



Travis McKenzie

Lifestyle Trading

For many years Travis combined trading with his career as a lawyer until he finally tired of the corporate world in 2005. At this time Travis established his previously part time pursuit of trading as his full time endeavour. The difference being, Travis spent as little time trading as a full time trader as he did as a part-timer – he now had free time on his hands to pursue other ventures, namely lifestyle. Travis is a key member of the Trade With Precision trading team and Head of Online Trading, being one of their most highly sought after speakers and trading educators. Experienced in both intra-day and Swing Trading, Travis largely focuses on forex & stock markets where he applies his precision trading methodology daily. Travis runs the Precision Lifestyle Trader course where he teaches a trading strategy for people who want time to do more than stare at a trading screen – be that having a day job, running a business or laying on the beach. He is also a headline speaker for many corporations around the world.

TRADERS': When did you first get in touch with the stock market and trading?

Travis McKenzie: I was about 18 years old and had just started my law degree at university. I was in the library one day and started reading a magazine which listed the richest 500 people in Australia. I was shocked to find that nearly all of them had attained their wealth through either business, property or the stock market and there were no

lawyers on the list who had made their millions solely from practising law. I was always told to study hard, get a good job and you will become wealthy but the evidence in front of me contradicted that. It was that magazine that started my passion for stock markets, property and business.

TRADERS': Do you remember your first trade?

Travis McKenzie: I do not remember my first trade but I

started my trading career by trading Australian stock options. This was pre 2000 so CFDs and Forex were not available to retail traders. Options were the most popular way to trade stocks on margin back then.

TRADERS': What do you think was the most important lesson on the way to becoming a professional?

Travis McKenzie: During my trading career there have been

three very clear 'aha' moments which really changed the way I traded which were instrumental in transforming me into a professional trader.

The first 'aha' moment occurred when I asked myself what was a realistic return I wanted to achieve on my trading account each year. I thought that if I could make anywhere between 50 per cent to 100 per cent per year then I would be extremely happy with those returns especially if I could do that year on year for the rest of my trading career. I then broke that down into bite size chunks and I realised that if I risked only one per cent of my account on any one trade and aimed to make at least one per cent profit per trade (i.e. a reward to risk of at least 1:1 per trade) then I would only need one profitable trade per week in order to make approximately 60 per cent per annum (compounded weekly). This realisation instantly took the pressure off. Instead of trying to day trade and place lots of trades each day I realised that I just needed to become more selective about which trades I took and focus on finding that one or two perfect trades each week.

This then led me to have my second 'aha' moment which was when I realised that I had been misled by the so called "experts" in the books and

seminars I had been reading and attending into believing that there was only one style and market that I should be trading if I wanted to make consistent profits. Upon realising that I only needed one or two good profitable trades each week this made me question why I was sitting in front of my screens day trading for ten hours a day. At this point I assessed what lifestyle I wanted trading to give me and for how long each day I wanted to trade and at what times. I then let those factors decide for me what markets I should be trading. I stopped day trading and instead started to swing trade stocks off daily charts, swing trade commodities off 60 minute charts and above and day trade and swing trade forex off 15 minute charts and above. This change allowed me to dramatically reduce the number of hours I was spending in front of the screen each day and allowed me to scan across a large number of markets and timeframes in order to find the very best trading opportunities. Quality of the trade, not quantity became my new focus.

The third "aha" moment occurred when I realised that keeping a spreadsheet of my past trades was useless in assisting me to become a better trader. It was cumbersome when trying to review my trades at the end of the week, month or year as it meant

I had to trawl through my charts looking for the exact location where I got into a trade and then I could see the result which always affected how I would now assess the trade during the review. As it was a pain, I usually ended up not doing any sort of meaningful review of my past trades.

Someone then suggested that I take live screenshots of my charts at the exact time I placed an entry order. The two biggest benefits of this was that it meant when I went to review my trades I no longer had to trawl through my charts trying to find the exact location where I got into the trade and it also allowed me to look at exactly the same set up I was looking at when I took the trade. This allowed me during my reviews to see if I flawlessly executed my trade plan regardless of what the trade's outcome was.

One of the keys to improving your trading is that you must flawlessly execute your trading plan. Taking screenshots will allow you to do that. Stop focusing on whether the trade was a winner or loser and focus on flawless execution instead.

TRADERS': Have you ever had exceptionally large losses – or profits – at single trades?

Travis McKenzie: I have never had an exceptionally large loss on any one trade because from my very first trade I have always

F1) AUD/USD 60 Minute – Entry



A near perfect example of how the PLT strategy can get you position at the very start of a new trend with a low risk, high probability entry.

Source: www.tradestation.com

F2) AUD/USD 60 Minute – Exit



This chart shows the benefit of locating trends as they begin and riding them for as long as possible. Half of the position was closed out at a 1:1 reward to risk and the second half's stop was trailed to the high of the new swing highs.

Source: www.tradestation.com

used money management and stop losses. I occasionally may have a stock trade gap over my stop but this is extremely rare because I am very careful not to trade stocks which have a history of gapping and I never hold a position through company announcements.

TRADERS': Please tell us about your views and concepts of technical and/or fundamental analysis.

Travis McKenzie: I would have to say that the biggest difference between my style of trading and the mainstream style is that I do not just focus on one market. Most traders I talk to will say "I am a forex trader" or "I only trade the Russell intra-day". I use to focus purely on one or two markets but as part of one of my "aha" moments, I realised that the best method for me to be able to find my one or two perfect trades each week would be to scan across a large number of markets and timeframes. I only have five set ups that I am looking for, and nearly all of them are applicable to any market and any timeframe. So regardless if I am looking at a forex, commodity or stock chart I will trade them all the same using the same set ups.

As I am scanning so many markets I need to be very strict on the criteria I am applying to my set ups, so I have checklists of all

the factors I am looking for before I will take a set up. I break these factors into essential factors and bonus factors. Unless all the essential factors are met I will not even consider taking the trade. After completing a scan across all the markets I watch I might come up with five set ups that meet all my essential factors. Out of these five I will only want to enter the best one or two set ups. So in order to establish which two are the best I will apply my bonus factors. I have a scoring system where each essential factor is worth one point and each bonus factor is worth 0.25 points. The one or two set ups with the highest scores are the set ups I will enter if they trigger.

People are often amazed when I say that I will scan through approximately 500 stock charts by eye without the use of any automatic scanning tools in less than 20 minutes. But if you are strict on what essential factors must be present before you would even consider entering a set up then this will dramatically decrease your scanning time.

TRADERS': What is your edge in trading?

Travis McKenzie: I am not trying to pick tops or bottoms. 95 per cent of my trades are taken in the direction of the trend, so I am happy to find a trend and take a small chunk out of it. This is why

I focus so much on scanning a large number of markets and timeframes as this gives me the best opportunities to trade those markets that are trending beautifully right now.

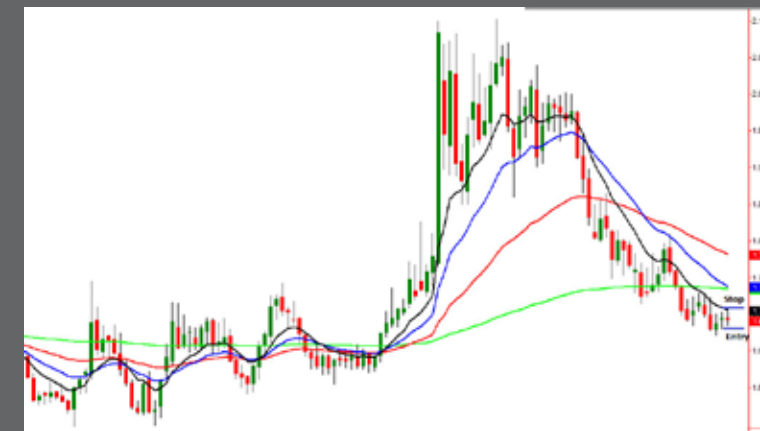
In my opinion one of the biggest mistakes traders make is just focusing on one market and continuing to trade that market when its conditions are no longer favourable. Whilst their market of choice is trending they will often see good profits, only to give all those profits and more back when that market enters into a period of consolidation or erratic volatility. The question I always pose to traders in this situation is "why not just focus on markets that are trending right now and ignore the rest? Stack the probabilities in your favour by only trading trending markets".

Whilst that might seem like a small edge, I have found that it is sometimes the most obvious things that traders ignore and that is why they struggle to make consistent profits.

TRADERS': Please could you describe a few of your trading strategies/setups?

Travis McKenzie: Let me introduce you to what I call my Precision Lifestyle Trade (PLT). The set up was specifically designed so it could be traded across any market and any timeframe. It has eight essential

F3) EUR/AUD Weekly – Entry



Weekly chart entries do not occur all that regularly but when they do they are a perfect opportunity for a trader to enter a longer term swing position which could last weeks to months. The perfect set and forget opportunity.

Source: www.tradestation.com

F4) EUR/AUD Weekly – Exit



The trade was broken into two parts with the first half being closed out for a 1:1 reward to risk and the second half's stop was trailed down to the new lower swing high where it was finally stopped out nine weeks after entry.

Source: www.tradestation.com

factors and another twelve bonus factors. I am happy to discuss a few of those factors for you. This strategy can be traded long or short, I will just discuss the set up on the long side. You will notice in the screenshots I have provided that I have cut off the axis so you do not know what timeframe or market I am taking the trade on. I do this on purpose whenever I teach traders this strategy because I am trying to reinforce the point that a chart is a chart and it does not matter what market or what timeframe it is as I will still trade the strategy the same. I have provided the live screenshot I took as I placed my entry orders.

The first essential factor which I apply to all my strategies and which assists in dramatically reducing scanning time is to only trade markets that are currently showing what I term optimal chart structure. What I mean by this is that I want to find a smooth flowing chart that is trending or ideally just starting a trend. I do not want charts that have a history of gapping, erratic price action, long tails on the candles or no trend. Regardless if a chart meets all of my other remaining seven essential factors if optimal chart structure is missing then I move straight onto the next chart.

The second essential factor is that price must be trending on your set up chart and at least the

next higher timeframe. I establish trend by using detailed price action analysis. You do not need fancy indicators to tell you if a chart is trending or not, all you need to know is contained in the price action itself.

The third essential factor is that price must have pulled back to what I refer to as the buy zone. This is based on a combination of price action analysis and moving averages.

The fourth essential factor is that you need a small candle to form in the direction of the trend, i.e. green candle for a long.

In addition to these four factors I have another four essential factors that must be present before I would even consider taking the set up and another twelve bonus factors which will tell me which of those trades that passed the essential factors are the very best trading opportunities.

My entry criteria is very simple. I am looking for the next candle to break the high of the set up candle. I will place a buy stop one tick above the high of the set up candle with my stop one tick below the low of the set up candle. In order to free up my time I am setting my orders up and then walking away from my screen. I never enter this set up on a market order.

I have no hard and fast rules for my profit targets as I typically will

allow the chart I am trading off to indicate to me where sensible profit targets might be. This could mean I scale out half of my position at a reward to risk of 1:1 and then trail my stop below the most recent swing low for the remaining half. Or I might go for a much bigger run on my first half before scaling out. It is important that you let the charts tell you where to put your profit targets and not try to force your opinion or rules upon the market.

As my stops are reasonably tight for this set up, it means the win to loss ratio is reduced. But I find this is more than compensated for by a very high reward to risk ratio. So it is important with a strategy such as this that you let your winners run as far as possible.

TRADERS: Do you also scale into positions?

Travis McKenzie: No, I do not scale into positions.

TRADERS: Please could you briefly outline your risk and money management?

Travis McKenzie: I absolutely will never risk more than one per cent of my trading account (often it is actually much smaller than one per cent) on any one trade and I will never have more than three per cent of my account exposed to one asset class at one time (i.e.

F5) GBP/USD 15 Minute – Entry



Personally, I prefer the PLT strategy on 60 minute charts and above, but this is a classic example how it can still be used to trade the lower timeframes.

Source: www.tradestation.com

F6) GBP/USD 15 Minute – Exit



Once again the key to the strategy is to lock in a breakeven trade by scaling off half at 1:1 and then trailing the second half's stop for as long as possible with the hope of catching a big trend.

Source: www.tradestation.com

no more than three equity trades open or no more than three Forex trades open).

I am a big believer that you must stack your reward to risk in your favour so as a minimum I aim to make at least a reward to risk of 1:1 but typically I aim to make much more than this. If you can do that consistently it will mean that even with a win to loss ratio of only 50 per cent you will still make money over a large sample size of trades.

TRADERS': What kind of orders and stops do you use?

Travis McKenzie: 99.9 per cent of my orders to enter trades are either stop or limit orders. I very rarely use a market order to enter a trade. As I have discussed I have very strict criteria for entering a trade and this allows me to identify trades in advance, put my orders on and then walk away from my screen.

In the past I found that when I was using market orders it was because I had actually missed the ideal time to enter the trade and I was now chasing the price as I was scared of missing out on a trade. If I now identify a trade but it has already past my correct entry level I am more than happy

to let it go because I know there are plenty more great set ups just around the corner.

TRADERS': What is the course of events on one of your typical trading days?

Travis McKenzie: I typically scan

“In my opinion trading psychology is all about your focus.”

the forex and commodity markets about five times a day. I try to evenly space my scans out over the time from when I wake up in the morning until I go to bed at night. Each scan only takes me about 15 to 30 minutes so this is not a huge drain on my time.

When trading stocks I always ensure I am at my screens for the first 15 minutes of the session. The reason being I do not like to place orders outside of market hours just in case the stock I am thinking of trading gaps the next day on open. If you have your orders in the market you may be entered into the trade at a much worse price than you wanted. I am very strict on my money management rules so I have to be 100% sure that I am getting in at the price I want. But once

the markets have opened and I am happy that the stocks I am watching have not gapped I will then put my orders on and walk away and I typically will not look at them again until the next day. The Australian and UK stock markets are my two preferred markets as they fit in well with my lifestyle and when I wish to trade.

My style of trading leaves me with plenty of spare time to spend on my other business interests such as Trade With Precision where I pass on my trading expertise to other traders.

TRADERS': What has been the hardest part in your trading?

Travis McKenzie: It is definitely taking screenshots of every trade I take and then reviewing those screenshots in conjunction with my trading rules at the end of each week. It is the one task that has had the most positive effect on improving my trading but it has also been the thing that has taken the most discipline. The reason being that it is typically the last thing you feel like doing on the weekend or after a hard day but it is so vitally important to any trader's success. I honestly believe that if any trader incorporated this one task into their trading routine they would

see dramatic improvements. It is nearly impossible to improve unless you can test and measure what you have been doing in the past.

TRADERS': Any comment on trading psychology?

Travis McKenzie: In my opinion trading psychology is all about your focus. Traders usually are focusing on the wrong aspects of trading and this is why their psychology is all messed up. For example at the end of each week I do not look at my profit and loss and decide from that whether or not I have had a good trading week. My sole focus is on whether I flawlessly executed my trading plan for that week. Without live screenshots of your trades and strict checklists you are unable to do this and consequently most traders use their profit or loss for the week to guide them on how well they traded that week, which in my opinion is a very bad guide. Focus purely on flawlessly executing your trading plan and most of your psychological issues with trading will disappear.

TRADERS': What do you think are the best ideas for new traders to start with?

Travis McKenzie: It took me many years of losses before I had my three "aha" moments discussed above. Whenever I am working with a new trader I spend a lot of

time with them discussing those three points in detail and making sure they fully comprehend the importance of them. So I would encourage all traders who are not at the level they would like to be with their trading to sit down and spend a good day really thinking about those points. I know I would have shaved many years off my journey to becoming a professional trader if someone had explained those three points to me at the start of my trading career.

TRADERS': How do you enjoy your free time?

Travis McKenzie: I typically will take up to four weeks a year of holidays. When I am on holidays I like to close all of my open positions so I can totally switch off from the markets. My favourite holiday is either spending time in the mountains snowboarding or laying by the beach reading a book.

TRADERS': Will you ever stop trading?

Travis McKenzie: Never. I can see myself being in my 80s and still trading the markets. It has been a lifelong passion for me and I love the challenge it provides me.

This interview was conducted by Marko Graenitz.

