



# A TRADER'S INTERVIEW

Rajeev Shukla is a passionate trader. His tryst with the financial markets started in the year 2006. After witnessing one of the most brutal corrections of the Indian stock market in the year 2008, he decided to deep dive into Technical Analysis. Since then he has worked hard to discover his chosen and proven (back-tested) technical set-ups which coupled with very robust risk management principles make him a winning trader. He is the founder member

of Advanced InvesTrade Forum (AIF). He is a voracious reader and believes in the power of meditation to un-clutter the mind. Rajeev is based in Indore and is always available for the budding traders to share his experiences. The editorial team decided to interview him on the occasion of the first issue of Win@Trade. In a freewheeling interview he answered all the questions with utmost interest.



**Q: Let's begin. Name the trader who has influenced you the most?**

A: The answer can't be a single trader. Reading about Market wizards like Ed Seykota, Mark Minervini, Charles Faulkner etc. and other traders like Art Collins inspired me. Among the traders here, I can certainly name my three dear friends who have influenced me in one way or other – Himaanshu Kansal, Raju Chowksey & Naresh Vijayvargiya.

**Q: A book related to Trading that you would love to read again and again?**

A: Again, answer can't be one. I enjoy Market Wizard Series by Jack Schwager a lot. Books & works of Gann, Art Collins, Howard Bandy, George Lindsay, Nick Radge, Brent Penfold, Van Tharp to name a few are also very good.

**Q: What's the minimum duration needed to succeed as a trader?**

A: It varies from trader to trader. As Malcolm Gladwell says, **10000 hours** is minimum needed for mastery. So, at the rate of 10 hours/day, it takes us to 1000 days or roughly 3 years or so. Obviously, this never ends but is rather a continuous journey.

**Q: What's the minimum amount needed to be a successful derivative trader?**

A: In the Indian markets as per my calculations and experience a derivative trader needs to have minimum of Rs. 2 million to start derivative trading. Of course, this varies based on risk profile & experience of the trader.

**Q: What characteristics are needed for a trader to succeed?**

A: A trader needs to possess or develop many traits such as- Discipline, flexibility, innovation, ideation ability, imagination, accepting uncertainty & risk as part of the game, open mindedness to newer ideas, simplicity, humility, gratitude & many more. A trader can develop a checklist & improve whatever is missing in her. Start with moderate expectations. Focus & master only a few instruments first.

**Q: Which chart do you rely on? Linear or Log?**

A: Linear charts are best for me but if price has moved fast, say 3 times in less than couple of years, check log charts. Also, if charts are being seen for more than 3 years log chart helps.

**Q: How do you prepare for your trading day?**

A: I prepare for trading by looking at charts & levels a day before. I run my trading screeners, select my stocks etc. for trading following day. All levels are noted for the following day. I am always aware of all open positions, my equity curve & other risk metrics. My day begins with exercise for 15-20 minutes or so, followed by meditation & reading. An overall feel of world markets is seen & then trading begins.

**Q: Which is better – Systematic or Discretionary Trading?**

A: For traders with less than 3 years of experience, it can only be systematic trading. After that an element of Discretion can be added or complete discretionary trading can be undertaken.

**Q: What metrics are important for systematic traders in back-testing?**

A: For me, CAR/MaxDD, Drawdowns, Win%, P/L, Expectancy are absolute basics for any systematic trader. Later on, MAE, MFE, Ulcer index etc. can also be seen. Forward walk & Monte Carlo simulation are also important.

**Q: What about indicators?**

A: ATR is the single most important measure for me which I use. I use none of the other indicators, though I have used some of them earlier.

**Q: You have back-tested many systems. What are the other benefits of back-testing apart from the obvious ones?**

A: The biggest benefit of back-testing is that it separates myths & false beliefs from reality of trading. Other benefits include knowledge of impact of slippage, exposure to markets, frequency of trades & overall feel of system to be traded. I see many myths prevailing amongst market participants, which is exactly why a system trader takes is able to make money from them.

**Q: Say something about Price.**

A: Price is supreme. Learn by heart OHLC of your working time frame. Watch reactions at those levels. Fibonacci levels I use – 0.5, 0.618, 1, 1.27, 1.618 for retracements & extensions. ABCD harmonic is good. Gann numbers also work well. I watch them in options, say at 225, 145 etc. but Price pattern is supreme.

**Q: Your view on Time / Cycles.**

A: Have awareness of days/ bars of moves. Be aware of the cyclical nature of markets. Be aware of big cycles all the time. Be aware of past prices, esp., 1 year, 1 month & 1 week back.

**Q: What is your approach when you hit upon a new trading idea / method / system?**

A: My approach for a new idea is observing visually for past scenarios how it might have behaved in markets. I generally back-test that idea as soon as possible & take few trades. Sometimes, an idea gives us a better perspective of markets without actually influencing trading. E.g. - In some of my methods, longs give better returns if bottom is made when VIX>21 & shorting gives better returns if VIX<21 but mostly I trade without

influence of VIX, so it's only an awareness & nothing more. However, paper trading is a worthless exercise.

**Q: Describe your Entry techniques.**

A: If a price pattern happens like Raju sir's 2B/ 2T, Dow 123, TL break, Reaction from 0.5 retracement etc. enter 50-66% of intended position. Enter remaining at either near SL using MAE or if position moves in favour. Use of MAE improves both Win% & P/L of a system.

**Q: How do you plan your exits ?**

A: Markets are trending (fast linear directional moves) usually only 30% or so of the time, remaining 70% is choppy/range bound/ non trending activity. Combine 2 systems – trend following + mean reversion on same underlying, that way draw-downs are reduced and equity curve also gets smoothed. What if we don't have such varied systems, the best course is very simple again. Trailing SLs work best in trending markets, whereas Targets work best in range bound/ choppy markets. After taking positions, we sell 50% on targets and trail 50%. This is not certainly the best course of action but it gives us faster profits, decreases market exposure time (reducing market shocks probability), faster compounding, lesser giving away of open profits back to the markets, thus finally giving us peace of mind while trading.

**Q: What risk management techniques do you use?**

A: Set realistic goals & OGTAAT.

Individual Trade risk to be < 0.1% of overall portfolio.

Yearly risk < 12-15% of portfolio. (Maximum drawdown tolerable).

Monthly risk < 1-2% of portfolio.

Weekly / Daily risks to be adjusted based on above metrics.

Open risk of all positions < 1% of overall portfolio at all times.

The goal is always to be 0 or more / every month from previous month closing equity curve.

Undersize on all event days. Trend days are to be milked to maximum. **Hard SL** is to be placed always.

**Q: OGTAAT. What is that?**

A: **OGTAAT** is One Good Trade At A Time. It is a state of Zen / Flow of trades in which trader focuses singularly on open trade or the trade to be opened, where she sticks to the plan as closely as possible & has a clear Zen like focus

on that one trade. Once it is closed following OGTAAT philosophy, she moves to the next & this process is repeated.

**Q: Your longest losing streak? What did you learn from that?**

A: As for losing streaks, I can recall in 2011 where I had a drawdown from peak of roughly, 15% after consecutive losing trades for 2 months. That was mainly because of not placing SL, placing big counter-trend bets & trying to recover losses quickly. Obviously, these were major errors. Nothing major happened after that so as to unnerve me. I am always under-leveraged. I start small & respect SLs – these are very important.

**Q: Do you maintain a trading journal? How often do you go back to it?**

A: I have an Excel working sheet wherein everything is calculated. I visit it daily to check SL, portfolio heat, open trade status etc. I also write notes in my diary which are mainly ideas & logic for back-testing. P&L sheet is generally seen once a week to see yearly, monthly metrics etc. That's it.

**Q: Instinct, Gut-feel etc., do these help in trading?**

A: At times yes. Intuition is the highest faculty known to man but it can only be developed through training, observation & meditation. However, I would rely more on my levels & systems. Discretion should only be applied by traders who have been trading for more than 3 years. Gut feel, instinct of a trader trading for less than 3 years is that of a novice. Of course, there are exceptions at times.

**Q: What's your take on Algo Trading?**

A: Algo trading is good till it lasts. An element of discretion of very experienced traders at times may improve it.

**Q: You advocate combining Fundamental with Technical for building wealth in the long term. Really? Is it feasible?**

A: Absolutely, that is the secret to long term wealth as it combines best of both worlds. Though, it is very demanding to create a model to that effect. My dear friend – Himaanshu Kansal & I have been working on few models for few years & results have been rewarding to say the least.

**Q: What doesn't work in trading?**

A: In my opinion these things do not work - Complicated option spreads, Untested hocus-pocus, Long complicated trading logic, Common crowded trades, Discussing open positions, Arrogance.

**Q: Tell us some useful working aspects of trading.**

A: Follow trend, Find low risk opportunities, Respect Stop-Loss, Do Stop & Reverse, Take multiple entries, Whipsaws are part of trading.

**Q: What else can make one a successful trader?**

A: Meditate, Contemplate, Read trading books, Have good company, Cut the noise, Enjoy uncertainty. Become a member of **InvesTrade**, of course!!

**Q: It is said that psychology plays a major role in being a winning trader. Is it easy to mould one's way of thinking?**

A: Psychology holds the key to ultimate success in any field including trading. With practice & effort a trader can mould his psychology to that of winning trader.

**Q: A terrible mistake in Trading that you remember?**

A: I remember a blowout in 2006 when I bought Nifty OTM options with all my small capital & was wiped out. So, that taught me importance of risk management.

**Q: Where do you see yourself 10 years from now?**

A: Ten years from now, I see myself trading better than ever. Hopefully, accumulated wealth would give me freedom to spend more time with my family, friends & pursue my passions like exploring, reading etc. Though surprisingly, even now I do all these things albeit to a lesser extent.

**Q: What are the big mistakes that traders usually commit?**

A: Three big ones to be avoided like plague are: Sticking to losing positions after SL. Revenge trading. Non back-tested methods of trading.

**Q: One last question. How has AIF helped you?**

A: AIF (Advanced InvesTrade Forum) has given me more than I could have ever imagined. It has taught me literally most of what I know in trading till now. It has given me company of some of the best trading minds in India. It has given me lifelong friends. Happy Trading...