

Secrets to Finding Hot Penny Stocks

The secret key to any successful penny stocks trading is the preparation. Know what you are buying and why you are buying it. There are a number of factors that can help you to make a more informed and, hopefully, more profitable decision.

Financial Information: The earnings to price equation is always a good indicator of the health, or otherwise, of a penny stocks company. If this ratio is lower than many of the other companies in a similar industry then this is a good indication that the company may be in a great position.

The Board of Directors: Find out about the CEO and directors, do they have a nice history of running this type of company. A penny stocks company with bad trading figures that has just acquired a strong CEO may be about to change direction.

Do the Books Balance? If the company has a good cash flow then it could be a good addition to your penny stocks portfolio. But look a little more closely to see if they have debts. A light debt load in comparison to turnover shouldn't be a problem, but if the debt is large then interest payments could begin to stack up and affect the company's profitability.

Know the Competition: A lot of large investment houses also deal in penny stocks. These firms have large research capabilities and resources and do not make investments lightly. If they suddenly start buying unknown and / or lightly traded penny stocks then there may be a good reason, and it may be a short cut to a good opportunity.

Get Reports: If you are thinking of buying into penny stock that is not familiar then a good, and often under used, way of researching how the company is really doing, is to check the annual and also the quarterly reports. They are a valuable resource when finding out whether the company is a good investment.

Selling: Sometimes an investment in penny stocks just doesn't work no matter how hard you try, you are just not going to make a profit. Be prepared to cut your losses and sell if this happens, after the appropriate research of course. You will never make a profit all the time and it is the larger picture, your overall trading profits, which that count.

Brokers Recommendations: If your broker is recommending a certain penny stocks that he thinks are worth buying then you should listen. But always make sure to make your own decision. Take what he has told you and do your own research before you buy. Recommendations can often be a good way to get a head start, but you should always be sure that you think the investment could be profitable before you buy.

Bad News: Even when there is bad news about a penny stocks company it can be a good opportunity for purchase and investment. The larger penny stocks investment companies can often drop significant amounts of stock very quickly if they think the prices, and the trader's bonuses, are about to fall. This can push prices much lower than the real value of the company. If the company is well run and, apart from the news that has caused the selling, it is trading well, it may be worth buying and waiting for the shares to rise again.

Penny stocks can be a very good and profitable investment. Do your basic research before buying. This is often more than half the battle to making money. Making full use of a companies reports, balance sheets, recommendations, financial reports and websites could give you a good start to buying profitable penny stocks. No successful trader ever buys without knowing why he is buying and this is the best way to keep your investments in good profits.

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About the Author

Buzz Scott has been successfully trading Penny Stocks for 12 years. Finding hot Penny Stocks is not luck. Find how expert traders pick the next hot Penny Stock. <http://www.penny-stock-secrets.com>