



## **Successful Trades Depend On The Right Entry Levels**

*Phil Storer's Book '[Chalk Talks for Traders](#)' offers suggestions for when to get into a market.*

DALLAS (June 23, 2010)...Stock and commodities trader [Phil Storer](#) says sound money management includes a set of rules for deciding how and when to enter a trade, with an eye to probabilities and risk-and-reward potential.

In his book, [Chalk Talks for Traders – Easy Xs and Os from a Proven Market Pro](#), [Storer](#) says true investors, as opposed to speculators, carefully decide where to enter or buy and when. Investors always have a well thought-out plan. "They might get their original ideas in the same ways that speculators do, but they won't sign on until a plan is worked out," he says. Investors build a checklist from the start.

[Storer](#) says a pre-trade evaluation can be done by answering the following questions. What's the trend direction, and will I be trading with or against it? Before entering a market, it's important to identify whether the trend is strong or weak and if it's young or middle-aged.

The trader should ask himself where to enter-- on price support or a price breakout? After that, he has to consider whether his profit potential is realistic. Most importantly, he needs to assess his risk and whether the trade's potential justifies it. True investors manage their money by always addressing the issue of risk and by setting profit objectives. As a result, "they have a smoother ride through the course of their trading life than the roller-coaster experience of a speculator," [Storer](#) says.

He continues, saying "the standard approach to risk-reward is that you never risk more than half of what you expect to gain. That approach sounds simple but brokers' commissions and slippage have to be considered." Slippage is the difference between your expected entry or exit price, and the actual price you received when the trade was executed at the exchange. Commissions and exchange fees are relatively fixed but slippage is quite varied. Each has to be subtracted from expected rewards, however. "If they aren't, a trader could be sorely disappointed with his net results," [Storer](#) says.

Savvy traders decide whether they can afford the transaction in advance. "Each person has his or her own level of comfort or risk threshold," [Storer](#) says. "The question isn't necessarily about the balance in your account, as it is about your views of the market. Anything about the potential cost of the trade that creates anxiety needs to be dealt with before hand." It's very difficult for a trader to stay disciplined if he's worrying or losing sleep about the risks involved."

In their orders, traders need to place protective stops, he says. Stop orders aren't activated until the market trades at or through a selected price. Then it becomes a market order that's filled as soon as possible.

[Storer](#) says probabilities need to be considered ahead of a trade "Most of us are a little too impatient to be long-term traders," he says. "There's nothing wrong with that as long as we recognize our tendencies and find a plan that fits us naturally. My preference is to choose higher, short-term probabilities over lower, long-term possibilities." Traders must also consider the length of time they're willing to stay in a market. "For many of us hanging in there takes more energy and discipline than we care to exercise," he says.

Short-term trading usually means less risk and less profit potential. But the cost of doing business is about the same in either the short or long-range situation. That means that the short-term trader needs to be working with a higher probability than the long-term trader, [Storer](#) says.

[Storer](#), who draws on four decades of market experience, looks at trading rules as ingredients in a recipe. He says "there aren't too many things in life that can beat a good cinnamon roll, but sometimes I'll have one that disappoints on the first bite. At other times the roll will be pretty average. But occasionally one will be pure ecstasy." Most bakeries use the same basic ingredients but what makes the difference is how they combine them, he says. "The right combination in trading, like baking, makes all the difference."

He 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>

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