

### Penny Stock Trading Guide

# 5 Tips To Trading Penny Stocks Like The Pros!

PLUS 40 Penny Stocks To Research Today!

If you ever wanted to trade penny stocks, this is where you start!

### START HERE: The Penny Stock Trading Guide

Welcome to our guide to trading penny stocks.

I don't care if you've got 40 years of experience or are just "Thinking" about trading penny stocks... This is the place you need to start.

In this guide I'm going to walk you through 5 tips to trading penny stocks like the pros. And, I'll even share a few insider observations to really advance your penny stock education!

I'm going to expose some common myths about penny stocks... and blow the doors off some of the long held beliefs and rules of thumb traders are always talking about... so hold on tight.

Remember the best way to avoid getting scammed is to get educated about trading penny stocks... and think of this guide as your educational roadmap!

So, let's get started...

### Really, What Is A Penny Stock?

This is a question I get asked all the time... And the funny thing is, there is no official definition.

Some believe penny stocks trade for under a Dollar... Some say penny stocks trade for under \$5... and yet others say penny stocks trade for less than \$10...

What REALLY is a penny stock?

In my world, penny stocks are small companies with stock prices under \$10.

You can buy 100 shares for less than \$1,000.

Plus, many good companies trade for less than \$10.

Remember, often small companies can experience massive growth.

Believe it or not, small companies have a long, LONG history of outperforming the rest of the market because of their growth potential... and that's what I'm after - GROWTH.

Here's the takeaway, at the end of the day, you and I shouldn't care what the price of a penny stock is... only that WE make money from it!

So regardless of whether you think a penny stock is \$0.10, \$1, \$5, or \$10... just keep trading!

That brings us to the next question...

#### Who Should Trade Penny Stocks?

Now this is a great question...

Unfortunately, penny stocks are not for everyone.

Do a little self analysis and think about why you're trading penny stocks...

The big reason why you trade penny stocks is to record a huge gain.

Just look at this classic penny stock... Pier 1 Imports (PIR)

This chart of Pier 1 Imports (PIR) shows the huge gains possible with penny stocks.



PIR – generated huge gains – 22,990% for shareholders over just a couple of years.

Here's how the numbers work out...

On March 13, 2009 PIR closed the day at \$0.11 a share... that's right eleven cents. A few years later, by May of 2013 you could sell those same shares for well over \$24 a share. The peak value was a whopping \$25.29 on May 15, 2013.

That's a 22,990% gain!

Think about it, a \$1,000 investment would have got you 9,090 shares. Those shares could have been sold for over \$229,886!

Nobody really buys at the absolute bottom and sells at the very top... but really, would you have been upset with even half of those gains?

That's why traders LOVE Penny Stocks.

But, penny stocks are risky. So you can't be trading with money you need for your mortgage or rent... or food... or for your kids education.

Penny stocks require research... and that takes time. If you don't want to commit to putting time into reading and studying about penny stocks... then they probably aren't for you.

Penny stocks require your constant attention... You don't need to look at them every hour of every day... but, you can't ignore them for years and years.

So, if you don't like spending a little time every few days or weeks reviewing your investments... you might be better off in a mutual fund.

With that said, penny stocks offer an exciting way to profit from the market – if you do it right.

So, you've decided you want to try your hand at trading and investing in penny stocks... alright let's keep going...

#### 5 Rules to Profitable Penny Stock Trading

As I mentioned, in this report I'm going to share 5 rules to help YOU make money with penny stocks...

We'll start with an important detail about investing, discuss strategy, talk about tracking the industry with the Russell 2000, we'll touch on the best penny stock brokers, then we'll talk about how to find a great penny stock.

So, here's the first rule of penny stock investing...

## Penny Stock Rule #1 – Nobody Cares For Your Money More Than You!

Let me say that again... rule number one of penny stock investing is "Nobody cares for your money more than you!"

So, no matter what happens, the responsibility is on your shoulders.

If you trade penny stocks (or any stocks for that matter) bad things can and do happen.

People lose money. People lose A LOT of money. It happens.

But you can't blame:

- The management team
- Your broker
- The markets
- The Fed
- Some stock promoter
- Your cousin with the hot tip
- Or the writers in your favorite financial publication

Seriously, it's your money, and if it disappears... if you lose it all... nobody is going to support you in retirement.

We're going to talk about brokers in a bit... but think of it this way... if your broker gives you a hot tip and you lose all your money on it – is he going to let you live at his house and eat his food in retirement?

Of course not.

The same thing goes for the scammers out there.

Trust me, penny stock scammers are everywhere... and they've been around forever. Their goal in life is to separate you from your hard earned dollars.

So, just keep an eye on your money... and if anything is uncomfortable, or you don't understand an investment... then don't make it. Put your money back in your pocket.

There's always another investment around the corner.

So one more time – "Nobody cares for your money more than you!"

And this brings us to penny stock rule #2...

### Penny Stock Rule #2 – Focus On ONE Penny Stock Strategy

This is the biggest mistake I see penny stock traders and investors make. They pick a strategy one week, then the next week change it up... then a few months later they're changing it up again.

It's like a toddler on a sugar high.

There are hundreds and thousands of ways to make money in the markets... and that goes double for penny stocks!

EVERY SUCCESSFUL TRADER HAS a unique style and methodology.

There are hundreds of ways to make money... you just need to pick one and stick with it.

That's how you gain experience and knowledge... and that's how you become a better trader.

You can make money as a growth investor, or value investor, or dividend chaser, or turnaround specialist, or technical analyst. The ways to make money are limitless (I think I've said that before!)... but you've got to know your investing strategy cold.

Once you've figured out your Penny stock trading strategy you next need to determine when you should trade penny stocks.

### Penny Stock Rule #3 – Follow the Russell 2000 Index

When you look at the markets as a penny stock trader, you want to focus on the Russell 2000 index.

Why?

The Russell 2000 is an index or a group of companies. It's made up of the smallest 2000 companies tracked by the Russell 3000 index.

Is it a perfect index? Nope, not even close.

You see it includes a lot of companies that we'd consider too big to invest in. They're not all penny stocks... or even small cap stocks.

So why keep looking at this index?

It's like voting for a president – you pick the lesser of the two evils... here we pick the Russell 2000 because it's the closest thing we have to a penny stock

index. And it has a long track record we can use to our advantage when looking at trends.

It's better than nothing.

So, why follow the Russell 2000?

We need some way to compare what the penny stock market is doing compared to the rest of the stocks out there... and our own investments.

Just take a look at his chart from 2003 to 2008.



In it you can see the performance between the Russell 2000 – (the blue line and our gage of penny stocks) and the S&P 500 (the black line)— an index of the largest 500 companies traded on the US exchanges.

As you can see, performance was radically different.

As you can see from the chart, at numerous times over this 5 year period penny stocks outperformed the larger stocks by almost DOUBLE!

The Russell 2000 is a great way to measure your performance and have a target to measure yourself against.

To pull up a chart of The Russell 2000 you can use the ticker symbol RUT on most systems.

And that brings us to Rule #4...

### Penny Stock Rule #4 – Find The Best Penny Stock Broker

If you want to trade penny stocks, the bottom line is you need a brokerage account. And you should use a good one!

Now, you've probably seen tons of advertisements for thousands of different stock brokers... and if you do any research at all, you've no doubt see websites listing the top 10 stock brokers... or top 5 stock brokers... or the best stock brokers... or stock broker reviews...

I've got to tell you most of it is crap.

Look, I'm not going to tell you one broker is better than the other... all of them follow the same rules for trading stocks... and all of them can buy and sell stocks for you...

But a few comments

There are two types of brokers... do it yourself, and Full Service.

With do-it-yourself accounts, you sign up and they give you an online interface. If you've got questions, comments or concerns, you've got to call a 1-800 number and speak to an account rep.

Most of these do-it-yourself places offer dirt cheap trades, but don't expect much, if any, hand holding.

The full service brokers are getting rarer and rarer.

The full service brokers will assign you an account rep and have someone contact you.

They are there to talk to you and educate you and give you ideas. But don't be fooled... you'll pay for this extra service. Also, full service brokers tend to have much higher minimum account sizes too!

I prefer the online brokers because I don't like to foot the bill for a personal broker.

I don't need ideas, I don't need hand holding, and I rarely if ever have a question.

That's what works best for me... you need to figure out what's best for you.

Now what separates the different online stock brokers?

I recommend sticking with the major online brokers... and there are a number of major online brokers.

What sets them apart is their online interface. In other words the big difference is how their software looks and works for doing research and making trades.

So, to find a good online broker you simply need to look at their systems and decide if they're easy for you to use.

Some even allow you to open a demo account (with no money) to place fake trades and see how the system really works. And almost all have mobile trading platforms... so you can trade from anywhere!

So where do you start?

I start with Barron's. They do a great job every year ranking online brokers... It's the best source to find online stock brokers.

There are others, but this is a good place to start your research.

Now a word of warning... not every online stock broker will allow you to trade penny stocks.

Many have limits that prohibit trading below \$5!

I find this ridiculous... but I've seen it and experienced it.

So, before going through the trouble of signing up and funding your penny stock trading account, make sure the broker will let you trade penny stocks!

Now, here's one more thing to watch... costs.

Not every broker is the same... some charge more for stock trades... or options trades... or even penny stock trades!

Some charge more if you talk to customer service... and some have monthly fees.

Some charge you for making too many trades... and others will charge you if you don't meet minimum trade numbers!

Remember, we're trading penny stocks to make money – it doesn't make sense to hand your hard earned profits over to your stock broker!

So make sure you understand the fee structure and all the ins – and outs – of the costs, fees and requirements.

Now that you have a broker and you're ready to trade, here's a few ideas on how to find a great penny stock...

### Penny Stock Rule #5 – What To Look For In A Great Penny Stock

You're ready...

You're warmed up and ready to click that "BUY NOW" button on your brokerage account.

But before we start buying everything in sight, it might be a good idea to understand what makes a good penny stock!

Here's a handful of "signs" you've found that winning Penny Stock:

A Good Growth Story – Most great penny stocks I've seen have great growth stories. The company has a solid business model and has figured out how to sell their product. Maybe they rolled out a new product, or upgraded an older product. Any way you slice it, sales are jumping... and that's helping the bottom line.

**Money To Make It Happen –** The Biggest risk to any small company is cash. The faster a company grows, the more cash they need to expand their sales team... they need to introduce more production... they need to finance

inventory... They are growing the number of employees they have. Without cash, none of that happens!

**A Hot Industry –** This "Sign" is based on the old saw, "A rising tide lifts all boats". If a particular industry is in the dog house with investors, it's going to be very hard for any company to get attention for their stock. And if the industry is hated, just forget about it… On the other hand, when an industry is loved investors open up their pocket books and start buying. So look for the hot industries

**Good Trading Volume –** This is where most beginning penny stock traders get stuck in the mud. Even if you've found the perfect company, you've got to have a market that pays attention to it. And that means trading volume. A few hundred shares a day is a lottery ticket (not good). The market will whipsaw and you'll be shocked at profits one day, and losses the next. The More volume that's traded, the better.

Good News and Press Coverage – This is critical for a stock to really start to grow. Think about the average investor... they don't do a lot of searching. They pick up the latest investment magazine or newspaper and read about a handful of companies – and those are the ones they start researching. To get real traction in the markets, a company needs to have not only a steady stream of good news... but they need mentions in the press too! Articles about the company, about management, about their products are all positive.

Now for some stock ideas...

#### Massive List of Penny Stock Ideas

I've put together a quick screen of penny stocks that might make an interesting investment. I looked for US based stocks with a market cap over \$200 million, a P/E ratio under 20x, and a stock price under \$10.

#### Remember - do your own due diligence on these penny stocks.

No.	Industry	Ticker	Company
4	Commissionation	E)/C	Entraviolar Communications Communication
1	Communication	EVC	Entravision Communications Corporation
2	Consumer	HYLN	Hyliion Holdings Corp.
3	Consumer	AXL	American Axle & Manufacturing Holdings, Inc.
4	Consumer	PRTY	Party City Holdco Inc.
5	Consumer	QRTEA	Qurate Retail, Inc.
6	Consumer	RMO	Romeo Power, Inc.
7	Consumer	TACO	Del Taco Restaurants, Inc.
8	Energy	SJT	San Juan Basin Royalty Trust
9	Energy	ENBL	Enable Midstream Partners, LP
10	Energy	ET	Energy Transfer LP
11	Financial	CRD	Crawford & Company
12	Financial	GNW	Genworth Financial, Inc.
13	Financial	GWGH	GWG Holdings, Inc.
14	Financial	HMPT	Home Point Capital Inc.
15	Financial	FOA	Finance Of America Companies Inc.
16	Financial	PSEC	Prospect Capital Corporation
17	Financial	OCSL	Oaktree Specialty Lending Corporation
18	Financial	PNNT	PennantPark Investment Corporation
19	Financial	LDI	loanDepot, Inc.
20	Financial	UWMC	UWM Holdings Corporation
21	Healthcare	TIG	Trean Insurance Group, Inc.
22	Healthcare	CPRX	Catalyst Pharmaceuticals, Inc.
23	Healthcare	RVP	Retractable Technologies, Inc.
24	Healthcare	SIGA	SIGA Technologies, Inc.
25	Healthcare	BDSI	BioDelivery Sciences International, Inc.
26	Healthcare	ATRS	Antares Pharma, Inc.
27	Industrials	ACCO	ACCO Brands Corporation
28	Industrials	BW	Babcock & Wilcox Enterprises, Inc.
29	Industrials	RRD	R. R. Donnelley & Sons Company
30	Industrials	RLGT	Radiant Logistics, Inc.
31	Industrials	NL	NL Industries, Inc.
32	Industrials	USX	U.S. Xpress Enterprises, Inc.
33	Real Estate	NLY	Annaly Capital Management, Inc.
34	Real Estate	NYMT	New York Mortgage Trust, Inc.
35	Real Estate	MFA	MFA Financial, Inc.
36	Real Estate	TWO	Two Harbors Investment Corp.
37	Real Estate	FSP	Franklin Street Properties Corp.
38	Real Estate	GEO	The GEO Group, Inc.
39	Real Estate	IVR	Invesco Mortgage Capital Inc.
40	Technology	EMKR	EMCORE Corporation

### More on Penny Stocks

So there you go...

Five simple things to look for in a great penny stock.

We've covered the 5 rules to trading penny stocks like the pros. And, I've shared a few insider observations to really advance your penny stock education!

I hope you find this information useful, and that it helps make you money!

Happy trading

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