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Information Power that Fuels Markets and Trading Systems

As we look forward to the new year of 1996, we feel it is appropriate to issue a report on the general direction of the market data business and give our loyal customers a peek at upcoming milestones. We would like to examine the scope, coverage and longevity of available data and take a look at what the future might hold.

Some Background

CSI was the pioneer in the delivery of financial data by modem to the emerging micro-computer-using investor of the early 1970s. Our very first customers used teletype terminals in the late '60s when data was transmitted at speeds of just 110 baud (10 characters per second). With the introduction of the Radio Shack TRS-80 and the Apple II computers in the early 1970s, CSI began vending data to the general public, including a few large brokerage and computer time sharing firms at improved speeds of 300 baud (30 characters per second).

When CSI was started in New York State in 1969, our only competitors were time-sharing firms who did not sell data, but who allowed users to sign on to their remote main frame computers to process market data which was stored there. Users would pay fees quoted in computer processor seconds and customers often ran up huge bills for computer and connect time.

How The Data Business Took on Its Current Form

I recall with some chagrin the incident that started me on the path to developing my own data base and selling information for storage by the user. At the time, I was using the General Electric Time Sharing Service with my crude Western Union Teletype Terminal to carry out market analysis without a computer of my own. I paid "only \$10.00 per hour" for connect time. Oh yes, and there was a rather small charge of, perhaps 35 cents per CRU (the abbreviation for Computer Resource Unit).

Unfortunately, the computer resource unit had a way of getting out of control. I still remember the shock of inadvertently consuming 20,000 CRUs in one short session doing some regression analysis. My connect time remained obscure at perhaps only \$5 for the 30 minutes of connect time. The enormous CRU charge, which G.E. generously forgave, scared me into finding a better way.

Experiences such as this made it clear that having control over my own computing resources was the only way to survive. I soon discovered an unprecedented feeling of freedom to test, retest and develop new strategies for trading. It felt great to sever the link between time spent

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Information Power ...

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“Our policy of capturing our own data and using redundant sources to double-check for accuracy gives us a considerable edge over the competition in data integrity.”

doing analysis and my wallet. Apparently, this was an idea whose time had come, as several like-minded investors who had heard about my project sought me out for data. CSI was born! Our steadily growing customer base avoided unpleasant and exorbitant computer charges for computing services on their TRS-80 and Apple computers.

The Earliest Markets

As evidenced by its full name, (CSI is an acronym for Commodity Systems, Inc.) this company began by vending only commodity market data. In 1969 there were just a handful of North American futures markets in which the general public had an interest. These included commodities traded on the Chicago Board of Trade, The Kansas City Board of Trade, The Minneapolis Grain Exchange, The Winnipeg Commodity Exchange, The Coffee, Sugar and Cocoa Exchange, The New York Cotton Exchange, and The New York Mercantile Exchange. Collectively, these exchanges offered only 21 futures.

We assigned a “CSI number” to each market and adopted a conversion factor system that permitted a condensation of the data feed. With modem speeds of only 30 characters per second, we were forced to adopt shortcut procedures to vend the data quickly by phone. Competitors began surfacing who copied most of our conventions and much of our data. This allowed them to compete in this business without having to bear the heavy expense of compiling the necessary data resources.

Paying Exchange Fees For Data and Preserving Data Integrity.

Futures magazine recently reported in (“Paying for Quotes,” p.76 Futures, November 1995) that CSI pays exchange fees in the range of \$70,000 per year for summary data information because they are “afraid to compromise

any material” they get. Many competitors of CSI pay little or no fees at all because their information sources are secondary vendors who impose only modest fees or offer data that is captured on a time-delayed basis. Our policy of capturing our own data and using redundant sources to double-check for accuracy gives us a considerable edge over the competition in data integrity.

The Scope of CSI Data

Soon after starting the business, we added the London Metal Exchange to our inventory, and, as long-term users will tell you, we have added every major exchange and market that has emerged worldwide since. Our data resources now include over fifty exchanges involving hundreds of different commodities. We offer cash and futures data from all major world futures exchanges, nearly all New York and American Exchange stocks, NASDAQ stocks, all worldwide commodity options, mutual funds, fundamental econometric data, all traded currency data, and a large selection of market indices.

Our historical data base is unmatched for both cleanliness and longevity. In over 90 percent of the exchanges from which CSI captures data, our historical record reaches back to the very first day of trading. Some series currently extend to the 1940s, with a short-term goal to compile historical resources all the way back to the beginning of the 20th century. Ironically, we have data on Chicago Board of Trade grains from the 1920s that the Board of Trade itself failed to save or has lost. CSI has original published and bound source material stretching back to 1898 for U.S. markets, which we plan to eventually make available to our customers.

CSI's Commodity Options Data Base

CSI's commodity option data base is a one-of-a-kind source that no other vendor has been able to duplicate,

including the exchanges who originate the information. Some exchanges compete with CSI by selling option data, but customers prefer CSI because they can be guaranteed of a relatively flawless set of information.

Identifying Market Voids in Your Data

The on-line documentation that is to be included with the upcoming Unfair Advantage[®] software will explicitly identify every void in the data base. Be it attributable to a holiday, flood, fire, bomb threat, assassination, power failure, or any other natural or man-made outage, each void will be explained for every commodity. Every item has already been verified and certified accurate. When the Unfair Advantage is released in mid-to-late 1996, users will be able to immediately determine the reason for a void. It will show, for example, that each annual set of data for Tokyo Silver includes voids for Ancestor Day, Vernal Equinox Day, Children's Day, The Emperor's Birthday, Respect for the Aged Day, etc. Such information dismisses many questions about data completeness or integrity and gives users the confidence that their market research has been fueled with flawless information.

Documenting an Inventory of Commodity and Stock Facts

Another advantage of CSI is the enormous amount of research that is done to catalog and maintain the inventory of information we supply. Our fact sheets of commodity, option, stock and fund information include nearly 100 pages of documentation. They give the history of material facts concerning the introduction and development of each time series held in our data base. Future users of Unfair Advantage will have the luxury of seeing an up-to-date copy of this material on their computer screen for immediate access. Hard copy versions of these fact sheets are mailed to all new customers upon subscription

and free updates are available via CSI's home page on the Internet (<http://www.gate.net/~csi>).

CSI is a Better Alternative than the Internet

We have often been asked about the Internet and the effect it might have on our business. Although the Internet offers some data for a market here or a fundamental there, the information is scattered around in so many locations that only very specialized data users can benefit. CSI's low monthly data fees and enormous scope and longevity make CSI the only affordable alternative to the Internet surfer.

Looking Ahead

For 1996 we expect that the trend toward downloading more history on-line and on-demand will continue as data disk orders decline. We expect that our users will continue to need larger, broader data bases for analysis as computers continue to grow in strength. We expect to supply a greater percentage of that data on CD-ROM.

For 1996 our major plans are to continue offering exceptionally accurate data coupled with more powerful software and an even stronger commitment to service. Our Windows version of the QuickTrieve[®] downloader should be out in the Spring. Although data management will be limited on the initial release, it will offer automatic support of all popular formats. The Unfair Advantage should also be completed during 1996, with its revolutionary support of ultra-compressed data. Unfair Advantage users can realistically expect to update our entire data base each day in under two minutes. The analytical ramifications of having a full featured, decades-long data base in hand are limitless. On that note of boundless possibilities, we wish you all a happy and profitable new year! ♦

Bob Pelletier

Visit our home page on the Internet

<http://www.gate.net/~csi>
(Be sure to use lower case letters)

Ask Customer Service

Each month in this column, the CSI Customer Service staff addresses common questions that are of general interest. This month they cover a series of questions that will help everyone get off to a good start in the new year.

Keep in Mind

Due to light demand, we no longer offer Customer Service support on Saturdays.

Q. *It has been some time since I subscribed to CSI and got your commodity and stock fact sheets with my software. My fact sheets are now outdated, as many, many new commodities and stocks have been added since they were published. How can I get an update?*

A. The latest copy of all our fact sheets as well as pricing information and this Technical Journal are now available on our home page on the Internet. You can find them at <http://www.gate.net/~csi>

The Market Statistics section of this Journal gives a monthly update on all new additions to the data base to keep you up to date. This includes information on commodities, stocks, funds, indices and options. To cover our printing and postage costs for printed fact sheets, a charge of \$4 applies for commodities (with options) and \$6 applies for stocks.

Q. *The Commodity Alert Calendar in my QuickTrieve software goes through December, 1995. How can I get an update?*

A. We compile the new calendar in January of every year, as many exchanges do not release the new year's calendar before then. The update can be ordered separately and copied into your QuickTrieve software directory. The release date usually falls around the first of February. See the Product Summary on page 5 to order.

Q. *My continuous cash and Perpetual Contract® data series stopped updating on January 2, 1996. All my other contracts are updating fine and my posting verification shows that the data was received. The status on the report says "NO FILE". Please explain.*

A. You must be using an older version of QuickTrieve, circa 4.04 or

before. Users of those versions must manually extend all continuous files, including stocks, indexes, cash, nearest futures and Perpetual Contract data. QuickTrieve's Move/Split a Data File (Move a contract file on version 3.1) will help you extend your files. You'll use this feature to create new files with later ending dates and to move your existing data into those longer files.

Reading this may have jarred your memory on how you handled the file extension last year. The December '94 Technical Journal included full details, which you should refer to if you have it on file. If you need detailed instructions, please call or send a subsystem message requesting the 12/94 Ask Customer Service article. We'll mail or fax it upon request.

Newer versions of QuickTrieve (after 11/93) automatically add file space to your disk one month at a time whenever needed. Data is always stored properly and wasted space is minimized. We recommend that all users of QuickTrieve version 4.04 or earlier who update continuous files upgrade to version 4.06 to avoid annual file maintenance.

Q. *I tried to call Customer Service and nobody answered. What's going on?*

A. Our Customer Service staff is on duty from 8:30 a.m. to 10:00 p.m. Monday through Friday. We can be reached at (407) 392-8663 or (407) 392-1379 (fax). Our toll-free marketing line is not answered after 6:00 p.m. on weekdays. There are periods when only one service representative is on duty. During these times, phone calls are answered on a first-come, first-serve basis. Please try us during office hours using the above channels and you should be successful at reaching a service representative. Thank you for your patience! ♦