

CSI TECHNICAL JOURNAL

DATA ♦ SOFTWARE ♦ SERVICE

Volume X, Number 8

August 1994

\$10.00

In This Issue

Profiting From Global Market Indices	1
CSI's On-Line Stock Advisory Report	3
Ask Customer Service	4
QuickTrieve® 4.06 Offers Continuous Contracts and Weekly Advisory Reports	5
Product Summary	5
Holiday Schedule	6
Market Statistics Update & Initial Public Offerings	7 & 8

Editor: Sabrina Carle
Publisher: Commodity Systems, Inc.

Notice: The views and information expressed in this document reflect exclusively the opinions and experience of the author, Robert C. Pelletier. **NEITHER CSI NOR THE AUTHOR UNDERTAKE OR INTEND TO PROVIDE TAX ADVICE OR TRADING ADVICE IN ANY MARKET OR ENDORSE ANY OUTSIDE INDIVIDUAL OR FIRM. ALL RECOMMENDATIONS ARE PROVIDED FOR THEIR INFORMATIONAL VALUE ONLY.** Readers should consult competent financial advisors or outside counsel before making any trading, software purchase, or investment decision. CSI does not stand behind or endorse the products of any outside firms.

Copyright © 1994 Commodity Systems, Inc. (CSI). All rights reserved.

Profiting From Global Market Indices

This is the final installment of a two-part series on using global indices for both trading and increasing your understanding of the global economy which affects us all.

Last month's Journal described a global economy that is exploding on nearly every shore and continent and in every capital. It discussed how the informed trader must know which markets are key to a comprehensive understanding of the broad financial arena and it introduced several stock index futures which we feel are worthy of additional study. It also touched on how mutual funds can substitute for indices under certain circumstances.

This month, we'll focus on several ways the information provided by indices can be turned into a growing capital base and discuss supplemental information that can help.

A Suggested Course of Study:

1. Study market relationships by comparing each index with other indices and with key commodity or stock groupings.
2. Establish leading and lagging effects to determine which index groups lead other groups, individual stocks and commodities. Remember that there is a longer term inverse relationship between the price of raw materials (commodities) and the movement of the stock market. After all, the raw materials of business, particularly manufacturing, are commodities. The cheaper business expenses become, the more profit a business might expect to earn. There

is likely to be a lag in the effects of lower or higher prices on a company's earnings. This lag should show up when comparing an index of commodities such as the CRB index to an index of stock prices like the S & P 500.

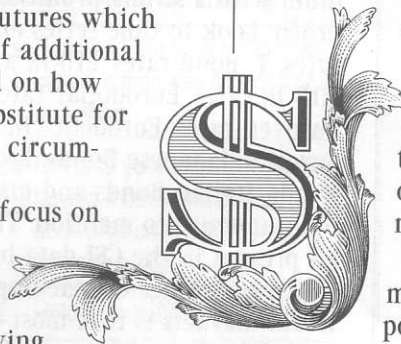
3. Consider trading the overlooked delayed effects by taking positions in catch-up markets that are due to move in their anticipated direction, or simply trading the major trend.

4. Always study the markets using your proposed trading technique and evaluate the results carefully before investing. If you can't pass the results through a performance evaluation exercise such as CSI's Trading System Performance Evaluator™ or Trader's Money Manager™, at least paper-trade the system in real time, where hindsight bias can't skew the results. This will take longer and may produce less reliable results than a thorough automated evaluation, but it should be better than relying on only hindsight-adjusted signals.

Other Information That Supplements Index Data:

Many successful trading systems which depend upon prolonged periods of uninterrupted movement (either up or down) have focused on the currency markets as their

(continued on Page 2)



Profiting From Global...

(continued from page 1)

"A sure way to masquerade your progress in the market is to ignore all currencies but the dollar."

medium of investment. The basic reasoning lies with the fact that governments are typically slow and deliberate in carrying out their fiscal policies. Such policies contribute to directional currency moves with respect to alternative strong currencies like the Dollar, Yen, Swiss Franc or British Pound. Similarly, the same country's stock values move in relatively smooth trends. This is an important reason why formally traded indices should not be ignored as a vehicle for serious investment.

A derivative of fiscal policy that affects a country's money supply is interest rates. This is another medium with a strong promise for profit. Look to time series on T. Bill rates, T. Bond rates, LIBOR and MIBOR rates, Eurodollar rates, Euroyen rates, Eurodeutschemark, Eurolira, Japanese Bonds, French Bonds, Italian Bonds and many more too numerous to mention. These are all present in the CSI data base.

An advantage of tracking so many world markets is that most can be traded in the currency of the country in which the vehicle is traded. The explosion in world market opportunities lies in the need to hedge capital requirements, transfer risk, and earn foreign exchange through various foreign futures markets. A sure way to masquerade your progress in the market is to ignore all currencies but the dollar.

In some cases it is not possible to eliminate the dollar as a base for trading. Witness the crude oil markets which use the dollar for all transactions worldwide. Almost every product, save software, is driven by the price of energy in some form or another. This makes crude oil so basic to the value of commodity products that it cannot be ignored in a composite portfolio of multi-national products. (I'm not

sure Crude Oil shouldn't be considered as an index all by itself.) Nonetheless, there are many opportunities to deal in local currencies away from the U.S. that will help preserve capital.

Using a storehouse of value such as gold to measure investment rewards is a practical alternative. Please see the December 1993 CSI Technical Journal where we covered a means of measuring global profits in ounces of gold.

What does all this mean to the art of profiting from the movement of the security/futures markets? It means that all investors should look beyond their own shores for global market information. Don't permit government mismanagement to drive your lifetime wealth to bankruptcy. Even if you invest only in your own country and in your native currency, your investments are affected by economic trends and events around the world. Stock indices represent a relatively easy way to keep your finger on the pulse of markets around the world. The most important ones should be followed daily.

One must know the relationship between one given market and another so that investment capital can be wisely allocated. Once this is understood, international investment in multiple currencies can be accomplished via investment in a variety of stock index futures. Whether these indices are used as investment mediums or for their important informational value, they can do your trading account a world of good. ♦

Bob Pelletier

CSI's On-Line Stock Advisory Report

Recommendations as of July 9, 1994

SECURITIES									
SYM.	STOCK	DATE	SIG.	POS. PRICE	PRESS PRICE	\$/SH GAIN	CLOSED POS. P/L		
AA	Aluminum Co. of Am	6/13	CS	70.75					-3.00
ABX	Amer Barrick Res		N						
AAPL	Apple Computer	7/11	CL	25.25					+1.63
BEL	Bell Atlantic Corp	7/5	HS	55.00	55.25	-.25			
BV	Blockbuster Ent.	6/25	CS	27.50					+63
BTY	British Telecom	6/18	HS	56.25	60.75	-4.50			
CS	Cabletron Sys	6/27	CS	93.50					+5.75
CAT	Caterpillar Inc		N						
CHV	Chevron Corp		N						
C	Chrysler Corp	6/27	CS	48.00					+1.00
CPQ	Compaq		N						
DIS	Disney	6/27	CS	43.87					+1.88
DOW	Dow Chemical		N						
DD	DuPont	6/27	HL	58.00	58.50	+.50			
XON	Exon Corp		N						
F	Ford Motor Co.	7/11	CL	57.50					+3.00
GE	Gen Elec	6/27	CS	47.87					+1.63
GM	Gen. Motors		N						
HWP	Hewlett-Packard	6/27	CS	79.00					+2.88
HD	Home Depot		N						
INTC	Intel Corp.	6/25	HL	58.75	60.13	+1.38	+4.25		
IBM	Int'l Bus Mach.		N						
IP	Int'l Paper	6/27	CS	70.50					+2.88
LOTS	Lotus Development		N						
MRK	Merck		N						
MSFT	Microsoft	6/27	CS	52.62					+2.63
MMM	Minnesota Mining	6/27	CS	51.50					+1.63
MOB	Mobil Corp		N						
JPM	Morgan (JP) & Co.	6/27	CS	66.50					+4.75
MOT	Motorola, Inc.	6/27	CS	45.87					+1.13
ODP	Office Depot		N						
MO	Philip Morris	7/11	SO	53.38	53.13	+.25	+3.13		
PG	Procter & Gamble	6/11	HS	55.63	54.38	+1.25			
TX	Texaco Inc.		N						
COMS	Three Com Corp		N						
UTX	United Technologies	6/27	HL	64.37	64.75	+.38	+2.00		
WMT	Wal-Mart Stores	6/18	HS	24.13	24.75	-.62			
TOTAL									-\$1.61 +37.80

The report makes use of certain signals, (see "SIG." in the title) abbreviations for which are decoded as follows:

SIG.	MEANING
CL	Cover long at the next opening price, i.e., sell your long position and remain neutral.
CS	Cover Short at the next opening price, i.e., buy back your short position and maintain a neutral stance until the next signal.
N	Neutral. Stay out of this market until a signal occurs.
BO	Buy at the opening.
SO	Sell short at the opening.
RLS	Reverse your long position by selling it then sell an additional unit short.
RSB	Reverse your short position by buying it back and buy an additional unit so that you are net long a unit.
HL	Hold your long position.
HS	Hold your short position.

RECOMMENDATIONS:

Recommendations as of July 9 were to maintain short positions in Bell Atlantic, British Telecom, Proctor & Gamble and Wal-Mart, while keeping long positions in DuPont, Intel and United Technologies. All other open positions were to be closed. A new short position was advised for Philip Morris. These recommendations were effective July 9th and may have been superseded prior to delivery of this Technical Journal. New market positions should only be made at the time of recommendation.

INVESTED CAPITAL: (Chart)

The total invested capital shown on a weekly frequency represents the sum of the entry share prices for all long positions plus one-half of the sum of all entry share prices for short positions.

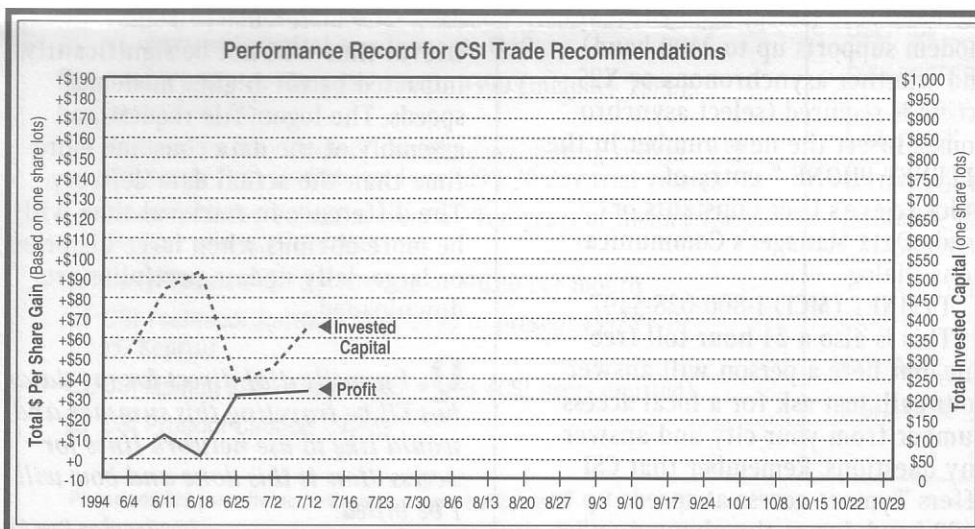
PROFIT: (Chart)

The total profit includes the \$/share gain for all open trades plus the per-share closed position profit. A commission expense of \$0.50 per share has been charged against all closed positions. The total profit is an equity reading and includes all open and closed positions taken since commencement of the record on June 6, 1994. We remind you that past performance is no guarantee of future results.

REPORTING FREQUENCY:

The CSI Technical Journal which includes our past record is offered monthly and is typically prepared two weeks before delivery. The advisory report, for which a recent summary is listed here, is computed weekly. Recommendations posted from month to month may be closed out or reversed in the weekly updates offered in the electronic reports. Users of QuickTrieve 4.06 may access the weekly advisory to obtain recommendations that take effect on the following Monday. The electronic advisory reports are updated each Saturday at noon.

As of July 12's close, current profit = \$36.19 per share. The "Date" is the date a position was taken at the opening price; The Position Price is the price at which the position was entered, and the "Press Price" is the close price of the stock on the day the Technical Journal went to the printer (July 12). The \$/Share Gain is the positive or negative difference between the position price to the press price for one share.



Ask Customer Service

Each month in this column our Customer Service Staff addresses a topic of interest to many subscribers. This month they'll present some common questions and answers about your telephone connection with CSI.

Q. *The network telephone number I've been using for data retrieval is no longer working. It sounds as though I'm connecting with a phone company recording instead of CSI. What should I do?*

A. For starters, find out what the recording is saying by listening in on an extension. That will tell you if the number has been disconnected or changed. If it has been changed, the recording may even tell you a new number to substitute in User Constants.

If the number has been disconnected, call the network to find the new phone number in your area. It is very rare for service to be discontinued in an area without an alternate number becoming available.

Q. *How can I reach Telenet or Tymnet to get a new phone number?*

A. In the U.S., the phone numbers are:
TELENET (Sprintnet) 1-800-877-5045, then touch 5.

The toll-free 24-hr. automated system provides the closest number and an alternate number. You'll be asked several questions, including the number you'll be dialing from, the baud rate (select the fastest your modem supports up to 2400 baud) and whether asynchronous or X25 access is required (select asynchronous!). Insert the new number in the TELENET PHONE # entry of QuickTrieve's User Constants or Trade Data Manager's Communications Dialog.

TYMNET (MCI) 1-800-628-3497

This is also a 24-hour toll free line, but here a person will answer your call. Just ask for a local access number from your city and answer any questions. Remember that CSI offers Tymnet access at speeds up to 2400 baud. Insert the phone number

provided in the TYMNET PHONE # entry.

Q. *I have a choice of several local network phone numbers in my area. Does it matter which one I use?*

A. Make sure you are using a line that is appropriate for your baud rate. The networks sometimes have one number for 300 to 1200 baud and another for 2400 baud. Still others are for faster speeds, but these should not be used. Our system is not set up for faster retrieval through the networks.

Another consideration is your phone bill. In many areas an "extended dialing area" allows you to call a nearby community for about a quarter, as opposed to calling your own community at no charge. If in doubt, ask your local operator if there will be a charge for calling the number from your phone.

Q. *Is there a way to access data from CSI faster than 2400 baud?*

A. If you are willing to pay your own phone bill by dialing direct, you can access at speeds up to 14,400 baud.

Please be aware that in most cases, the difference in actual retrieval time will not be significantly impacted by the higher modem speeds. The logon, file request and assembly of the data consume more time than the actual data delivery. The difference in retrieval time will be more obvious when large histories or large daily update portfolios are downloaded.

Q. *I usually dial direct for my data, but I'll be traveling this summer and would like to use network lines for access. How is this done and how will I be billed?*

(continued on Page 6)

QuickTrieve 4.06 Offers Continuous Contracts and Weekly Advisory Reports

As this Journal goes to press in mid-July, the first QuickTrieve version 4.06 has yet to be shipped. The anticipated release date has been set back slightly from mid to late July. Capabilities will include:

- A continuous contract utility to build long-term, back-adjusted data files from individual contracts. Our formula is based on close-to-open adjustments on optional contract roll-forward dates.
- Improved graphics, allowing up to 1,000 days to be loaded into memory instead of the earlier 500-day limit. Higher resolution is also supported.
- Compatibility with additional printers for graphic charts.

- Access to CSI's new on-line advisory service. A monthly summary of recommendations is offered in this Journal (see page 3), but more timely updates are available through QuickTrieve version 4.06. Weekly reports can be downloaded every Saturday by 12 noon.

The advisory service is currently free to CSI subscribers, but since QuickTrieve version 4.06 is required for updating, existing customers will need to upgrade their software to use it. The upgrade fee for QuickTrieve 4.06 is \$39. New subscribers will be subject to our standard account initiation fee of \$59. Please see the Product Summary below for information on ordering QuickTrieve. ♦

Although QuickTrieve 4.06 can download the Advisory Reports, they must be arranged through an entry on the CSI host computer. To request the reports, please contact CSI Marketing or Customer Service. We expect to begin charging around \$15 per month for the weekly electronic advisory report beginning December 1, 1994. (price & date are subject to change)

CSI Software Product Summary

Please check all that apply and complete the information box at right.
Mail or fax to CSI, 200 West Palmetto Park Road, Boca Raton, Florida 33432; Fax: (407) 392-7761

- QuickTrieve®/QuickManager®** for PC - To retrieve, manage & edit data (includes 1994 Alerts Calendar); Unrestricted use \$99. New daily user \$59. QuickTrieve/QuickManager version 4.06 upgrade (for current QuickTrieve users only): \$39
- QuickPlot®/QuickStudy®** for PC - Charting & analysis software (requires QT/QM) \$89
- Trade Data Manager™** - Macintosh downloader & accounting program \$59; upgrade \$49 or *FREE* with \$100 history order
- Trading System Performance Evaluator™** (TSPE) for PC - Computes your system's capital requirements \$149
- Trader's Money Manager™** for PC - \$399 (includes TSPE); Demo disk: \$15
- TraDesk™** for PC - Traders' complete accounting system - CSI daily user \$149; Unrestricted use \$299; 30-day trial version \$22
- Seasonal Index Value Pack** for PC - Ten years of history for 33 popular commodities \$315
- Daily Updates** for PC - Starting at \$10.80 per month
- CSI Technical Journal** - Aug. 1990 to present \$35/Yr. or \$5/Reprint
- CSI Mailing List** - \$200/1,000 names (CSI users omitted)
- CSI Product Catalog** - *FREE*

NAME _____

DAY PHONE (____) _____

ADDRESS _____

USER ID# _____

DISK PREFERENCE

5.25"/360K 5.25"/1.2 MB (HIGH DENSITY)

3.5"/720K 3.5"/1.44 MB (HIGH DENSITY)

METHOD OF PAYMENT (PREPAYMENT REQUIRED)

CHECK MASTERCARD VISA

DISCOVER AMERICAN EXPRESS

AMOUNT ENCLOSED \$ _____

CARD # _____

EXP. DATE _____

SIGNATURE _____

8/94

Please add \$29 per software package for overseas shipping.

All prices subject to change without notice.

Ask Customer Service

(continued from page 4)

Holiday Schedule

CSI will be closed for voice communication on Monday, September 5th for the Labor Day holiday. The CSI host computer will be accessible as usual throughout the holiday weekend.

A. Simply change your dialog filename to TELENET.LOG or TYMNET.LOG and insert the local phone number as you reach new destinations. Be sure to bring an updated list with you on your travels. Your bill will reflect the higher network rate for each month in which you use network access, regardless of the number of network calls made.

Here we'll address some questions regarding international network access.

Q. *How can a non-U.S. customer get in touch with a Tymnet or Telenet Customer Service Representative?*

A. For assistance with Tymnet, call the MCI Customer Service staff at (215) 666-1770 (a U.S. phone number). A representative there will advise you of local access numbers for locations around the world and assist you with technical problems.

To receive a local Telenet phone number, dial (404) 859-7700 (a U.S. phone number). A service representative will assist you. Telenet (Sprintnet) also offers local technical support in major cities around the world. You may be directed to your local representative if necessary.

Q. *I have tried to switch from TYMUSA to Telenet so I can reduce my data charges. Unfortunately, I am not having any luck with the Telenet connection. What advice would you give an overseas caller who experiences difficulty in network data retrieval?*

A. First, don't give up. Network access looks simple on paper, but, due to the number of variables, e.g. modem differences, telephone systems, etc. it can be a challenge to get your data calls going smoothly.

The first line of attack involves QuickTrieve's User Constants or Trade Data Manager's Communications Dialog. Are you dialing the correct phone number? If in doubt, listen in and make sure there is a computer tone on the other end. Check with the network's customer service if you feel the number may be wrong. If the number is correct, perhaps a simple change in baud rate will make a difference. Although our modems support up to 2400 baud retrieval for both Telenet and Tymnet, sometimes a local hub requires a slower speed of transmission. If you can't get through at 2400, downgrade the baud rate to 1200 and try again.

Certain modems will not respond to changes in the baud rate entered through our software. If this is the case with your modem, a change to the Communications Dialog File may be required. You'll need to check your modem's manual for information on setting the baud rate and supply CSI's customer service with this information by phone or fax. They can then advise you on the appropriate changes to make.

We have hundreds of overseas customers dialing through international networks each day. Quite a few of them struggled to overcome difficulties in the beginning. However, once the bugs were worked out, most have found network access to be a simple, economical means of data retrieval.

Please consider giving Telenet another try so that you can take advantage of the significant savings over Tymnet's international network. The CSI Customer Service representatives are happy to help in any way we can. ♦