



Stick To A Plan To Control Emotions In Trading

Phil Storer's book '[Chalk Talks for Traders](#)' discusses common reasons for making bad trades

DALLAS (June 9, 2010)... Stock and commodity trader [Phil Storer](#) says investors are more likely to succeed if they can curb their emotions and adhere to a trading plan and a set of pre-chosen methods. While some amount of emotion is to be expected, caving into feelings usually hurts trading results, he cautions.

In his book, [Chalk Talks for Traders – Easy Xs and Os from a Proven Market Pro](#), Storer outlines common pitfalls, and says revenge is a major reason for making a bad trade. A vengeful trader abandons his plan and wants to “get even” with a particular market, thinking “I’ll get back what I lost in it yesterday. It owes me!” That sort of angry approach is seldom rewarding, Storer warns.

Other bad trades fall into the impulse category of “I’ve got a hunch” or “I just feel it.” The trader temporarily forgets his plan and goes with gut instincts. Sometimes that type of trade works, [Storer](#) says, but he cautions that a win under such circumstances is a step backward because it allows the trader “to make excuses and move farther and farther away from the safety of his plan.”

Bad trades also result from compulsion or the need to trade for the sake of it. When markets get into small ranges and stay there for a while, bored traders sometimes abandon proven methods and proceed to trade. A series of small losses can result, whereas the best approach would have been not to trade at all.

Another reason for bad trades is overconfidence, and conversely no confidence. Overconfidence almost always results in a sloppy performance and losses that cause stress, Storer says. A trader's emotions can then flip flop so that he loses confidence, affecting his ability to make a timely trade and stay with it long enough to justify the risk to reach the intended goal. [Storer](#) says “if you realize that you've lost your confidence, it's important to stop trading for a period of time while you do some serious analysis of recent trades. Until you are ready to believe in your method and trust yourself to be disciplined, you should stay away from trading.”

Bad trades also result from the “hurry-up syndrome,” [Storer](#) says. “You’re scanning the markets, looking for a trade to fit your criteria, and you suddenly see something that looks good and is in the triggering process. The tendency is to jump in now, and verify the validity of the idea later. That’s usually not good.”

Another hazard is an attitude of omniscience. For example, a trader feels he knows a market can’t go any further in the direction that it’s been moving. He might decide that the U.S. dollar can’t get above \$1.00. He shorts or sells the dollar, with no stop-loss order for price protection. The market continues to climb to \$1.22, however, and he pays dearly to cover losses.

[Storer](#) warns of the dangers of not using protective-stop orders with price levels that terminate a position. For instance, the market might be moving in a trader's favor so he decides to forgo stops and “ride it out.” The market suddenly moves against him, however, taking him to his knees.

Trading outside of one's system entails a huge risk, Storer says. “Never underestimate the psychological toll that a series of losses can exact. The monetary damage done to the account is obvious. Whenever a

trader veers from his plan, probabilities of long-term success are compromised. As soon as you recognize that you're trading outside of your system, you must deal with it."

In addition to bad trades, a pitfall is missed trades--ones that beg to be made using favorite methods and that fit perfectly into a trading plan, but aren't made because of an inability to think outside the box. An example is avoiding the short trade--or selling initially rather than buying. [Storer](#) says "I never cease to be amazed at the fortunes missed because so many people are reluctant to even consider opportunities for profit that are available with short sales. Those who only trade the long side are constantly looking for what they believe is an opportunity to buy. This is frequently done in spite of the fact that the trend is clearly against them from the start." All too often, those trades fail, money is lost and confidence sags.

The author of an earlier book, "Tricks of the Futures Trade, A Guide to Futures Trading By A 25-Year Survivor," Storer draws on his now-four decades of market experience and is Director of Trading for the commodity division of Dillon Gage Inc., a full-service brokerage firm based in Dallas, Texas.

[Chalk Talks for Traders – Easy Xs and Os from a Proven Market Pro](#) is [available now](#) at <http://www.chalktalksfortraders.com>.

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For a review copy of **[Chalk Talks for Traders – Easy Xs and Os from a Proven Market Pro](#)**, or to arrange an interview with Storer, please contact: Jo Trizila, TrizCom, at (972) 247-1369 or (214) 232-0078. To order **[Chalk Talks for Traders – Easy Xs and Os from a Proven Market Pro](#)** go to: <http://www.chalktalksfortraders.com>

Contact:

Jo Trizila

TrizCom Inc.

jo@TrizCom.com

Office: 972-247-1369

Mobile: 214-232-0078