Scoring Base Hits Versus Home Runs In Trading

Phil Storer's Book 'Chalk Talks for Traders' identifies short- and long-term approaches to markets.

DALLAS (July 16, 2010)…Stock and commodities veteran Phil Storer says traders can learn a lot about winning strategies as they watch baseball this summer.

In his book, *Chalk Talks for Traders –Easy Xs and Os from a Proven Market Pro*, released in April, Storer identifies two basic approaches to trading. "One is long-term, trend trading--which I'd compare to hitting a home run. It's very gratifying but hard to do. The other is shorter-term trading, which is more like a base hit and also gratifying, but much easier to accomplish."

He says most people are too impatient to be long-term traders. "For many of us, hanging in there takes more energy and discipline than we care to exercise. There's nothing wrong with that, as long as we recognize our tendencies and find a plan that fits us naturally." Storer's own preference is for higher, short-term probabilities versus lower, long-term possibilities. But, he says, that doesn't mean that long-term trades won't be winners.

Short-term trading usually involves less risk but offers less profit potential, he notes. "The cost of doing business pretty much stays the same in the short- or long-term trade. But the short-term trader needs to be working with a higher probability," and that, he says, is where "swing trading" is useful.

"Swing trading combines some of the most reliable concepts that I know--trend trading, market timing, money management and simplicity--for a result that has far exceeded my expectations," Storer says. Trading with the trend usually works best, he notes, and timing a market entry always makes good sense. Using protective stops is a key money-management tool, as is setting a profit target. Stops are priced orders that aren't activated until the market trades at or through the selected price. Then they become market orders to be filled as quickly as possible.

In swing trading, it's important to identify markets that are in a trend, or that have attained a goal but reversed and begun a new trend. The trader then waits for a price correction to develop. Once that's occurred, he takes a chart measurement to find a high-probability target. He should also measure for other targets with more profit potential, though they're less likely to be reached.

"My preference is to take profits at the first target because it should have a significantly higher probability of being reached," Storer says.

Protective stops are used when a trade is entered to limit risk. "But we can move our stop into a low, no-risk or profitable situation as soon as it makes sense to do so," he says. As an example, if a trader enters a market, and it quickly moves to within easy reach of his first target, he can move his stop to the point of entry to cut exposure on a successful trade. Of course, sometimes it makes sense to take profits early if the trade is close to a target and the market will close for the day soon. "These are money-management decisions that can increase winning probabilities and the account's bottom line," Storer says.

Swing trading offers opportunities for accounts of almost every size, he notes. Large accounts can participate in every, related opportunity, while increasing the number of contracts traded. Medium accounts can trade one or two contracts and be selective about the size of the market they're in. And small accounts can trade single contracts in less-volatile markets, he says.

Keeping track of how each trade plays out help traders recognize that probabilities are set in a random environment. Storer says "what we try to do is set curbs on the market in an attempt to channel randomness to our benefit. Sometimes a market jumps the curb and we lose. But that can't always be helped. The thing to remember is that the success we enjoy will be determined by the quality of the tools we use and the consistency with which we use them."

Storer says earlier in his career establishing and using a checklist to stay on track became his priority. His willingness to buckle down followed a series of beatings that he attributes to an initial lack of discipline.

No trade should be made without first assessing the risk involved and its relationship to anticipated reward, he advises. The standard approach to risk and reward is that you never risk more than half of what you expect to gain. And probabilities must always be considered. He says "I have some methods of trading that require greater risk than others, but that doesn't bother me if the probability of winning is higher."

All traders have their own comfort levels or risk thresholds, Storer says. And with his new book, he hopes to help others identify opportunities and avoid risks and common trading pitfalls. 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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