

PRODUCT REVIEW

Dual Thrust System

Trading System For Seven Markets

UNIVERSAL TECHNICAL SYSTEMS

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Product: A stop-and-reversal trading methodology for Treasury bonds, the Standard & Poor's 500 and five other futures contracts.

Equipment requirements: IBM-compatible PC 286 or later, 200K RAM, 5 MB hard disk space. CGA or later graphics or monochrome monitor. Modem if you download data. Can also run as an indicator and system add-on to TradeStation. Data in Technical Tools or ASCII formats in contract-month segments.

Price: \$4,995

by John Sweeney

At STOCKS & COMMODITIES, we rarely look at products for which the trading methodology isn't disclosed to the user, and trading systems often aren't. With our "how-to" focus, we're interested in learning something as well as making money. Further, reviewing systems can take many months and many resources. Given that, however, we're as enthusiastic as anyone to see a fully disclosed, historically successful trading system with a published track record. Such is registered CTA Michael Chalek's Dual Thrust System, although the version we received only has a track record since being reworked in March 1997. Onscreen, the program is labeled as version 1.0.

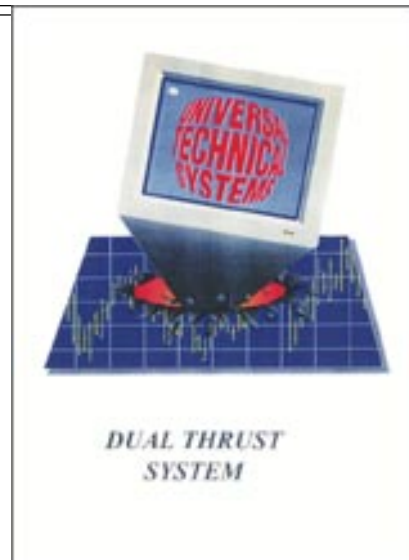
We received Dual Thrust in two versions: DOS and TradeStation. If you have the TradeStation version, any data you can get into TradeStation, which is just about any data format, can be traded using Dual Thrust. Plus, you can try out TradeStation's stop and optimization techniques. Either way, after you install the program, you plug a hardware key into your printer port, reattaching the printer cord to the key.

Data required is the current active month's actual data, so first, you must acquire that data to backtest and trade, and second, you must test each contract individually to handle rollover effects. (A rollover version of Dual Thrust facilitates this.) Once you're actively trading, you'll need to update the data at the end of each trading day, paying particular attention that the opening price in your download is actually the first trade you saw that day.

TRACK RECORD

Dual Thrust has been around for a while. First published in 1986, it's been tracked in real time since then by *Futures Truth*, where it's been in and out of the list of the top 10 systems since release many times. (As I write this in June 1998, it was sixth out of 110 for the last 12 months' performance.) In March 1997, the system was reconfigured slightly and reoptimized for four parameters instead of two. Items traded remained the same. It's a simple, and therefore robust, stop-and-reverse methodology that requires constancy to trade through some spectacular drawdowns during flat periods.

Since Dual Thrust is always in the market, it does best with trending



Dual Thrust is a fully disclosed trading system with a long track record for trading energy, rates, currencies, equities and coffee.

tradables. It was originally designed to work with bonds, the Standard & Poor's 500 index, Swiss francs, heating oil, leaded gas, crude oil, and — get this — coffee. Given the correlations in the energy complex, this often reduces to energy, rates, currencies, equities and coffee — an interesting trading universe.

As a result, Dual Thrust's results since release (Figure 1) reflect the relative amount of time these arenas have spent trending. Clearly, picking the right markets is as important here as with any trend-riding trading strategy. By trading all five major areas, adequate, even spectacular returns would have come

Market	Ranking among systems trading this market	% change on min. required capitalization since release
S&P 500	2 of 40	248.0%
Coffee	2 of 24	498.3%
Crude oil	12 of 13	-26.8%
Treasury bonds	28 of 39	-21.7%
Swiss franc	2 of 25	498.3%

FIGURE 1: FUTURES TRUTH RANKING. This ranking in *Futures Truth* newsletter of April/May 1998, pages 12-13, shows how Dual Thrust performed in various markets against other systems. These rankings and returns change every issue.

from the total portfolio, with good markets offsetting poor markets. It's worth noting that the logic is not specific to any given market.

What's required of you? Each day, you must set a stop-reverse point and enter an order. You must be around at the opening to do this (unless your broker is executing for you), since that information is essential. Computations aren't difficult, and developer Chalek even provides for manual input of data in the DOS version. Intraday, TradeStation takes care of everything, though you should be careful to set up your data for daily session only and for the opening trade rather than the opening trading range.

With that bit of supervision and activity, you're off and running. Expect to execute four to eight times per month in each market. I found Dual Thrust users to be a pretty intense lot and generally were trading at least those seven markets, often many more. However, once orders are in, there's nothing left to do the rest of the day.

EQUITY CURVE

Generally speaking, equity curves are supposed to be smoothly rising affairs, a tribute to the trading system. More often, equity curves are dependent on the number of markets used and the trendiness of those markets. Since Dual Thrust makes no concessions to market behavior once its parameters are set, your equity curve will experience long periods of relatively flat inactivity interspersed by wild exhilaration or despair, depending on what the markets are doing. Its novel trading entry always gets it on board a trend, as well as many twitches that don't turn out to be trends. It's always probing for that longer ride.

Users especially liked the system because, they claimed, the same set of parameters could be employed in virtually any market, obviating any concern about fitting to a particular market. This approach, however, contradicts the developer's insight that trading trending markets is a key factor.

USAGE

On a daily basis, using the DOS version, you wait until the day's data is in your datafile, double-check and correct the opening price, then run the program on each tradable. Vastly more convenient is the TradeStation version, which has an Expert Commentary with the signals for tomorrow as soon as today's bar is closed. Several users have noticed that there is a bug with the expert commentary on the last bar. Sometimes it will give you erroneous signals for the next day, and Omega Research tech support has been alerted to this.

Although the manual states that default parameters are provided, nothing is in fact shown onscreen when you run the Analyze Data option. Instead, refer to the description in the manual for the recommended parameters, without which the program is useless.

In Dual Thrust, you get your trading signals in English; for example, you would be instructed to "Reverse the long position and go short at open + \$xxx.xx." The next morning, you simply compute the price and send in your order.

Since the program has been around quite a while, it still has some hangovers from the DOS days. Indeed, it can still be run from two floppies if you have the two drives. If you go the DOS

route, be prepared to spend a lot of time with the old tasks of acquiring and preparing datafiles for inspection by Dual Thrust. The program is sensitive to specific formatting of end-of-the-day data. You only need to make sure that the date, open, high, low and close are separated by commas only. It will be up to you to remember and enter recurrently the filenames (remember such names as "Sp__92u.prn"?), point moves, dollar value and the data you want to test.

Dual Thrust has an unusually long track record of flourishing in trendy markets.

On input, you can't back up if you make a mistake, nor can you escape from a process you've started (except for the optimization process). The program may read perpetual or continuous datafiles, but the rollover version allows the user to more accurately emulate backtesting with actual contract data. Graphics, too, belong to an earlier age (Figure 2). In addition, I found it to occasionally freeze when running under Windows 95.



FIGURE 2: SIGNALS. An active trader in the current S&P market tries to find a reaction that will trend in the S&P in early 1992. The system trades four to eight times a month in each of seven designated markets.

Helping with backtesting is a rollover version of the program. In this version, if the files are named systematically, it can apparently test through any number of sequential contracts. This version allows you to specify rollover days so you get results close to what you'd actually experience.

OPTIMIZATION

It won't be long before you wonder if other parameters besides the four that are built in merit consideration. Embedded in the program is an optimization routine for the four parameters. With four you can quickly generate an amazing number of runs, but not to worry: The program, running in DOS, is extremely fast. I zipped through 2,500 alternatives in five minutes on a single, year-long datafile.

Onscreen, you get only the best profit result, along with the values of the four input variables. However, the program provides an ASCII file from the optimization with a summary line containing 17 different trading statistics for each input variable set. This comma-delimited file can then be exported into a spreadsheet such as Excel for further in-depth analysis. If you are not running in the optimize mode, the program will automatically generate two ASCII files,

one of which is a system report, very similar to TradeStation format. In fact, this report generates the dates for the drawdown period and an equity flat time with dates, something TradeStation does not supply. The other one is a trade-by-trade report that can be read into a spreadsheet format.

SUPPORT

E-mail came back in 24 hours. I left a message after trading hours on the toll-free number and got a response back early the next day. However, during trading hours, tech support was readily available. The 48-page manual, which includes two updated addenda, is devoted to explaining the menus and the methodology itself. It also includes a detailed trading track record for the Standard & Poor's 500 index and a large appendix showing a monthly trade report with graphical equity curves for each of the seven markets from 1983 to 1997.

SUMMARY

Chalek also offers a daily fax service covering 11 US markets and seven European markets. He has real-time trading results stemming from August 1997. Dual Thrust has an unusually long track record of flourishing in trendy markets.

The 90% of traders in the world who wash out should be as lucky. They'll probably kick themselves for not coming up with this methodology, but the truth is, you'll need discipline to trade Dual Thrust, as developer Chalek frankly states. You must not only purchase the system but be there 252 days a year and execute when the time comes. Another thing you'll need is adequate capital. You need it to trade all the markets recommended and absorb the initial losses, which, perversity dictates, will come as you start. Nevertheless, 13 years of actual trading experience indicates things can work out well if you follow through.

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RESOURCES

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