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WHAT'S NEW - - -
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WHY TICK-BY-TICK DATA DOESN'T
PRODUCE LONG TERM PROFITS

Foreign Customers will soon be able to access CSI
 without subscribing to their local PTT.

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Customers interested in joining a CSI User Group, please
 read page 2.

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Additions to the Stock Data Base

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Deletions and changes to the Stock Data Base

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Stock Splits

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Four new commodities are added to our Data Base

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Whenever I am introduced to a new allegedly infallible system trading tool, I return to my statistical training to try to discover the author's misleading assumption that makes the approach a profitable investment tool. I can usually detect the so-called zero sum prospects of the approach and immediately dismiss it.

Tick-by-tick systems in general cannot work on a fixed investment basis because they are based on market noise or equivalent random market behavior. As a student of economic time series analysis, I can tell you that all markets can be reduced into four series components: cyclical, seasonal, trend, and irregular or random. Certain markets could possess a fifth component related to cycles and the global economy, but in general the four components are identifiable. The cyclical, seasonal and trend components have longer term predictive qualities. The irregular or random components are difficult to deal with and in fact you will be trapped by the inherent randomness about half of the time. When you subtract the commission cost of each decision-making experience, your chances of success depart significantly from 50%.

There are many very expensive services where the tick-by-tick or noise information can be purchased. To name a few: Futures Source, Commodity Quote Graphics, Tick Data, Commodity Communication Corporation, and Teltrac all sell the tick-by-tick noise data along with, in some cases, news and other information. The information offered by such quotation services is real and valuable information and represents the last meeting of the minds of the trading public as to a recent price. However, on a technical basis the information in the technical spectrum is considered to be noise. You can get the noise data and expensive computer hardware for fees ranging below \$200.00 to over \$3000.00 per month. You can get data that will form the more substantive cyclical, seasonal, and trend data from a service like CSI for fees around \$30.00 to perhaps \$100.00 per month.

Unfortunately, many users who are persuaded to sign longer term tick-by-tick data contracts do so because they

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believe that they are dealing in real time and therefore know before anyone else what is going to happen. Nothing can be further from the truth. I would venture to estimate that fully 90% consistently lose and that they lose it far faster than the regular long term trader who uses a service such as we offer here at CSI.

Another misconception is the real time claim. No one including the floor trader deals in real time. Everyone's information base on which decisions are made is from a few seconds to four or five minutes behind the market and all are dealing with history.

What the slick four-color-graphics vendors don't usually tell you is that their service is a historical data service and that all users and participants are separated and classified into two groups: recent winners who must pay a commission and recent losers who must pay a commission. If you are a tick-by-tick user, pose this question to your vendor, "For non brokers what is the longevity of the average account?" His answer will be that it is slightly more than the minimum contract period that is offered by the quote vendor. This should shed some light on the success rate of a service that sells the irregular (or noise) information.

We exclude brokers from the group because whether they trade their own account or not, they will generally earn commission income to pay for the quote service and support their business.

I was prompted to write on this topic this month because a friend who manages accounts deviated from an unexpected breakeven trading profile in his approach to the markets, in favor of a more aggressive short term approach. He was concerned that his conservative approach was not showing profits so he attempted to correct the problem by stepping over to a very short term tick-by-tick application. As a ten-year veteran of market trading, he quickly lost all of his customers' capital and most of his own money and is now out of business. He blames his market demise on the flash and fancy of the tick-by-tick service that was so expertly marketed.

I don't expect I have enlightened too many readers with this brief report, but if I have convinced those who believe shorter term trading could mean losing capital at a faster rate than I will have repaid myself for the few minutes I spent to bring you this message. Whatever your trading basis, all should exercise great caution in every market decision that is made.

FOREIGN CUSTOMER ACCESS IMPROVEMENTS

After a long wait, Telenet has finally provided us with NUI logon sequences for most foreign countries serviced by Telenet. Having received this information just before

press time, we are programming it into a series of dialog files to simplify access to our service from non-USA originations. The new accessing procedure will rotate between Telenet and Compunet to gain access on a collect-call-to-CSI basis. There will no longer be a requirement to pay your local PTT for long distance service.

The new QUICKTRIEVE[®] logic will be installed on our forthcoming QUICKTRIEVE 4.0 release. We do not have a date for the release, but it will definitely not be available until after August 1st.

CSI USER GROUP

We have had several requests recently for information on CSI User Groups. The majority of callers have expressed an interest in sharing experiences with the QUICKSTUDY[®] software. Although to our knowledge, no user groups are currently active, we'd like to help interested individuals get in touch with each other.

It isn't feasible for us to become actively involved in the creation of user groups or to be responsible for the actions of the members, but we will gladly publish a list of interested parties who may contact each other if desired.

If you are interested in participating in a CSI User Group, you may submit your name, address or phone number and primary interest to CSI for publication in the News Journal. Please send this information to the MARKETING DEPARTMENT by mail or subsystem, as requests cannot be accepted by phone.

Look for more information in subsequent issues of the CSI News Journal.

ADVERTISEMENTS ENCLOSED

We have enclosed advertisements for the following products and services: *The Video Course On Technical Analysis* published by the International Institute For Technical Research and presented by Martin J. Pring; *Consensus National Futures And Financial Weekly Magazine* and *Marketline* offered by Spectrum Analytical Systems, Inc.

CSI accepts advertisements to accompany our News Journal for the sole purpose of defraying postage costs.

ADDITIONS TO THE STOCK DATA BASE

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Cabletron Systems

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