

TRADER'S STORY

Get to know your fellow traders. YTE speaks to trader **Stephen Parnell**

As an owner of two family businesses, Stephen Parnell has largely been a part time trader. However, as he withdraws from the daily grind, trading is starting to occupy a lot more of his time. Originally from Sydney, Stephen now lives in Perth and spends a lot of time at his holiday house on the beach at Dunsborough (Margaret River area); and even though he is approaching 70, Stephen barely feels 45!

How and when did you first become interested in the markets?

Back in the day, part of my agricultural career involved international commodity trading which involved hedging the commodity on the NYSE using futures – I only observed from the sidelines as all the hedging was executed by the head office in America. However, it was absolutely fascinating watching the hedging process.

In the late 1990's I received some shares from one of Australia's largest insurance companies as we had policies with that company – I did not really know what a share was but eventually they were sold for a nice little profit. "WOW, is it this easy to make money", I thought.

And then what happened?

I purchased a "black box system" for several thousand dollars and opened the software each evening after work to see what I had to buy and/or sell on the Australian share market – no analysis or interpretation required, just do what the computer tells you to do. I never made one dollar!!!!

In the early 2000's I attended a weekend seminar on how to trade options. It was fascinating and exciting but it led to no financial success. I learnt very quickly that you will never understand the stock market in a two-day course.

Then I invested some \$17,000 on a course based on trading the daily chart and predominantly using CFD's as the vehicle. The course focused on what to do but not how to do it – there went another bank!!

I was determined to "nail this trading thing" but had to find someone who really knew what they were talking about and who could impart that knowledge to me.

I wanted to learn to trade so that I could take charge of the "cash" component of the family superannuation and not pay someone a lot of money to either lose money or tweak out a meagre return with hefty fees.

How have you been able to learn and educate yourself about the markets?

In 2013, I subscribed to a book written by a gentleman by the name of Dale Gillham called "How to Profitably Trade the Share Market" – what a read! Then in mid-2014 I completed the Trading Mentor Program conducted by Wealth Within - this was the "eye-opener"

and the turning point for me. Dale had a very long telephone discussion with me to understand my past trading education and to try and understand my "why" for wanting to trade.

In October 2014, I undertook the Diploma of Share Trading and Investment and I am now completing the Advanced Trading Strategies Course, after which my goal is to complete the CFD Course in 2020 with Wealth Within.

I have also attended the last four Art of Trading Workshops conducted by Wealth Within – another vehicle that turned my trading around.

Did you make mistakes when first starting out?

Absolutely. The first one was not identifying the correct organization/methodology to educate me early enough. Second was to rush into the market and forget to put together my trading plan and place a stop-loss, as I just wanted to be in the market.

Would you define yourself as a discretionary trader, a mechanical trader or a combination of both?

I am now very much a mechanical trader with a set of unambiguous rules and strict money management rules. Having said that, there has been the odd occasion where I have thrown into the mix a "little splash of art". This is about using all you know to make an educated decision, rather than just relying on a mechanical approach.

Who have been some of your mentors and role models? What impact have these people made on you personally as well as on your trading style?

Without a doubt, Dale Gillham and Janine Cox from Wealth Within. In addition to the skills based education and the psychological training they have provided, they would have to be the most supportive and encouraging people to ensure you achieve your trading goals.

My family has experienced some "trying issues" in the last 12 months and I almost gave away trading and furthering my education – it was Dale, Janine and all the team at Wealth Within that stood by me, supported me and gave me the encouragement to continue and succeed.

Can you give us a brief overview of your trading style? .

I employ a very systematic approach:

- (a) At month end I scan the ASX 50 and ASX MidCap50 using the monthly chart to explore opportunities. Those stocks that indicate interest I analyse on the monthly chart looking at:
 - Price Analysis
 - Price Clusters
 - Pattern Analysis
 - Elliott Wave Analysis
 - Trend lines



- (b) I also look at the fundamentals being predominantly Dividend Yield and EPS – I glance at the PE ratio but I am not too swayed by it.
- (c) Stocks of further interest I back test for entry and exit strategies using the weekly chart include
- Dow – trade through or weekly close
 - Swing – Trade through or weekly close
 - Trend line
- (d) Stocks that perform on a preferred strategy, which I have determined by back testing, I place on my Watch List.
- (e) Each Friday night or weekend, I review my watch list to check for possible entries.
- (f) For those stocks that meet the entry criteria, I prepare my Trading Plan and then wait until at least 10.30 AM the following Monday to place my trade(s).

Is there any one trade (win or loss) that had a profound effect on your development as a trader? If so, what did you learn from the trade?

In June 2017, I bought CSL and held it for 464 days to make a profit of 49.5%. There were many times when I thought I should exit because I had made good money but there was no exit signal

- the moral is to stick to your trading plan.

Can you tell us about your best and worst trades?

Perhaps I should tell you about my worst trading period from October 2017 to October 2018 when I had seven successive losing trades. Why? Psychologically, I was not in the right place to be trading because of external happenings but I continued to place trades. I think the lesson learnt was if you are not in the right physical shape and the right psychological mindset, you are better to withdraw from the market.

Would you classify yourself as a short-term or a long-term trader? What advice would you offer to people getting started as traders on the relative merits or otherwise of each?

I consider myself a medium-term trader looking for cash flow and capital growth.

For people getting started, my message is – GET AN EDUCATION! You will never learn to trade properly from a YouTube clip, a single book or what I call a “razamatazz” weekend workshop, where promoters promise to make you successful in a weekend.

For those who are trying to do this, you should be asking yourself “Am I really serious about trading profitably?” If your answer is yes, then just take the time and invest in your education. Yes, you will spend a lot of hours studying, reading and back testing stocks, however, you will gain so much.

What markets do you trade and which markets do you prefer? Do you have a favourite, and why?

I trade Australian equities, with a focus on stocks in the ASX 50 and ASX MidCap50.

What makes your trading style different from others? What sets you apart from other traders?

I do not think I am too different from other traders, however, these days I am very regimented in my trading style and most times very mechanical in my approach.

I have a checklist I must complete when analysing the monthly chart and when analysing the weekly chart for an entry/exit – if I cannot place a tick against each box in the checklist I do not place the order – mind you, as mentioned above, there have been some occasions where “the splash of art” has over-ruled a mechanical decision. This comes with experience and being able to trust your analysis.

I have to admit that I have placed 2.5% of our SMSF aside for trading high tech stocks – biotechnology, stem cell companies, lithium mining – this strategy gives my wife a real interest in shares and support for what we are doing with our SMSF. These stocks are still traded the same way I trade larger companies, using my “mechanical approach”.

Do you have a favourite trading rule?

Yes, I have three really important rules in fact for my preparation and trade management: One, make sure I complete my big picture analysis using the monthly chart. Two, always complete my Trading Plan with strict money management rules and stick to it! Three, never enter an order without immediately placing a stop-loss.

Ed Seykota says, “Everybody gets what they want from the markets.” What do you ‘get’ from the markets?

I get to control my future by enhancing my cash flow which allows my wife and I to explore what we wish in our later years – I am passionate about trading!

We would like to explore other countries, particularly their culture. Because we will have the cash to live a comfortable life, we would also like to assist others less fortunate than us.

We have completed part of our exploration into things we are passionate about by recently spending two years training a beautiful Labrador-retriever (for Guide Dogs WA) from the age of

8 weeks to 2 years to become a working guide. Unfortunately, he has now been withdrawn as a working guide dog because he is too noise sensitive and is now a companion dog. The positive side to this story for us is that we have been able to adopt this beautiful dog.

How has trading affected your lifestyle?

I no longer stress about the return I am achieving on the cash in our superannuation.

While I have managed large companies with many employees, trading has tested me far greater than having to report to a Board of Directors – Why? Because you are competing against yourself.

What books, seminars and courses have you read or attended and which would you recommend?

Wealth Within’s Diploma of Share Trading and Investment and Advanced Trading Strategies Courses are an absolute must if you want to go down the path of financial independence.

Books I have read and would recommend:

- Trading For A Living (Dr Alexander Elder);
- Trading In The Zone (Mark Douglas);
- Trade Your Way To Financial Freedom (Van K Tharp); and
- Accelerate Your Wealth (Dale Gillham).

What does the future hold for you?

A little more education, expansion of my trading bank within the family’s SMSF, undertaking Wealth Within’s Forex and CFD Course and getting into CFD trading in 2020 excites me.

Trading within our SMSF is now achieving a net return which is almost three times that being achieved by the company that managed our money. If this continues, apart from investments in other asset classes, the substantial cash flow from trading will allow my wife and I the opportunity to see other parts of Australia and the world.

I would also love to buy a nice boat to keep down at Margaret River but I think my wife would rather invest in the Margaret River wines! 