used to form the estimated non-seasonal input to the PDI calculation.

The new PDI study is resident on the QUICKSTUDY disk for the IBM PC. The disk and manual may be obtained free by making a minimum history (on disk) data purchase

T-850603 V-236 19 OI-125960 O-3462 H-3462 L-3462 C-3462   249.0

COMEX GOLD DODEC   QUICKPLOT

85 JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY 86

DT-850603 V-236 19 OI-125960 O-3462 H-3462 L-3462 C-3462   244.0

SELL

BUY

COMEX GOLD DODEC   RSI   QUICKPLOT

85 JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY 86

DT-850603 V-236 19 OI-125960 O-3462 H-3462 L-3462 C-3462   249.0

COMEX GOLD DODEC   CSI STOP STUDY   QUICKPLOT

85 JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY 86

COMEX GOLD   STOCHASTIC   QUICK

85 JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY 86

DT-850528 V-6718 OI-11686 O-7385 H-7385 L-7365 C-7365

PORK BELLIES DODEC   QUICKPLOT

85 JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY 86

DT-850528 V-6718 OI-11686 O-7385 H-7385 L-7365 C-7365

SELL

BUY

PORK BELLIES DODEC   RSI   QUICKPLOT

85 JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY 86

DT-860528 V-6287 OI-9905 O-6545 H-66620 L-6535 C-66620   250.0

PORK BELLIES DODEC   CSI STOP STUDY   QUICKPLOT

85 JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY 86

PORK BELLIES   STOCHASTIC   QUICK

85 JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY 86

for only $100.00 before the official release date which we forecast to be June 30th. If you wish to receive a pre-release copy now and a final copy when disk and manual are complete, then add $20 to your order. The equations and the analysis methodology are available for an additional sum to be determined. We will continue to offer the new QUICKSTUDY program free with a new history data purchase, but we will reserve the right to significantly raise the price after June 30, 1986. Like QUICKTRIEVE, QUICKSTUDY only remains operable for current subscribers.

If you like the Stochastic or RSI studies, we believe you will love PDI!

HOW THE CSI-STOP STUDY ENHANCES PDI

Because the PDI Index detects market turning points as or before they actually occur the sister study, "CSI-STOP" may be used to produce estimates of tomorrow's high, low and close to develop stop loss points. The stop study requires a "fit" factor of .01 to 1.00, useful as a control to predict tomorrow's parameters with increasing precision. The program defaults to a fit factor of .40, but a larger reading could produce a better forecast. The user should adjust this parameter to produce the most reasonable stop distance away from the market. It will be the responsibility of the user to adjust the input parameters appropriate to their personal trading preference.

The CSI-STOP Study produces an estimate of tomorrow's buy stop, closing price and sell stop both numerically and graphically. A fit factor of .40 or .50 will produce fairly good estimates of tomorrow's high, close, and low. Stops generally need to be more distant, however, so a fit factor of .03, for example, may be more appropriate. The user should study this tool to understand the impact of the fit factor on future price estimates. This method should be superior to most other similar studies available to the Commodity Industry. Notice the very tight envelope about the bar chart in the enclosed illustrations of the CSI-STOP Study. A single stop loss cannot be very significant with such tight market tracking.

If PDI leads the market by too many

days, the user may increase the half cycle period to reduce the lead time. Similarly, if the PDI is too sensitive to small market movements, then the smoothing constant may be increased. A smoothing constant of 1 will yield the greatest information content, but you may be vulnerable to errors, market randomness and other imperfections. The examples produced below use a half-cycle period of 9 days and a smoothing constant of 3. These choices were arbitrary and should be fine tuned by the user to produce more appropriate readings. I believe the use of 9 in the examples is too short and explains the very early forecast of impending peaks and troughs.

The enclosed charts, produced on Financial Micro Data's QUICKPC, show Pork Bellies and Gold analyzed with the PDI, RSI and Stochastic tools. Also, please note the high, low, close prediction envelope useful for producing stops to apply to your favorite analysis technique. The stop envelope is based on a derivative method drawn from 10 years of radar signal processing experience gathered at General Electric. (Market direction is like an elusive target, the future position of which we wish to predict.) The stop points can be arranged as close or as far away from the market as one wishes by adjusting the input "fit" factor.

The new PDI study may be indefinitely postponed for the Apple. However, to give Apple users an incentive, purchasers of a QUICKPC system will receive a complimentary copy of the IBM QUICKSTUDY disk.

CSI's
FREE SOFTWARE POLICY---

CSI's policy to provide software free with data purchases is a planned business strategy to contrast favorably with other firms who charge for both. When we offer new software, such as the more comprehensive IBM QUICKSTUDY disk, customers often say, "I recently purchased some history. Do I qualify?" To make this arrangement fair to all and to avoid discouraging users from making historical data purchases in anticipation of new software offerings we are permitting customers to receive a credit against current software acquisitions equal to 50%

of all historical data on disk purchased in the preceding month. Therefore, this new release of QUICKSTUDY is totally free without the need for further purchase, if you paid for $200 worth of data on disk during May.

OPTIMIZATION CONTEST

CSI, CTCR and J.F. Dalton Asso. are sponsoring a trading contest that will not require any market investment. The top four performers will share $36,000 in prize money with the 1st prize winner receiving $20,000.

To qualify as an entrant, participants must purchase #39 PERPETUAL data from CSI at the special price of $495, and a copy of the "Professional Trading System" software package from CTCR priced also at $495. The software and data will then be used to create your best trading system on 1981 - 1985 data. Twenty-five finalists will then be selected according to the contest rules and their systems' performance on that data. The 25 finalists whose hypothetical system performs best on future perpetual data during the period July 1, 1986 to June 30, 1987 will determine the four prize winners.

The contest is void where prohibited by law and, notwithstanding the above, will be governed by the contest rules enclosed herein. The sign up deadline is December 31, 1986.

No data substitutions are permitted, and to qualify as an entrant the user must employ CSI's #39 PERPETUAL data. CSI customers who have purchased part or all of the required period of 1981 - 1985 data for the 20 commodities identified on the "Order Form" will receive a pro-rata credit against the $495 data purchase price. If all data has been purchased, you can be considered a qualified applicant by paying a handling fee of $15. No prior data purchase credits can be used to apply against CTCR's $495 software purchase price.

The hoped for result of optimization advocates is that the top finalists will also represent the four prize winners. If this is the case, the contest will help to prove that optimization done properly is a

worthwhile and fruitful exercise. If it does not it may prove or at least suggest the reverse. Of course the contest doesn't require that funds be risked in the market, but you do have to purchase software and data to get the materials necessary to qualify as an entrant.

Systems traders and computer enthusiasts may find this to be an interesting exercise, especially in consideration of the relatively large prize possibility.

PERPETUAL DATA SALE
(Over 120 years of data for $475)

Whether you participate in the above contest or not we invite our regular customers to take advantage of the reduced price of our perpetual data offered to contest participants. You must order the twenty commodities offered by the contest to get the price break. You will then receive in two shipments our #39 PERPETUAL data for the 5 years 1981 thru 1985, to be delivered now and data for the period 1/1/86 to 6/30/87 to be delivered after 6/30/87. Both shipments of data can be obtained for the one price of $475. Absolutely no substitutions, additions, or deletions of the commodity contracts (#39 PERPETUAL) or dates are permitted, and no software is provided free as part of this special offer. Please specify with your order if you wish to be a contest participant. Pay $495 if you wish to participate and $475, if you do not.

HOW TO SPOIL YOUR NEXT VACATION
(Rural Users and Vacationers should read this)

It has been brought to our attention that a new device on the market can be used with your cellular phone in your car, boat or rural residence to collect data from the CSI service.

Your computer located in your car, boat or rural residence would connect to the local "half" of the newly-invented communications device. In your home or office or some permanent location anywhere in the United States, you would have the other "half" of the device which would be connected to a Hayes compatible modem, which, in turn, would be connected to a traditional telephone line to facilitate an

auto-call to CSI's service.

The device in your car or boat is called a "Bridge" and can be powered through your cigarette lighter socket. (Your computer would be powered by an inverter also connected to your DC power source). The other half of the device, known as the "Span", would be situated somewhere in the United States and would accept your cellular call to CSI's computer. The system appears to be very feasible and costs $700.

The system has extensive buffering capacity which queues up the information sent by CSI to the "Span". Extra memory in the Bridge/Span hardware holds the information until it can relay it to your car, boat or rural location error-free. Extensive atmospheric attenuation or noise may slow down the delivery of information as it is corrected through repeated re-sends but will not generally impair the quality of the data. We don't recommend you take this along on your next vacation, but if your spouse will permit it, you could follow the market live with this system from some obscure park in the U.S. by engaging CSI's intra-day or inter-day data feed.

For more information, contact NYNEX Mobile Communication, One Blue Hill Plaza, Pearl River, New York 10965, or Spectrum Cellular, 2710 Stemmons Freeway, 800 North Tower, Dallas, Texas 75207 (telephone: 214/630-9825 or 800/233-2119).

HOW NOT TO MISS THE NEXT MAJOR MARKET MOVE

Customers who are regular users of CSI's PERPETUAL CONTRACT were more likely to take profitable positions in the oil markets when OPEC couldn't get production quota agreements among their members and the grain, oilseed, and livestock markets that moved sharply higher when the Chernobyl nuclear disaster hit the news. Users who look at a small sub-group of commodities sometimes miss the other markets they didn't take the time to prepare for. The PERPETUAL CONTRACT user can draw down 20 or 25 markets and have a good understanding of the entire commodity complex, whereas the grain trader who follows three or four contracts each of corn, wheat, and soybeans

often misses the important opportunities developing elsewhere. By the time these users get positioned to study the new developing markets, the move is in its last stages and the opportunity is sometimes missed. The PERPETUAL CONTRACT is not a difficult concept to grasp. It simply follows the market as a whole rather than specific given contracts. Users know immediately when something develops. One user stated:

"It took me a while to get used to the Perpetual and not having exact price matches with actual contracts, but the elimination of rolling forward with new histories and [the opportunity to easily study] long range data more than makes the balance."

CSI is not encouraging you to spend extra money on data. We just want you to be positioned for the opportunities that are there, and we find the Perpetual the best way to make this possible.

TURNING POINTS SYSTEMS

This month's feature article on the CSI PROBABLE DIRECTION INDEX presents an unusual method for identifying turning points when they occur. We urge you to look into this concept and to order the new IBM QUICKSTUDY disk which produces the PDI study, and "CSI-STOP" a buy-stop envelope prediction study useful to limit losses while trading this new, original technique. Input to the PDI Index includes price, volume and open interest with adaptive logic that dynamically changes the mathematical weight for each of the input parameters. Please see the enclosed illustration and the comparison between PDI, RSI, and Stochastic.

SURVEY RESULTS

Last month's survey of popular studies received an overwhelming response. We received very little input in the way of new study ideas and suggestions, however.

The following table lists the studies in their order of preference and we have shown an "X" by those which have been programmed onto the new QUICKSTUDY disk, and a "P" adjacent to pending additions.

MOST POPULAR to LEAST POPULAR STUDIES REQUESTED	CURRENTLY X AVAILABLE on IBM QUICKSTUDY
**Non-Seasonal Volume	X
**Probable Direction Index	X
**Relative Strength Index	X
**CSI-STOP	X
Stochastic	X
Moving Average Cross over studies	X
Overbought/Oversold (%R)	X
Momentum	X
Demand Index	P*
Spread difference	X
Spread ratios	X
Point and Figure	-
HAL	-
Detrend	X
On Balance Volume	X
Directional Movement	P*
Moving Average Convergence/Divergence	P*
Parabolic	-
Envelope Moving Average	X
Centered Moving Averages (variable lead or lag)	X
Weighted Spreads (e.g., 2 oats vs 1 corn)	X

*P = Pending addition to IBM QUICKSTUDY
** Not part of survey

As time permits we hope to accommodate users with nearly every popular study. We want our users to have little need to go elsewhere. With the prices of software and maintenance fees what they are in this business, we hope to provide users with many thousands of dollars worth of study software for token history data purchases and our regular monthly data feed.

We're working hard to help you stay ahead of your competition.

INHIBIT YOUR CALL WAITING SERVICE

AT&T telephone subscribers in most areas of the U.S. may inhibit their Call Waiting service by typing *70 before making a data call to CSI. When your call is completed Call Waiting will be automatically reactivated. This should help to improve data accuracy and reduce dependence on QUICKTRIEVE's checksumming capability.

SEVERE ELECTRICAL STORM AFFECTS CSI

Last week a severe electrical storm made it necessary for CSI to turn off our computers as the storm passed by. Unfortunately, after the equipment was placed back on line, a disk drive was affected by a final lightning induced electrical surge. We lost one 300 MB disk drive and some programs which were under development. We were partially protected by recent backups, but this will serve to delay QUICKMONEY, QUICKMARKET ANALYZER and other Live Quote and derivative products we had hoped to announce this month.

EARLIER DATA AVAILABILITY

When the above work is restored we anticipate a significantly earlier release in daily data availability. Next month we will have a fresh forecast of the release time for various commodities and stocks.

COTTON PERPETUAL GAVE
MISLEADING MARKET READING

Due to a very large and unusual new crop/old crop price disparity, cotton traders who followed our PERPETUAL CONTRACT may have showed losses in this market.

We caution traders to be aware of the market characteristics before taking positions. This is one rare example where because of a nearly 2:1 difference in old crop/new crop prices that the PERPETUAL could have led traders astray.

JUNE MANUFACTURERS' SECONDS
HARDWARE SPECIAL

* Complete QUICKPC system, includes: 640K memory, color card, one floppy drive, 20MB hard disk, 100 cps printer with NLQ, 1200 baud internal modem, multi-function card, 33% upgraded processor chip, composite monitor (green), and keyboard. $2320 (save $100 over normal price)

Panasonic KX-P1080 NLQ printer (w/cable)
$230

Samsung composite monitors (amber/green)
$112

Centronix (paralled) interface) Diablo

matrix printers (no graphics mode) $165

All of the above hardware is on special, due to cosmetic imperfections, and carries the standard 60 day warranty offered on all new systems by FMD. All prices include UPS ground shipment. Air shipment will be slightly higher.

* In-house demo model

AUTO CHART-WRITE PROGRAM

For those who may have an interest in Apple software for printing several unattended charts, we repeat from an earlier news journal our suggestion that you contact Mr. Roland Benner. His software to accomplish the unattended printing of several charts at once sells for $40. Mr. Benner may be contacted by writing to 20401 116th Avenue, Maple Ridge, BC V2X 1Y4, Canada or calling him at 604/931-9302 or home at 604/465-5361.

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ADDITIONS TO THE COMMODITY DATA BANK

COMMODITY NUMBER: 100
COMMODITY NAME: GNMA FUTURES (Cash
                     Settled) 9% COUPON
SYMBOL: GT
EXCHANGE: CBT
UNIT OF MEASURE: 32nds
CONTRACT SIZE: $100,000
DELIVERY MONTHS: 1 - 12
CONVERSION FACTOR: -3
FIRST DAY ON FILE: 860506

COMMODITY NUMBER: 155
COMMODITY NAME: SYDNEY LIVE CATTLE
                     (Cash Settled)
SYMBOL: VL
EXCHANGE: SYDNEY
UNIT OF MEASURE: AUSTRALIAN CENTS PER KG
CONTRACT SIZE: 10,000 KG
DELIVERY MONTHS: 1 - 12
CONVERSION FACTOR: 1
FIRST DAY ON FILE: 860512

DELETIONS FROM STOCK FACT SHEET

5057	SYB	Sybron Corp.
5066	ADR	Applied Data
5184	AHS	American Hospital Supply
5191	CEA	Cessna Aircraft
5275	TXO	Texas Oil/Gas Corp.
5302	ABC	American Broadcasting
5319	UER	United Energy Resource
5320	PL	Pacific Lumber
5325	SRO	Southland Royalty Co.
5402	TNW	Transway International
5409	PBD	Peabody International
5472	SFZ	Scott & Fetzer Co.
5710	ARO	Aro Corp.
5782	LST	Lowenstein
5757	PPR	Pantry Pride
5397	MGM	MGM/UA Entertainment
5149	ECK	Eckerd (Jack) Corp.
5442	NG	National Gypsom
5411	MCN	Midcon Corp.
5401	SCM	SCM Corp.

CHANGES TO STOCK FACT SHEET

| 5087 | INI | Internorth changed name and symbol on 860411 to ENE Enron |
| 5298 | PSB | Phibro Salomon changed name and symbol on 860508 to SB Salomon Inc. |

STOCK START DATE CHANGES

Start dates changed to 770103 for following:

5159	IBM	IBM
5060	TX	Texaco
5256	Z	Woolworth
5061	UK	Union Carbide
5139	T	AT & T
5062	X	United States Steel
5130	S	Sears
5225	UTX	United Technologies
5065	WX	Westinghouse Electric

ADDITIONS TO THE STOCK DATA BANK

STK #	SYM-BOL	COMPANY NAME	1st DAY ON FILE
5441	HWR	Hiram Walker Res. LTD	03/26/86
5433	BJ	Blair (John) & Co.	04/17/86
5445	TLR	Telerate Inc.	04/24/86
5446	GFC	Gibralter FNL Corp.	04/25/8
5447	SLE	Sara Lee	05/05/86
5449	RHR	Rohr Ind. Inc.	05/08/86
5450	SGA	Saga Corp.	05/08/86
5451	FFC	Firemans Fund Corp.	05/09/86
5453	RDR	Rorrer Group Inc.	05/14/86