

ManusRisco™

Stock Day Trader 1.0

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WWW.ManusRisco.Com

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ManusRisco™

Stock Day Trader 1.0

Room 101

"You asked me once, said O'Brien, what was in Room 101. I told you that you knew the answer Already. Everyone knows it. The thing that is in Room 101 is the worst thing in the world.

"The worst thing in the world, said O'Brien, varies from individual to individual. It may be burial alive, or death by fire, or by drowning, or by impalement, or fifty other deaths. There are cases where it is some quite trivial thing, not even fatal.

"In your case, said O'Brien, the worst thing in the world happens to be rats."

"1984", by George Orwell

Just like Winston Smith, the hero of Orwell's classic novel "1984", every trader, regardless of his account size or relative success or failure, eventually finds himself alone in **Room 101**.

Room 101 is the home of all the worst fears every trader has to deal with on a daily basis.....fear of failure, fear of losing money, fear of the market, fear of having a losing trade.....and hundreds of other destructive psychological emotions which prevent traders from achieving financial success in the trading arena.

Nearly all fears are born of uncertainty.....and uncertainty is created by attempting to make intelligent and educated trading decisions without a properly organized business structure designed to provide the information necessary to correctly make those decisions.

If you decide to compete in the highly competitive trading game without a professional business structure, you will most assuredly end up with Winston Smith in **Room 101**.....face to face with your worst fears.....and no way out.

We have designed **ManusRisco™** to create the professional business environment every trader needs to exit **Room 101**.

ManusRisco™ is the key which helps you open the door to confident, informed, educated and successful speculation.....and gradually abandon all the fears and uncertainties which torment all traders in the darkness of **Room 101**.

Introduction

"Setting a goal is not the main thing. It is deciding how you will go about achieving it and staying with that plan."

Tom Landry

In the hot summer of 1956, a new entertainer stepped onto the stage of a Las Vegas showroom. The young singer had just made a couple of records and was trying to break into big time show business. He recently signed a week long contract with a casino and was hoping this engagement would give him the exposure he needed to become a national recording star.

The late night crowd consisted of middle aged gamblers who had spent too much time gambling at the blackjack tables and consuming too many adult beverages. Cigarette and cigar smoke hung in the air like a fog as the young performer started to sing.

When the performance was over, there was polite and courteous applause. Two days later, the casino decided to cancel the performer's remaining appearances due to poor attendance and lack of interest.

The performer's manager thought about this predicament and asked the casino manager to re-schedule the act as a matinee, advertise for a much younger audience and prohibit the sale of alcohol during the performance so they would not be in violation of selling alcohol to minors.

The casino at first decided not to go along with this plan since it appeared very "un-Vegas". However, the persistence of the entertainer's manager paid off and the casino decided to take a chance and re-schedule the act as an afternoon matinee.

A few days later, the entertainer stepped back on stage and performed his new matinee show before several hundred teenagers. This time there was more than polite and courteous applause.

The entertainer's name was Elvis Presley and his manager was the famed Colonel Parker.

In March 2000, the NYSE and NASDAQ commenced on a major bear market which would wipe out over a trillion dollars in market capitalization. Billionaires became millionaires (or worse) and millionaires turned into thousandaires. Many traders and investors hung their heads and wonderedHow could this happen?.....How did all the money disappear ?

What does Elvis Presley performing in the sweltering Las Vegas summer of 1956 have to do with the pitfalls of playing the trading game?

The answer is.....Colonel Parker had a plan. He was able to react and adjust to a rapidly changing environment. Confronted with a deteriorating situation, he analyzed the current circumstances and then formulated and implemented a plan to manage the events which were occurring around him.

On the other hand, in March 2000, most long term investors as well as day traders did not have any type of plan whatsoever. The markets would go up forever with high momentum and making money was easy.....so why worry about it?

When the markets inevitably changed their behavior patterns, traders did not possess the tools necessary to manage the chaotic environment into which they were suddenly thrown.

Like a deer paralyzed by the glare of oncoming headlights, traders did not know how to manage a rapidly changing trading environment and suffered the inevitable financial consequences.

On the other hand, Colonel Parker was able to react, adjust and manage his changing environmentunlike the helpless deer who was blinded and paralyzed by the approaching headlights.

The **ManusRisco™** software and training manual are designed to assist traders successfully manage their trading performance in the style of a Colonel Parker and to avoid the deer / headlights phenomenon which plagues many traders.

The money management concepts and techniques you will learn are designed to instill the necessary discipline, confidence and business organization necessary to succeed in today's difficult trading environment.

Now that we've finished our little introductory story, we will learn the money management skills necessary to succeed playing the trading game.

Before you run the **ManusRisco™** software and continue with the manual, you must carefully read and agree with the following **Disclaimer**.

DISCLAIMER

There is a substantial risk of loss in trading futures, stocks, options or any similar type of trading instrument.

Commodity Trading has large potential rewards, but also large potential risks. You must be aware of the risks and be willing to accept them in order to invest in the futures markets. Don't trade with money you can't afford to lose. This is neither a solicitation nor an offer to buy/sell commodity interests or stocks.

Any trading results presented in this manual are hypothetical. Hypothetical or simulated performance results have certain limitations. Unlike an actual performance record, simulated results do not represent actual trading.

The **ManusRisco™** software and manual are not to be construed as being specific financial, investment or trading advice.

Futures, stocks or derivatives trading involves substantial risks and may not be suitable for all traders. It is speculative in nature and substantial risk of loss exists. You should therefore consider whether such trading is suitable for you in light of your financial situation.

It is incumbent upon the user of the **ManusRisco™** software and manual to perform his or her own due diligence regarding any investment, trading or speculative decisions.

The information provided by the **ManusRisco™** software and manual is for personal, non-commercial educational and informational purposes only and does not constitute a recommendation or endorsement with respect to any company, security or investment.

The **ManusRisco™** software and manual makes no representation and specifically disclaims all warranties, express, implied or statutory, regarding the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any information or data provided by the **ManusRisco™** software and manual.

The user of the **ManusRisco™** software agrees that **ManusRisco Inc.** will assume no responsibilities for your trading and investment results.

The information provided by the **ManusRisco™** software and manual should not be construed as a specific advice regarding if or when to buy, sell or hold securities of any type.

Neither should the information provided by the **ManusRisco™** software and manual be construed as specific advice as to the number of securities or any other type of financial instrument to buy, sell or hold.

Each user of the **ManusRisco™** software and manual should seek the advice of a securities professional or other appropriate investment advisor regarding his or her particular financial situation.

ManusRisco Inc can not and does not warranty the accuracy, completeness, timeliness, non-infringement, merchantability or fitness for a particular purpose of any information or data provided by the **ManusRisco™** software and manual.

In no event will **ManusRisco Inc.** be held liable to you or anyone else for any decision made or action taken by you in reliance on such information provided by the **ManusRisco™** software and manual or for any consequential, special or similar damages, even if advised of the possibility of such damages.

There have been no promises, guarantees or warranties suggesting that any type of trading will result in a profit or will not result in a loss.

Neither **ManusRisco Inc.** or its officers or employees are licensed to act as investment advisors, and can accept no responsibility for any consequences of any actions you may make, based on any information you may have found in the **ManusRisco™** software or manual, whether you have paid for that information in any way or not. If you have any doubts about this statement, do not use the **ManusRisco™** software or manual as a basis for any investment or speculative decision.

We encourage all traders to visit the web sites of the Securities and Exchange Commission at <http://www.sec.gov> as well as the National Association of Securities Dealers at <http://nasd.com> for important and valuable investment information.

I affirm that I have thoroughly read and completely understand all the provisions outlined in this **DISCLAIMER** and accept **all** its provisions **without** questions or reservation.

If you have read the above Disclaimer and affirm that you do **not** accept all its provisions without question or reservation, then do **not** continue reading this manual and do **not** run the **ManusRisco™** software.

If you affirm that you have read the above **Disclaimer** and accept all its provisions without question or reservations, then continue reading this manual and learn how to run the **ManusRisco™** software.

The Purpose of ManusRisco™

ManusRisco™

*Derived from the Latin **Manus**, the word for manage and the Italian **Risco**, the word for risk.*

1. **ManusRisco™****What it isn't**.....**What it is.**

Welcome to the **ManusRisco™** training manual. The purpose of this manual is to provide you with :

- A complete course in money management for stock day traders.
- Detailed instructions for operating the **ManusRisco™** software

The **ManusRisco™** training manual was authored by Tom D'Angelo.

The **ManusRisco™** software was designed by Tom D'Angelo, programmed by Stan Peters and addresses the discipline of money management for stock day traders.

Speculating within an organized, structured environment is a pre-requisite for success in today's difficult market environment.

It is our goal to provide you with the tools necessary to evolve into a professional, confident, disciplined and profitable trader.

First a few words as to what **ManusRisco™** is **not** :

- **ManusRisco™** is **not** a trading system or a program which develops and back tests historical price data to develop trading systems
- **ManusRisco™** is **not** a real time data feed or real time trading system
- **ManusRisco™** is **not** a brokerage type accounting program which calculates complex trading Account balances, tax liabilities incurred by trading activities, margin requirements or other back office accounting functions.
- **ManusRisco™** is **not** a trading system which determines what stocks to trade
- **ManusRisco™** is **not** a program which scans thousands of stocks, looking for profitable trading opportunities
- **ManusRisco™** is **not** a portfolio management program which keeps track of various positions you may have in the stock market.
- **ManusRisco™** is **not** a program which pays your bills, balances your check book, keeps track of your financial investments etc
- **ManusRisco Inc**, or any of its principals, do **not** manage funds for investment or speculative purpose, do **not** provide financial planning services, do **not** provide trading advice, do **not** sell any form or type of trading system or methodology and do **not** recommend the purchase or sale of any type of security or trading instrument.

Now a few comments as to what **ManusRisco™** **is** :

- **ManusRisco™** is the only stock day trader's money management tool which manages, organizes and structures your trading performance similar to a successful business organization.....in other words, manage the risk inherent in the art of speculation.
- **ManusRisco™** is designed for traders who day trade any type of listed, bulletin board, over the counter stocks, Single Stock Futures (see page 190) or any type of tracking stock such as the **QQQ, SPY** etc.
- **ManusRisco™** provides all the operating reports and statistics which are absolutely necessary to intelligently manage the Reward / Risk challenges which confront every trader on a daily basis.
- **ManusRisco™** segregates and analyzes your actual trades using standard business organization models designed to provide a professional level of money management analysis in a structured business environment.
- **ManusRisco™** may be used by any type of stock day trader speculating in any type of stock market (North American, South American, European, Asian etc)
- The stock Symbol unique to your country or market is easily added to the **ManusRisco™** Symbol List, enabling anyone speculating in any type of stock to benefit from the analysis provided by **ManusRisco™**
- The currency displayed on the **ManusRisco™** reports and screens is the currency selected for the Regional Settings in the Microsoft Windows Control Panel

Utilization of a structured Business Organization is a pre-requisite for success in today's difficult market environment.

ManusRisco™ is the tool to "spy into"..... to observe..... your performance as a speculator, with the intended goal of molding you into a more confident, disciplined and profitable trader.

For the novice trader, **ManusRisco™** is an excellent tool to learn and master the money management discipline of trading. The money management concepts and techniques illustrated by **ManusRisco™** will save the new trader many months, if not years, of frustration in trying to become a profitable trader without a disciplined and cohesive money management methodology.

The experienced trader will discover that **ManusRisco™** is the missing link which completes the circle of becoming a professional, disciplined and organized trader.

ManusRisco™ combines into one comprehensive package, all the bits and pieces of money management techniques the experienced trader has become aware of during his trading career....but was never able to organize into one cohesive and easy to use methodology.

ManusRisco™ is also an impressive product to show an Internal Revenue Service (or any European or Asian) tax auditor who is questioning if a trader is trading as a business or a hobby. Internal Revenue Service auditors attempt to determine if a trader is adopting a business like approach to trading or engaging in a hobby which would disallow any deductions of trading expenses.

Providing an Internal Revenue Service auditor with **ManusRisco™** Analysis Reports will assist you in convincing the auditor that you have adopted a serious, businesslike and professional approach towards speculation and are entitled to the deductions afforded such traders who treat trading as a business.

The Income Statement report described on **Tom's Tips # 11** on page 118 is a good example of a report to show any government tax auditor to support your argument that you are trading as a business and not as hobby or part time investor.

ManusRisco™ provides all the information required by stock day traders who desire to advance up the money management discipline of trading and learn the techniques required to survive and eventually prosper in today's very competitive trading environment.

The ultimate goal of **ManusRisco™** is to enable you to become more professional and disciplined in the highly competitive trading arena and learn the money management skills necessary to succeed, regardless of whether the markets are kindly or treacherous.

It is our desire that **ManusRisco™** will prove to be an invaluable tool for all types of stock day traders..... regardless of the trading methodology they utilize.

This **ManusRisco™** training manual explains how to run the software..... **but the majority of the manual is also a comprehensive course in money management for stock day traders and is provided free of charge.**

The manual is lengthy (about 200 pages) and designed to be read in order from start to finish and is **not** meant to be skimmed over or read quickly.

The manual can **not** be completed in just a few hours. However, the time you invest in reading the material will be well spent.

In addition, the manual serves as an excellent educational resource for instruction in the money management discipline of trading and is a valuable addition to any trader's library.

A diligent and focused study of this manual will significantly increase your money management skills and teach you concepts which will be an important learning experience in your journey towards becoming a more professional and profitable trader.

It is strongly suggested that you print out the entire manual to read while using the **ManusRisco™** Trial version. As you proceed through the Trial version, you should highlight interesting sections in the manual and take notes concerning important concepts. You can only do this if you have a hard copy of the manual.

The manual is also designed to be read in sequence from start to finish. If you jump around to different sections you will become confused and miss many important concepts contained in the software as well as the manual.

Whether or not you purchase **ManusRisco™** it is our hope that the lessons learned from this manual will advance you on the road towards more profitable trading.

ManusRisco™ applications for stock long term traders, future's day traders and future's long term_traders can be downloaded at our WWW.ManusRisco.Com web site.

2. Tech support, customer service, suggestions, software errors & advice

We welcome any suggestions, comments and constructive criticism which will make the software more practical and useful.

For questions regarding tech support, Customer Service, suggestions, software errors and advice on using the software, access our web site at : WWW.ManusRisco.Com/Support.Asp

[Downloading & Installing The ManusRisco™ Trial Version](#)

“ If technology keeps going, man will atrophy all his limbs except for the push button finger.”

Frank Lloyd Wright

1. How to download and install the ManusRisco™ Trial Version

Visit our web site at WWW.ManusRisco.Com/Download.Asp where you will find instructions for downloading the ManusRisco™ Trial Version.

The installation program will install ManusRisco™ in the following directory :

C: / Program Files/ ManusRisco/ StockDayTrader

You are able to change this directory during the installation process.

2. Trial period

The ManusRisco™ Trial Version limits you to a 30 day trial period. After the 30 days have expired, you can either purchase or un-install the Trial Version.

Security

“ Is it safe ? ”

Sir Laurence Olivier, from the film “Marathon Man “.

1. ManusRisco™ is a personal computer based application

The ManusRisco™ application resides on the hard drive of your personal computer after you download and install the Trial Version. ManusRisco™ is a personal computer based application, not an internet, sever based program.

Therefore, there is no security issue such as a hacker breaking into a server and accessing any of the financial information you have entered into ManusRisco™. However, you are encouraged to take the necessary protective measures such as firewalls and virus checkers to protect your computer against external threats.

How To Purchase ManusRisco™

" There ain't no such thing as a free lunch."

Robert Heinlein, " The Moon Is a Harsh Mistress"

1. Visit the ManusRisco™ web site

To purchase ManusRisco™, visit our website at WWW.ManusRisco.Com/Order.Asp for detailed ordering instructions.

The price of ManusRisco™ is \$ 295.00. There are two methods for purchasing ManusRisco™. You may use a credit card or mail your payment using the Postal Service or an overnight delivery service.

If you pay by regular mail or overnight delivery, make out a money order, cashier's check or a personal check in the amount of \$ 295.00 payable to **ManusRisco Inc.** Download the Order Form by using the following Order link on our WWW.ManusRisco.Com/Order.asp web site.

If payment is made by money order or Cashiers check, the License Registration will be immediately emailed to you.

If payment is made by personal check, the License Registration will be emailed to you when your personal check has cleared, usually within 4 business days.

2. How to run ManusRisco™

ManusRisco™ is run by either clicking on the shortcut icon on your desktop (assuming you selected this option when you installed ManusRisco™) or by clicking the **START** button on your task bar, selecting **PROGRAMS** and then clicking on ManusRisco™ **Do not do this now. We must first learn some preliminary concepts before we run the program. We will run the program when we get to page 44 in the manual.**

3. Information entered into ManusRisco™ while using the Trial Version

Any information you enter into ManusRisco™ while using the Trial Version remains on your hard drive. You will not have to re-enter any information a second time after purchasing ManusRisco™

The ManusRisco™ Main Menu

“ Where’s the beef ?”

1980’s T.V. hamburger commercial

1. ManusRisco™ Main Menu functions

The **ManusRisco™ Main Menu** contains the following functions :

- File
- Edit
- Analysis Reports
- Tools
- Help
- Disclaimer

2. Overview of the ManusRisco™ Main Menu

The following is a short description of each **Main Menu** function :

File

The following **File** functions set up your printer options and allow you to exit the program.

- Printer setup options
- Exit the program

Edit

The **Edit** function consists of the following sub menu :

Profit Centers

- Add a Profit Center to a Business Organization
- Edit / Delete a Profit Center in a Business Organization

Trades

- Add a trade to a Business Organization
- Edit / Delete a trade in a Business Organization

Trade Types

- Add a Trade Type to a Trade Type list
- Edit / Delete a Trade Type

Symbols

- Add a Symbol to a Symbol List
- Edit / Delete a Symbol in a Symbol List

Trade Finder

- Find a trade in a Business Organization

Analysis Reports

The custom designed Analysis Reports are the heart of **ManusRisco™**. Each Analysis Report provides a unique type of analysis only found in **ManusRisco™** and are designed to mold you into a professional, confident, disciplined and profitable trader.

The reports analyze your actual trading performance in the following eight categories which are crucial for the achievement of long term profitability in the trading arena.

Analysis Categories

- Profitability
- Equity Fluctuation
- Trading Performance
- Trading Efficiency
- Volatility
- Operations Management
- Trade Management
- Risk Analysis

The Analysis Reports are designed to :

- Organize and manage your trading performance similar to a successful business.
- Enable you to make educated decisions regarding the Reward / Risk profile for your next series of trades.
- Advance you to a professional and profitable level of trading competence and money management discipline.
- Create a trading environment designed to instill the confidence and professionalism required to achieve long term successful speculation.

Tools

Business Organization

- Select the Business Organization you would like to work in

Statistics Locator

- Locates the Analysis Report which calculates a particular money management statistic.

Preferences

- Set Preferences for software operation

Data Maintenance

- Back up files
- Restore files

Import Trades (coming soon)

- Imports trades from various brokers

Calculator

- A calculator is included for your convenience

Help

The Help function includes links to the following pages on our web site :

- [ManusRisco™ Home Page](#)
- [ManusRisco™ Support](#)
- Product Information
- User manuals
- Tutorials
- FAQ's
- Discussion Forums
- Order Full Version
- About [ManusRisco™](#)

Disclaimer

Important Disclaimer regarding speculating in futures, derivatives and stocks which must be read before running the software

Sidebar

The **Sidebar** appears on the left hand side of the **Main Menu** and displays icons which can be used instead of the pull down menus found at the top of the **Main Menu** screen.

Business Organization icons

[ManusRisco™](#) uses the following four Business Organizations to **1)** Enter actual trades, **2)** Practice learning the software **3)** Enter hypothetical "paper trades" and **4)** Enter trades made prior to purchasing [ManusRisco™](#)

Business Organization icons

- Actual
- Practice
- Hypothetical
- Prior Trades

The four Business Organization icons appear at the top right hand corner of the **Main Menu** screen. Simply click the appropriate Business Organization icon to change to the desired Business Organization. You can also select the Business Organization by using the **Tools** function on the pull down menu.

Now that we are familiar with the **Main Menu**, we will now learn more about the business model used by **ManusRisco™**

The following sections in the manual cover topics which must be understood **before** we learn how to run the software. These concepts will prove to be a valuable learning experience for experienced traders as well as the many individuals who enter the trading arena who lack the necessary skills in the discipline of money management

The instructions for running **ManusRisco™** will begin on page 44

So sit back, relax.....and enjoy the manual.

[Flying Fingers versus the Incredible Indicator](#)

“Aerodynamically, the bumble bee shouldn't be able to fly, but the bumble bee doesn't know it so it goes on flying anyway.”

Mary Kay Ash

1. **The two types of day traders**

There are two types of day traders, the Flying Fingers and the Incredible Indicator. The Flying Fingers trader usually uses a Level II quote screen and trades intuitively for a few fractions of a point. He tries to discern which stocks are moving up or down just by observing price changes on a quote screen and hope to catch a small momentum price movement. He needs flying fingers because he must be able to type in the entry and close out orders as rapidly as possible.

The Incredible Indicator trader makes trading decisions based on indicators which are commonly available such as Bollinger Bands, Moving Averages etc or a secret Incredible Indicator which he has developed himself. This trader usually trades from a live data feed using a particular time period chart such as a 5 minute or 30 minute bar chart.

As we will learn in the coming chapters of this manual, **ManusRisco™** allows you to create a Business Organization to manage your trading activities similar to a successful business. This type of money management methodology is designed mainly for the Incredible Indicator type trader.....however it may also be used by the Flying Fingers type trader.

If you are a Flying Fingers trader, I will explain how to apply the **ManusRisco™** to accommodate your style of trading on page 188.

Before we learn how to run the software, we will first take a quick look at the business of trading.

Trading is a business.....but most businesses fail !

Most of us already know the discouraging statistics.....50 % of new businesses fail in the first year. Of the remaining 50 %, half of those will fail within the next three years. Only 5 % of new businesses will still be around 10 years after start up.

1. The two primary reasons why business fail

There are two primary reasons for the high failure rate :

- Incompetent / inexperienced management
- Undercapitalization

Many aspiring entrepreneurs launch their new business venture with a large measure of enthusiasm.....but also with a small amount of managerial expertise. Most businesses are very competitive.....and unless you possess the requisite managerial talent, you will have a difficult time surviving in today's volatile and ruthless marketplace.

How should I price my product or service.....when should I increase prices.....when should I decrease prices.....which products should I promote.....which products should I discontinue.....where should I advertise.....how much inventory should I carry..... how many employees should I hire.....how can I cut costs.....how can I increase revenue.....what are my managerial strong points.....what are my managerial weaknesses.....how can I increase market share.....who are my customers.....is the market for my products or services changing.....how do I react to changing market conditions.....should I sell a low volume-high margin product or a high volume-low margin product.....what mistakes have I made in running my business.....how can I correct the mistakes.....what have I done right in managing my business.....how can I capitalize on what I have done right ?

Questions such as these confront every business entrepreneur on a daily basis. Similarly, every trader must also find solutions to similar problems. The managerial challenges which confront the business entrepreneur must also be solved by the trader if he desires to achieve long term profitability.

Incompetent and / or inexperienced management will destroy any type of business enterprise.....regardless of whether the business is selling doughnuts or trading the QQQ.

As we shall learn as we proceed through the manual, **ManusRisco™** provides the tools necessary to master the managerial challenges which confront the aspiring trader on a daily basis.

Undercapitalization is the second reason most businesses fail. Every new entrepreneur must endure a " learning curve" that can last anywhere from one to three or more years.....learning the ins and outs of the business in which he has chosen to compete.

These are the "dues" every new entrepreneur must pay when he competes in a business in which all the inefficient competitors have already gone bankrupt and he must now compete against the survivors..... all of whom probably have five or more years of experience and have already mastered the intricacies and fine points of their business environment.

If the entrepreneur does not have sufficient capital to finance all the mistakes and poor business decisions he will make during his learning period, he will run out of funds and go broke.

Every entrepreneur must have some conception of the capital he will require to ensure that he will have sufficient funds to stay afloat..... not only during his "learning curve" period but also during normal business operations two or three years down the road if he survives the very difficult initial "dues paying" period.

Analysis Reports such as the Return On Investment (see page 138) monitor the % of Trading Capital you lose on unprofitable trades..... a very important statistic which must be watched very closely to ensure that you maintain sufficient Trading Capital and do not "go out of business" due to poor risk management and loss of Trading Capital.

ManusRisco™ is designed to provide the tools necessary to conquer the managerial and capitalization challenges which confront each trader who competes in the business of trading.

We will now take a quick look at how to go brokeand how to succeed playing the trading game.

How To Go Broke Playing The Trading Game

“ I simply don't believe in failure. In itself, it simply does not exist. We create it. We make ourselves fail.”

Alice Foote Macdougall

1. The two ways to go broke

I'm going to make this easy for you. Forget about trading systems, computers, data feeds, complicated formulas, bad fills, bad markets, bad commissions, bad brokers etc, etc. There are only two ways to go broke trading, or playing any other type of game for that matter.....they are :

a. The first way to go broke is to continue playing a negative expectation game which can not be changed into a positive expectation game. This is the Las Vegas scenario where the casino has the statistical advantage.....such as paying out less than fair odds on a game such as Roulette, Baccarat etc. The house has the advantage and you can't change the statistical advantage to your favor since you can't change the rules of the game.

(Actually there are ways to beat every casino game.....but that's another story !)

If you continue to play such a game, you will eventually go broke.....it's not a question of if..... but only a question of when. The only way to play this type of game, if you are forced to play, is to risk your whole bankroll on one bet and then quit.....win or lose.

What has this got to do with trading ?.....well whether you like it or not, trading is a game, and either you have the advantage.....or you don't. If you continue to trade in a negative expectation environment, you will eventually go broke. It's that simple.

But I can hear an old man yelling in back of the room..... “Trading isn't like Las Vegas. The rules aren't fixed in the trading arena.....we can change the payoff for each bet (trade)..... we can become profitable in the long run ” etc.

And the old man is right ! !

I'm only saying that unless you change a negative expectation into a positive expectation, you will go broke if you continue to play that type of game.....and there is nothing you can do about it !

Many species of animals go extinct because they could not adapt to a changing environment.....you too will go extinct (broke) unless you change your trading expectation from negative to positive.

b. The second way to go broke is to play a positive expectation game in a non-intelligent manner (or to put it more bluntly..... play like an idiot.) In this case, you are playing a game where you have the advantage but use here is where you get to choose your favorite term..... bad Money Management, bad Reward / Risk decisions, bad Risk Management etc.

This is the classic case, of which we all have heard hundreds of true stories, where individuals became successful traders after many years of ups and downs, and eventually enjoy the rewards of profitable trading (playing a positive expectation game).

Unfortunately, due to a wide variety of reasons.....greed, arrogance, over confidence, over trading etcthey did not play a positive expectation game the way it should be played..... which is, risk a small % of Trading Capital on each trade and get into the long run by grinding out consistent, reasonable profits while assuming a manageable amount of risk.

Instead, these individuals over trade, risk a very high % of Trading Capital and eventually hit the inevitable losing streak which breaks their bankroll.

If you fail at the trading game, you will fall into one of the above two categories.....and once again I can hear the old man in the back shouting :

“ OK, big deal.....so who cares about this positive expectation, negative expectation and playing games kind of stuff ? I trade.....I don't play games.”

"I'm already a successful trader, or I plan to be successful.....eventually. “

Well.....then maybe we should take a look at what it takes to succeed at the trading game.

[How to Succeed Playing the Trading Game](#)

“Success is a consequence and must not be a goal.”

Gustave Flaubert

1. The two ways to succeed

Sorry for all this positive..... negative.....expectation..... game..... kind of stuff.....but unfortunately, that's the way it is.

Once again, I'm going to make this easy for you.

There are only two ways to achieve financial success playing the trading game,or any other game..... which are :

a. Play a game where you can change a negative expectation into a positive expectation and then useagain you get to choose your favorite term..... intelligent Money Management, intelligent Reward / Risk decisions, intelligent Risk Management etc.

Just about everyone who decides to play the trading game falls into this category. When you first start to trade, you will probably lose money..... making the same mistakes most beginners make when undertaking any new business venture. In other words, nearly every trader starts out playing a negative expectation game.

If you continue to play with a negative expectation, you will end up in category **(a)** in the above section "How To Go Broke Playing the Trading Game"

If you eventually become a profitable trader, you will have turned a negative expectation into a positive expectation. However, if you do not intelligently play a positive expectation game, you will fall into category **(b)** in the above section "How To Go Broke Playing the Trading Game".

But..... if you play a positive expectation game the way it should be played, you will have learned how to really succeed at the trading game, which is.....

b. Only play a positive expectation game where you have the advantage.....and always play in an educated, intelligent and disciplined manner. In this case, you are playing a game where you have the edge and use once again choose your favorite term intelligent Money Management, intelligent Reward / Risk decisions, intelligent Risk Management etc.

In other words, play like the casino, not like the customer. Play only where you have the advantage..... closely monitor your risk exposure and never make any large bets (trades) which will jeopardize your bankroll....spread your risk over many bets(trades) instead of concentrating risk on a few bets (trades) which will be catastrophic if they prove unsuccessful so that you canget into the long run and generate consistent profits while assuming a reasonable and manageable level of risk.

There are many sophisticated computer programs and complicated theories regarding risk management, portfolio allocation etc.....but I'm going to make it easy for you. This manual and software is designed to be easily understood by anyone with a basic education in simple mathematics. The concepts which are presented are effective and practical and can be immediately put to use by novice traders as well as experienced veterans of the trading wars.

Again, we all can hear that same old man shouting in back of the room (he's standing up now)..... "Well.....that's starting to make a little bit of sense.....but.....how can I apply this to my own trading situation? I make good trades, I make bad trades, sometimes I make money, sometimes I lose money, I get broker's statements showing my profit and losses, sometimes I enter my trades onto a spreadsheet, sometimes I don't.....so what does all this have to do with me? And besides, this is starting to sound like running some sort of business..... instead of trading."

Interesting word.....business. Maybe that's a word we should look at more closely. Do you think we may be able to use some standard business concepts to help us become a member of, and never leave, category **(b)** of the above section titled "How to Succeed Playing the Trading Game " ?

Something tells me that most of you can already make a good guess at the answer to that question.

The Business Organization of Trading

“It’s business.....that’s all, just business”

Michael Corleone, from “ The Godfather “, by Mario Puzo

1. Definition of Money Management

Many individuals have experienced frustration as well as financial setbacks after venturing into the day trading arena.

Unfortunately, it is not until they have experienced trading losses does it become apparent that they are competing against individuals or large firms who are much more experienced and professional in their approach towards the art and science of trading and speculation.

In an attempt to identify the major cause of most trader’s inability to achieve long term financial success, or not maximizing their profitability if they are currently successful, it became apparent to me that the failure to establish a structured money management methodology was the primary source of most trader’s inadequacies.

Money management is actually a misnomer since it can signify handing over your investment capital to a professional money manager who then proceeds to trade your funds and hopefully show a profit.....and that definition is not what **ManusRisco™** is all about.

For our purposes, the discipline of money management is a function of an individual’s trading performance. Therefore, our definition of money management will be :

Money Management Constructive analysis of trading performance designed to control risk, increase profitability and engender a professional, businesslike trading environment.

To satisfy our definition of money management, we will require the following methodology:

2. Description of a money management methodology

The following methodology provides the information required to trade professionally, confidently and profitably :

- Create a Business Organization which segregates trading performance into meaningful “businesslike” enterprises which reflect your trading methodology.
- Update the Business Organization with each day’s completed trades.
- Produce Analysis Reports which contain key money management statistics for the Business Organization.

- Use the Analysis Reports to :
 - Identify positive and negative expectation situations as well as their trend.
 - Capitalize on trading strengths and strive to eliminate trading weaknesses
 - Establish and manage the Reward / Risk Profile for new trades
 - Utilize a professional and structured money management methodology to engender confidence, foster trading discipline and increase the probability of achieving long term profitability.
 - Return to the second step (Update the Business Organization.....) and start the process over again.

For those of you who have any type of business experience, you will probably recognize that the above steps are performed by every successful business, whether it's a large corporation or small mom and pop corner grocery store.

In essence, our money management methodology is the framework for the operation and management of your trading activities as a successful business.

ManusRisco™ is designed to not only monitor your trading performance, but also manage your trading business so that you will be able to make more educated and confident trading decisions.

The foundation of a successful Business Organization is the Profit Center (sometimes called a Cost Center, but we'll try to be more optimistic).

We will now take a closer look at Profit Centers.

3. Profit Centers – The foundation of a successful Business Organization

"Grant me profits only, grant me the joy of profits made....."

Ovid

Profit Centers comprise the foundation of all Business Organizations, from mom and pop grocery stores to multi-national billion dollar behemoths. Without Profit Centers, it is extremely difficult, if not impossible, to successfully manage any type of business operation.

To illustrate the Business Organization concept using a Department Store example, assume a Department Store chain has three stores.

The **ALL** Profit Center will contain all the financial transactions from all three stores.

The Profit Centers in each store are the different departments within each store such as Women's Clothing, Men's Clothing, Cosmetics, Furniture etc.

For example, Store # 1 may have separate Profit Centers for Women's Clothing, Men's Clothing, Cosmetics and Furniture.

When a product is purchased, the appropriate Profit Center is charged for the cost. When the product is sold, the appropriate Profit Center is credited for the revenue.

Financial activity at the Profit Center level “rolls up” to the **ALL** level which contains transactions for all Profit Centers in all three stores.

Notice the two different levels of information which are available.

On the **ALL** Account level, the Chief Operating Officer has access to all the financial activity of all three stores. He sees the big picture of how the entire company is performing.

On the Profit Center level, the department managers can analyze operating results for which they are responsible to judge how their departments and individual products are performing.

Notice how the Chief Operating Officer and each subordinate manager has the information required to manage his area of responsibility since they each have access to sales and expense activity for each store or department under their area of responsibility

Managers are able to make educated management decisions as to which products to promote, which products to discontinue, which products to raise or lower prices, which manager to promote or give a bonus, which manager to terminate for poor performance and which store to close for being unprofitable.

Without a structured Business Organization, it is obvious that operating this type of business, or any other business for that matter, would be impossible.

The automobile industry provides another example of the use of Profit Centers.

For instance, an auto manufacturer may maintain separate Profit Centers for each model of car they manufacture and sell.

As each car is manufactured and sold, the appropriate Profit Centers are charged with the expense of manufacturing the car and credited with revenue when the car is sold. If revenues exceed costs, you have a profit, and vice versa.

Without this type of record-keeping and Business Organization, it would be impossible to determine the profit or loss for each car. It is also fairly obvious that without a structured Business Organization, it would be impossible to intelligently manage and operate such an enterprise.

Other examples of Profit Centers are a supermarket segregating revenues and expenses by Produce, Meats, Canned Goods, Bakery, Pharmacy etc. or a restaurant segregating sales by Breakfast, Lunch and Dinner.

Imagine yourself as the manager of a Department Store, supermarket or restaurant without having a Business Organization or reporting system which provides the operating information necessary to make educated and intelligent management and operating decisions. How long will your company survive in such a chaotic environment ?

Unfortunately, most traders attempt to engage in the difficult business of trading without a business plan or management methodology which enables them to successfully compete in an extremely competitive and volatile environment.

When you open a trading account, brokers do not give you a test to determine if you have developed a money management methodology designed to provide the disciplined and professional framework required to achieve long term profitability.

The only “test” you are given by your broker when you open a trading account is “ How much money do you have “? If you have sufficient funds, the account is opened and you are allowed to trade.....with the inevitable results for many traders.

Most traders eventually learn that they are attempting to manage a trading business without a structured business environment which provides the operating and management reports necessary to make educated and confident trading decisions.

They are in the same situation as the manager of an auto manufacturing company who is trying to determine which models of cars to continue producing and which models to discontinue without having the necessary information required to make educated management decisions. Basically, they are flying a plane in the dark without any instruments.

ManusRisco™ was developed to be your navigation beacon which illuminates your trading performance and diminishes the negative psychological effects of loss of confidence, fear and greed which arise out of the darkness of ignorance and uncertainty.

ManusRisco™ enables you to create a business environment designed to provide the practical and informative money management information required to achieve long term successful speculation.

4. **Benefits of using ManusRisco™**

As you will soon discover, **ManusRisco™** offers the following significant benefits :

- **ManusRisco™** provides the tools necessary to create a professional and disciplined trading environment designed to mold you into a confident, disciplined and more profitable trader.
- **ManusRisco™** teaches you how to develop a professional money management methodology as well as the ability to create a Business Organization specifically designed for your style of trading.
- **ManusRisco™** also provides the record-keeping and reporting requirements necessary for the Chief Operating Officer (that is, you) to successfully manage and operate your trading business.

We will now discuss an overview of the **ManusRisco™** Business Organization model of money management.

Overview of the ManusRisco™ Business Organization Model

“If you want to succeed in business, you'd better look as if you mean business.”

Jeanne Holm

The following is an overview of the **ManusRisco™** Business Organization model.

1. The four Business Organizations

ManusRisco™ uses four Business Organizations named **Actual**, **Practice**, **Hypothetical** and **Prior Trades**.

- The **Actual** Business Organization is used to enter actual trades you have made with real money.
- The **Practice** Business Organization is used to practice operating the software.
- The **Hypothetical** Business Organization is used to enter hypothetical “paper trades” if you are a new trader or if you are an experienced trader testing a new trading system.
- The **Prior Trades** Business Organization is used to enter trades you have made prior to purchasing **ManusRisco™**

The four Business Organization icons are displayed on the upper right hand corner of the **Main Menu** screen. The Business Organization you are currently working in is highlighted.

The highlighted Business Organization in which you are working is called the active Business Organization.

To change Business Organizations, simply left click on the desired Business Organization and the new Business Organization will be selected and highlighted.

A Business Organization consists of **a)** an **ALL** Profit Center which contains trades from all Profit Centers in the Business Organization and **b)** the Profit Center Structure entered by the trader.

There is no limit to the number of Profit Centers you can have in a Business Organization.

Profit Centers are used to create separate “businesses” which enable you to manage your trading operations in a professional, educated and confident manner.

As we shall learn later in the manual, the Profit Center is the tool to determine if you are playing a positive or negative expectation game.

The following are sample diagrams of the four Business Organizations :

<u>Actual</u>	<u>Practice</u>	<u>Hypothetical</u>	<u>Prior Trades</u>
ALL	ALL	ALL	ALL
Profit Center Structure	Profit Center Structure	Profit Center Structure	Profit Center Structure

Each Business Organization consists of an **ALL** Profit Center and a Profit Center Structure entered by the trader.

Each Business Organization has its own separate **ALL** Profit Center.

2. Example of a ManusRisco™ Business Organization

The following is an example of an **Actual** Business Organization.

Actual Business Organization

ALL

BREAKOUT TRENDTRADE

The above example illustrates an **Actual** Business Organization which consists of the **ALL** Profit Center and a Profit Center Structure containing two additional Profit Centers.

The Profit Center named BREAKOUT contains trades taken from a trading system which takes trades on the breakout from a price congestion area.

The Profit Center named TRENDTRADE contains trades taken from a trading system which takes trades when prices are trending.

The BREAKOUT and TRENDTRADE Profit Centers are the Profit Center Structure for the **Actual** Business Organization.

You are able to add or delete Profit Centers from your Business Organization at any time to accommodate new trading systems or methodologies.

After the trading day is over, you will use the Trades screen to enter all your completed trades into the appropriate Profit Centers.

In the above example, if you made 5 trades using the BREAKOUT trading system, then you would enter those 5 trades into the BREAKOUT Profit Center using the Trades screen.

The 5 trades are automatically entered into the **ALL** Profit Center

The trade information entered is data such as the Trade Date, Number of Shares Traded, Entry Price, Exit price etc. and is entered into the active Business Organization using the Trades screen.

The Profit Centers will quickly “fill up” with completed profitable and unprofitable trades. These trades are the financial results of your trading business which you must intelligently manage in order to achieve long term successful speculation. Profitable trades are revenues and unprofitable trades are expenses.

Once your Profit Center “businesses” are filled up with a sufficient number of trades (usually 25 to 30 trades is a sufficient sample size), the question becomes, how do I utilize this information to become a more profitable trader?

The answer is..... the Analysis Reports, which are the heart of the **ManusRisco™** software

ManusRisco™ provides 14 custom designed Analysis Reports, each of which performs a specific type of analysis designed to reveal key money management information necessary for you to professionally manage your trading business and make confident and disciplined trading decisions.

You are able to run any Analysis Report on the **ALL** Profit Center or any particular Profit Center in a Business Organization.

Simply select the Analysis Report you would like to run and then select the Profit Center you would like to analyze.

The Analysis Reports are designed to answer important money management questions such as :

Which trading methods are profitable and which are unprofitable ?

What are my trading strengths and what are my weaknesses ?

What will be my Reward / Risk Profile for tomorrow's trading day ?

What is my current drawdown situation ?

Where am I becoming more profitable and where am I becoming less profitable ?

Do I have an edge in any particular situation, and if so, is the edge increasing or decreasing ?

How many shares should I trade tomorrow and how many points should I risk on each trade ?

What is my Trading Plan for tomorrow and how does the Trading Plan compare to my past trading performance ?

What is my breakeven profile ?

The above questions are the same questions that every business manager is confronted with on a daily basis, such as.....Which cars are selling and which cars are not ? Which cars have the highest profit margin?.....Which have the lowest profit margin ?.....Which cars are unprofitable ?..... Which cars should I produce more of and which cars should I discontinue ?.... What is the profitability trend ?.....Am I becoming more profitable or less profitable ?..... Am I more or less profitable compared to last Month ?.....Compared to last Quarter ?Compared to last Year ?..... Am I sufficiently capitalized to operate this business ? How many consecutive losing months can I suffer before I go broke ?

Without a structured Business Organization designed to provide informative and practical reports, it is impossible to answer these questions.....and your business.....whether it is selling cars, shoes, televisions..... or day trading stocks..... will suffer the consequences.

We will now take a closer look at the four Business Organizations which are used by **ManusRisco™**

ManusRisco™ Business Organizations

“ Don't agonize. Organize ! ”

Florynce R. Kennedy

ManusRisco™ uses the following four Business Organizations :

- Actual
- Practice
- Hypothetical
- Prior Trades Area

1. The Actual Business Organization

When you have learned how to run **ManusRisco™** and are ready to enter real trades involving real money into **ManusRisco™**, then you will enter those trades into the **Actual** Business Organization

The **Actual** Business Organization is where you enter trades you have made with a real broker involving real money.

After you have become proficient running the software, you will be using the **Actual** Business Organization almost all the time since the **Hypothetical** and **Prior Trades** Business Organizations will not be used that often.

Keep in mind that you can switch Business Organizations at any time simply by going to the **Main Menu** and selecting the desired Business Organization icon on top of the screen.

2. The Practice Business Organization

This manual uses the **Practice** Business Organization to explain how to run the software, describe the Analysis Reports, teach you how to use the various data entry screens etc.

The **Practice** Business Organization comes pre-loaded with Profit Centers, Trade Types and Symbols which we will use to use to learn how to operate the software. You are also able to add new Profit Centers, enter, edit and delete trades, run Analysis Reports etc using the **Practice** Business Organization.

All the Analysis Reports described in this manual use the Profit Centers in the **Practice** Business Organization. In the future, if you would like to review a particular Analysis Report, go to the **Main Menu**, select the **Practice** Business Organization icon on top of the screen and then run the Analysis Report you are interested in.

The calculations in the Analysis Report will be identical to the calculations in the manual and you can then review the Analysis Report to refresh your memory (see the locked out items on page 104)

The **Practice** Business Organization is always available to practice learning the software and refresh your memory about the Analysis Reports.

The advantage of having a separate **Practice** Business Organization is that you can practice all the software functions.....enter trades, edit trades, delete trades, add Profit Centers, delete Profit Centers, etc and not have to worry about destroying or corrupting any data since all the functions will occur in the separate **Practice** Business Organization.

3. The Hypothetical Business Organization

The **Hypothetical** Business Organization is used to enter trades which do not involve real money and are not made through a real broker.

A valuable use of the **Hypothetical** Business Organization is if you develop a new trading system and would like to make “paper trades” before risking real money trading the system.

By creating a **Hypothetical** Business Organization, you can enter all your paper (hypothetical) trades into the **Hypothetical** Business Organization and then run all the Analysis Reports to monitor your paper trading performance.

After you have extensively analyzed your hypothetical trades using the Analysis Reports, and you are satisfied that you have a potentially profitable trading methodology, you can then begin making real trades for real money and enter those trades into the Profit Center Structure of the **Actual** Business Organization.

The **Hypothetical** Business Organization can be of great value for the novice trader who would like to test his trading methodology before risking real money as well as the experienced trader who is experimenting with a new trading system or trading technique.

4. The Prior Trades Business Organization

The **Prior Trades** Business Organization contains trades you made prior to purchasing **ManusRisco™**. For example, assume that you began trading on 01/02/2001 and you purchase **ManusRisco™** on 12/15/2004. Between 01/02/2001 and 12/15/2004, you made 460 trades. The 460 trades you made before purchasing **ManusRisco™** are called prior trades.

You can simply ignore those trades and not enter them into **ManusRisco™** or you can choose to enter them into the **Prior Trades** Business Organization and analyze those trades using the Analysis Reports.

Prior trades are discussed in more detail on page 178

You can run all the Analysis Reports on any of the four Business Organizations.

By maintaining four separate Business Organizations, **ManusRisco™** keeps all your different types of trading activity neatly segregated and provides a simple and easy structure to learn and operate the software.

Every time you start the **ManusRisco™** software, the selected Business Organization will always default to the last Business Organization you worked. If this is not the Business Organization you would like to work in, simply click the icon of the desired Business Organization icon on top of the screen.

All **ManusRisco™** Analysis Reports and screens display the Business Organization you are working in so you can easily see which Business Organization you are currently operating.

We will now examine the Business Organization model in more detail.

The Business Organization Concept Applied to Trading

"I ran the wrong type of business.....but I ran it with integrity !"

Sydney Biddle Barrows, the "Mayflower Madam"

We will first require a definition of a Profit Center Structure

1. Definition of a Profit Center Structure

Profit Center Structure A Profit Center Structure consists of the Profit Centers you have created which reflect your trading methodology and have entered into a Business Organization.

The Profit Centers are "businesses" which segregate your trading activity into meaningful categories. You can enter an unlimited number of Profit Centers into a Business Organization.

The Profit Centers are structured by you to reflect your trading methodology and provide the information necessary for you to make educated, informed and confident trading decisions.

After you complete a trade, you will enter the trade information into the Profit Center(s) you feel are appropriate.

The trade information you will enter into the Profit Center(s) are items such as the Trade Date, Symbol, Entry Price, Exit price, # Traded, Commissions etc. This information is entered on the Trades screen.

Once a Profit Center contains about 25 or 30 trades, you will have a sufficient sample size of trades and can run any of the custom designed Analysis Reports on any Profit Center "business" and determine the type of game you are playing.....whether it is a positive or negative expectation.

Thus, you are able to manage your trading activities in a professional, businesslike manner and make confident, educated and disciplined trading decisions.

We will now look at some examples of Profit Center Structures.

2. Examples of Profit Center Structures

The following are examples of Profit Center Structures :

Actual Business Organization

Profit Center ALL

(No additional Profit Centers in the Actual Business Organization)

Actual Business Organization

Profit Center ALL

Profit Center BREAKOUT

(One additional Profit Center in the Actual Business Organization)

Hypothetical Business Organization

Profit Center ALL

Profit Center TRENDTRADE

Profit Center DOUBLEBOTTOM

(Two additional Profit Centers in the Hypothetical Business Organization)

Hypothetical Business Organization

Profit Center ALL

Profit Center CONGESTIONTRADE

Profit Center PRICEVOLUMEDIVERGENCE

Profit Center MOVINGAVERAGECROSSOVER

(Three additional Profit Centers in the Hypothetical Business Organization)

We will now look at a typical Profit Center Structure for a stock day trader.

3. A Typical Profit Center Structure For A Stock Day Trader

We will now create a hypothetical trader to illustrate the money management concepts we have learned. Our trader realizes that unless he adopts a professional, businesslike approach to trading, he will have a very difficult time achieving long term trading success.

After much research, our trader realizes..... naturally..... that **ManusRisco™** is the only tool available specifically designed to manage his trading business.

He begins by designing a Profit Center Structure which provides all the information required to make educated and intelligent trading decisions. (How many readers of this manual have done this before they opened up a trading Account?)

Since he is an experienced trader, he will be making real trades for real money and will enter the Profit Center Structure and his actual trades into the **Actual** Business Organization.

He has used the **Practice** Business Organization to practice running the software and has learned how to use the various screens and functions.

He may use the **Hypothetical** Business Organization later if he decides to test a new trading method.

He decides not to enter any of his previous trades into the **Prior Trades** Business Organization at this time.

In designing his Profit Center Structure for the **Actual** Business Organization, he decides he would like to segregate his trades by two trading systems he is using. Therefore, he decides to create two Profit Centers named MACO for trades taken from a moving average cross over trading system and DIVERGENCE for trades taken from a trading system which signals a trade if there is a divergence between the stock price and a momentum indicator he is following.

The trader would like to further segregate his trades by time periods. He trades the MACO method from

1 minute bars as well as 5 minute bars.

He therefore creates two additional Profit Centers named MACO1MIN and MACO5MIN

For the DIVERGENCE trading system, the trader would also like to segregate trades taken in the morning and trades taken during the lunch hour.

The morning trades will contain trades taken during the morning hours of 9:30 AM to 11:59 AM (EST) and the lunch trades will contain trades taken during the time period when most traders go to lunch, between 12:00 PM and 1:00 PM (EST)

The trader suspects that he is more profitable trading his divergence method during the morning hours versus the lunch hour since prices usually go into congestion during the lunch hour.

He therefore creates two additional Profit Centers named DIVERGENCEMORN and DIVERGENCELUNCH.,

By creating the DIVERGENCEMORN and DIVERGENCELUNCH Profit Centers, he is able to segregate and analyze his trading performance for both time periods.

The Profit Center Structure in the **Actual** Business Organization looks like this :

Actual Business Organization

Profit Center	ALL
Profit Center	MACO
Profit Center	MACO1MIN
Profit Center	MACO5MIN
Profit Center	DIVERGENCE
Profit Center	DIVERGENCEMORN
Profit Center	DIVERGENCELUNCH

As an example of entering a trade into this Business Organization, assume our trader makes a profitable **QQQ** trade of \$ 500 using the moving average crossover methodology on a 5 minute chart. The trade information (Entry Date, Entry Price, Exit price,# Traded, etc) is therefore entered in the MACO and MACO5MIN Profit Center using the Trades screen.

The trade is automatically entered into the ALL Profit Center.

As the Profit Centers “fill up” with trades, he will soon have a sufficient sample size to evaluate his trading performance and make informed and educated trading decisions. Usually 25 to 30 trades is a sufficient number of trades to start providing meaningful information.

Each Profit Center becomes a small business which can be managed in a professional and educated manner using the Analysis Reports described later on in the manual.

4. Rules for a ManusRisco™ Business Organization

The following are the rules for a **ManusRisco™** Business Organization :

- Each of the four Business Organizations has its own separate **ALL** Profit Center as well as their own separate Profit Center Structure.
- The additional Profit Centers that you add to a Business Organization is called the Profit Center Structure.
- There is **no** limit on the number of Profit Centers you may have in a Business Organization.
- Trades are always automatically entered into the **ALL** Profit Center on the Trades screen
- A trade can be entered into none, or as many Profit Centers as the trader desires.

For example, a trader has 7 additional Profit Centers in his Business Organization. The trade can be entered into :

- a. All 7 Profit Centers
- b. Any of the 7 Profit Centers
- c. None of the 7 Profit Centers

The list of Profit Centers appears on the Trades screen and you simply check the Profit Center you would like to enter the trade. The ALL Profit Center does not appear on the Trades screen to save space.

- You can add a Profit Center to a Business Organization or delete a Profit Center at any time (Explained in more detail on page 47)

We will now look at some suggested Profit Center names.

5. Suggested Profit Center Names

To assist the trader in creating a Profit Center Structure, the following are some suggested names for Profit Centers.

You are not limited to the names listed below. You can get as creative as you like in creating Profit Center names. The only limitation is that the name can not be longer than 40 characters. The names can be letters only, numeric only, or a combination of letters and numeric. Use names which reflect your trading style and money management requirements

Name	Description
JOHNDOE	Trades taken from a trading advisor such as the John Doe trading advisor.
STOCHDIV	Trades taken from trading systems (e.g. Stochastics divergence, Oscillator Divergence etc)
3RDWAVE	Trades segregated by Elliot waves such as an Elliot 3 rd wave formation
KELTRETRACE	Trades taken from pullback to a mid point of a Keltner or Bollinger Band channel.
MEDIAN	Trades taken by a pullback to a median line
TRIANGLE	Trades segregated by trading patterns such as triangles, bull flag, bear flag etc.
5MIN	Trades taken on specific time periods (5 minutes, 1 minute)
MONDAY	Trades taken on certain days of the week
WITCHING	Trades taken on the "triple witching day"
MORNING	Trades segregated by time of day, morning, lunch, closing etc
330T0400PM	Trades segregated by time period such as trades taken between 3:30 and 4:00 PM
SCALP	Scalp trades
LONGTERM	Long term trades (as differentiated by scalp trades)
10MINOSC	Trades segregated by the time period and the trading system.
TICK	Trades taken off of a tick chart (such as a 75 tick chart)
NON -TICK	Trades taken off of a non-tick chart such as a minute chart
150TICK	Trades taken off of a specific tick chart (such as a 150 tick chart)
SINGLES	Trades where the profit objective was small
HOMERUN	Trades where the profit objective was large
FIRSTEXIT	Trades which were the first exit of a scale out trade
SECONDEXIT	Trades which were the second exit of a scale out trade
DNFS	Trades where you did not follow your trading system (Did Not Follow System)
DOWNTIME	A trade is initiated and then an equipment or software failure occurs while the position is still open. Find out the profit or loss on trades due to equipment failure, failure of broker's trading platform etc.
SMALLTRADES	Small trades (100 shares) by a novice trader when first starting to make actual trades or small actual trades by an experienced trader trying a new trading system & starting with a low level of risk.

Here are a few more suggested Profit Center names to further stimulate your imagination.

Profit Center Name	Description
GET EVEN	Trades taken at the end of a trading day to "get even" if you are having an unprofitable day. (See explanation below)
FEDMEETING	Trades taken during the days of the Fed Reserve meeting on Interest rates
FEDMORNING	Trades taken during the morning of a fed meeting before the interest rate announcement is made
FEDAFTERNOON	Trades taken after the announcement is made (usually around 2:15 PM Eastern time)
CONGESTION	Trades taken when prices are in a congestion area
TREND	Trades taken when prices are trending
WITHTREND	Trades taken in the direction of the current price trend
COUNTERTREND	Trades taken against the direction of the current price trend
BREAKOUT	Trades taken which were a breakout from a price congestion area
BREAKEVEN	Break even trades (see page 184)
SETUP#1	Trades taken from a particular price setup.
AUTOS	Segregate trades by sector. For example, segregate trades for Autos, Chemicals, Financial, etc (see page 187)
Price10TO20	Trades segregated by price. In this example all trades for stocks which traded between a price of \$ 10 and \$ 20 a share
IBM	Trades segregated by the name of the stock traded.
PENNY	Trades of high risk "Penny" stocks
BBS	Trades of high risk Bulleting Board stocks

The "GET EVEN" Profit Center can be used for trades usually taken at the end of the trading day to "get even" if you are having an unprofitable day. For example a trader is losing \$ 2,000 for the day and the market will close in an hour and he decides he can not psychologically tolerate a losing day so he starts searching for a trade to "get even" for the day.

Usually, these type of trades prove to be unprofitable since they are "forced" and not well thought out. By segregating these types of trades in a GET EVEN Profit Center, you will be able to analyze the financial cost of taking these types of emotional and poorly constructed trades.

Notice that you can combine concepts and create Profit Centers as simple or as complicated as you like. For example, you can combine the MORNING and DIVERGENCE concepts and create a Profit Center named MORNINGDIVERGENCE for trades taken from a divergence trading system and were executed in the morning hours.

Likewise, you can combine PRICE1020 and SINGLES and create a Profit Center named PRICE1020SINGLES for all buy trades that you classified as singles and the price of the stock was between \$ 10 and \$ 20.

You are only limited by your imagination as to how many and what type of Profit Centers you require. Creation of a Profit Center Structure is part of the process of developing a Business Organization.

We will now look at some additional examples of Profit Center Structures.

6. Additional Examples of Profit Center Structures

The following are additional examples of Profit Center Structures. A short description of each Structure is provided right **below** the example.

All the examples are in the **Actual Business Organization**.

Remember that you are not limited to the Profit Center names in these examples. You can make up any names you feel reflect your trading style and methodology.

The names where you have to be creative to fit your trading methodology are the Profit Center names.

Actual Business Organization

Profit Center	ALL
Profit Center	BREAKOUT
Profit Center	DIVERGENCE

This Profit Center Structure contains two additional Profit Centers.

This trader has developed two trading systems. He creates the BREAKOUT Profit Center to monitor a channel breakout method and the DIVERGENCE Profit Center to monitor a price / volume divergence system. The Profit Centers are displayed on the Trades screen and you can check the Profit Center(s) you would like to enter the trade. The trade is automatically entered into the ALL Profit Center, but the ALL Profit Center is not displayed on the Trades screen to save space.

Actual Business Organization

Profit Center	ALL
Profit Center	MOVAVGCO
Profit Center	DIVERGENCE
Profit Center	DIVERGENCEAFTERNOON

This Profit Center Structure contains three additional Profit Centers. The Profit Centers are displayed on the Trades screen and you can check the Profit Center(s) you would like to enter the trade. The trade is automatically entered into the ALL Profit Center, but the ALL Profit Center is not displayed on the Trades screen to save space.

This trader creates the MOVAVGCO Profit Center to monitor trades taken from a moving average crossover trading system.

He also developed a price / volume divergence trading system. He creates a Profit Center named DIVERGENCE to monitor his trading performance for all divergence system trades. He also creates a Profit Center named DIVERGENCEAFTERNOON to monitor all divergence trades which were taken in the afternoon hours of the trading day.

Actual Business Organization

Profit Center	ALL
Profit Center	PATTERNS
Profit Center	PATTERNBULLFLAG
Profit Center	PATTERNBEARFLAG
Profit Center	PATTERNDOUBLE BOTTOM
Profit Center	PATTERNDOUBLETOP
Profit Center	STOCHDIV20EMA
Profit Center	STOCHDIV20EMALUNCH
Profit Center	STOCHDIV20EMAAFTERNOON

This Profit Center Structure contains additional eight Profit Centers. The Profit Centers are displayed on the Trades screen and you can check the Profit Center(s) you would like to enter the trade. The trade is automatically entered into the ALL Profit Center, but the ALL Profit Center is not displayed on the Trades screen to save space.

The first Profit Center named PATTERNS will accumulate all trades taken from all chart patterns he has researched. The four patterns he will monitor are his trades for bull flags, bear flags, double bottoms and double tops. He monitors those trades by creating Profit Centers named PATTERNBULLFLAG, PATTERNBEARFLAG, PATTERNDOUBLEBOTTOM, PATTERNDOUBLETOP.

A trade taken from a double top pattern for example, will be entered into the PATTERNS Profit Center as well as the PATTERNDOUBLETOP Profit Center.

The STOCHDIV20EMA Profit Center contains all trades taken from a trading system he has developed which gives entry signals based on a stochastics divergence and a return of prices to the 20 period exponential moving average.

He will further segregate those trades by trades taken during the lunch hour of 12:00 PM to 1:00 PM by creating a Profit Center named STOCHDIV20EMALUNCH

Additionally, he would like to segregate trades taken during the afternoon.

He accomplishes this by creating a Profit Center named STOCHDIV20EMAAFTERNOON

A stochastics divergence trade taken in the afternoon will be entered into the STOCHDIV20EMA as well as the STOCHDIV20EMAAFTERNOON Profit Center.

Profit Center	ALL
Profit Center	KELTRETRACE
Profit Center	KELTRETRACEMIN
Profit Center	KELTRETRACETICK
Profit Center	2089200MACO
Profit Center	2089200MACO2PTS
Profit Center	2089200MACO5PTS

This Profit Center Structure contains six additional Profit Centers. The Profit Centers are displayed on the Trades screen and you can check the Profit Center(s) you would like to enter the trade. The trade is automatically entered into the ALL Profit Center, but the ALL Profit Center is not displayed on the Trades screen to save space.

This trader has 2 trading systems, the first system produces an entry signal when prices retrace to the mid channel of a Keltner band. All trades from a Keltner re-tracement signal are entered into the KELTRETRACE Profit Center.

He further segregates these trades from minute and tick charts. KELTRETRACEMIN segregates all trades taken from a minute chart and KELTRETRACETICK segregates all trades taken from a tick chart so he can compare the trading system's performance on minute charts versus tick charts.

A Keltner re-tracement trade from a minute chart will be entered into the KELTRETRACE and KELTRETRACEMIN Profit Centers.

The 2089200MACO Profit Center monitors trades for his second trading system whose trades are taken off of a moving average crossover system he has developed which uses a 20, 89 and 200 period moving average cross over.

He further segregates those trades to monitor the system's trading performance when he sets a 2 point profit objective and a 5 point profit objective on the trade.

The 2089200MACO2PTS Profit Center reveals his trading performance when he attempts to take a small profit (2 points).

The 2089200MACO5PTS Profit Center reveals his trading performance when he attempts to take a large profit (5 points).

He will be able to see if he is more profitable taking small 2 point profits or larger 5 point profits by running the Analysis Reports described later in the manual.

Profit Center	ALL
Profit Center	REVPAT1
Profit Center	REVPAT1FR
Profit Center	REVPAT1DNFR
Profit Center	REVPAT2
Profit Center	REVPAT2FR
Profit Center	REVPAT2DNFR

This Profit Center Structure contains six additional Profit Centers. The Profit Centers are displayed on the Trades screen and you can check the Profit Center(s) you would like to enter the trade. The trade is automatically entered into the ALL Profit Center, but the ALL Profit Center is not displayed on the Trades screen to save space.

This trader has researched two price reversal patterns which he will trade. The price reversal patterns which he will trade have specific rules for trade entry and trade exit points.

If he takes a trade based on reversal pattern #1 and followed the trading rules he has established, the trade will be entered into the REVPAT1 Profit Center as well as the REVPAT1FR Profit Center (FR stands for " Followed Rules ").

On the other hand, If he takes a trade based on reversal pattern #1 and does not follow his entry and exit rules, the trade will be entered into the REVPAT1 Profit Center as well as the REVPAT1DNFR Profit Center (DNFR stands for " Did Not Follow Rules").

He will use the same technique for reversal pattern # 2.

Many traders develop trading systems with specific buy and sell rules but fail to implement those guidelines in real time trading. By comparing trades where you did and did not follow your system entry and exit rules, you will be able to discern the financial impact of this loss of trading discipline.

In addition, you will have a record of all the trades where you deviated from your trading methodology so you can perform constructive criticism to remedy the situation.

As you can see from the above example, the Profit Centers you are able to create are only limited by your imagination.

A properly constructed Profit Center Structure reveals your trading strengths and weaknesses. As in any business, you must strive to capitalize on strengths and eliminate weaknesses.

If you do not have the tools to pinpoint those areas which are profitable and those which are financially destructive, it is very difficult to manage any type of business in an educated and confident manner.

Now that we are familiar with the **ManusRisco™** Business Organization model, we will learn how to run the software.

Important comment : The Profit Center, Trade Type, Symbol and Trades screens we are about to learn all use the same screen format and all use the same buttons on the bottom of the screen.

[How To Run ManusRisco™ & Main Menu Description](#)

“ Part of the inhumanity of the computer is that, once it is competently programmed and working smoothly, it is completely honest.”

Isaac Asimov

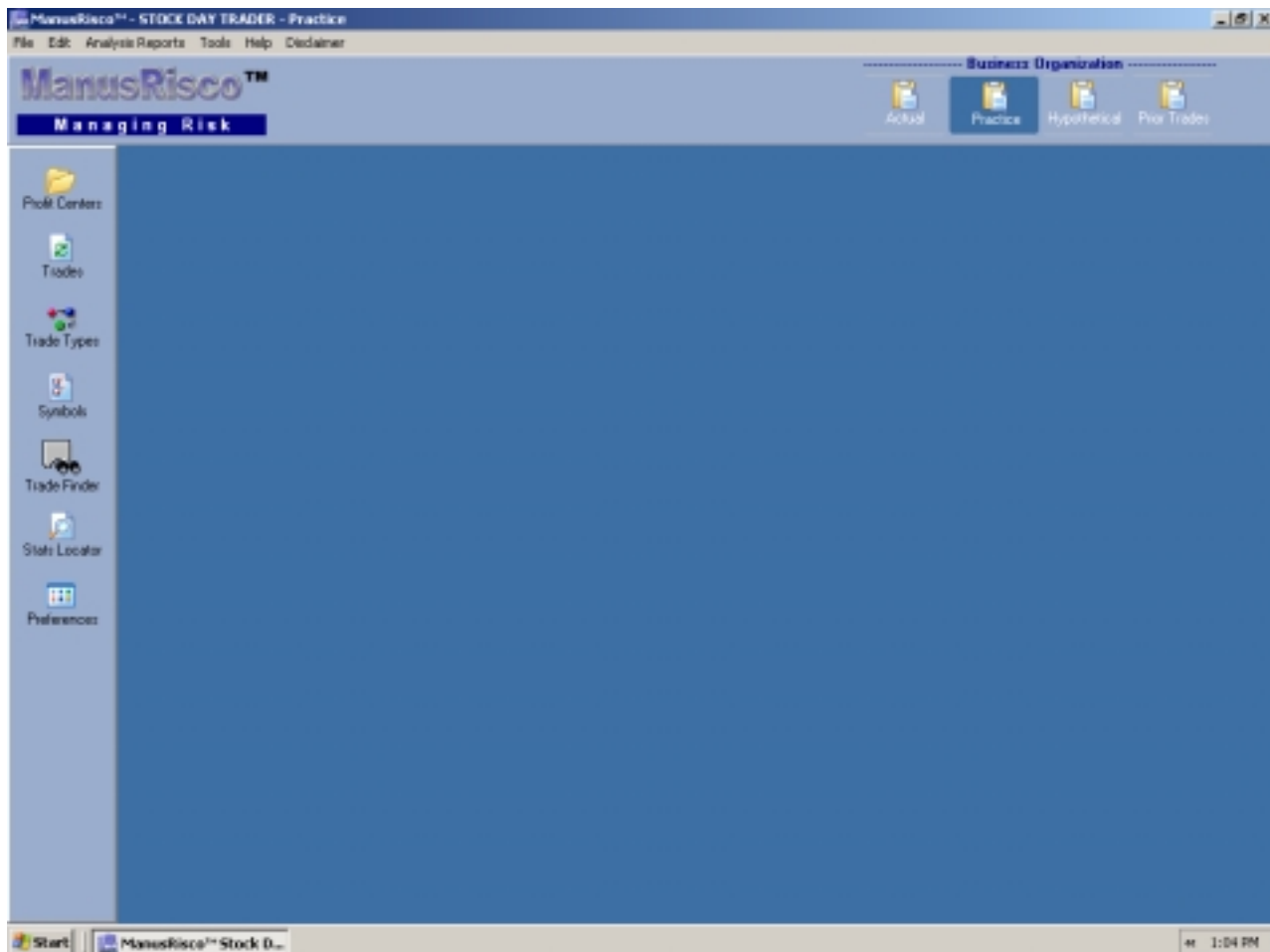
Now that our background education is complete, we will learn how to run **ManusRisco™**

If you selected to have a shortcut displayed on your desktop when installing the software, click on the **ManusRisco™** shortcut on your desktop to run the program.

If you chose not to have a shortcut displayed on your desktop when installing the software, then click on the **START** button in the lower left hand corner of your task bar, click on **PROGRAMS** and then scroll down the program list until you find **ManusRisco™** and then locate **ManusRisco Stock Day Trader** and click on it..

The **Main Menu** page will then be displayed.

The following is a screenshot of the **Main Menu** :



In the upper left hand corner of the **Main Menu** are pull down menus for the various functions. In the upper

right hand side of the **Main Menu** are the four Business Organizations which you can choose to work in. The Business Organization you are currently working in is highlighted.

The highlighted Business Organization is called the active Business Organization

The Business Organization you are working in is also displayed in the upper left hand corner of top of the **Main Menu** screen.

On the left hand side is a **Sidebar** which contains icons which perform the same function as some of the functions displayed in the pull down menu on top of the **Main Menu** screen.

You may find the **Sidebar** icons faster and easier to use than the drop down menu.

When the program first starts, the Business Organization icon will default to the last Business Organization you worked in. However, when you run the program for the very first time, the default will be the **Practice** Business Organization as you can see by the **Practice** icon being highlighted on top of the screen.

You can change Business Organizations at any time simply by selecting the desired Business Organization icon located in the Business Organization section at the top of the screen.

You should now be at the **Main Menu** so select the **Disclaimer** option.

Read the **Disclaimer**. If you do not accept the provisions specified in the **Disclaimer without reservations or questions**, select **File** on the **Main Menu** and then select the **Exit** option to exit the program.

If you accept all the provisions specified in the **Disclaimer without reservations or questions**, click the **CLOSE** button to return to the **Main Menu**.

We will now learn how to enter a Profit Center Structure into a Business Organization.

How To Enter a Profit Center Structure into a Business Organization

1. How to display a ManusRisco™ Business Organization

Before we learn how to enter a Profit Center Structure into a Business Organization, we will first display the Profit Center Structure of the **Practice** Business Organization. The Profit Center Structure in the **Practice** Business Organization has been pre-loaded in the software. We will use the **Practice** Business Organization to learn how to operate the software.

The Business Organization is displayed by selecting **Analysis Reports** on the **Main Menu** and then choosing the **Display Business Organization** option.

You will then see the Profit Center Structure, Trade Type List and the Symbol List which has been pre-loaded into the **Practice** Business Organization. Click the **CLOSE** button after reviewing the screen.

As we proceed through the manual, we will use the **Practice** Business Organization to learn all the software functions such as adding Profit Centers, deleting Profit Centers, entering trades, editing trades, etc.

We will now learn how to enter Commissions.

2. Commissions

“ The track always takes 17 %.....but what’s 17 % of a dream ”?

Charles Bukowski

Commission per Share or Commission per Trade are entered as a Commission Preference. Preferences are described on page 173 and selected by the **Preference** icon on the **Sidebar** or the pull down menu under **TOOLS**.

If you select Commission per Share as a Preference, **ManusRisco™** multiplies the Commission per Share you entered by the number of shares traded on the Trades screen

For example, if you pay 2 cents per share commission, enter .02 when you enter your Commission Preference. If you trade 1,000 shares, the commissions will be calculated as $1,000 \times .02 = \$ 20$. Then the \$ 20 is multiplied by 2 to obtain a total commission of \$ 40 since we must also pay commission when we close out the trade.

If you select Commission per Trade (also known as a flat rate) as a Preference, **ManusRisco™** multiplies the Commission per Trade you entered by 2 on the Trades screen

For example, if you pay \$ 9.95 commission per trade, enter \$ 9.95 when you enter your Commission Preference. Commissions on a trade will be calculated as $\$ 9.95 \times 2 = \$ 19.90$ total commission for the trade. We multiply by 2 to obtain a total commission of \$ 19.90 since we pay commission when we enter and close out the trade.

ManusRisco™ only calculates a simple cents per share commission or flat rate per trade commission. If you have a different arrangement, such as a sliding scale, then enter **zero** for the Commissions per Share **and** Commission per Trade as a Preference and when you enter your trades into the Business Organization using the Trades screen as described on page 60, you can then manually enter the total commissions on the trade.

There are numerous and complicated methods of calculating commissions for stock trades. It is almost impossible to accommodate all the different types of commission structures offered by different brokerages.

Future versions of **ManusRisco™** will try to accommodate more complex commission structures such as a sliding scale.

The Commission per Share or Commission per Trade that you enter as a Preference is used by all four Business Organizations.

We will now learn how to create a Profit Center Structure.

3. Creating the Profit Center Structure

Before we enter a Profit Center Structure into a Business Organization, we must decide on the type of business structure which will accommodate our trading methodology and provide the information required to successfully manage our trading business.

We start by first analyzing our trading methodology and then develop a Profit Center Structure which enables us to successfully manage the trading results generated by that trading methodology.

For example, a stock day trader has analyzed his trading methodology and has developed a Profit Center

Structure to manage his trading business. This Profit Center Structure is designed to provide the reports and money management information he requires to manage his trading performance in a professional businesslike manner.

The following is the Profit Center Structure he will enter into the **Practice** Business Organization.

Profit Center	BREAKOUT1MIN	Breakout trades from a 1 minute chart
Profit Center	BREAKOUT20MIN	Breakout trades from a 20 minute chart

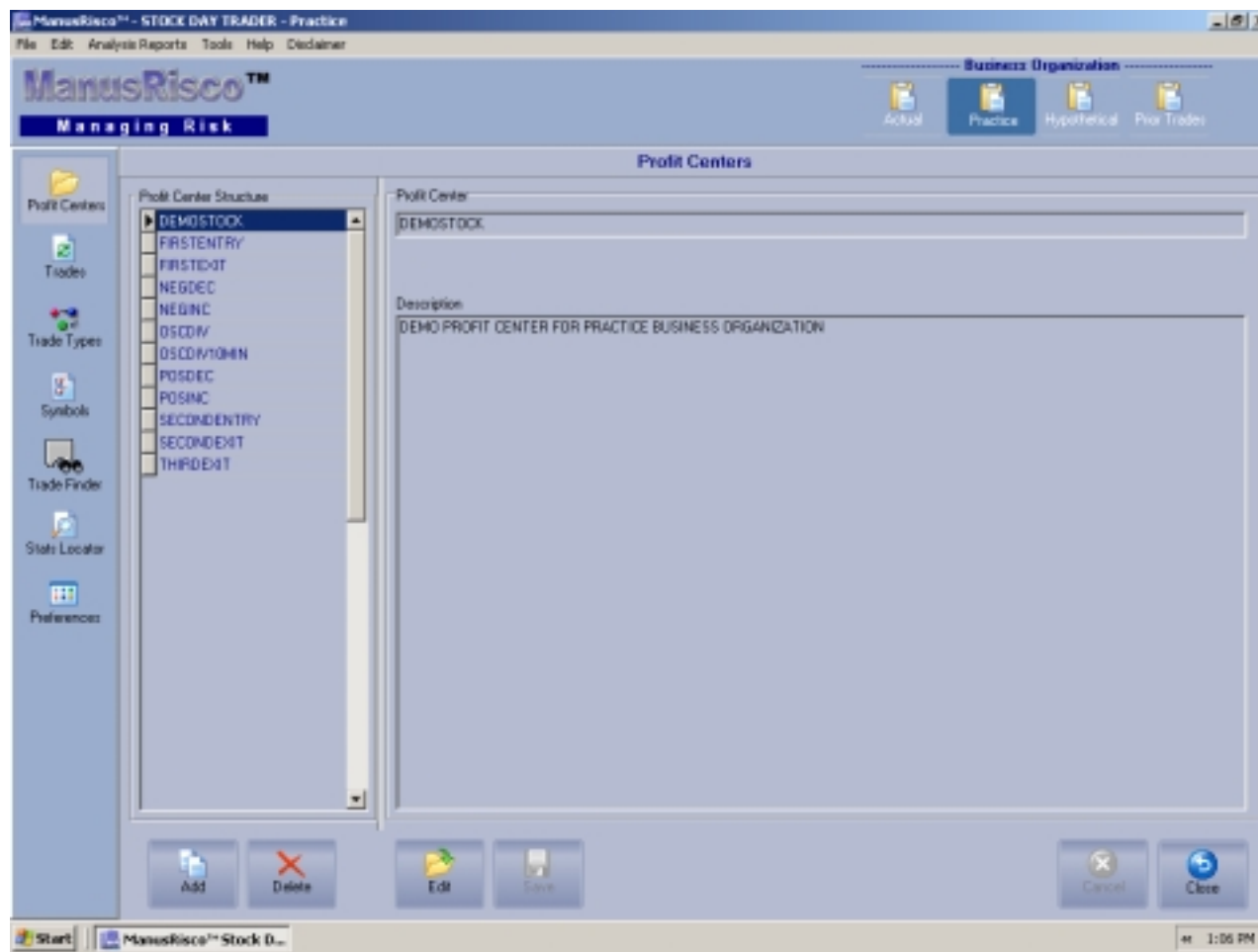
We will now learn how to add the above Profit Centers to a Business Organization. We will use the **Practice** Business Organization since we are practicing using the software.

4. How to add a Profit Center to a Business Organization.

On the **Main Menu**, select **EDIT** and then select **Profit Centers** (you can also click the **Profit Centers** icon on the **Sidebar**.)

The Profit Centers screen will be displayed.

The following is a screenshot of the **Profit Center** screen :



You can create any Profit Center name required by your trading methodology.

The right hand side of the screen is the Profit Center information.

The left hand side is the Profit Center Structure for the **Practice** Business Organization. If you would like to examine a particular Profit Center, click the Profit Center name and the Profit Center information will appear on the right hand side of the screen.

Each Business Organization has its own Profit Center Structure. What you do to a Profit Center Structure in one Business Organization does **not** affect the Profit Center Structures in the other three Business Organizations.

The Profit Centers are listed in alphabetical order. The screen will always default to the first Profit Center in the Profit Center Structure.

You can expand the Profit Center Structure listing by dragging the vertical line on the right hand side of the listing.

We will add the following two Profit Centers to the **Practice** Business Organization :

Profit Center	BREAKOUT1MIN	Breakout trades using a 1 minute chart
Profit Center	BREAKOUT20MIN	Breakout trades using 20 minute charts

Click the **ADD** button.

Enter the following Profit Center information :

Use the TAB or ENTER key to move the cursor between the fields on the screen.

Profit Center name	BREAKOUT1MIN
Profit Center description	All price breakout trades on a 1 minute bar chart

Click the **SAVE** button and the BREAKOUT1MIN Profit Center will be saved in the **Practice** Business Organization and will be displayed in the Profit Center Structure in alphabetical order.

The next Profit Center is added in a similar fashion.

Click the **ADD** button and enter the second Profit Center.

Profit Center name	BREAKOUT20MIN
Profit Center description	All trades from a breakout of a price congestion area using a 20 minute chart

Click the **SAVE** button to save the Profit Center in the **Practice** Business Organization.

Make up your own Profit Center names and add them to the Profit Center Structure of the **Practice** Business Organization. We are in the **Practice** Business Organization so you don't have to worry about

corrupting data or losing any information.

The **CANCEL** button clears and re-sets the screen if you change your mind while performing an **ADD** or **EDIT** function. For example, if you are in the middle of an **ADD** or an **EDIT**, and you decide you would like to quit what you are doing, click the **CANCEL** button and the screen will be cleared and re-set to its original position.

We have now learned how to add Profit Centers to a Business Organization.

We will now learn how to edit a Profit Center in case you made a mistake typing information when you entered a Profit Center into a Business Organization.

5. How to edit a Profit Center

"No one is listening until you make a mistake."

Anonymous

Let's assume you made a mistake in entering the BREAKOUT20MIN Profit Center name. You should have entered BREAKOUT30MIN for the Profit Center name since trades will come from a 30 minute chart, not a 20 minute chart. We now have to edit the Profit Center Name and Description.

Let's click the BREAKOUT20MIN Profit Center name to select that Profit Center and then click the **EDIT** button.

Place the cursor on the BREAKOUT20MIN Profit Center name and change the Profit Center name to BREAKOUT30MIN

Then type in the new Description which is :

" All trades taken from the breakout of a price congestion area using a 30 minute chart ".

Click the **SAVE** button and the edited Profit Center information will be saved in the **Practice** Business Organization.

The Profit Center Structure will display the new Profit Center name of BREAKOUT30MIN

If you click on the BREAKOUT30MIN Profit Center name, you will see the new Description we have just entered.

We will now learn how to delete a Profit Center from a Business Organization.

6. How to delete a Profit Center

"Off with their heads !"

The Red Queen, The Adventures of Alice in Wonderland by Lewis Carroll

If you entered a Profit Center into a Business Organization and then decide you do not need the Profit Center, you can delete the Profit Center from the Business Organization it was entered.

Let's delete the BREAKOUT1MIN Profit Center from the **Practice** Business Organization.

Click the BREAKOUT1MIN Profit Center to select it to be deleted.

Click the **DELETE** button to delete the BREAKOUT1MIN Profit Center from the **Practice** Business Organization.

You will then see a warning message stating that you are deleting the BREAKOUTMIN Profit Center from the **Practice** Business Organization and be asked **YES** or **NO** if you would like to delete the Profit Center

If you delete a Profit Center, then the Profit Center is deleted from the Business Organization it was entered, but any **trades** you entered into the Profit Center will still appear in the **ALL** Profit Center and any other Profit Centers you entered those trades.

In other words, the Profit Center is deleted from the Business Organization it was entered but not the trades you entered into the Profit Center. If you would like to delete those trades, we will learn how to do so on page 95 .

If you click **NO**, you will not delete the Profit Center. This gives you a chance to change your mind if case you made a mistake and no not wish to delete the Profit Center.

Click the **YES** option and we will delete the BREAKOUT1MIN Profit Center from the **Practice** Business Organization.

Then click **CLOSE** to return to the **Main Menu**.

Important note on the **CLOSE function :**

If you enter data on the screen and then select the **CLOSE** function, you will see a warning message asking you :

a) If you would like to save the information you have entered on the screen. If you select this option, any information you have entered on the screen will be saved in the Business Organization. If there are any incorrectly completed fields on the screen, you will be warned of those fields so you can enter the correct information into the Business Organization.

b) If you do not want to save any the information you have entered on the screen. If you select this option, the screen will be closed and you will proceed to the **Main Menu** and any information you entered on the screen will not be saved in the Business Organization.

c) If you would like to cancel the **CLOSE** function. Select this option if you would like to cancel the **CLOSE** function and re-set the screen. No information will be saved in the Business Organization.

The three **CLOSE** options described above also apply to the Trade Type, Symbol and Trades screens we will learn later on.

Select **Analysis Reports** on the **Main Menu** and then select **Display Business Organization** and you will see all the changes we have made to the **Practice** Business Organization.

Note : If you delete a Profit Center, you **are** allowed to add that Profit Center back again using the same Profit Center name, but there will be no trades in the Profit Center.

Click **CLOSE** to return to the **Main Menu**.

We will now learn the Position Codes used by **ManusRisco**™

Position Codes

“ All progress has resulted from people who took unpopular positions ”

Adlai Stevenson

1. Position Codes used for trade entry

ManusRisco™ uses the following two Position codes for a trade **entry** :

Buy
Sell

The **Buy** Position code is also known as a Long trade (We always buy Long on a trade entry) and the **Sell** is also known as a Short trade (We always sell short on a trade entry)

The two Position codes are used on the Trades screen and the Analysis Reports to indicate if your trade **entry** was a Buy (Long) or Sell (Short).

The Exit Position codes are the opposite of the Entry Position codes and are automatically generated by the software. The Exit Position codes do **not** appear on the Trades screen or the Analysis Reports.

We will now learn the Trade Types used by **ManusRisco**™.

Trade Types

1. Trade Types

The Trade Type defines the category for the Symbol. For example, a **STOCK** Trade Type could be associated with all stock symbols such as **IBM, GE, GM, QQQ, SPY** etc.

A **MUTFUND** Trade Type could be associated with all mutual fund symbols etc.

For example, if you made a trade for **QQQ**, on the Trades screen you would select the **STOCK** Trade Type and then select the **QQQ** Symbol from all the Symbols displayed under the **STOCK** Trade Type. The Trades screen is discussed on page 62

The Trade Type names are determined by you. You can use any name you desire, as long as the name is less than 40 characters.

2. Trade Type list

Each of the four Business Organizations has it's own separate Trade Type List.

Trade Types can be added, edited or deleted from the list at any time.

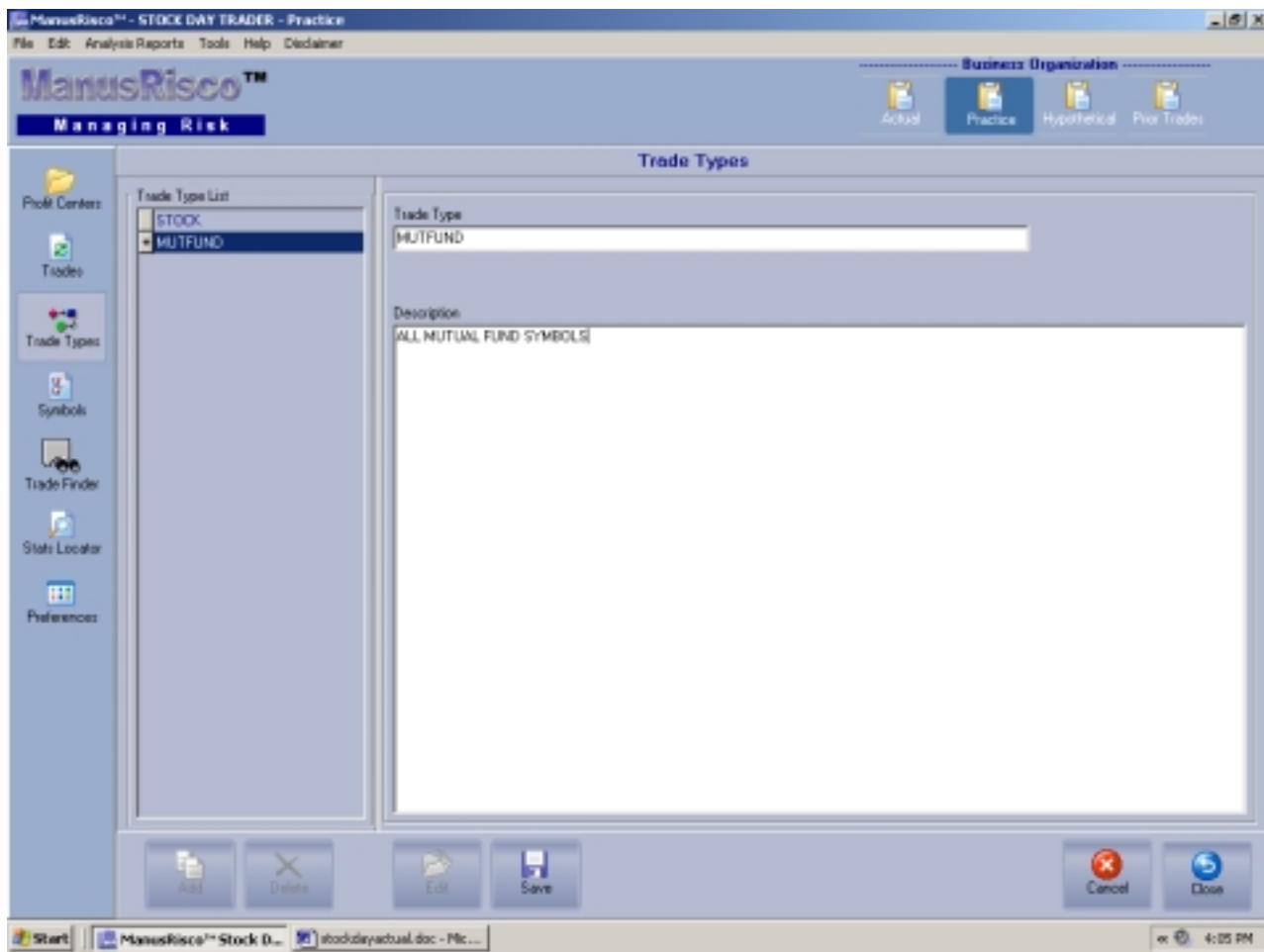
3. How to add a Trade Type to a Trade Type list

We will now learn how to add a new Trade Type to a Trade Type List.

Go to the **Main Menu** and click on **EDIT** and then select **Trade Types** (or you can also click the **Trade Types** icon on the **Sidebar**).

The **Trade Types** screen will be displayed.

The following is a screenshot of the **Trade Types** screen :



You can create any Trade Type required by your trading methodology.

The Trade Types screen is operated in the exact same manner as the Profit Center screen.

The right hand side of the screen is the Trade Type information.

The left hand side is the Trade Type list for the **Practice** Business Organization. If you would like to display a particular Trade Type, click the Trade Type and the Trade Type information will appear on the right hand side of the screen.

Each Business Organization has its own Trade Type List. What you do to a Trade Type List in one Business Organization does **not** affect the Trade Type Lists in the other three Business Organizations.

The Trade Types are listed in alphabetical order. The screen will always default to the first Trade Type in the list.

You can expand the Trade Type List by dragging the vertical line on the right hand side of the Trade Type List text box.

Let's click the **ADD** button and then type in **MUTFUND** for the Trade Type.

Use the TAB or ENTER key to move the cursor between the fields on the screen.

Type in "All Mutual Fund trades" for the Description.

Click the **SAVE** button and the **MUTFUND** Trade Type will be entered to the Trade Type List for the **Practice** Business Organization and will be displayed in the Trade Type List in alphabetical order.

The **CANCEL** button clears and re-sets the screen if you change your mind while performing an **ADD** or **EDIT** function. For example, if you are in the middle of an **ADD** or an **EDIT**, and you decide you would like to quit what you are doing, click the **CANCEL** button and the screen will be cleared and re-set to its original position.

We will now learn how to edit a Trade Type

4. How to edit a Trade Type

To select a Trade Type to be edited, click the Trade Type name to select that Trade Type and then click the **EDIT** button.

Let's click the **MUTFUND** Trade Type to select it and then click the **EDIT** button.

Let's change the Description. Enter the following for the Description :

"All Mutual Fund trades taken based on suggestions from a trading advisor "

Click the **SAVE** button and the new Description will be changed in the **Practice** Business Organization.

Click the **MUTFUND** Trade Type to select it and you will see the new Description you have just entered.

We will now learn how to delete a Trade Type from a Business Organization.

5. How to delete a Trade Type

If you made a mistake entering a Trade Type, you can delete the Trade Type from the Business Organization it was entered.

To delete a Trade Type, click the Trade Type to select it to be deleted.

Let's click the **MUTFUND** Trade Type to select it to be deleted.

Click the **DELETE** button to delete the **MUTFUND** Trade Type.

You will see a message warning you that all Symbols and trades which use the MUTFUND Trade Type will also be deleted in the Business Organization.

For example, if you had entered 20 trades using the **MUTFUND** Trade Type in the **Practice** Business Organization, then all those 20 trades will be deleted from the **Practice** Business Organization if you delete the **MUTFUND** Trade Type.

Also, all Symbols associated with that Trade Type will also be deleted as well as any trades which used those Symbols.

Be very careful if you decide to delete a Trade Type.

If you change your mind and decide not to delete the Trade Type, click the **NO** button.

Let's click the **YES** button to delete the **MUTFUND** Trade Type from the **Practice** Business Organization.

Click the **CLOSE** button to return to the **Main Menu**.

Remember that each of the four Business Organizations has it's own Trade Type list.

Note : If you delete a Trade Type, you **are** allowed to add that Trade Type back again using the same Trade Type name, but there will be no Trades or Symbols associated with that Trade Type.

We will now learn how Symbols are used by **ManusRisco**™.

Symbols

" In a Symbol, there is concealment and revelation"

Thomas Carlyle

1. The Symbol List

Just like the trade Type list, each of the four Business Organizations has it's own separate Symbol List.

Each Symbol is linked to a Trade Type.

The Symbol List is also used by the Trades screen. When you enter a trade using the Trades screen, you will first select a Trade Type and then all the Symbols associated with that Trade Type will be displayed. You will then select the Symbol which you have traded.

For example if you made a trade for the **QQQ** Symbol, on the Trades screen you would select the **STOCK** Trade Type and then select the **QQQ** Symbol from all the stock Symbols displayed under the **STOCK** Trade Type on the Trades screen.

2. Symbol List information

The Symbol List contains the following four items for each Symbol :

Symbol

Symbol Description
Trade Type
Points Slippage

- Trade Type** The Trade Type of the Symbol traded. For example if the Symbol was a stock, then select **STOCK** for the Trade Type. If the Symbol was a Mutual Fund, then select **MUTFUND**.
- Symbol** The Symbol of the stock traded such as **QQQ**, **SPY**, **IBM** etc. You can create any Symbol required by your trading methodology. However, it is best to use the standard Symbol spelling such as **IBM**, **QQQ**, **MSFT** etc.
- Symbol Description** The name of the Symbol such as " Nasdaq tracking stock for the **QQQ** Symbol" or " **IBM** common stock ".
- Points Slippage** Enter the Points Slippage on a market order such as .02, .05 etc. Slippage is the difference between the actual price a Market Order or Stop Order is filled versus the price you think you should have received for that Symbol.

For example, you enter a market order for 1,000 shares of **QQQ** and the price on your quote screen is 25.50. You get filled at a price of 25.55. You estimate that you should have been filled at a price of approximately 25.53 so your slippage is .02 (25.55 – 25.53 = .02)

The Points Slippage for the Symbol in the Symbol List is the average Points Slippage you estimate for all market orders or stop orders for that particular Symbol. Points Slippage is an arbitrary amount and is not deducted from the profit or loss on a trade.

Points Slippage is only used by the Slippage / Commission Analysis report described on page 128

If you are **not** interested in performing a Slippage Analysis, enter zero for the Points Slippage for the Symbol in the Symbol List.

As most of you have realized by now, the main purpose of the Symbol List is to provide a means for you to maintain a list of all the Symbols that you trade.

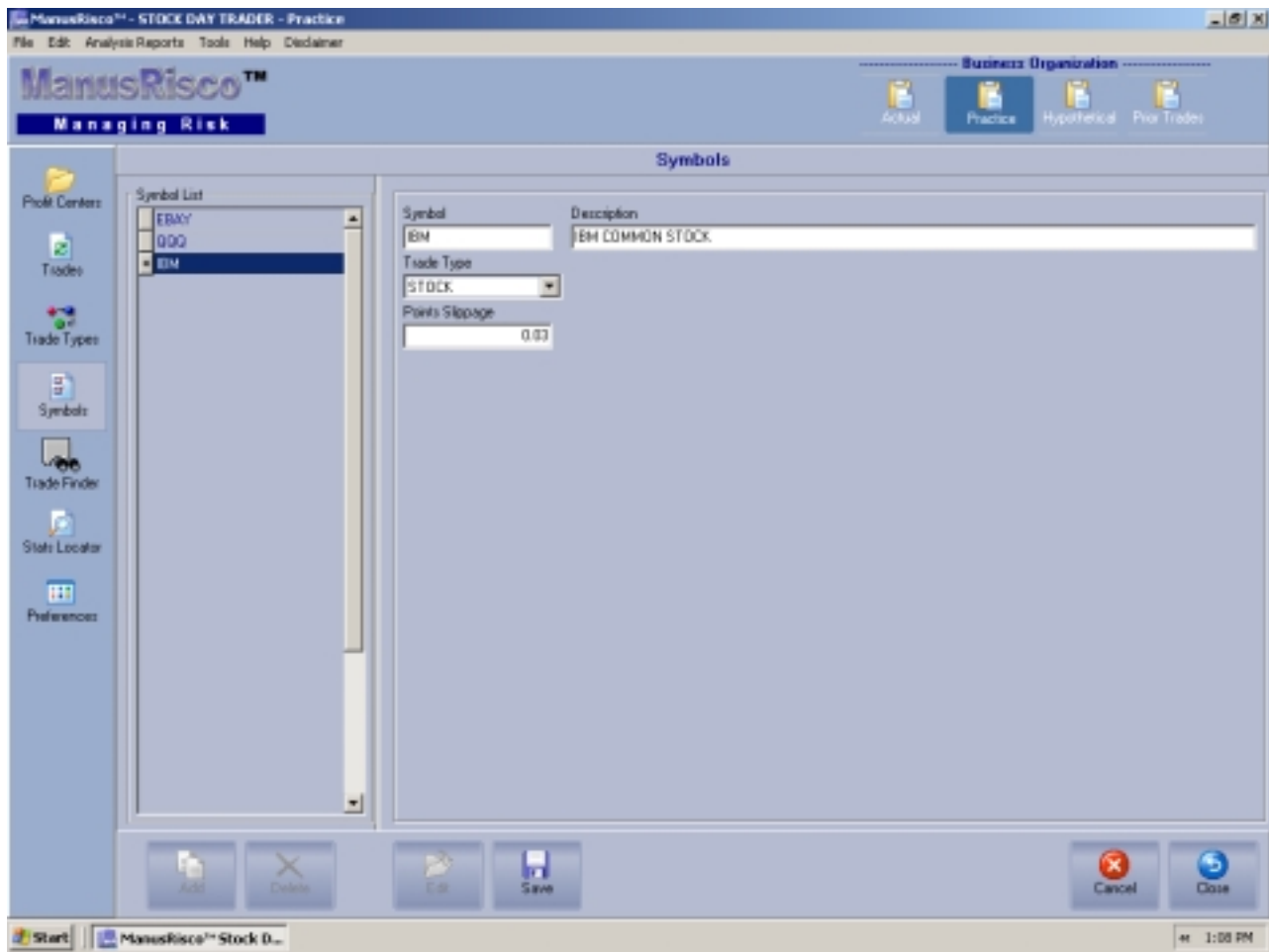
There are new stocks being introduced into the marketplace every few months, especially in Europe and Asia, and rather than having to release a new version of **ManusRisco™** each time a new stock appears in the marketplace, you are able to add quickly add new Symbols to the Symbol List for the new Symbols you would like to trade.

We will now learn how to add a Symbol to the Symbol List.

3. How to add a Symbol to a Symbol List

To add a new Symbol to the Symbol List in a Business Organization, go to the **Main Menu**, select **EDIT** and then select **Symbols** (you can also click the **Symbols** icon on the **Sidebar**)

The following is a screenshot of the Symbols screen.



The right hand side of the screen is the Symbol information.

The left hand side is the Symbol List for the **Practice** Business Organization. If you would like to examine a particular Symbol, click the Symbol and the Symbol information will appear on the right hand side of the screen.

Each Business Organization has its own Symbol List. What you do to a Symbol List in one Business Organization does **not** affect the Symbol Lists in the other Business Organizations.

The Symbols are listed in alphabetical order. The screen will always default to the first Symbol in the list.

You can expand the Symbol List by dragging the vertical line on the right hand side of the Symbol List text box.

We will add the **IBM** Symbol to the Symbol List in the **Practice** Business Organization.

First click the **ADD** button.

Then enter the following information :

Use the TAB or ENTER key to move the cursor between the fields on the screen.

Symbol	IBM
Symbol name	IBM Common Stock
Trade Type	STOCK
Points Slippage	.03

Click the **SAVE** button and the **IBM** Symbol will be added to the Symbol List in the **Practice** Business Organization.

The **CANCEL** button clears and re-sets the screen if you change your mind while performing an **ADD** or **EDIT** function. For example, if you are in the middle of an **ADD** or an **EDIT**, and you decide you would like to quit what you are doing, click the **CANCEL** button and the screen will be cleared and re-set to its original position.

You should update the Symbol Lists with all the Symbols which you trade as soon as possible. This will enable you to quickly enter trades on the Trades screen since all your Symbols will already have been added to the Symbol Lists.

We will now learn how to edit a Symbol in the Symbol List.

4. How to edit a Symbol

We will edit the **IBM** Symbol we just entered. We will change the Symbol Description from " IBM Common Stock " to " Common Stock for IBM ".

To select the Symbol to be edited, click the Symbol to be edited.

Let's click the **IBM** Symbol to select the **IBM** Symbol and then click the **EDIT** button.

Place the mouse over the Description field for the **IBM** Symbol and type in " Common Stock for IBM " for the Description.

Click the **SAVE** button and the new Description will be changed in the **Practice** Business Organization.

Click the **IBM** Symbol to select it and you will see that the Description has been changed to " Common Stock for IBM ".

Remember, each Business Organization has it's own separate Symbol List.

We will now learn how to delete a Symbol from a Symbol List.

5. How to delete a Symbol

If you made a mistake entering a Symbol to a Symbol List, you can delete the Symbol from the Business Organization it was entered.

To select the Symbol to be deleted, click the Symbol to select it to be deleted.

Let's click the **IBM** Symbol to select it to be deleted.

Click the **Delete** button to delete the **IBM** Symbol from the **Practice** Business Organization.

You will see a message warning you that all trades which have the **IBM** Symbol will be also be deleted. If you decide not to delete the Symbol, click **NO**.

Just like deleting a Trade Type, if you delete a Symbol, you will also delete all the trades in the Business Organization which used that Symbol.

For example, if you had entered 20 trades using the **IBM** Symbol in the **Practice** Business Organization, then all those 20 trades will be deleted from the **Practice** Business Organization if you delete the **IBM** Symbol.

Be very careful if you decide to delete a Symbol.

Let's click **YES** to delete the **IBM** Symbol from the **Practice** Business Organization.

Click the **CLOSE** button to return to the **Main Menu**.

Note : If you delete a Symbol, you **are** allowed to add that Symbol back again using the same Symbol name, but there will be no trades associated with that Symbol.

We will now learn how Trading Capital is entered into a Business Organization

Trading Capital

“ Show me the money !!!”

Tom Cruise, from the film “Jerry Maguire”

1. Definition of Trading Capital

We will first require a definition of Trading Capital.

Trading Capital The funds which are available for entering new positions (Also may be called Trading Equity, Cash Balance, Funds Available For New Positions etc).

2. How Trading Capital is entered into a Business Organization

Trading Capital is utilized by **ManusRisco™** in some Analysis Reports to measure the affect of trading performance on the capital you have available for trading.

For example, Trading Capital is used by **ManusRisco™** in the Return On Investment (**ROI**) Analysis Report which is discussed on page 138. Assume a trader has \$ 10,000 in Trading Capital and loses **- \$ 500** on a trade. He has lost **- 5 %** of his Trading Capital on that trade as displayed on the **ROI** report. The loss as % of Trading Capital is an important money management statistic which should be monitored very closely.

Computing Trading Capital available for trading on a daily basis is a problem since different brokers use different methods of calculations. Also, some traders may trade different instruments in their day trading account such as options, spreads, overnight positions etc. It is very difficult to accommodate all the different methods in which Trading Capital can be calculated.

Also, traders may trade from different broker accounts, each account having different Trading Capital amounts.

There is only one solution for entering Trading Capital into **ManusRisco™** and that is for you enter the Trading Capital amount when you enter your completed trades into the Business Organization using the Trades screen.

Before the trading day begins, examine your trading Account either on the internet, contact your broker or consult your own personal records and determine the amount of Trading Capital you have available for that day's trading.

The Trading Capital you have available for that trading day will be entered on the Trades screen (see page 63) which is used to enter your completed trades into the Business Organization.

When you run an Analysis Report which involves Trading Capital, **ManusRisco™** will use the Trading Capital you entered on the Trades screen for that Trade Date.

The following example illustrates the procedure for entering Trading Capital on the Trades screen (the Trades screen is explained on page 63).

On 05/12/2004, a trader obtains his beginning Trading Capital amount for the trading day of 05/12/2004 from either his broker, accessing his Account on the internet or his from his own personal records. He discovers he has \$ 40,000 in Trading Capital available for trading on 05/12/2004.

He makes two trades during the trading day of 05/12/2004, a \$1,000 profit and a **- \$ 500** loss. He will enter the two trades into the Business Organization using the Trades screen.

He selects a Trade Date of 05/12/2004 on the Trades screen and enters \$ 40,000 in the Trading Capital field.

He then saves the \$ 1,000 profitable trade in the Business Organization. A new blank Trades screen will appear for him to enter the second trade which is a **- \$ 500** loss.

When he enters the second trade for a **- \$ 500** loss, the Trade Date will automatically be set to 05/12/2004 and the Trading Capital field on the Trades screen will automatically be filled in for \$ 40,000. The reason for this is that most day traders make more than one trade a day so the Trade Date and Trading Capital fields are automatically completed to save you time. However, you are able to change the Trade Date and Trading Capital amount if you choose to do so.

Use the same Trading Capital amount for all trades with the same Trade Date. For example, if you make 10 trades on 4/10/2005, then enter the same Trading Capital amount for all 10 trades.

In the example above, both trades will have a Trade Date of 05/12/2004 and both trades will have \$ 40,000 in Trading Capital in their trade record. If you run the ROI Analysis Report, the first trade will show an ROI of Trading Capital of 2.50 % (1,000 / 40,000) and the second trade will show an ROI of Trading Capital of **-1.25 %** (- 500 / 40,000).

If you change the Trade Date when using the Trades screen, the Trades screen will be blank and you will have to fill in the Trading Capital amount for the new Trade Date.

For example, assume you enter 5 trades with a Trade Date of 05/12/2004. You then discover that you forgot to enter a trade for 04/01/2004, so on the next Trades screen you change the Trade Date to 04/01/2004.

The Trading Capital field for the new Trade Date of 04/01/2004 will be blank and you must enter the Trading Capital you had available for 04/01/2004,

The Trades screen provides a **Trading Capital Look Up** function (described on page 65) which will look up the Trading Capital amount you entered for previous Trade Dates to help research the Trading Capital amount you had entered for prior Trade Dates.

You may find it difficult to determine how much Trading Capital you had for a Trade Date a few days or weeks past if there were no previous trades entered for that Trade Date, so make sure that you enter all your trades into the Business Organization as soon as possible with an accurate value for Trading Capital.

Any questions about Trading Capital you may still have will be answered when we learn how to enter trades into a Business Organization using the Trades screen in the next section of the manual.

To quickly review :

- At the beginning of each trading day, determine the Trading Capital you have available for trading. This information can come from your broker, accessing your Account on the internet or your own personal records.
- The Trading Capital amount will be entered on the Trades screen when you enter your trades into the Business Organization.
- If you change the Trade Date when entering trades, the Trading Capital field will be blank and you must enter the Trading Capital amount you had available for that Trade Date.
- If you trade from more than one broker account, you will be able to enter the Trading Capital amount for each account since you have control over the Trading Capital amount you enter on the Trades screen.
- You may find it difficult to determine how much Trading Capital you had for a Trade Date a few days or weeks ago, so make sure that you enter all your trades into your Business Organization as soon as possible with an accurate value for Trading Capital.

We will now learn Trade Maintenance and how to use the Trades screen to enter, edit and delete trades in a Business Organization.

Trade Maintenance

" Even though a marriage is made in heaven, the maintenance work has to be done here on earth."

Anonymous

1. The Trades screen - Overview

Now that we have learned about Profit Centers, Trade Types, the Symbol List and Trading Capital, we will now learn how to enter a trade into a Business Organization.

Until computers can read our minds, we must suffer the pain and anguish of entering data by typing on keyboards.....a very booooooring, but unavoidable, process.

And to make matters a little more complicated, some trades have multiple lot entries and multiple lot close outs. This has created the necessity to use a Worksheet to compute an Average Entry Price and / or Average Exit price for some trades. We will learn how to use the Worksheet later on in the manual.

The data we will enter into a Business Organization using the Trades screen is the information from your trades such as the Trade Date, Entry Price, Exit Price, # traded etc. The following chapters describe how to enter trades using the Trades screen. Not the most exciting reading you will ever do.....but just like the Accounting Department in most corporations, it's a necessary evil.

Before we begin, remember that a trade can be entered into :

- Just the **ALL** Profit Center (automatically entered)
- Into none, or as many Profit Centers, as you think appropriate.

We will now practice entering a trade into a Business Organization.

2. General procedure for entering trades

There are two type of trades, a Simple trade and an Average Price trade.

Simple trade A simple trade is a trade where all the shares were entered at the same Entry Price and closed out at the same Exit price. For example, you buy 300 shares of **QQQ** at 27.00 and close out the trade by selling 300 shares of **QQQ** at 28.00 for a \$ 300 profit before commissions.

All 300 shares bought on the entry were at the same Entry Price and all 300 shares sold on the close out were at the same Exit price.

Average Price trade An Average Price trade is a trade where the entry and / or close out was done at different price lots and an Average Entry Price and / or Average Exit price must be calculated. For example you buy 600 shares of **QQQ** at an Entry Price of 27.00 and close out the trade by selling 300 shares of **QQQ** at an exit price of 28.00 and then selling 300 shares of **QQQ** at an exit price of 30.00.

The Average Exit price is calculated to be 29.00 and the profit on the trade is \$ 1,200 before commissions. If you have an Average Price trade, you can calculate the Average Entry Price or Average Exit price on a calculator or your broker's statement may do the calculation for you.

However, the Trades screen provides a Worksheet which calculates the Average Entry Price and Average Exit price in case that would be more convenient.

The Trades screen is used to enter your closed out trades into a Business Organization. Most of the time, the Trades screen will be used to enter simple trades where the number of shares entered were all at the same price and the number of shares closed out were all at the same price.

The Trades screen can also be used to enter Average Price trades which contain multiple lot entries and close outs. In this case, the Worksheet can be used so that an Average Entry Price and / or Average Exit price can be calculated.

It may be helpful to transfer your trading results from your broker's trade summary to the blank Trades Form found in the Appendix on page **A - 23**. The blank Trades Form is designed in the same format as the Trades screen for ease of use.

If you decide to copy your completed trades onto the form, you may find it easier to enter your trades on the Trades screen using the form as a guide.

You may enter trades as many times during the day as you wish. For example, assume that you make two trades in the morning on 12/5/2004. You decide to enter those trades into a Business Organization with a Trade Date of 12/5/2004 during the lunch hour when the markets are less active and maybe even run a few Analysis Reports which will include the two new trades.

After entering the two trades into a Business Organization, you then return to your trading software.

In the early afternoon of the same day, 12/5/2004, you make four more trades. You can also enter those four trades into the Business Organization with a Trade Date of 12/5/2004 and run a few Analysis Reports if you so desire and then return to your trading software. You then make one final trade 15 minutes before the markets close. After the markets close, you then enter that final trade into the Business Organization with a Trade Date of 12/5/2004.

All seven trades will have the same 12/5/2004 Trade Date.

An alternative is to enter all seven trades after the markets close.

You may also enter trades for a prior Trade Date which you forgot to enter. For example, today is 12/9/2004 and you realize that you forgot to enter a trade for 11/30/2004. Simply enter the trade with a Trade Date of 11/30/2004. However, remember that you will have to enter on the Trades screen the Trading Capital you had available on 11/30/2004 as described on page 59.

We will first learn how to use the Trades screen for simple trades where all the shares entered on the trade were at the same price and all the shares closed out were at the same price

The simple trade is easy to understand and most traders will use this type of trade entry.

3. How to enter a simple trade using the Trades screen

A simple trade occurs when the number of shares entered are all filled at the same entry price and the number of shares closed out are also all filled at the same exit price.

For example a trader buys 1,000 shares of **QQQ** all at an Entry Price of 25.00 and then sells 1,000 **QQQ** shares all at an exit price of 25.80 to close out the position with an \$ 800 profit before commissions.

All 1,000 shares entered were at the same Entry Price of 25.00 and all 1,000 shares closed out were at the same Exit price of 25.80

The trade is then entered into the selected Profit Center(s) in the Business Organization.

Another example of a simple trade occurs when a trader sells (short) 3,000 shares of **QQQ** at an Entry Price of 27.60 and closes out the position by buying back 3,000 shares of **QQQ** at an exit price 28.10 for a **- \$ 1,500** loss before commissions.

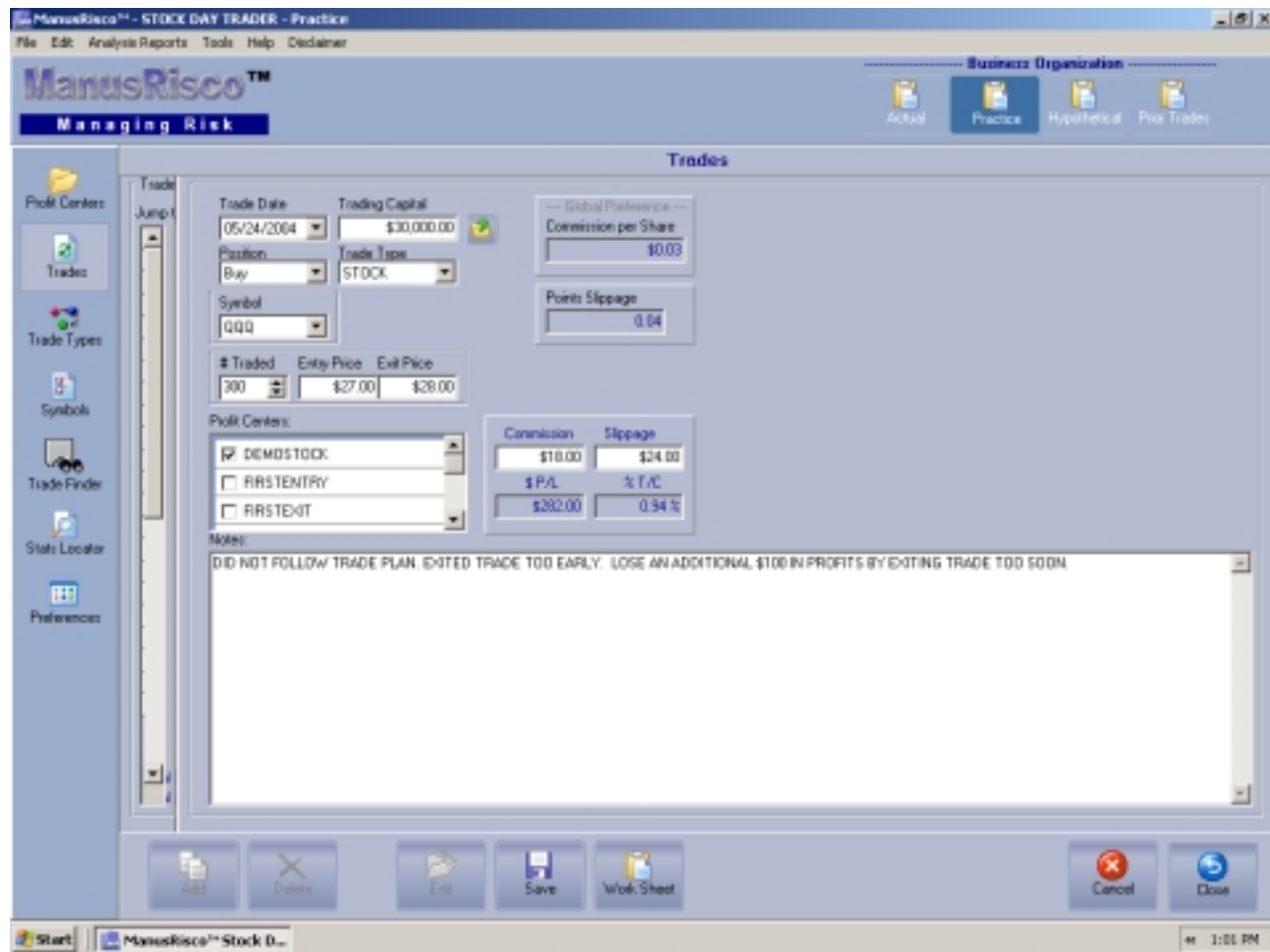
The original entry was all filled at one Entry Price and the close out was also all filled at one Exit price.

The trade is then entered into the selected Profit Center(s).

Let's display the Trades screen and we will discuss the fields on the Trades screen.

On the **Main Menu**, click on **EDIT**, select **Trades** and the Trades screen will be displayed (you can also click the **Trades** icon on the **Sidebar**).

The following is a screenshot of the **Trades** screen :



First notice that the Business Organization you are working is highlighted in the upper right hand corner of the screen. In our example, we are working in the **Practice** Business Organization.

You can only enter a trade into the active Business Organization as indicated by the highlighted Business Organization icon on top of the Main Menu screen.

If you would like to enter the trade into another Business Organization, select the desired Business Organization icon on top of the Main Menu screen and re-enter the trade into that Business Organization using the Trades screen.

The Business Organization you are working in will always be prominently highlighted on all screens and reports. Always double check to confirm that you are in the desired Business Organization. **Any confusion you may encounter in operating the software will probably be caused by forgetting which Business Organization you are working in.**

On the left hand side of the Trades screen is a Trade List which lists all trades entered into the Business Organization sorted by Trade Date with the most recent Trade Date on top.

The Trade Date, Position, Symbol, Commission and \$ P / L is listed for each trade.

If you would like to examine a particular trade, click the trade in the Trade List and the trade information will appear on the right hand side of the screen.

If you left click the mouse on the vertical border line just to the right of the \$ P / L in the Trade List, you can expand or minimize the Trade List text box.

The **Jump To Trade Date** icon located on top of the Trade List enables you to jump to the selected Trade Date to examine all the trades entered for that Trade Date. This is a useful feature if you have hundreds of trades in the Trade List and you are interested in quickly looking for a trade with a particular Trade Date.

The **Trading Capital Look Up** icon is located just to the right of the Trading Capital field. If you would like to examine the Trading Capital you had entered for a particular Trade Date, then click the **ADD** or **EDIT** button and select the desired Trade Date from calendar. The Trading Capital amount that you had entered for that Trade Date will be displayed.

If you forgot to enter a trade from a few weeks or months ago, the **Trading Capital Look Up** will assist you in finding out the Trading Capital amount you had entered for the trades you had entered for that Trade Date.

The **WORKSHEET** icon is located on the bottom of the screen. If you first click the **ADD** button and then click on the **WORKSHEET** icon, the Worksheet will be displayed. Do **not** click the **WORKSHEET** icon. We will learn how to use the Worksheet later in the manual.

Let's take a look at the fields on the Trades screen.

Trade Date	The current date will be displayed when the Trade screen is first displayed. Click the small arrow located on the right hand side of the Trade Date and a calendar will appear if you wish to change the date.
Trading Capital	The Trading Capital field will appear as <u>blank</u> when you <u>first display</u> the Trades screen. You will enter the Trading Capital associated with the Trade Date that you enter.
Position	Click on the arrow and select Buy or Sell for the trade <u>entry</u> .
Trade Type	Click on the arrow to select the Trade Type associated with the Symbol you have traded. If you traded a stock such as IBM , you would select the STOCK Trade Type.
Symbol	Click on the arrow to select the Symbol you have traded. <u>Only the Symbols associated with the selected Trade Type will be displayed</u> . In our example below, you will <u>only</u> see the Symbols associated with the STOCK Trade Type.
# Traded	Enter the number of shares you entered the trade.
Entry Price	Enter the price you entered the trade
Exit Price	Enter the price you closed out the trade.

On the upper right hand corner of the screen, the **Commission per Share** or **Commission per Trade** you selected as a Preference and the **Points Slippage** you entered for the Symbol on the Symbol screen is displayed for information purposes.

To change the Commission per Share or Commission per Trade value if it is incorrect, you must exit the Trades screen by clicking the **CLOSE** button and go the **Main Menu**, select **Preferences** (you can also select the **Preferences** icon on the **Sidebar**), and enter the correct Commissions per Share.

To change the Points Slippage, you must exit the Trades screen by clicking the **CLOSE** button and go the **Main Menu**, select **Edit**, then select **Symbols** (you can also select the **Symbols** icon on the **Sidebar**), and then enter the correct Points Slippage for the selected Symbol.

On the bottom right hand corner of the screen, the **Commission**, **Slippage**, **\$ P / L** and **% T / C** for the trade are automatically calculated and displayed as you enter the trade information.

Profit Centers All the Profit Centers in your Business Organization in the **Practice** Business Organization are displayed on the bottom of the screen. The Profit Centers you wish to enter the trade are selected by clicking the small boxes next to the Profit Center names. A check mark will then appear in each box signifying that those Profit Centers were selected to enter the trade.

Notes Underneath the Profit Centers is a **Notes** text box where you can enter comments concerning the trade.....such as what you did right, what you did wrong etc. This a valuable tool which assists you in identifying and eliminating bad trading habits as well as well as helping you capitalize on trades where you executed the trade according to plan.

You can review the **Notes** for a trade by editing the selected the trade as explained on page 94. The trade information will be displayed for the selected trade and you will then be able to review the **Notes** you had written when you entered the trade into the Business Organization.

We will now enter a simple trade into the **Practice** Business Organization.

On May 10, 2004, a trader buys 300 shares of **QQQ** at an Entry Price of 27.00 and closes out the trade by selling 300 shares of **QQQ** at an exit price of 28.00.

He has \$ 30,000 in Trading Capital at the beginning of the 05/10/2004 trading day.

He would like to enter the trade into the following Profit Centers in the **Practice** Business Organization :

Practice Business Organization

ALL

Profit Center	OSCDIV
Profit Center	OSCDIV10MIN

The Commission Preference has been set up for a Commission per Share of .03 (3 cents a share). The **QQQ** Symbol has been set up with Points Slippage of .04 (4 cents a share) in the Symbol list.

Click the **ADD** button and let's enter the following trade information into the appropriate fields on the Trades screen.

Use the TAB or ENTER key to move the cursor between the fields on the screen.

Trade Date	Select 05/10/2004 on the calendar
Trading Capital	\$ 30,000
Position	BUY
Trade Type	STOCK
Symbol	QQQ
# traded	300
Entry Price	27.00
Exit Price	28.00
Profit Center	OSCDIV
Profit Center	OSCDIV10MIN
Commissions	\$ 18 (Automatically calculated)
Slippage	\$ 24 (Automatically calculated)
\$ P/L	\$ 288 (Automatically calculated)

Notes : Enter the following notes :

Did not follow Trade Plan. Exited trade too early. Lost an additional \$ 100 in profits by exiting trade too soon.

The notes enable you to constructively criticize your trading methodology and Reward / Risk strategy.

The Profit Centers on the bottom of the screen are listed in alphabetical order. The ALL Profit Center is not listed in the Profit Center text box. Trades are automatically entered into the ALL Profit Center.

Notice that all shares were entered at the same Entry Price and all shares were closed out at the same Exit Price.

This is an example of a simple trade entry. It is called a simple trade entry because the trade is easy to understand since all shares on the entry were entered at the same Entry Price and all the shares were closed out at the same Exit price.

The Commission per Share of .03 and Points Slippage of .04 is displayed for information purposes on the right hand side of the screen.

The Commission per Share comes from the Commission Preference. The Points Slippage comes from the Symbol List for the selected Symbol (in our example, the **QQQ** Symbol)

Now let's look at the bottom of the screen and discuss the **Commissions**, **Slippage**, **\$ P/L** and **\$ T / C** which are all automatically calculated.

Commissions Commissions are automatically calculated.

The trader entered a Commission per Share of .03 (3 cents a share) as a Commission Preference. The 3 cents a share is multiplied by the 300 shares traded to arrive at a total of \$ 9 commissions ($300 \times .03 = \$ 9$) . Since we must pay commissions on the close out as well as the entry, total commissions equal $\$ 9 \times 2 = \$ 18$.

If the commission amount is incorrect, there are two ways to solve the problem :

1) Exit the trade entry screen by clicking the **CLOSE** button to return to the **Main Menu**.

Then on the **Main Menu**, select **Preferences** and then enter the correct the Commission per Share. Then go to the **Main Menu**, select **EDIT**, select **Trades** and then select **ADD** to re-enter the trade.

2) You are also able to change the Commission amount on the Trades screen if the calculated Commission is incorrect. Place and click the mouse over the Commission field and type in the correct total Commission amount. Enter the **total** dollar round turn Commission for the trade, **not** the Commission per Share. For example, if you paid \$ 14 total commission for the entry and close out, then enter \$ 14 for the Commission amount.

If you have a complicated commission structure, then enter zero for the Commission per Share as a Commission Preference and manually enter your Commissions on the Trades screen since the current version of **ManusRisco™** only performs a simple cents per share or a flat rate per trade commission calculation.

Future versions of **ManusRisco™** will try to accommodate the more complicated commission rate structures such as a sliding scale etc.

Slippage Slippage is equal to the Points Slippage entered into the Symbol List for the **QQQ** Symbol times the number of shares traded times 2. The reason we multiply by 2 is that we assume we experience slippage on the entry as well as the close out.

In our example, we traded 300 shares of **QQQ** and the **QQQ** Symbol was set up for Points Slippage of .04 (4 cents a share) in the Symbol List.

Therefore, \$ slippage equals (.04 times 300 shares) = \$ 12

We then multiply the \$ 12 by 2 since we will experience slippage on the entry as well as the close out.

Slippage therefore = \$ 12 x 2 = \$ 24 for the entry and close out.

Slippage is not deducted from a trade's profit or loss. Slippage is only used in the Slippage and Commission Analysis report described on page 128

If the Slippage amount is incorrect on the Trades screen, there are two ways to solve the problem :

1) Exit the Trades screen by clicking the **CLOSE** button and return to the **Main Menu**. Then on the **Main Menu**, select the **EDIT** function and then select **Symbols**,

Click the **QQQ** Symbol to select it to be edited so you can change the Points Slippage amount. Then on the **Main Menu**, select **EDIT**, select **Trades** and then select **ADD** to re-enter the trade. The correct Slippage amount will then appear on the Trades screen.

2) You can change the dollar Slippage amount on the Trades screen if you feel that the calculated Slippage is incorrect. Place the mouse on the Slippage field and type in the correct total dollar Slippage amount. Enter the **total** dollar Slippage for the trade, **not** the points of Slippage. For example if you estimate that you lost \$10 due to slippage on the trade, then enter \$10 for the Slippage amount.

If you do not require a Slippage Analysis, enter zero for the Points Slippage in the Symbol List for the selected Symbol and Slippage will always appear as zero on the Trades screen for that Symbol.

\$ P / L The Profit / Loss is automatically calculated. We have a profit of 1.00 point (Entry Price of 27.00 and Exit Price of 28.00) We traded 300 shares so the 300 shares times 1.00 point profit = \$ 300 profit before commissions. Deducting commissions of \$ 18, we arrive at a profit after commissions of \$ 282.

% of T / C The profit or loss as a % of Trading Capital is displayed on the bottom right hand side of the screen. In this example, the trade profit as a % of Trading Capital equals .94 % (282 / 30,000 = .94 % .) This statistic will assist you in determining if you would like to count this trade as a Break Even trade.

If the % of Trading Capital is very small, such as .25 % (1/4 th of a percent) , you may wish to enter the trade only into a BREAKEVEN Profit Center.

Break Even trades are discussed in detail on page 186.

We enter the trade into the desired Profit Centers by clicking the box next to the Profit Center name so click the OSCDIV and OSCDIV10MIN Profit Centers to enter the trade into those two Profit Centers.

Notice that even though the **Practice** Business Organization has numerous Profit Centers, we have decided to enter the trade into only two of the Profit Centers since those are the only two Profit Centers that apply to this particular trade.

The trade is automatically entered into the **ALL** Profit Center. The **ALL** Profit Center is not shown in the Profit Center text box.

We will now learn how to use the buttons on the bottom of the Trades screen.

If you click the **SAVE** button after entering your trade information, the trade **will** be entered into the **Practice Business Organization** if all the fields are completed correctly.

The **CANCEL** button clears and re-sets the screen if you change your mind while performing an **ADD** or **EDIT** function. For example, if you are in the middle of an **ADD** or an **EDIT**, and you decide you would like to quit what you are doing, click the **CANCEL** button and the screen will be cleared and re-set to its original position.

If you click the **CLOSE** button, you will first be asked if you would like to save any information you have entered on the screen before you are returned to the **Main Menu**.

Let's click the **SAVE** button and we will enter the trade into the **Practice Business Organization**.

Practice entering more simple trades using the Trades screen. Make up about 2 or 3 trades and enter the trades into the OSCDIV and OSCDIV10MIN Profit Centers until you are familiar with the Trades screen.

Notice that you can only enter a trade into the active Business Organization as indicated by the highlighted Business Organization icon on top of the Main Menu screen.

After you finish entering a few trades, you will discover that the Trades screen is very easy to use.

On your last practice trade, click the **SAVE** button so that you will have a blank Trades screen.

A blank Trades form can be found in the Appendix on page **A - 23**. This form is in the same format as the Trades screen. Make copies of the blank form for your personal use.

At the end of the trading day, you may find it easier to transcribe your completed trades onto the Trades form and use the form as a guide to enter those trades into your Business Organization.

4. **Verification of the Trades screen**

ManusRisco™ performs two verifications on the Trades screen to ensure that the trade information you entered is as correct as possible.

The two verifications are :

a. All required non-numerical fields on the screen are properly completed.

The required non-numerical fields which must be completed are the following :

Trade Date Position Trade Type Symbol
--

b. Numerical fields must be greater than or equal to zero.

The following numerical fields on the Trades screen must be **greater than zero**.

Trading Capital # Traded Entry Price Exit Price Commission

The software will not accept a negative number or a zero in these fields.

The **Slippage** field is a little bit different. The Slippage field can be zero or greater. The software will not accept a negative number for Slippage.

Enter zero for the Slippage field on the Trades screen if you do not wish to perform any type of Slippage analysis.

Also, remember If you enter zero for the Points Slippage for a Symbol in the Symbol list, then Slippage will always be displayed as zero on the Trades screen for that particular Symbol.

You can not save a trade in a Business Organization unless all fields on the Trades screen have been correctly completed.

This will ensure that the trade information was entered as correctly as possible.

You should be at a blank Trades screen.

We will now learn how to use the Worksheet.

5. The Worksheet

5a. The purpose of the Worksheet

On the bottom of the Trades screen, there is an icon labeled **Worksheet**. When you first click **ADD** and then click the Worksheet icon, the Worksheet will be displayed. The Worksheet is used to calculate an Average Entry Price and / or Average Exit price for Average Price trades.

A blank Worksheet form is provided in the Appendix on page **A - 25**.

The Worksheet is used when the number of shares entered and / or closed out are at different price lots and an Average Entry Price and / or Average Exit price must be calculated. The trade is entered into the selected Profit Center(s) as **one** trade for the total number of shares traded.

For example, a trader buys 400 shares of **QQQ** all at the same Entry Price of 27.00 and then sells 200 shares of **QQQ** at an exit price of 28.00 and also sells 200 shares of **QQQ** at an exit price of 30.00 to close out the position.

The following illustrates the trade :

Buy 400 at 27.00
Sell 200 at 28.00
Sell 200 at 30.00

If you choose to use the Worksheet, you will enter the above trade information onto the Worksheet and the Worksheet will calculate the Average Exit price of 29.00.

The trade information you enter on the Worksheet will then be transferred from the Worksheet to the Trades screen where you can complete the trade information and then save the trade in the Business Organization.

The trade described above is then entered into the Business Organization as one trade of 400 shares with an Entry Price 27.00 and an Exit Price of 29.00.

Points profit equal $29.00 - 27.00 = 2.00$ points. The profit before commissions of \$ 800 is calculated as 2.00 points profit x 400 shares = \$ 800

The purpose of the Worksheet is to calculate an Average Entry Price and / or an Average Exit price for trades where there are multiple lot entries or close outs.

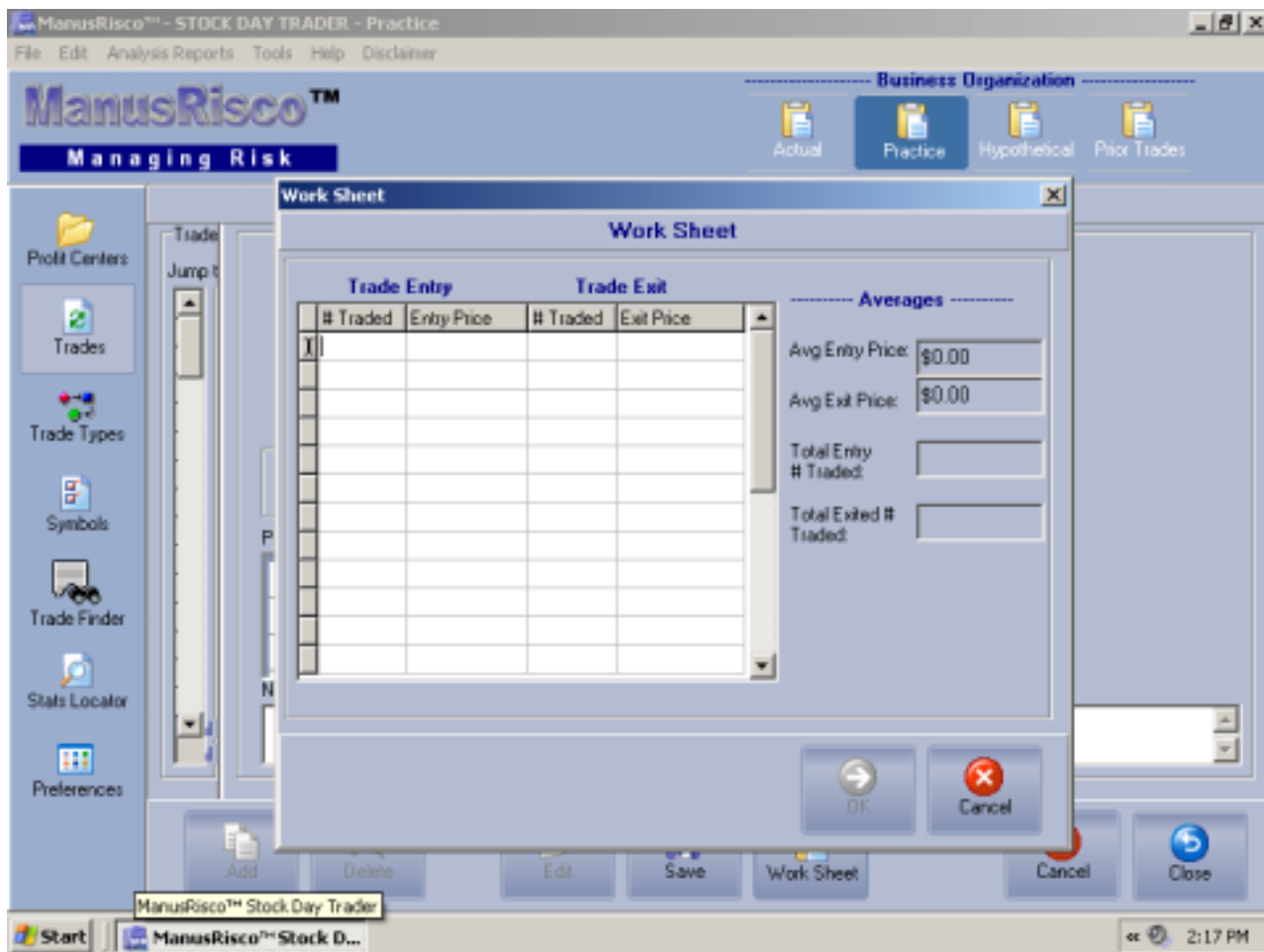
You can manually calculate an Average Entry Price or Average Exit Price and enter those prices onto the Trades screen yourself, or your broker may do the calculation for you.

However, the Trades screen provides a Worksheet which will also do the calculation if you find the Worksheet easier to use.

We will now take a look at the format of the Worksheet.

Click the **ADD** button and then click the **Worksheet** icon on the Trades screen.

The following is a screenshot of the Worksheet.



5b. The Worksheet format

- Under the **Trade Entry** section, we enter the number of shares entered on the trade (# Traded) and the Entry Price. We do not have to enter Buy or Sell. We will enter if the trade entry was a Buy or Sell when we complete the Position code on the **Trades** screen.
- Under the **Trade Exit** section, we enter the number of shares closed out (# Traded) and the Exit Price.
- On the right hand side of the Worksheet, there is a section labeled **Averages** which displays the **Average Entry Price**, **Average Exit Price**, **Total Entry # Traded** and **Total Exited # Traded**. As you enter trades into the Worksheet, these values will automatically change as you make your trade entries.
- The **Total Entry # Traded** must equal the **Total Exited # Traded** when you are finished entering your trades to activate the **OK** button.
- If the Worksheet screen is active, the **Trades** screen will be inactive (that is, you can not make entries on the **Trades** screen while the Worksheet is active.)

- The Worksheet has two buttons labeled **OK** and **CANCEL**. If you click **OK**, the information on the Worksheet will be automatically transferred from the Worksheet to the **Trades** screen as one trade.
- When you click the **OK** button, the **Average Entry Price** is transferred to the Entry Price, The **Average Exit price** is transferred to the Exit Price and the **Total Exited # Traded** (same as **Total Entry # Traded**) is transferred to the # Traded on the **Trades** Screen as one trade.
- **Clicking OK on the Worksheet does not save the trade in the Business Organization. Clicking OK only transfers the trade information on the Worksheet back to the Trades screen.**
- **A trade can only be entered into the Business Organization by saving the trade information on the Trades screen.**
- If you click **CANCEL** on the Worksheet, you will be returned to the **Trades** screen and no information will be transferred from the Worksheet to the Trades screen.

Click the **CANCEL** button so we can return to the **Trades** screen.

Many traders may not have use for the Worksheet, but the Worksheet is included for those who would like to take advantage of this feature.

We will now learn how to use the Worksheet to enter an Average Price trade into a Business Organization.

6. Using the Worksheet to enter an Average Price trade

6a. Example of a scale in trade (multiple lot entries)

The simple trades we just learned were very easy to understand. However, some trades are more complex and require the calculation of an Average Entry Price and / or Average Exit price and may require to use of the Worksheet to perform the calculations.

We will now learn how to enter a scale in trade which requires use of the Worksheet.

You can either start with the Trades screen first and then complete the Worksheet, **or** you can fill in the Worksheet first and then go back to the Trades screen.

Let's fill in the Worksheet first and then back to the Trades screen. If you are not at the Worksheet, click the **ADD** button and then click the **WORKSHEET** icon on the Trades screen and the Worksheet will be displayed.

Now let's enter a scale in trade using the Worksheet.

Our first example is a trade which has multiple lot entries and only one lot for the close out of the trade. This is an example of scaling into a trade, since you have multiple lot entries at different prices.

On May 10, 2004, a trader buys 300 shares of **QQQ** at an Entry Price of 30.00 and also buys 300 shares of **QQQ** at an Entry Price of 32.00.

He closes out the trade by selling 600 shares of **QQQ** at an exit price of 35.00

He has \$ 30,000 in Trading Capital available on May 10,2004.

The trade can be illustrated by the following :

Buy 300 at 30.00
Buy 300 at 32.00
Sell 600 at 35.00

He would like to enter the trade into the following Profit Center :

Profit Center OSCDIV

The Commission Preference has been set up for a .03 (3 cents) Commission per Share and the **QQQ** Symbol is set up for Points Slippage of .04 (4 cents a share) in the Symbol list.

Enter the following trade information onto the Worksheet.

# Traded	Enter 300	(Enter on <u>first</u> row on left hand side of the
Entry Price	Enter 30.00	Worksheet labeled Trade Entry)
# Traded	Enter 300	(Enter on <u>second</u> row of <u>left</u> hand side of
Entry Price	Enter 32.00	Worksheet labeled Trade Entry)
Avg. Entry Price	31.00	(Automatically calculated)
# Traded	Enter 600	(Enter on <u>first</u> row of the <u>right</u> hand side
Exit Price	Enter 35.00	Worksheet labeled Trade Exit)
Avg. Exit Price	35.00	(Automatically calculated)

Let's take a look at the completed Worksheet.

The **Average Entry Price** of 31.00 is displayed on the Worksheet in the **Averages** section and is automatically calculated as $((300 \times 30.00) + (300 \times 32.00))$ divided by 600 shares = $(9,000 + 9,600) / 600 = 31.00$

The **Average Exit Price** of 35.00 is displayed in the **Averages** section of the Worksheet since all 600 shares were closed out at the same price of 35.00

In the **Averages** section of the Worksheet, the Total Entry # Traded of 600 shares equals the Total Closed # Traded of 600 shares. If these two amounts do not equal, the **OK** button will not be activated.

Now that we have finished with our Worksheet, click the **OK** button and the information on the Worksheet will be automatically transferred to the Trades screen.

Looking at the Trades screen we see that the information on the Worksheet has been summarized into one trade and is automatically transferred to the Trades screen.

The 600 shares traded was transferred to the # Traded field, the Average Entry Price of 31.00 was

transferred to the Entry Price field and the Average Exit Price of 35.00 was transferred to the Exit Price field.

You could have calculated the Average Price manually, or your broker's statement may have performed the calculation. In that case you would not have needed the Worksheet and you could have entered the trade directly onto the Trades screen. The Worksheet is provided for traders who do not wish to manually calculate average prices or whose broker's statement does not provide the calculation.

Now, we must complete the Trades screen and fill in the trade information.

Enter the following trade information into the appropriate fields in the Trades screen.

Trade Date	05/10/2004
Trading Capital	\$ 30,000
Position	Buy
Trade Type	STOCK
Symbol	QQQ
Profit Center	OSDIV
Commissions	\$ 36 (Automatically calculated)
Slippage	\$ 48 (Automatically calculated)
\$ P / L	\$ 2,364 (Automatically calculated)

The Trade date of 05/10/2004 and Trading Capital of \$ 30,000 are repeated for our convenience since that was the Trade Date we used when we entered the simple trade in the previous section of the manual.

The Commission Preference was entered as 3 cents per share. Since we traded 600 shares, commissions were calculated as \$ 18 ($.03 \times 600 \text{ shares} = \$ 18$). Since we pay commission on the entry and exit, we multiply the \$ 18 by 2 to obtain total commissions of \$ 36.

If the commission is incorrect, we can manually type in the correct total commissions in the Commissions field.

Slippage is equal to the Points Slippage entered for the Symbol in the Symbol List times the number traded and then times 2 as explained on page 56

In our example, we traded 600 shares of **QQQ** and the **QQQ** Symbol was set up for slippage of .04 in the Symbol List.

Therefore, \$ slippage equals $.04 \times 600 \text{ shares} = \$ 24$

Since we experience slippage on the entry as well as the close out, we multiply the \$ 24 by 2 and obtain total slippage of \$ 48 for the trade.

If you entered zero for the Points Slippage in the Symbol List for the **QQQ** Symbol, then the slippage amount will be zero on the Trades screen.

The \$ P / L is calculated as follows :

Points profit on the trade = (35.00 – 31.00) = 4.00 points profit.

4.00 points profit X 600 shares traded = \$ 2,400 profit before commissions.

Profit after commissions = \$ 2,364

We have used the Worksheet to calculate the Average Entry Price and transfer the trade to the Trades screen. We could have calculated the Average Entry price by hand and not used the Worksheet and simply entered the trade into the Trades screen, but some traders would rather have the software calculate the Average Entry Price and/or Average Exit price.

Also, some Average Price trades may have more entries than the trade we just entered and the Worksheet will eliminate a lot of time consuming calculations.

If the # Traded, Entry Price or Exit price on the Trades screen is incorrect, simply click the **WORSHEET** button on the Trades screen and the Worksheet will be displayed so you can re-enter the trade information.

Let's click the **SAVE** button to enter the trade into the **Practice** Business Organization and proceed to another blank Trades screen.

Practice entering 2 or 3 scale in trades into the OSCDIV Profit Center similar to the example above and use the Worksheet.

When you finish entering your last practice trade, leave the Trades screen blank and we will practice entering a **scale out** trade which contains multiple lot close outs.

6b. **Example of a scale out trade (multiple lot close outs)**

The next example is a trade where there are multiple lot close outs but only one lot for the entry.

This is an example of scaling out of a trade, since you have multiple lot **close outs** at different prices.

On June 10, 2004, a trader buys 600 shares of **QQQ** at an Entry Price of 25.00 and closes out his position by selling 400 **QQQ** shares at an exit price of 26.00 and 200 **QQQ** shares at an exit price of 27.00.

He has \$ 20,000 Trading Capital available on June 10,2004.

The trade can be illustrated as follows :

Buy 600 at 25.00

Sell 400 at 26.00

Sell 200 at 27.00

He would like to enter the trade into the following Profit Center :

Profit Center OSCDIV

The Commission Preference has been set up for a commission of 3 cents per share and the **QQQ** Symbol has been set up for slippage of 4 cents per share in the Symbol List.

Click the **ADD** button and then click the **WORKSHEET** icon and enter the following information into the Worksheet :

# Traded	Enter 600	(Entered on the <u>first</u> row of the <u>left</u> hand side of the
Entry Price	Enter 25.00	Worksheet labeled Trade Entry)
Avg. Entry Price	25.00	(Automatically calculated)
# Traded	Enter 400	(Entered on the <u>first</u> row of the <u>right</u> hand side of the
Exit price	Enter 26.00	Worksheet labeled Trade Entry)
# Traded	Enter 200	(Entered on the <u>second</u> row of the <u>right</u> hand
Exit price	Enter 27.00	Worksheet labeled Trade Exit)
Avg. Exit Price	26.33	(Automatically calculated)

Click the **OK** button and the information on the Worksheet will be automatically transferred back to the Trades screen.

Now we must enter the remaining trade information on the Trades screen.

Enter the following trade information into the Trades screen.

Trade Date	06/10/2004	
Trading Capital	\$ 20,000	
Trade Type	STOCK	
Position	BUY	
Symbol	QQQ	
Profit Center	OSCDIV	
Commissions	\$ 36	(Automatically calculated)
Slippage	\$ 48	(Automatically calculated)
\$ P/L	\$ 763.98	(Automatically calculated)

We changed the Trade Date so we must enter the Trading Capital for the new Trade Date of 06/10/2004 which is \$ 20,000

Commissions equal 3 cents X 600 shares = \$ 18. Since we pay commission on entry and close out, we multiply the \$ 18 by 2 to obtain total commissions of \$ 36.

Slippage equals 4 cents X 600 shares = \$ 24. Since we experience slippage on entry and exit, we multiply the \$ 24 by 2 to obtain \$ 48 total Slippage.

The \$ P / L on the trade is calculated as follows :

Points profit on the trade = (26.333 – 25.00) = 1.333 points profit..

1.333 points X 600 shares = \$ 799.80 profit before commissions.

Profit after commissions = \$ 799.80 - \$ 36 = \$ 763.98 (small rounding error)

The trade is entered into the selected Profit Center as one trade for 600 shares of QQQ with a \$ 762 profit.

Click on the **SAVE** button on the Trades screen and enter the trade into the **Practice** Business Organization.

Practice entering 2 or 3 scale out trades into the OSCDIV Profit Center.

When you reach your last practice trade, leave the Trades screen blank and we will practice entering another type of Average Price trade which has multiple lot entries and multiple lot close outs

6c. **Example of multiple lot entries and multiple lot close outs**

This example will demonstrate how to enter a trade with multiple lot entries and multiple lot close outs

On October 15, 2004, a trader buys 300 shares of **QQQ** at a price of 27.00 and also buys 400 shares of **QQQ** at a price of 28.00 and finally buys 300 shares of **QQQ** at 29.00.

He closes out the trade by selling 200 shares of **QQQ** at a price of 30.00, selling 400 shares of **QQQ** at 31.00 and selling 400 shares at 32.00.

The trader has \$ 45,000 in Trading Capital available on October 15, 2004.

The trade can be illustrated by the following :

Buy 300 at 27.00
Buy 400 at 28.00
Buy 300 at 29.00

Sell 200 at 30.00
Sell 400 at 31.00
Sell 400 at 32.00

He would like to enter the trade into the following Profit Centers :

Profit Center OSCDIV

The Commission Preference has been set up for a commission of 3 cents per share and **QQQ** has been set up for slippage of 4 cents per share in the Symbol List.

Click the **ADD** button and then click the **WORKSHEET** icon and enter the following information into the Worksheet.

# Traded	Enter 300	(Entered on the <u>first</u> row of the <u>left</u> hand side
Entry Price	Enter 27.00	of the Worksheet labeled Trade Entry)
# Traded	Enter 400	(Entered on the <u>second</u> row of the <u>left</u> hand side
Entry Price	Enter 28.00	of the Worksheet labeled Trade Entry)
# Traded	Enter 300	(Entered on the <u>third</u> row of the <u>left</u> hand side
Entry Price	Enter 29.00	of the Worksheet labeled Trade Entry)
Avg. Entry Price	28.00	(Automatically calculated)
# Traded	Enter 200	(Entered on the <u>first</u> row of the <u>right</u> hand side
Exit Price	Enter 30.00	of the Worksheet labeled Trade Exit)
# Traded	Enter 400	(Entered on the <u>second</u> row of the <u>right</u> hand side
Exit Price	Enter 31.00	of the Worksheet labeled Trade Exit)
# Traded	Enter 400	(Entered on the <u>third</u> row of the <u>right</u> hand side
Exit Price	Enter 32.00	of the Worksheet labeled Trade Exit)
Avg. Exit Price	31.20	(Automatically calculated)

The **Average Entry Price** of 28.00 is automatically calculated as well as the **Average Exit Price** of 31.20.

Click the **OK** button and the information on the Worksheet will be automatically transferred to the Trades screen.

Enter the following trade information in the Trades screen.

Trade Date	10/15/2004	
Trading Capital	\$ 45,000	
Position	Buy	
Trade Type	STOCK	
Symbol	QQQ	
Profit Center	OSCDIV	
Commissions	\$ 60	(Automatically calculated)
Slippage	\$ 80	(Automatically calculated)
\$ P/L	\$ 3,140	(Automatically calculated)

We changed the Trade Date from 05/10/2004 which we used in our last example to 10/15/2004 in this example.

If we change the Trade Date, we must determine what our Trading Capital is for the new Trade Date and enter that amount in the Trades screen. In this example, we entered \$ 45,000 in Trading Capital available for trading on 10/15/2004.

Commissions equal 3 cents per share x 1,000 shares x 2 = \$ 60.

Slippage equals 4 cents X 1,000 shares X 2 = \$ 80

The \$ P / L after commissions equals \$ 3,140

Click on the **SAVE** and the trade will be entered into the **Practice** Business Organization as one trade for 1,000 shares of **QQQ** with a profit of \$ 3,140

Practice entering 2 or 3 multiple lot entry and multiple lot close out trades into the OSCDIV Profit Center. Make sure you are at a blank Trades screen when you finish practicing.

After you reach your last practice trade, we will learn how to use the Worksheet and Allocation Form to create multiple trades.

7. How to use the Worksheet and Allocation Form to create multiple trades

You should have a blank Trades screen on your computer.

Creating multiple trades using the Worksheet and Allocation Form is an advanced concept. Most purchasers of **ManusRisco™** will not have need for the multiple trade concept.

However the multiple trade concept is included in **ManusRisco™** for those traders who would like to create a more sophisticated Business Organization and monitor scaling in and scaling out entry and exit strategies.

A blank Allocation for in provided on page **A - 28** of the Appendix. Examples of how to use the Allocation form are provided on page **A - 29** and **A - 30**.

Referring back to the trade entries we have studied, we see that all shares were entered into the Business Organization as **one** trade with an Average Entry Price, an Average Exit price or both an Average Entry Price and Average Exit price.

However, what if the trader would like to allocate a multiple lot trade in such a manner as to create multiple trades ?

For example, on 12/20/2004, a trader buys 300 shares of **QQQ** at a price of 31.00, buys 500 shares of **QQQ** at a price of 32.00 and buys 200 shares of **QQQ** at a price of 33.00 for a total of buy position of 1,000 shares.

He closes out the trade by selling 600 shares at an exit price of 27.00 and selling 400 shares at an exit price of 26.00.

The trader had \$ 90,000 in Trading Capital at the start of 12/20/2004.

The trade can be illustrated by the following :

Buy 300 at 31.00
Buy 500 at 32.00
Buy 200 at 33.00

Average Entry Price = 31.90

Sell 600 at 27.00
Sell 400 at 26.00

Average Exit Price = 26.60

Commissions = \$ 60

\$ P / L = - \$ 5,360 after commissions

The trades can be entered into a Business Organization using the Worksheet as **one** trade for 1,000 shares of **QQQ** with an Average Entry Price of 31.90, an Average Exit price of 26.60 and a trade loss of **- \$ 5,360**.

However, suppose he would like to monitor his trading performance on the positions he scales out of the trade. For example, he creates Profit Centers named FIRSTEXIT, SECONDEXIT and THIRDEXIT to monitor his trading performance on the first, second and third scale out exits of the trade.

Therefore, he will allocate the above trades in such a manner as to create three trades.

Each trade can then be entered into the appropriate Profit Centers.

Let's allocate the 1,000 shares traded into three individual trades.

The trader decides to allocate the 1,000 shares traded into three individual trades by first creating one buy trade for 300 shares and an Entry Price of 31.00 and close out the trade by applying 300 of the 600 shares at an exit price of 27.00. **This trade will show a loss of - \$ 1,218**

The following illustrates the trade :

Buy 300 at 31.00

Sell 300 at 27.00

Let's enter the following information on the Trades screen :

Trade Date	12/20/2004	
Trading Capital	\$ 90,000	
Position	Buy	
Trade Type	STOCK	
Symbol	QQQ	
# Traded	300	
Entry Price	31.00	
# Traded	300	
Exit Price	27.00	
Profit Center	FIRSTEXIT	
Commissions	\$ 18	(Automatically calculated)
Slippage	\$ 24	(Automatically calculated)
\$ P / L	- \$ 1,218	(Automatically calculated)

We changed the Trade Date to 12/20/2004 so we must enter the Trading Capital amount which is \$ 90,000.

This is a simple trade which has a loss of **- \$ 1,218** and we do **not** have to use the Worksheet to calculate an Average Price.

This trade is the first exit of his scale out exit strategy of the original 1,000 share trade so he enters this trade into the FIRSTEXIT Profit Center.

Click the **SAVE** button to enter the trade into the **Practice** Business Organization and proceed to a blank Trades screen.

Next, he creates the second trade by taking the 500 shares bought at a price of 32.00 and applying the 300 remaining trades closed out at a price of 27.00 and 200 of the shares closed out at a price of 26.00. **This trade will show a loss of - \$ 2,730 with an average Exit price of 26.80**

The following illustrates the trade :

Buy 500 at 32.00
Sell 300 at 27.00
Sell 200 at 26.00

Click the **ADD** button and then click the **WORKSHEET** icon on the Trades screen and enter the following trade information onto the Worksheet.

# Traded	500	(Enter on <u>first</u> row on <u>left</u> hand side of the
Entry Price	32.00	of the Worksheet labeled Trade Entry)
Avg. Entry Price	32.00	(Automatically calculated)
# Traded	300	(Enter on <u>first</u> row on <u>right</u> hand side of the
Exit Price	27.00	of the Worksheet labeled Trade Exit)
# Traded	200	(Enter on <u>second</u> row of <u>right</u> hand side of the
Exit Price	26.00	of the Worksheet labeled Trade Exit)
Avg. Exit Price	26.60	(Automatically calculated)

Click the **OK** button to return to the Trades screen.

We will now enter the following trade information onto the Trades screen :

Trade Date	12/20/2004	
Trading Capital	\$ 90,000	
Position	Buy	
Trade Type	STOCK	
Symbol	QQQ	
Profit Center	Select SECONDEXIT from the text box	
Commissions	\$ 30	(Automatically calculated)
Slippage	\$ 40	(Automatically calculated)
\$ P / L	- \$ 2,730	(Automatically calculated)

We did not change the Trade Date of 12/20/2004 so the Trading Capital of \$ 90,000 is repeated for our convenience.

This trade is the second exit of his scale out exit strategy of the original 1,000 share trade so he enters the trade into the SECONDEXIT Profit Center.

Click the **SAVE** button on the Trades screen to enter the trade into the **Practice** Business Organization and proceed to a blank Trades screen.

Finally, he applies the remaining 200 shares bought at 33.00 to the remaining 200 shares closed out at 26.00. **This trade will show a loss of - \$ 1,412**

The following illustrates the trade :

Buy 200 at 33.00

Sell 200 at 26.00

Let's enter the trade information on the Trades screen :

Trade Date 12/20/2004

Trading Capital \$ 90,000

Position Buy

Trade Type STOCK

Symbol QQQ

Traded 200

Entry Price 33.00

Traded 200

Exit price 26.00

Profit Center THIRDEXIT

Commissions \$ 12 (Automatically calculated)

Slippage \$ 16 (Automatically calculated)

\$ P / L - \$ 1,412 (Automatically calculated)

This is a simple trade so we do **not** have to use the Worksheet.

Since we did not change the Trade Date of 12/20/2004, the Trading Capital of \$ 90,000 is repeated for our convenience.

This trade is the third exit of his scale out exit strategy of the original 1,000 share trade so he enters the trade into the THIRDEXIT Profit Center.

We have allocated the original entry and close out trades to create 3 trades instead of one trade.

The trader is now able to run all the Analysis Reports on each of the three exit Profit Centers to determine if, and where, his scale out entry strategy is profitable.

The total \$ loss for all 3 losing trades of - \$, 1,218, - \$ 2,730 and - \$ 1,412 equals the same - \$ 5,360 loss we would obtain if we entered one trade for 1,000 shares.

However, we have instead created 3 trades instead of one trade, each of which can be entered into it's own Profit Center.

Click on the **SAVE** button to enter the trade into the **Practice** Business Organization and proceed to a blank Trades screen.

We will now learn how to allocate trades to scale into a trade.

In the example we just looked at, you could have allocated the 300 shares bought at 31.00 and 300 of the 500 shares bought at 32.00 and apply those purchases to the 600 shares closed out at 27.00.

In other words, this is an example where we will allocate trades to scale into a trade. Our first trade will have a loss of - \$ **2,736** before commissions with an Average Entry Price of 31.50.

The following illustrates the trade :

Buy 300 at 31.00
Buy 300 at 32.00
Sell 600 at 27.00

Click the **ADD** button and then click the **WORKSHEET** icon on the Trades screen and enter the following trade information.

# Traded	300	(Enter on <u>first</u> row on <u>left</u> hand side of the
Entry Price	31.00	of the Worksheet labeled Trade Entry)
# Traded	300	(Enter on <u>second</u> row on <u>left</u> hand side of the
Entry Price	32.00	of the Worksheet labeled Trade Entry)
Avg. Entry Price	31.50	(Automatically calculated)
# Traded	600	(Enter on <u>first</u> row on <u>right</u> hand side of the
Exit Price	27.00	of the Worksheet labeled Trade Exit)
Avg. Exit Price	27.00	(Automatically calculated)

Click the **OK** button on the Worksheet to return to the Trades screen,

Let's enter the trade information into the Trades screen

Trade Date	12/20/2004	
Trading Capital	\$ 90,000	
Position	Buy	
Trade Type	STOCK	
Symbol	QQQ	
Profit Center	FIRSTENTRY	
Commissions	\$ 36	(Automatically calculated)
Slippage	\$ 48	(Automatically calculated)
\$ P / L	- \$ 2,736	(Automatically calculated)

Click the **SAVE** button to enter the trade into the **Practice** Business Organization and proceed to a blank Trades screen.

You can then apply 200 of the remaining 500 shares bought at 32.00 and the 200 shares bought at 33.00 to the remaining 400 shares closed out at 26.00. This trade will have a loss of **- \$ 2,624** with an average entry price of 32.50.

The following illustrates the trade :

Buy 200 at 32.00
Buy 200 at 33.00
Sell 400 at 26.00

Click the **ADD** button and then click the **WORKSHEET** icon on the Trades screen and enter the following trade information into the Worksheet.

# Traded	200	(Enter on <u>first</u> row on <u>left</u> hand side of the
Entry Price	32.00	of the Worksheet labeled Trade Entry)
# Traded	200	(Enter on <u>second</u> row on <u>left</u> hand side of the
Entry Price	33.00	of the Worksheet labeled Trade Entry)
Avg. Entry Price	32.50	(Automatically calculated)
# Traded	400	(Enter on <u>first</u> row on <u>right</u> hand side of the
Exit Price	26.00	of the Worksheet labeled Trade Exit)
Avg. Exit Price	26.00	(Automatically calculated)

Click on the **OK** button on the Worksheet to return to the Trades screen.

Enter the following trade information onto the Trades screen.

Trade Date	12/20/2004	
Trading Capital	\$ 90,000	
Position	Buy	
Trade Type	STOCK	
Symbol	QQQ	
Profit Center	SECONDEENTRY	
Commissions	\$ 24	(Automatically calculated)
Slippage	\$ 32	(Automatically calculated)
\$ P / L	- \$ 2,624	(Automatically calculated)

Since we did not change the Trade Date of 12/20/2004, the Trading Capital of \$ 90,000 is repeated for our convenience.

Click the **SAVE** button to enter the trade into the Business Organization of the **Practice** Business Organization.

We have allocated the 1,000 share trade into 2 trades instead of 3 trades as in the previous example.

We entered the first trade into the FIRSTENTRY Profit Center and the second trade into the SECOND ENTRY Profit Center. In other words, we have created Profit Centers to monitor our trading performance if we **scale into** a trade.

The two trade losses of **- \$ 2,736** and **- \$ 2,624** equals the same total trade loss of **- \$ 5,360** we obtained when we entered one trade for 1,000 shares.

The trader is now able to analyze each of his scale in entry strategies and determine which strategy is profitable and which is not.

As you can see, there are different methods of allocating the entry and exit of shares in a multiple lot trade. The trader should give some thought in deciding how he will allocate the entries and close outs of shares in a complex trade.

The main question to be answered is..... would you like to allocate exit trades to the entry trades (scale out strategy) or allocate entry trades to close out trades (scale in strategy) ?

A blank Allocation Form which can be used to assist you in allocating entries and close outs to create multiple trades can be found in the Appendix on page **A - 28**.

Make copies for your personal use.

Two examples which explain how to use the Allocation form can be found in the Appendix on pages **A - 29** and **A - 30**.

Using the Allocation Form to create multiple trades requires some thought but it will prove to be time well spent since the trader is now able to segregate various scale in and scale out trading techniques and analyze his trading performance for each type of strategy.

At the end of the trading day, you may find it easier to transcribe the trades which you would like to allocate to multiple trades onto the Allocation Form and the use the Allocation Form as a guide to enter those trades into the Trades screen

You are encouraged to practice allocating trades using the Allocation Form and practice entering those trades into the appropriate Profit Centers until you are thoroughly familiar with the concept and understand how you can apply the capabilities it offers to your own trading methodology.

After you have entered your last practice trade, click the **CLOSE** button to return to the **Main Menu**.

Creating multiple trades using the Trades screen, Worksheet and Allocation Form is an advanced concept which many traders may not require. However, the concept is included in this manual for those traders who would like to take advantage of this technique.

8. Verification of the Worksheet

Just like the Trades screen, **ManusRisco™** performs a verification on the Worksheet to ensure that the information entered is as correct as possible.

The verification is :

a. The Total Entry # Traded must equal the Total Closed # Traded in the **Averages** section of the Worksheet and both must be greater than zero.

If the Total Entry # Traded does not equal the Total Closed # Traded, the **OK** button will not be activated.

b. Both the Average Entry Price and Average Exit price in the Averages section must be greater than zero.

c. All values for the # Traded, Entry Prices, and Exit prices must be greater than zero on the Worksheet.

We will now review what we have learned about the Trades screen.

9. Review of the Trades screen

To quickly review the **Trades** screen :

- A simple trade occurs when the entry price is the same for all shares entered and the close out price is the same for all shares closed out.

The trade is then entered into the selected Profit Center(s) (if any) as **one** trade.

- An Average Price trade occurs when the entry and / or close out contains multiple lot entries and an Average Entry Price and / or Average Exit price must be calculated.
- The Worksheet is used when you have entry and / or close out trading lots at different prices and an Average Entry Price and / or Average Exit price must be calculated. All shares entered on the Worksheet are entered into the Business Organization as **one** trade.

If you decide to manually calculate the Average Entry Price and / or Exit Price for a trade, or if your broker's statement performs the calculation for you, then you will not need to use the Worksheet. The Worksheet is provided for those traders who would like the software to perform the calculations.

- An Allocation Form is provided on page **A – 28** of the Appendix to assist those traders who would like to allocate trades with multiple lot entries and close outs so that multiple trades can be created instead of only one trade.
- Trades are **only** entered into a Business Organization on the **Trades** screen **and** all the required fields on the **Trades** screen are correctly completed. You can **not** enter a trade into a Business Organization from the Worksheet,
- You do not have to enter all your trades at the same time. For example, if you made 20 trades on the same Trade Date, you can first enter 5 trades into the Business Organization. Then tomorrow, you can enter the remaining 15 trades. Just make sure you use the same Trade Date on the Trades screen so all trades are identified with the same Trade Date.
- If you change Trade Dates, the Trading Capital field will appear as blank. You will have to determine the amount of Trading Capital for the new Trade Date and enter that amount into the Trading Capital amount field.
- The best way to learn the Trades screen and Worksheet is to practice entering trades into different Profit Centers in the **Practice** Business Organization. With a little bit of practice, the Trades screen and Worksheet will become easy to use.

We will now learn what to do if we have information on the Trades screen which has not been updated.

10. **Information on the Trades screen which has not been updated.**

If you have forgotten to update your Trade Types, Symbols, Points Slippage or Commission per Share information, then incorrect values for these items will appear on the Trades screen.

For example, assume you have made a trade for **IBM**. When you go to the Trades screen to enter the **IBM** trade, you notice that **IBM** does not appear as a Symbol in the Symbol field. You then realize that you have not added the **IBM** Symbol to the Symbol List.

In this case, click the **CLOSE** button on the Trades screen to return to the **Main Menu**, select **EDIT** and then select **Symbols** and add the **IBM** Symbol to the Symbol List.

Then return to the Trades screen to enter the trade.

The following describes what to do if you have forgotten to update the values for the Trade Types, Points Slippage. Commission per Share **or** Commission per Trade. Basically, you just exit the Trades screen and edit Trade Type list, Commission Preference or Symbol List to reflect the new information.

- If you do not find the Trade Type when entering a trade, click the **CLOSE** button on the Trades screen to return to the **Main Menu** select **Trade Types** and then add the new Trade Type to the Trade Type list. Then return to the Trades screen and enter the trade

- If the Commission amount is incorrect, click the **CLOSE** button to return to the **Main Menu**, select **Preferences** and enter the correct Commission per Share or Commission per Trade amount. Then return to the Trades screen and enter the trade.
- If the Slippage amount is incorrect, click the **CLOSE** button to return to the **Main Menu**, select **Symbols** and then edit the Symbol List to enter the correct Points Slippage amount for the selected Symbol. Then return to the Trades screen and enter the trade.

If you have a complicated commission Structure, you will have to manually enter the Commission amount on the Trades screen and enter zero for the Commission per Share and Commission per Trade in the Preference.

Also, if you do not require a Slippage analysis, then enter zero for the Points Slippage for the Symbol in the Symbol List and zero will always print out for Slippage for that Symbol on the Trades screen.

We will now learn how to find a trade we have entered into a Business Organization.

11. Trade Finder - How to find a trade

To find a trade you have entered into a Business Organization, go to the **Main Menu**, select **EDIT** and then select **Trade Finder** (you can also click the **Trade Finder** icon on the **Sidebar**). The Search Criteria you wish to search for will then be displayed.

The Search Criteria are :

Profit Center
Trade Type
Symbol
Position
Number Traded
Start Trade Date
Stop Trade Date

We will now discuss the trade information that you can search for.

Profit Center Select the Profit Center you would like to search. To search all Profit Centers, leave the Profit Center field blank.

Trade Type To search for a specific Trade Type, select the Trade Type you would like to search for in the text box. To search all Trade Types, leave the Trade Type field blank.

Symbol Only Symbols associated with the selected Trade Type will be displayed. To search all Symbols, leave the Symbol field blank.

Position Select **Buy** to search only for all Buy (Long) trades or select **Sell** to search only for all Sell (Short) trades. To search for both Buy and Sell trades, leave the Position field blank.

Traded To search for all trades and ignore the number traded, do **not** check the # Traded box. To search for a specific # Traded, check the # Traded box and you will see the following four selections :

= (equal to), > (greater than)
< (less than) < > (less than or greater than)

Assume you enter 500 for the number traded.

If you select = the search will only search for trades = to 500 shares as the number traded.

If you select < the search will only search for trades with less than 500 shares as the number traded .

If you select > the search will only search for trades with more than 500 shares as the number traded.

If you select < > the search will only search for trades with less than or more than 500 shares as the number traded.

If you do **not** check the Number Traded, then all trades will be eligible to be searched for, regardless of the number of shares traded.

Start Trade Date – Stop Trade Date If you would like to search for a Trade Date range, then click on the calendar and select a Start Trade Date and Stop Trade Date for the Trade Date range you wish to search for.

If you select the same Start Trade Date and Stop Trade Date, the Trade Finder will only search for trades on that one Trade Date. This is a handy feature if you are searching for all the trades you entered for one particular Trade Date so that you can double-check the trades you have entered into the Business Organization for that particular Trade Date. This technique will be described on page 93

If you leave the Start Trade Date blank and select a date for the Stop Trade Date, then the search will include all Trade Dates up to and including the Stop Trade Date.

If you select a date for the Start Trade Date and leave the Stop Trade Date blank, then the search will start from and include the Start Trade Date and include all Trade Dates after that.

Let's search for a trade.

Enter the following trade information on the TradeFinder screen :

Profit Center	BREAKOUT
Trade Type	STOCK
Symbol	EBAY
Position	ALL (leave blank)
Number traded	ALL (leave blank)
Start Trade Date	02/12/2005
Stop Trade Date`	02/12/2005

The Trade Finder screen has two buttons labeled **SEARCH** and **CLOSE**.

To exit Trade Finder and return to the **Main Menu**, click on the **CLOSE** button.

To begin the search, click on the **SEARCH** button.

Let's click on the **SEARCH** button and begin the search.

The Search Criteria will find and display all the trades which satisfy the Search Criteria we have entered.

The found trades will be listed in the **Trade List** of the **Trades** screen. The first found trade will be displayed on the screen. To display the other found trades, click on the desired trade in the **Trade List** and the trade will be displayed.

In our example we have found two trades which satisfied the Search Criteria. The count of 2 trades is found in the lower left hand corner of the screen with the net profit of \$ 358.

The TradeFinder function is very flexible. If you are trying to locate a trade but have forgotten most of the trade information, you will still be able to find the trade even if you only remember one or two items such as the Trade Date, Symbol, Number Traded etc.

After the trade is found, click the **CLOSE** button on the bottom of the screen to return to the **Main Menu**.

The TradeFinder function can be utilized to edit or delete a trade as we will learn later on in the manual.

The TradeFinder function can also be used to double-check your trade entries as we will now learn.

12. **Double-checking your trade entries**

As mentioned above, the number of trades which satisfied the Search Criteria is found on the lower left hand corner of the last line of the screen along with the \$ P/L.

This is a valuable feature which can be used to double-check your trade entries for a particular Trade Date. For example, assume on 05/20/2004 you made 12 trades which resulted in a net profit after commissions of \$ 1,205.

To double-check your trade entries to make sure you did not make any errors entering the trades, run the Trade Finder and select 05/20/2004 for the Start Trade Date and Stop Trade Date and select **ALL** (blank) for the remainder of the Search Criteria. All the trades you entered with a Trade Date of 05/20/2004 will be displayed.

Then look at the number of trades and \$ P/L in the bottom left hand corner of the screen. If the Trade Finder finds 12 trades with a profit of \$ 1,205, then you know that you have entered all 12 trades correctly for the 5/20/2004 Trade Date.

If the number of trades on the grid does not equal to 12, you know that you have made a mistake entering trades.

If the number of trades equals 12, but the \$ P/L does not equal \$ 1,205, you know that one or more of your trades have not been entered correctly. You will then have to edit the incorrect trade(s) as we will learn later on in the manual.

The \$ P / L amount may be off by a few dollars due to rounding errors however, the small amount of money will not be that important.

If you have lost track of the trades you have entered into the Trades screen, the Trade Finder can also be very helpful.

For example, assume you made 10 trades on 05/23/2004. You enter 6 of those trades into the Business Organization and then you become distracted (wife yells at you, doorbell rings, pizza delivery man arrives etc). When you return to finish entering your trades for 05/23/2004, you forget which of the 10 trades you have entered.

In this case, use the Trade Finder function described above and search **only** for trades with a Start Trade Date of 05/23/2004 and Stop Trade Date of 05/23/2004 and select **ALL** (blank) for the remainder of the Search Criteria.

The search will display all the trades you have entered with a Trade Date of 05/23/2004. The number of trades you have entered for 05/23/2004 and the \$ P/L will be displayed in the lower left hand corner of the screen.

You will be able to see which trades you have entered into the Business Organization for 05/23/2004 and determine if you made any errors entering any of your trades.

It is highly recommended that you always use the above techniques to double-check any trade information you have entered into the Business Organization.

We will now learn how to edit a trade.

13. How to edit a trade

Make sure you are in the **Practice** Business Organization.

If you made a mistake entering trade information, we must first find the trade and then correct the trade information.

We find the trade to be edited by going to the **Main Menu, Edit**, and then selecting **Trades**. You can then select the trade to be edited by clicking the trade on the Trade List on the left hand side of the screen.

You can also select the trade to be edited by using the TradeFinder to find the trade as we described in the above section.

Click on the trade with a Trade Date of 05/10/2004, the QQQ Symbol and a \$ 288 profit and then click the **EDIT** button. **This is the trade we entered on page 67**

The trade information will be displayed on the right hand side of the screen.

Let's assume that we made a mistake entering the Trade Date.

Let's change the Trade Date to 07/01/2004.

Notice that since we changed the Trade Date, the Trading Capital field is blank because we changed the Trade Date.

Let's assume we had \$ 37,000 in Trading Capital available on 07/01/2004 so enter \$ 37,000 for the Trading Capital amount.

If you would like to add the trade to additional Profit Centers in the **Practice** Business Organization, then check those Profit Centers in the Profit Center text box.

For this example, we will **not** check any additional Profit Centers.

Click the **SAVE** button and the edited trade will be saved in the **Practice** Business Organization.

The changes will automatically be made for the trade in the **ALL** Profit Center

Then click the **CLOSE** button and you will return to the **Main Menu**.

Let's search and display the trade to confirm that the trade was edited correctly.

On the **Main Menu**, select **Edit** and then select **Trade Finder**.

Enter the following Search Criteria and click the **SEARCH** button (notice we are entering the new Trade Date) :

Profit Center	ALL (leave blank)
Trade Type	STOCK
Symbol	QQQ
Position	ALL (leave blank)
Number traded	ALL (leave blank)
Start Trade Date	07/01/2004
Stop Trade Date	07/01/2004

The new trade information will be displayed, confirming that the edited trade was correctly entered into the **Practice** Business Organization.

Click the **CLOSE** button to return to the **Main Menu**.

We will now learn how to delete a trade.

14. **How to delete a trade**

Make sure that you are in the **Practice** Business Organization.

If you make a mistake entering a trade into a Business Organization, you are able to delete the trade.

We find the trade to be deleted by going to the **Main Menu**, **Edit**, and then selecting **Trades**. You can then select the trade to be deleted by clicking the trade on the Trade List on the left hand side of the screen.

Click on the trade with a Trade Date of 07/01/2004, the **QQQ** Symbol and a \$ 282 profit and then click the **DELETE** button (this was the trade we edited in the above section)

You will then see a warning message stating that you are deleting the trade from all the Profit Centers in the **Practice** Business Organization. Click the **YES** button to delete the trade.

Then click the **CLOSE** button to return to the **Main Menu**.

Let's search for the trade to confirm that the trade was actually deleted.

On the **Main Menu**, select **EDIT** and then select **Trade Finder**.

Make sure you are in the **Practice** Business Organization.

Enter the following Search Criteria and click the **SEARCH** button :

Profit Center	ALL (leave blank)
Trade Type	STOCK
Symbol	QQQ
Position	ALL (leave blank)
Number traded	ALL (leave blank)
Start Trade Date	07/01/2004
Stop Trade Date	07/01/2004

Notice that no trade is displayed which confirms that the trade was deleted from the **Practice** Business Organization.

Click the **CLOSE** button to return to the **Main Menu**.

15 **Suggestions for high volume, active traders**

Some individuals are very high volume, active traders (high volume meaning a large number of trades) possibly doing 10 to 20 trades a day. Entering a large number of trades using the Trades screen may take some time if you try to assign a Profit Center to every trade.

If you are using the same day trading technique over and over again, then simply enter all your trades into the **ALL** Profit Center. Also, use the Default Trade Entry as described in the Preferences starting on page 175

You are able to run all the **ManusRisco™** reports on the **ALL** Profit Center so there is no loss of analysis if you do not use multiple Profit Centers. The **ALL** Profit Center is automatically updated and does **not** appear in the Profit Center text box on the Trades screen.

Another technique which can be used by very high volume traders is to enter all your trades for the trading day as one trade. For example, assume on 05/01/2004 you do 30 trades for all types of Symbols, trade 3,000 total shares, make \$ 10,000 in profits and pay \$ 500 in commissions for the trading day. You had \$ 30,000 in Trading Capital at the beginning of the trading day.

You can enter all 30 trades separately or you can enter all 30 trades as one summary trade by using the following technique.

The **Summary Trade Worksheet** which performs the calculations described below can be found under **Tools** on the **Main Menu**.

First divide the profit or loss for the day before commissions by the number of shares traded which in our example equals \$ 10,000 divided by 3,000 shares which equals 3.33 points profit per share (\$ 10,000 / 3,000 shares = 3.33 points profit per share).

Then use the Trades screen to enter the 30 trades and 3,000 shares as one trade by selecting a Position, Entry Price and Exit Price which would show a profit of 3.33 points. For example, if we select the **Buy** Position code, we would enter an Entry Price 3.33 points lower than the Exit Price to show the 3.33 points profit.

On the Trades screen, you would enter the following fields :

Trade Date	05/01/2004
Trading Capital	30,000
Position	BUY
Trade Type	STOCK
Symbol	SUM
# Traded	3,000
Entry Price	10.00
Exit price	13.33
Commissions	500

In this example, we make 3.33 points profit (Exit price of 13.33 minus the Entry Price of 10.00 on a Buy trade)

Since we traded 3,000 total shares, we make \$ 10,000 profit (3.33 points profit per share X 3,000 shares traded = \$ 10,000 profit.)

We would then type in the \$ 500 commission in the commission field on the Trades screen to give us our net profit of \$ 9,500.

We would also estimate the total Slippage and type in that amount in the Slippage field on the Trades screen. If Slippage was zero, then enter zero in the Slippage field.

We have entered the 30 trades for 3,00 total shares as one trade for 3,000 shares.

I created a Symbol named **SUM** which stands for Summary. You can make up any Symbol name. Make sure you enter the Symbol in the Symbol List.

You can also choose to create a Profit Center with a name such as **SUMMARY** and enter this one trade into that Profit Center so you can segregate all your summarized trades into one Profit Center.

Notice we selected a **Buy** Position Code and an Entry Price which was 3.33 points lower than the Exit price.

You can use any Entry Price and Exit price just as long as you obtain 3.33 points profit. You could have also selected a **Sell (Short)** Position code and entered an exit price 3.33 points lower than the Entry Price to show a 3.33 point profit.

The disadvantage of this technique is that the **Buy** Position Code is obviously incorrect (unless all your trades were Buys, which is highly unlikely) and when you run an Analysis Report, the Position code selection in the **Report Criteria** for the Analysis reports will not be of any value since the **Buy** or **Sell** Position code selections will be meaningless.

Also the Symbol will be meaningless in the **Report Criteria** for the Analysis Reports since you must make up a Symbol name for all the trades. In the above example, I made up a Symbol named **SUM** which is not really a Symbol for any particular stock.

You can use either a **Buy** Position code or **Sell (Short)** Position code to create your summary trade. It doesn't make a difference.

Here is an example of the technique which shows a loss for the trading day using the **Sell (Short)** Position code

Assume on 05/01/2004 you do 40 trades, trade 2,000 total shares, lose **-\$ 5,450** and pay \$ 500 in commissions for the trading day. You have \$ 40,000 at the beginning of the trading day.

You can enter all 40 trades separately or you can enter all 40 trades as one summary trade for 2,000 shares by using the following technique. First divide the profit or loss for the day by the number of shares traded which equals **-\$ 5,450** divided by 2,000 shares which equals a **- 2.725** point loss per share (**-\$ 5,450 / 2,000 shares= - 2.725** points).

Then use the Trades screen to enter the 40 trades as one trade for 2,000 shares by selecting a **Sell** Position code and entering any Entry Price and Exit Price which would show a loss of **- 2.725** points. For example, if we select a Position code of **Sell (Short)**, we would enter an Entry Price 2.725 points lower than the Exit price to show the **- 2.725** point loss.

On the Trades screen, you would enter the following fields :

Trade Date	05/01/2004
Trading Capital	40,000
Position	SELL
Trade Type	STOCK
Symbol	SUM
# Traded	2,000
Entry Price	20.000
Exit Price	22.725
Commissions	500
\$ P/L	- \$ 5,950

In this example, we lose **- 2.725** points since the Entry Price is 2.725 points lower than the Exit Price for a **Sell (Short)** trade.

Since we traded 2,000 shares, we have a loss of **-\$ 5,450** (**- 2.725** points X 2,000 shares traded = **-\$ 5,450.**)

We would then type in the \$ 500 commission for a total loss on the trade of **-\$ 5,950.**

We would also estimate the total Slippage and type in that amount in the Slippage field. If Slippage was zero, then enter zero.

This one trade is automatically entered into the **ALL** Profit Center and also the **SUMMARY** Profit Center if you choose to do so.

Thus, we have entered the 40 trades for 2,000 shares as one trade for 2,000 shares.

If we selected **Buy** as a Position Code instead of **Sell**, then we would have entered an Entry Price 2.725 points higher than the Exit Price so we can show a loss of **- 2.725** points.

You can use any Entry Price and Exit Price just as long as you obtain a loss of **- 2.725** points. You can also use a **Buy or Sell** position code, just remember to make the points profit or loss come out to the correct amount.

As a final comment, If all your trades were for the same Symbol, such as **IBM**, then you can enter that Symbol for the Symbol field. However, if you traded different Symbols during the day, such as **IBM, MU, DELL** etc, then create a Symbol with a name such as **SUM** or **MAX** and select that Symbol when you enter your summarized trade.

The **SUM** or **MAX** Symbol means that you traded many different Symbols during the day and the **SUM** or **MAX** Symbol will be used as a summary of all the Symbols trades. You can use any Symbol name.....the **SUM** and **MAX** names are only used as an example.

In the two examples above, I used the **SUM** Symbol.

Remember that if you run an Analysis Report and select **SUM** or **MAX** for the Symbol in the **Report Criteria**, or whatever Symbol name you create, the Analysis Report will not be able to analyze individual Symbols because the **SUM** or **MAX** Symbol (or the Symbol name which you create) is a summary of all the Symbols you traded during the trading day.

The **Summary Trade Worksheet** which can be found under **Tools** on the **Main Menu** calculates the points profit or loss for you.

We will now discuss the business of day trading.

[The Business of Day Trading](#)

“ I lose money on every car I sell.....but I make it up on volume”

Early 1970's Los Angeles used car dealer advertisement

1. Trading turnover versus margin

There are basically two business models.....selling pencils (Turnover) versus nuclear reactors (Margin)..... or to use a baseball analogy, hit singles (Pete Rose) or home runs (Babe Ruth)

The profit margin on the sale of a pencil is minuscule (low margin). The pencil manufacturer earns his profit by selling thousands of pencils (high turnover) and makes a small profit on each pencil.

The dollar profit margin on the sale of a nuclear reactor is extremely large. The sale of a nuclear reactor generates such a large profit (high margin) that only one nuclear reactor has to be sold every 3 to 5 years (low turnover) in order to generate a net profit for the company.

The day trader is like Pete Rose.....grinding out small profits which are spread over a large number of trades with a relatively low number of strikeouts.

The position trader is Babe Ruth.....trying to earn a large dollar profit on each trade, spread over a small number of trades while suffering a relatively large number of strikeouts.

Day trading is a high turnover, low margin business. Whether you like it or not, day traders are pencil salesmen. You survive by selling many pencils (high trade turnover) with a low profit margin (one point, one and a half points, etc).

Turnover trading requires well developed money management skills. Since your profit margin is small, your risk on each trade must also be proportionately small. If your average profitable trade is less than your average unprofitable trade, and you can't make up for this discrepancy by producing a high percentage of profitable trades, you will inevitably go broke.

Las Vegas casinos utilize the low margin - high turnover business model.....they make a small percentage profit on each bet (low margin) but take thousands of bets (high turnover).....basically, casinos sell pencils.

Notice also that a casino will never take one bet that will break their bankroll. If you are playing a positive expectation game, like a casino, your goal is to get into the long run.

You get into the long run by taking many small bets and never jeopardize your entire bankroll by taking, and losing, one or more large bets.....a large bet being defined as a losing a high percentage of bankroll such as 5 % or 10 %.

Similarly, the day trader must constantly monitor key money management statistics to determine :

- If he is playing a positive or negative expectation game
- The trend of the profitability or loss
- If he is maintaining a favorable Reward / Risk Ratio on his trades.

ManusRisco™ is the tool to monitor these statistics

Since the day trader operates in a high turnover environment (large volume of trades), key money management statistics are constantly changing. It is incumbent on the day trader to develop a money management methodology to accommodate this high paced and rapidly changing business environment.

As explained above, the day trader is a singles hitter compared to the home run type, long term investor.

However, the day trader must also deal with the reality that “mini” singles and “mini” home runs also exist within the high turnover / low margin day trading business.

The day trader can choose to hit “mini” singles (set a profit target of only one or two points profit per trade) or try to hit “mini” home runs (set profit targets such as four points or more per trade)

As described on page 38 regarding names for Profit Centers, if you decide that you will attempt to hit “mini” singles and “mini” home runs, you should create separate Profit Centers to monitor your trading performance in both areas.....such as creating Profit Centers named SINGLES and HOMERUNS.

The **ManusRisco™** Analysis Reports provide a complete analysis as to the relative success or failure of your “mini” singles versus “mini” homerun trades.

It may be possible that you are more profitable when you hit “mini” singles and try for a small 1 or 2 points profit per trade versus trying to hit the 4 or 5 point “mini” home run.

Or the opposite may be true.....you may be a more efficient and profitable trader when you capture those juicy "mini" home run 4 or 5 point profits per trade.

ManusRisco™ reveals your trading performance in both categoriesenabling you to adjust your trading strategy and methodology accordingly

2. The primary goal of trading and speculation

" Wealth is a product of man's capacity to think."

Ayn Rand

The primary goal of trading and speculation is not to make money. " Making money " is a secondary by - product of the primary goal,

The primary goal of trading and speculation is preservation of Trading Capital. You can't " Make money " if you are not at the table playing the game.

You leave the table and remove yourself from the game by losing your Trading Capital.

You lose your Trading Capital by failure to develop a professional, disciplined and educated money management methodology which provides the framework for confident and educated trading decisions.

Re-read that last sentence because that is what this manual and **ManusRisco™** are all about.

Overview of Analysis Reports & Graphs

" If one does not know to which port one is sailing.....no wind is favorable."

Seneca

1. Reports and Graphs - General Comments

ManusRisco™ generates 14 unique and custom designed Analysis Reports which provide valuable and important money management information required to manage your trading business. The Analysis Reports are the heart of **ManusRisco™** and provide the trading performance information required to become a professional, disciplined, confident and profitable trader.

Some traders may become attached to only a few "favorite" reports which they will run after each trading day. Other traders may look at some reports only on a weekly or monthly basis.....while other traders may choose to look at some reports only once every few months.

Once you become familiar with all the Analysis Reports, decide which reports contain the information you need to know to become a more profitable and efficient trader. Then determine how often (daily, weekly, monthly etc) you need the information contained in the report.

2. Report Criteria - Overview

When an Analysis Report is selected from the **Main Menu**, the **Report Criteria** for that report is then displayed. **The Report Criteria instructs the Business Organization which trades to display on the report.**

Only those trades which satisfy the **Report Criteria** will be displayed on the report. We will look at the **Report Criteria** in more detail when we run the Income Statement report described on page 106.

3. Sorting a column of statistics and various report buttons

- All reports will be automatically (defaulted) sorted by the Trade Date in ascending order when the report is first displayed since this is the most logical way to display a report. The trades with the earliest Trade Date will appear first on the report.
- A Sort function which will re-sort selected columns on the report is being considered for Version 2.0

4. Graphing a column of statistics and various report buttons

Graphs are sometimes called charts. Graphs and charts mean the same thing. A graph (or chart) is a visual representation of a column of statistics on an Analysis Report.

Some columns of statistics on an Analysis Report can be graphed and some columns of statistics can not be graphed. The columns of statistics which can be graphed are listed in the **Graph Option** text box which is described below.

To graph a column of statistics, click the **GRAPH** button on the bottom of the Analysis Report and a graph will appear. The following describe the various methods of displaying the graph :

- On top of the graph, you are able to select the various **Graph Styles** such as a Line Graph, Bar Graph etc.
- The **Graph Option** text box lists the columns of statistics on the Analysis Report which can be graphed. Select the column of statistics you would like to see graphed.
- The **Change Color Per Value** option changes the color for each new value on the graph
- The **Graph 3-D** option will display the graph in **3 -D**
- The **Graph Color** palette lets you choose the color to display the graph.
- On the bottom of the Graph, you can select the number of **Values per Page**. The **Values per Page** are the number of data points which will appear on the horizontal axis on one graph page. For example, if you select 30 as the **Values per Page** for an **Individual Trades** Summary Time Period Analysis Report, then 30 trades will be displayed on the horizontal axis of the graph.

If you select **ALL** for the **Values per Page**, then all trades on all pages of the report will be displayed on one page of the graph. If the report contains a large number of trades, then the graph may be difficult to read since all the trades will be displayed on one page of the graph. The **Scale Dates** option combines all trades for one Trade Date into a vertical line on the graph. For example, if you had 5 trades for 10/10/2004, then the values for the five trades will be displayed vertically on one line on the graph.

- The **Show Values** option displays the value for each data point on the graph. The **Include Value Dates** will display the Trade Date next to each value.

The following buttons are located on the bottom of the report or graph :

- The **PRINT** button prints the report or graph on the printer.
- The **RE-RUN** button re-runs the report
- The **EXPORT** function exports the report or graph to various files such as Excel, PDF etc
- The **Goto Page** option lets you skip to the selected page number of the report or graph. You must click the icon to the right of the **Goto Page** option to skip to the selected page.
- The **PREVIOUS** button goes back to the previous page on the report or graph.
- The **NEXT** button goes to the next page on the report or graph.
- The **CLOSE** button closes the report or graph.

We will look at graphs in more detail when we run the Income Statement report.

5. Report explanations

Further on in the manual, each report will be explained in detail as to :

- The purpose of the report
- The **Report Criteria** required to generate the report
- Graph Options (if any)
- Explanation of column headings and statistics
- Summary Time Periods which can be run on the report (Individual Trades, Daily, Weekly, Monthly or Yearly)
- Insightful commentary about the report designed to make you a more proficient, disciplined and profitable trader.
- **Tom's Tips** A few tips as to what to look for in the report which I have found useful in my own trading.

6. Report schedule

Which reports to analyze and how often to run the Analysis Reports is left up to you. Some reports should be run and analyzed fairly often while others can be looked at after longer time intervals.

Each trader has his own unique style of trading as far as how often he trades, the number of shares traded, Reward / Risk Profile etc. Therefore, each trader will have a different set of “ favorite ” reports which most closely apply to his trading methodology and provide the information he requires to become a more profitable and confident trader.

7. Unfavorable statistics

Any unfavorable statistic on an Analysis Report such as an unprofitable trade, % unprofitable trades, average unprofitable trade, etc is displayed with the unfavorable statistic color selected in the Preferences (default is **red**) as described on page 173. This facilitates the identification of statistics which may be signaling potentially dangerous trends in your trading activities.

For those of you who are color blind, the **red** color appears as a different shade of gray on the reports.

8. Categorization of Analysis Reports

Analysis Reports are segregated into the following eight categories :

- Profitability
- Equity Fluctuation
- Trading Performance
- Trading Efficiency
- Volatility
- Operations Management
- Trade Management
- Risk Analysis

In reviewing the Analysis Reports, we will analyze five Profit Centers which are **POSINC**, **POSDEC**, **NEGINC**, **NEGDEC** and **BREAKOUT**.

Four of the Profit Centers are used to illustrate the four basic trading environments most traders are confronted with on a daily basis which are :

- A positive expectation game becoming more positive (**POSINC**)
- A positive expectation game becoming less positive (**POSDEC**)
- A negative expectation game becoming less negative (**NEGINC**)
- A negative expectation game becoming more negative (**NEGDEC**)

The **BREAKOUT** Profit Center will be used to illustrate other types of analysis provided by the Analysis Reports.

We will now learn about locked out Profit Centers, Trade Types and Symbols.

[Locked out Profit Centers, Trade Types and Symbols](#)

ManusRisco™ uses certain Profit Centers, Trades, Trade Types and Symbols in the **Practice** Business Organization to create and explain the Analysis Reports in this manual.

If you decide to edit or delete these Profit Centers, Trades, Trade Types or Symbols, the Analysis Reports in this manual will change and you will not be able to refer back to the manual to review how the statistics for each report are calculated.

Therefore, certain Profit Centers, Trades, Trade Types and Symbols in the **Practice** Business Organization are locked out from being edited or deleted.

The list of these locked out items in the **Practice** Business Organization are :

Profit Centers

POSINC
POSDEC
NEGINC
NEGDEC
BREAKOUT

Trade Type

STOCK

Symbols

QQQ
EBAY

You will see a warning message stating that you can not edit or delete these items since they are used to describe the Analysis Reports in the manual.

Also, any trades which use the above items can not be edited or deleted.

The above items are only locked out of the **Practice** Business Organization since that is the Business Organization we use to practice learning the software.

We will now learn how the **ManusRisco™** Analysis Reports help you to become a more confident, profitable and professional trader.

ManusRisco™ Analysis Reports

Profitability

“I have enough money to last me the rest of my life.....unless I buy something”

Jackie Mason

1. Income Statement

1a. Purpose of report

The Purpose of the Income Statement report is to display :

- The profit or loss on each individual trade and the cumulative profit or loss
- The profit or loss per share on each individual trade and the cumulative net profit or loss per share.
- Each individual profitable trade as a percentage of total profits and each individual unprofitable trade as a percentage of total losses
- The Profit Factor statistic
- Daily, Weekly, Monthly and Yearly summaries of the above key money management statistics
- Graphs which illustrate the trend of key money management statistics.

The Income Statement is in column format. We will use the Income Statement to practice entering different **Report Criteria** and **Summary Time Periods** so that you can learn how to use all the **ManusRisco™** report writing functions and graphs.

1b. How to enter Report Criteria

To run the Income Statement report, go to the **Main Menu**, select **Analysis Reports**, the **Profitability** category, and then select the **Income Statement** Analysis Report.

Page 1 of the **Report Criteria** will be displayed.

The following are the explanations for the **Report Criteria** fields. Leave these fields blank. We will make entries for these fields later.

The **Report Criteria** determine which trades to display on the report.

Report Criteria - Page 1

Profit Centers Select the Profit Center you would like to analyze. To select the **ALL** Profit Center which contains all trades entered into all the Profit Centers in the Business Organization, leave the Profit Center field blank.

Trade Type Select the Trade Type you would like to analyze. To select **ALL** for the Trade Type, leave the Trade Type field blank and **ALL** Trade Types will be selected.

Symbol The Symbols which are displayed in the text box are dependent on the Trade Type you have selected. For example, if the **STOCK** Trade Type is selected, then only the Symbols associated with the **STOCK** Trade Type are displayed and you can select the appropriate Symbol you would like to analyze on the report.

To select **ALL** for the Symbol, leave the Symbol field blank and **ALL** Symbols will be selected.

Position If you select Buy, only Buy (Long) trades will be displayed. If you select Sell, only Sell (Short) trades will be displayed.

To select **ALL** for the Position, leave the Position code field blank and **ALL** Positions (Buy and Sell) will be selected.

Traded To select **ALL** for the # Traded, do not check the # Traded box and the report will not search for a particular number of shares traded.

If you would only like to analyze trades for a particular # Traded, check the # Traded box and make your selection. For example if you would like to only analyze trades where you traded 500 shares, check the # Traded box and select the = sign in the Comparison box and then enter 500 for the Number box.

If you select the > sign, only trades with a # traded greater than the number of shares you enter will be displayed.

If you select the < sign, only trades with a # traded less than the number of shares you enter will be displayed.

If you select the < > sign, only trades with a # traded greater than or less than the number of shares you enter will be displayed.

Special Note If you make a selection for a particular field, and then change your mind and would like to select the **ALL** (blank) option, hit the Delete key on your keyboard and the blank (**ALL**) will appear for the field.

For example if you select a Profit Center named BREAKOUT, and then change your mind and would like to analyze **ALL** Profit Centers, place the cursor on the Profit Center field, hit the Delete key, and the **ALL** (blank) will appear in the Profit Center field.

Leave all the fields blank and click the **NEXT** button to proceed to the second page of the **Report Criteria**.

The second page of the Report Criteria is the **Summary Time Period** selection.

Report Criteria - Page 2

Summary Time Period Some reports, like the Income Statement, can accumulate trades into Summary Time Periods. The second page of the **Report Criteria** screen displays the **Summary Time Period**. The five **Summary Time Periods** you can select are **Individual Trades**, **Daily**, **Weekly**, **Monthly** and **Yearly**.

Start Trade Date - Stop Trade Date The Start Trade Date and Stop Trade Date are the dates you would like to start searching for trades which will be compared to the **Report Criteria** to see if they qualify to be displayed on the report. To select a Start Trade Date or Stop Trade Date, check the box next to the Start Trade Date or Stop Trade Date and a calendar will be displayed.

If you do not check a box for the Start Trade Date or Stop Trade Date, then **ALL** (blank) is automatically selected.

If you select **ALL** (blank) for the Start Trade Date and **ALL** (blank) for the Stop Trade Date, then all trades in the Business Organization will be eligible to be searched, regardless of the Trade Date of the trade.

If you select **ALL** (blank) for the Start Trade Date and enter a date for the Stop Trade Date, then all trades starting with the first trade in the Business Organization and ending with the Stop Trade Date will be eligible to be searched to see if they satisfy the **Report Criteria**.

If you enter a date for the Start Trade Date and select **ALL** (blank) for the Stop Trade Date, then all trades starting with the Start Trade and ending with the last entered trade in the Business Organization will be eligible to be searched.

If you select the **Individual Trades** Summary Time Period, each row on the report will display one trade.

If you select the **Daily Summary Time Period**, the report will accumulate all trades on a daily basis. For example if you made 9 trades on 07/19/2004, then all 9 trades will be summarized as one statistic for 07/19/2004 if they satisfy the **Report Criteria**.

The **Daily Summary Time Period** is of particular interest to active, high turnover, day traders who tend to analyze their trading performance on a daily basis.

If you select **Weekly** for a **Summary Time Period**, the report will accumulate trades into weekly time periods starting with the Start Trade Date and ending with the Stop Trade Date. The Trade Date determines which week the trade will fall in. **The week always starts on a Sunday and ends on a Saturday.**

For example, assume you select a Start Trade Date of 02/05/2004 which is a Wednesday and a Stop Trade Date of 02/20/2004 which is a Thursday.

The first week will include trades with a Trade Date of 02/05/2004 (Wednesday) 02/06/2004 (Thursday), 02/07/2004 (Friday) and 02/08/2004 (Saturday).

Notice that the trades for 02/02/2004 (Sunday) through 02/04/2004 (Tuesday) are **not** included since you started the first week in the middle of the week on 02/05/2004 (Wednesday)

The second week will include trades starting with a Trade Date of 2/09/2004 (Sunday) and ending with a Trade Date of 2/15/2004 (Saturday)

The third week will include trades which have a Trade Date starting with 2/16/2004 (Sunday) and ending with a Trade Date of 2/20/2004 (Thursday)

Trades for 02/21/2004 (Friday) and 02/22/2004 (Saturday) will **not** be included in the final week since you stopped the final week in the middle of the week on 02/20/2004 (Thursday)

Although there is usually no trading on Saturdays and Sundays, those days are used as the starting and stopping points to determine the definition of the **Weekly** time period.

To obtain a true Weekly report, select a Start Trade Date in the Report Criteria which is a Sunday and a Stop Trade Date which is a Saturday.

If you select **Monthly** for a **Summary Time Period**, the Monthly report will accumulate all trades into monthly time periods. The Trade Date determines which month the trade will fall in.

For example, assume you select a Start Trade Date of 02/19/2004 and a Stop Trade Date of 03/15/2004. Then the trades for the February 2004 Monthly time period will include all Trades with a Trade Date starting with 02/19/2004 and ending with a Trade Date of 02/28/2004 if they satisfy the **Report Criteria**.

Trades with a Trade Date from 2/01/2004 through 2/18/2004 will **not** be included in the February Monthly time period.

The trades for the March 2004 Monthly time period will include all trades with a Trade Date starting with 03/1/2004 and ending with 03/15/2004 if they satisfy the **Report Criteria**.

Trades with a Trade Date of 03/16/2004 through 03/31/2004 will **not** be included in the March Monthly time period.

To obtain a true Monthly report, select a Start Trade Date which is the first day of the month and Stop Trade Date which is the last day of the month.

For example, If you select a Start Trade Date of 02/1/2004 and a Stop Trade Date of 04/30/2004, all trades with a Trade Date between 02/1/2004 and 02/28/2004 will be included in the February Monthly time period if they satisfy the **Report Criteria**.

All trades with a Trade Date between 03/1/2004 and 03/31/2004 will be included in the March Monthly time period if they satisfy the **Report Criteria**.

All trades with a Trade Date between 04/1/2004 and 04/30/2004 will be included in the April Monthly time period if they satisfy the **Report Criteria**.

If you select **Yearly** for a **Summary Time Period**, the Yearly report will accumulate all trades into yearly time periods. The Trade Date determines which year the trade will fall in using the same methodology as the Monthly Summary Time Period as explained above.

For example, If you select a Start Trade Date of 02/1/2004 and a Stop Trade Date of 04/30/2005, all trades with a Trade Date between 02/1/2004 and 12/31/004 will be included in the 2004 Yearly time period if they satisfy the **Report Criteria**. Trades with a Trade Date between 01/01/2004 and 01/31/2004 will **not** be included in the report for year 2004.

All trades from 01/01/2005 to 04/30/2005 will be included in the 2005 Yearly time period if they satisfy the **Report Criteria**. Trades with a Trade Date between 05/01/2005 and 12/31/2005 will **not** be included in the report for year 2005.

To obtain a true **Yearly** report, select a Start Trade Date which is the first day of the year such as 01/01/2004 and a Stop Trade Date which is the last day of the year such as 12/31/2006 and you will obtain true yearly reports for 2004, 2005 and 2006.

Click the **PREVIOUS** button to return to the first page of the **Report Criteria**.

Let's create an Income Statement and enter the following **Report Criteria**.

Make sure that you are in the **Practice** Business Organization.

Report Criteria

Profit Center	POSINC
Trade Type	ALL (leave blank)
Symbol	ALL (leave blank)
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Individual Trades
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Click the **FINISH** button and the Main Page of the Income Statement will be displayed. The Main Page displays the **Report Criteria** selections which you have entered.

The above **Report Criteria** will create an Income Statement report for the following selections :

POSINC	Only trades in the POSINC Profit Center
STOCK	Only trades for the STOCK Trade Type
QQQ	Only trades for the QQQ Symbol
ALL Positions	All Positions codes (Buy and Sell)
ALL # traded	All trades, regardless of the # of shares traded

The **Summary Time Period** will be for **Individual Trades** with a Start Trade Date of 01/01/2004 and a Stop Trade Date of 12/31/2004.

The report will be sorted in ascending Trade Date order with the earliest Trade Date appearing first on the report (the default sort).

We selected to analyze the **POSINC** Profit Center. Only trades entered into the **POSINC** Profit Center will be analyzed. To analyze all trades in all Profit Centers, we would have left the Profit Center field blank.

Also, notice that by selecting **Individual Trades** as a **Summary Time Period**, each row of the Income Statement will display one trade.

The software starts at the Start Trade Date and begins searching for trades which qualify for the **Report Criteria**. The first found trade on the Income Statement which satisfies all the **Report Criteria** has a Trade Date of 02/02/2005 and a profit of \$ 260. Calculations on the report begin with this trade.

The software keeps searching for trades which satisfy the **Report Criteria** until the Stop Trade Date is reached.

Notice the flexibility the **Report Criteria** provides in creating an Analysis Report by offering numerous selections of trade information (Profit Center, Trade Type, Symbol, Position Code, # Traded etc)

1c. **Explanation of column headings and statistical calculations**

Trade Date	Date of the trade
Symbol	Symbol of the stock traded
Pos	Position Code Buy or Sell ALL = Both
# Traded	Number of shares traded.
\$ P / L	Dollar profit or loss on the trade after commissions for each trade
Cum \$ P / L	Summation of the \$ P / L column
\$ P / L per Share	The dollar profit or loss after commission for the trade divided by the number of shares traded
Cum P / L per Share	The Cum \$ P / L column divided by the total number of shares traded for all trades in the report
% of Total Profits	The \$ P / L for each profitable trade divided by total dollar profits of all profitable trades
% of Total Losses	The \$ P / L for each unprofitable trade divided by total dollar losses of all unprofitable trades
Profit Factor	$\frac{\text{(Average Profitable Trade X \% Profitable Trades)}}{\text{(Average Unprofitable Trade X \% Unprofitable Trades)}}$

1d. **Summary Time Periods**

The Income Statement can be run using the following time periods.

Individual Trades, Daily, Weekly, Monthly and Yearly

You are able to create an Income Statement for various time periods. The **Individuals Trades** Summary Time Period creates a trade by trade Income Statement for the selected Trade Date Range.

The **Daily** Summary Time Period accumulates trades for each Trade Date. Day traders may find this a useful report since day traders tend to analyze their trading performance on a daily basis.

Weekly, Monthly and **Yearly** Summary Time Periods enable you to create Income Statements for longer time periods

1e. [How to use the Sort Option](#)

The following columns of statistics can be sorted. A Sort function is being considered for Version 2.0

Sort Option

Trade Date
Symbol
Position
Traded
\$ P / L
\$ P / L per Share
% of Total Profits
% of Total Losses
Profit Factor

1f. [How to use the Graph Option](#)

The following columns of statistics can be graphed. To graph a column of statistics on the report, select the column of statistics you would like to graph and then click the **GRAPH** button on the bottom of the report. Then select the Graph Style and Graph Option from the text boxes on top of the graph.

Graph Option

\$ P / L
Cum \$ P / L
\$ P / L per Share
Cum \$ P / L per Share
% of Total Profits
% of Total Losses
Profit Factor

1g. [How to use the ZOOM](#)

Click the arrow in the **Zoom Presets** text box and you will see various percentages which you can select to increase or decrease the size of the report.

You can also select a percentage in the **Custom ZOOM** text box (such as 80% or 85%) and click the icon next to the Custom Zoom box to display the report in a customized zoom percentage.

1h. [How to change the background color of the report](#)

Click the color palette in the upper right hand corner of the report to select a custom background color for the report.

1i. **How to scroll through the report**

Click the **PREVIOUS** or **NEXT** buttons on the bottom of the page to scroll through the report. You can also scroll by clicking the up or down arrow in the **GOTO** text box and clicking the icon next to the page number.

1j. **How to print the report**

Click the **PRINT** button on the bottom of the report and the Print Criteria text box will be displayed.

1k. **How to export the report**

Click the **EXPORT** button and you can export the report to various files such as Excel, RDF etc

1l. **How to exit the report**

To exit the report and return to the **Main Menu**, click the **X** in the upper right hand corner of the report or click the **CLOSE** button on the bottom of the report.

1m. **How to best utilize the Income Statement report**

If you are on the Main Page of the report, click the **NEXT** button and we will proceed to the first page of the Income Statement which displays the statistics.

Looking at the Income Statement, we see that the **Report Criteria** we have selected is displayed on the bottom of the report. Also, the time the report is run is displayed in the bottom right hand corner.

Always double check the **Report Criteria** selections displayed on the report to make sure that the report includes the trades you would like to see analyzed.

Also notice that the Business Organization you are working in is displayed on the top left hand corner of every page on the report. Every **ManusRisco™** Analysis Report or graph will display the Business Organization you are working in.

The **Practice** Business Organization is displayed since that is the Business Organization we are currently working in.

The Income Statement report answers two basic questions.....am I profitable in the selected Report Criteria and what is the trend of the profitability ?

There are five measurements of profitability in the report :

1. The \$ P / L column is the profit or loss for each trade after commissions
2. The Cum \$ P / L column is the cumulative profit or loss for all trades for the selected time period.
3. The \$ P / L per Share is the \$ profit or loss per share for each trade
4. The Cum \$ P / L per Share is the cumulative \$ P / L divided by the total number of shares traded.
5. The Profit Factor is the (Average Profitable Trade X % Profitable Trades) divided by the (Average Unprofitable Trade X % Unprofitable Trades)

A Profit Factor greater than 1.00 indicates a profitable, positive expectation game. A Profit Factor less than 1.00 indicates an unprofitable, negative expectation game.

Unfavorable statistics are displayed using the unfavorable statistic color selected in the Preferences on page 175 (**red** is the default) and negative numbers will be displayed with a **-** sign or parentheses (**)** as selected in the Preferences.

Remember that the **calculations** for the report will always start on the first found trade which satisfies all the **Report Criteria**.

By displaying a graph for the Profit Factor statistic, you will see a good visual of the trend of the profitability. (you can also use the Cum \$ P / L per Share statistic to see a good visual trend of your profitability).

The trend will identify what type of game you are playing.

"You have to get rich in the dark..... you have to live with percentages. Forget about luck. That's a very treacherous magic !"

From "Fools Die" by Mario Puzo

There are basically four types of games every trader will have to identify and manage. The graph of the Profit Factor statistic displays the type of game you are playing :

a. The best game occurs when the Profit Factor statistic is greater than 1.00 (meaning profitable) and trending upwards.

This indicates a positive expectation game which is becoming more profitable. The **POSINC** (**Positive** expectation and **increasing**) Profit Center illustrates this type of situation. This type of game instills confident and disciplined trading decisions since the trader knows he has the edge and his advantage is increasing. However, it may also lead to over confidence, over trading, taking too large a risk, arrogance, etc since the trader thinks he has beaten the market and will never again lose money.

b. The second type of game occurs when the Profit Factor statistic is greater than 1.00 (profitable) and trending downwards. The **POSDEC** Profit Center (**Positive** expectation and **decreasing**) illustrates this situation.

This indicates a positive expectation game which is becoming less profitable. The trader in this situation is profitable but is starting to show signs that his trading performance is starting to deteriorate.

After we have looked at the Income Statement for the **POSINC** Profit Center, we will Re-Run the Income Statement for the **POSDEC** Profit Center to illustrate this second type of situation.

c. The third type of game occurs when the Profit Factor statistic is less than 1.00 (unprofitable) but is trending upwards. This indicates a negative expectation game which is becoming less unprofitable. The **NEGINC** (**Negative** expectation and **increasing**) Profit Center illustrates this situation. The trader is unprofitable, but is becoming "less unprofitable".....which is a very difficult situation to manage since he is losing money, but is showing signs of improvement. Whether he can sustain that improvement is the key question.

After we have looked at the Income Statement for the **POSDEC** Profit Center, we will Re-Run the Income Statement for the **NEGINC** Profit Center to illustrate this third type of situation.

d. The worst type of game occurs when the Profit Factor statistic is less than 1.00 (unprofitable) and trending downwards. This indicates a negative expectation game which is becoming more unprofitable. The **NEGDEC** (**Negative** expectation and **decreasing**) Profit Center illustrates this situation.

This trader is very quickly going broke and is losing money at a faster and faster rate.

After we have looked at the Income Statement for the **NEGINC** Profit Center Income Statement, we will re-run the Income Statement for the **NEGDEC** Profit Center to illustrate the fourth type of situation.

Some types of trading results may be ambiguous and not fit neatly into the above four categories..... but usually most traders will be able to apply one of the above four scenarios to most of their trading situations.

Unless you know the type of game you are playing, you can not effectively manage your trading business.

The Analysis Reports we will learn later on in the manual will provide all the information required to manage the following situations :

- **POSINC** A positive expectation game which is becoming more positive creates confidence knowing that you have the edge, and your advantage is increasing. You are a profitable trader and are becoming more profitable.

Examine your trading methodology and Reward / Risk Profile (Average Profitable Trade versus Average Unprofitable Trade as calculated on the **PTR / UTR** report described on page 145) and try to learn from what you are doing right and capitalize on your strengths.

- **POSDEC** A positive expectation game which is becoming less profitable is the first warning sign that something may be starting to go wrong in your trading methodology.

Although you still have the edge, the advantage is starting to deteriorate and your trading methodology and Reward / Risk Profile for each trade should be monitored more closely to ensure the game does not turn negative. See the **Notes** you entered for each trade as described on page 66 to determine if you followed the planned Reward Risk Profile for your trades.

Try to identify why your edge is decreasing.....Is it because of a decreasing percentage of profitable trades, a decreasing average profitable trade, an increasing percentage of unprofitable trades or an increasing average unprofitable trade ? (see the **Profit Factor** report on page 118 which analyzes these statistics)

- **NEGINC** A negative expectation game which is becoming less negative is the most difficult situation to manage. You do not have the edge but your disadvantage is becoming "less bad".

The temptation is to continue to play this type of game since you are becoming better at it even though you are still losing money.....But if you are not able to turn the situation into a positive expectation game, you will eventually lose all your Trading Capital. This game should be monitored very closely using all the information provided by all the Analysis Reports to determine if you can make the game profitable. If you can not turn the situation around after a reasonable number of trades, then consider abandoning the game.

- **NEGDEC** A negative expectation game which is becoming more negative is the most financially disastrous situation and will eventually result in a loss of all your Trading Capital. In this situation, you don't have the edge and your disadvantage is getting worse.

You should consider abandoning this situation entirely if you can not immediately improve your trading performance. No one likes to admit failure but it is better to swallow some pride than to continually play a negative expectation game which is getting more negative and eventually lose all your Trading Capital.

The Income Statement also calculates two additional statistics which are of value to every trader. These two statistics are the % of Total Profits and % of Total Losses. Both statistics are calculated in the same manner.

The % of Total Profits is calculated by first calculating the total profits for all profitable trades and then dividing each profitable trade by total dollar profits on profitable trades.

For example, if there were a total of two profitable trades of \$ 300 and \$ 700, then the first profitable trade would comprise 30 % of total profits (300 / 1,000) and the second profitable trade would comprise 70% of total profits (700 / 1,000).

Profitable trades which comprise a high percentage of total profits should be examined to determine what part of the trading plan caused the trade to "stick out". Was something different about the profit objective, the stop loss or overall trading strategy which caused this trade to be more profitable than all the other profitable trades ?

Likewise, unprofitable trades which comprise a high percentage of total losses should also be examined to determine what caused that particular unprofitable trade to also stick out and be so much worse than all the other unprofitable trades.

Did you have a stop loss on the trade, and if not, was this the cause of the large loss? If you did have a stop loss, did you change it to a stop loss price which produced a larger loss than normal ? Was this a trade from your regular trading system or was it a "hunch" trade based on emotion and guesswork ?

Was this a trade where you followed your trading methodology or was it a "throw away" trade which "looked good" at the time but did not qualify as a good trading opportunity ?

Careful analysis of trades which are out of the ordinary yields valuable insight into poor trading habits which can be eliminated as well as trading strengths which can be capitalized upon. The **Trading Diary** found on page 164 is a valuable tool to assist you in this type of analysis.

After you have finished examining the **POSINC** Profit Center, select the **GRAPH** button and examine the different types of graphs you are able to create.

Practice displaying graphs of different statistics until you are familiar with the graphing capabilities of the software and observe how the graph displays the trend of profitability for the **POSINC** Profit Center.

After you have finished analyzing the **POSINC** Profit Center, create Income Statements and graphs for the **POSDEC**, **NEGINC** and **NEGDEC** Profit using the same Report Criteria as described on page 110 and examine the type of game each of those Profit Centers represent as described on page 114

Your actual trading performance will probably fall into one of the situations illustrated by the four Profit Center examples. Identifying the type of game you are experiencing, and then taking corrective action, is the first step towards becoming a professional and profitable trader.

Spend as much time as you feel is appropriate creating different Income Statements and graphs until you are comfortable using the reporting and graphing capabilities of the software.

Tom's Tips

1. The Business Organization you are working in is printed at the top left hand corner of each report, both on the computer screen as well as on a printer hard copy.

The **Report Criteria** that you have entered is displayed on the bottom page of the report.

It is very important that you look closely at the **Report Criteria** you have selected since only those trades which satisfy the **Report Criteria** will be analyzed on the Analysis Report or graph.

For example, you may be interested in an Income Statement containing only Sell (Short) trades, but if you have mistakenly select **ALL** for the Position Code in the **Report Criteria**, then both Buy and Sell trades will be displayed on the report.

You should have selected **SELL** as a Position code in the **Report Criteria** to display an Income Statement with only Sell (Short) trades.

If you have made an error in your **Report Criteria** selections, Re-Run the report and enter the correct **Report Criteria**.

Since this is the first Analysis Report we have looked at, Re-Run the Income Statement and select different **Report Criteria** in order to become familiar with the many ways you are able to create an Analysis Report.

2. Also, select the **Daily, Weekly, Monthly** and **Yearly** Summary Time Periods to see the format of Daily, Weekly, Monthly and Yearly Income Statements.

The **Daily** Summary Time Period should be of interest to day traders since all trades are accumulated into a daily summary of trading performance for each Trade Date.

Weekly, Monthly and **Yearly** Income Statements provide a longer term view of your trading performance.

3. Re-run the Income Statement and select different **GRAPH** Options. Select different columns of statistics to be graphed until you are thoroughly familiar with the graphing capabilities of the software.

4. Graphs of the Profit Factor, Cumulative \$ P / L and the Cumulative \$ P / L per Share are excellent tools to examine the trend of each statistic and inform you if you have the edge and if your advantage is increasing or decreasing. Use graphs to keep current on the direction your edge is trending.

5. Your job as a trader is to play a game where you have the edge, and ideally, have the advantage trending upward. Las Vegas casinos always have the edge, but the casino percentage edge can not change in the long run since the rules of each game are pre-determined and the house advantage is statistically set at a certain level (1.4 % for dice, 1.1 % in Baccarat etc). However, the edge is always changing in the trading game.....and it your job as a manager to ensure you only play where you have the advantage.

For a further discussion on **The edge..... Who has it.....How to get it ?.....**you may wish to take a quick look at page 192 for a short lesson on the challenges all traders face in the trading arena.

6. The statistics which comprise the Profit Factor statistic will be discussed in more detail on page 118 when we look at the Profit Factor Analysis report.

7. The # Traded option in the **Report Criteria** may be of benefit to some traders. For example, if you are interested in creating an Income Statement where you only traded more than 500 shares a trade, then select the > 500 option for the # Traded and only trades where you traded more than 500 shares will be displayed. This report will inform you of your profitability when you trade a certain number of shares.

Also notice that you are able to select different Symbols in the **Report Criteria** to help you determine if you are more profitable trading certain Symbols.

9. The bottom of the Income Statement has a **Totals** and **Averages** row. If the Total or Average can not be calculated, then a blank will be displayed. For example, the **Average** for the Cum \$ P / L statistic is blank.

10. The Profit Centers are the games which you are playing. Using the Analysis Reports to analyze the Profit Centers will help you identify the type of game you are playing and assist you to intelligently manage your trading strategy to minimize losses and maximize profits.

11. If you are attempting to prove to a government tax auditor that you are trading as a business and not as a hobby or part time investor, the Income Statement printed out for the **ALL** Profit Center is good documentation to show the auditor since the **ALL** Profit Center contains all your trades and will provide impressive documentation to support your opinion.

Also, printing out all the other Analysis Reports will provide further evidence to the tax auditor that you are engaging in trading as a business since the Analysis Reports and graphs provide very professional and sophisticated types of analysis which will help to support your business-like approach towards trading and speculation.

2. Profit Factor Analysis

“Last night I shot an elephant in my pajamas.....how he got in my pajamas I’ll never know.”

Grouch Marx, from the film “Animal Crackers”

2a. Purpose of report

The purpose of the Profit Factor Analysis report is to analyze the percentage change in the statistics which comprise the Profit Factor for the selected **Report Criteria**.

2b. Report Criteria

To run the Profit Factor Analysis report, go to the **Main Menu** and select **Analysis Reports**, the **Profitability** category, and then select the **Profit Factor Analysis** report. Then enter the following **Report Criteria**.

Make sure that you are in the **Practice** Business Organization.

Report Criteria

Profit Center	BREAKOUT
Trade Type	ALL (leave blank)
Symbol	ALL (leave blank)
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Individual Trades
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Sort Option

None of the statistics in this report can be sorted

Graph Option

Do not select a Graph Option. We will look at some graphs after we discuss the report.

All columns can be graphed **except** Symbol, Pos, # and Trade Date

2c. Explanation of column headings and statistical calculations

Trade Date	Date of the trade
Symbol	Symbol of the stock traded
Pos	Position Code Buy or Sell ALL = Both
# Traded	Number of shares traded.
\$ P / L	Dollar profit or loss after commissions for each trade
% Profit	% profitable trades
% Change	(Current % profitable trades minus previous % profitable trades) divided by previous % profitable trades
% Unprof	% unprofitable trades
% Change	(Current % unprofitable trades minus previous % unprofitable trades) divided by previous % unprofitable trades
Avg Prof Trade	\$ profits on profitable trades minus commissions divided by total profitable trades
% Change	(Current average profitable trade minus previous average profitable trade) divided by previous average profitable trade
Avg Unprof Trade	\$ losses on unprofitable trades minus commissions divided by total unprofitable trades
% Change	(Current average unprofitable trade minus previous average unprofitable trade) divided by previous average unprofitable trade
Profit Factor	(% Profitable Trades X Average Profitable Trade) Divided by (% Unprofitable Trades X Average Unprofitable Trade)
% Change	(Current Profit Factor minus previous Profit Factor) divided by previous Profit Factor

2d. Summary Time Periods

Individual Trades, Daily, Weekly Monthly and Yearly

2e. How to best utilize the Profit Factor Analysis report

The Profit Factor is a statistic which measures profitability (positive or negative expectation game).

A graph of the Profit Factor statistic displays the trend (is the expectation getting better or worse).

The formula for the Profit Factor is as follows :

$$\text{Profit Factor} = \frac{\% \text{ Profitable Trades} \times \text{Average Profitable Trade}}{\% \text{ Unprofitable Trades} \times \text{Average Unprofitable Trade}}$$

A Profit Factor greater than 1.00 indicates a profitable situation. A Profit Factor less than 1.00 indicates an unprofitable situation.

The Profit Factor Analysis report analyzes the interaction and fluctuations of the four statistics which comprise the Profit Factor calculation which are % Profitable Trades, % Unprofitable Trades, Average Profitable Trade and Average Unprofitable Trade.

Every trader must decide what type of hunter he will be in the trading jungle. Will you hunt large elephants at long range and only take one or two shots (hopefully not in your pajamas like Groucho tried to do)..... or will you take many shots at close range and shoot at small birds and score a high percentage of hits ?

The calculations in the Profit Factor report reveals the type of hunter you are. If you make a small number of trades with a low percentage of successful hits, but you make a large average profit, you are an elephant hunter.....you go after big game (the large average profit) but you pay the price by having a low number of trades since the trading opportunities are less for a large profit and you will stay in a trade for a longer period of time. Also, you will probably have a low number of successful hits (low percentage of profitable trades) since the target is larger and you may not be able to kill it, even though your bullet hits the target.

If you make a large number of trades with a high percentage of hits, but you make a small average profit, you are a bird hunter. You have a high percentage of successful hits (high percentage of profitable trades) since you are firing at close range but you pay the price by having small average profit since you are shooting small birds (the small average profit)

Every trader, and horse player, is trying to achieve the perpetual motion machine.....achieve a high percentage of profitable trades and a high average profitable trade. Unfortunately, the two are contradictory. If you try to increase your profitable trade percentage, your average profitable trade will probably go down.

Likewise, if you try to increase your average profitable trade, your profitable trade percentage will probably go down. The Profit Factor Analysis report displays your current profile (elephant hunter or bird hunter) as well as the percentage changes which will affect the direction of the profile.

Using a horse racing comparison, if a horse player tries to increase his winning percentage of bets, it is almost guaranteed the average odds on his winners (his average profitable trade) will decrease since he will probably be betting on more favorites which pay off at lower odds.

It is extremely difficult, if not impossible, to consistently increase your percentage winners (profitable trades) while at the same time also increasing your payoff (average profitable trade).

The Profit Factor Analysis report illustrates where you have been, where you are now and where you may be going concerning your trading philosophy and the Reward / Risk posture you have adopted in attempting to beat the market.

Tom's Tips

1. Keep a close eye on the Profit Factor and it's Percent Change (last two columns on the right). Ideally you would like to see the Profit Factor above 1.00 and increasing. Negative percentage changes in the Profit Factor (last column on the right) signal a deteriorating trading methodology and indicate you must closely re-examine your trading methodology.

If the Profit Factor remains consistently below 1.00 and never rises above the 1.00 level, you will eventually lose all your Trading Capital because you are playing a negative expectation game.

2. Run a Weekly or Monthly report to examine the long term trend of the statistics. Run graphs on the statistics and you will have an excellent visual display of the trend of the statistics.

3. If you are a bird hunter, and your percentage of profitable trades starts decreasing, you could be in for trouble. The bird hunter's trading philosophy is to have a small average profitable trade but make up for it by having a high percentage of profitable trades. If the profitable trade percentage begins to decrease, and the average profitable trade remains constant, or starts to decrease, relative to the average unprofitable trade, then you are in a potentially dangerous situation.

4. Likewise, if you are an elephant hunter and your average profitable trade is decreasing relative to your average unprofitable trade, this may be a dangerous situation if your percentage profitable trades also starts to decrease.

5 Closely examine the graphs of the **% Change** columns for all the statistics on the report. The **% Change** statistic reveals the direction your trading methodology is going.....especially on Weekly and Monthly reports.

Another sign of the consistent trader is if values in the **% Change** column start to decrease, and trend downwards. This indicates increased consistency in your trading performance. A graph of the **% Change** columns will reveal their trend.

6. Re-read page 115 which discusses the Income Statement and the philosophy of knowing the type of game (positive expectation, negative expectation, increasing, decreasing etc) you are playing.

You can't beat a game unless you know the type of game you are playing.

7. The Profit Factor Analysis report and the Drawdown report (described on page 132) are two of the most important reports produced by **ManusRisco™** The trader who is serious about achieving long term success in the trading arena will pay very close attention to information provided by the two reports.

3. Best Profit / Worst Loss

"The nail that sticks out gets hammered down"

Japanese proverb

3a. Purpose of report

The purpose of the Best Profit / Worst Loss report is to display the changes in the best profitable trade and worst unprofitable trade as well as the best profit per share and the worst loss per share for the selected **Report Criteria**.

The Ratio between the best profitable trade and worst unprofitable trade is also displayed as well as the Ratio between the best profit per share and the worst loss per share.

3b. Report Criteria

To run the Best Profit / Worst Loss report, go to the **Main Menu**, select **Analysis Reports**, the **Profitability** category, and then select the **Best Profit / Worst Loss** report. Then enter the following **Report Criteria**.

Make sure that you are in the **Practice** Business Organization.

Report Criteria

Profit Center	BREAKOUT
Trade Type	ALL (leave blank)
Symbol	ALL (leave blank)
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Individual Trades
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Sort Option

None of the statistics on this report can be sorted

Graph Option

Do not select a Graph Option. We will look at some graphs after we discuss the report.

\$ P / L
Best Profitable Trade
Worst Unprofitable Trade
Ratio of Best Profitable Trade to Worst Unprofitable Trade
Best Profit per Share
Worst Loss per Share
Ratio of Best Profit per Share to Worst Loss per Share

3c. Explanation of column headings and statistical calculations

Trade Date	Date of the trade
Symbol	Symbol of the stock traded
Pos	Position Code Buy or Sell ALL= Both
# Traded	Number of shares traded.
\$ P / L	Profit or loss on the trade after commissions for each trade
Best Profitable Trade	Best profit on any one trade
Worst Unprofitable trade	Worst loss on any one trade
Ratio	Ratio of Best Profitable Trade to Worst Unprofitable Trade
Best Profit per Share	Best profit per share on any one trade
Worst Loss per Share	Worst loss per share on any one trade
Ratio	Ratio of Best Profit per Share to Worst Loss per Share

3d. Summary Time Periods

Individual Trades, Daily, Weekly, Monthly and Yearly
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3e. How to best utilize the Best Profit / Worst Loss report

A graph of the Ratio of Best Profitable Trade to Worst Unprofitable Trade as well as a graph of the Ratio of Best Profit per Share to Worst Loss per Share reveals the trend of these two Ratios.

Ideally, you would like to see both Ratios greater than 1.00 and sloping upwards. This indicates that your largest profit is bigger than your largest loss and the Ratio is increasing.

Every trader should constantly be on alert for the one big "killer" unprofitable trade which wipes out the profits of ten or fifteen profitable trades. Ratios less than 1.00 and sloping downwards provide a warning sign that this type of situation may be developing.

The trader must constantly monitor his trading performance to ensure that his stop loss strategy never allows a large and financially destructive loss.

The report also identifies the Best Profitable Trade and Worst Unprofitable Trade. The trader should examine these trades to determine what he did right on the largest profitable trade and what went wrong on the largest unprofitable trade.

Items to be analyzed are the profit objectives and stop loss placement on these trades as well as the overall trading strategy. The **Notes** (see page 66) you entered for the trade will assist you in this type of analysis.

Capitalize on your trading strengths and eliminate your trading weaknesses. The Trading Diary described on page 165 will also assist you in this type of analysis.

Tom's Tips

1. Select the Weekly or Monthly Summary Time Period to see a long term view of the Best Profit and Worst Loss statistics.
2. A downward sloping graph of either of the two Ratio columns is a warning sign of a deteriorating trading methodology, especially on a long term weekly or monthly graph. Examine your trading methodology and determine why your worst unprofitable trade is consistently becoming larger than your largest profitable trade. Are your stops losses too large.....Are you taking smaller profits etc ? Identify your trading weaknesses and try to eliminate them.
3. An upward sloping graph of either of the two Ratio columns is a sign of an improving trading methodology, especially on a long term weekly or monthly graph. Examine your trading methodology and determine why your largest profitable trade is consistently becoming larger than your worst unprofitable trade. Are your stops losses at the right level, are you letting profits run on profitable trades etc ? Identify your trading strengths and try to capitalize on them.
4. Create a graph of the Best Profitable Trade column. Ideally the graph will be trending upwards, indicating that your best profitable trade is increasing.
5. Likewise, a graph of the Worst Unprofitable Trade will hopefully be remaining constant or trending downwards slightly. This graph can never trend upwards since the worst unprofitable trade can never statistically get less negative (trend upwards).

The graph of the Worst Unprofitable Trade will always be sloping downwards and becoming more negative. Your job is to keep the downward slope from heading downwards at a steep angle, which means your worst unprofitable trade is becoming worse and worse. The same reasoning applies to the Worst Loss per Share statistic.

4. Profitability by Time Period

4a. Purpose of report

The purpose of the Profitability by Time Period report is to display a financial summary of your trading performance for the selected **Report Criteria**.

4b. Report Criteria

To run the Profitability By Time Period report, go to the **Main Menu**, select **Analysis Reports**, the **Profitability** category, and then select the **Profitability By Time Period** report. Then enter the following **Report Criteria**.

Make sure that you are in the **Practice** Business Organization.

Report Criteria

Profit Center	BREAKOUT
Trade Type	STOCK
Symbol	QQQ
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Monthly
Start Trade Date	01 / 01 / 2005
Stop Trade Date	03 / 31 / 2005

Sort Option

The following columns can be re-sorted. A Sort option is being considered for Version 2.0

Time Period
Total Shares
Total Trades
Profitable
% Profitable
Unprofitable
% Unprofitable
\$ P/L
Net Trade

Graph Option

Do not select a Graph Option. We will look at some graphs after we discuss the report.

Total Shares
Total Trades
Profitable
% Profitable
Unprofitable
% Unprofitable
\$ P / L
Difference \$ P / L
\$ P / L % Change
Net Trade
Difference Net Trade
Net Trade % Change
Average \$ P/L Per Trading Day

4c. Explanation of column headings and statistical calculations

Time Period	Time period selected
Total Shares	Number of shares traded in the time period
Total Trades	Total trades in the time period
# Prof	Number of profitable trades in the time period
% Prof	Percentage of profitable trades in the time period
# Unprof	Number of unprofitable trades in the time period
% Unprof	Percentage of unprofitable trades in the time period
\$ P / L	Profit or loss for all trades in the time period.
Difference \$ P / L	Current \$ P / L minus previous \$ P / L
\$ P / L % Change	(Current \$ P / L minus previous \$ P / L) divided by previous \$ P/L
Net Trade	\$ P / L for the time period divided by Total Trades for the time period
Net Trade % Change	(Current Net Trade minus previous Net Trade) divided by previous Net Trade
Avg \$ P/L Per Trading Day	Cumulative \$ P/L divided by cumulative number of Trading days (both statistics are calculated and do not appear on the report).

4d. Summary Time Periods

Individual Trades, Daily, Weekly, Monthly and Yearly
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4e. How to best utilize the Profitability By Time Period report

The Profitability By Time Period report displays a financial summary of your trading performance for the selected time period. The **Summary Page** at the end of the report summarizes key statistics from the report.

If you select **Individual Trades** for the Summary Time Period, all the trades within the Start Date and Stop Date range will be summarized on one line of the report.

All unfavorable statistics are displayed with the unfavorable statistic color selected by the Preferences (see page 173 - default is **red**) to easily spotlight deteriorating statistics.

The \$ P / L % Change and the Net Trade % Change measure your progress in becoming a more profitable trader. Ideally you would like to see the percentages positive and increasing. A graph of these two statistics is a very good tool to observe their trend.

Tom's Tips

1. Select the Daily time period and the report will summarize trading activity on a daily basis.....an informative report for day traders who usually analyze their profitability on a daily time period. Graphs of the \$ P / L % Change and the Net Trade % Change for the Daily time period are very good visual tools for the day trader to measure his daily trading performance as he progresses in his trading career.

2. Graphs reveal the trend of the statistics. Ideally you would like to see all the graphs positive and increasing, except of course for the % Unprofitable Trades and the # of Unprofitable Trades which you would like to show a decreasing trend.

3. Weekly and Monthly reports and graphs reveal your trading performance over longer term time periods. If the graphs of the \$ P / L % Change and the Net Trade % Change for the Weekly or Monthly time periods start trending downwards, this is an early warning sign that your trading methodology may be starting to deteriorate.

4. The **Summary Page** summarizes important statistics on the report such as the # of Profitable Time Periods, % Profitable Time Periods, Best Consecutive # of Profitable Time Periods etc.

The **Summary Page** displays a snapshot of your best and worst trading performance for the selected Time Periods and provides important money management information.

5. The last column on the right, **Avg \$ P / L Per Trading Day** is the average profit or loss for each trading day. For example, if you selected **Weekly** for the Summary Time Period, and you had 3 trading days in the week and a \$ P / L for the week of \$ 3,000, then the **Avg \$ P / L Per Trading Day** equals $\$ 3,000 / 3 \text{ trading days} = \$ 1,000 \text{ profit per trading day}$.

A trading day is a day where you entered a trade into the Business Organization. The number of trading days is only displayed on the **Individual Trades** report.

5. Slippage / Commission Analysis

5a. Purpose of report

The purpose of the Slippage / Commission Analysis Report is to analyze the effect which slippage and commissions have on your net profit or loss for the selected **Report Criteria**.

5b. Report Criteria

To run the Slippage / Commission Analysis report, go to the **Main Menu**, select **Analysis Reports**, the **Profitability** category, and then select the **Slippage / Commission Analysis** report. Then enter the following **Report Criteria**.

Make sure that you are in the **Practice** Business Organization.

Report Criteria

Profit Center	BREAKOUT
Trade Type	ALL (leave blank)
Symbol	ALL (leave blank)
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Individual Trades is the only selection
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Sort Option

None of the statistics on this report can be sorted

Graph Option

None of the statistics on this report can be graphed

5c. Explanation of column headings and statistical calculations

The Slippage / Commission Analysis report analyzes the effect Slippage and Commission have on your net profit or loss.

The following example illustrates the Slippage / Commission Analysis report for the BREAKOUT Profit Center which is a profitable Profit Center.

Slippage and Commission Analysis

Profitable Profit Center

Total shares traded : 34.800
Total Trades : 37

Total Profits 10,720
Total Losses **-4,530**

Trading Profit 6,190

Commissions **-1,878**

\$ P / L 4,312

Slippage = 2,418
Slippage + Commissions = 4,296
Commissions as % of trading profits = **- 30.3 %**
Profit before slippage & commissions = 8,608
Percent decrease in profit due to slippage & commissions = **- 49.9 %**

Explanation of statistics :

The total shares traded equals the total shares traded for the selected time period.

The Total Trades equals the total trades for the time period.

The Slippage amount of \$ 2,418 equals the total Slippage for all trades when you entered a trade using the **Trades** screen (see page 68 and see page 56).

We had a trading profit before slippage and commissions of \$ 6,190. Commissions for the time period selected was \$ 1,878 so slippage plus commissions = \$ 2,418 + \$ 1,878 = \$ 4,296.

We had a net profit after commission of \$ 4,312 (6,190 - 1,878 = 4,312)

Commissions as a % of trading profits are 1,878 / 6,190 = **- 30.3 %**

Profits before slippage and commissions were 4,312 + 2,418 + 1,878 = 8,608

The percent decrease in net profit due to slippage and commissions =

(8,608 - 4,312) / 8,608 = 4,296 / 8,608 = **- 49.9 %**

We would have had a net profit of \$ 8,608 if we did not experience commissions and slippage. However, we did have a net profit of \$ 4,312 which is **- 49.9 %** less than the \$ 8.608 we should have had.

We will now take a look at the Slippage / Commission Analysis report for the NEGDEC Profit Center which is an unprofitable Profit Center.

Re-run the report and enter the following **Report Criteria** (the only **Report Criteria** we will change is the TICKDIV Profit Center, which is an unprofitable Profit Center.)

Profit Center	NEGDEC
Trade Type	ALL (leave blank)
Symbol	ALL (leave blank)
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)
Summary Time Period	Individual Trades

Summary Time Period

Summary Time Period	Individual Trades is the only selection
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

The report for an unprofitable Profit Center is a little more difficult because of the minus signs so the example for an unprofitable Profit Center will now be illustrated

The following is the Slippage / Commission Analysis report for the NEGDEC Profit Center which is an unprofitable Profit Center.

Slippage and Commission Analysis

Unprofitable Profit Center

Total shares traded : 35,000
Total Trades : 36

Total Profits 5,540
Total Losses **- 8,180**

Trading Loss **- 2,640**

Commissions **-1,890**

\$ P / L **- 4,530**

Slippage = 2,450
Slippage + commissions = 4,340
% of trading loss due to commissions = **-71.6 %**
Loss before slippage & commissions = **- 190**
% increase in loss due to slippage & commissions = **- 2284.2 %**

Slippage was \$ 2,450 and is calculated in the same way as in the profitable Profit Center example above.

We had a trading loss before slippage and commissions of **- \$ 2,640**

Commissions for the time period selected were \$ 1,890 so slippage plus commissions =
 $\$ 2,450 + \$ 1,890 = \$ 4,340$

We had a net loss after commission of **-\$ 4,530** ($- 2,640 - 1,890 = - 4,530$)

% of trading loss due to commissions is $1,890 / 2.640 = - 71.6 \%$

Loss before slippage and commissions is **-\$ 2,640** - 2,450 = **-\$ 190**

The percent increase in the net loss due to slippage and commissions =

$(-190 + 4,530) / -190 = 4,340 / 190 = - 2284.2 \%$

We would have had a net loss of **-\$ 190** if we did not experience commissions and slippage.

However, we did have a net loss of **-\$ 4,530** which is **- 2284.2 %** worse than the **-\$ 190** loss we should have had if we did not experience commissions and slippage : $(- 190 + 4,530) / -190 = - 2284.2 \%$

For a profitable Profit Center, the net profit will decrease due to slippage and commissions but will usually remain as a net profit so it is easy to understand the above calculations.

For an unprofitable Profit Center, the net loss will get worse (become more negative) due to commissions and slippage so the above calculations for an unprofitable Profit Center are a little more difficult to understand.

5d. **Summary Time Periods**

Individual Trades is the only selection

5e. **How to best utilize the Slippage and Commissions Analysis report**

Run the Slippage / Commissions Analysis report approximately every month to keep informed as to how much of your net profit is being lost due to slippage and commissions.....or how much your net loss is becoming worse due to slippage and commissions.

Slippage and commissions are a big factor for day traders. They are the silent killers.....they don't make a lot of noise or get a lot of attention, but they work behind the scenes to slowly destroy your Trading Capital. The Slippage / Commission Analysis report keeps you informed of the impact which Slippage and Commissions are having on your trading performance.

Tom's Tips

1 If slippage and commission start to take away increasing amounts of your net profit, then you should possibly consider changing brokers and search for lower commissions and / or better fills on your orders. You will have to make your own judgment as to when slippage and commission have reached a level where a change in brokers is called for.

2. You may be surprised at the big impact slippage and commissions are having on your trading performance. That is the price you pay when you engage in a high turnover business such as day trading.....commissions and slippage increase as trading volume increases.....and there is no way to eliminate that part of the formula.

3. If you select a particular Symbol to analyze in the **Report Criteria** (such as **QQQ**), then the report will provide an informative analysis of the impact which slippage and commissions are having on your profitability in trading that particular Symbol.

Equity Fluctuation

“ The horror.....the horror ! “

Colonel Kurtz, from the film, Apocalypse Now

1. Drawdown

1a. Purpose of report

The purpose of the Drawdown report is to provide a complete drawdown analysis for the selected **Report Criteria**.

1b. Report Criteria

To run the Drawdown report, go to the **Main Menu**, select **Analysis Reports**, the **Equity Fluctuation** category, and then select the **Drawdown** report. Then enter the following **Report Criteria**.

Make sure that you are in the **Practice Business Organization**.

Report Criteria

Profit Center	BREAKOUT
Trade Type	STOCK
Symbol	QQQ
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Individual Trades
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Sort Option

None of the statistics on this report can be sorted

Graph Option

Do not select a Graph Option. We will look at the graphs after we discuss the report.

\$ Drawdown
% Drawdown
Cum \$ P/L / \$ Drawdown
\$ P/L
Cum \$ P/L
Equity

1c. Explanation of column headings and statistical calculations

Trade Date	Date of the trade
Symbol	Symbol of the stock traded
Pos	Position Code Buy or Sell ALL = Both
# Traded	Number of shares traded
\$ P / L	Profit or loss on the trade after commissions for each trade
Cum \$ P / L	Summation of the \$ P / L column
Equity	Trading Capital for the trade starting with the Beginning Trading Capital plus the Cum \$ P / L
\$ Drawdown(\$ DD)	The \$ decrease after a new equity high is reached
% Drawdown	\$ Drawdown divided by Equity
Cum \$ P / L / \$ DD	Cumulative \$ P / L divided by the \$ Drawdown. If Cum \$ P/L or \$ DD is zero or less, then the value is blank.

Summary Page Calculations :

Equity High	Date and amount of the Equity high
Equity Low	Date and amount of the Equity low
\$ Difference Between Equity High & Equity Low	Equity High - Equity Low
% Difference Between Equity High & Equity Low	(\$ Equity High –\$ Equity Low) divided by Equity High
Total Trades	Total number of trades in the report
Time at New Equity High	Number of trades which made a new Equity High
% of Time at New Equity High	Number of trades which made new Equity High divided by Total Trades
Time in Drawdown	Number of trades which are not at Equity High
% of Time in Drawdown	Number of trades which are not a new Equity High divided by Total Trades
Worst \$ Drawdown	Most negative value in the \$ Drawdown column
Worst % Drawdown	Most negative value in the % Drawdown column
Average \$ Drawdown	Average of all the values in the \$ Drawdown column
Average % Drawdown	Average of al values in the % Drawdown column
Current \$ Drawdown	Current value of the \$ Drawdown column
Current % Drawdown	Current value in the % Drawdown column
Final Cum \$ P/L Divided By Worst \$ Drawdown	Final value of the Cum \$ P / L column divided by the Worst \$ Drawdown
Final Cum \$ P/L Divided By Average \$ Drawdown	Final value of the Cum \$ P / L column divided by the Average \$ Drawdown
Final Cum \$ P/L Divided By Current \$ Drawdown	Final value of the Cum \$ P / L column divided by the current value of the \$ Drawdown column
Difference - Worst Drawdown and Current Drawdown	Worst \$ Drawdown minus Current \$ Drawdown

1d. Summary Time Periods

Individual Trades is the only selection

1e. How to best utilize the Drawdown report.

The Drawdown report is one of the most important Analysis Reports produced by **ManusRisco™**. Being fully aware of your current and historical drawdown profile will significantly enhance your chances of achieving long term profitability in the trading arena.

Drawdown has a very significant negative psychological and financial impact on every trader. And to make a bad situation worse, most traders do not have the tools necessary to analyze and manage the psychological and financial challenges which drawdown presents.

The Drawdown report is designed to provide the information necessary to overcome the fear, uncertainty and loss of confidence which arise from ignorance of key drawdown statistics.

To start, we require a definition of drawdown :

Drawdown A decrease in Trading Capital from a previous Equity high.

Let's take a look at the Drawdown report we have just created. We first notice that there is an amount for Beginning Trading Capital in the Equity column. This amount is the Trading Capital for the first found trade which satisfies all the **Report Criteria**.

The first trade on the report had Trading Capital of \$ 10,000 so that is our Beginning Trading Capital

The Equity column equals the Beginning Trading Capital plus the Cumulative \$ P / L.

Looking at the report, we see that our first found trade on 02/02/2005 was a profit of \$ 260. Equity now equals \$ 10,260 which is a new Equity high (10,260 is greater than 10,000)

The next trade was a profit of \$460 so Equity is now \$ 10,720 which is a new Equity high.

The next trade is a loss of - \$ 640 which reduces Equity to \$ 10,080. Since we decreased from the previous Equity high of \$ 10,720, we are in a - \$ 640 Drawdown (10,720 - 10,080 = 640)

We surpass the \$ 10,720 previous Equity high when our profitable trade of \$ 760 gives us a new Equity high of \$10,760 and drawdown goes to zero. When Equity drops below \$ 10,760 (which happened the next trade with a loss of - \$ 340), we begin another \$ Drawdown.

The % Drawdown (% DD) is the value of the \$ Drawdown column divided by the value in the Equity column. For example, for the third trade from the top of the report , % DD equals - \$ 640 / \$10,080 which equals - 6.3 %.

Looking at the third trade from the top on the last column on the right hand side, the Cumulative \$ P / L divided by Drawdown equals \$ 80 / \$ 640 which equals .1

If either the Cumulative \$ P / L or the \$ Drawdown is zero or less, then a blank will be displayed.

The reason why drawdown is very important is because every trader..... profitable or unprofitable..... experienced or novice..... big trader or small trader.....is in a drawdown mode anywhere from 70% to 90% of the time. If you analyze any Profit Center in a Business Organization using the Drawdown report, you will discover that this statistic is very accurate. In other words, it will appear that because of drawdown, you are losing money 70 % to 90 % of the time, even though you may be a profitable trader.

Unfortunately, most traders are aware of drawdown on an sub-conscious level but unfortunately do not possess the tools necessary to answer such important questions such asWhat is my worst historical drawdown ?..... What is my average drawdown ? What is my current drawdown ?..... What percentage of time am I in drawdown ?..... How much profit do I have to "cover" my worst historical drawdown ?..... How much profit do I have to "cover" my current drawdown etc ?

Not knowing the answers to these questions increases fear, anxiety and loss of confidence since the trader sub-consciously realizes that there is important drawdown information lurking behind the scenes that he should know about.....but doesn't.

The Drawdown report brings these important statistics to light..... and removes the lack of knowledge which produces the destructive emotions of anxiety and uncertainty.

Each trader should always have answers to the following questions :

Am I currently in a drawdown, and if so, how much is it and how long has it been going on? Looking at the last trade on our report, we see that we are currently experiencing a - \$ 230 drawdown which equals - 2.0 % of Equity and we have been in a drawdown for three trades.

If I am currently experiencing a drawdown, how much "cover " or "cushion" does my net profit give me? The Cumulative \$ P/L / \$ Drawdown statistic (last column on the right) which equals the current Cumulative \$ P / L divided by current \$ Drawdown answers this question.

On the last trade of the report, we have a Cumulative \$ P / L of \$ 1,290 and we are experiencing a current drawdown of - \$ 230. Therefore, our Cumulative \$ P / L of \$ 1,290 is 5.6 times larger than the current drawdown of - \$ 230 ($1,290 / 230 = 5.6$).

In other words, you have sufficient profits to "cover " current drawdown 5.6 times. A value less than 1.00 will be displayed in the unfavorable statistic color selected in the Preferences since your net profit is less than the \$ Drawdown and you do not have a sufficient "cushion" to cover your \$ Drawdown.

If the Cumulative \$ P / L is a net loss, then you would have zero "cover " and a blank will be displayed since you do not have any net profit.

Likewise, if the \$ Drawdown is zero, then a blank will be displayed in the column.

Knowing how much net profit you have to "cover" the current drawdown is an important statistic to know from a psychological standpoint.

The **Summary Page** is displayed after the last page of the report prints out and contains the following important information :

- The date and value of the Equity High
- The date and value of the Equity Low
- The \$ difference between the Equity High and Equity Low
- The % difference between the Equity High and Equity Low
- Total trades on the report
- Time at new Equity Highs
- % of Time at New Equity High
- Time in drawdown
- % of Time in Drawdown
- Worst \$ drawdown and date
- Worst % drawdown and date
- Average \$ drawdown
- Average % drawdown
- Current \$ drawdown
- Current % drawdown
- Final Cumulative \$ P / L divided by worst \$ drawdown (Recovery Factor)
- Final Cumulative \$ P / L divided by average \$ drawdown
- Final Cumulative \$ P / L divided by current \$ drawdown
- \$ Difference between current \$ drawdown and worst \$ drawdown

The Final Cumulative \$ P / L divided by the worst \$ drawdown is also known as the Recovery Factor. A value greater than 1.00 indicates you have sufficient net profits to cover the largest \$ drawdown you have suffered in your trading history.

The **Summary Page** is a snapshot of all important drawdown information which every trader must have at his fingertips at all times.

The amount of time you spend in drawdown will be very informative to every trader reading this manual. You will be very surprised how often you are in a drawdown mode.....even if you are an experienced and profitable trader. In our sample report, we were in a drawdown situation 77.8 % of the time.

The historical worst drawdown gives you a reference point as to how much worse your current drawdown can get. In our example, the worst historical drawdown was \$ 880 and our current drawdown is \$ 230 so the current drawdown can get worse by \$ 650 (\$ 880 - \$ 230) if you reach your worst historical drawdown.

If the worst historical drawdown happened once before, it will probably happen again. Knowing the difference between current drawdown versus worst historical drawdown is of psychological benefit since you will have know how much worse your current drawdown can get to equal the worst historical drawdown.

The trader who does not have this information will have no historical reference to compare his current drawdown situation, and may panic, over trade, become anxious or lose confidence as he struggles to make uneducated trading decisions without information which compares his historical trading performance with current trading results.

The last three statistics on the **Summary Page** inform you as to how much "cover" your current net profit provides for your largest drawdown, average drawdown and current drawdown. Knowing how much "cover" or "cushion" you have is important information to possess when the inevitable losing trades appear and drawdown starts to eat away at all your hard won profits. Not knowing how much " cover " or "cushion " you have will only make a bad psychological situation become worse. Trade in the dark and you will eventually pay the price.

Fear and uncertainty are caused by ignorance and lack of knowledge.

The Drawdown report displays extremely informative and practical information which eliminates the lack of knowledge which plagues many traders.

The trader who aspires to achieve long term success in the trading game will pay close attention to the picture painted by the Drawdown report.

Tom's Tips

1. Graphs provide a very useful visual display of all the important drawdown statistics. Use graphs to keep current on the trend and direction of all your drawdown statistics.
2. The Drawdown report can only be run on an Individual Trades basis since we are interested in drawdown statistics on a trade by trade basis.
3. The Drawdown report should be run fairly often, probably every two or three days. The trader should always be aware of all key drawdown statistics at the start of each trading day. Knowledge of these vital statistics removes much of the uncertainty and fear which arise from attempting to trade in the dark.

4. Try to maintain a value of at least 2.00 in the Cumulative \$ P / L divided by \$ Drawdown statistic (last column on the right). This will give you a net profit “cushion” of 2.00 times your current drawdown before your current drawdown situation causes you to become unprofitable. There is nothing magical about 2.00. It is an arbitrary number.....but it serves as a good benchmark. The higher the number, the better. The larger the cushion, the more confidence you will have in knowing that you can financially handle a larger drawdown before you become unprofitable.

6. Comparing the current drawdown to the worst historical drawdown informs you as to how much worse the current drawdown can become so you can mentally prepare yourself and not panic. Knowledge eliminates fear and anxiety caused by uncertainty.

Of course you must first have a tool to let you know what the numbers are.....which is what **ManusRisco™** is all about..... as you are probably slowly starting to realize.

[Trading Performance](#)

“ A total commitment is paramount to reaching the ultimate in performance.”

Tom Flores

1. Return on Investment (ROI)

1a. Purpose of report

The purpose of the Return on Investment (**ROI**) report is to calculate the % return on Trading Capital (**T/C**) for profitable and unprofitable trades for the selected **Report Criteria**.

1b. Report Criteria

To run the Return On Investment report, go to the **Main Menu**, select **Analysis Reports**, the **Trading Performance** category, and then select the **Return On Investment** report. Then enter the following **Report Criteria**.

Make sure that you are in the **Practice Business Organization**.

Report Criteria

Profit Center	BREAKOUT
Trade Type	STOCK
Symbol	QQQ
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Individual Trades
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Sort Option

The report is originally sorted in ascending order by Trade Date which is the default sort. The report can not be re-sorted.

This report can not be re-sorted

Graph Option

Do not select a Graph Option. We display some of the graphs after we discuss the **ROI** report.

\$ P / L
Cum \$ P / L
% ROI T/C Prof
Running Avg Prof
% ROI T/C Unprof
Running Average Unprof
Running Average Ratio
% ROI Begin T / C

1c. Explanation of column headings and statistical calculations

Trade Date	Date of the trade
Trading Capital	Trading Capital entered for that trade
Symbol	Symbol of the stock traded
Pos	Position Code Buy, Sell ALL = Both
\$ P / L	Dollar profit or loss after commissions for each trade
Cum \$ P/L	Summation of the \$ P/L column
% ROI T / C Prof	\$ P / L divided by Trading Capital for a profitable trade
Running Average Prof	Running average of the % ROI T / C Prof column
% ROI T / C Unprof	\$ P / L divided by Trading Capital for an unprofitable trade
Running Average Unprof	Running average of the % ROI T / C Unprof column
Running Average Ratio	Running Average of % ROI T / C Prof divided by Running Average of % ROI T / C Unprof
% ROI Begin T / C	Cumulative \$ P / L divided by the Trading Capital amount for the first trade in the report.

1d. Summary Time Periods

Individual Trades, Daily, Weekly, Monthly and Yearly
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1e. How to best utilize the Return on Investment report

The ROI report displays the % return on Trading Capital as well as the Running Averages.

For example, if Trading Capital equals \$ 30,000, and you lose - \$ 500 on a trade, then you lost - 1.7 % of Trading Capital (- 500 / 30,000 = -1.7 %).

The two Running Average calculations on the report require further explanation.

The two **Running Average** columns are simply the average of the preceding column. For example, the first two profitable trades had a % **ROI T/C Prof** of 2.6 % and 4.6 %

The **Running Average Prof** for the third trade equals : (2.6 % + 4.6 %) / 2 = 7.2 % / 2 = 3.6 %

The **Running Average Unprof** calculations are performed in the same manner.

The % ROI Trading Capital calculations are listed separately for profitable and unprofitable trades so that they can be easily analyzed.

The % **ROI T/C Prof** and % **ROI T/C Unprof** columns use the Trading Capital amount entered for that trade as described on page 59. It is important that you enter an accurate value for Trading Capital when you enter trades into a Business Organization since the % ROI T/C for unprofitable trades is a very important money management statistic.

The % **ROI Begin T / C** is the Cum \$ P / L divided by the Trading Capital amount entered for the first trade in the report. In our example, the first trade had a Trade Date of 02/02/2005 and Trading Capital for that Trade Date was \$ 10,000

For the last trade of the report, the Cumulative \$ P / L was \$ 1,290 so the % **ROI Begin T/C** for the last trade on the report equals - \$ 1,290 / 10,000 = - 12.9 %.

The calculations for Daily, Weekly, Monthly and Yearly reports are slightly different. For example, assume we create a Monthly report for January and February.

The first trade for January has Trading Capital of \$ 10,000 and assume that January had 5 profitable trades for \$ \$6,000 and 3 unprofitable trades for - \$ 3,000.

The % **ROI T/C Prof** column for January = 6,000 / 10,000 = 60 %

The % **ROI Unprof** column = - 30 % (- \$ 3,000 / 10,000 = - 30 %)

February would be calculated in the same manner, for example :

The first trade for February has Trading Capital of \$ 20,000 and assume that February had 7 profitable trades for \$ \$8,000 and 6 unprofitable trades for - \$ 5,000.

The % **ROI T/C Prof** column for February = 8,000 / 20,000 = 40 %

The % **ROI Unprof** column for February = - 25% (- \$ 5,000 / 20,000 = - 25%)

The **Running Average Prof** is the average of the % **ROI T/C Prof** column so the **Running Average Prof** for February would be 50 % (60 % + 40 %) / 2 months = 50 %

The **Running Average Unprof** is the average of the % **ROI T/C Unprof** column so the **Running Average Unprof** for February would be **- 27.5 % (-30 % - 25 % / 2 months = - 27.5 %)**

Daily, Weekly and Yearly reports use the same method.

Graphs are a very useful tool in analyzing the statistics of the ROI Analysis Report. A graph will display the trend of the ROI statistics.

Ideally, the graphs of the % **ROI T/C Prof** and % **ROI Begin T/C** should be trending upward, which indicates a positive expectation game which is becoming more positive.

A graph of the % **ROI T/C Unprof** should ideally also be trending upward which indicates that the values are becoming less negative.

Tom's Tips

1. One of the key statistics to monitor is the % **ROI T/C Unprof** column. As a general guideline, you should never lose more than **- 1 %** on any one trade. If you consistently risk more than **- 1 %** of Trading Capital on a trade, you are placing yourself in a high risk situation.

The goal of speculation is to play a positive expectation game and get into the long run. If you consistently lose a high percentage of Trading Capital on an unprofitable trade, you increase your probability of ruin if you have a long series of losing trades.

While **- 1 %** does not appear to be a high, risky percentage, it is very harmful to your Trading Capital if you run into a bad month where you have a high percentage of unprofitable trades and you lose an average of **- 4 %** or **- 5 %** on each trade.

In fact, to be conservative and afford yourself the best chance of long term success, you should never lose more than **1 / 2 %** (one half of a percent) on any one trade.

2. The **Running Average Unprof** statistic is an excellent barometer of risk management. It is very important that you graph this column on at least a weekly basis..... more often if you are a very active trader.

If you see that the **Running Average Unprof** statistic is consistently worse than **- 1 %** on the Individual Trades report, then you should closely review your stop loss strategy and determine if you are able to use smaller stop losses.

3. The **Running Average Ratio** is a very good indicator of your profit / loss management. This statistic is the **Running Average Prof** column divided by the **Running Average Unprof** column.

A graph of the **Running Average Ratio** column will yield valuable insight into your Reward / Risk management. Ideally the **Running Average Ratio** should be greater than 1.00 and increasing. A **Running Average Ratio** less than 1.00 will be displayed in the unfavorable statistic color selected in the Preferences (default is **red**) and is a warning sign of a deteriorating Reward / Risk methodology.

2. Consecutive Trades Analysis

2a. Purpose of report

- Display the number of consecutive profitable trades and the accumulated profit in each series of consecutive profitable trades
- Display the number of consecutive unprofitable trades and the accumulated loss in each series of consecutive unprofitable trades.
- Compare the square root of all unprofitable trades to the square root of total trades

2b. Report Criteria

To run the Consecutive Trades report, go to the **Main Menu**, select **Analysis Reports**, the **Trading Performance** category, and then select the **Consecutive Trades** report. Then enter the following **Report Criteria**.

Make sure that you are in the **Practice** Business Organization.

Report Criteria

Profit Center	BREAKOUT
Trade Type	STOCK
Symbol	QQQ
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Individual Trades is the only selection
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Sort Option

None of statistics on this report can be sorted

Graph Option

Do not select a Graph Option. We will look at some graphs after we discuss the report.

Ratio

2c. Explanation of column headings and statistical calculations

Trade Date	Date of the trade
Symbol	Symbol of the stock traded
Pos	Position Code Buy, Sell ALL = Both
# Traded	Number of shares traded.
\$ Profit	Dollar profit on a profitable trade after commissions
\$ Profit in Series	Dollar profit in the series of profitable trades
# Trades In Series	The number of consecutive profitable trades in the series
\$ Loss	Dollar loss on an unprofitable trade after commissions
\$ Loss in Series	Dollar loss in the series of unprofitable trades
# Trades in Series	The number of consecutive unprofitable trades in the series
Total Trades	Cumulative number of total trades
Square Root Total Trades	The square root of the Total Trades column
Sq Root All Unprof Trades	The square root of the total number of unprofitable trades
Ratio	Square Root Total Trades divided by Square Root All Unprofitable Trades

2d. Summary Time Periods

Individual Trades is the only selection

2e. How to best utilize the Consecutive Trades report.

The Consecutive Trades report displays the history of your consecutive profitable trades and unprofitable trades. This information is valuable from a psychological point of view. If you know the longest series of consecutive unprofitable trades in your past history, you can be prepared for a similar run to occur again if you are currently experiencing a run of consecutive losing trades.

In addition, it is very helpful from a psychological viewpoint to know the largest dollar loss accumulated in a series of consecutive losing trades. If you are currently experiencing a series of losing trades, you will have an historical guideline of how much more money you can lose if the current run of unprofitable trades equals the worst historical run.

Likewise, the Consecutive Trades report displays the longest series of consecutive profitable trades as well as the largest profit you made on a series of profitable trades. This will also benefit you from a psychological standpoint since you will have a reference as to how much profit you can make if you experience a run of profitable trades.

If you are currently on a losing streak and you start to lose confidence, you will know how much profits your trading system is capable of generating if you hit a run of consecutive profitable trades.

The third column from the right of the report labeled **Square Root Total Trades** is the square root of the value in the **Total Trades** column. Looking at the eighth trade down from the top on the first page of the report, We had a total of 8 trades so the square root of 8 = 3 (rounded off) which appears on the third column from the right.

The second column from the right of the report labeled **Square Root All Unprofitable Trades** is the square root of the running total of all unprofitable trades. After the eighth trade from the top, we had 4 unprofitable trades so the square root of 4 equals 2 and appears on the second column from the right.

The last column on the right of the report labeled **Ratio** is the **Square Root Total Trades** column divided by the **Square Root All Unprofitable Trades** column. After the eighth trade from the top, the Ratio was 1.5 ($3 / 2 = 1.5$).

Ideally, you would like to see this Ratio increasing. This indicates the square root of all your total trades is increasing faster than the square root of all your unprofitable trades. Taking the square root provides a more meaningful measurement of the two statistics.

The **Summary Page** is displayed after the last page of the report prints out and displays the following important information :

- Average consecutive profitable trades
- Average consecutive unprofitable trades
- Average \$ consecutive profits
- Average \$ consecutive losses
- Best consecutive profitable trades
- Worst consecutive unprofitable trades
- Best consecutive dollar profits
- Worst consecutive dollar losses

The Consecutive Trades report provides very useful information concerning consecutive series of profitable and unprofitable trades generated by your trading methodology.

[Tom's Tips](#)

1. The main benefit of the Consecutive Trades report is psychological. Knowing your historical trading performance will remove much of the anxiety and fear which arises when you do not know how your trading methodology performed in the past. If you are currently experiencing 6 unprofitable trades in a row, and you do not have a history of your prior trading performance, you are in the dark as to how much longer the consecutive series of unprofitable trades can continue.

However, if you know that your worst consecutive series of losing trades was 11, then you know that your current series of 6 losers in a row can get as bad as 11 losers in a row. Knowledge of prior trading history reduces much of the panic and anxiety a trader is faced with when a bad run of losing trades occurs and the trader has no reference point to determine how much worse the situation can get.

2. Likewise, it is beneficial to know how much profit you can make when you experience a series of consecutive profitable trades. After a series of unprofitable days or weeks, it is beneficial from a psychological standpoint knowing how much profit you can make when your trading system eventually turns around and produces that series of consecutive profitable trades.

3. A Graph of the Ratio column (last column on the right) displays the trend of the Ratio. You would like to see the graph increasing and sloping upwards. A downward sloping graph is a warning signal that your run of consecutive unprofitable trades is becoming too large relative to your total trades.

Trading Efficiency

“ Efficiency is doing better what is already being done ”

Peter Drucker

1. PTR / UTR

1a. Purpose of report

The purpose of the **PTR / UTR** report is to compare the Current Profit or Loss per Share with the Cumulative Profit or Loss per Share for the selected **Report Criteria**.

1b. Report Criteria

To run the **PTR / UTR** report, go to the **Main Menu**, select **Analysis Reports**, the **Trading Efficiency** category, and then select the **PTR / UTR** report. Then enter the following **Report Criteria**.

Make sure that you are in the **Practice** Business Organization.

Report Criteria

Profit Center	BREAKOUT
Trade Type	STOCK
Symbol	QQQ
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Individual Trades
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Sort Option

None of the statistics on this report can be graphed.

Graph Option

Do not select a Graph Option. We will look at some graphs after we discuss the report.

\$ Profit
Profit Per Share
Cum Profit Per Share
PTR
\$ Loss
Loss Per Share
Cum Loss Per Share
UTR

1c. Explanation of column headings and statistical calculations

Trade Date	Date of trade
Symbol	Symbol of the stock traded
Pos	Position Code Buy or Sell ALL = Both
# Traded	Number of shares traded for profitable trades.
\$ Profit	Profit on a profitable trade after commissions
Profit Per Share	Profit on the trade divided by # shares traded
Cum Prof per Share	(Profits on all profitable trades minus commissions) divided by all shares traded on all profitable trades.
PTR	P rofitable T rade R atio. <u>Current Profit per Share</u> for profitable trades divided by the <u>Cumulative Profit per Share</u>
# Traded	Number of shares traded for unprofitable trades
\$ Loss	Loss on an unprofitable trade after commissions
Loss Per Share	Loss on the trade divided by # of shares traded
Cum Loss per Share	(Losses on all unprofitable trades minus commissions) divided by total shares traded for all unprofitable trades.
UTR	U nprofitable T rade R atio. <u>Current loss per Share</u> for unprofitable trades divided by the <u>Cumulative Loss per Share</u>

1d. Summary Time Periods

Individual Trades is the only selection

1e. How to best utilize the PTR / UTR report

The **PTR / UTR** report compares the relationship between the current Profit Per Share with the Cumulative Profit Per Share as well as the current Loss Per Share with the Cumulative Loss Per Share.

For example, on the fifth trade down from the top of the report there was a profitable trade of \$ 0.16 per share and the Cumulative Profit Per Share was \$ 0.29 per share. The Profitable Trade Ratio (**PTR**) is calculated as $0.16 / 0.29 = .55$ and is displayed in the unfavorable statistic color since it is less than 1.00

The Profit Per Share for that trade was .55 times the Cumulative Profit Per Share.

Ideally you would like to see the **PTR** above 1.00 and trending upwards. This indicates that your current Profit Per Share is larger than the Cumulative Profit Per Share and getting larger, which is a favorable situation.

A **PTR** value less than 1.00 is displayed with the unfavorable statistic color selected in the Preferences (default is **red**). This indicates that your current Profit Per Share is less than the Cumulative Profit Per Share which is an unfavorable situation.

On the eighth trade down from the top of the report there was an unprofitable trade of **- \$ 0.46** per share and the Cumulative Loss Per Share was **- \$ 0.48** per share. The Unprofitable Trade Ratio (**UTR**) is calculated as $- 0.46 / - 0.48 = .95$

You would like to see the Unprofitable Trade Ratio (**UTR**) less than 1.00 and trending downwards (decreasing). This indicates that your current Loss Per Share is less than your Cumulative Loss Per Share and getting smaller, which is a favorable situation.

A **UTR** value greater than 1.00 is displayed with the unfavorable statistic color selected in the Preferences (default is **red**). This indicates that your current Loss per Share is larger than the Cumulative Loss Per Share, which is an unfavorable situation.

Tom's Tips

1. Graphs of the **PTR** and **UTR** statistics display an excellent visual of the trend of the statistics. The trend of key money management statistics reveals your progress in becoming a more efficient and profitable trader.
2. The more important statistic is the **UTR**. A graph of the **UTR** showing a value consistently greater than 1.00 and increasing is a very dangerous situation. You should re-examine your stop loss strategy since your current loss per share is becoming larger than the cumulative loss per share. Determine if you can modify your trading strategy to accommodate tighter stops.
3. The calculation for the **UTR** can be a little confusing. The next two examples should clarify the situation.

The first example is of a **UTR** which is less than 1.00, which is a favorable situation.

On the fourth unprofitable trade from the top of the report, the Loss per Share is **- \$ 0.24** and the Cumulative Loss per Share equals **- \$ 0.44**. The **UTR** equals $- \$ 0.24 / - \$ 0.44$ which equals .55. If you divide two negative numbers, the result is positive.

The loss per share of **- \$ 0.24** is less than the cumulative loss per share of **- \$ 0.44** so a **UTR** less than 1.00 and decreasing is favorable.

The second example is a **UTR** which is trending upwards or greater than 1.00, which is an unfavorable situation.

On the twelfth unprofitable trade from the top of the report, the Loss per Share is **- \$ 0.48** and the Cumulative Loss per Share also equals **- \$ 0.48**. The **UTR** equals $- \$ 0.48 / - \$ 0.48$ which equals 1.00. If you divide two negative numbers, the result is positive.

The loss per share of **- \$ 0.48** has trended upwards towards the cumulative loss per share of **- \$ 0.48** so a **UTR** trending upwards or greater than 1.00 is an unfavorable situation.

The value of the **UTR** will always be positive since we are dividing a loss on the trade by the Cumulative Loss per Share and both numbers are always negative. If you divide a negative number by a negative number, the result is always a positive number.

Volatility Analysis

“Now, here you see, it takes all the running you can do to keep in one place, If you want to get somewhere else, you must run at least twice as fast as that. !”

The Adventures of Alice in Wonderland, by Lewis Carroll

1. **Standard Deviation Analysis**

1a. **Purpose of report**

The purpose of the Standard Deviation Analysis report is to use historical trading results to analyze the volatility of your trading performance for the selected **Report Criteria** as well as make predictions of future trading results.

1b. **Report Criteria**

To run the Standard Deviation report go to the **Main Menu**, select **Analysis Reports**, the **Volatility** category, and then select the **Standard Deviation Analysis** report.

Make sure that you are in the **Practice** Business Organization.

Report Criteria

Profit Center	BREAKOUT
Trade Type	ALL (leave blank)
Symbol	ALL (leave blank)
Month	ALL (leave blank)
Year	ALL (leave blank)
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Individual Trades is the only selection
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Sort Option

None of the statistics on this report can be sorted

Graph Option

All columns can be graphed except Trade Date and Symbol can be graphed

1c. **Explanation of column headings and statistical calculations**

Trade Date	Trade Date of the trade
SD Prof Trade	Standard deviation of all profitable trades
SD Unprof Trade	Standard deviation of all unprofitable trades
SD Net Trade	Standard deviation of all trades
SD Drawdown	Standard deviation of drawdown
SD Cum \$ P/L (Equity)	Standard deviation of the Cum \$ P/L

Summary Page

Number of Trades in Sample	37
Profitable Trade	
Average profitable trade	\$ 435
Standard deviation profitable trades	\$ 343
68 % probability next profitable trade	92 and 778
95 % probability next profitable trade	0 and 1121
99 % probability next profitable trade	0 and 1464
Unprofitable Trade	
Average unprofitable trade	\$- 351
Standard deviation unprofitable trades	\$ 159
68 % probability next unprofitable trade	- 510 and -192
95 % probability next unprofitable trade	- 669 and - 33
99 % probability next unprofitable trade	- 828 and 0
Net Trade	
Average Net Trade	98
Standard deviation Net Trade	77
68 % probability next Net Trade	21 and 175
95 % probability next Net Trade	- 56 and 252
99 % probability next Net Trade	- 133 and 329
Drawdown	
Average Drawdown	-551
Standard Deviation Drawdown	376
68 % probability next Drawdown	- 927 and - 175
95 % probability next Drawdown	- 1303 and 0
99 % probability next Drawdown	- 1679 and 0
Cum \$ P / L (Equity)	
Average Cum \$ P/L	2092
Standard deviation Cum \$ P/L	1957
68 % probability next Cum \$ P/L	135 and 4049
95 % probability next Cum \$ P/L	-1822 and 6006
99 % probability next Cum \$ P/L	-3779 and 7963

1d. **Summary Time Periods**

Individual Trades is the only selection.

1e. **How to best utilize the Standard Deviation Analysis report**

The first section of the report calculates the standard deviation for Profitable Trades, Unprofitable Trades, Net Trade, Drawdown and Cum \$ P/L (also known as Equity) on a trade by trade basis. Graphs of the columns of statistics will display their trend, which is very important.

A **Summary Page** calculates predictions of future trading performance based on prior trading history.

The **Summary Page** calculates standard deviations to predict with 65 %, 95 % and 99 % probability your next Profitable Trade, Unprofitable Trade, Net Trade, Drawdown and Cum \$ P/L (Equity).

The 65 % level of probability is one standard deviation, the 95 % level of probability is two standard deviations and the 99 % level of probability is three standard deviations. The 99 % probability has the biggest range since the higher the probability of predicting a future event, the larger the range will be.

In our example, the average Cum \$ P/L (Equity) is \$ 2,092 and the standard deviation equals \$ 1,957, so there is a 68 % probability your next Cum \$ P/L will be between \$ 135 and \$ 4,049 (\$ 2,092 - \$ 1,957 and \$ 2,092 + \$ 1,957)

There is a 95 % probability your next Cum \$ P/L will be between - \$ **1,822** and \$ 6,006 (\$ 2,092 - \$ 1,957 - \$ 1,957 and \$ 2,092 + \$ 1,957 + 1,957)

And there is a 99 % probability your next profitable trade will be between - \$ **3,779** and \$ 7,963 (\$ 2,092 - \$ 1,957 - \$ 1,957 - \$ 1,957 and \$ 2,092 + \$ 1,957 + 1,957 + 1,957)

The more trades you have in your sample size, the more accurate will be your predictions.

The smaller the standard deviation, the smaller will be the range of the predictions. A small standard deviation is a sign that you are achieving consistency in your trading since all your trading results are "bunched" together.

For example, the following profitable trades \$ 300, \$ 350, \$ 290, \$ 320, \$ 350 will have a smaller standard deviation than the following profitable trades of \$ 500, \$ 100, \$ 330, \$ 720, \$ 490.

From a psychological viewpoint, there is less anxiety if you know that your profitable trades and unprofitable trades will probably fall in a tight range.....profits and losses will become more "predictable" when your trading methodology is producing consistent profits and losses.

The opposite situation occurs if a trader has a high standard deviation. His trading results will be more unpredictable.....he is not sure if his next profitable trade will be a small profit or a large profit.....or if his next unprofitable trade will be a small loss or a damaging large loss.

Likewise, a high standard deviation of drawdown produces high volatility of trading results as well as psychological anxiety..... making confident and stress free trading very difficult to achieve.

When comparing trading systems, the volatility of a trading system is just as important a factor to consider as the overall profitability. Generally speaking, low volatility trading systems are preferred to high volatility trading systems.

The Standard Deviation Analysis report helps you make this comparison as well as displaying the consistency and predictability of your trading performance.

Graphs of the standard deviations are very valuable tools in determining the volatility of a trading system as well as the trend.

Tom's Tips

1. Run the Standard Deviation Analysis report every three or four weeks and file the reports in your Trading Diary. The Trading Diary is described on page 170. Then compare the standard deviations every three or four weeks to determine if the predicted ranges are becoming smaller or larger. Smaller ranges indicate consistent trading results and higher predictability while large ranges indicate less consistency and less predictability.
2. Also, compare the predictions on the Standard Deviation Analysis report with your actual trading results. It is an interesting type of analysis to see how close the predictions come to your actual trading results.
3. A high standard deviation of trading results will produce more volatile swings in your equity curve.....which is very damaging from a psychological standpoint.....creating emotions of fear, uncertainty and anxiety. Lower standard deviations produce a smoother equity curve and drastically reduce the damaging emotions created by volatile swings in your equity.

Operations Management

“ Red is grey and yellow white. We decide which is right.....and which is an illusion”

The Moody Blues, “ Tuesday Afternoon”

1. **Trader's Management Report**

1a. **Purpose of report**

The purpose of the Trader's Management Report is to display a summary of all important money management statistics for the selected **Report Criteria**.

1b. **Report Criteria**

To run the Trader's Management report go to the **Main Menu**, select **Analysis Reports**, the **Operations Management** category, and then select the **Trader's Management Report**. Then enter the following **Report Criteria**.

Make sure that you are in the **Practice Business Organization**.

Report Criteria

Profit Center	BREAKOUT
Trade Type	ALL (leave blank)
Symbol	ALL (leave blank)
Symbol Date	ALL (leave blank)
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Individual Trades is the only selection
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Sort Option

None of the statistics on this report can be sorted

Graph Option

None of the statistics on this report can be graphed
--

1c **Statistics included in the Trader's Management Report**

Beginning Trading Capital	10,000
Profits	10,720
Losses	- 4,530
Commissions	- 1,878
\$ P/L	4,312
Ending Trading Capital	14,312
Percent Gain Required for Break Even	N/A
Profitability	
Profit Factor	1.78
Net Trade	117
\$ P/L per Share	.12
Largest \$ Profit	1640
Largest \$ Loss	-660
Ratio	2.48
Equity Fluctuation	
Current \$ Drawdown	1,628
Current % Drawdown	11.4 %
Cum \$ P/L / Current Drawdown	2.65
Worst \$ Drawdown	1,628
Cum \$ P/L / Largest Drawdown	2.65
Average Drawdown	551
Cum \$ P/L / Average Drawdown	7.83
Equity high 3/3/05	15,940
Equity low 2/2/05	9,840
% Diff Equity High Versus Equity Low	- 38.3 %

Trading Performance	
Maximum Consecutive Profitable Trades	5
Maximum Consecutive Dollar Profits	2,790
Maximum Consecutive Unprofitable Trades	3
Maximum Consecutive Dollar Losses	- 1,628
Current Consecutive Unprofitable Trades	3
Current Consecutive Dollar Losses	- 1,628
Trading Efficiency	
Profitable Trades	22
Unprofitable Trades	15
Total Trades	37
% Profitable Trades	59 %
% Unprofitable Trades	41 %
Average Profitable Trade	435
Average Unprofitable Trade	- 341
Ratio	1.24
Volatility	
99 % Probability Next Profitable Trade Between	0 and 1,464
99 % Probability Next Unprofitable Trade Between	-828 and 0
99 % Probability Next Net Trade Between	-133 and 329
Standard Deviation \$ Drawdown	\$ 376

1d. **Summary Time Periods**

Individual Trades is the only selection

1e. **How to best utilize the Trader's Management Report.**

The Trader's Management Report is primarily used to spotlight certain areas of trading performance which are either starting to improve or deteriorate. Review the Trader's Management Report as a manager, not as a trader. Examine the report as you would analyze a business. Try to identify areas which are starting to improve as well as situations which are starting to deteriorate.

The Trader's Management Report is the management summary of your trading activities. Use the information contained in the report to identify and eliminate trading weaknesses before they become financially destructive.....and then capitalize on trading strengths in order to maximize profits.

Tom's Tips

1. It is very informative and helpful to print the Trader's Management Report for each of your Profit Centers on a daily basis after you have entered all your trades into your Business Organization at the end of the trading day.

Circle the statistics which "stick out" and require further attention. For example, make note of the current drawdown in relation to the worst historical drawdown and average historical drawdown as well as the current \$ P / L divided by the worst dollar drawdown.

Where do I stand in my current drawdown situation ? Am I approaching the worst historical drawdown ?.....Am I above or below the average drawdown ?.....What is my current \$ P / L divided by the worst drawdown ?.....How much \$ P / L "cushion" do I have if the worst drawdown occurs again ?

Drawdown is one of the most important financial, as well as psychological, money management statistics. The trader must always be aware of his current drawdown situation in order to lessen or eliminate the negative psychological impact which lack of information and uncertainty has on the trader's ability to execute trades in a confident and timely manner.

2. The first page of the report contains a Break Even percentage to return to Beginning Trading Capital if the report is unprofitable. In our example, the report is profitable so a blank is displayed (Not Applicable).

For an unprofitable report, assume you started with \$ 20,000 in Beginning Trading Capital and had - \$ 4,000 in trading losses and - \$ 1,000 in Commissions.

Beginning Trading Capital for the break even percentage calculation is the value of Trading Capital entered for the first trade displayed on the report.

Current Trading Capital = Beginning Trading Capital minus trading losses minus commissions which = \$ 15,000 (\$ 20,000 - \$ 4,000 - \$ 1,000 = \$ 15,000)

The percentage return on \$ 15,000 required to break even and return to Beginning Trading Capital of \$ 20,000 equals the trading loss plus commissions divided by Current Trading Capital which equals \$ 5,000 divided by \$ 15,000 which equals 33 % (5,000 / 15,000 = 33 %)

You will have to earn 33 % of \$ 15,000 (\$ 5,000) to return to the original Beginning Trading Capital amount of \$ 20,000.

Notice that you lost 25 % of Beginning Trading Capital (\$ 5,000 / \$ 20,000 = 25 %) but it takes a larger percentage of 33 % to break even.

3. Print out the Trader's Management Report after each trading day, file the report in your Trading Diary as described on page 170 and you will have a current record of your trading performance as viewed from the top level viewpoint of a Chief Operating Officer.

4. If one of the statistics on the Trader's Management Report "sticks out" then run the Analysis Report which generates the statistic to obtain a closer look at the individual trade detail behind the statistic. For example if your current drawdown is approaching the worst historical drawdown, then run the Drawdown report

described on page 132 and analyze your drawdown situation in more detail.

Trade Management

“ Events that are predestined require but little management. They manage themselves. They slip into place while we sleep, and suddenly we are aware that the thing we fear to attempt, is already accomplished.”

Amelia E. Barr

The Trade Management category of Analysis Reports is comprised of the following two reports :

- Daily Performance Review
- Breakeven Analysis

These reports enable you to :

- Compare daily trading results with historical trading performance
- Determine the breakeven point for % Profitable Trades and the Ratio of Average Profitable Trade to Average Unprofitable Trade

The two reports compare current actual trading performance with your historical average as well as monitor the constantly changing breakeven point. This information assists you in the trade management of your profit objective and stop loss methodology.

Filing the two reports into your Trading Diary, and then reviewing the information provided by the reports, is an indispensable learning tool in your journey towards achieving long term trading profitability.

We will first lean the Daily Performance Review

1. **Daily Performance Review**

1a. **Purpose of the report**

The purpose of the Daily Performance Review report is to compare daily trading results with historical trading performance.

1b. **Report Criteria**

To run the Daily Performance Review report go to the **Main Menu**, select **Analysis Reports**, the **Trade Management** category, and then select the **Daily Performance Review** report. Then enter the following **Report Criteria**.

Make sure that you are in the **Practice** Business Organization.

Report Criteria

Trade Date to Review	02/02/2005
----------------------	------------

Daily Average Search Criteria

Profit Center	ALL (leave blank)
Trade Type	ALL (leave blank)
Symbol	ALL (leave blank)
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Daily Average Time Period

Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Sort Option

None of the statistics on this report can be sorted

Graph Option

None of these statistics can be graphed

2c Explanation of statistics

Trade Date to be reviewed 02/02/2005
 Trading Capital \$ 10,000
 Daily Average Trading Days 12

Daily Performance Review

	<u>Trade Date 2/2/2005</u>	<u>Daily Avg.</u>	<u>Difference</u>
<u>Profitable trades</u>			
\$ profits	\$ 2,370	\$ 1,555	\$ 815
# Profitable trades	7	4	3
% Profitable trades	46.7 %	60.0 %	- 13.3 %
# shares traded	7,000	3,560	3,440
Profit per share	\$ 0.34	\$.44	- \$.10
Average profitable trade	\$ 339	\$ 461	- \$ 122
% Trading Capital	23.7 %	5.9 %	17.8 %

	<u>Trade Date 2/2/2005</u>	<u>Daily Avg</u>	<u>Difference</u>
<u>Unprofitable trades</u>			
\$ losses	- \$ 3,710	- \$941	- \$ 2,769
# Unprofitable trades	8	2	- 6
% Unprofitable trades	53.3 %	40.0 %	-13.3 %
# shares traded	7,200	2,118	- 5,082
Loss per share	- \$.52	- \$.44	\$ -.07
Average unprofitable trade	- \$ 464	- \$ 408	- \$ 56
% Trading Capital	-37.1%	-3.5%	-33.6 %

Summary

	<u>Trade Date 2/2/2005</u>	<u>Daily Avg.</u>	<u>Difference</u>
\$ P/L	- \$ 1,340	\$ 434	- \$ 1,774
\$ P/L per Share	- \$.09	\$.09	- \$ 0.18
Best Profitable Trade	\$ 760	\$ 1,640	- \$ 880
Worst Unprofitable Trade	- \$ 910	- \$ 760	- \$ 150
Ratio	.84	2.16	- 1.32
% Trading Capital	- 13.4 %	1.7%	- 15.1%

The Daily Performance Review report compares your actual trading performance for a particular Trade Date with your historical performance as displayed in the **Daily Avg.** column. Differences between your actual trading performance and historical performance are also displayed.

1d. How to best utilize the Daily Performance Review

The Daily Performance report calculates key money management statistics for the Trade Date selected in the **Report Criteria** and compares those statistics with historical results as displayed in the **Daily Avg.** column.

The top half of page 1 of the report is the profitable trades section and the bottom half of page 1 is the unprofitable trades section. Page 2 is a Summary of key money management statistics for all trades.

The **Trade Date Actual** column contains your trading performance for all trades with the same Trade Date selected to be reviewed in the **Report Criteria**. For example, if you select 02/02/2005 as the Trade Date to be reviewed in the **Report Criteria**, then all trades with a Trade Date of 02/02/2005 will be used to calculate the statistics in the **Trade Date Actual** column.

The **Daily Avg.** column is the average for all trade dates selected in the **Report Criteria**. For example, if you had a profit of \$ 100 on the first day and a \$ 200 profit on the second day, then the **Daily Avg.** column would show a value of \$ 150 profit (\$ 100 + \$ 200) / 2 days = \$ 150.

The **Difference** column is the **Trade Date Actual** column minus the **Daily Avg.** column. A positive number indicates you performed better than the historical average. A negative number is displayed in the unfavorable statistic color selected in the Preferences (default is **red**) and indicates you performed worse than the historical average.

A copy of the Daily Performance Review report should be printed and filed in your Daily Trading Diary as described on page 170 . Your Trading Diary will then include a daily record of how your daily trading results compares to historical performance.

Some questions to be answered are :

Did you perform better or worse than average ?.....Where did you perform better?..... Where did you perform worse ?.....Which parts of your trading methodology need improvement?..... Which parts are performing better than average? How can I eliminate trading weaknesses and take advantage of trading strengths ?

Tom's Tips

1. File the Daily Performance Review in your Trading Diary as described on page 170 and you will have a very informative daily comparison of how your daily trading activity compares to your historical performance. If you follow the suggestions in this manual regarding your Trading Diary, you will soon discover that your Trading Diary contains all the documentation necessary to become a professional and confident trader.
2. Pay attention to any numbers which are displayed in the unfavorable statistics color (default is **red**) in the right hand **Difference** column. These statistics spotlight deteriorating trading performance. First identify, and then try to eliminate, trading weaknesses before they become financially damaging to your Trading Capital
3. If you file your price charts in your Trading Diary with arrows indicating where you took your trades as suggested on page 171, you will be able to review unprofitable days which have many unfavorable colored statistics (default is **red**) in the Difference column and determine where your trading strategy deteriorated. Likewise, you will also be able to review your trades for profitable days with many **black** numbers in the Difference column to determine what you did right.
4. Filing the Daily Performance Review in your Trading Diary and performing constructive self criticism of your trading performance provides you with a free education in your development as a trader which will be worth its weight in gold

2. Breakeven Analysis

"Better bend than break"

Ancient proverb

2a. Purpose of report

The purpose of the Breakeven Analysis report is to calculate and display the different breakeven combinations between the **a)** Percentage of Profitable Trades and the **b)** Ratio of Average Profitable Trade to Average Unprofitable Trade for the selected **Report Criteria**.

2b. Report Criteria

To run the Breakeven Analysis report go to the **Main Menu**, select **Analysis Reports**, the **Trade Management** category, and then select the **Breakeven Analysis** report. Then enter the following **Report Criteria**.

Make sure that you are in the **Practice** Business Organization.

Report Criteria

Profit Center	BREAKOUT
Trade Type	STOCK
Symbol	QQQ
Symbol Date	ALL (leave blank)
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Summary Time Period

Summary Time Period	Individual Trades
Start Trade Date	01 / 01 / 2005
Stop Trade Date	12 / 31 / 2005

Sort Option

None of the statistics on this report can be sorted

Graph Option

Do not select a Graph Option. We will look at the graphs after we discuss the report.

All columns can be graphed **except** the **Trade Date** column..

2c. Explanation of statistics

Trade Date	Date of the trade
Cum # Prof	Cumulative number of profitable trades
Cum # Unprof	Cumulative number of unprofitable trades
Cum Avg. Profitable	(Cumulative profits on profitable trades minus commissions) divided by cumulative number of profitable trades
Cum Avg Unprofitable	(Cumulative losses on unprofitable trades minus commissions) divided by cumulative number of unprofitable trades
Actual % Profitable	Total profitable trades divided by total trades.
Break Even % Profitable	The percentage of profitable trades necessary to break even based on the Ratio of Average Profitable Trade to Average Unprofitable Trade
Difference % Profitable	Actual % Profitable minus Breakeven % Profitable
Actual Ratio	Cum Profitable Trade divided by Cum Unprofitable Trade
Break Even Ratio	The Ratio of Average Profitable Trade divided by Average Unprofitable Trade required to break even based on the % Profitable Trades
Difference Ratio	Actual Ratio minus Breakeven Ratio.

2d Summary Time Periods

Individual Trades, Daily, Weekly, Monthly and Yearly
--

2e. How to best utilize the Breakeven Analysis Report

The Breakeven Analysis report reveals how the interaction between the % Profitable Trades and the Ratio of the Average Profitable Trade to Average Unprofitable Trade affects the point where you break even.

The statistics on this report will be constantly changing, especially for high volume day traders, so the trader must constantly manage his trading strategy to adapt to the fluctuations in his trading performance.

First of all, notice that the number of profitable and unprofitable trades are a cumulative number. In other words, we calculate a running cumulative total of profitable and unprofitable trades.

Likewise, we keep a running cumulative total of the Average Profitable Trade and the Average Unprofitable Trade.

The breakeven point for % Profitable Trades is calculated as follows :

$$P = \frac{1}{R + 1}$$

Where P = % of Profitable Trades and R = Ratio of Average Profitable Trade divided by Average Unprofitable Trade.

If the R = 1.00, then the % of Profitable Trades required for breakeven is 50 % which is calculated as follows :

$$P = \frac{1}{1 + 1} = 1 / 2 = 50 \%$$

The breakeven point for the Ratio of Average Profitable Trade to Average Unprofitable Trade is calculated by the following :

$$R = \frac{1 - P}{P}$$

Where P = % Profitable Trades and R = Ratio of Average Profitable Trade divided by Average Unprofitable Trade.

If you are achieving 40 % profitable trades, then you must attain a Ratio of at least 1.50 to break even which is calculated as follows :

$$R = \frac{1 - .40}{.40} = .60 / .40 = 1.50$$

Looking at the last trade on the report under the Actual % Profitable column, we see that we are achieving an Actual % Profitable Trades of 50 % and an Actual Ratio of 1.45

The column labeled Breakeven % Profitable informs us that with an actual Ratio of 1.45, we require a % Profitable Trades of 41% for breakeven. Since we have an actual % Profitable Trades of 50 %, we are 9 % (50 % - 41 %) above the 41 % requirement as shown in the Difference % Profitable column.

Now let's do the reverse and see what % Profitable Trades are required to breakeven based on the Ratio we are achieving.

Looking at the same last trade on the report, we see that we have an Actual % Profitable Trades of 50 % and an Actual Ratio of 1.45. The column labeled Breakeven Ratio informs us that with an Actual % Profitable Trades of 50 %, we require an Actual Ratio of 1.00 to breakeven.

Since we have an Actual Ratio of 1.45, we are above our requirement by .45 (1.45 - 1.00 = -.45) as displayed in the Difference Ratio column.

Notice how the Actual % Profitable Trades and Actual Ratio interact. The higher the % Profitable Trades achieved, the lower the Ratio required for breakeven, and vice versa.

If you are below breakeven, the Difference % Profitable and / or Difference Ratio values will be displayed in the unfavorable statistic color selected in the Preferences (default is **red**).

The best situation is for the values in the Difference % Profitable Trades and Difference Ratio columns to be positive and increasing. Likewise, the worst situation is for the values to be negative and decreasing.

If the % Profitable Trades are decreasing, then you must adjust your trading methodology to increase the Ratio to avoid falling below breakeven. Similarly, if the Ratio is decreasing, then you must modify your trading methodology to increase the % Profitable Trades to avoid falling below breakeven.

If you choose to increase the % Profitable Trades, you will probably do so at a cost of a reduced Average Profitable Trade which will further decrease the Ratio. It is extremely difficult to raise both your % Profitable Trades and the Ratio for an extended period of time.

You must manage your trading strategy to ensure that the increase in % Profitable Trades is large enough to compensate for the probably lower Ratio and pull you above breakeven.

If you try to increase the Ratio, you can only accomplish this by increasing your Average Profitable Trade or using smaller stop losses to decrease the Average Unprofitable Trade. In either case, you will probably lower the % Profitable Trades. It is extremely difficult to raise both your Ratio and the % Profitable Trades for an extended period of time.

You must manage your trading strategy to ensure that the increase in the Ratio is large enough to compensate for the probable lower % Profitable Trades so that you can move above breakeven.

This is the same situation confronting professional horse players. They are always trying to increase their percentage of winning bets and at the same time, increase the odds payoff on each winner.

This is extremely difficult to achieve since if you increase your percentage of winners, you are probably betting more favorites which have much lower payoff odds.

Likewise, if you increase your payoff odds, you will probably be betting on more longshots which win much less frequently, thereby decreasing your winning percentage.

This is like trying to get a free lunch, perpetual motion, free energy or everlasting youth.....it is very difficult to achieve.

The same reasoning applies to trading. If you don't think so, then try increasing your percentage winners from 55 % to 65 % while at the same time increasing your Ratio of Average Profitable Trade / Average Unprofitable Trade from 1.50 to 2.50 (or some such similar numbers).

If you can accomplish this over a significant number of trades, then you win the trader of the year award.

The Breakeven Analysis warns you which elements of your trading strategy are improving or deteriorating and challenges the trader to manage this information to avoid falling below breakeven and becoming unprofitable.

Tom's Tips

1. The Breakeven Analysis report is one of my favorites because I find it very interesting to observe and adjust to the constantly changing relationship between % Profitable Trades and the Ratio of Average Profitable Trade to Average Unprofitable Trade.

Most traders will find it difficult to increase the % Profitable Trades and the Ratio of Average Profitable Trade to Unprofitable Trade at the same time. Increasing the % Profitable Trades nearly always comes at a price of decreasing the Ratio.

Likewise, increasing the Ratio invariably guarantees that your % of Profitable Trades will decrease.

Decide beforehand which trading strategy you will utilize.....Low % Profitable Trades and high Ratio or high % Profitable Trades and a low Ratio.....Or somewhere in between.

The Breakeven Analysis report reveals whether or not your trading strategy is performing as planned. Analyze the trend of the key money management statistics and adjust your trading strategy to remedy any deteriorating situation in order not to fall below breakeven.

2. Daily, Weekly, Monthly and Yearly reports are not cumulative. Instead, these reports calculate statistics for each time period separately.

Risk Analysis

"Take calculated risks. That is quite different from being rash."

General George Patton

1. Reward / Risk Profile

The Reward Risk Profile report enable you to create a Reward / Risk Profile for tomorrow's trading activity.

The Reward / Risk Profile report provides a suggestion as to how many shares to trade as well as **a)** how many points, **b)** the dollar amount and **c)** the % of Trading Capital to risk. The Reward / Risk Profile report only offers suggestions as to how much to risk on your next trade. You are solely responsible for any decision as to how many shares to trade and how much money to risk.

1b. Report Criteria

To run the Reward / Risk Profile report go to the **Main Menu**, select **Analysis Reports**, the **Risk Analysis** category, and then select the **Reward / Risk Profile** report.

The first section of the **Report Criteria** is used to enter general information for tomorrow's trading activity.

Make sure that you are in the Practice Business Organization.

Report Criteria

Trade Description	Trade when prices are trending (Optional)
Trade Date	5/20/2004 (The trading day you will make the trade)
Trading Capital	\$ 20,000

The Trade Description is a description of the type of trade we are creating for the Reward / Risk Profile. In the example above, we are creating a Reward / Risk Profile for trades taken when prices are trending. If you also take trades in price congestion areas, you may choose to also create a Reward / Risk Profile for price congestion trades. The Trade Description field is optional. You can leave the Trade Description field blank if you so desire.

The Trade Date is the date you will be making the trade.

The Trading Capital amount is the Trading Capital you will have available for new positions on the Trade Date.

The next section of the **Report Criteria** is used to select the Symbol you will trade for the next trading day.

Enter the following **Report Criteria**.

Symbol To Be Traded

Trade Type of Symbol to be traded	STOCK
Symbol to be traded	QQQ

The Symbol entered in the above section of the **Report Criteria** is the Symbol you will trade tomorrow and create a Reward / Risk Profile. In this example, we will create a Reward / Risk Profile for the **QQQ** Symbol.

If you will be trading more than one Symbol tomorrow besides **QQQ**, then you should create a different Reward / Risk Profile for all the other Symbols you plan on trading.

The next section of the **Report Criteria** calculates the Maximum % of Trading Capital to Risk.

Click the **NEXT** button

Enter the following **Report Criteria**.

Maximum % of Trading Capital Criteria

Profit Center	ALL (leave blank)
Trade Type	ALL (leave blank)
Symbol	ALL (leave blank)
Position Code	ALL (leave blank)
# Traded	ALL (leave blank)

Click the **NEXT** button

Maximum % of Trading Capital Time Period

Start Trade Date	ALL (leave blank)
Stop Trade Date	ALL (leave blank)

The Maximum % of Trading Capital to risk is calculated based on the above **Report Criteria** entries so be careful of your selections in the above **Report Criteria**.

The Maximum % of Trading Capital is a guideline in determining your risk level. It is suggested that you do not risk more than the Maximum % of Trading Capital on any one trade.

Click the **NEXT** button

1c. Explanation of column headings and statistical calculations

After the **Report Criteria** are completed, the Maximum % of Trading Capital is calculated and displayed.

The Maximum % of Capital to risk is computed by the following formula :

$$\text{Maximum \%} = \frac{((T+1) \times P) - 1}{T}$$

T = Average \$ Profitable Trade / Average \$ Unprofitable Trade

P = Percent profitable trades in decimal format

Example :

Average \$ profitable trade = \$ 417

Average \$ unprofitable trade = **-\$ 439**

Percent profitable trade = 57 %

T = 417 / 433 = .96304

P = .57

Maximum % = ((.96304 + 1) x .57) - 1

$$\frac{.96304}{.96304}$$

Maximum % = (1.96304 x .57) - 1

$$\frac{.96304}{.96304}$$

Maximum % = 1.1189 - 1

$$\frac{.96304}{.96304}$$

Maximum % = $\frac{.1189}{.96304}$ = .609 = 12.42 % (small rounding error)

The Maximum % of Trading Capital is calculated based on your [Maximum % of Trading Capital Criteria](#) entries so be careful of your selections in those **Report Criteria** fields.

A Maximum % of Trading Capital less than zero indicates an unprofitable situation.

If the Maximum % of Trading Capital is less than zero, you will see a warning message stating that you are in an unprofitable situation. However, you can continue with the program.

In the **Report Criteria**, we entered \$ 20,000 in Trading Capital available for tomorrow's trading day which will have a Trade Date of 05/20/2004.

The Maximum % Of Trading Capital to be risked per trade is 6.09 %. We will use this as a guideline to determine the % of Trading Capital to be risked per trade.

We have the following information to work with :

Trading Capital = \$ 20,000

Maximum % of Trading Capital risked = 12.42% per trade

Let's assume we choose to risk 2.0 % of Trading Capital which is less than the Maximum % of Trading Capital of 12.42 %.

Enter 2 % in the field labeled **% of Trading Capital to Risk**

Click the **NEXT** button

The dollar value of the % of Trading Capital to be risked is then calculated. In our example, the dollar value to be risked is :

$\$ 20,000 \times 2 \% = \$ 400$ = The dollars to be risked on your next trade based on risking 2 % of Trading Capital

You are then asked to **a)** enter the # of shares to trade and calculate the points per share to risk **OR**
b) enter the points per share to risk and calculate the # of shares to trade.

Select the second option "Calculate Points per Share To Risk" and we will enter the number of shares to trade and then calculate the points per share to risk.

Assume you would like to trade 200 shares.

Enter 200 shares to trade in the field labeled # Shares to Trade and click **NEXT**.

The number of points per shares to risk is calculated as follows :

$\$ 400 / 200 \text{ shares} = \text{risk } 2.00 \text{ points per share}$

On your next trade, you would trade 200 shares and risk 2.00 points per share on the trade

If the trade is unprofitable, you will lose \$ 400 which is 2 % of Trading Capital.

We can now enter a points per share profit objective.

Click the **NEXT** button

Let's enter 4.00 points per share profit objective and click the **NEXT** button to proceed to the report.

The \$ profit = 4.00 points X 200 shares = \$ 800

The % of Trading Capital we will make as profit = $800 / 20,000 = 4 \%$ of Trading Capital

The Reward / Risk Ratio = $4.00 \text{ points} / 2.00 \text{ points} = 2.00$

The Reward / Risk Profile report will be displayed. Print the report and use it as tomorrow's trading plan.

Now we will look at the second option and enter the points per share to risk and compute the number of shares to trade.

Assume you would like to risk 4.00 points per share.

Re-Run the report and when you come to page 6 of 7, select the "Calculate # Shares To Trade" option and then enter 4.00 in the field labeled Points per Share to Be Risked.

Click the **NEXT** button to proceed to page 7.

The number of shares to trade equals $\$ 400 / 4.00 \text{ points} = 100 \text{ shares}$

On your next trade you will trade 100 shares and risk 4.00 points per share.

If the trade is unprofitable, you will lose \$ 400 which is 2 % of Trading Capital

You are now able to enter a points per share profit objective.

Let's enter 6.00 points per share profit objective.

Click the **FINISH** button to proceed to the report.

The \$ profit = $6.00 \text{ points} \times 100 \text{ shares} = \$ 600$

The % of Trading Capital we will make as profit = $600 / 20,000 = 3 \%$ of Trading Capital

The Reward / Risk Ratio = $6.00 \text{ points} / 4.00 \text{ points} = 1.50$

We have now completed a Reward / Risk Profile for trading the **QQQ** using the % of Trading Capital technique. Print this report and use it as the trading plan for tomorrow's trading.

1e. **How to best utilize the Reward / Risk Analysis report**

The Reward / Risk Profile report presents two different methods for creating a Reward / Risk Profile for tomorrow's trading activity. Having a trading strategy completed before the markets open will eliminate much of the confusion and anxiety which affect all traders once the trading day has begun.

Run the Reward / Risk Profile report the night before the next trading day, when you have less distractions.

When you have decided on your Reward / Risk Profile for tomorrow's trading day, print out the report and keep it next to you during the trading day as a reference. Use the report as a guideline as the trading day progresses. Try to develop a trading discipline where your actual trading activity reflects the Reward / Risk Profile you created the night before.

Having a Reward / Risk Profile on hand before the trading day begins will increase your confidence level and create a more professional trading environment.

After the trading day is over, file the Reward / Risk Profile report in your Trading Diary as described on page 170. Make notes on the report for future reference concerning what you did right and what you did wrong.

Since some day traders make as many as 10 or 20 trades a day, it is impossible to run the Reward / Risk Profile report after each trade. Therefore, use the Reward / Risk Profile as a trading strategy for all your trades of the trading day.

For example, if you trade an average of 10 trades a day and you decide to create a Reward / Risk Profile of 500 shares per trade, risking 2.00 points per share and risking 2 % of Trading Capital on each trade, then use those parameters for each of the 10 trades.

If you have the time, possibly during the lunch hour when trading activity decreases, enter the trades which you have already closed out into the Business Organization and then run the Reward / Risk Profile report and create a new Profile for the remaining trades you will take in the afternoon.

Tom's Tips

1. Create different Reward / Risk Profiles to accommodate different price activity. For example, create one type of Reward / Risk Profile for price congestion trades and a second Reward / Risk Profile for trend trades. The price congestion trades will probably have a smaller stop loss and a smaller profit target since prices are not that volatile in a price congestion area.....whereas a trend trade will have a larger stop loss and a larger profit objective since prices are more volatile when they are trending, affording the opportunity for larger profits but at the cost of larger risk. Use the Trade Description field in the Report Criteria to describe the trade you are creating the Reward / Risk Profile.

2. Create your Reward / Risk Profile after the markets close when your mind can think clearly. Once you are immersed in the trading day, it is almost impossible to concentrate on anything other than current price activity and your next trade.

Having a Reward / Risk Profile on hand before the markets open will lessen the effects of anxiety, uncertainty and sometimes panic which afflict many traders since they enter the trading day with no clear cut plan as to how many shares to trade and how much money to risk on each trade.

3. If you are trading different trading systems, create a separate Reward / Risk Profile for each trading system. If you create different Profit Centers for each trading system, you will be able to create a separate Reward / Risk Profile for each trading system.

4. Likewise, create different Reward / Risk Profiles for each Symbol that you plan on trading.

The Trading Diary – Your Key to Profitable Speculation

“ The diary is an art form just as much as the novel or the play. The diary simply requires a greater canvas”

Henry Miller

Now that we are familiar with the many types of analysis offered by **ManusRisco™** we are able to create the most important money management tool of all.....The Trading Diary.

Nearly all successful traders maintain a diary of their daily trading activities.... In fact, I doubt if there is a successful trader who does not maintain some type of Trading Diary.

A daily Trading Diary is an indispensable learning tool which reveals significant insights into your trading methodology, psychological development and money management skills.

ManusRisco™ is capable of producing the reports necessary to maintain an informative and practical Trading Diary.

If you follow the detailed instructions provided below, you will possess one of the most powerful learning tools tailored to mold you into a successful and disciplined trader.

1. How to create a ManusRisco™ Trading Diary

The best filing system for a Trading Diary is a three ring folder. Other file folders may do just as well but I feel the three ring folder is best suited for the task

Perform the following instructions after each trading day. It will only take a few minutes and the results are well worth the time. If necessary, modify the instructions to suit your own trading environment.

Follow these instructions after each trading day and you will have complete documentation of everything which occurred during the trading day, neatly filed at your fingertips.

- First file the Reward / Risk Analysis (see page 165) report. This report should have been printed prior to the trading day and they represent your trading strategy for the day.

This report is an extremely valuable tool to form you into a profitable trader.

- At the end of the trading day, run the Daily Performance Review (see page 157) report and file the report in the Trading Diary. You will now have two reports filed in the Trading Diary for each trading day.
- At the end of the trading day, print out your price charts and for every trade where you entered a Sell mark a red down arrow over the time and price.

Where you closed out the Sell, mark a circled red up arrow under the time and price.

- Likewise for every trade where you entered a Buy, mark a green up arrow under the time and price.

Where you closed out the Buy, mark a circled green down arrow over the time and price.

- File the price charts in the three ring binder in back of the two reports described above. Observe your entry and exit points and write any important observations next to the arrows. Did you buy in an up trend, or sell in a down trend.....Or did you trade against the trend ? The arrows will tell the story. Write notes on the chart for future reference.
- If you used the Trades form to enter your trades, file the Trades forms (see page **A - 23** in the Appendix) behind the charts. Notice that each form has a section where you can write the reason why you took the trade.
- If you have taken any additional notes during the trading day, file the notes with the Trades forms.

And there you have it.....complete documentation of what, when, where and why you traded during the trading day. The smart trades as well as the dumb ones.

Sounds like too much work ?.....Not really..... It will probably only take 10 minutes to get all the paper work together and filed.

And now for the fun part. Write a brief self-criticism of your trading performance for that day. Write you comments and notes onto the reports and charts.

What did you do right ? What did you do wrong ? Did you follow your Reward / Risk Profile for the day ? Did you follow your trading strategy for profits and stop losses ? Did you trade the amount of shares and risk the number of points you had planned the night before ?

If you are following more than one trading system, and each trading system is a different Profit Center, then you will need a separate section in your Trading Diary for each Profit Center.

Make sure that each page you file in the Trading Diary is clearly marked by the Trade Date so that you will have a record of all your information in Trade Date order.

You will discover that your Trading Diary is an extremely valuable source of information and an important learning tool in your journey towards becoming a profitable, confident and disciplined trader.

Take a few hours on the weekend to review the week's trading activity and re-read your daily comments and criticisms. Write a brief commentary about your performance for the previous week.

If you religiously perform daily and weekly reviews of your diary, you will be amazed how much you will learn.....Not only about your trading performance but also about your psychological development in dealing with the destructive emotions of fear and greed.

In fact, for many traders, reviewing the Trading Diary may eventually prove to be more interesting and exciting than trading itself.

Reviewing current trading results and your daily self-criticism of your trading performance will significantly advance you up the trading methodology, psychological development and money management learning curves.

You will gain important insight into your trading strengths and weakness and slowly learn to capitalize on your strong points and minimize detrimental deficiencies.

The Trading Diary is a definite requirement if you aspire to achieve long term success at the trading game.

We will now learn how to quickly locate the numerous statistics created by [ManusRisco™](#).

Statistics Locator

Abbott: *Now on the St. Louis team, we have Who's on first, What's on second and I Don't Know is on third.*
Costello: *So who's on first ?*
Abbott : *That's right !*
Costello : *That's what I'm trying to find out !!!*

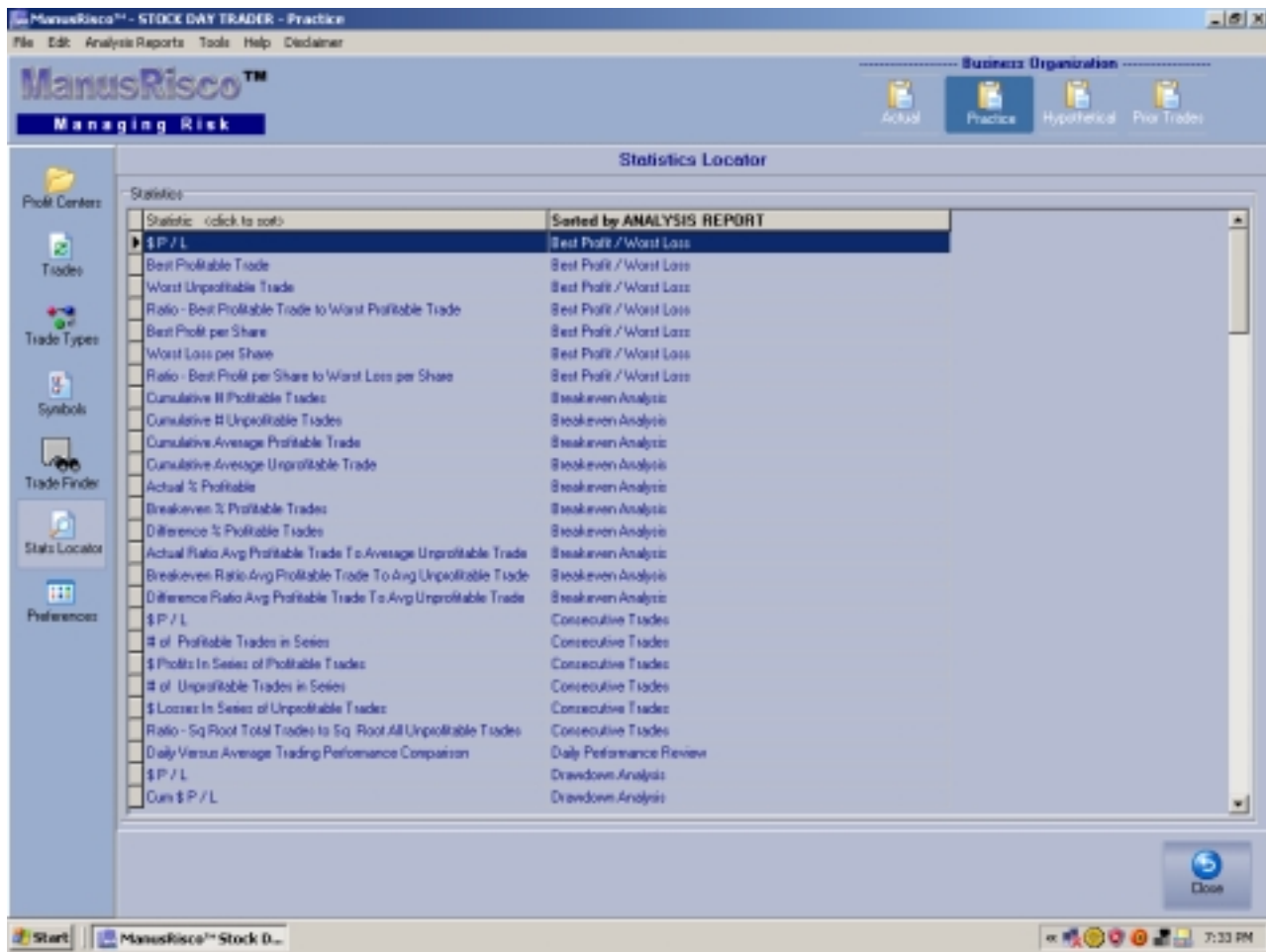
Who's On First ?, Bud Abbott & Lou Costello

1. How to quickly find a statistic

As we have seen, **ManusRisco™** produces a wealth of statistics from numerous Analysis Reports. The **Statistics Locator** helps you find a particular statistic and the Analysis Report which produces the statistic.

Go to the **Main Menu**, click on the **Tools** function and then select **Statistics Locator** (you can also click the **Stats Locator** icon on the **Sidebar**).

The following is a screenshot of the **Statistics Locator** screen :



You can sort the **Statistics Locator** either by the Statistic or the Analysis Report. The above screenshot is sorted by Analysis Report.

Click on the Analysis Report Sort label on the right hand side of the text box and you will see an alphabetical listing of the Analysis Reports. The statistics which are calculated for each Analysis Report will be shown on the left hand side of the screen.

Click on the Statistics Sort label on the left side of the text box and you will see an alphabetical listing of all the statistics created by **ManusRisco™**. The Analysis Report which calculates each statistic is found on the right hand side of the screen.

Use the mouse to scroll down the text box to locate the statistic or Analysis Report you are looking for. Some statistics are repeated more than once since they are calculated on more than one Analysis Report.

We will now learn how to use the **Preferences** function of the **Main Menu**.

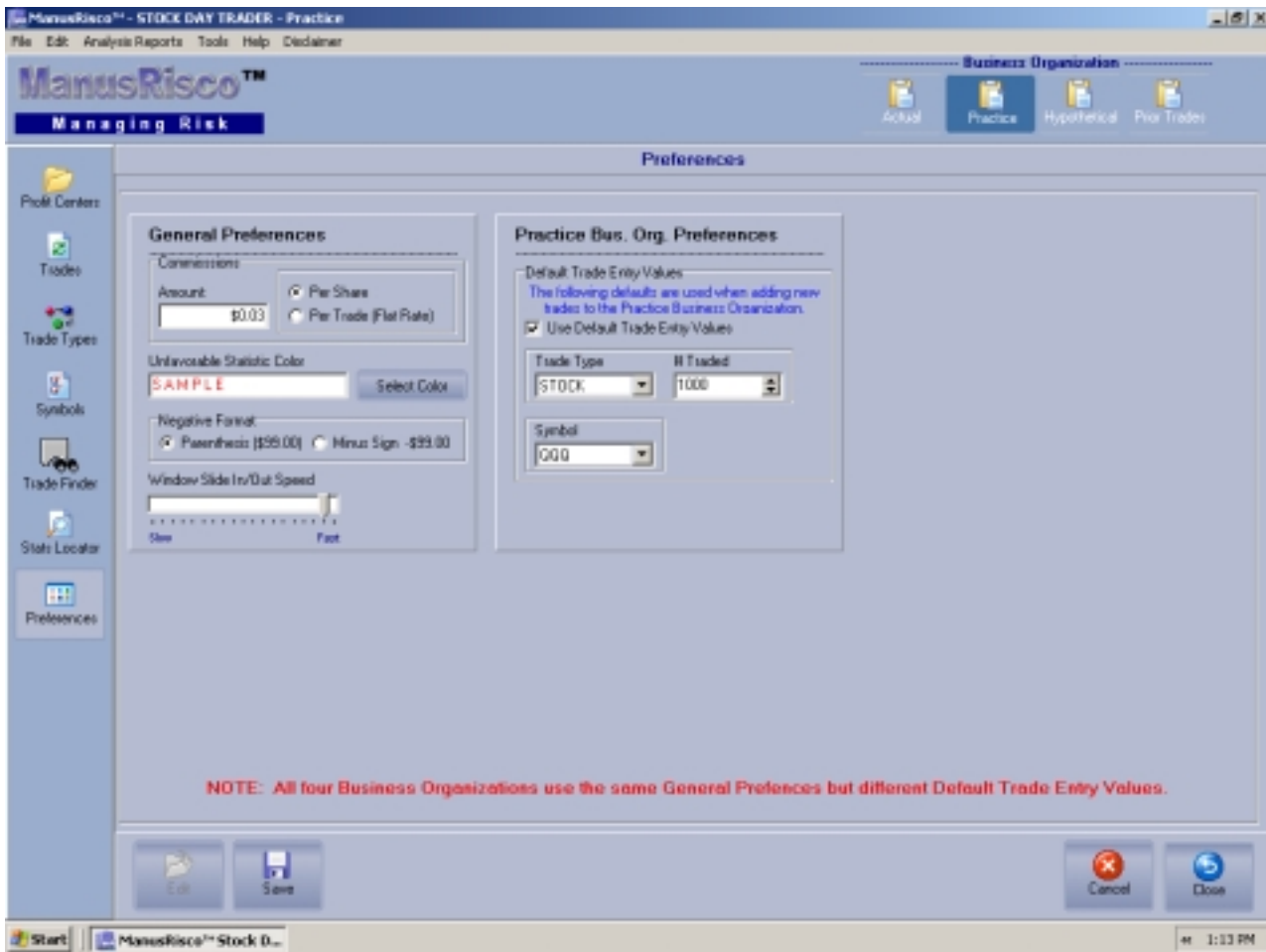
Preferences

“ All that spirits desire, spirits attain ”

Kahlil Gibran, “The Poet of Baalbek”

On the **Main Menu**, select **Tools** and then select the **Preferences** option. You can also click the **Preferences** Icon on the **Sidebar**.

The following is a screenshot of the Preferences screen :



1. General Preferences

1a. Commission per Share or Commission per Trade

You are able to select a commission per share such as 3 cents a share or a flat rate commission per trade such as \$ 9.95.

Click the circle to select the desired commission structure.

The **Commission per Share** Preference allows you to enter a Commission per Share which will be used on the Trades screen to calculate the net profit or loss on a trade.

The software comes pre-loaded with a 3 cents (.03) Commission per Share. For example, if you select 3 cents a share, then the commission for a 1,000 share trade will be \$ 60 ((3 cents X 1,000 shares X 2). We multiply by 2 since we pay commission on entry and exit.

The **Commission per Trade** Preference allows you to enter a Commission per Trade which will be used on the Trades screen to calculate the net profit or loss on a trade. For example, if you enter \$ 9.95 for the Commission per Trade, then the total commission for a trade will be \$ 19.90 (9.95 X 2 = \$ 19.90). We multiply by 2 since we pay commission on entry and exit.

If you have a complex commission structure such as a sliding scale, then enter zero for the Commission per Share **and** Commission per Trade and zero will appear in the Commission field on the Trades screen so you can manually enter the correct commission amount for the trade.

The Commission per Share or Commission per Trade that you enter as a Preference is used by all four Business Organizations.

1b. **Unfavorable statistic color**

The **Unfavorable statistic color** Preference selects a color for an unfavorable statistic such as the % unprofitable trades, average unprofitable trade, \$ loss on a trade etc. The default is **red**.

Click the **EDIT** button and then select the desired color from the color menu. Then click the **SAVE** button to save your selection.

Using a particular color for unfavorable statistics will make those statistics easier to identify on an Analysis Report as well as all other functions of the software.

The Unfavorable Statistic color that you enter as a Preference is used by all four Business Organizations.

1c. **Negative Format**

Select if you would like to see negative numbers displayed as a parentheses () or a minus --- sign.

1d. **Window Slide In / Out Speed**

The **Window Slide In / Slide Out Speed** Preference allows you to set the speed with which the Windows slide back and forth on your computer screen. Click the **EDIT** button, select the speed you desire and then click **SAVE**.

1e. **Default Trade Entry Values**

Some traders only day trade the same stock, such as the QQQ. These traders will make the same entries for the Trade Type and Symbol fields on the Trades screen when they enter a trade.

The **Default Trade Entry Values** Preference sets defaults for the Trade Type, Symbol and # Traded fields on the Trades screen so that when the Trades screen is displayed, these fields are automatically completed.....which will save you time entering the trade information on the Trades screen.

To enter your default preferences, click the **EDIT** button, check the **Default Trade Entry Values** check box, enter your defaults and then click **SAVE**.

If you decide to change a default such as the Symbol you are trading, for example you decide to trade the **SPY** instead of the **QQQ**, then simply change the Symbol default for the new stock you are trading. (In this example, both the **QQQ** and **SPY** are Stocks so you probably would not have to change the Trade Type default)

To change your default selections, click **EDIT**, enter your new default selections and then click **SAVE**.

We will now learn how to back up and restore the **ManusRisco™** data file.

Data Maintenance

“ To build may have to be the slow and laborious task of years. To destroy can be the thoughtless act of a single day.”

Sir Winston Churchill

Data Maintenance performs the following two functions :

- Back up database
- Restore database

a. **Back up database** The **Back up database** function backs up the data file which contains all the database information you have entered into all four Business Organizations.

The data file format is **ManusRisco (date of backup) .sdb** such as **ManusRisco 08-23-2004.sdb**. This file is the database which contains all the information you have entered into all four Business Organizations.

To back up the **ManusRisco™** database file, go to the pull down menu, select **Tools, Data Maintenance** and then select **Back up database**.

On top of the text box is a pull down menu for you to select the destination where you would like to save the backup file such as the A: floppy drive, another directory of the C: hard drive or some other back up device you have configured to your computer. When you have selected your back up destination, click the **SAVE** button.

You should back up the **ManusRisco™** database file at least once a week in case your hard drive becomes inoperable.

b. **Restore database** The **Restore database** function restores the **ManusRisco™** backup file to the **ManusRisco™** directory on your hard drive from the destination where you saved the file.

For example, if you saved the **ManusRisco™** backup file on a floppy disk, you can restore the file from the floppy disk back onto the **ManusRisco™** directory on your hard drive.

To restore the **ManusRisco™** backup file, go to the pull down menu, select **Tools, Data Maintenance** and then select **Restore Database**. On top of the text box is a pull down menu where you can select the destination where you had saved the **ManusRisco™** backup file such as the A: floppy drive, another directory of the C: hard drive or some other back up device you have configured to your computer.

When you have located where the **ManusRisco™** backup file had been saved, click the **ManusRisco™** backup file to select it and then click the **OPEN** button. The **ManusRisco™** backup file will be restored to the **ManusRisco™** directory on your hard drive.

If you double click the **ManusRisco™** back up file, the back up file will be restored without having to click the **OPEN** button.

We will now review some suggestions as to how to get started using **ManusRisco™**

[Getting Started With ManusRisco™](#)

“Help”!

The Beatles second film

1. Explanation of prior trades

Before we explore how to get started using **ManusRisco™** we will require a definition of prior trades.

Prior Trades Prior trades are trades made before you have purchased **ManusRisco™** and you were not able to enter those trades into a Business Organization since you did not own the **ManusRisco™** software.

For example, you begin trading on 07/05/1999 and when you purchase **ManusRisco™** on 2/01/2004, you have already made 750 trades.

The 750 trades you made prior to 02/01/2004 are called Prior Trades.

Prior trades represent a problem since the trader must decide what to do with those trades. Do I enter them into **ManusRisco™** or do I disregard them and just enter the current trades I make after I have purchased **ManusRisco™**?

We will discuss some solutions for prior trades on page 180

The following are some suggestions to get you started using **ManusRisco™**

2. Develop a Profit Center Structure

The Profit Center Structure consists of your Profit Center “businesses” you will create to monitor your trading performance.

The first step in developing a Profit Center Structure is to determine how many, and what type of, Profit Centers you will require to professionally manage your trading business.

Then decide which Business Organizations you will utilize.

Remember that there are four Business Organizations and each Business Organization has its own Profit Center Structure. The most important Profit Center Structure you will design will be for the **Actual** Business Organization since that is where you will enter real trades for real money.

You should design a Profit Center Structure for the **Hypothetical** Business Organization if you plan on making hypothetical "paper trades"

The **Practice** Business Organization can probably be left alone since it is only used to practice running the software.

The **Prior Trades** Business Organization is described in more detail below.

Developing a Profit Center Structure is an integral part of constructing a logical and systematic business plan to manage your trading operations.....and forces you to answer such basic questions such as :

- Since trading is a business, how many, and what type of, Profit Centers will I require to manage my trading activities in a professional, disciplined and confident manner ?
- How many, and what type of, trading methodologies will I utilize ?
- What Profit Center Structure will provide me with the money management statistics I require to become a more professional, profitable and disciplined trader ?

The Profit Center Structure that you create should provide the framework to answer all the above questions.

You should take a **significant** amount of time to develop your Profit Center Structure since the Analysis Reports are derived from the Profit Center Structure that you create.

Taking the time to create a Profit Center Structure is a very valuable learning experience which reveals significant insights into your approach towards the markets and speculation in general.

A well thought out Profit Center Structure will provide the information required to make educated and confident answers to the following questions :

- How will I monitor my trading performance for each trading methodology ?
- How will I pinpoint my trading strengths and weaknesses?
- How will I determine how many shares to trade ?
- How will I determine if I am playing a positive or negative expectation game ?
- How will I establish a Reward / Risk profile ?
- How can I determine if am becoming more profitable or more unprofitable?
- Am I becoming a better and more profitable trader.....Or not ?

The Profit Center Structure that you create provides the framework to answer all the above questions.

Taking the time to create a Profit Center Structure is a very valuable learning experience which will reveal significant insights into your approach towards the markets and speculation in general.

Remember that you can always add or delete Profit Centers in each of the four Business Organizations so you can modify your Profit Center Structures at any time.

Refer to page 34 for help in creating a Profit Center Structure.

3. Enter the Profit Center Structure into a Business Organization

If you are an experienced trader, you can enter your Profit Center Structure directly into the **Actual** Business Organization. An experienced trader may not have need for the **Hypothetical** Business Organization unless he is going to "paper trade" a new trading system.

Then enter your actual trading results into your Profit Center Structure in the **Actual** Business Organization and manage your trading business by utilizing all the Analysis Reports provided by **ManusRisco™**

Refer to page 47 to refresh your memory as to how to enter a Profit Center Structure into a Business Organization.

If you are a new trader, it is recommended that you first enter your Profit Center Structure into the **Hypothetical** Business Organization.

Paper trade your trading methodology and enter your paper trades into the Profit Center Structure of the **Hypothetical** Business Organization.

Review your hypothetical trading performance utilizing **ManusRisco™ 's** Analysis Reports. If your hypothetical trades are profitable and you are comfortable with the trading methodology, then create a similar Profit Center Structure in the **Actual** Business Organization and enter your real trades in the **Actual** Business Organization when you start trading for real money. Trade small amounts to familiarize yourself with the trading system.

Remember, at any time, you can always modify any Business Organization by adding or deleting Profit Centers. Therefore, you can easily update your Business Organization to monitor new trading strategies, establish new "businesses" (Profit Centers) etc.

4. How to handle prior trades

The next step is deciding how you will handle your prior trades. If you are a new trader and have purchased **ManusRisco™** before you have made your first real trade, you will not have a problem since you can start entering actual trades into your Profit Center Structure right from the start using the **Actual** Business Organization .

However, if you have already been trading for some time, as most purchasers of **ManusRisco™** probably are, the question becomes..... How do I handle the prior trades I have already made ? For example, assume that you started trading on 01/05/2001 and you purchase **ManusRisco™** on 12/15/2004.

Between 01/05/2001 and 12/15/2004, you have made 550 trades. Those 550 trades are called prior trades and the question is, what do I do with those trades ?

The following are some suggestions :

a. Create a Profit Center Structure in the **Actual** Business Organization, **ignore** all your prior trades and simply enter your current real trades into the **Actual** Business Organization.

In other words, you are starting from scratch and you will disregard all the trades you made before purchasing **ManusRisco™**

The advantage of this approach is that it is fast and simple since you don't have to enter any prior trade history into the **Prior Trades** Business Organization. The disadvantage is that you will not have all your prior trades for **ManusRisco™** to analyze

b. The second solution is to enter your prior trades into a Profit Center Structure in the **Prior Trades** Business Organization. The advantage of this approach is that you will have a history of all your trades which **ManusRisco™** can analyze.

For example, you started trading on 02/01/2004 and you purchased **ManusRisco™** on 12/31/2004. Between 02/01/2004 and 12/31/2004 you made 324 trades.

What do you do with the 324 trades you have already made between 02/01/2004 and 12/31/2004?

On the **Main Menu**, select the **Prior Trades** Business Organization from the icon on top of the screen and create a Profit Center Structure for your prior trades.

Then manually enter all 324 trades into the Profit Center Structure of the **Prior Trades** Business Organization.

You will then be able to analyze all 324 trades using all the **ManusRisco™** Analysis Reports.

Be aware that the Trading Capital amount you have to enter on the Trades screens for each trade may not be available since the trades occurred in the past and you may not know what the Trading Capital was for each trade. You may have to estimate the Trading Capital amount.

This is a serious disadvantage and may eliminate entering prior trades for many traders.

The advantage of entering prior trades is that you can analyze prior trading performance and discover trading strengths and weaknesses.

The disadvantage of entering prior trades is that you will have to take the time to manually enter your trading history into **ManusRisco™**. Also, the Trading Capital amounts for each trade may not be available or accurate.

In addition, you were probably not as sophisticated in your money management discipline as you are now after reading the **ManusRisco™** manual.....And many of those trades were taken without regard to any Business Organization methodology.

Therefore, you may have difficulty in deciding which Profit Center to enter each trade. However, you can avoid this problem by entering all your prior trades into just the **ALL** Profit Center of the **Prior Trades** Business Organization.

The Trades form in the Appendix on page **A - 23** can be used as an input form for the Trades screen and will assist you in transcribing your daily trading activity log from your broker's statement to a form which can be used to enter trades on the Trades screen.

c. The third solution for prior trades is to enter all your prior trades into the Profit Center Structure of the **Actual** Business Organization. For example you started trading on 05/01/2004 and purchased **ManusRisco™** on 10/23/2004

Between 05/01/2004 and 10/23/2004, you made 300 trades. You create a trading Profit Center Structure in the **Actual** Business Organization and decide to enter all 300 trades into the **Actual** Business Organization.

The advantage of this approach is that you will have a complete trading history in the **Actual** Business Organization to analyze using all the Analysis Reports.

The disadvantage is that it will take a lot of time to enter the trade information as well as trying to decide which Profit Centers to enter the trades. Also, it may not be possible to determine the Trading Capital you had available for trading for each trade.....So this approach is probably not practical if you have a large number of prior trades.

In my experience, I feel the best method for getting started using **ManusRisco™** if you are an experienced trader with a large number of prior trades is to simply **ignore** your prior trades.

Most traders unfortunately begin to trade without any Business Organization concept of money management. Attempting to identify prior trades with Profit Centers, as well as the Trading Capital you had available for each trade, may be an impossible task. It may be best for most **ManusRisco™** users to just start from scratch and ignore all prior trade history.

Use the knowledge you have learned from this manual to improve your profitability for future trading performance and disregard any prior trading history as the price paid for trading without having sufficiently developed your money management skills.

However, if you decide to enter prior trades into a separate Business Organization, the **Prior Trades** Business Organization is provided for your convenience.

Special note – If you recently purchased **ManusRisco™** and just started trading and have only made a few real trades for real money (for example between 20 and 50 trades), then create a new Profit Center Structure in the **Actual** Business Organization and enter those 20 to 50 trades into the Profit Center Structure of the **Actual** Business Organization.

Entering 20 to 50 trades will not take that much time and you will have all your actual trading history entered into **ManusRisco™**. Also you will probably have the Trading Capital amounts for each of those trades since the trades are fairly recent.

If you are a new trader, I would also advise you to read this manual very thoroughly and make use of the **Hypothetical** Business Organization to practice "paper trading" in order to avoid the many financial disasters many new traders suffer because they usually lack any type of money management expertise.

5. Perform updates

5a. . Update Commissions per Share

The Commission Preference comes pre-loaded at .03 (3 cents) a share. Edit this amount if it is incorrect or enter the Commission per Trade if you are paying a flat rate.

If you have a complicated commission Structure, such as a sliding scale, then enter zero for the Commission per Share **and** Commission per Trade and then manually enter your commissions on the Trades screen. Future releases of **ManusRisco™** will try to calculate the more complicated commissions Structures such as a sliding scale.

5b. Update the Trade Type list with new Trade Types

Enter the Trade Types you will trade to the Trade Type lists. Remember, there are four Trade Type lists, one for each Business Organization.

5c. Update the Symbol List with new Symbols

Enter the Symbols you will trade to the Symbol Lists. Remember, there are four Symbol lists, one for each Business Organization.

6. Constructive criticism of trading performance

Now that we are familiar with all the Analysis Reports, we have to identify and capitalize on trading strengths as well as pinpoint trading weaknesses which can deteriorate into costly financial losses.

As a general rule, the more often you trade, the more often you should run the Analysis Reports. As your trading frequency increases, key money management statistics will be susceptible to sudden and volatile fluctuations and will have to be monitored closely to identify any financially destructive trends.

Use the **Trader's Management Report** (see page 152) for a general overview of your trading performance. As the Chief Operating Officer of your trading business, the Trader's Management Report provides a general overview of your performance as a trader.

The Trader's Management Report should be run and printed out on a daily basis for each Profit Center.

Review each category in the report, Profitability, Equity Fluctuation etc, and circle any statistic which "sticks out" If a particular statistic attracts your attention, then run the Analysis Report which provides more detailed information.

For example, if the **Trader's Management Report** shows that you currently have a \$ 5,500 drawdown, then you should run the Drawdown Report and obtain a detailed analysis of your worst historical drawdown, % of time in drawdown, Average Drawdown etc.

How does the current drawdown compare with the worst historical drawdown? Can you expect the drawdown to get worse based on your trading history ? Are you psychologically and financially prepared for a larger drawdown ?

The **Trader's Management Report** is your trading performance report card and reveals where you passed and where you failed.

It is incumbent on you to identify your weaknesses and then go into more detail to determine why you are failing in certain areas and then take action to eliminate the reasons for those failures.

Likewise, you should pinpoint your strengths and determine why you were successful so you can repeat the actions which caused the success.

When reviewing the report, think like a manager.....not like a trader. Trading is a business and you must review your trading performance with a business mindset, not a trader's

Also, use the **Trader's Management Report** to compare trading performance between different Profit Centers, especially if you have different trading systems set up in different Profit Centers.

Comparing different Profit Centers reveals valuable insight into trading strengths and weaknesses when comparing different trading methodologies.

We will now review the deletion of a Profit Center, Trade, Trade Type or Symbol.

[Review of Deleted Profit Centers, Trades, Trade Types and Symbols](#)

This section of the manual will review the deletion of a Profit Center, Trade, Trade Type or Symbol.

1. **Deleting a Profit Center**

1a. If you delete a Profit Center, the Profit Center is deleted from the Business Organization, but any trades entered into that Profit Center are still active in the Business Organization.

For example, assume you have a Profit Center named BREAKOUT in the **Actual** Business Organization and enter 30 trades into that Profit Center.

You then decide that you do not require the BREAKOUT Profit Center so you decide to delete the BREAKOUT Profit Center from the **Actual** Business Organization. The BREAKOUT Profit Center will be deleted from the Profit Center Structure in the **Actual** Business Organization but the 30 trades are still active in the **Actual** Business Organization.

The 30 trades will also still be associated with any other Profit Centers those trades were entered into in the **Actual** Business Organization.

In other words, the Profit Center is deleted, but any trades entered into the deleted Profit Center are not deleted from the Business Organization.

2. **Deleting a trade**

If you delete a trade from a Business Organization, that trade is permanently deleted from all Profit Centers the trade was entered in that Business Organization.

3. **Deleting a Trade Type**

3a. If you delete a Trade Type in a Business Organization, then all Symbols and trades associated with the Trade Type are also deleted in the Business Organization. For example, assume you have a Trade Type named **STOCK** in the **Actual** Business Organization and enter 20 trades using the **STOCK** Trade Type.

You then decide to delete the **STOCK** Trade Type from the **Actual** Business Organization. The 20 trades which used the **STOCK** Trade Type will also be deleted in the **Actual** Business Organization.

Also, any Symbols which entered into the **Actual** Business Organization which used that Trade Type will also be deleted.

Remember that each Business Organization has its own Trade Type list and any adding, editing or deleting of Trade Types you do in one Business organization does not affect the Trade Types lists in the other Business Organizations.

3b. You are allowed to add back a Trade Type you deleted from a Business Organization, but there will be no trades or Symbols associated with that Trade Type. For example you add a Trade Type named **STOCK** to the **Actual** Business Organization and then add 20 trades in the **Actual** Business Organization using the **STOCK** Trade Type.

You then decide to delete the **STOCK** Trade Type. If you add back the **STOCK** Trade Type to the **Actual** Business Organization at a later date, the 20 trades which previously used the **STOCK** Trade Type will not appear in the **Actual** Business Organization because the 20 trades were deleted when you originally deleted the original **STOCK** Trade Type. Also any Symbols which used the **STOCK** Trade Type will also have been deleted.

4. Deleting a Symbol

4a. Deleting Symbols uses the same technique as deleting Trade Types. If you delete a Symbol in a Business Organization, then all trades associated with the Symbol are also deleted. For example, assume you have a Symbol named **QQQ** in the **Actual** Business Organization and enter 20 trades using the **QQQ** Symbol.

You then decide to delete the **QQQ** Symbol from the **Actual** Business Organization. The 20 trades which used the **QQQ** Symbol will also be deleted in the **Actual** Business Organization.

Remember that each Business Organization has its own Symbol list and any adding, editing or deleting of Symbols you do in one Business organization does not affect the Symbol lists in the other Business Organizations.

4b. You are allowed to add back a Symbol you deleted from a Business Organization, but there will be no trades associated with that Symbol. For example you add a Symbol named **QQQ** to the **Actual** Business Organization and then add 20 trades in the **Actual** Business Organization using the **QQQ** Symbol.

You then decide to delete the **QQQ** Symbol. If you add back the **QQQ** Symbol to the **Actual** Business Organization at a later date, the 20 trades which previously used the **QQQ** Symbol will not appear in the **Actual** Business Organization because the 20 trades were deleted when you originally deleted the original **QQQ** Symbol.

We will now discuss Break Even trades.

Break Even Trades

“ Just let me quit even ”

Ancient Las Vegas prayer

1. How to handle Break Even trades

A Break Even trade is a concept you may wish to incorporate into your Business Organization. First, we need a definition of a Break Even trade :

Break Even trades A profitable or unprofitable trade which is a very small percentage of Trading Capital (also called a scratch trade)

For example, if a trader has \$ 10,000 in his Account and loses - \$ 1,000 on a trade, The trade can not be considered a Break Even trade since he lost - 10 % (-1,000 / 10,000) of his Trading Capital on the trade and 10 % is a significant percentage loss.

However, if he has \$ 1,000,000 of Trading Capital, then he lost only one tenth of one percent of his Trading Capital (-1,000 / 1,000,000 = - .1 %)

The percent of Trading Capital gained or lost that you use as a guideline for a Break Even trade is an arbitrary amount. A reasonable percentage to consider might possibly be between one tenth of a percent to one quarter of a percent.

Once you decide what percent you consider a Break Even trade, then the way to enter the trade into a Business Organization is to enter the trade into a Profit Center with a name such as BREAKEVEN. This Profit Center will only include Break Even trades.

For example, a trader has created a Profit Center named OSCDIV for a trading system which uses an oscillator divergence trading methodology. He has \$ 1,000,000 in his trading Account.

He loses - \$ 1,000 on a trade using the oscillator divergence trading method which is one tenth of one percent of his one million dollars in Trading Capital. He defines a Break Even trade as any trade with a profit or loss less than one quarter of one percent of Trading Capital.

Since this losing trade was less than the one quarter of one percent guideline, he does not enter the trade into the OSCDIV Profit Center and instead enters the trade into the BREAKEVEN Profit Center.

The advantage of doing this is that some statistics may be distorted by entering a small profit or loss into the OSCDIV Profit Center. For example, if the - \$ 1,000 unprofitable trade was entered into the OSCDIV Profit Center, the percentage of unprofitable trades would obviously increase even though we lost a negligible amount money on the trade.

Also, if he enters the trade into the OSCDIV Profit Center, it will count as a losing trade in the OSCDIV Profit Center when the Consecutive Trades report (see page 140) is run, even though it was a negligible loss.

By segregating Break Even trades into a separate Profit Center, you will avoid “ cluttering up “ important Profit Centers with trades which were insignificant profits or losses.

You can then run all the Analysis Reports on the BREAKEVEN Profit Center and analyze your trading performance for all Break Even trades.

The break even concept is not mandatory and is solely presented for those traders who feel that some benefit may be derived by incorporating the concept into their Business Organization.

The Trades screen (see page 69) displays the trade's profit or loss as a percentage of Trading Capital in the % of T / C field on the bottom of the screen to help you make your Break Even trade decision.

We will now review some suggestions as to how to use Profit Centers to group trades by sector.

Grouping Trades By Sector

'Money is like manure. You have to spread it around or it will start to smell.'

J. Paul Getty

1. How to use Profit Centers to group trades by sector.

You can use Profit Centers to segregate trades by sector. For example, you can create Profit Centers named AUTO, BANKS, COMPUTER etc.

If you make a computer stock trade such as IBM, enter the IBM trade into the COMPUTER Profit Center as well as all the other appropriate Profit Centers. If you make an automobile company trade such as General Motors, then enter the GM trade into the AUTO Profit Center as well as all the other appropriate Profit Centers.

You can then run all the Analysis Reports for each sector (Profit Center) to determine if you are more profitable trading a particular sector.

Import trades from your broker

1. Import trades from your broker account into ManusRisco™

ManusRisco Inc will write Import Utility programs to import actual or simulated trades from your broker's account directly into ManusRisco so that you will not have to enter the trades using the Trades screen. Visit our web site at WWW.ManusRisco.Com to learn of brokers who have partnered with ManusRisco Inc and have this Import Utility available.

We will now explore how the Flying Fingers type of trader can use **ManusRisco™**

Flying Fingers

1. The Flying Fingers trader

If you have gotten this far in the manual, and you are one of the Flying Fingers type traders I talked about previously on page 20 then here are two simple suggestions as to how to adapt **ManusRisco™** to your style of trading.

a. Use the technique for high volume traders which summarizes all your trades for the day into one trade (see page 96). This may prove to be the best solution.

b. Create a Business Organization with no additional Profit Centers and enter all your trades into the **ALL** Profit Center. Do not use additional Profit Centers since all your trades are basically the same.....Which is trying to catch a small price trend based on price movement on a quote screen.

Then analyze the **ALL** Profit Center using any of the Analysis Reports described in this manual. It may take a few minutes to manually enter all the trades you make during the day..... But the time will be well spent.

The **ALL** Profit Center is automatically updated so you will not have to enter your trades into a particular Profit Center on the Trades screen and this will cut down the time you will spend entering trades on the Trades screen. The **ALL** Profit Center does **not** appear in the Profit Center list on the Trades screen.

If you trade the same Symbol over and over again, then you can also take advantage of the Default Trade Entry Preference (see page 176) which will automatically complete some of the fields on the Trades screen, which will cut down the time you have to spend entering the trades.

Advice For New Traders

“All men by nature, desire knowledge.”

Aristotle

1. Education

If you are new to the trading game, the **ManusRisco™** manual and software are an excellent source of information for basic money management skills which must be mastered to afford you the best chance of achieving long term profitability in the trading arena. Learn the concepts and techniques described in this manual and you will be more educated in the discipline of money management than the majority of traders in the marketplace.

2. Paper trade your trading methodology

Once you are thoroughly familiar with the money management techniques provided by **ManusRisco™** then “paper trade” your various trading methodologies. Create a Profit Center Structure in the **Hypothetical** Business Organization with separate Profit Centers for each trading system.

Enter the paper trades into the appropriate Profit Centers and then run the Analysis Reports on the Profit Centers to evaluate your trading performance for each trading system. If you are satisfied with the profitability of your trading methods, then create your Profit Center Structure in the **Actual** Business Organization and enter your real trades there.

3. Start small

Start by trading one hundred shares when you first trade for real money. The goal when you first start trading is **not** to make money.....The goal is to become comfortable with **a**) your trading system, **b**) the Symbol (**QQQ**, **SPY**, etc) you are trading and **c**) the trading time frame (TICK charts, 1 minute, 5 minutes etc) that you have decided to utilize.

If the information provided by the Analysis Reports indicates you have a profitable methodology in the **Actual** Business Organization, then slowly increase your trading volume. Carefully monitor your trading performance using all the Analysis Reports and information provided by **ManusRisco™**.

Remember, you can select the number of shares traded in the **Report Criteria** of the Analysis Reports. When you start to increase your trading size for example from 100 shares to 500 shares, then run the Analysis Reports and select > 100 shares for the # Traded option and the Analysis Reports will only analyze trades where you traded greater than 100 shares so you can determine if you are profitable trading the larger size (see page 107).

Follow the concepts outlined in this manual and you will have significantly increased your chances of achieving success playing the trading game.

Advice For Experienced Traders

“ A man ceases to be a beginner in any given science and becomes a master in that science when he has learned that he is going to be a beginner all his life.”

R.G Collingwood

1. Enhance your skills

If you are an experienced trader, **ManusRisco™** provides the tools necessary to trade in a more professional trading environment. Use **ManusRisco™** to enhance your money management, psychological and trading skills, increase your profitability and evolve into a more confident and disciplined trader.

2. Evaluate new trading methods

Many experienced traders are constantly experimenting with new trading methods and techniques. If you develop a new trading method, create a Profit Center Structure for the method in the **Hypothetical** Business Organization and enter paper trades into the **Hypothetical** Business Organization. Then run all the **ManusRisco™** Analysis Reports to evaluate the new trading method.

If you are satisfied with the profitability of the trading method, then create a Profit Center Structure for the new method in the **Actual** Business Organization and enter real trades into that Business Organization. Start small by trading a minimum number of shares and run all the **ManusRisco™** Analysis Reports on the new Profit Centers to evaluate your actual trading performance.

If the trading system proves to be profitable in real time trading, then slowly increase your trade size. Use all the **ManusRisco™** Analysis Reports to monitor the profitability of the new trading system as you increase your trade size.

As mentioned above, take advantage of the fact that the **Report Criteria** for the Analysis Reports allows you to analyze trades based on the number traded.

ManusRisco™ is a valuable tool for experienced traders who like to develop, test and analyze new trading methods or methodologies as well as manage trading methodologies which they have used for many months or years.

Single Stock Futures

1. How to analyze Single Stock Futures

You may also use this **ManusRisco™** Stock Day Trader module to analyze simple Single Stock Futures trades. A simple trade is a buy or sell of just the single stock future contract. The software can not handle complex trades such as spreads between single stock futures, spreads between the single stock future and the underlying stock etc.

Profits and losses on Single Stock Futures are calculated exactly like the profit or loss on a normal stock trade so the software is able to calculate these types of trades.

Follow these instructions:

First create Trade Type such as **Single Stock Future** (or a similar named Trade Type)

Then enter into the Symbol List the Symbols for the Single Stock Futures that you trade.

For example, if you are trading the Alcoa Single Stock Future, create a new Symbol for the Alcoa Single Stock Future in the Symbol List as described on page 55. The Symbol for the Alcoa Single Stock Future is **AA1C**.

Then enter your trades on the Trades screen using the **Single Stock Future** Trade Type and **AA1C** Symbol.

You can now run all the Analysis Reports for all trades using the **AA1C** Symbol just like a normal stock trade.

Although technically the Single Stock Future is a Futures contract and not a stock, the **ManusRisco™** Stock Day Trader's module is able to analyze Single Stock Future trades since profits and losses on Single Stock Futures are calculated just like a normal stock trade.

Most purchasers of this Stock Day Trader's module will probably not day trade Single Stock Futures, but if you do, follow the above instructions to enter those trades into your Business Organization.

Successful Trading

"I don't care to belong to any club that will have me as a member."

Groucho Marx

1. Professional versus amateur

Trading is more of a mental conflict than a financial challenge. The psychological mind set that you bring to the trading arena is the most significant factor in determining your eventual success or failure as a trader, speculator or investor.

If you do not adopt a professional approach towards the management of your trading and investment activities, long term success will be difficult to achieve.

The following characteristics contrast the professional trader with the amateur.

To which club do you belong ?

<u>Professional</u>	<u>Amateur</u>
Confident	Anxious
Calm - in control	Emotional
Disciplined	Undisciplined
Organized	Disorganized
Excellent record-keeping	Poor record-keeping
Business - like approach	Likes action & excitement
Disciplined money management	Poor Reward / Risk analysis skills
Becoming more profitable	Becoming more unprofitable
Looks forward to taking the next trade	Fearful of "pulling the trigger"

To extricate yourself from the right hand column and become a citizen of the left hand column, or to become more successful if you are already situated in the left hand column, requires mastery of three disciplines :

2. Three disciplines required for successful trading

- Money management
- Psychological development
- Profitable trading methodology.

ManusRisco™ deals primarily with the money management aspect of trading.

Psychological development addresses the emotions of fear and greed which plague many traders and prevent them from achieving the success of which they are capable.

A profitable trading methodology is required to succeed in the long run since no amount of arithmetic manipulation can transform a consistently negative expectation game into a positive expectation game.

Two statistics which reveal if you have a profitable trading methodology are the Profit Factor (see page 118) and / or the Net Trade (see page 123)

Either statistic reveals if you are playing a positive or negative expectation game.....Or in other words, if you do or don't have the advantage.

Which brings usright to the edge.

3. The edge.....who has it.....how to get it.

"The race is not always to the swift, nor the battle to the strong.....but that's the way to bet it !"

Damon Runyon

The edge, also called the advantage, comes in three forms :

- The perceived edge
- The actual edge
- The variable edge

3a. The perceived edge

The perceived edge is perceived because it is not certain. The perceived edge is the advantage the trader thinks he has because he has developed and tested a trading methodology which has shown a profit, either in hypothetical back testing or in actual trading.

For example, a trader develops a trading system and back tests it over 10 years of historical price data and rejoices in the fact that the system has produced a \$ 500,000 profit over the 10 year period. He then commences to trade the method since he perceives he has the advantage based on extensive back testing of the system.

Another example is where a trader does not back test a trading system but instead can discern visual or intuitive signals on a price chart which he instinctively recognizes as a Buy or Sell trading opportunity.

For example if volume does not make a new high but the stock price does make a new high, the trader may instinctively sell short the stock based on this divergence since he has perceived over many years of trading that this trade has a high probability of success.

The perceived edge is so named because the market could care less about how many years you have back tested a trading system or what your intuition or instincts tell you about a trade.

The market is going to do what it is going to do.....And could care less about all your back testing and intuition. You perceive you have the edge.....but that's all it is.....a perception.

The perceived edge always occurs before the trade is taken. If the perceived edge did not exist, there would be no trading and no markets since no one would take a position because no one would think they have an advantage. If there is no perceived advantage, then there is no reason to trade.

A clothing retailer buys \$ 20,000 worth of pants at wholesale because he thinks he has a perceived edge of selling the pants at retail for \$ 30,000 and making a \$ 10,000 profit. If he sells the pants at a profit, this will become a profitable trade resulting from a perceived edge which through hindsight he now realizes, after the fact, actually existed.

The edge is perceived because the pants may go out of style, or the economy can go into a recession, or the pants may be stolen or destroyed in a fire and he is forced to sell the pants at a price lower than his \$ 20,000 cost and take a loss.

If he sells the pants at a loss, then this is an unprofitable trade resulting from a perceived edge which, through hindsight, did not really exist.

The perceived edge only exists in our imagination but it is the foundation of modern civilization and is absolutely required for any type of economy to exist. If the perceived edge did not exist, there would be no business, no commerce, no markets, no trading and no economy.

3b. **The actual edge**

On the other hand, the actual edge is a statistical certainty.....Given a sufficiently large sample size.

Casinos enjoy a built in actual edge in games like roulette, keno, baccarat and dice. This advantage arises by paying out lower than fair odds if you win a bet (like roulette) or the advantage is built into the way the rules of the game are set forth (like baccarat).

The statistical advantage of these games is pre-determined statistically down to the third decimal place. In the short run, anything can happen in a casino.....Players can win thousands or millions of dollars.

But in the long run, the house will win very close to its predicted advantage.

Casinos enjoy the actual edge because game is "fixed" in favor of the house and the edge is statistically "guaranteed" if you can get into the long run.

You get into the long run by taking many small bets.....None of which will jeopardize the casino's bankroll. A casino will never take a single bet which will cause the loss of a significant percentage of the house's bankroll.

When you are playing a game where you enjoy an actual edge, you should only make many small bets, never jeopardize you bankroll and get into the long run so the inevitable statistical advantage can grind out its handiwork.

Since markets are not "fixed" in the trader's favor, and no one possesses the holy grail trading system which produces statistically guaranteed profits, the only place where you will find the elusive actual edge are casinos located in Las Vegas, Reno, Atlantic City or any other locality where there are gambling establishments, legal or otherwise.

Which bring us to the most important edge of all and is the focus of the **ManusRisco™** software.....The variable edge.

3c. **The variable edge**

The trading game is a completely unique situation. A trader can become a better, more educated and disciplined trader and can actually change a losing (negative expectation) situation into a profitable (positive expectation) game.

You can not become a "better" roulette player or a "better" keno or dice player since you can not change the negative expectation which is hard wired into the game itself. You will always suffer the negative financial effects of trying to overcome a negative statistical disadvantage.

However, a negative expectation is not “hard wired” into trading. Traders who evolve and develop psychologically and emotionally through education and experience are able to turn an unprofitable situation into a profitable, positive expectation enterprise.

The book “Market Wizards” by Jack Schwager is littered with tales of numerous traders who lost significant amounts of capital when they started trading but overcame their difficulties and eventually became very successful and profitable speculators and traders. In other words, a negative expectation was turned into a positive expectation.

Thus, we now encounter the variable edge.....The most important factor which determines every trader’s success or failure..... From the million dollar high volume professional trader to the small Account, part time novice.

The variable edge is so named because it.....Varies (surprise !). It may be positive and becoming more positive, it may be positive and becoming less positive, it may be negative and becoming less negative or it may be negative and becoming more negative. In other words, the type of game you are playing is constantly changing (see the comments on the Income Statement on page 106)

The only certainty about the variable edge is that it is uncertain.And that is what makes the adrenalin pump and the heart beat faster when a trader initiates a new position.

The trader knows, either consciously or subconsciously, that his equity curve will rise and his equity curve will fall. One day you’re up and happy and the next day you’re down and depressed. Traders make profits and traders suffer losses.

One month you have the edge and the next month you don’t.....And worst of all, it is impossible to predict with absolute certainty if your next trade or next week or next month will be a winner, loser or a breakeven.

The variable edge is like smoke from a cigarette.....You reach out to grab it and you think you’ve got a hold of it.....Only to open up your hand and discover that it has disappeared.

Traders start out unprofitable, rise up the learning curve and become profitable, only to become complacent, arrogant, greedy, over confident and become unprofitable once again.....Another victim of the variable edge.

All traders are imprisoned in a twilight zone of uncertainty caused by the variable edge.And this is the main factor causing the high failure rate of individuals who choose to participate in the trading game.

In case you are a little confused about the variable edge, or don’t believe it exists, then answer the following questions. It doesn’t make a difference if you are a 20 year professional trader who has made millions or if you have never traded before.....The answers will be the same.

The questions are :

Will you show a profit or loss after your next 100 trades (Requires a definite, guaranteed answer..... “ It depends”, “could be”, “maybes” etc are not allowed)

What will be your exact dollar profit or loss after the next 100 trades ?

For your next 100 trades, exactly how many trades will be profitable and how many trades will be unprofitable (No estimates allowed.....we need exact numbers)

What will be your worst drawdown in your next 100 trades ?

As you can see, it doesn't matter if you are a profitable trader, an unprofitable trader, experienced or novice.....The answers are uncertain and the edge will vary.

The profitable trader may be more profitable in the next 100 trades, less profitable, breakeven.....Or he may be unprofitable.

Likewise, the unprofitable trader may become more unprofitable, less unprofitable, breakeven.....Or become profitable.

Every trader, regardless of experience or Account size, has the front seat on the volatile ride of the variable edge roller coaster

ManusRisco™ assists the trader in dealing with the uncertainty caused by the variable edge. It is impossible to eliminate the uncertainty of the variable edge, but its negative consequences can be diminished.

The variable edge can only be managed by having properly organized results of trading performance. The fruit of this information is to **a)** inform the trader where he is located on the variable edge and **b)** the current direction and trend of the edge.

A trader possessing this information is able to answer questions such as :

What type of game am I playing.....Positive or negative? Am I getting better or worse at the game? If I am playing a negative expectation game, should I stop playing it or should I continue to play and hope I can turn it around? Am I better playing some games versus other games?

Why am I better playing some games and worse playing others? Should I become more aggressive in games where I have the advantage and the edge is increasing? Why am I playing a negative expectation game which is becoming more negative?

The Profit Centers are the games and the Analysis Reports provide the information necessary to answer these questions. The end result of this process is a slowly evolving disciplined, confident, professional and hopefully, profitable trader.

There may be an easier way to approach the trading game.....But the question is.....How long can you remain profitable before you get blindsided by the variable edge and fall victim to the uncertainty and confusion resulting from an amateurish and inadequate money management methodology ?.

We have all learned that the trend is our friend when analyzing a price chart.....But the same principle applies to money management.

It is imperative that you monitor the trend of your expectation by graphing the Profit Factor statistic (see the Profit Factor Analysis Report on page 118) and / or the Net Trade statistic (see the Profitability By Time Period Analysis Report on page 125).

A graph of the trend of these statistics reveals not only if you are profitable or unprofitable, but also, if you are becoming more or less profitable or becoming more or less unprofitable.

The trend of these profitability statistics reveals your growth and maturity as a trader. Diligent use of **ManusRisco™** enables you to monitor these important statistics and enhance your skills as a trader.

Also, notice how **ManusRisco™** assists you in advancing up the psychological development and trading methodology learning curves. **ManusRisco™** provides the business framework to constructively critique your trading performance and slowly remove the fear and uncertainty caused by the poor organization and management skills found amongst many traders and investors.

ManusRisco™'s capability to properly manage the Reward / Risk profile for each trade and analyze the results of your trading methodology also provides the information necessary to improve and enhance your trading methodology skills.

Mastery of the money management, psychological development and trading methodology disciplines is required for long term success. Competence in one or two of the disciplines is not sufficient for long term profitability. All three need to be mastered and incorporated into your trading personality to give you the best possible chance of achieving long term profitability.

4. Benefits of using **ManusRisco™** software

ManusRisco™ addresses the money management aspect of trading, and is not a trading methodology or psychological development course. However, it does provide the framework for creating the professional environment necessary to succeed in the today's difficult trading environment.

ManusRisco™ creates the framework necessary for the trader to manage his trading activities similar to a successful business. As the trader advances up the money management learning curve using **ManusRisco™**, as an added benefit he will also advance up the learning curves of the psychological development and trading system disciplines.

All three disciplines are inter-woven. Your progress, or lack thereof, in any one discipline will affect the other two. **ManusRisco™** primarily addresses the money management structure of your trading activities. However, the lessons gleaned from **ManusRisco™** also provide valuable insight into your psychological development as well as your trading methodology.

ManusRisco™ provides the framework to formulate educated trading decisions and reduce the effects of fear and greed which plague most traders..... in other words, helping you advance up the psychological development as well as the trading methodology learning curves.

Money management, psychological development and trading methodology are three paths all traders must walk to safely arrive at the destination of long term profitable speculation.

Epilogue – ManusRisco™ and Beyond

“ This is the end.....”

From “ The End ” by the Doors

For those of you have gotten through this long manual.....congratulations ! It's been a long and winding road, but hopefully you have picked up some pointers which you can utilize in improving your bottom line as a trader.

Thos **ManusRisco™** training manual not only describes the operating instructions for the **ManusRisco™** software but also serves as a primer on money management techniques required for successful trading, speculation and investment.

The developers of **ManusRisco™** are more than willing to help you implement **ManusRisco™** and answer any questions you may have.

Refer to the **Help** function on the **Main Menu** described on page 15 for tech support, customer service, constructive suggestions, advice in using the software and reporting software errors.

It is our hope that **ManusRisco™** will prove to be a valuable resource towards your evolution into a professional, disciplined, confident and profitable trader.

Most traders remember the one or two big trades which produced the biggest profits or losses..... But are unable to remember, organize and manage the 99% of the remaining trades.

The few big gains and losses are at the tail ends of the bell shaped curve and represent only a tiny fraction of your total trading activity. However, they “stick out “ in the trader's mind and are always remembered.

On the other hand, the vast majority of trades which don't produce the big gains and losses become a dense fog due to their large numbers.....Quickly becoming irrelevant and eventually disappear.

The **ManusRisco™** software and manual are designed to bring meaning to those myriad number of trades so that they don't become a useless mass of half forgotten statistics.

If the trader takes the time to organize, study and ‘spy into” those statistics, he will discover a wealth of information which can only help him become a more disciplined, professional and profitable trader.

As a final comment, It is my hope that this manual has been a beneficial learning experience in the discipline of money management and that you will take from it new concepts and techniques which will increase your trading confidence and profitability..... And as you fight through the trench warfare of the trading arena.....May the variable edge always be going your way !

Tom D'Angelo

P.S. Always remember.....

“ It is impossible to arrive at the destination of success without first passing through the gate of failure”

Tom D'Angelo, word famous 21st century philosopher

