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Worldly Wisdom from Global Market Indices

This is the first installment of a two-part series on international indices and their special value to traders.

When I first started trading commodities in the 1960s, and even in the '70s as a trading advisor, I designed investment plans that relied on examining and trading exclusively U.S.-based markets. That was the norm for individual investors and even more sophisticated advisors at the time. U.S. markets were *the* markets for international as well as domestic investors. As an American, I had little reason to look elsewhere for important financial trends or opportunities.

Now, what may have been a viable scenario in the past seems a myopic view. With the world economy exploding on nearly every shore and continent and in every capital, the informed trader must know which markets are key to a comprehensive understanding of the broad financial arena. Although dollar denominated markets remain extremely important, a portion of investment emphasis should shift to the significant emerging world markets. Now investors and analysts alike require information on our global economy to make decisions both at home and abroad.

I have followed this trend first hand by watching the CSI Data Base grow. Through its changing focus of markets, the data base acts as a barometer to the interests of traders. A decade ago it included only five stock index futures, all based on the

U.S. stock market and all traded in the U.S. Five years ago there were 12 stock index futures. One-third of which were based on overseas markets and traded on foreign shores. At this writing, of the 32 stock index futures the CSI Data Base holds, almost two-thirds are from overseas. Thirteen stand-alone overseas indices are also reported daily.

CSI takes a leadership role in bringing factual summary data on these global indices because we recognize their importance to traders. We begin storing data on new indices from the very day they are born.

Those that show promise through high volume, requests from our customers and media interest are offered on the data retrieval service.

An alphabetical listing of the stock index futures offered by CSI on a daily basis is shown on page 2. Those marked with a star are the ones I consider to be most important. Tracking and trading these indices in quantities reflected by opportunity, direction, and world importance may make it possible to round out your portfolio. Adding in foreign currencies and other world market products quoted in local currency units should make it possible for the savvy trader to maintain and improve his overall real net worth.

Each of the starred indices adds its own cast to the spectrum of

(continued on Page 4)



An Advisory Service is Born

CSI To Offer On-Line Stock Picks



"Timely information will be available weekly by modem and we plan to report on our progress and recommendations monthly in this Journal."

It has always been CSI's corporate objective to assist users in tracking and trading the markets by providing accurate and reliable market information. We are pleased to announce that we are about to expand our service to include on-line investment advice. As of around mid July, we will offer on-line trading recommendations generated through what we consider to be a superior trading system. We believe that in offering this service, made available by a team of long-standing CSI customers, we will be providing our users with an invaluable tool for building and protecting assets.

As we have mentioned many times in this journal, there appears to be an endless supply of vendors promoting money-earning opportunities. Certainly there is no shortage of investment advice for the would-be trader. What is sorely lacking is an honest and respectable source you can count on regardless of market direction. We believe that this system fills the void.

We made the decision to offer the advisory report after very considerable thought and in-depth testing of the results of the analytical model. Our decision to move forward is based on our confidence in the honesty and integrity of the managers, whom we believe will produce results that will be helpful in preserving and improving your capital position.

The testing effort took place over several months. We used our own evaluation tool, the Trading System Performance Evaluator™ (TSPE) and, where appropriate, we examined results with our Trader's Money Manager™ (TMM). We were left with no evidence to reject the hypothesis that the undisclosed algorithm used by the managers would succeed in practice. We simply analyzed the

results produced in both actual and simulated trading to arrive at our conclusion. Naturally, past performance - no matter how convincing - is not a guarantee of future profits, so one cannot be 100% certain of success. But we did do what we believed was prudent in checking the record. The producing algorithm has shown very positive potential.

Who developed the system and what is it all about?

A team of analysts/traders who have been very accurately calling explicit market turning points for years has agreed to work with us in making their recommendations available to CSI subscribers. Dr. David Johnson, a CSI customer for more than a decade, and his son, Samuel Johnson, a money manager for Wellfleet Capital, have joined forces with CSI to offer the same explicit advice on a collection of over fifty stocks and index futures. They have used their advisory expertise only privately until now.

Their system, labeled PPP (for Purchasing Power Preservation), is the fruition of about 20 years of actively trying to understand markets. Like many of us, they had a very bad experience in listening to advice from so-called experts. Theirs occurred during the bear market that ended in 1974. It was that bad experience that led them to find ways to restore and preserve their assets. David Johnson's market savvy and mathematical skills (he holds a Ph.D in Math) combined with Samuel Johnson's keen market sense and experience made a perfect combination for developing a trading system.

They approached the market in a variety of ways until they got something that worked empirically. After years of trying, they finally developed an algorithm that stood up to all

the verities of back testing and performed equally well in real trading. For the Johnsons, success was not a system. It was a process. Even now, PPP is actively traded and constantly tested and revised. Any future revisions to the algorithm used for the CSI trading signals will only be made after extensive testing in real time.

We will begin by first concentrating on the security markets then, as time and success allow, move for-

Here is your first report:

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	73.25		-3.00	
ABX	Amer Barrick Res		N					
AAPL	Apple Computer		N					
BEL	Bell Atlantic Corp		N					
BV	Blockbuster Ent.	6/13	RLS	27.5	27.75	-1.25		
BTY	British Telecom		N					
CS	Cabletron Sys	6/4	RLS	93.50	88.00	+5.50		
CAT	Caterpillar Inc		N					
CHV	Chevron Corp		N					
C	Chrysler Corp		N					
COMS	Three Com Corp		N					
CPQ	Compaq		N					
DIS	Disney	6/13	RLS	43.875	44.625	-.75		
DOW	Dow Chemical		N					
DD	DuPont		N					
XON	Exon Corp		N					
F	Ford Motor Co.	6/4	RLS	57.00	59.875	-2.88		
GE	Gen Elec	6/13	RLS	47.875	47.625	+25		
GM	Gen. Motors		N					
HWP	Hewlett-Packard	6/4	RLS	79.00	78.00	+1.00		
HD	Home Depot		N					
IBM	Int'l Bus Mach.		N					
INTC	Intel Corp.	6/4	RLS	63.00	60.00	+3.00		
IP	Int'l Paper	6/4	RLS	70.50	72.75	-.25		
LOTS	Lotus Development		N					
MMM	Minnesota Mining	6/13	RLS	51.50	51.00	+50		
MRK	Merck		N					
MSFT	Microsoft	6/13	RLS	52.625	53.00	-.38		
MOB	Mobil Corp		N					
JPM	Morgan (JP) & Co.	6/4	RLS	66.50	64.25	+2.25		
MOT	Motorola, Inc.	6/13	RLS	45.875	47.125	-1.25		
ODP	Office Depot		N					
MO	Philip Morris	6/13	RSB	50.00	50.375	+38		
PG	Procter & Gamble	6/13	RLS	55.625	55.625	+0		
TX	Texaco Inc.		N					
UTX	United Technologies	6/4	RLS	65.875	66.625	-.75		
WMT	Wal-Mart Stores		N					
TOTAL						+5.37	-3.00	

RECOMMENDATIONS

As of June 20th's market open.
 Current profit = \$2.37 per share*
 *Assumes a \$50 commission per trade per 100 shares or per contract round trip.

ward into the other futures markets, indices and more stocks. For the first few months, the service will be free to all users of QuickTrieve version 4.06 who request the signals from our Customer Service representatives. See page 8 for more information on QuickTrieve 4.06, which is scheduled for release in mid July. After we have proven ourselves over a period of time measured in months, a low and fair monthly fee will be charged for this exciting new service. Watch this journal for the transition date!

Timely information will be available weekly by modem and we plan to report on our progress and recommendations monthly in this Journal. We will not leave anything out and you can expect the same honesty in reporting (of good or bad results) as you have seen over more than two decades with our market information retrieval service.

The substance of the reporting will be available every Saturday morning through QuickTrieve and will be delivered with the same consistent reliability as our data service. The first report, based on market data through June 17, 1994, is shown below. The format is subject to change and the reporting frequency may eventually change to daily.

The Date column is the date a given position was taken at the opening price, the Position Price is the price at which a given position was entered, and the "Press Price" is the price of the stock or index on the day the Technical Journal went to the

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.

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Worldly Wisdom...

(continued from page 1)

AN INTRODUCTION:

The DAX Index, traded on the Deutsche Terminbörse (DTB), is based on 30 of Germany's top blue chip stocks. The contract size is 100 Deutschemarks times the index.

The CAC-40 Index, which trades on the MATIF (The Marche a Terme International de France), is based on 40 of France's top blue chip stocks. The contract size is 200 French Francs times the value of the Index.

The FTSE 100 (nicknamed the Footsie) is traded on the London International Financial Futures Exchange Ltd (LIFFE). It represents the Financial Times index of 100 top London stocks.

The Eurotop 100 Index, which represents the top 100 European stocks from among nine countries, is often overlooked. With futures traded at both Comex and the Amsterdam Financial Futures Market, it provides a distinctly European forum for investors on both sides of the Atlantic. The Eurotop 100 is formulated with each country having a disproportionate weight, depending on the number of included companies based there. The United Kingdom, for example, demands 22% of the overall weight because 22 Eurotop 100 stocks are headquartered there. This single series provides a good representative reading for all European markets.

Trading the Eurotop 100 gives you an opportunity to share in the fortunes of European stocks in general. A careful analysis of the index and its other international counterparts can help you determine if doing so would be profitable. If, for example, you have good reason to believe that Great Britain will outpace other European financial capitals, then consider the FTSE 100 as an investment vehicle instead of the Eurotop 100.

important international financial information. Those indices which are not marked with a star are of lesser importance, but could eventually find their way to the list of prominent global indices. For more information on the many index markets, please consult a current version of the CSI Commodity Data Bank Fact Sheet.

Although some stock indices are broadly based, such as the New York Stock Exchange Composite Index which represents the general business climate in the U.S., the smaller based indices allow the investor or analyst to focus on specific areas of interest. For example, the NYSE Utility index focuses on just utility stocks; The Johannesburg Gold Index is just gold; The Oil and Gas index...you get the idea.

Where an index does not exist for a market group or an industry group, look to CSI's large data base of approximately 600 selected mutual funds. Coverage includes the popular Fidelity Funds, which are sometimes used like indices for analysis. The Fidelity Overseas Fund, for example, can help you follow and capitalize on overseas trends. The Fidelity Select funds of technological classes such as consumer products, savings & loan, computers, health care, environmental, energy, biotech, etc., can be consulted for diversification in a portfolio.

Using such groups of funds as a proxy for a revealing index gives you an easy way to invest in many companies that may be poised for major moves due to certain economic or business conditions. Investing in several such funds allows for economic portfolio diversification. Check CSI's comprehensive offerings of thousands of stocks and funds for more information on these extraordinary trading opportunities.

As noted in the July and August

1993 CSI Technical Journals, indices can be computed on groups of security and commodity markets. These may be perceived as leading indicators for formal indices or other individual markets as a whole. Of course you can't easily trade an index that is computed on this basis, but the information can be of undisputed value in trading your account.

Please see next month's CSI Technical Journal for information on how index values can help you make money in the markets. ♦

Bob Pelletier

INDEX FUTURES

☆ All Ordinaries Index (Sydney)	230	YIX
Bel 20 Index (Belgium Belfox)	342	BFX
☆ CAC-40 Index (Paris MATIF)	079	FCH
☆ CRB Index (New York)	101	CR
☆ DAX Index (German DTB)	131	FDX
Dutch Stock Index (EOE)	320	EOE
Eurotop 100 Index (Comex)	277	ER
☆ Eurotop 100 Index (Amsterdam FTA)	322	EUR
☆ FTSE 100 Stock Index (London)	209	FFI
FTSE 100 Stock Index (CME)	106	FI
FTSE 250 Stock Index (London)	347	FMC
☆ Hang Seng Index (Hong Kong)	119	HSI
☆ IBEX 35 Index (Spain)	331	MFJ
KFX Stock Index (Copenhagen)	329	KFX
☆ Major Market Index (CBT)	258	BC
☆ Nikkei 225 Index (Singapore)	248	SSI
Nikkei 225 Index (CME)	99	NK
NYSE Utility Index (New York)	285	YU
☆ NYSE Composite Index (New York)	151	YX
NZSE 40 Capital SBI (New Zealand)	314	NFI
OMX Index (Stockholm)	319	OMX
Russell 2000 Stock Index (CME)	102	RL
☆ S&P 500 Stock Index (IMM)	149	SP
S&P 400 Midcap (IMM)	104	MD
☆ Swiss Market Index (Zurich)	214	SWI
Topix (Tokyo)	157	JTI
☆ Toronto 35 Stock Index (Toronto)	156	TXF
☆ U.S. Dollar Index (New York)	263	DX**
Value Line Index (Kansas City)	143	KV

**The U.S. Dollar is not a stock index, but is worthy of study.

An Advisory...

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printer. The Press Price in the electronically collected file will represent the closing price for the most recent Friday. The dollar Per Share Gain is a positive or negative gain amount from the position price to the press price for one share or contract. ♦

Correction:

On page 2 of the June '94 CSI Technical Journal, in the paragraph titled "Adding in Chaos Principles" we should have stated: "No single input is required to exist in an independent state and each input may alternately,

at seemingly random points, take on causal or resulting (nonrandom) properties depending upon the sequence and relationship of other elements at given points in time." ♦

Holiday Schedule

CSI will be closed for voice communication on Monday, July 4th for the Independence Day holiday. The CSI host computer will be accessible as usual throughout the holiday weekend. ♦



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
 Ship version 1.5.2 when available
- 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*

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

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