



Major Mistakes That Plague Traders and How to Avoid Them

Phil Storer offers trading advice on staying disciplined

DALLAS (March 11, 2010)... Veteran stock and commodity trader Phil Storer discusses common instincts that lead to bad trading decisions--like revenge, omniscience, impulses and haste--and explains how to curb emotions for better results in buying and selling.

In his book, *Chalk Talks for Traders – Easy Xs and Os from a Proven Market Pro*, to be released in April, Storer says *revenge* or trying to “get even” with a particular market is a prime example of the wrong way to institute a trade. While some emotion is unavoidable, it's best to make decisions on the merits of the methods you've chosen. Giving in to emotion usually lowers the quality of the next set of choices that you'll need to make regarding the trade, he says.

Another pitfall is an attitude that Storer calls pseudo-omniscience. An example, he says, is “when you think a market can't go any further in the direction it's been going. But you really don't know what will happen.” In that case, it's best to simply ignore your ego and stick with your methods.

Bad trades are also caused by *compulsion* or a need to trade for the sake of trading--a big temptation when markets get into tight ranges and stay there for awhile. Storer says “the urge is to abandon a proven method out of boredom, and as a result you might take small losses when the best approach would have been no trade at all.”

One problem stemming from compulsion is to trade from the long side only and to constantly look for opportunities to buy. Storer says “this frequently occurs in spite of the fact that the trend is clearly against the trader. When those long-side trades fail, money is lost and confidence is weakened. But the search for a trade like the last one soon begins again. There's a cost in failing to trade the short side of the market.”

When you veer away from your trading plan and act impulsively or compulsively, the probabilities of long-term success are compromised, he says. No one likes to admit their shortcomings but as soon as you recognize that you're trading outside your system, adjustments must be made, Storer warns.

One reason smart people get into bad trades is *overconfidence*, Storer says. “Winning is a wonderful thing, and it's what we aim for all the time, but there's danger in it. It's too easy to become overconfident after a few wins, and that almost always results in sloppy performance.” Sloppiness causes losses and incurs stress, including lack of confidence--which is probably the most crippling problem for any trader, he says. Lack of confidence can prevent a trade from being made in a timely manner and can cause an unwillingness to stay with a trade long enough.

If you realize that you've lost your confidence, it's necessary to do some analysis of recent trades, he advises. Until you're ready to believe in your original methods and to become disciplined again, you should stay away from markets.

Other bad trades result from impulses. “I call it the I've-got-a-hunch or I-just-feel-it trade,” Storer says. Usually the trader will temporarily abandon his plan and go with his gut. Storer says, “Sometimes that kind of trade will work. But in my opinion, a win under those circumstances can be a big step backward

because you've moved farther away from the safety of your plan. And it can become a bad habit that's much easier to acquire than shed."

Another common reason for lousy trades is the *hurry-up syndrome*. "You're scanning the markets, looking for a trade to fit your criteria, and suddenly see something that looks good and is in the triggering process. The tendency is to jump in and then to verify your rationale later. That's usually not good."

Storer draws on four decades of market experience, and says his reason for writing books is to help others make money without incurring the losses that discourage many traders. He is Director of Trading for the commodity division of Dillon Gage Inc., a full-service commodity trading firm based in Dallas, Texas.

MEDIA ADVISORY:

For a review copy of *Chalk Talks for Traders - Easy Xs and Os from a Proven Market Pro*, or to arrange an interview with Mr. Storer, please contact Jo Trizila, TrizCom, at (972) 247-1369 or (214) 232-0078.

To pre-order *Chalk Talks for Traders - Easy Xs and Os from a Proven Market Pro* go to <http://www.chalktalksfortraders.com/> .

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