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## In Search of Greener Pastures

By Sabrina Carle, Editor and guest contributor

What with all the bears ambling along Wall Street lately, I've been wondering if I shouldn't find a new avenue for investment. I am eager to try the different set of opportunities offered by overseas markets, but as a novice international trader, there is much to learn. I am now on a mission to learn the ropes. Perhaps you would like to join me in the pursuit.

Since you are reading this Journal, you are probably the type of person who would read the fine print, as I did. The first thing I did was download an overseas trading application from a small on-line broker. If I didn't know better, I would say they are trying to scare me off.

Among the more important information on the risk disclosure statement is a warning that government watchdog groups such as the Commodity Futures Trading Commission and the National Futures Association who look after your interests here in the U.S. may not be able to help you in another venue. It said that neither the CFTC nor NFA nor any domestic exchange can regulate the execution, delivery or clearing of transactions of foreign exchanges. It also warned that U.S. laws cannot compel enforcement of the rules of a foreign exchange or the foreign laws which govern your foreign investments. This is true even if the exchange is formally linked to a

domestic market so that a position taken on the market may be liquidated by a transaction on another market. What a lot of warnings!

If that isn't scary enough, then they tell you that even your uninvested capital reserves may be at greater risk if they are earmarked for overseas transactions. In some cases, funds received from customers for foreign futures or foreign options transactions may not be given the same protection as funds received or earmarked for U.S. futures exchanges. Wow.

Another web site warned that whether or not you dabble in foreign currency contracts, international investors are defacto Forex traders. Why? The profits and losses from your investments are always affected by variances in the foreign exchange rate. T. Rowe Price, an investment firm which handles overseas accounts and operates several overseas mutual funds says this aspect of foreign investing can generate the greatest day-to-day concern for U.S. traders. Investment dollars must first be converted to the local currency to purchase the foreign stock, after which, all price quotes, dividends, and proceeds must be converted back into U.S. dollars. Foreign exchange rates fluctuate constantly and these currency movements can increase or decrease the

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## In Search...

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dollar value of an investment, even when its price remains unchanged.

Of course, some overseas commodities, such as gold and crude oil, are traded in U.S. dollars regardless of the local currency. It is interesting to note that the prices are not exactly the same at the various exchanges, but that the values are highly correlated.

On a different tack from trading the same commodities at different exchanges, many traders use overseas investing to produce broader diversification. This can result in a greater balancing of risks. According to T. Rowe Price, trends in foreign stock markets generally do not correlate well with U.S. bull or bear market cycles. They have found that while a given foreign market may, at any time, be moving in the same direction as its U.S. counterpart, longer-term correlations are low. They conclude from this that diversifying beyond a single market should reduce the overall volatility of your stock portfolio over time.

You don't have to book trades on overseas exchanges to be actively involved in overseas investments. Hundreds of international mutual funds provide broad or targeted investment opportunities. Fidelity Worldwide Fund, for example, focuses on companies all over the world, whereas their Japan Fund focuses only on one country. Investment trust stocks can provide even more focused interests. I remember one public company that invested only in companies who were participating in the rebuilding of Kuwait following the Persian Gulf war.

Just as confining your trades to U.S. exchanges does not preclude you from taking advantage of foreign opportunities, neither does it protect you from foreign dangers. Case in point: Many years ago, as a wet-behind-the-ears investor, I plunked some money down on a U.S. company that co-owned a rutile mine in Sierra Leone. The location was a relatively stable country

in Western Africa. My research said so. Really. I let my money ride and forgot about it. Some time later, as stock prices were plummeting, I learned over my morning coffee that rebel forces had seized the mine and were holding hostages. The company that had been the world's largest rutile producer became a pawn in the country's civil war and my investment became a distant casualty.

International investors must be ever mindful of the fact that many countries are considerably less stable politically and economically than the U.S., in part because of less diversification in their economies. Political or economic upheaval can jeopardize foreign investments, whether those investments are made directly or indirectly through U.S. companies or ADRs. Several web sites pointed out, as I belatedly learned, that overseas investors must continually monitor and interpret the internal developments of other countries.

At various stops around the World Wide Web, I learned that the primary factors affecting returns on international investments are the same as for U.S. stocks and commodities. These include corporate earnings, interest rates, credit market conditions, actual and expected inflation, and the pace of economic growth. There are, however, important differences between domestic and foreign investing that can increase overall risk.

Since there is no global stock exchange nor global board of trade for futures markets, the international investor must find a broker who is qualified and competent to execute trades on the various exchanges around the world. You'll probably find that financial information about specific companies can be harder to obtain, since accounting and financial disclosure practices can vary widely from U.S. standards. Foreign service fees vary from country to country and

are affected over the long term by currency fluctuations.

One thing we would-be international traders have going for us is easy access to a great deal of data. CSI customers can use either QuickTrieve® or Unfair Advantage® (UA) for raw price data. UA offers a complete history and daily updates on all U.S. and overseas commodity markets for in-depth analysis. The information highway is super for learning about exchanges, tradeables and brokerage companies and I am sure it will lead me to the right medium for my next investment. Perhaps it will be overseas - if I can justify the added risk. ♦

## Storm Warnings

The Internet's whirlwind entry into the everyday lives of nearly everyone is creating the on-line equivalent of a tornado, and unfortunately, it is causing some problems for our customers. Techies call it a datastorm and it is really an overload of information bogging down the World Wide Web. You may have been affected without even knowing it. The main symptom of a datastorm is the inability to successfully navigate to your desired destination on the net, or unacceptably slow progress in doing so.

What causes it? A datastorm occurs due to increasing demand for Internet service. The massive influx of new computer systems received over the holidays, many of which are now hooked up to the net, has helped. Many Internet Service Providers (ISPs) were not prepared for the sudden increase in usership and are now overwhelmed. Their limited band widths cannot handle the heavier load and their systems are degraded accordingly.

If you are experiencing problems accessing data with Unfair Advantage

or other Internet-related errors, ask your ISP about their band capacity. It isn't the raw number that matters, but the capacity relative to traffic. Ask how much capacity is available, and when it will be increased, if necessary. Don't use a company that is so eager to get business that they are willing to forego service.

Windows® NT and recent Windows® 95 versions include software that will help you prevent or track down the cause of communication problems. Tracer Route displays the various computer systems your Internet transmission goes through and shows where breaks in service occur. With this, UA subscribers can see if their calls are making their way to the CSI server. To use Tracer Route, first shell out to DOS, then type: *tracert csidata.com*. Ping is another utility that can help with your Internet transmissions. It bounces a signal all the way to your destination before attempting to transmit data. This test provides better quality control. To use Ping, first go to DOS, then type: *ping csidata.com*.

Pesky datastorms are causing some Unfair Advantage users problems with updates, even though CSI has an abundance of excess band width available and a fully functional server. We can check our system at any time to verify if a user requested data and if all packets were delivered.

Take heart, as this problem is always self-correcting. In time, the big blip on the supply-and-demand curve will even out as ISP companies add band width. In the meantime, when datastorms prevent you from accessing data via the Internet, consider dialing direct to retrieve your data. ♦



***The 1998 Commodity Alerts Calendar is now available for QuickTrieve users. It includes first and last trading days, first notice days, etc., as well as exchange holidays. The price is \$25, postage included. To order, please use the form on page 8 or call CSI at (800) 274-4727 or (561) 392-8663 with your User ID and credit card information.***

## Tech Talk

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*Each month in this column, our technical support staff presents topics of interest to many subscribers in a question-and-answer format. This month they address some frequently asked questions about Unfair Advantage.*

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**Q.** *I downloaded a Beta upgrade of Unfair Advantage from the CSI Web site, and have had trouble with some of my data ever since. The problem seems to be confined to contracts that are quoted in 32nds. Even after downloading a revised version as recommended, the problems remained. What should I do?*

**A.** We apologize for the problem you have had with this and reiterate our warning that Beta (preliminary test) versions are prone to errors. We inadvertently posted a beta version of UA that lacked the conversion factor for 32nds and posted a corrected copy as soon as the problem was noted. Simply installing the new version won't fix the problem, however. The data itself is fine, but your portfolio listing is now faulty. To restore a portfolio item, you must use UA's Portfolio Manager to first delete the commodity that doesn't work and then add it back to your portfolio. This process will capture the new conversion factor and eliminate the problem.

**Q.** *All of the commodities in my portfolio chart fine with Unfair Advantage, but when I try to analyze them with other software, some don't load properly. One example is the Australian (SFE) T-Bonds.*

**A.** The SFE T-Bond market is represented by two different commodity numbers. The prices for commodity #225 are quoted in 32nds and halves of 32nds, while those of #381 are presented in 32nds and quarters of 32nds. In this and other similar cases, it is likely the vendor did not make the required conversions to accommodate the unusual price presentations. Any time data won't chart in a third-party program, try it with UA. If it charts in CSI's software, the problem likely lies with the other vendor.

**Q.** *What is the DOS box that appears when building an Unfair Advantage back-adjusted chart?*

**A.** The new back-adjustment algorithm uses a Fortran executable to accommodate some direct I/O calls. This results in the text box displaying temporarily. Although we are reprogramming this as a DLL, we felt the minor cosmetic defect was not sufficient to delay the implementation of the enhanced back-adjustment algorithm. Version 1.61 corrects the problem, but can only be used with Windows 95 and Windows NT.

**Q.** *I downloaded a complete replacement copy of UA recently from the CSI web site. Upon installation, I found I had wiped out my portfolio. Is there a way to preserve a portfolio when replacing the software?*

**A.** Yes. The installation program offers an uninstall option (which you selected) that removes the software and everything you have done to customize it. Installing the new program without first uninstalling the old will preserve your portfolio and also your User Settings. This is the recommended action for users who are happy with their current settings.

If, however, you have had problems with your current version, it may be better to start with a clean directory. In this case, you can still preserve a copy of your portfolio. Use your Windows Explorer to drag and drop the file called *portfile.adm* from the UA directory into a temporary directory or onto a diskette. Proceed with the un-installation and installation of Unfair Advantage, then drag and drop *portfile.adm* back into your UA directory. This will preserve your portfolio and selected studies, but will require you to re-enter your User ID and Customer Number. ♦