



Don't Ignore The Short Side When Trading Stocks And Commodities *Opportunities to sell short are often missed, Phil Storer says in 'Chalk Talks for Traders'*

Dallas, Texas (November 2, 2010)...Stock and commodities veteran and author [Phil Storer](#) says investors in the habit of going long or buying markets often overlook their chances on the short side--or selling first and buying back later. Short sellers profit when a stock or a commodity declines and underperforms the market.

In his book, [Chalk Talks for Traders –Easy Xs and Os from a Proven Market Pro](#), released in April, [Storer](#) says "I never cease to be amazed at the fortunes missed because so many people are reluctant to even consider opportunities available through short sales. Some trades fit an investor's favorite methods but are never made because of his inability to think outside the box."

The accepted practice is to buy a stock or commodity and sell when it's higher, he says. "The idea of selling high and later buying back low for a profit can be a bit difficult to grasp at first," he concedes. But by considering short sales an investor can greatly expand his chances of winning.

He says it's important to notice that markets don't move straight up, but move up and down, and asks "does it make any sense to trade them only when they go up?"

[Storer](#) says "if you're someone who has avoided the short trade so far, I recommend that you sit down with charts from a variety of markets and look at the size and speed of movements to the downside. That exercise, I believe, will change your thinking."

In the stock market, short trading has been discouraged by regulatory obstacles, he says. For instance, under the U.S. Securities and Exchange Commission's "uptick rule," a short sale can't be made in a stock that is falling in price at the time. The rule is intended to prevent short sellers from driving down an already-battered stock through waves of sell orders.

But, says [Storer](#), "that is not the case in commodities. For commodity traders, it's as easy to go short as it is to go long. Open minded, commodity traders look at the chart of a down market and see opportunities to join it just as they would an uptrend."

[Storer](#) says one of his favorite techniques is to sell or go short a market the day after the first price reversal, or counter-trend close, on a chart. "This principle works in virtually any time frame," he notes.

[Storer](#) acknowledges that in the stock market, borrowing shares and selling them, with the intent of buying them back after the price declines, is a divisive issue. And when betting whether a stock's price will go up or down, long-term odds favor buyers over sellers. Stock prices tend to rise over time, and in recent history stocks have advanced by over 10 percent yearly on average. That trend is the result of this era's particular brand of capitalism. People invest in shares of a company because they expect the firm to use those funds to make profitable decisions that will drive the stock's value higher.

Traders who bet on the decline of a company, a currency, a metal or an entire stock market aren't always

popular. Betting that a stock will decline is betting against the prevailing current. Some of the country's most respected investors like Warren Buffett and Peter Lynch--the former manager of Fidelity's Magellan fund, don't sell stocks short.

Short selling has positive applications, however, [Storer](#) said. It can be used to protect portfolios against erosion during a broad market decline. An investor can diversify by adding some short positions so that he has positions that will make money whether prices rise or fall.

By shorting carefully selected stocks that are priced near their peak but look likely to drop if the broader market starts to decline, an investor can use profits from short sales to help offset losses in long positions. That strategy reduces the volatility in a portfolio's returns.

Don't ignore your chances on the short side, [Storer](#) advises. "Short trades are probably the most commonly missed opportunities in trading. What a shame it is to see so many profit possibilities overlooked."

He says that all of the trading tools presented in his new book work as well for the short side as they do for the long end. 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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