CSI NEWS JOURNAL.

WHAT'S NEW ---
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FNN TV INTERVIEW WITH BOB PELLETIER

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FINANCIAL MICRO-DATA INC. ANNOUNCES 8
Mhz. QUICKPC™ AVAILABLE.

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USED HARDWARE SPECIALS FROM FINANCIAL
MICRO-DATA INC.

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OPTIMIZATION CONTEST

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Compu-Trac Conference

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Custom Programming Available from the
PhiBet Company

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Fact Sheet Changes

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Current Stock Splits

*   *   *

Network phone number additions and changes

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Advertising Inserts: We are again
enclosing some advertising inserts to help
defer our postage costs.   WE ARE NOT
ENDORSING THESE PRODUCTS SO BEWARE! Please
read our disclaimer concerning advertise-
ments which may accompany our newsletter.

R sm QUICKTRIEVE, QUICKSTUDY, QUICKPLOT,
PERPETUAL CONTRACT AND PDI are registered
trademarks and service marks of Commodity
Systems Inc.

tm QUICKPC is a trademark of Financial
Micro-Data Inc.

ATTENTION: PDI™ USERS

After two months of experience with this
new product, much has been learned about
how it should be applied:

1. Don't collect your data before the
day's estimated volume has been posted.
Normally, you can expect estimated volume
to be released by 5:30 P.M. Eastern time;
however, when exchanges release volume
estimates late, we are also late. Ninety
five percent of the time, all stocks,
commodities and options are totally
complete by 6:20 P.M.

PDI relies heavily on the day's esti-
mated volume to produce an accurate
signal for tomorrow. The newest PDI
reading, however, is subject to change
on the next day if the estimate is a
poor representation of the actual official
volume. In the past two months, we have
not seen any cases where the exchange
estimate has led to a false trade, but we
have witnessed instances where too early a
collection time has caused a problem. You
can easily determine if you collected too
early by comparing the last two volume
readings of 2 or 3 commodities on a graphic
QUICKPLOT® display. If volume is exactly
the same, on the last two successive
days of the 2 or 3 commodities, call CSI
to have your file recreated, and call
back again for your data.

2. Joe Maggio, the President of
Precision Commodities, continues with
substantial success with 31 out of 33
successes. Another trader, one who is
skeptical and suspicious of any mechanical
approach, told us he knew what PDI was
going to show before he ran the study, but
he still uses it daily.

A tomato packer using PDI built his
trading account up to over $8,000 from a
negative balance of $75. We invited
FUTURES MAGAZINE to write about PDI, but
they have been hurt by so many scams and

learn-nothing seminars that they probably are afraid to devote any space to it. If any of the 200 PDI users find it to be a useful tool, we would be grateful if you would write to:

Darrell Jobman
Editor of Futures Magazine
219 Parkade
Cedar Falls, IA 50613

and allow him to publish your objective findings. We are not hiding anything and, unlike at least one competitor, we are not asking customers to sign a statement restricting their freedom to publicly complain if they do not like what they received. CSI is not a software firm that takes your money and runs. We must face our customers daily, and we need a stable customer base to stay in the data vending business. It wouldn't benefit CSI to provide customers with software that we didn't feel would improve your ability to understand or deal with the markets.

3. NEW RELEASE OF IBM QUICKSTUDY -- Some fairly significant changes have been made to "Enhanced PDI Version II." The original PDI and Enhanced PDI Version I remain unchanged.

4. NEW RELEASE CHARGE --   For those who may wish to receive the newest release and because of the magnitude of the version II change, we are asking a $95 new release fee (subject to change without notice) of those who have previously received PDI through either an outright purchase or a special-offer data purchase. All others must now pay $295 outright, or purchase $595 in data and receive QUICK-STUDY free. We decided to postpone raising the price further until September 20th to give our current customers one last chance to receive it at a lower price. We feel there is a low probability you will be unhappy with this product.

Our policy to continue to raise the price of QUICKSTUDY to protect earlier users will continue in effect. The general public will in September begin learning about this effective product so please don't delay your decision to purchase if you have an interest.

The new Version II PDI has a menu

display as follows:

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Enter Half Cycle Period              [11]
Enter Smoothing Constant             [ 2]
Enter Significance Threshold         [17]
Enter Volume-Interest Amplifier      [.222]
Reverse Emphasis ?                   [ N]
Enter Reversal Timer
      (0 early to 1.0 late)          [.2]
Enter Whipsaw factor (0 to .30)      [.05]
Enter Reward Multiple (0-50)         [ 5]
Enter Risk Proportion
      (0.001 to 0.100)               [.01]
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The advantage of the newest release is greater visibility in determining the number of points of profit over the period analyzed. PDI may be exercised to produce a profitability estimate on the basis of the following three scenarios:

1. A One Contract Buy-Sell Hold System- By setting the Significance Threshold to 0, PDI will take alternating positions in opposite directions and display on the screen an up or down arrow the day before a position should be reversed. The alternating signals will be based on jumps and drops in PDI from recent troughs and peaks that exceed 100 times the whipsaw input introduced by the user. In such an approach PDI will not request the reward multiple nor the risk proportion. Should the user enter a whipsaw factor of 0 the up and down arrows and the profit calculation will be omitted. For a non-zero whipsaw factor the profit calculation will be in the point units for the commodity studied.

2. A Multiple Contract Buy-Sell Hold System - By setting the significance threshold to a non zero value, and the Reward Multiple to zero, PDI will take every overbought/oversold buy and sell indication. Buy and sell indications occur when the index penetrates the significance threshold. For example, with a significance threshold of 17, a buy signal will result when the index drops below 17. If the index moves up just short of a PDI reading of 83 and subsequently drops below 17, an additional buy will occur. When the reversal later occurs one more contract is assumed to be sold than was previously held long and the trader's net position will be one contract short.

PDI in this way will naturally to differing strategies. For example keep margin costs down, a second buy may ignored if the newly recommended position in the same direction is near in price to the average of the earlier positions.

This approach produces buy sell arrows at the base of your screen. Positions are assumed to be taken on the open of the day following the day on which the arrow is displayed. Such position should be taken in the direction of the arrow.

3. <u>Single Contract Tool Derived Through Risk/Reward Analysis</u> - By setting the significance threshold to a non-zero value and the Reward Multiple to a non-zero value, PDI will execute short trades when the index penetrates the top significance threshold and long trades when the index penetrates the bottom significance level. The number of points profit will be accumulated according to the Reward Multiple and the proportion of contract price the user is willing to risk before taking a loss. A reward multiple of 5 and risk proportion of .01, for example tells PDI that you are willing to accept a 1% risk in exchange for a 5% profit (5 times the risk percentage).

If gold is $400/oz. and PDI indicates you should go short, then a 1% risk acceptance translates to a stop out price of $404. The reward multiple of 5 tells PDI to take a $20 profit if it occurs before a $4 loss. Therefore PDI tries to exit from the market at either 380 or 404 depending on whichever occurs first. If both the objective and the stop loss coincidentally occur on the same day, PDI will record only the loss to avoid introducing a positive bias. PDI assumes an MIT (market if touched) order on the objective price.

Risk-reward analysis can produce an interesting and relatively carefree trading style. Risks are known before they occur, and trading frequency can be as active or as inactive as one wishes. If the reward multiple is not too great, trading duration can be brief and many markets can be examined at once. The positive reactionary tendency of PDI to retreat from overbought and oversold

situations is superior to any other technique we have experienced.

In this study, arrows also appear on the screen for every opportunity. However, if an earlier signal is not satisfied with a stop or an objective, then subsequent signals will be skipped.

PDI PROFITABILITY

It is important to study PDI profitability according to all three scenarios, but results may be amplified further by consulting the sister studies of CSI-STOP and CSI-TREND. The three studies were designed to work together to limit losses, determine market direction, identify overbought and oversold situations, and assess market randomness. Before taking actual market positions a thorough study of all three studies should be undertaken.

ARTIFICIAL INTELLIGENCE AND PDI

PDI employs adaptive analysis in the form of a feedback algorithm which statistically monitors the effects of past raw inputs of price, volume and open interest on future price. The CSI-TREND study tends to prove that markets trend (financial time series are dependent) about 80% of the time, and certain other effects of price with volume, and price with open interest also show remarkable dependence under certain conditions.

Because of this, a procedure was developed which monitors the sometimes alternating tendency for certain inputs to be more or less predictive of future price over time. PDI reinforces a set of weights according to the performance of each given input as a predictor of future price. If an input does not consistently predict price it will be very quickly removed from consideration for future predictions. As soon as such an input resumes a predictive posture its weight will be adjusted to influence future predictability.

OPTIMIZING PDI

Many technical traders who study market analysis software have an overwhelming compulsion to test thousands of combinations of parameter inputs before settling on a particular mix or subset for actual

trading. Some effort should be spent identifying the sensitivity of each parameter, but no attempt to perform an exhaustive simulation should be made. The results of such a study cannot be repeated in practice and one's expectations may be inflated beyond the models capability to perform.

A certain amount of testing is necessary however and the chosen approach should be analyzed on a parameter by parameter basis to gain an appreciation of each variables impact on performance. A more defendable solution is one where performance degrades slowly as each parameter varies up or down from its chosen setting.

Because of the many profit scenarios, PDI has several control parameters. PDI is actually several systems in one that can serve the needs of traders with differing points of view. CSI may be overdoing the promotion of this product, but with what is available to traders for market analysis we felt compelled to step in and try to save our customers from the inevitable outcome destined for users of most or nearly all software that promises profits.

NOW FOR AN EXPLANATION OF THE PDI INPUT PARAMETERS

A. Half Cycle Period -- This is the peak or trough or trough to peak distance in days, weeks, or months for the market studied. It is an important variable but also somewhat insensitive. Whatever you ask for PDI will uncover the component requested and could produce a profit in all of the 10 choices in steps of 2 from 3 to 21. There are strong analytical reasons for making this variable an odd number. Larger values tend to slow down the trading activity. Profitability is a function of the markets predominant amplitude for chosen half-cycle components. Late signals can generally be moved earlier by decreasing this input.

B. Smoothing Constant -- This variable can take on values from 1 to double the half cycle period. The effect is to exponentially smooth PDI. A tendency for PDI to produce early signals can be corrected by increasing this input.

In some applications such as for sto where positions are taken for long periods, the smoothing constant may be se equal to or greater than the half cycle period. Commodities demand lower readings. Since the final day of statistics in any current time series has no official volume or open interest input, setting the smoothing constant to 1 may produce a false signal on the last day. All choices are subject to such error so exercise caution when using very low smoothing constants.

C. Enter Significance Threshold -- This input can be thought of as a probability. High readings produce a greater tendency for markets to rise and lower readings suggest falling markets. Very high and very low readings that occur abruptly have a tendency to identify overbought and oversold markets, respectively. This input is important to PDI and two of the profit simulations. The half cycle and the significance threshold work together to identify trading opportunities.

D. Enter Volume Interest Amplifier -- This input ranges between 0 and 1.0 with a default of .222. The higher the amplifier, the greater the dependence of the process on volume and open interest. A weight of 0 gives all the weight to price. A weight of 1 reduces price to a minimum role. The systems adaptive feedback logic controls the mix of weights assigned to these input variables.

E. Reverse Emphasis -- This input holds a default of 'No' and it is only remotely likely that 'Yes' should be used. Stating yes will change the adaptive feedback mechanism of PDI to respond equally to both negative and positive price-volume and price-open interest technical effects.

F. Enter Reversal Timer (0 early to 1 late) -- This parameter influences a statistical distribution analysis and changes the kurtosis (measure of peakedness) of the assumed probability distribution of the data analyzed. The net effect is to retard or delay signals so that they will occur later or earlier, respectively. Please take the default of .2 for average response and increase it slightly if you experience signals which come a day or two before the actual market

CUSTOM PROGRAMMING

Although QUICKPLOT and QUICKSTUDY meet the analytical needs of most CSI customers, we are occasionally asked to provide custom programming services. Our current priority list calls for finishing our own pro-prietary studies and prevents us from accommodating our customers in this area. The PhiBet Company is offering custom QUICKTRIEVE-compatible software to our users for specialized studies, trading models, graphics and systems automation on Apple and IBM compatible computers. For information contact:

The PhiBet Company
Data Services Division
305 North East Street
Indianapolis, IN 46202
(317) 638-9399

We provide this for information purposes only. We do not recommend them and have no experience with their work.   #

CHANGES IN THE STOCK FACT SHEET

5380 NYAC Six Most Active Stocks start date is now 831026.

5004 LOF Libby-Owens-Ford Co. changed its symbol and name to TNV, Tri-Nova.

5074 HD Home Depot start date is now 840820.

5697 RAI Republic Air Merger with N.W. Airlines (NWA 5169).

5915 JPII J.P. Industries changed its symbol is now JPI.

ADDITIONS TO THE STOCK DATA BANK

STOCK #	SYM BOL	COMPANY NAME	START DATE
5409	FGC	FGIC Corp.	860723
5573	HML	Hammermill Paper Co.	860724
5450	LES	Leslie Fry	860801
5690	BIG	Big Three Ind.	860812

CURRENT STOCK SPLITS

STK #	COMPANY NAME	SPLIT	DATE O SPLIT
5432	SNA Snap on Tools	2/1	860728
5425	USW U.S. West	2/1	860529
5514	LUB Luby's Cafeteria	2/1	860812
5522	ISS Interco	2/1	860723
5246	NL NL Ind.	5/1	860728
5237	COT Colt Ind.	3/2	860718
5774	HAS Hasbro	2/1	860815
5329	RDR Ryder Systems	2/1	860602

TYMNET PHONE NUMBER CHANGES

LOCATION		NEW ACCESS #
CA	PACHECO	415/935-0370
CA	WALNUT CREEK	415/935-0370
GA	NORCROSS	404/451-2208
GA	NORCROSS	404/451-3362
IN	LAFAYETTE	317/423-4616
KY	LEXINGTON	606/266-0019
MO	ST. JOSEPH	816/232-1455
PA	KING OF PRUSSIA	215/666-9190
PA	NEW CASTLE	412/658-5056
WV	PARKERSBURG	304/485-9470

TELENET PHONE NUMBER ADDITIONS

LOCATION		NEW ACCESS #
AL	TUSCALOOSA	205/345-2077

TELENET PHONE NUMBER CHANGES

LOCATION		NEW ACCESS #
HI	OTHER ISLANDS	800/272-5299

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