

PRODUCT REVIEW

Futures data by subscription

Unfair Advantage

Version 1.54

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Product: Worldwide futures data updated by Internet or phone link.

Price: \$150 setup plus \$312 per year, North American markets; \$199 plus \$468 per year, world markets.

Equipment requirements: IBM-PC compatible 386 or faster with CD-ROM drive, 8 MB RAM, VGA monitor, mouse, modem and 42 MB of hard disk space. Runs under Windows 3.1, NT and 95.

by John Sweeney

Diversifying your futures portfolio is tougher to do than it is for equities, where thousands of choices abound. Still, the playing field is expanding, with all the new futures contracts and developing exchanges worldwide. The problem is finding out what's going on out there and doing so economically. One solution is CSI's Unfair Advantage, which practically lets you download the world (plus its history).

With Unfair Advantage, you can download end-of-day data via the Internet (provided you have access through an Internet service provider) or modem. It takes three or four minutes or so on a T1 line, thanks to proprietary technology that achieves compression ratios of up to 20 to 1 for the master database held locally, compared with the more typical 2 to 1 squeeze jobs. Building files takes anywhere from a minute to five minutes, depending on

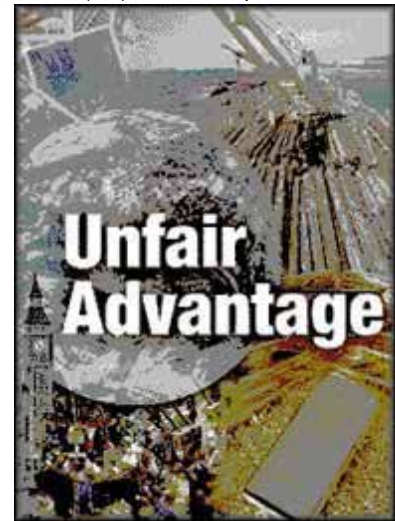
how many items you're actively tracking. You get all the data from yesterday (retransmitted for refresh), corrections for exchange errors and revisions plus any data errors, plus all of today's data.

DATABASE

This first edition of Unfair Advantage focuses on commodities worldwide. It holds all the contracts for hundreds of world commodities, back to 1949 in some cases, and provides for updating all current contracts worldwide. Futures options, equities, stock options, mutual funds and economic data are scheduled for future editions. Company data isn't on the worklist currently, and because it would be redundant to do so, Unfair Advantage does not update CSI's own QuickTrieve datafiles.

Data is posted eight times a day to the Florida database as the world revolves and different exchanges report in. Everything in the commodity, cash and futures arena is generally wrapped up and available by 6:30 p.m. Eastern Time. However, when you download, you get not only today's action but yesterday's, just in case you previously downloaded before everything was reported. Then Unfair Advantage updates all of the previous day's numbers that are missing, updates all previous errors, and posts today's numbers as well. Whether you download by phone or by Internet access, the database is up 24 hours a day.

Take my advice when setting up your database: Deal carefully with the power that CSI gives you to adjust your data to reflect reality at the exchanges. Many traders don't know that exchanges routinely adjust open and settlement prices by their own rules, rules that may not appear to make sense. For example, the settlement can be outside the actual daily



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range of trading. CSI allows you during setup to specify how you want your data manipulated and stored. If you want to know what actually happened, that's one choice. If you want to paint charts where all fields connect, that's another choice. Choose intelligently.

Similarly, you can specify that the data be kept in daily, weekly or monthly format, or all three. Compression on the fly is supported through the view menu by selecting "period" and clicking on your choice.

I mentioned the unique CSI error corrections earlier. Errors creep into reported data from the exchanges, from the electronics, and from vendors. Exchanges revise data and, in CSI's case, they often make corrections from CSI's callbacks about anomalies it finds. Most services will correct errors brought to their attention, but nobody retransmits the corrected data except CSI. They do it routinely with a staff of 10 error-checkers, making your data as clean as possible. Plus, wonder of wonders, they actually publish the corrections in the journal you get with the service, *The CSI Technical Journal*. How's that for disclosure?

You definitely pay a price for not having this capability, since you can get mountains of cheap, unrevised data. The question, as always: What do you want to risk your money on?

The database also comes with fact sheets that describe the commodity con-

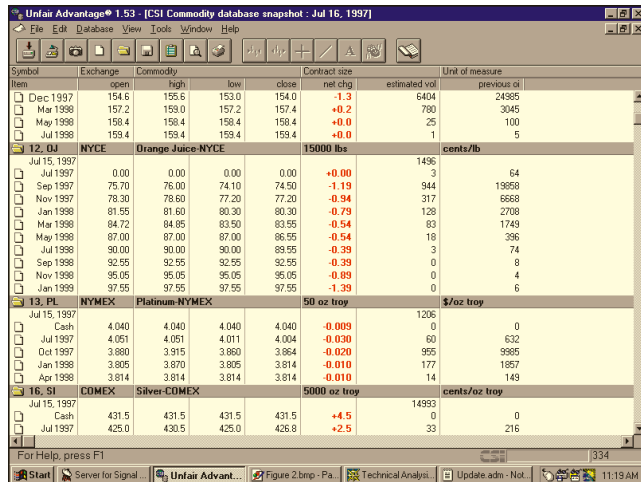


FIGURE 1: TABULAR REPORTS. Orange juice bounced around \$0.50 to \$1.20 a day. Unfair Advantage displays the day's action across all contracts in tables as well as graphs.



FIGURE 2: OATS. Oats faded steadily in mid-1997. Charting with Unfair Advantage is quick and crisp. Drawing and data readout plus averages, RSI, stochastics, basis, spread, and the seasonal index are supported.

tracts, the exchange abbreviations, holidays worldwide since 1945, and alert dates (reports, first notice days, holidays and so forth for the year). The database values can also be adjusted if, for example, Eurodollars split the value of a tick or the exchanges make some other adjustment in the value of a contract. Finally, if you *do* find a data error and can make an intelligent correction, you can do so from the graphs, the most likely place to find it, with a built-in graphic editor. Don't forget to notify CSI so they can fix it for everyone.

INSPECTION

Though it's been solicited for licensing and/or sale, CSI's proprietary (and carefully protected) compression scheme is, for now, the only service that can deliver this volume of data in a reasonable time. The data can be displayed tabularly (Figure 1) (or graphically) in the unique order of the user's portfolio selection sequence. These numbers, assigned over the years as futures trading grew, have now no discernible order. You are left to scroll through the window to find the contracts of interest, an exercise you'll

quickly learn to hate. Once you do find the commodity you want, you can't, as I expected, click on it and chart it. Instead, you must close the table and open the graphing module, remembering the CSI commodity number, symbol or name to chart what you want.

Nearly everyone prefers to inspect their data in graphic format. When you summon the graphs, you get a window that highlights more of CSI's proprietary capabilities (Figure 3). CSI is known for its continuous contracts, features that, by themselves, make CSI the

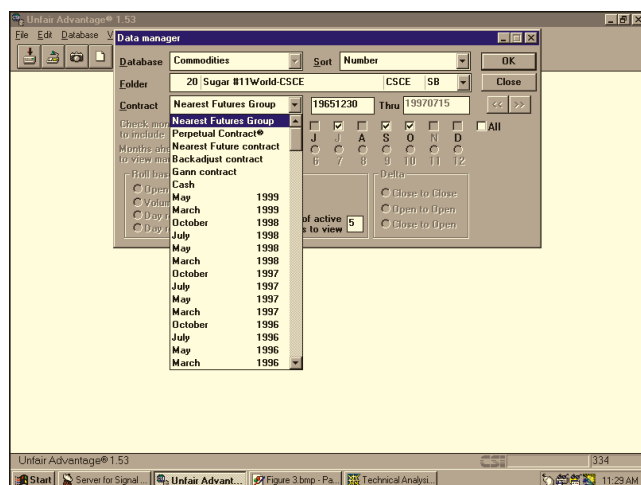


FIGURE 3: CONTINUOUS CONTRACTS. CSI offers you five different types of continuous contracts. Prized by traders for their statistical ability, CSI's continuous contracts are proprietary creations available nowhere else.

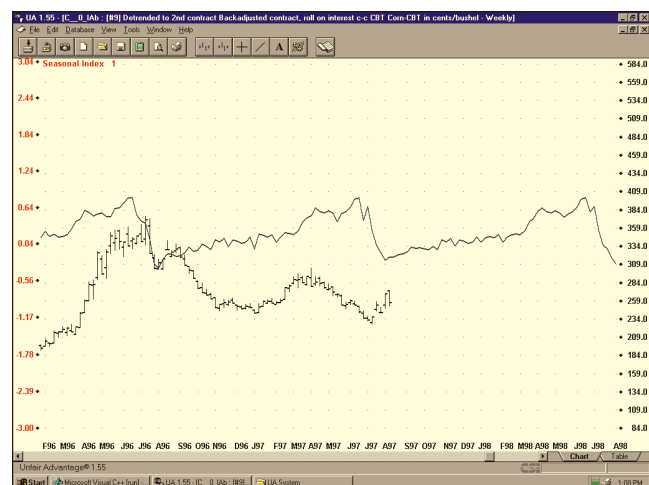


FIGURE 4: SEASONAL INDEX. 1997 corn follow their historical seasonality. CSI's proprietary display of the seasonal index for a contract is one of the most valuable trading indicators in Unfair Advantage.

supplier of choice for many traders. Figure 3 shows five choices: nearest futures, perpetual, back-adjusted and Gann. (See sidebar “Continuity.”) Note, too, the availability of cash prices. Where these are available, CSI supplies them along with everything else and, while they don’t make great graph fodder, cash values are essential for following hard commodities and their basis.

Unfair Advantage maintains data not only in CSI format but in MetaStock and ASCII formats, your choice. If that won’t do it for you, how about dBase format, Lotus, Excel, Paradox, Quattro, Access or ProTrader? All these are available, and most every customer will select one or more. If you have files in these structures already, Unfair Advantage won’t start updating them — why should it when all the data you already have is already in the Unfair Advantage database? Come to think of it, why are you updating your old files anyway? You can have Unfair Advantage maintain the format you want and access it with your current analytical software just as easily.

GRAPHICS

Unfair Advantage graphics are quick and crisply drawn. A lower window allows the display of things that are not to the same scale as the price chart. Annotation of the charts is supported by text and line drawings that display the angle of the line. You may read the value of the displays from a crosshair readout. Unfair Advantage also allows you to save the graphics themselves (without the surrounding screen clutter) in BMP format for use in other programs (Figure 2).

Unique to CSI’s display is the basis and seasonal index graph. Best displayed below price, the seasonality for seasonally related contracts is an informative guide to the bias of price action. Figure 4 is a good example of this working out for corn in 1997.

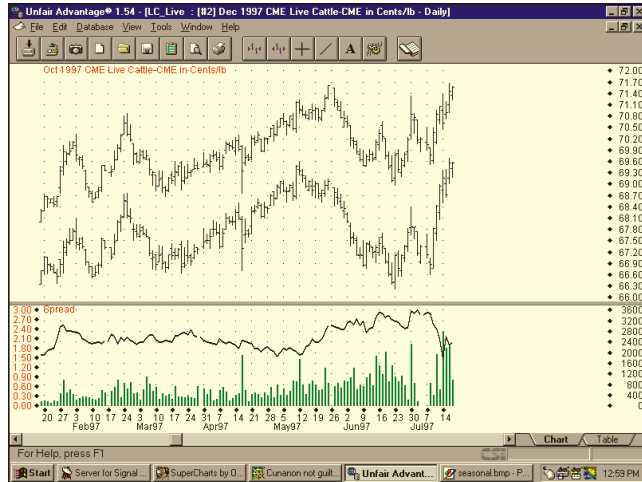


FIGURE 5: SPREADS. The cattle spread becomes a playable artifact for knowledgeable traders in 1997. Unfair Advantage’s drag-and-drop function puts two charts on one, after which the spread can be displayed in the lower graph.

CSI also provides as indicators spread and basis. Since the database has all the contracts and the cash values as well, it can rapidly compute these elements of commodity trading on the fly. This is a unique data feature available elsewhere in other packages only at greater cost and trouble. Though not documented in the manual, you invoke spread by dragging the prices of one chart to that of another (Figure 5).

Data — not graphics — are the point of this program, but frankly, this version of Unfair Advantage has minor bugs in the graphics. They don’t crash the program, and what you get is good for a quick look or seeing the basis or spread; just don’t go wild clicking all the options. Most users won’t even look at the Unfair Advantage graphics; they’ll use their own analytical software on the numbers.

SUPPORT

Unfair Advantage comes with a 65-page manual that lacks an index and

thus some utility. On the plus side, it’s very practically oriented to what traders truly face, and in that sense, is professionally useful. Technical support is typically a callback procedure, usually within two or three hours. Unfair Advantage being a new product, you may even end up talking directly to the developer, who is an open, cheerful soul named Josh (E-mail: josh@csidata.com).

SUMMARY

Ah, pioneering! So seldom does a truly new tool come along that we aren’t used to finding it in the hands of the actual developer. Unfair Advantage is the cat’s pajamas for futures traders who want to have the world at their fingertips for finding trades or doing historical testing. Such folks won’t have any second thoughts about signing up for Unfair Advantage.

John Sweeney is Technical Editor for STOCKS & COMMODITIES.



S&C

CONTINUITY

The fact that contracts expire is a constant problem faced by futures traders. How, then, to run the analysis and testing of trading ideas over long periods? For analytical convenience, not from any relation to reality, traders have created continuous time series from the many distinct contracts. How far from reality have we gone by this creation?

CSI, perhaps because of the statistical bent of its founder, Bob Pelletier, is one of the few data services that routinely creates and delivers continuous contracts constructed to meet the needs of four distinct groups of traders. Plotted below for your inspection are the results of these procedures for Chicago Board of Trade (CBOT) wheat.—*J.S.*

Nearest Futures — This concept sounds simple: just give me the price of the nearby contract. However, traders differ on what the nearby is because trading volume (and interest) may differ by month. The nominal nearby contract may have less volume than the next contract further out. CSI meets this need for diversity by allowing you to specify which contracts (that is, which delivery months) are to be used. For example, you could specify March, May, July, September and December for CBOT wheat. Plus, you can specify the day and relative month of rollforward (sidebar Figure 1).

Gann Concatenation — Here, the concept is peculiar to Gann's followers: show the last entire year of a specific contract and concatenate many years together. CSI lets you pick the contract to be used and the rollover time (sidebar Figure 2).

Perpetual Contracts — These CSI innovations were the first publicly offered and have been consistently popular since 1970. They are "a time-weighted average price of the two active contracts that lie earlier and later than a fixed number of days and months ahead of the current date." By this artifice, they achieve statistical stationarity (their behavior doesn't change) but they cannot, of course, be traded directly, except in the case of some forward contracts offered by the London Metals Exchange (sidebar Figure 3).

Back-Adjusted Contracts — It didn't take long for traders to decide today's price was most important and adjust all past values in relation to that. This eliminated the gaps between contract prices but sometimes causes past prices to be very different from current prices, even going negative in some instances.

CSI lets you specify the delivery months and rolling on dates, volume or open interest. The amount of adjustment can be set on the differences in closes, the opens, or the close to open (sidebar Figure 4). Along this same line, some traders want to adjust the current prices rather than the past prices. This is called forward-adjusting and is also accommodated in Unfair Advantage.

CSI also allows you to specify how you want to handle quirks, like exchanges setting the settlement price outside the daily trading range. (Yes, this happens regularly and you should understand it if you are doing historical testing with your data.) CSI is the only data service that allows you to manage this and other problems on a custom basis.

Click on help in the Analysis indicators box and nothing happens. You can click and have two indicators highlighted — parameters for one or none are shown.



SIDEBAR FIGURE 1: CBOT WHEAT, NEAREST FUTURES. Rolled on the first day of expiration month.



SIDEBAR FIGURE 2: CBOT WHEAT, GANN CONCATENATION. Rolled on the first day of the expiration month.



SIDEBAR FIGURE 3: CBOT WHEAT, PERPETUAL CONTRACT. Ninety days forward from present.



SIDEBAR FIGURE 4: CBOT WHEAT, BACK-ADJUSTED. Rolls fifth day of the first month prior to expiration.