

## How To Get An Advantage Trading Penny Stocks

Penny stocks represent the possibility of exceptional rewards for profit while offering equal opportunity for monumental risks. Once you make the decision to invest in penny stocks or 'beyond the brink' so to speak, there are a few things you should know.

Whether you are completely new to penny stocks or have been burned before, some of the following theories may help you retain an edge over other investors. The fact is, that most people who make money in stocks are profiting off the losses of another. There are steps you can take when investing that will reduce the risks of you being on the losing end.

Many people have both made and lost fortunes trading penny stocks. So what is the difference between a micro-cap trader and someone who perpetually misses the profit boat? The successful penny stock investor uses the advice and research of pros, practices due diligence when researching stocks, and is patient. He or she also learns from past personal mistakes as well as the mistakes of others and doesn't make the same mistakes twice. He will also choose between 10 stocks at a time to get a bigger picture rather than hyper focusing on one particular stock.

The unwise investor will use tips overheard at work, rumor, and 'inside scoops' to pick stocks, will not properly investigate a company's financial situation, reputation, and growth potential, will be ruled by and fall victim to his emotions, and will focus on one stock to be his salvation rather than forming an objective opinion by comparing many stocks.

### So What Can We Learn from This?

The fact that you are still reading is a good sign. Doing proper research and studying your options indicates that you are willing and ready to see the entire situation before leaping in with both feet. One of the best traits of a successful trader is a willingness to learn from the experiences of other traders.

As mentioned above, you should look at several stocks as a group and compare them with each other rather than looking at individual stocks for your investment. I'm a huge fan of lists so the idea of making a list of pros and cons is one that I find to be incredibly useful. You can also make charts, these work well for many investors as well. Try making a column for the revenues of each and list the earnings in the next column, you can follow with other criteria that you feel are important. Once you have all of your data in one place you can easily compare them side by side and make a much more informed decision about your investing options.

You must keep in mind that there will be surprises along the way. The worst company on your list will occasionally outperform the most promising on your list so you must consider market instability when you are making your choices as well. This method won't always reveal the exact best stock but it will reveal promising stocks and that is better than wildly and blindly selecting one stock out of millions.

### Available Advantages

If you're looking for a major advantage to help you along the way when investing in penny stocks, find a discount broker. This will allow you to monitor your portfolio online in addition to making trades. Online trading provides superior advantages to trying to make trades over the phone but also allows you to get a more complete picture of the company or the stock you are considering. The information available is well worth the brokerage fees you will pay which generally run about \$10-\$20 per transaction.

You can also verify that your trades have been completed, that money and shares have reached their appointed destinations, track certain stocks that you are interested in purchasing to check for trading patterns, and receive instant alerts for press releases that may be of interest to you. There are so many wonderful benefits to trading online for those who want to make active decisions about their portfolios.

Keep your investment in stocks small and only put your money at 'risk' for penny stocks. These small investments can really produce huge returns for the minimum investment they require. The prices on penny stocks are quite volatile and tend to jump all over the place this increases both the profits and the risks.

If you are concerned about a stock you are holding you could consider selling it. Whenever possible, try investing in solid penny stock companies that have low share prices as a result of their size rather than business troubles.

There are a few common traits that can be found among consistently successful traders. First, most of them have made costly mistakes - they also

had the temerity to learn from those mistakes. Use your mistakes as learning tools and remember them each time you make an investment.

Second, they keep records of every bit of information that you find interesting. You should particularly keep records of stocks that you found interesting but didn't purchase and the reasons for your decision. As you become more adept as a trader, you will find these records or this journal of infinite use. You may even go back and find an opportunity you may have missed earlier. Remember to always be accountable to yourself for each and every transaction, learn from your mistakes, and be willing to go back and look at things you passed up earlier.

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#### About the Author

Learn more about how to trade and invest in stocks - <http://www.1source4stocks.com>