

# TOP TRADER INSIGHT

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## PROFILE OF EDWARD TWARDUS

Edward Twardus finished second in the futures division of the 1987 one year competition, up 805.1%. In the 1988 February 1 - June 1 competition, he finished first, up 245.3%

Edward was born in Poland, and came to Canada in 1972. He received a masters in Mechanical Engineering from the University of Waterloo, then stayed at Waterloo for two years to do research in combustion and pollution control. He currently runs an oil spill control consulting company. Edward has thirty published papers and several patents.

Ten years of losing money trading futures prompted Edward to read virtually every book on the subject, check numerous systems, and ultimately, to write his own program. He has tested most "systems" on four years of data for thirty different commodities. To test the moving average system

(buy when the price moves above the x-day moving average, sell when the price moves below the x-day moving average), he looked at all moving averages from 3 days to 50 days. He found that most of the well known systems, such as moving averages, momentum, the relative strength index, stochastics, key reversals, etc., do not work. Of the well known methods, he found that parabolics give the best results.

Edward combines volume, open interest, and the rate of price change to determine the amount of "energy" in a move. He goes with the most powerful surges. Edward is essentially a long term technical trader. When he finds a move of sufficient "energy," he stays with it. He recommends the book, "How to Make Profits in Commodities" by W.D. Gann, and "The Professional Commodity Trader" by Stanley Kroll.



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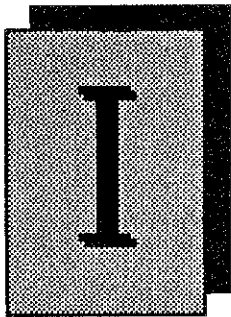
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# TRADING ADVISOR

## THE TRADER'S NEWSLETTER & PRIMER

### Profile: TWARDUS INVESTMENT COMPANY

Edward Twardus, Sole Proprietor



In some ways technical analysis is like participant observation. You choose the setting—or parameters—then you sit back and watch.

But simply sitting and watching isn't enough for technical trader Edward Twardus. He applies about 15 to 20 percent human discretion to his firm's technical and computer analysis. And the results are

impressive.

In 1987 Twardus placed second in the U.S. Investing Championship; in 1988 he won the U.S. Trading Championship. This year, he's in sixth place. The finalist will be announced the end of December.

Twardus' human discretion includes such things as risk analysis plus whether markets are overbought or oversold.

For example, a client may be long in Swiss Francs prior to the trade deficit figures coming out. The system indicates Twardus should go short. But the market looks too oversold to go short, so Twardus may go flat and override the signal.

"My trading program is composed of two parts—short term and long term," said Twardus. "And in the long term, the discretion is very important. I use the computer to analyze the data but the computer does not make the decision. In the short term, when I see probability of a trade is not the highest, I'll skip it."

#### Trading Method

Ontario, Canada-based Twardus Investment Company employs technical and computer analysis to select market positions.

The trading method consists of two completely different sub-programs: a) long-term strategy; b) short-term strategy.

Long term identifies high probability trade potential and when that happens multiple positions are taken in the markets, which could be accumulated over one to four weeks. After accumulation of positions (long or short) is completed, the strategy is to stay in the market until exit

signals are transmitted. Since trading signals are infrequent, between long-term signals, the short-term strategy will also be used in combination with the long-term strategy.

The short-term trading method will only be used on the following group of commodities: financial futures, foreign currencies, energy and metals, coffee, and soybeans.

In contrast, the long-term strategy may position itself in any of the liquid commodities.

"The trading method used by the Advisor is based on proprietary technical and computer analysis," said Twardus. "It is not based on an analysis of fundamental supply and demand factors, general economic factors, or anticipated world events. It is exclusively a trend-related method and commodity ranking strategy which selects the market positions."

The minimum account size is \$25,000 and would average 60 round turns a year. A fully diversified account would require equity of \$100,000 and would average approximately 400 round turns a year.

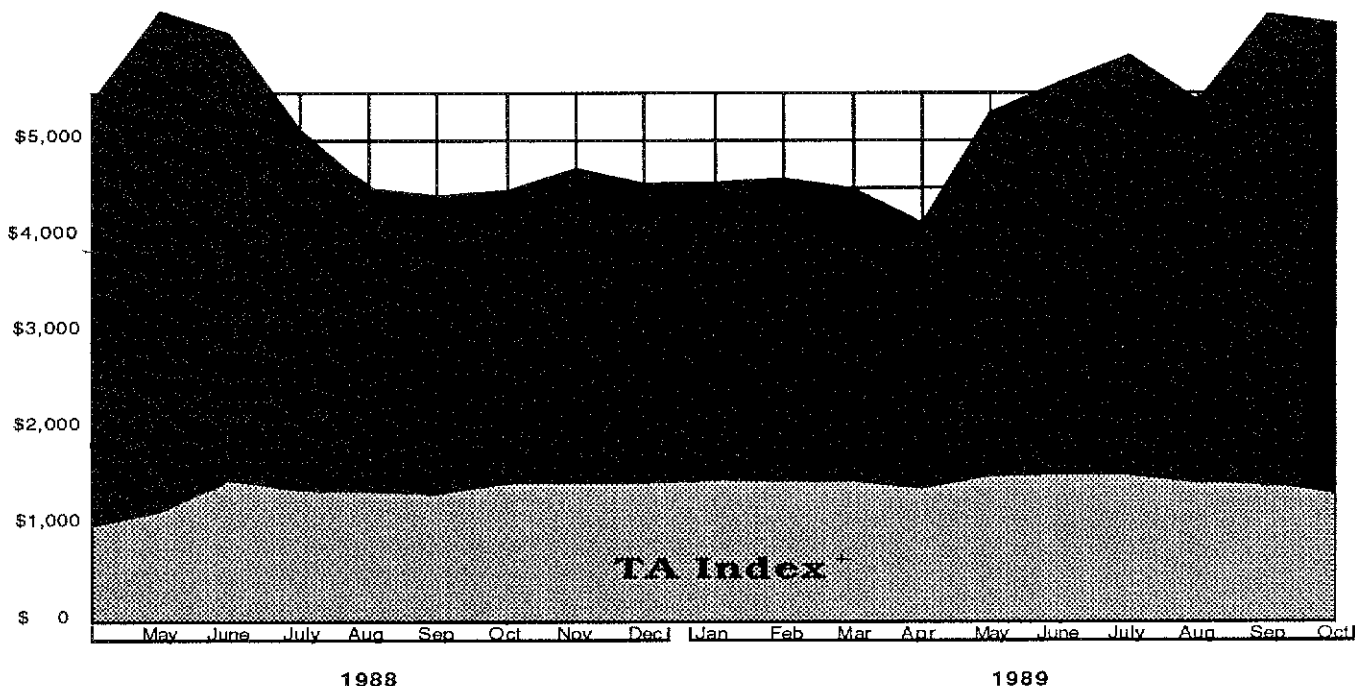
#### Money (Risk) Management

Twardus manages risk by limiting the assets committed as margin for futures to generally within a range of 10 percent to 25 percent for the short-term trading system and up to 50 percent for the long-term system of total funds managed. It also limits trading to markets it believes offers best reward-to-risk ratio and limits trading to markets it believes are



Edward Twardus

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sufficiently liquid with respect to the amount of trade contemplated.

The advisor recommends that an investor close his account if the initial account size drops 60 percent, adjusted for any deposits and/or withdrawals made since the account opened.

### Types of Commodities Traded

Twardus trades a variety of commodities, including:

- √ Financial futures
- √ Foreign currencies
- √ Grains
- √ Energy and Metals
- √ Soybeans
- √ Coffee

### Remuneration

Twardus charges a non-refundable quarterly management fee of 1 1/2 percent of the account's beginning equity under management at the beginning of each calendar quarter. Equity is defined as all cash, Treasury bills and other securities and assets under management.

In addition, Twardus charges an incentive fee of 20 percent on new trading profits due on the last business day of the quarter. New trading profits represent that part of equity that exceeds the greatest of the highest previous value of quarter-end equity or beginning equity, after adjustments for withdrawals or additions of capital.

### Principal(s)

Edward Twardus is the sole proprietor of Twardus Investment Co., which is based in Ontario, Canada but has a branch office at Encinitas, California.

The Advisor holds a M.A. Sc. degree in mechanical engineering from the University of Waterloo, in Ontario, and is a member of the Association of Professional Engineers in Ontario. He has about 30 publications in Combustion and Pollution Control Area. He also has a number of inventions and has been president of his engineering company, Energetex Engineering, since 1977.

Twardus started trading commodities in 1978 on a part-time basis and founded Twardus in 1986.

Twardus says he has drawn extensively on his engineering background to execute trades. He avows, however, that trading is a lot more exciting than engineering and applied mathematics.



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by cyndi bush ♦♦

# "Trader Talk"

## A CONVERSATION WITH EDWARD TWARDUS

Sole Proprietor, Twardus Investment Company

**E**d Twardus is the sole proprietor of Twardus Investment Company which is based in Ontario, Canada. He holds a degree in Mechanical Engineering and is a member of the Association of Professional Engineers. He specializes in waste management/pollution control and has developed methods for oil-spill clean-up. Twardus started trading commodities in 1978 on a part-time basis and founded Twardus Investment in 1986.



**Bush:** I understand from the last issue of Trading Advisor that you are a mechanical engineer by profession. What led you into commodities?

**Twardus:** For as long as I remember I've been interested in financial speculation. I think some personalities are drawn to this business and I am one of those people. In 1972 when I left Poland to "vacation" in Sweden, which officially I am still doing, I came to Canada to go to college. It took me two years to earn enough money to begin but as soon as I entered college I began buying penny stocks and options. All through college I traded on a very small scale, however, that was my initiation. I was thoroughly taken in by the markets; sometimes I won, sometimes I lost and I didn't know why either happened. When I bought an Apple personal computer several years later, that became a turning point for my trading. I put all of my data on the computer and began testing a program. The more I tested and refined the more confidence I gained. That confidence has been crucial to me in trading successfully. In fact, I think confidence in a system is the single most important factor in trading.

**Bush:** So commodities has been a hobby for you since the early seventies, when did it become a profession?

**Twardus:** My hobby became a profession when I entered a trading championship in 1988. I could see the opportunities in trading more than my own account. Over the last decade of refining my system I have traded profitably for myself and for a friend who initially invested ten thousand dollars. Having registered this last year as a CTA I am now trading on a much larger scale. Confidence in my system has also been supported by winning second place in the U.S. Trading Championship in 1987, winning the best four month trading in 1988 and placing sixth in 1989 after nine months of trading.

**Bush:** In general terms, how does your system trade the market?

**Twardus:** My system is actually two systems. One is a short term view that is completely mechanical. The other system is a long term view which is approximately 50% mechanical and 50% judgement call. I interpret the sentiment of America, harvest times, weather and every factor I think will effect the long term movement of a



Edward Twardus

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