

An Official Guide ...

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When considering any new position, your plan should include investigating the three alternatives:

- 1) Buying or selling a given futures contract,**
- 2) Buying puts or calls on the contract, and**
- 3) Writing puts or calls on the contract.**

perform a needed service, assuming risks and expenses that justify their fees. Each time a trade is consummated, there is a broker's fee, the floor broker's fee, the exchange fee and a slippage charge represented by the bid/ask spread.

In the absence of a disciplined plan, losses often equal your commission bill plus the market-fill slippage, which I consider to be the unquoted commission. This is no coincidence; It is common for anyone playing a zero-sum game. The "house take" in Las Vegas is what we pay to play the game. In trading, the "house" is the exchange itself and those who work to implement your trades. Their take, which boils down to the trader's total commission bill, can make the difference between a losing or winning trading record.

You should definitely plan to limit these expenses. The proper way to reduce these charges is to trade less and give your full trading plan a chance to work. Making infrequent trades is a strategy many successful traders have come to appreciate. Not surprisingly, the trader is encouraged by the commission merchant to trade with great frequency. It is an invitation we suggest you respectfully decline.

Position Trading, Spread Trading and Intermarket Analysis

Every trading plan should explore position trading, spread trading and intermarket analysis. Position trades, which may be held anywhere from a few days to several months, involve buying or selling contracts based on the anticipated market direction. It is typical that they are independently selected and are not paired with an opposite position in a complementary market, as in a spread. Because there is no hedging involved in a position trade, the "naked" position trader stands to make great profits if his

projections are correct. Of course, the flip side of this is greater losses when the market turns against him.

The spread trader, on the other hand, pairs his long positions with short ones, attempting to profit from the change in price relationships. A spread trader might trade different delivery months of the same commodity, or the same months in different, substitutable commodities. The possibilities for spread positions are almost limitless. In a spread trade, the commission and margin expense are generally lower than if the two positions were taken independently, and the potential for both profit and loss are diminished.

Intermarket analysis can involve analyzing markets that have been paired either according to their similarity or their diversity. It is a curious fact that trading a pair of negatively correlated systems, one a winner and one a loser, can generate a greater profit per dollar at risk than trading the winning system alone. The secret lies in the profit summation over time. The capital required for the negatively correlated pair (the winner plus the loser) can be much less than the capital required for just the winning system. In this example, required trading capital is defined as the maximum level of drawdown computed as the maximum peak-to-trough loss.

Futures or Options

When considering any new position, your plan should include investigating the three alternatives: 1) Buying or selling a given futures contract, 2) Buying puts or calls on the contract, and 3) Writing puts or calls on the contract. Given a situation for market entry and the fees, commissions, information costs, risks, rewards, premiums and market volatility for each of these three possibilities, one

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Ask Customer Service

Each month in this column we discuss a topic of interest to many CSI subscribers. This month, we offer suggestions which we hope will enhance communication between our staff and our valued customers.

Holiday Schedule

CSI will be closed for voice communication on Friday, April 5th. The host computer will be operational for updates throughout the holiday weekend and price quotes will be available at normal posting times for those markets that remain open. The office will re-open as usual on Monday, April 8th.

Q. *I do most of my analysis late at night when the CSI staff is not available to answer questions or listen to my suggestions. What is the best means for communicating with your staff during off hours?*

A. For very brief questions and comments, QuickTrieve's Order Subsystem offers a communications vehicle that is quick and easy. Use the Send a Message to CSI feature and then transmit the note with your next update or by selecting D) Send work done this session. Our staff will read your note when we review our mail in the morning and assist you as necessary.

Q. *My needs far exceed the few lines available for sending a note through QuickTrieve's Order Subsystem. How else can I communicate with your staff when the office is closed?*

A. The Internet's E-Mail facility is fast becoming the interface of choice for communicating with CSI. We have several new addresses for directing your correspondences. They are:

techsupport@csidata.com for customer service

rudi@csidata.com for the customer service manager (Rudi Cabral)

marketing@csidata.com for the sales and marketing staff

billing@csidata.com for billing and accounting questions

comments@csidata.com for comments and suggestions

Fax and mail communications are always an option. Our fax phone number is (407) 392-7761.

Q. *How do I send you an E-Mail?*

A. Any internet access will do, but America On-Line, CompuServe and Prodigy seem to be the most popular. Just open your mailbox and direct your message to the appropriate address

from the above choices. Please be sure to include your name and User ID in all correspondence.

Q. *Can I get other information about CSI through the Internet?*

A. Yes. Our web site holds the latest commodity, stock and option fact sheets as well as current pricing alternatives for our service. You'll also find recent CSI Technical Journals online there. Our URL address is: <http://www.csidata.com>

Q. *Do you have plans for additional Internet services?*

A. Yes. We have already begun servicing some customers with data over the Internet and we plan to expand this service as time goes by. We'll keep you posted in this Journal as more progress is made in this area.

Q. *I often have to leave a message when I call CSI. Although someone always calls me back, I would prefer to avoid the phone tag. Any suggestions?*

A. Probably the best way to avoid phone tag is to use other methods of communication whenever possible. That is, send us faxes and E-Mail, use the Order Subsystem (for orders as well as notes) and, when possible, consult our documentation for answers to your questions. We recognize that a conversation with a real person is often the best way to resolve a problem quickly, so please do call if you need us. If we are unable to take your call, domestic customers will be called back as soon as possible. Your patience and cooperation are greatly appreciated. ♦

Market Statistics Update

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choice may be clearly superior at a given time. All three alternatives will produce a profit if the market goes in the projected direction. Only one of the alternatives has a maximum return/risk ratio.

Asset Allocation

No plan will be complete without an asset allocation method. We suggest one that would trade off asset return with risk for every market. By allocating trading capital to markets in this way, you may find the most profitable result with the least overall risk. Please see CTJ1192 and CTJ1292 for a review of the efficient frontier that was first introduced by Nobel Prize winning economist, Harry Markowitz. His work has been known as Modern Portfolio Theory and the substance of the theory is the allocation of capital resources to the performing assets in a given portfolio.

Few traders possess the necessary restraint to step aside and preserve their winnings following an extraordinary market strike. We recommend that your trading plan include specific goals and provisions to hold onto your monetary rewards.

Once you have set your sights on success and laid the groundwork for realizing that success, you are ready to select or design a powerful trading system. Over the next two months, we will discuss the types of trading systems that have promising analytical merit, the evaluation of results and issues of training, testing and implementation. Please join us. ♦

Bob Pelletier

STOCK SPLITS

| | | | | |
|-------|-------|------------------------------|------|--------|
| 1740 | ABRX | ABR Info Services | 3/2 | 960220 |
| 4031 | ACCS | Access Health | 3/2 | 960301 |
| 4461 | AG | Agco | 2/1 | 960201 |
| 5937 | ANDW | Andrew Cp | 3/2 | 960307 |
| 12121 | ANTR | Antares Resources Cp | 2/1 | 960201 |
| 1332 | APOL | Apollo Group Inc Cl A | 3/2 | 960301 |
| 4061 | ATTCD | Auto-Trol Technology Cp | 1/10 | 960201 |
| 8182 | BANC | BankAtlantic Bancorp | 5/4 | 960215 |
| 8192 | BNTA | Banta Cp | 3/2 | 960304 |
| 4743 | BRKT | Brooktrout Technologies | 3/2 | 960228 |
| 1588 | CHZ | Career Horizons Inc | 2/1 | 960223 |
| 1865 | CSCC | Cascade Communications | 3/2 | 960228 |
| 2527 | CSDS | Casino Data Systems | 3/2 | 960228 |
| 3113 | CAV | Cavalier Homes Inc | 3/2 | 960215 |
| 5956 | CKP | Check Point Systems | 2/1 | 960223 |
| 8351 | CMFB | Chemical Fabrics Cp | 3/2 | 960223 |
| 8375 | CSCO | Cisco Systems Inc | 2/1 | 960220 |
| 7111 | CLE | Claire's Stores Inc | 3/2 | 960222 |
| 4304 | CMGI | CMG Information Service Inc | 2/1 | 960205 |
| 4405 | CFCP | Coastal Financial Cp | 5/4 | 960208 |
| 6968 | CMETS | Continental Mortgage | 3/2 | 960304 |
| 6969 | CYTRD | Cytrx Cp | 1/4 | 960206 |
| 5198 | DBD | Diebold Inc | 3/2 | 960226 |
| 9553 | EQMD | Equimed Inc | 1/2 | 960205 |
| 5607 | FBR | First Brands Cp | 2/1 | 960227 |
| 8707 | FGHC | First Georgia Holding Inc | 3/2 | 960301 |
| 8712 | FISB | First Indiana Cp | 6/5 | 960216 |
| 12442 | FLIC | First of Long Island | 3/2 | 960205 |
| 8727 | FSCO | First Security Cp | 3/2 | 960216 |
| 8730 | FTEN | First Tenn Natl Cp | 2/1 | 960220 |
| 12115 | FORD | Forward Industries | 2/1 | 960201 |
| 6895 | FMT | Fremont General Cp | 3/2 | 960208 |
| 2070 | GLBL | Global Industries Ltd | 2/1 | 960201 |
| 2988 | GVIC | Golf Ventures | 1/5 | 960215 |
| 5912 | GGG | Graco Inc | 3/2 | 960208 |
| 12149 | GSLC | Guaranty Financial Cp | 2/1 | 960201 |
| 4436 | HFFC | HF Financial Cp | 2/1 | 960201 |
| 4861 | HFS | Hospitality Franchise System | 2/1 | 960215 |
| 9004 | IOMG | Iomega Cp | 3/1 | 960201 |
| 9028 | JMED | Jones Medical Ind | 3/2 | 960304 |
| 7323 | KNT | Kent Electronics Cp | 2/1 | 960304 |
| 4196 | KHG | Keystone Heritage Group | 4/3 | 960212 |
| 9110 | LINZ | Lindsay Mfg Co | 3/2 | 960223 |
| 9067 | LXBK | LSB Bancshares Inc | 5/4 | 960216 |
| 9137 | MDSN | Madison Gas & Electric Co | 3/2 | 960221 |
| 2737 | GMBS | Mason Bankshares | 3/2 | 960212 |
| 5082 | MAT | Mattel Co | 5/4 | 960304 |
| 7321 | KRB | MBNA Cp | 3/2 | 960220 |
| 12093 | MEDC | Med-Design | 2/1 | 960227 |
| 2540 | NHES | National Health Enhancement | 2/1 | 960212 |
| 12257 | NSCP | Netscape Comm | 2/1 | 960207 |
| 2531 | NFOR | NFO Research Inc | 3/2 | 960206 |
| 1377 | FIBR | Osicom Technology | 2/1 | 960213 |
| 9394 | PMTC | Parametric Technology Cp | 2/1 | 960301 |
| 9405 | PNTA | Pentair Inc | 2/1 | 960220 |
| 13084 | PRYA | Pittway Cl A | 3/2 | 960304 |
| 3452 | PRY | Pittway Cp | 3/2 | 960304 |
| 1758 | SIGA | Sigma Circuits | 2/1 | 960227 |
| 3133 | SIMSD | Sims Communication | 1/10 | 960307 |
| 12693 | SBCO | Southside Bancshares | 10/1 | 960216 |
| 4739 | SBIB | Sterling Bancshares Inc | 3/2 | 90215 |
| 4626 | STRM | Stratacom Inc | 2/1 | 960216 |
| 7320 | TCI | Transcontinental Realty | 3/2 | 960304 |
| 9817 | UCAR | United Carolina Bancshares | 3/2 | 960208 |
| 12255 | USAD | USA Detergents Inc | 3/2 | 960212 |

DELETIONS FROM THE STOCK DATA BASE

| | | |
|------|-------|-------------------------|
| 2103 | ADMIR | Admar Group Inc |
| 8004 | AELNA | AEL Industries Inc CL A |
| 6914 | ALTC | Alantec Cp |
| 3730 | ALT | Alert Centre Inc |
| 4601 | ABCI | Allied Bank Capital Inc |
| 3046 | ART | Armatron Int'l Inc |
| 1668 | BRKB | Brooklyn Bancorp Inc |