
The Profit Center Business Model Applied to Trading

Lesson # 3

In our previous lesson, I described the basics of a business structure designed to provide the information required to profitably manage any type of company. In this lesson, I will apply the Profit Center business model to trading.

To succeed at the trading business, you must organize your trading results so that you can have timely information as to when, where, why and how much to trade (similar to the automobile executive who must know which cars to produce, which cars to discontinue, on which cars to raise prices, etc.)

Let's create a hypothetical trader and apply the Profit Center business model to his trading business. (This business model can be applied to any type of trading such as futures, FOREX, stocks, indexes, day trading, overnight trading etc.)

Let's assume our trader decides he will trade a breakout trading system as well as a trend following system and a trading method which attempts to trade a price gap opening. The trader creates three Profit Centers named Breakout, Trend, and Gap opening.

Our trader also creates a Profit Center named Last30minutes because he would like to segregate his trades taken in the last 30 minutes of trading because he suspects he is not very profitable trading the highly volatile price swings of the last 30 minutes of trading.

The Profit Centers that he creates is called the Profit Center Structure. Each Profit Center becomes a separate business which provides him with the information required to make educated trading decisions. Profitable trades become revenues and losing trades are expenses. As a trade is completed with either a profit or loss, the trade is entered into the appropriate Profit Center.

For example, a trend following trade made during the last 30 minutes of trading would be entered into the Trend and Last30minutes Profit Centers. Information which is entered into the Profit Centers are items such as the Symbol traded, the number of contracts or shares traded, the profit or loss, etc.

After about 20 trades have been entered into a Profit Center, the trader now has a sufficient sample size to produce the Analysis Reports which provide him with the information necessary to make educated trading decisions. His desk is no longer empty.

His trading business is organized and designed to provide the information required to trade in a disciplined and confident manner.

Analysis Reports can now be created for any combination of Profit Center, Symbol and # Traded such as creating an Income Statement for the Breakout Profit Center, the ES Symbol and for trades where only 2 or more contracts were traded.

The screenshot below created by ManusRisco software displays a typical trading Business Organization. The Profit Center Structure contains BREAKOUT, DIVERGENCE and MORNINGTRADES Profit Centers which will monitor various trading systems. Each Profit Center will become a separate business. Profitable trades are revenues and unprofitable trades are expenses.



The trader will trade the EURUSD on the Forex and the ES and NQ Index Symbols.

After about 20 trades have been entered into a Profit Center, various Analysis Reports can be created which enable the trader to make educated decisions as to when, where why

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and how much to trade and inform the trader as to whether he is playing a positive or negative expectation game.

Another example of a trading Business Organization can be found at <http://www.manusrisco.com/screens.asp> on the ManusRisco web site. Scroll down half way until you see the Business Organization report and click on the thumbnail image.

Future lessons will describe the Analysis Reports and the statistics each trader should be aware of if he desires to adopt a professional and disciplined approach to trading.

Does this methodology guarantee success? Unfortunately the answer is no.....but you have significantly improved your chances.

So the next question becomes, how do we tie all this together into a professional and disciplined money management methodology.....and that answer will be in the next lesson.

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Book Tip

“Trading is a Business” by Joe Ross



If you've ever wanted to read a life-changing book for traders, you have come to the right place. Trading Is a Business (for futures traders) has had a profound effect on the lives of many aspiring as well as many professional commodities and futures traders. Trading Is a Business teaches you how to conduct your trading as a professional manager of your trading business. Proper management is vital to successful trading. This book points out the fallacies that many traders hold so dear.

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