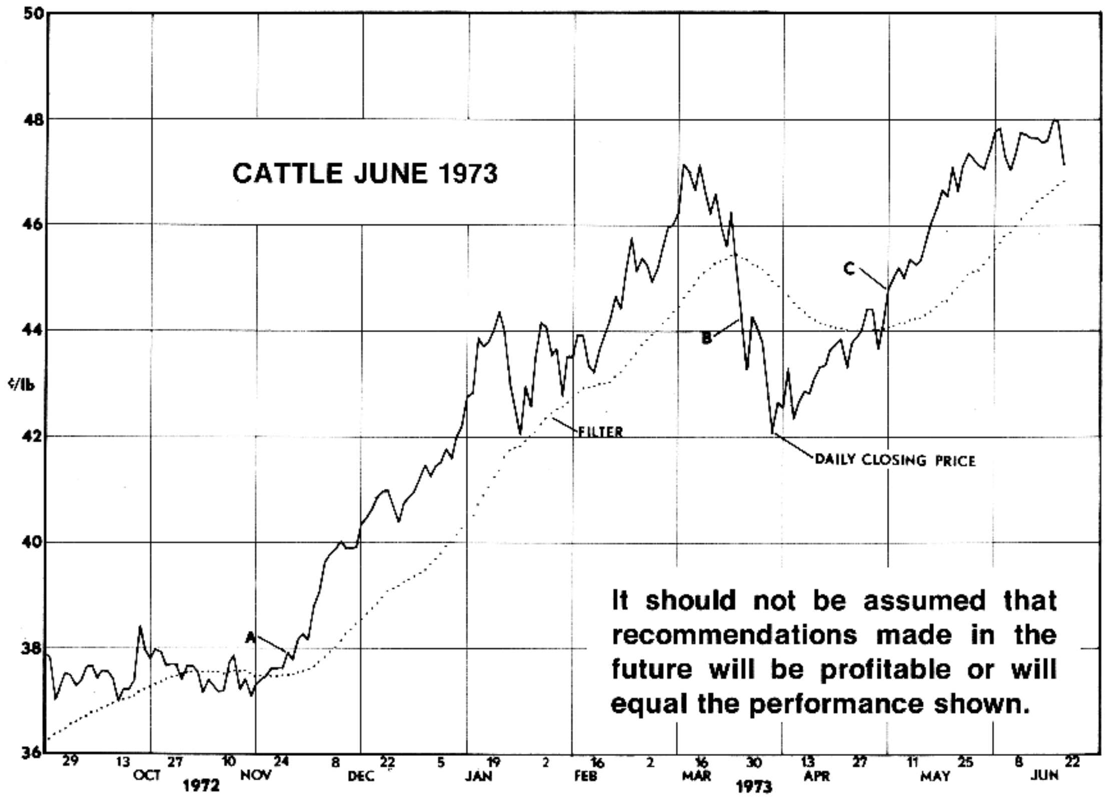
A Simplified Graphic Illustration of CCTS trading of the Cattle Market



The largest and most consistent profits in commodity futures trading are made by trading with the major trends of long-term moves. If a trading system can consistently profit from major trends, while limiting losses in choppy or whipsaw markets, then its long-range success is assured. The central problem in a scientific approach to trading is to determine what the major trend in a market really is.

The filtering average shown in the chart above by the dotted line is generated by mathematical formulas which analyze market price data and filter out the short-term choppy price movements. It indicates the long-term trend of prices as it moves up and down. Once these mathematical systems are able to determine the major trend of price movements, they can also be made to determine the points at which trends end or reverse. They can then be further advanced to indicate the points at which to buy and sell to take advantage of the major trend.

A simplified example as shown in the chart above would be a purchase of cattle as the price level advanced at Point A. From December to March the market rises in a strong bull market until prices break off sharply at the end of March. The mathematical systems sense this change of trend and sell out the original purchase with a good profit at Point B. Sensing a true change of trend, they also indicate a short sale of cattle at this point. The price of cattle drops until mid-April when it reverses sharply without allowing the system to capitalize on its short sale profit. At point C the system determines that this price advance is not merely a strong rally in a bear market, but a true change of trend. The short sale made at Point B is bought back and covered with a loss. Since the system determines that this advance is the possible beginning of a bull market a new purchase of cattle is made at Point C. The accuracy of the system's analysis is rewarded as prices continue to advance again, remaining in the bull trend till the option expires.

The gain realized from the original purchase made at Point A to the end of this contract amounts to a profit of nearly 280% on the required margin. This large profit was made by following the long-term trend of the market and not on the short-term price swings. The frustrating period of small losses or of small profits given back to the market, as typified in the trade from B to C, is amply rewarded by the large overall profits realized by this long-term trend-following approach to trading.

This is a simplified example of CCTS cattle market trading. Actual trades in the market are listed below.