

How to Trade Like a Business

Lesson #8

PTR / UTR

In previous lessons we learned how to create a Profit Center structure designed to organize our trading results, similar to the structures of a successful business. We also took a look at the Drawdown and Return on Investment reports which can be created from the trading results we entered into our Profit Centers.

In this lesson, we will take a look at trading efficiency and the Profitable Trade Ratio (PTR) and Unprofitable Trade Ratio (UTR).

The PTR is the current profit per contract (or profit per share or lot) divided by the cumulative profit per contract (or share or lot).

For example, assume we had the following three profitable trades:

3 contracts	+ \$500	Profit per contract \$167	Cuml profit
per contract	\$167		
3 contracts	+ \$100	Profit per contract \$33	Cuml profit
per contract	\$100		
2 contracts	+ \$600	Profit per contract \$300	Cuml profit
per contract	\$150		

The PTR equals the current profit per contract divided by the cumulative profit per contract. For example, the PTR after the second trade equals $33/100 = .33$. The PTR after the third trade equals $300/150 = 2.0$

You would like to see the PTR above 1.00 and increasing as shown between the second and third trades. This indicates that your current profit per contract is greater than the cumulative profit per contract. You do not want to see the PTR below 1.00 and decreasing. Use the same technique for stock or forex trades.

The UTR is calculated in the same manner:

For example, assume we had the following three unprofitable trades:

Recommended by Joe Ross & Trading Educators Inc.

<http://www.tradingeducators.com>

More lessons by ManusRisco available in PDF-Format at

<http://www.tradingeducators.com/resources/manusrisco.htm>

4 contracts + \$500	Loss per contract \$125	Cuml loss per contract \$125
2 contracts + \$300	Loss per contract \$150	Cuml loss per contract \$133
1 contract + \$100	Loss per contract \$100	Cuml loss per contract \$129

The UTR equals the current loss per contract divided by the cumulative loss per contract. For example, the UTR after the second trade equals $150/133 = 1.13$. The UTR after the third trade equals $100/129 = .78$

You would like to see the UTR below 1.00 and decreasing as shown between the second and third trades. This indicates that your current loss per contract is smaller than the cumulative loss per contract. You do not want to see the UTR above 1.00 and increasing. Use the same technique for stock or forex trades.

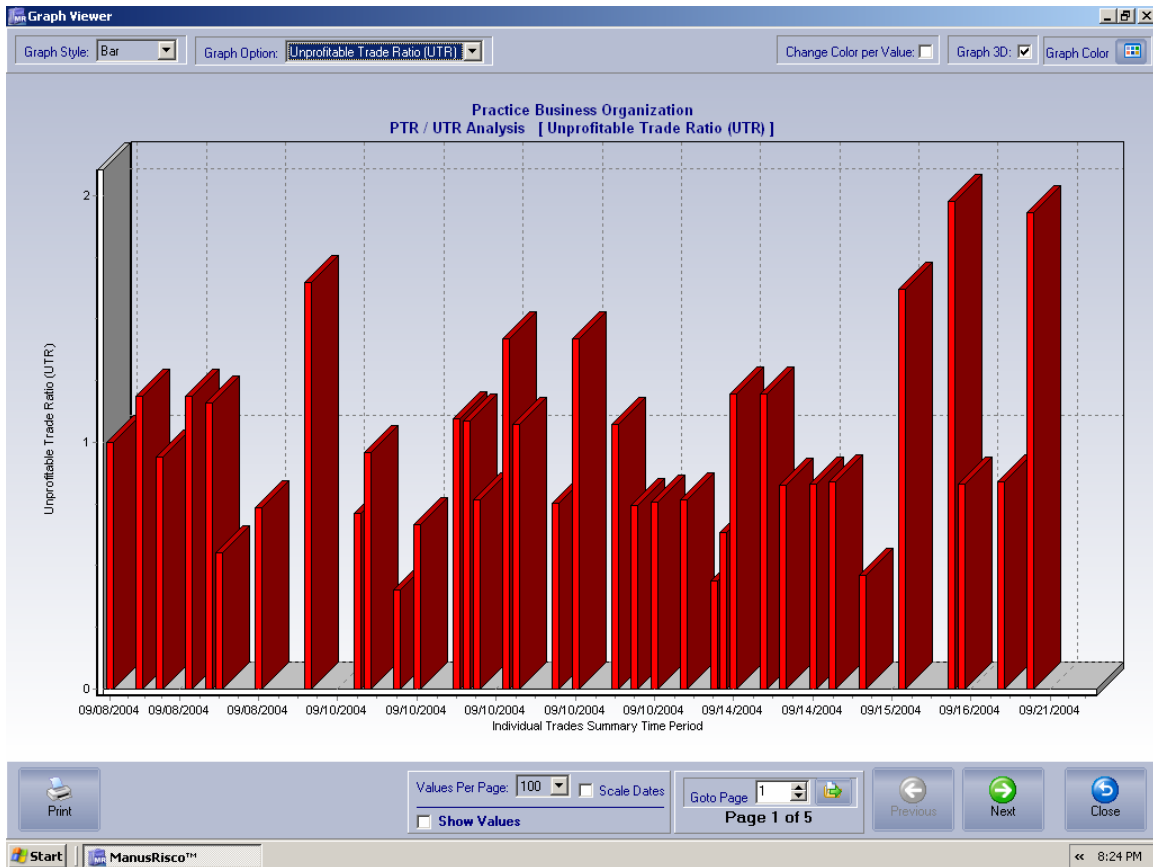
The real value of the PTR and UTR is the trend revealed by charts. Charts display the actual value of the statistic as well as the direction. You would like to see the PTR above 1.00 and increasing, and the UTR below 1.00 and decreasing.

An increasing PTR and decreasing UTR indicates a trader who is becoming more efficient - and vice versa.

If the PTR is decreasing, try to determine why your current profit per contract is not as large as your cumulative profit per contract. Possibly you are not letting your profits run, or your profit objective has been reduced compared with prior trades.

If the UTR is increasing, try to determine why your current loss per contract is larger than your cumulative loss per contract. Possibly your stop losses have gotten too large compared with prior trades.

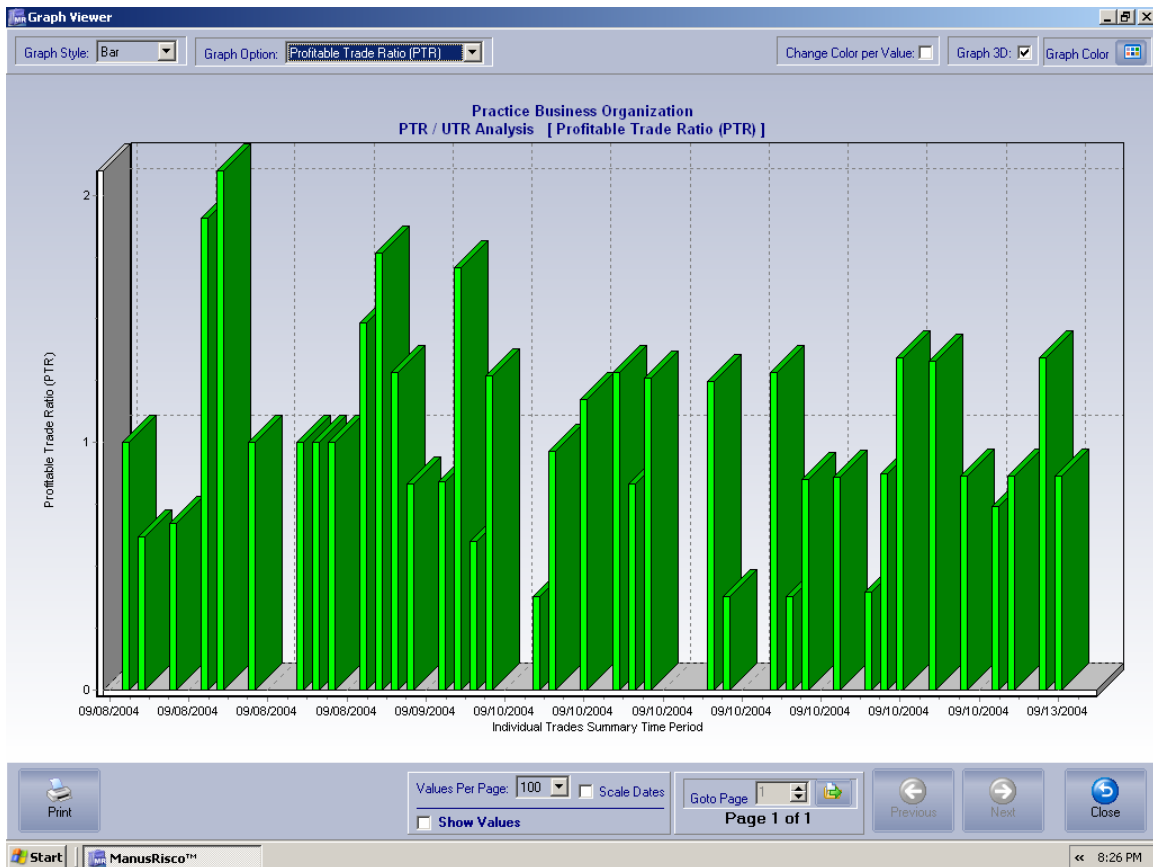
The first screenshot created by ManusRisco displays a graph of the UTR which is beginning to trend above 1.0, which is warning sign that your current unprofitable loss per contract is starting to become too large compared with your cumulative unprofitable loss per contract.



Recommended by Joe Ross & Trading Educators Inc.
<http://www.tradingeducators.com>

More lessons by ManusRisco available in PDF-Format at
<http://www.tradingeducators.com/resources/manusrisco.htm>

The second screenshot created by ManusRisco displays a PTR which is leveling off at about 1.0. However, you would like to see the PTR above 1.0 and increasing, which would indicate you are becoming a more efficient and profitable trader.



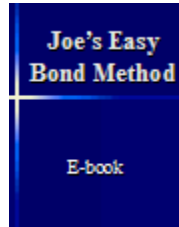
The professional and profitable trader always knows if he is becoming a more or less efficient trader. He also knows where his breakeven point is. Do you know how to calculate your breakeven point? Well, in the next lesson we will find out.

Tom D'Angelo
ManusRisco Inc
Copyright ManusRisco Inc

Recommended by Joe Ross & Trading Educators Inc.
<http://www.tradingeducators.com>

More lessons by ManusRisco available in PDF-Format at
<http://www.tradingeducators.com/resources/manusrisco.htm>

New Release from Joe Ross & Trading Educators Inc.!



EARN WHILE YOU LEARN!

At Trading Educators we have come up with a complete EARN AS YOU LEARN trading program. It can take 3-5 years to become a successful trader - at heart, we all know this. But, YOU CAN AVOID LOSING MONEY while you LEARN HOW TO TRADE.

My EASY BOND TRADING METHOD can be day traded, but there will be times the method calls for you to hold overnight.

If you would like to know more, [click here](#) to see a full explanation.

http://tradingeducators.com/books/joes_bond_method/easybond.htm



Recommended by Joe Ross & Trading Educators Inc.

<http://www.tradingeducators.com>

More lessons by ManusRisco available in PDF-Format at

<http://www.tradingeducators.com/resources/manusrisco.htm>