

Penny Stocks 101

[Infographic]



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Penny stocks are common shares of small public companies that trade at low prices per share and can produce major profits for savvy investors.

Volatile can be extremely profitable for investors with the right strategy and ability to take on additional risk.

Many legitimate microcap companies offer lucrative opportunities, despite the bad rap that scams and manipulators have given penny stocks.

Always respect risk

Penny stocks are thinly traded

Never invest more than you can afford to lose.

Some penny stocks aren't required to disclose as much information as blue chips and others.

Like and investment, trading penny stocks involves risks.

Prices are volatile and things change quickly.

Beat the hype

Always do your homework.

Watch out for puffed-up press releases that promise explosive gains.

Consider betting against stocks that are pitched to uncover the phone. Scams will inevitably fail, this is guaranteed.

Investing in industries that you know gives you the benefit of experience.

If you can't find reliable data, move on.

Choosing winning investments

Success in trading penny stocks

Install key rules and stick to them.

Don't be afraid to cut your losses.

A smaller account can move in and out stocks at ease, taking small profits of 50-75 cents/share.

What to look for

Companies that post solid earnings.

Have recently secured new contracts.

Exhibit heavy insider buying.

Exceeding 52-week highs on volume of at least

	a quarter million shares a day.
Rules to live by	
Realize small losses and small gains protects investors from big losses.	Get out of trades when they don't go your way, even with gains.
This includes taking a smaller profit when the stock doesn't behave exactly as expected within a short time of the trade.	Shorting penny stocks is no cakewalk buy can turn 30-70% profits in a day.
Be able to go both long and short.	Stigma towards penny stocks creates predictable patterns.
Keep a detailed trading diary on Profitly is key to figuring out what trades and patterns you should increase or decrease.	Ignore no-volatile, illiquid penny stocks every company has a "great" story. Focus on actively traded stocks that are in play and moving quickly.
Be humble. It's okay to be wrong if you cut losses quickly, you only have to be right most of the time.	

Remember	
A well thought out strategy with key rules in place and a smaller account that can move in and out stocks at ease, taking small profits of 50-75 cents/share, has the best odds of success. Learn to ignore your ego and admit a wrong decision and you're off to a good start.	