CSI NEWS JOURNAL

Forecasting Market Movement Without An Economics Degree

The T-Bond Market

Whether Alan Greenspan will admit it or not, long-term interest rates can be forecasted with great precision on a day-to-day basis from data on non-financial commodities. CSI customers who draw down CSI's Geometric Industry Indices (including the Federal Reserve) can readily witness the high level of correlation between these indices and interest rates.

This correlation exists because when material costs go down, the Federal Reserve Board and other market forces proportionately affect the rate of interest downward. Conversely, when raw material costs rise, the Federal Reserve tries to curb inflation by pushing interest rates up. You may not have realized it was that simple, but this is what must be done regardless of the wishes of the current political machine.

Shrewd investors can get a double benefit from low interest rates. When interest rates drop, home buyers can expect the purchase price for property to be lower. Therefore,

their bid should be proportional to the rate of interest they expect to pay.

Applying this principle, you could buy your dream home when prices are low and consider simultaneously shorting the bond market when interest rates are low. If you are conservative, as I am, you might

INDUSTRY INDICES D45/91

INVERTED T. BONDS D46/91

put on a spread. This would involve selling the bond market and buying a basket of commodities. Your choice of commodity mix could be based on the CSI Geometric Industry Index that best correlates with

the inverse of the long-term government bond. After a thorough analysis, you might consider using crude oil in place of the basket of commodities as I discussed in the June, 1991 CSI News Journal. When interest rates are high, take the opposite approach.

All that is required for this analysis is our Commodity #235 data for the industry group of your choice and the inverse of the Treasury Bond futures market. The T-Bond data is inverted because its inverse translates into an interest yield measurement.

➤ The example shows our commodity #235 Geometric Industrial Index for delivery month number 45 plotted with the inverse of commodity #44 T-Bonds. The correlations

in this short-term example are as startling as any we have introduced. You can verify them yourself by plotting various Geometric Industry Indices over the full life of the inverted T-Bond. For best results, use code 46 Perpetual Contract T-Bond data and plot as much weekly history as your screen will allow. A final step, which involves taking a ratio of the pair of time series, will help to identify the opportunities.

To entertain another option, Wall Street pundits witnessed on CNN often reference the CRB index as a leading indicator to the Bond market. You are invited to check the correlation for yourself, but our analysis suggests that CSI's Industrial Index is superior to the CRB index as a measure of association to the Bond market. The heavy weight given to the grain market by the CRB is the major difference. CSI's Industrial index does not include any grains, which we believe do not support an inverse correlation with the Bond market.

If we are to learn from history, the bond market teaches us that low bond prices and their corresponding higher yields help to push security prices down. The reverse is also true. Understanding and capitalizing on this cyclic pattern can help you to time your trades and calibrate your risk exposure. Add the seasonal forces we have discussed in recent News Journals and you have a potential blueprint for success.

Other Markets

No market exists in a vacuum. Fundamentals cannot be ignored if you expect to be a successful trader.

Don't be fooled by those who say there are too many fundamentals to worry about and favor a strictly technical approach. There are many fundamentals, to be sure, but usually as few as three or four can explain as much as 90% of the forces that affect the market. Traders who ignore all fundamentals are only fooling themselves by unnecessarily assuming excessive risk.

Fortunately, the pertinent fundamentals are fairly simple to obtain through related price series. CSI users have access to virtually all of the market pricing resources needed for a thorough analysis of almost any trading situation. All that is required is that you look at correlated areas of price movement and apply the appropriate analytical tools.

Over the years we have introduced many sensible ways to view the market. We have taught the importance of stationarity in market data and have brought you seasonal indices to help illuminate trading opportunities. We have stressed the importance of objectivity, the benefits of optimization and the need to evaluate your system before you trade. And for the uninitiated, we have given assistance in exposing frauds.

CSI's money management training will continue to carry our readers forward at a fast pace. One major goal is to assist in the use of fundamentals to manage risk. We will offer more on this subject in the months to come.

Important market characteristics with flexible data manipulation options will be integrated with CSI's forthcoming Unfair Advantage® software. This intermarket product will do more with readily obtainable fundamental statistics than any software offered by any service. We are working diligently on this new program and look forward to introducing the Unfair Advantage in several months. □

Using TraDe$k to Enhance Trader Organization

Organization can be a major factor in the success or failure of a trading system. The mental discouragement and despair of unplanned losses can foil even the best thought-out trading system. Mistakes in order entry, unanticipated margin calls and inappropriate orders just ahead of major reports can cause tragic, but avoidable disasters. Risk miscalculation and a priori understanding of capital requirements are other common blunders that cause unplanned (and often debilitating) losses.

We all trade in an environment of uncertainty. This is why it is important that we be certain of what we do know. CSI's new Trading System Performance Evaluator explains your capital requirements, and TraDe$k, the trader's accountant,

offers a combination of tools that provide individual traders with the balance of other vital information. TraDe$k gives investors important facts that professional traders have used to their advantage for years. Not to be outdone, professional traders now use TraDe$k to track their trading progress so they may be alerted of critical market statistics.

The magic of TraDe$k is threefold. 1) The automated simplicity of use takes the drudgery out of daily recordkeeping. 2) The smooth integration of TraDe$k's modules and pop-up tools gives a comprehensive summary of important trading records, and 3) It does not require that you change your recordkeeping methods or that you learn arcane commands. The user has complete control over symbols, contract names, and price formats, and simple menu selections allow for customization of report organization and content. Logging your trading activities and analysis into TraDe$k is a routinely simple task. When needed, TraDe$k provides summary reports in an easy-to-read format.

Consider this typical daily routine using TraDe$k

1 Enter any new open or closed trades into various trading accounts and attach a descriptive note to each trade if desired. For multiple accounts, trades are entered once and copied to groups of other accounts automatically.

2 Close out all shares or contracts of a position or partial holdings by choosing the desired open trade from a list. Then simply enter the price and quantity closed.

3 Update the entire open trade portfolio automatically by accessing CSI's data base for daily closing prices on stocks, indices, commodities or options.

4 To facilitate risk control, reset market exit stops on open positions from a central table which displays current market exposure for each trade.

5 Breeze through the open trade views to get an understanding of current Open Equity, Open Risk and Margin Commitments from a series of cascading spreadsheets.

6 Move to the Journals module and jot down market analysis or personal notes on the day's trading and record your trading plan for tomorrow. Organize these notes by contract or keep notes on each account as a whole, as desired. If you use standard forms for your analysis, lay the form out in TraDe$k's word processor. You can then simply select it from a menu of available forms as needed in a daily journal.

7 Routinely pop-up the Commodity Alerts Calendar. This feature lets you check on notice days or special reports which might affect your decisions.

8 Pop-up the Open Order manager and input tomorrow's planned trading orders.

9 Move to the Reports module to view on-screen or print a summary of the day's activity. You can easily choose to include records from any of TraDe$k's modules. You can also determine the order of the report and the amount of detail included.

10 Go to the Graphs module and look at an Equity chart (daily, weekly or monthly) on any of six account performance categories tracked by TraDe$k.

One often-cited psychological trait of successful traders is discipline. Although there are many meanings associated with the term, a lack of discipline is often recognized by the failure to systematically and regularly perform market-related studies. Most veteran traders can remember a classic personal trading error that might have been altered if relevant information had been available. While no one can provide the necessary discipline for you, TraDe$k can drastically shorten the time required for repetitive but essential recordkeeping tasks. When a market opportunity appears, much of the decision-making research is readily made available.

Far more than just a full-featured trade accounting program, TraDe$k is an optimized Personal Information Manager. In future issues we hope to bring you articles that will delve into the workings of each TraDe$k tool. □

Best Wishes for Prosperous Trading,

Bob Pelletier

TraDe$k Charges

LEASE

PERIOD OF TIME # of Months	CAPACITY - NUMBER OF ACCOUNTS		
	1 -5	6 - 12	13 and Over
1	$49.00*	$73.50	$147.00
3	36.00	54.00	108.00
6	29.00	43.50	87.00
12	22.00	33.00	66.00

PURCHASE

	CAPACITY - NUMBER OF ACCOUNTS			
	1 -5	6 - 12	13 and Over	Version 2.0 Upgrade Fee
CURRENT CSI DAILY USERS	$299.00	$499.00	$699.00	$49.00
UNRESTRICTED USE	446.00	670.00	999.00	99.00

Lessors receive version upgrades at no charge. Prices subject to change without notice
Additional postage and handling charge for international customers.

*Users cancelling lease within 30 days pay a $25.00 handling fee. No refunds following purchase.

CSI Policy On "800" Number Usage

Although we have not offered toll-free Customer service support in recent memory, many users still attempt to call Customer Service on our 800-number Marketing/Order lines. Unfortunately, the high cost of telephone communication prohibits us from providing free technical support while footing the bill for the phone calls.

Our policy is to accept Customer Service calls on our direct-dial lines only. We will continue to offer free support to those customers calling on these lines. Please use (407)392-8663 to call Customer Service. If no service representatives are available, we will return your call at our expense as soon as possible.

As always, we will continue to accept software orders, data orders and Marketing calls on our "800" line. Please use (800) 327-0175 from 8:30 a.m. to 6 p.m. weekdays and ask for Marketing or our Order Entry department.

Customer Service calls through our "800" number will result in a request to repeat your call on our regular phone number which is (407) 392-8663.

See the "Ask Customer Service" column for information on making the most of your calls to CSI. ☐

International Callers Avoid PTT

(Expanded toll-free service for overseas callers):

We have expanded our toll-free services for overseas callers to include major cities in 41 countries and territories. This makes it easier than ever before for investors around the world to collect data from CSI. The new procedure eliminates the need for costly and complicated PTT services. Please contact the Marketing Department for details on access from your location.
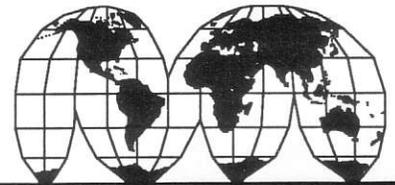
Countries with toll-free access:

Antigua, Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Bermuda, Canada, Cayman Islands, Denmark, Dominican Republic, France, Germany, Guam, Guatemala, Honduras, Hong Kong, Israel, Italy, Jamaica, Japan, Korea, Mexico, Netherland Antilles, The Netherlands, New Zealand, Panama, Peru, Philippines, Puerto Rico, Saudi Arabia, Spain, Sweden, Switzerland, Tortola (BVI), Trinidad and Tobago, United Kingdom, and U.S. Virgin Islands.

PTT-assisted access is available from an additional 55 countries, several of which are candidates for easier toll-free service in the near future. ☐

Ask Customer Service

Each month in this column we discuss a specific topic involving our software or data services. This month we would like to help you make the most of your calls to our Customer Service Department. Here are some suggestions that will help us help you most effectively.
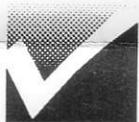
Call during off hours

There are certain times of the day, week and month when our service staff is predictably busy. These include early evening hours when most users pick up their daily updates, all day Monday, Friday afternoons and the first few days of popular contract delivery months.

If you have an urgent problem or need for data during these times, by all means call us. We are here to help you at these crucial times.

The Customer Service Staff is usually the least busy from 10 a.m. to 3 p.m. and after 8 p.m. on weekdays. These are the best times to call for detailed discussions on program capability, data options, etc.

We offer phone support weekdays from 8 a.m. until 11 p.m. and Saturdays from 9 a.m. to 1 p.m. Late evenings and Saturdays are good times to call for simple problems and placing orders. There is only one service person on staff then, so you may find more busy signals. Keep in mind that backup support from programmers, data technicians, bookkeeping and marketing are unavailable at these times.

Have all the necessary information

For faster service, please have your three-letter User I.D. ready when you call. This will help us find your records quickly. If you are calling about a software problem, have your QuickTrieve version number on hand.

When reporting problems, we'll need to know exactly what you were doing when the problem occurred. Jot down any error messages, including the line number, that occur while running QuickTrieve. This information is often necessary to solve a problem.

Have access to QuickTrieve

If you are calling with a question or problem concerning QuickTrieve, try to have this software up and running when you call. This way we can walk you through an application quickly. Immediate feedback from you will let us know if the problem is solved or if we need to keep trying.

When to call, when not to -

Occasional system or network problems can cause temporary difficulties with data retrieval. If you can't get your data after two or three tries, please call us immediately! Although we regularly monitor our system, your call may alert us more quickly. We may be able to offer other options for retrieval if a particular phone network is down.

Calls made after a problem has been corrected don't really help any of us. If you couldn't get data at 7 p.m. but could at 7:15 p.m., chances are good that we noted and corrected the problem. Individual communication difficulties do require attention, but we must monitor your unsuccessful attempt at data retrieval to make a diagnosis. Please call us when you're having the problem, not afterward!

Consider other alternatives

Before picking up the phone to call the service department, consider if there are other ways to accomplish your goal.

If you have a question, check the QuickTrieve manual first. The index in the back can often help you find an answer.

QuickTrieve's Customer/Order Subsystem conveniently allows you to transmit orders, questions and comments electronically. This system lets you communicate with CSI when it is convenient for you. ☐

Seasonal Index Update

We are preparing to release the first revision of Seasonal Index data (code 62) on September 3rd. It has been a year since we calculated the original values, so it is time to upgrade the index with recent price data.

Daily users of Seasonal Indices will notice a slight change in index values. As time goes by, you will find many subtle changes in overall seasonal patterns. Most of the changes were brought about by the infusion of new price data. In addition to changes based on trading activity, the revised index is subject to somewhat less smoothing than the original. We found that we could reveal greater market visibility and detail and maintain the same high level of data integrity by reducing the necessary smoothing. The new indices reflect this enhancement.

The revised Seasonal Indices will be identified as code 62 - the same as the original. The new data will update current Seasonal Index

files with no problem. Those users who are collecting the original Seasonal Index data may continue to update their current files with the newly-revised indices or they may purchase a replacement package for exact data blending.

Those users who bought Seasonal Index history from CSI may purchase a two-year history of replacement data for $5.00 per commodity. First-time purchasers of Seasonal Index data pay the normal rates for Perpetual Contract data. A 36-month minimum order applies to each commodity. When more than three years of history are ordered on a given commodity, the price goes down to $1.00 for each additional year. □

Labor Day Schedule

CSI will be closed for voice communication on Monday, September 2nd for Labor Day. U.S. exchanges will be closed, but data from other exchanges will be available as usual.