



Traders Can Learn From Surfers Riding The Waves

Phil Storer's Book 'Chalk Talks for Traders' offers expert advice for coping with random activity

DALLAS (September 16, 2010)...Stock and commodities veteran [Phil Storer](#) says that traders, like surfers, must make good choices to stay afloat and avoid riptides in rough water. A little planning and caution can make the trade a good ride, leaving the investor ready for his next dip into the market.

In his book, [Chalk Talks for Traders –Easy Xs and Os from a Proven Market Pro](#), released in April, Storer says “in oceans and markets, there's enough randomness to frustrate our desire for perfection. Markets have an ebb and flow that traders must be aware of. What we want to do is to use the probabilities that we know to give us an edge to achieve success.”

On a recent family outing, Storer sat on a beach in San Diego, watching a powerful surf surge and retreat. “It was obvious that the surfers riding the incoming waves were greatly exhilarated,” he said. “As soon as they finished riding one wave, they rushed back out to catch another.”

But he saw another dynamic at work there, too, and says “when the waves retreated from the shore, some of the swimmers were overwhelmed by rip tides.” A riptide, he notes, is an area of sea where two different currents meet, making the water rough and dangerous. “Occasionally, someone would get too close to a riptide and be carried far from the shore. They were in danger of being swept into the open ocean.” The lifeguards, he said, were more than earning their pay in the day's turbulent waters.

Surfers, swimmers and traders make a series of choices that affect their results, [Storer](#) says. “What they decide to do determines success or failure in most cases. For us as traders, the more times the right choices are made, the more likely we are to avoid losing money.”

[Storer](#) says to beat the odds in a random environment, it helps to keep track of how each trade plays out by using a checklist. “What we want to do is to set curbs on the market to try to channel randomness to our benefit,” he says. Storer employs a checklist that includes a pre-trade evaluation, asking what is the trend's direction? Do I enter on chart support or a price breakout? What is my profit potential? What is my risk and does the trade's potential justify it? Can I afford that risk?

His checklist examines the trade itself. A main question on his list is: have I placed a protective stop? Protective stop-orders should be used when the trade is entered, he says. Stops are priced orders that aren't activated until the market trades at or through the required price. Then the order is soon filled. Stops can be moved into a low, no-risk or profitable situation when it makes sense to do so.

Storer's checklist also includes a post-trade evaluation or a look back at what happened. If the

trade was a winner, one question to ask is: did I get my target price? Also, did I manage my protective stop correctly? What will I do differently next time? And if the trade lost money, he asks himself did I get too close with my stop? Did I exit the trade because of my emotions? Was my target price hit? Was I trading with the trend?

Of course, not every trade will be a winner, Storer says. "Sometimes the market jumps the curb and we lose. That can't always be helped. The thing to remember is that our level of success will be determined by the quality of our tools and the consistency with which we use them."

"It isn't necessary to own a super computer to make excellent returns consistently," he says. But it is hugely important to use a checklist. "That way, there's no reason to feel guilty over a loss. If the loss was the result of a breakdown in your own discipline, the list helps you figure out what you need to work on." If a loss turns out to be the result of a shortcoming in methods, adjustments must be made, he says. But whether the trade won or lost, a checklist evaluation always provides benefits.

[Storer](#) says at an early stage in his career he expected to find a simple and reliable set of strategies for successful trading. Many years later, however, he is surprised by a vacuum of any practical information. "Traders need information that goes beyond theories," he says. "They need to know about strategies that are being used successfully by others."

By studying his [book](#), Storer says traders will learn to make checklists that help them weather rough waters and in the process build good habits for life. Storer 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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