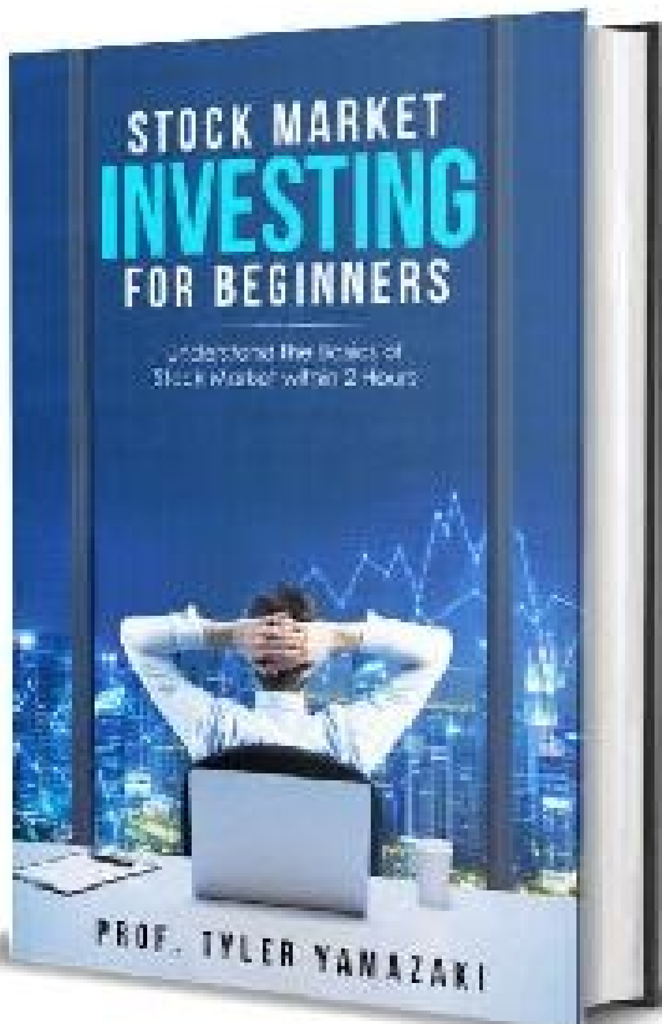
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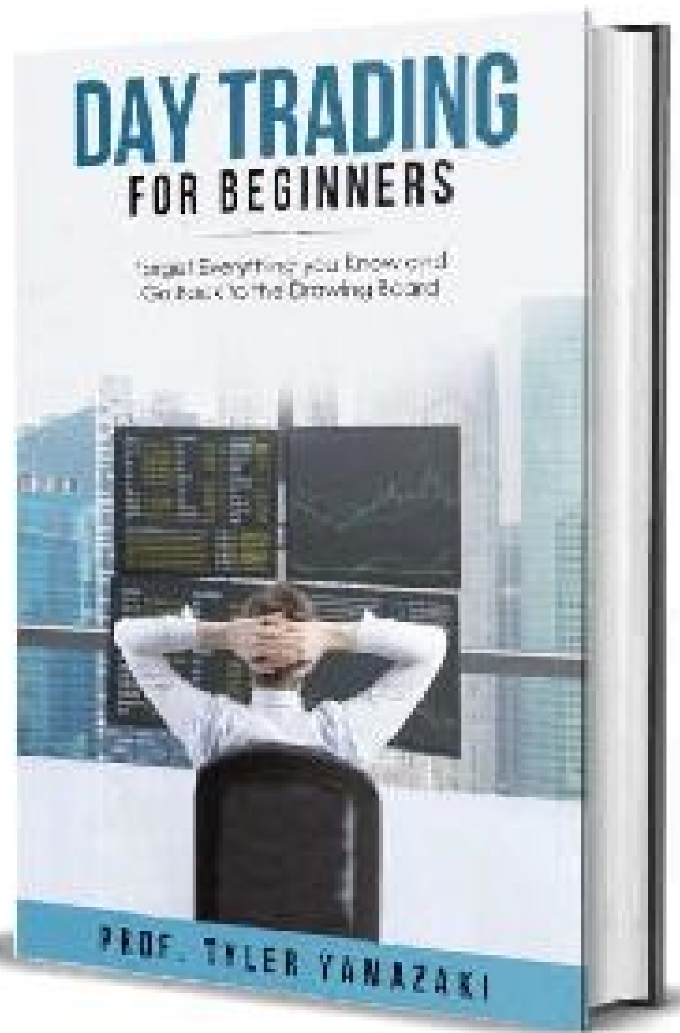
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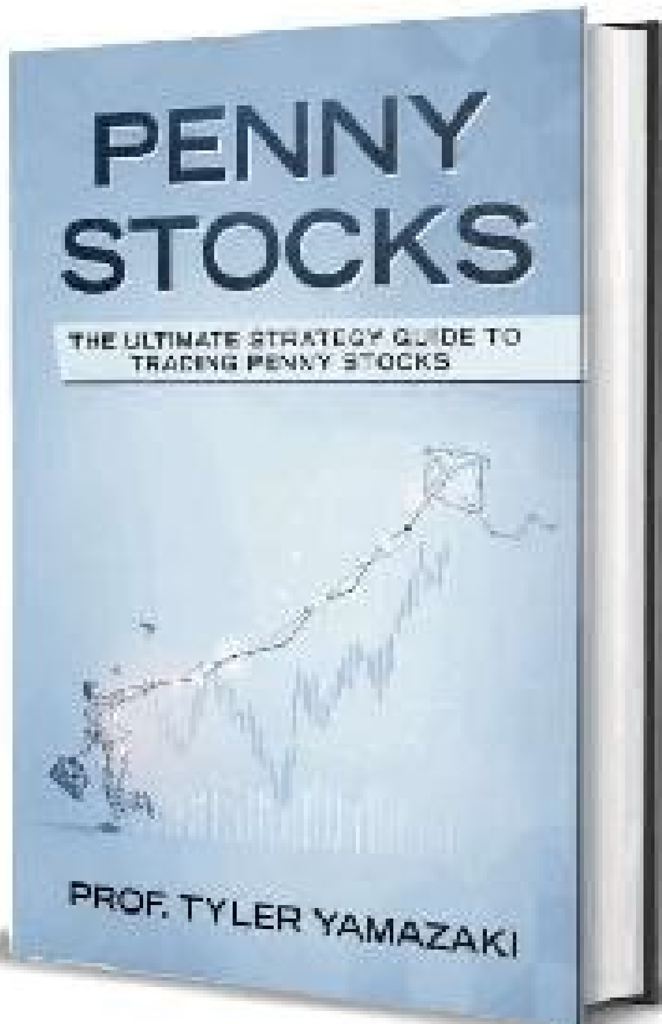
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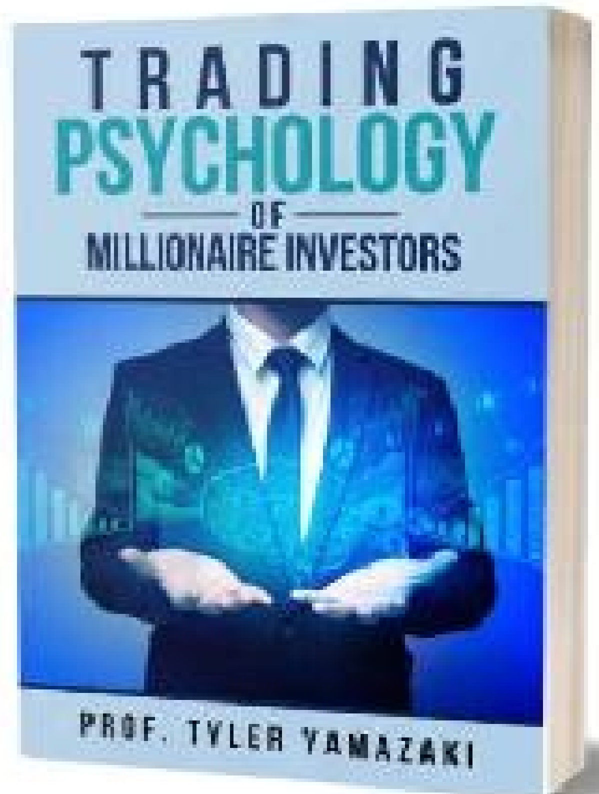
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PROF. TYLER YAMAZAKI

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Stock Market Investing for Beginners

Understand the Basics of Stock Market within 2 Hours

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STOCK MARKET INVESTING FOR BEGINNERS

UNDERSTAND THE BASICS OF STOCK MARKET WITHIN 2 HOURS

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Foreword

Congratulations on getting this book and I thank you for doing so. I can assure this will just be the very beginning of your exciting journey venturing into the complicated world of investments.

This book comprises of several chapters which will teach you the fundamentals you need to know about investing in stocks.

Chapter 1, 2, and 3 explain the basics so that you will have a better understanding of what investing in stocks is all about.

Chapter 4 lays down the strategies that you can use to earn a profit. These strategies will significantly increase your rate of success and turn the odds in your favor.

Finally, Chapter 5 goes in details about the best practices that you need to observe to be successful. It also includes the common pitfalls that you should avoid. This chapter aims to further increase your chances of success and help minimize your losses.

There are plenty of books on this subject on the market, thanks again for choosing this one over the others! Every effort was made to ensure it is full of as much useful information as possible. Happy Trading!

You can find all my books here,
https://www.amazon.com/author/tyler-yamazaki

Chapter 1

Getting into the Playground

Before you study the ways on how you can turn the stock market into a goldmine, you should first have a good foundation of the basics of investing in stocks. One thing to always keep in mind, when we are talking about financial markets, there is no hard and fast rule – sometimes there are sensible reasons behind every trade, sometimes there are speculations that make very little sense, yet sometimes there are just purely emotions that came into play where 'fear' and 'greed' hooked up. There is no one-size-fits-all philosophy – day traders and pure investors believe in different investing horizons, your grandmother and my grandfather could favor different stocks even when given the exact same piece of information. Throughout the book, I will highlight some of the most simplistic concepts and beliefs. If you are new to this subject, you got to start somewhere with an open mind.

Stock Market

A stock market, to say the very least, is a place for buying and selling stocks. It also acts as an indicator of the economic cycle. When the economy is doing well, the prices of stocks tend to increase in the market, generally. However, when the economy is down, you can also expect the prices of stocks to decline, this can be true even for a very good stock. It is also worth noting that the prices of stocks primarily depend on the performance of the business. When a business is doing well, the price of its stocks will also tend to increase; the opposite would happen if the business is not earning well. Of course, there are odd cases where speculators buying into a stock that is not doing well at all, which will result in a high stock price even for a crappy company, but that is another story for another time. Now, the question remains: Why do businesses offer stocks? The reason is that it helps businesses to raise funds in order to finance their projects, whether for the expansion of the business, or for their day-to-day activities, or just for the sake of it to keep their stakeholders happy. Money, after all, is the lifeblood of every business.

Stock

A stock, also referred to as a *share*, signifies ownership of a company. When you buy stocks from a company, you get to exercise rights of ownership of the company, such as a claim on the company's earnings and assets, as well as voting rights. Take note that there are many kinds of stocks. But, when you hear investors talk about the stock market, they usually refer to common stocks.

Stock Market Index

When people talk about stocks, you may hear them talk about how the market rises or falls in a day. However, when you take a look at the stock market, you may see that not all of the stocks rise or fall on that day. The way to understand this is to know the stock market index, or indices (plural).

There are many stocks listed on the stock exchange. Similar stocks are grouped together and formed an index. The way these stocks are grouped together may be based on capitalization, industry, company size, and other factors. Since they are grouped together, any change in the value of the stocks that belong to a particular index will affect the value of the index. Famous indices in the world are, but not limited to, the following: Dow Jones, Nasdaq, and S&P 500.

Having an index is a good way to sort the different kinds of stocks in the market. After all, the stock market is composed of so many stocks. It will be chaotic if you do not sort similar stocks together. It is also a point of reference for comparison. You can compare the trend of the index value with the trend of the price of particular stocks that belong to that same index. You can also compare one index with another index and see which industry may be a profitable investment.

Since there are countless of stocks in the market, and the index is able to sort all of them out in an orderly way, an index acts as a good representation of the entire market. For example, if you take a look at the index of the IT industry, then you will know the average performance of the stocks in the IT industry. This applies to other industries. Of course, there are other ways to make comparisons depending on how the stocks are sorted in an index.

How the stocks are grouped together determines the type of classification of the index. For example, in a world stock market index, such as in the S&P Global 100, you will find stocks that are found across the world. These are the stocks

that come from different regions in the world, such as from Asia and Europe. There is also what is called as *national index.* As the name implies, this type of index considers the performance of the stock market in a particular nation. You can also find a more specific index that shows the behavior of the stock market on a regional level. An index can also be grouped based on the method used to sort them based on price. In a price-weighted index, the price of each stock is the only thing that is considered to determine the value of the index. Therefore, any change in the value of any of the stocks that belong to the same index will cause a corresponding change to the value of the index concerned. There is also what is referred to as a sector index. This will allow you to benchmark a particular industry or sector. A sector index is formed by assigning a particular industry classification based on the business of a company. Companies that have the same principal business are then grouped together to form a market sector. There are other indices that you can find. Just take note that indices are based on how they are classified. When analyzing the stock market, it is good to study different indices, so that you can have a better understanding of what is really happening in the stock market.

Short-Term versus Long-Term Investment

You are free to choose how long you want to invest in the stock market. There are many traders who invest only over the course of a single day. Hence they are called day traders, but it is also normal to find people who invest in stocks for more than five years. This all depends on your preference, as well as how you want to approach the stock market. There is no hard and fast rule as for when to classify an investment as a short term or for a long term. Some investments begin as a short term but then turn into a long term in the process. For starters, most people define a short term investment as any investment that lasts for a year. Hence, all other investments that last for more than one year are considered a long-term investment. Again, such definition is entirely up to you.

It is worth noting that the stock market, in general, does not fluctuate too rapidly. Therefore, you cannot expect a big return on a short-term investment as much as you can get from a profitable long-term investment. Many short-term investments only last for a month or a few months.

The challenge with long-term investing is that it is more difficult to predict how the market will respond over the course of your investment. Even though the

market is doing terrible today, it can do well after a year. Of course, the opposite can also happen. The purpose of the investment also matters. If you want to get quick cash, then you can aim for a short-term investment. But, if you want to invest for your retirement, then a long-term investment is the way to go.

It is to be noted that the market takes time to react. This is one of the problems why day trading may not be a good choice since the market may take more than 24 hours before it responds to your prediction. Another differentiating factor is the strategy that you adapt. For example, for a short-term investment, technical analysis would be helpful to you; however, for a long-term investment, fundamental analysis would be the better choice.

Stock Investing versus Trading

It is rather safe to say that there is no difference between investing in and trading stocks. At least, taken from a general perspective, they are interchangeable. However, for the word Nazis out there, investing and trading stocks may have a few differences.

On the one hand, *trading* implies a more active approach. In fact, you can trade multiple stocks on a single day. This usually involves a continuous process of buying and selling stocks for a profit. On the other hand, *investing* implies a less active approach where you buy certain stocks and hold on to them for a longer period so that you can sell them afterwards for a profit. Trading implies a series of short-term trades while investing usually takes a longer period.

It is to be noted that this book uses both words synonymously without any regard to any technical significance. After all, before you can trade anything, you first need to have money to invest in your business. And, when you invest in stocks, you also have to sell and trade them afterwards for you to earn an income. Short-term investing also includes the behavior of day traders who trade stocks within a single day.

Is it for you?

Although anybody can invest in stocks, this kind of investment is not for everyone. If making a profit is your intention (which it should always be), you have to earn it. True professional investors spend hours of research and study on a regular basis. Yes, you can make money in the stock market by simply relying

on mere luck without any research whatsoever. However, you cannot expect to make a continuous stream of income by simply relying on mere luck or guesswork. To make the stock market a profitable place for you and your business, you need to dedicate serious time and effort into learning the craft of investing in stocks. This means that you should be willing to spend hours of research and be sure to follow the stock market on a regular basis.

Chapter 2

Myths and Misconceptions

There are some myths and misconceptions about investing in stocks. In order for you to have a better understanding of what it really means to be a stock investor, be sure that you know the truth behind the myths: **Investing in Stocks is Gambling**

This is one of the reasons why people shy away from the stock market. However, this is not always true. Take note that the prices of stocks in the market depend on certain factors, such as the economy, business performance, consumer behavior, and technological developments, among others. The prices of stocks do not fluctuate randomly. There are always reasons behind every movement. This is unlike gambling in a casino where the outcome of a game depends on a shuffled deck of cards that nobody has any idea how each card is positioned on the deck.

Whether the stock market is gambling or not depends on how you approach it. Of course, if you simply pick the stocks at random and merely rely on pure luck to be successful, then you are gambling. As such, you can expect the same results as you would when you gamble in the casino. However, if you approach the stock market professionally where you put in enough time, effort, and research, in your every transaction, if you consider every act as an investment decision, then you are not gambling but investing. Gamblers rely on luck, while true investors know what they are doing and have an edge over the stock market.

Investing in Stocks will make you a Multi-Millionaire Investing in stocks is just like any other business: You can make money; however, you can also lose money. Like any investment, there are risks involved. Indeed, there are people who are able to grow their money, but there are also many investors who lose their money. To be successful, you need to understand the stock market and apply certain strategies. Of course, a major part of success is to conduct serious research.

It is also worth noting that you will only earn a certain percentage of your

investment. Of course, it is possible that you earn more than 100% or even 200% of your investment. However, do not expect it to happen overnight. Therefore, the more money you invest, the more profit you can make.

The Stock Market is ONLY for the Rich People Some think that you can only invest in stocks if you belong to a particular exclusive group. This is not true. The stock market is open to everyone provided you are of legal age, and there are no other legal prohibitions applicable to you in your state. Especially today where you can invest in stocks by simply opening an account with an online broker, you can invest even with as little as $300, or even less.

You Need Connections to Succeed

With all the connections that Warren Buffet has, there is no wonder he can identify the right stocks to invest in. Well, if this is what you think, then you are wrong, absolutely wrong. Yes, having good connections can help you leverage and increase your chances of picking the right stocks and make a profit, but dealing with the stock market is much more than building connections. In fact, there are many investors who make a good amount of income even without any connection with anyone whatsoever. Thanks to Internet which literally makes our world smaller, you can easily access different sites and gather information from the comfort of your home. There are also many analyses and reviews shared by other investors that you can use as an additional reference. Here is the truth: You do not need connections. Period. What you need is to research and study the stock market and work on your winning strategies.

You need Extensive Financial Knowledge

This is another myth that needs to be busted. Of course, having financial knowledge is something that you need to help you choose the best stocks to invest in. This is true, especially if you use financial analysis — which is one of the most common investing strategies. However, there are other strategies that you can use without you having to look at any number. This, of course, does not mean that you should not bother developing your financial knowledge, but only shows that you can still invest and make money by investing in stocks even if you have a limited knowledge of business finance. It should be noted that you do

not need to have an extensive knowledge. Learning the basics would be enough. In fact, you can develop your financial knowledge just by researching stuffs online. The important part here is to analyze what you already know.

Quick Way to make Money

If you have a huge capital and can buy and sell millions of shares, then you can make money by investing in stocks quickly. However, only a few people have the blessing of having millions or billions of monies in their bank accounts. Also, if you are a beginner, the best way is to start small regardless of how much capital you have.

An Easy Way to make Money

Since you just have to pick stocks and invest in some money, wait for some time, and then sell to enjoy your profits, then making money with the stock market must be easy, right? I am afraid that is a No. Although you can do all these with just a few clicks of a mouse, investing in stocks is not as simple as it looks. The main problem lies in choosing the right stocks to invest in, as well as the proper timing. Now, for you to identify these two major points, you need to exert serious effort and time in research and analysis.

Chapter 3

Your Partners in Crime

Before you can invest in the stock market, you need to open an account with a broker. Thanks to technology, there are now many stockbrokers online. So, you do not have to worry about leaving your home and going to the office. Just sit still with your cup of coffee or tea, turn on your computer, and start investing. When you do a search online, you will find many stockbrokers that seem to offer the same service. The problem is that with all the brokers out there persuading you to sign up and make an investment, how do you identify the broker that can best suit your needs? Here are the standards or criteria to look for. Make sure that your broker passes this standard so that you will have the best investing or stock trading experience.

Banking

This is an important part to consider before you even deposit any money into your account. Make sure to check the deposit methods, as well as the methods for making a withdrawal. It is not uncommon to find brokers that offer more options when making a deposit but only have limited options for making a withdrawal. You would not want to have your money locked up in your account without any way to withdraw it into real cash.

A broker will usually require you to submit a copy of your identity documents before it even processes your withdrawal. Before you make a deposit, make sure that you know what these documents are and that you have them in your possession. Otherwise, you might not be able to withdraw your money. Also, take note how many days it will take for your broker to completely process your payment counted from the time when you make a request for withdrawal.

Minimum Deposit and Withdrawal Limit Take note of the minimum deposit requires. There are brokers that require a minimum deposit of at least $250, while others may accept a very small deposit of only $25. You should also know the minimum and maximum withdrawal limit. A broker may also charge a small

withdrawal fee, which is normal. However, if you intend to make multiple withdrawals in a week, then the withdrawal fee is something that you should pay attention to.

Demo Account

Your broker should provide you with a free demo account. This is a good way to get a feel of actual trading in a real-time stock market environment without risking any money. A demo account is also good to use to test your strategy. Do not worry; all well-established stockbrokers will provide you with a demo account.

Fees

Stockbrokers usually charge fees for trading. They often charge a trading fee, transaction fee, surcharges, and others. Although these fees are usually just a small amount, they can easily pile up quickly, especially if you make multiple trades in a short period of time. So, be sure to compare the different brokers that you find online and look for the one that offers the lowest fees.

Trading Platform

Every online broker will provide you with a trading platform where you can buy and sell stocks with just a few clicks of a mouse. Your broker should provide you with a professionally designed platform with useful features. The best brokers will offer you a free data or information about the stock market in order to help you make the best investment decision. Your broker should also provide you with graphs and charts in case you want to use technical analysis.

Trading Restrictions

Your broker should not restrict how you trade, as well as how much you can trade. Unfortunately, there are some brokers that will require you to first contact them before you buy a stock using the platform as if you need their permission for every investment that you make. Some brokers will even place a restriction as to the number of stocks that you can buy or sell. You should stay away from these brokers. You should only work with a broker that will allow you to make

an investment on your own. It should also allow you to trade as many stocks as you want.

Reviews and Trust Rating Of course, you need to work only with a broker that is trusted and reliable. Therefore, before you even sign up for an account with any broker, be sure to check the reviews given by other investors. An easy way to do this simply to use your favorite browser, key in the search bar the name of the broker, and simply add the word *reviews*. Hit the Enter key, and you will find a list of pages that will most probably have the reviews on your chosen broker. Take note not to limit yourself to only one review website. After all, it is not uncommon for brokers to hire freelance writers to come up with a positive write-up about the broker's business.

Also, pay attention to the dates when the latest reviews were done. If the latest positive reviews were made about a year ago, then be cautious. After all, the management team and even the policy of a broker may change from time to time.

Mobile Feature

These days, most people access the Internet using their mobile phones. It is easier and simply more convenient. Your broker should also provide you with a platform that has a mobile feature. This means that you should be able to manage your account and make investments by simply using your mobile phone — and the process should be as convenient as you are when you use a desktop computer. Do not worry; brokers with a high rating always have a mobile feature. In fact, having a mobile feature is one of the reasons why people like certain brokers.

Customer Support

Take note of how you can contact the customer support team. Is there a number that you can call at any time? Also, check if the broker offers a live chat feature on the site. If the broker can only be contacted via e-mail, then test just how fast it can respond, and pay attention to how professional it handles your inquiry. A good way to do this is by sending a message to customer support asking for any substitute documents that you may submit when you make your first withdrawal

request. Ideally, the customer support should be able to respond with an answer to your inquiry within 24 hours.

Chapter 4

An Overview of Different Strategies

You cannot have a steady stream of income by investing in stocks unless you have a reliable strategy. You are also not limited to using a single strategy. You can combine the following strategies, modify them, or even come up with your own. The important thing is that you use a strategy to turn the odds in your favor.

Fundamental Analysis

Anyone who has invested in stocks or any business has probably encountered this strategy. This is one of the most common and effective strategies that you can use. Fundamental analysis focuses on the fundamentals of the company concerned. After all, the performance of stocks in the market primarily depends on the performance of the business. Hence, this strategy involves examining the cash flow and financial statements of companies. To a certain degree, this strategy also takes into consideration the quality of the company. However, the main focus of this strategy lies in the numbers. When you use this strategy, your objective should not be merely to earn from the capital gains but to receive all the benefits of owning a prosperous company.

Technical Analysis

If you are not fond of numbers and would rather deal with something more visual, such as graphs and charts, then you might like technical analysis. This strategy deals with analyzing graphs and charts which show how the prices of stocks fluctuate within a given time period. It is believed that the many factors that affect the performance of stocks have their accumulated effect on the price. Therefore, by understanding the changes in price alone, you can understand the market without having to bother yourself with too much data. This is also a recommended strategy for short-term investing.

When you use this strategy, the key is to look for a pattern or trend. You should then take advantage of this pattern. Take note, however, that patterns come and

go. In fact, there are times when you may not be able to see any pattern at all. A common mistake committed by many investors is that they force a pattern. They create a pattern in their mind even when none actually exists. This is, of course, a grave mistake. You need to keep an open mind. If there is no pattern to be seen, then wait it out until a more promising situation arises. Do not look for a pattern if it is not there.

Value Investing

This strategy is about investing in a company that is currently trading below its true value. For example, if the actual price of the stocks of Company A is $25 per stock but the stock market exchange only shows that its stocks are only worth $15, then it must be a profitable investment. The key here is to be able to find the wrong valuation and take advantage of it.

When you use this strategy, you need to look for stocks that have strong fundamentals. Find stocks that have a high quality but are being sold at a bargain. The theory here is that the market will soon correct itself. Therefore, if the correct value of a stock is $25, but it is only priced at $15, then its current price will soon increase.

Take note that when you use this strategy, you do not just look for stocks that are selling at a low price. To be considered a good bargain, the stock must have a good quality but is selling at a low price. Therefore, if the stocks of Company A used to sell at $23 per stock, but then they now drop to $14 per stock, it does not mean that they are good stocks to invest in. In fact, such drop in price signifies a serious problem in the company.

Growth Investing

This strategy became popular in the 1990s, during the time when technological companies were on the rise. Back then, many investors who applied this strategy were able to get a huge amount of profit. It is to be noted that this strategy is riskier than other strategies.

The best way to understand this strategy is to compare it with value investing. While value investing focuses on the present moment, growth investing focuses on the future. This is the reason why a growth investor may buy a stock that is currently trading higher than its actual worth. Again, a growth investor looks

into the future. This is because when he sees that a particular stock will trade at a higher price in the future, then the investment that you make today can be considered a profitable one.

When you use growth investing, the best stocks to invest in are those that have a high capacity to grow. Therefore, growth investors pay special attention to small and new companies. This is because small and start-up companies have a big potential and space for development.

Qualitative Analysis

This strategy gives primary focus on the quality of a company. You need to consider the people who manage the company, their character, and where they come from. The reason is that a company, no matter how good it is, will not do well if it is badly managed. It also takes into consideration the management philosophy of the company or the style by which the people of the company intend to achieve its goals. Pay attention to the managers of the company, their background, and experiences. Are they experienced enough to do the job? Do their experiences fit with their responsibilities? You should also consider the labor force. Are the people who function as the arms and legs of the company competitive enough to their job? It may be hard to understand numbers all the time. Sometimes it is easier to estimate people. This is where qualitative analysis comes into play. For example, a company that is composed of the best business people in the world would have a high rate of success. Accordingly, there is a good chance that the price of its stocks will increase, which makes it a good investment.

Stock Split Advantage

A company usually declares a stock split when the price of its stocks gets too high that is no longer attractive to investors. When the price of stocks gets too expensive, it tends to project an image that it has already reached its peak and make people think that the stocks are no longer a good investment. Also, when the price of stocks gets too expensive, it tends to discourage investors from buying them. Hence, a company will declare a stock split.

So, how does a stock split work? For example, if you have 30 stocks at $20 each and a stock split is declared, then you will end up with 60 stocks at $10 each. It

is a fair division. The number of stocks will increase after the split, but their price will also decrease. It is worth noting that a stock split is not limited to dividing a stock into two. A stock split may divide a stock into three or even more splits.

The way to use this strategy is to examine a company that has just declared a stock split. If the stock split was legitimately done due to a flourishing business, then the stocks of that company may be a good investment. Of course, you should also find out as much as you can about a company and make your analysis. Relying on a stock split alone is not a good idea.

You should be aware of the reverse split. The reverse split is also like a stock split but in reverse. Unlike a stock split, a reverse split is a bad sign. Remember to stay away from companies that use a reverse split.

Here is how the reverse split works: if you have 10 shares of stock at $10 each in Company X and a reverse split is done, then you will end up with 5 shares at $20 each. As you can see, the price of the stocks has increased significantly. A company may use a reverse split to entice investors to make an investment. But, as you can notice, it is actually a fraudulent move. The increase in the price of stocks is not caused by any progress or development in business but merely by mere manipulation. Of course, a company who exercises a reverse split may be successful in the future. However, such act is a sign that the company is already struggling at the present time. Although success is still possible, investing in a company that uses a reverse split is too risky. After all, you can find other companies to invest in.

Income Investing

The key to this strategy is to find well-established companies that have a steady stream of income. Take note that when you invest in stocks, you become a part-owner of a company business. This makes you entitled to receive dividends. When you use this strategy, you should look for big and well-established companies that no longer seek expansion. Instead of using the company earnings for the expansion of the business, these companies pass dividends to stockholders. A good example of this kind of company is Johnson & Johnson.

An important note when you earn income from dividends is that in most states such earnings that you receive from dividends are taxable at the same rate as wages. Therefore, you can expect for a higher tax than that imposed on capital

gains. Check the laws of your state to be aware of the tax laws that may be applicable in your situation.

Stock Mastery

This strategy is something that you adapt for a long period of time. The way this works is that you need to choose a particular stock or company, and you need to study it every day until you have a really good understanding of how that particular stock works. Take note that the more you know something about a stock, the better that you will be able to predict its behavior — and this is the key to profit. Should you choose to use this strategy, take note that this should be a part of your day-to-day activity as an investor. It is worth noting that you should not rush in making any investment. Remember that you are not obliged to place an investment. Therefore, to increase your chances of making a profit and avoid losing your investment, only make an investment when you are sure that the chance of success is high. Otherwise, just wait it out until you find the best time to invest.

CAN SLIM

CAN SLIM is an acronym that stands for Current quarterly earnings, Annual earnings growth, new product, service, management, or high price, supply and demand, Leader or Laggard, Institutional sponsorship, and Market direction. According to this strategy, by simply looking at these factors, you can pinpoint the best stocks to invest in.

So, how do you apply this strategy? The first step is for you to identify stocks that have a quarterly earnings increase rate of at least 25%. Since you also need to be particular with the growth of the company for a long term, you should also consider the annual earnings growth of the company. This strategy recommends that you should look for a company that has 25% annual earnings growth (minimum) for the past five years. You should also keep watch of companies that offer something that is new to the market. Studies show that one of the common characteristics of the best stocks performers is that their companies have something new to offer to the market. You should also pay attention to the rule of supply and demand. If a limited product has a high demand, then the effect is that its price will increase. In business, this rule of supply and demand is always present. The next thing that you need to identify is where the stocks are

coming from. Is the company considered a leader in the industry or a laggard? Of course, your aim is to get your stocks from a leader. Therefore, when you use this strategy, only get your stocks from reliable and well-established companies. This does not mean that you should completely ignore new companies. After all, there are a good number of start-up companies that have a potential to make it big in the market. Many activities in the stock market also come from mutual funds and pensions, so also keep your eye on institutional sponsorship. Lastly, keep your eye on the market trend. If you can read the trend and take advantage of it just before it changes, then you can turn it into a goldmine for profit.

Averaging Down

This is an aggressive strategy, so be careful when you use this strategy. The way this works is as follows: You pick a set of stocks that you think would be profitable. Now, if the price drops, you then buy the same stocks again. If the price decreases again, then make another buy order. Your advantage here is that you get to buy the stocks at a lower price each time. Of course, such is caused by the decrease in the price of the stocks. So, how do you profit? You profit once the trend goes upward. This means that you will profit a big amount when the value of the stocks increases and shoot up above its original price (the price when you first invested). Since you have bought the stocks at a “bargain” each time the price went down, then you can expect to get a big profit when the price shoots up. Considering the volatility of the stocks market, this behavior is considered normal and expected.

Although this may seem like one of the best strategies, you should be cautious of using this strategy. The problem here is that there is always the possibility for the price of the stocks to keep on dropping. It may drop too low that you will already run out of money before the trend changes; and, even in the case that it becomes favorable, it may no longer be able to recover its original price.

Buy and Hold

This is a common way of investing in stocks. It is believed that although it is difficult to tell the direction of the stock market for a short-term period, you can expect for the prices of the stocks to increase in the long run. This is because everybody in the stock market is aiming for that direction. Hence, it is argued that if only you can hold on to good stocks for a longer period, then you can

enjoy profits in the future. This is the expected outcome considering that a capitalist society is involved. Take note that since you will be holding the stocks for a longer period, then it means that you will also be trading with less frequency. Therefore, you will have lower cost and taxes to worry about.

Chapter 5

Think Like a Geek

The use of strategies alone is not enough. In order to further increase your chances of making a profit, you also need to observe the best practices followed by successful stock investors.

Sufficient Research

It is not surprising why so many people lose their money when they invest in stocks. Although books on the subject always emphasize the importance of doing research, only a few are able to research properly. Unfortunately, many investors think that simply because they have researched the market for two straight hours, then it would be enough foundation to come up with a sound investment decision. This is wrong. Make sure that you conduct a sufficient research. If you are serious about being a successful investor, then research should be a natural part of your day-to-day life.

Start Small

It does not matter how much money you have in your account that you can use for investing. When you are a beginner, you should always start small. In fact, it is recommended that you first use a demo account, so that you can test the water without risking any money. This will also give you a chance to learn how to properly navigate your broker’s platform.

Always start small. Your objective is to familiarize yourself with the actual practice of buying and selling stocks, as well as to develop a winning strategy. Do not worry, once you have a reliable strategy in place, you can always increase the amount of your investment, which will also increase your potential profit.

Diversification

Diversifying your investment is one of the best ways to minimize your losses. As

they say, you should not put all your eggs in one basket. The reason is that no matter how much you study the stock market, it can only increase our chances of success. But, it can never guarantee the return of positive profit. In fact, there is a possibility that you may even lose your investment. Investing in stocks has its risks, just like any other profitable investment opportunity. By diversifying your investment, you can lower your risk and minimize your losses.

There are different ways to diversify. The most common way is simply to purchase stocks from different companies and not place all your money in a single company. Another way is to diversify by industry. Industries rise, and fall and such is outside of your control. An industry that is well and blooming today may no longer be considered a profitable investment by tomorrow. Therefore, scatter your investment over different industries.

Asset class diversification is another way to diversify. You do this by investing in the different asset class, such as in bonds, stocks, commodities, and others. When you apply this strategy, you should learn how to time it well. For example, in case of an economic recovery, stocks may be your best asset to invest in. However, in case of recession, investing in bonds could be a better option than investing in stocks. Strategy diversification is another effective way to cut down your risk. Depending on where you want to invest or how you want to invest (short term or long term), certain strategies may be more applicable than others. For example, in case of a long-term investment, you simply cannot neglect the use of financial analysis. In the case of a short-term investment, technical analysis may be one of the best strategies that you can use. You might also like to use geographic diversification. Many investors are quite biased and only invest in companies that are located in a particular territory. Take note that there is no industry in a specific geographical location can outperform others continuously. Ups and downs are normal in the stock market. You can also diversify as to time. Take note that you do not need to invest all the money in your account in one day. You can scatter your investments over time. For example, you can invest 20% of your money today and then follow it up with a 30% next month. Just like anything in business, proper timing is essential to success.

Diversifying simply means spreading your investment and not placing it in a single basket. Take note that diversifying alone is not a key to profit. One important part of diversifying is choosing where to diversify and place your money. Therefore, you cannot sacrifice the importance of doing research and

analysis.

Avoid following Expert Advice all the time

When you are a beginner, you may find it helpful to search the net for pieces of advice coming from the so-called “experts.” This is a common mistake because not all of these “experts” are real experts. These days, it is fairly easy to spread a word and promote one’s self online. In fact, if you are good at marketing, you can easily project an image that you are an expert stock investor even if you have not invested in a single stock in your life. It is also worth noting that even the real experts also commit mistakes from time to time.

The best way to avoid relying on expert is to develop your own understanding of the stock market. After all, what separates an expert from a complete beginner is that an expert has his own view of the stock market and is able to support his view with reasonable defenses, while a beginner usually relies on what other people say. Of course, this does not mean that you should never take the time to read or listen to what the experts have to say. Rather, this only means that you should take every message or advice with a grain of salt. Instead of relying on what experts have to say, you can use their views as additional references to help support your own investment strategy.

Beware of the Pump and Dump Scheme

The pump and dump is a common scheme that you should watch out for. Unfortunately, although people are aware of it, many still fall for this fraudulent scheme. So, how does it work? A business or person who owns stocks promotes his stocks and spread positive rumors about them. This is a promotional hype that oversells the value of the stocks. This will tend to draw more attention to the stocks. In turn, this will increase the price of the stocks. When this happens, other investors will offer to buy the stocks thinking that they are a good investment. Now, after the sale of the stocks, the promotion and bad rumor will stop. The price of the stocks will then begin to dwindle down. After all, the true value of the stocks is lower than its value or price during the promotion. The end result is that the seller of the stocks makes a profit, while the buyer possesses a stock whose price is uncontrollably falling down.

Take note that the pump and dump scheme is not a completely bad thing. As you

can see, you can take advantage of it and earn a profit. The key is to buy the stocks before or immediately right after the initial part of the pump and dump scheme. You then have to sell them just before their value begins to drop. The best way to do this is to sell the stocks after you see even just a small amount of profit. Do not wait for the promotion to stop. After all, such is outside your control.

Do not Hold On to the Stocks for Too Long

It is worth noting that not all investors lose their money for picking the wrong stocks. Some lose their money because they pick the right stocks but hold on to them for too long. Do not underestimate the volatility of the stock market. Make sure to sell your stocks before their price drops. Take your profit while you still can.

Understand Volatility

You should have a right understanding of what volatility is. Many people think of volatility as something where the prices of stocks simply rise and fall almost randomly. They often think that after a big rise, then a massive fall can be expected, and vice versa. However, this is not always the case. If it were so, then volatility would be something that is easy to predict. The volatility of the stock market is influenced by various forces. This means that even after a massive drop in the prices of stocks, it is still possible that another drop will take place. This also means that the result of a particular trade is independent of past trades or transactions. Unfortunately, some people think that since their last three investments did not work out, then it is most probably that the next trade will end up with a favorable outcome as long as they use the same strategy. However, this is wrong. In fact, there is a good chance that the subsequent trade or investment will also be a loss. The reason lies in the strategy that you are using. If the strategy keeps on losing, then it is a sign that you should change or at least modify your strategy. True professional investors do not rely on mere luck. They know that if they come up with a true winning strategy, then the chances of raking in some profits would be high. Take note that even if you have a good strategy, there is still a chance that you may lose an investment. After all, there is no strategy that can guarantee 100% the return of positive profits. But, with consistent research, hard work, and practice, you can tilt a favorable outcome to

your side and establish a winning edge over the stock market.

Keep a Trading Journal

Although not required, keeping a trading journal can be beneficial. Do not worry; you do not need to be a professional writer to maintain a trading journal. However, you do need two things: One, you need to be completely honest. This means that you should admit and accept your strengths and weaknesses, as well as the outcome of every investment that you make without any bias. And, two, you need to update your journal on a regular basis.

Your trading journal can contain any information that you want that is related to your life being an investor. Ideally, you should write in your journal the reasons why you want to invest in stocks, as well as your short-term and long-term goals. This is something that you can come back to in the future in case you get lost or confused along the way. Your journal should also include your strategies, the investments that you make, and your objectives. Simply put, your journal is as meaningful as you make it.

It is recommended that you write as much as you can in your journal. The reason is that your journal should serve as an unbiased mirror that will allow you to view yourself from a different perspective. It will make it easier for you to spot any weakness or part of your strategy that still needs to be modified. There are many things that your journal can teach you. Again, the important thing is for you to be completely honest with every detail that you write in your journal, and update it regularly.

Do NOT Approach Investing as a Hobby

The sad truth is that most people who invest in stocks approach the stock market as a hobby. Although you are always free to consider it a mere hobby, you can also expect to get a fair result just as when you approach any other business as a mere hobby, without any commitment or dedication. If you want to get a good amount of regular income from your investment, then you should take it as a business or a profession. The problem with those that consider this kind of venture as mere hobby is that they fail to exert the right amount of effort and research that will enable them to increase their chances of making a profit.

Wait it Out

Sometimes the best way to deal with the stock market is simply to wait it out. It is inevitable that you will soon encounter a time when the market is simply going down. Instead of being too bothered and placing risky investments, just wait it out. Waiting things out does not mean that you would completely ignore the market. It means that you should still follow what is happening in the market, but do not make any move or investment. Wait for the right time to act. When the market recovers, then be sure that you are there to take advantage of it.

Do NOT be an Emotional Trader

Although it is good to have passion in what you do, you should not allow your passion or emotion to get in the way and cloud your judgment. When you make an investment, it is not enough that you feel good and confident about it. Rather, you should feel confident of your trade because you have done the right research and study, and that there are good reasons to believe that it is the best investment. When you allow your emotions to cloud your judgment, you will not be able to think clearly. Therefore, at any time that you feel like your emotion is getting in the way of your decision making, stop and do not place any investment whatsoever. Wait for the undue emotion to disappear before you make a move.

Take Advantage of a Bull Market

A bull market describes the stock market. It signifies that the prices of stock in the market are rising — which is good. On the contrary, when the prices are falling, then it is called as a bear or bearish market.

You should learn to take advantage of a bull market. Of course, the key here is to be able to recognize that a bull market is the current situation of the market or when a bull market is just about to take place. You need to place your positions (investments) as early as possible so that you can take advantage of the rise in the prices of stocks. A bull market usually takes place after a bearish market. It is important for you to recognize as quickly as possible when a bear market would end and a bull market to begin. To do this, you need to keep up with your day-to-day research and analysis. Although a bull market may be promoted on the news, the best way to take advantage of it is by placing your investments at

its inception. The reason is that a bull market is usually followed by a bearish market. If you wait for a bull market to be announced before you act up, then it may already be too late for you. Take note that the way to be ahead of the stock market is to be ahead of the competition. Be the first to grab every opportunity.

Test and Develop your Strategy

Always test your strategy, and test it multiple times before you use it with real money involved. Take note that you have to repeat this process even if you just change or adjust a minor part of your strategy. A good way to do this is by using a demo account or by investing the minimum amount.

When you are a beginner, a big part of your time should be spent on developing a reliable strategy that can earn you some profits. It is advisable that you should focus on increasing your success rate. Take note that as a beginner, your main objective is not to earn money right away. Your first concern is to develop a winning strategy. Of course, a winning strategy depends on the situation, as well as on the amount of research that you make. When it comes to success in the stock market, the more information you have, the better is your chances of hitting the right investment. Do not rush. It takes times to know the best investment decision.

Never Chase After your Losses

This is a common advice given to gamblers: Do not chase after your losses. A quite surprising truth about this is that most people who chase after their losses are well aware of this advice. But, despite the knowledge that it is not a good practice to chase after one’s losses, they still fall into this pitfall.

Investors usually get strongly tempted to chase after their losses after a big loss. After a big loss, you simply cannot think clearly. Hence, even if you know that chasing after your losses is not a good idea, you may get tempted to rush and do everything to get back what you have lost. In the process, you will probably lose all your money. Therefore, so that you will not lose control of yourself, make sure to have the strength to stop making any investment when you encounter a significant loss. In fact, give yourself a time to forget everything about the stock market. People usually chase after their losses by placing a bigger investment with a hope that they may be able to recover what they have lost and also win

even a bit of profit. After all, they have already invested some times and effort. The key here is that instead of chasing after what you have already lost, you should stay calm and focus on your winnings or profits. Take note that every investment that you make is unique from all the rest. Therefore, when you encounter a loss, just admit and accept the loss, and move on. After all, even the best strategy in the world will also lose from time to time. The important thing is for you to end up with a positive profit once you add up everything.

Only Invest the Money that you can Afford to Lose Another common advice given to gamblers is to only play with the money that you can afford to lose. Well, although you will not be gambling, you must realize that this is still an investment. And, like any other investment, there is a chance that you may not earn anything or even lose all your money. Therefore, to be safe, you should not use the money that you need to pay for your obligations, such as the money for your household expenses. It is also not advisable to borrow money from other people. This is to protect you from being drowned in debt in case the worst thing happens. You can, however, partner up with someone, if you need more financial backing.

Do NOT Give Up

The best stock investors have their own bad stories to tell. They have many experiences of being defeated in the stock market. However, they are the ones who have survived the challenges and have won the competition. As you journey and spend more time investing in stocks, you will also face numerous challenges. The important thing is for you not to give up and to learn from your mistakes. The stock market is not your enemy. In fact, it is your goldmine for profit. Your only enemy is yourself. You should exercise discipline and professionalism. When you encounter some bad streaks, you need to stay strong and give yourself time to recover. Do not give up.

Relax

Give yourself a break. It is so easy to get addicted to the stock market, especially when you see some profits coming in. However, you need to give yourself time to relax. Remember that you can come up with better investment decisions if you

allow your mind to rest. Also, it takes time to earn a significant profit in the stock market. Therefore, give yourself time to relax from time to time, and then come back to work stronger.

Putting Theory into Action

Thanks for making it through to the end of this book. We hope it was informative and able to provide you with all of the tools you need to achieve your goals whatever they may be.

By now, you already have a good foundation that can lead you to success. The next step is to apply everything that you have learned. So, it is time for you to open an account with a reliable stockbroker, start investing, and rake in serious profits.

Finally, if you found this book useful in any way, a review on Amazon is always appreciated. Hope you can leave a few kind words!

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Your review will motivate us to do better.

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Write a Review

Happy trading, until our paths cross again.

Prof. Tyler Yamazaki

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Day Trading for Beginners

Forget Everything You Know and Go Back to the Drawing Board

PROF. TYLER YAMAZAKI

C opyright

DAY TRADING FOR BEGINNERS

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Foreword

Let us get this out of the way upfront, day trading isn't going to be for everyone, it requires an understanding of the fundamentals of trading and it has a number of risks that push it out of the realm of the average trader. With that being said, for those who persevere, the potential rewards are going to outpace practically every other type of security trading.

In order to help you minimize the potential risks and maximize the rewards, the following chapters will discuss everything you need to know in order to start out day trading on the right foot. First you will learn all about what day trading entails including the fundamentals that any trader needs to know before dipping their toe into the deep end of the trading pool. You will then learn about the characteristics you need to strive to embody when it comes to being a successful day trader as well as tips for success that will help you on your way. Then you will learn about the common mistakes that new day traders make as well as how to avoid them. Finally, you will learn about the key tools of the trade as well as several useful starter strategies to try.

Every effort was made to ensure it is full of as much useful information as possible. Enjoy trading!

You can find all my books here,

https://www.amazon.com/author/tyler-yamazaki

Chapter 1

The Profession

At its most basic, day trading is just like any other type of securities trading except sped up by a significant degree. Day traders typically only hold specific positions for a few minutes, or less, on average, with no position being held longer than overnight at most. In order to be a successful day trader, you typically need previous experience trading securities in a less high-impact way, dedication to what it is you are trying to do and a high degree of discipline.

The process of making a day trade can be broken down into 5 steps that are going to always be the same regardless of the specifics involved. First you will want to find an asset that you want to trade be it a stock, option, currency pair or any other commonly traded security. You will then decide if it fits your trading plan. If it does you will want to take a specific position based on current market trends. Then you will sell as soon as the desired movement occurs. Finally, you will repeat until you are a veteran day trader.

Pros and cons of day trading While the above makes day trading sound relatively straightforward, the truth of the matter is that it has a variety of pros and cons that means it is not for everyone. Take a look at the following list to determine if there isn't another type of trading that is better suited to your goals.

Pros *Large profit margins:* For those who do it right, day trading can be a very profitable career path with profits that are greater and more reliable than just about any other type of securities trading.

Work for yourself: Many of the most successful day traders are self-employed which means they don't have to answer to anyone, they can make their own hours and set their own profit goals.

Always exciting: Dealing with the shortest market timeframes means that day traders typically see more action than any other type of security trader. You will have the opportunity to pit your wits against the market as well as your competition each and every day. Those who are natural thrill seekers will also

appreciate the adrenaline rush that comes from rapid-fire trading and pulling a big win from the grip of defeat.

No degree required: As opposed to many other financial jobs, a perfectly successful day trader can be completely self-taught. As long as you are willing to put in the time and energy to learn the skills you need, you can be a success with no degree required. Everything you need to learn can be found, at very little expense, online.

Tax write off: As self-employed individuals, day traders can write off a great deal of their expenses when it comes time to pay taxes. Sophisticated hardware, expensive software, even home office space can all be partly written off by those who work from home.

Cons *Commissions can noticeably affect profits:* Due to the higher than average number of trades they make in a single day, the commission cost of individual trades can significantly affect your overall profits if you don’t do everything in your power to minimize these costs.

The potential for loss is substantial: Day trading is without a doubt the most difficult of all of the types of securities trading to make a reliable profit in. Most day traders see nothing but losses for a least the first month of their nascent career and if they are not careful these loses can prevent them from ever reaching profit making status. While only trading what you can afford to lose is something that every trader should keep in mind, many new day traders trade with borrowed money in the form of margined trades or capital from loans which can cause them to start out from a significantly indebted position.

High startup costs: Day traders are actively competing against hedge funds, high-frequency traders and other professionals who often have trading capital reserves in the millions. As such, in order to compete it is recommended that you have a trading bankroll that is at least $10,000 at the bare minimum. Additionally, you are going to need to invest upfront in charting software, a trading platform, computer hardware and more. Added to this are the ongoing costs of commissions, live price quotes and other brokerage fees, all of which add up faster than they otherwise would do to the high volume of trades to be made. Finally, many brokerages will not allow you to day trade unless you have proven yourself to be a successful trader on a smaller scale which means there is a time as well as a monetary commitment.

Self-employed: While there are benefits to working for yourself, there are also drawbacks. These include a lack of health insurance, a steady paycheck and corporate infrastructure, just to name a few. This also means that you will need to deal with the isolation that comes from working by yourself with no one around to lend a hand or to make sure you spend your days working instead of browsing social media, you will be completely responsible for your own success. Finally, in order to truly day trade successfully, you need to commit fully from the start which means giving up your steady paycheck to try something far less guaranteed.

Market lingo *Long:* If a trader takes a long position that means they purchased a specific stock, option, currency pair *etc.*

Short: If a trader takes a long position that means they sold a specific stock, option, currency pair *etc.*

Bear market: If the market is trending downward this is considered a bear market.

Bull market: If the market is trending upward then this is considered a bull market.

Bid price: The bid price is the price that traders are currently buying a given asset for.

Ask price: The ask price is the price that traders are currently selling a given asset for.

Spread: The difference between the ask price and the bid price.

Open: The open price is the price of a given asset at the start of the trading day.

Close: The close price is the price of a given asset at the end of a trading day.

Slippage: The difference between the price of a bid or ask when you decide to make a trade and the actual price when you commit to it.

Intraday range: The difference between the high and low of a given asset between different days.

Volume: The number of shares that trade hands in a given day.

Liquidity: This refers to the ease with which a given security can be obtained. In general, the greater the liquidity, the lower the price.

Volatility: The degree to which the price of a security is likely to change over a specific period of time.

How to find securities to trade *Pre-market movers:* While pre-market prices are subject to change once the market opens, they are a great place to start. The first thing you are going to want to look for is a high degree of volume, not just for the day, but for the last 30 days.

Check social media: Social media is often a great place to get a sense of impending news events before they happen. This, in turn will allow you to determine how the market is going to move before it has a chance to get going and let you get in on the ground floor of potential incoming changes.

Earnings calendar: A surefire way to see an increase in volatility is when earnings are reported. You are never going to want to jump on an assumed trend before they are released but shortly thereafter the trade gates will be thrown wide open.

Chapter 2

Setting the Path Right

While it doesn’t take much to make one or two successful trades now and then, if you want to make it into an everyday thing then you are going to need to work at getting into the mindset of an effective day trader. While no 2 day traders are the same, those who are successful at the practice all tend to exhibit many of the same positive characteristics and traits outlined below.

Early riser: Despite the fact that the market doesn’t open until 9:30 am, the most successful day traders like to get a jump on the day and use the early morning hours to track the international markets so they know what will greet them when the local market opens. No economy exists in a vacuum and knowing what is happening in the world will give you a better idea of what type of changes the day will bring. Having an accurate macro view is crucial to determining the right micro changes to follow when the time is right.

Practice, practice, practice, and practice: Day trading is a skill which means that just like any other skill it will only improve with practice. Common wisdom dictates that it takes 10,000 hours to become a master at something which means that if you want to become a master day trader then you will need to commit 8 hours a day, to the task for 5 days a week for 57 months. While some traders are just naturally lucky, if you ever want to see a huge payout of your own then you need to be willing to work for it. Remember, successful day trading is a marathon, not a sprint, slow and steady wins the race.

Make learning a habit: Being a successful day trader means never resting on your laurels no matter how productive your current strategies or trading plan turns out to be. Rather, it is important to never be content with the status quo and always be on the lookout for the next big thing. New strategies are always being developed and if you don’t stay on the bleeding edge then you will find yourself losing out to the competition. Additionally, the market is constantly changing which means that if you are relying on information that’s even a few days old you can find yourself blindsided by market trends that you should have seen coming. This is why it is important to get into the habit of continuous learning and never let the habit go fallow.

Know when to follow your own path: While following the major players in a given market is often a solid strategy, that doesn't mean you should just blindly follow the crowd all of the time. As a successful day trader, you should be doing your own research and trusting the results you find, even if it means going with a trade that is currently unpopular. If you are looking for a serious payout, then trading against the market is going to be the way to get you there, but only if you do so for the right reasons.

A majority of the movement in the market each day is from sheep who follow what everyone else is doing with no regard for the reasons why they are doing so. Don't fall into this pattern, be a wolf instead. Improve your intuition through diligent study and constant practice. Once you start to see the payoff from doing so your confidence will improve and you will find it easier to trust yourself in the future.

Be prepared: Truly successful day traders have a reliable plan that they can stick to without fail. That doesn't mean that they will blindly follow their plan in all scenarios, however, as they have also cultivated the ability to read the current state of the market on the fly in an effort to determine when things have changed enough to warrant going off book until the market settles down. In order to be able to go off book successfully you are going to need to banish all emotions from your trading and focus on logic to the exclusion of all else. If you start trading with your heart instead of your head, the only thing you will achieve is failure.

Know strengths and weaknesses: The most successful traders are those who are in tune with themselves through a close examination of their strengths as well as their weaknesses. Following their example will allow you to make the most of the one while minimizing the effect the other has on your day to day trading experiences. This will help you minimize the risk inherent in the trades you make, maximizing your profits in the process. The easiest way to go about doing so is through the use of a trading journal.

You are going to want to keep detailed notes related to all the trades you make to help you determine personal patterns that otherwise may not be visible. This means you are going to want to keep track of not just success and failures, but how given trades were determined and your emotional state throughout. Once you have enough examples to see the patterns you will want to strengthen the positive ones through conscious usage and do your best to minimize the negatives.

Commit at the right time: No matter how thorough, all the research in the world will never help you to be a successful trader if you don't have the ability to commit to a given trade when the time is right. The market is a fickle mistress, especially in the shorter timeframe charts you are likely going to be using most frequently which means that when the variables align and it is time to get in on a potentially profitable trade you need to be able to do so without a moment's hesitation. This isn't the same as getting lucky or following your gut, you need to prioritize learning how to read situations on the fly and react to them in real time in order to ensure that when the money is on the line you are ready to make the calls that lead to huge wins or prevent significant losses.

Personal motivation: If you ever want to give up your current job in exchange for a career as a successful day trader then you are going to need to have the mental fortitude to treat it like a job, even when things get rough. Working for yourself means that there won't be anyone looking over your shoulder and forcing you to get to work, that motivation will all need to be generated internally. Only by stoking your personal drive to succeed will you be able to get out there and do what needs to be done, no matter how tough the going gets. The discipline to be successful can't be learned, you either have the ability to motivate yourself or you don't, there is no middle ground.

Hold enough trading capital: If you ever want to be a truly successful day trader then you need to start off on the right foot. Specifically, you need to have enough liquid trading capital to be able to absorb some losses, especially early on. If every trade you make represents the sum total of your trading capital then this is likely to affect your mindset and lead you to make decisions out of fear as opposed to what the market is telling you. It is important to understand your limits, but it is also important to not have such strict limits that they prevent you from trading successfully.

No trader, no matter how skilled, is going to be right 100 percent of the time. Having a decent amount of trade capital will allow you to play the long game which means being able to come back from losses now and then and keep going until the profitable trades arrive. A good rule of thumb is that you should never commit more than 2 percent of your total trade capital into any individual trade which means you need a reserve that is large enough to ensure 2 percent is enough to profit from, each time you commit it.

Sticking with this rule will help to guarantee that your emotions don't get in the way and that you are free to let the facts guide each trade you make. Keeping an

emotional distance from your trades will make it easier to remain analytical during all of your trades, especially early on, which will help you improve your overall trade percentage in the process.

Never rush: While making split-second decisions is important, that doesn’t mean you are going to want to rush the process. Successful day traders take the time they need to analyze every situation where money is on the line and then proceed with the course of action that will result in the greatest overall return. Before you make any decision that will affect your bottom line, it is important to have a clear idea what the result is going to be, every time. Additionally, it is important that all of your decisions are proactive as opposed to reactive as this is the only way you are ever going to find reliable success.

Chapter 3

The Gold Nuggets

While there is always going to be a little luck associated with day trading, there is still plenty you can do when it comes to improving your averages and maximizing your profits in the long term. The following tips and suggestions are a good place to start when it comes to building a successful day trading career.

Finding the right trades

The first thing you need to remember is that every successful trade is always going to be based around a measured approach. As such, the first thing you are going to want to do is make sure you are trading the types of stocks that not only align with your long-term goals but match up with your temperament as well. Additionally, you will want to utilize any existing knowledge about relevant fields that you may have to lean into a specific type of stock. For example, if you previously worked in manufacturing, then sticking with stocks that are based on companies who deal heavily in manufacturing can give you an edge as you innately understand the ins and outs of those companies which can give you a better idea as to what will cause those stocks to move in unexpected ways.

Regardless of the types of stocks you choose to focus on, there are three key aspects of every trade you are going to want to keep in mind before you pull the trigger.

Timeframe: The most important thing to keep in mind is that you are always going to want to trade in a timeframe that matches up with your state of mind. Trading in a timeframe just because someone else says you should is a great way to end up either nervous or impatient, neither of which is a mindset that is going to help you make any money.

If you are just getting started in day trading then the timeframe you are most likely to be comfortable with is the 5-minute chart. This is a nice middle ground for day traders as the movements it produces will not be as fast as the 1-minute chart nor will you have to expose yourself to the added risks of holding a specific stock overnight. You will also need to experiment with micromanaging

trades all day versus doing research during the weekend and placing weekly trades at the start of the trading week. Micromanaging trades tends to lead to gains in the short-term while weekly trades are more likely to produce results in the long-term.

Methodology: When it comes to working with a methodology that works for you, it is important to find something that plays to your own specific strengths and weaknesses as opposed to trying out everything that “experts” say is hot at the moment. Additionally, you are going to want to keep in mind that every trader is going to have bad days as well as good and as long as your trading plan is effective at least 60 percent of the time then you are guaranteed to be successful in the long run as long as you stick to your plan. Switching things up all of the time is only going to skew your results which will make it more difficult for you to determine the true cause of any failures or successes that you come across. Additionally, switching regularly is only going to make it harder to learn the intricacies of your chosen methodology, making you less effective when a difficult to unravel issue arises.

Trade indicators: Additionally, you are going to want to focus on a handful of trade indicators that work for you and master them completely before moving on to something else. This will allow you to find the ones that work best with your trading strategy and your overall trading style. The best place to start is with those that work the best in the timeframes you frequent.

Focus on building these attributes

There are several different attributes that you can work to improve in order to enhance your day trading results. While you may not be an expert at all of these to start, practice makes perfect.

Patience: Early on in your day trading career it may seem as though when you finally come across a given trade that is going to pay out, you need to act on it immediately and then get out as soon as you make a profit to keep things from going sideways. If this is the case then you are likely not fully taking advantage of the trades you find as patience will often lead to better payouts overall. This is why it is important to determine your potential entry and exit points before you jump into a trade so that there is no opportunity for emotion to get in the way of your profits.

What’s more, if the trade doesn’t reach the numbers you were anticipating then it

is important to not simply follow through with it anyway. You must have the patience to disregard it and then wait for something better to come along. If you decide to chase the specter of potential profit by changing your predetermined exit and entry points on the fly they all you are going to do is ensure that your plan isn't as effective as it might otherwise be. After this has happened they you lose in the long-term regardless of the outcome of the individual trade as if it works out then you are promoting bad habits that are sure to do more harm than good in the long run.

Faith: Having faith in your trading plan is crucial when the rubber hits the road and you are staring down a potentially profitable trade. After all, no trading plan is perfect and you are likely to see your plan fail to execute as planned a full 40 percent of the time. As such, you need to believe that the plan you have created is solid, and follow it through exactly, every single time you make a trade, otherwise you are throwing off your odds of success even more. A good plan gives you an edge over the randomness inherent in the market, if you disregard your plan constantly then you are doing little more than gambling and there are always going to be easier ways to gamble than via day trading. Having faith in your system, assuming it is worth believing in, will always lead to greater overall profits.

Objectivity: When trading, especially early on, it can be easy to start to feel a connection to individual stocks. This is a surefire way to lose out, however, as any stock could change directions at any time and you need to be objective enough to know when your time with a given stock is coming to a close. Not keeping an objective mindset can easily cause you to start making harmful mistakes such as doubling down on losing stocks in an effort to recoup your losses or sticking with a specific stock after all indicators point to a long trend moving away from your desired direction in hopes that things will turn around. The same thing can be said when it comes to listening to outside sources.

Once you have committed yourself to a specific stock it is important to ignore everything besides your trading plan and consider it white noise until the trade is completed. Each trade needs to be objectively verified based on its merits in relation to your trading plan, if you do this then you can let the results take care of themselves.

Don't expect too much: Having the wrong expectations is one of the easiest ways to lose out when it comes to day trading. It is important to believe in both yourself and your plan, but this belief should always be based firmly in reality.

Having an unrealistic expectation when it comes to profits is a good way to let your emotions into the trading process which can then easily lead to trading mistakes that you wouldn't have made if your head was clear. Keeping your expectations realistically in check means having a firm idea of the potential risk and reward that will come along with every trade. It is important to keep in mind that short term trades are more likely to lead to safe but small returns and that long-term trades have a greater margin for error but balance that out with overall greater gains.

Motivation: In order to remain true to yourself regardless of the situation you find yourself in, it is important to understand the motivations you have for trading and how they affect your trading style. It is also important to understand the motivations that inspire the various commodity markets if you want to trade in them successfully.

In order to figure out what motivations are influencing your favorite commodity, the first thing you will need to do is to consider who the major players are in that commodity. Once you know who the major players are you can watch how they trade and determine the reasons behind why they make the trades they do. After you understand how they are likely to move then you can take a look at how things are currently progressing and compare that to the historical data you have gathered. When taken as a whole, this process makes it easier to determine how the major player movement affects the market as a whole which makes it much easier to predict future movements in turn.

Taking action: Keeping everything that is required in mind at all times is a challenge, even for experienced traders. If you never put what you have learned into action, however, then you will never improve as a day trader and, what's more, you will never profit from it. Once you have made a decision it is important to understand why you made the decision you did and also not to be afraid to bail on a trade that suddenly turns around on you. It is important to keep in mind that a small loss in the present is always preferable to a potentially large loss somewhere down the line. Furthermore, you will want to keep in mind that there are absolutely days that the market isn't going to be doing much of anything. When this happens, it is perfectly acceptable to simply sit back and wait for more profitable market movement. Other times, something unexpected is going to happen and skew the market in an unexpected direction for a prolonged period of time. Remember, just because you are a day trader doesn't mean you need to be trading every single second of every day.

Learning the ins and outs of the markets that you favor isn’t something that is going to happen overnight; nor is it something that can really be taught. A true familiarity with the market is only something that can be learned with practice, and lots of it. Ultimately it all comes down to Warren Buffet’s number one rule, “the only hard and fast rule is to never lose money.” Stick to this rule and you can never go wrong.

Chapter 4

Know Your Enemies

While becoming a successful day trader isn't possible without making mistakes and learning from them. There are plenty of serious pitfalls that you can be aware of in such a way that it makes you less likely to have to experience them yourself. Keep the following in mind and remember, forewarned is forearmed.

Chasing bottoms and tops: There are certainly some strategies out there that are effective when used near the turning points of existing trends. These are in the minority, however, which means that picking bottoms and top is, more often than not, a risky proposition. Unfortunately, it is an all too common mistake for traders to invest money into securities that are either too low or too high, gleefully ignoring the 2 percent rule as they do so. This impulse should be avoided like the plague and replaced with a focus on major inbound price moves instead. Sticking to one side of markets that are range-bound will lead to better long-term results at least 90 percent of the time.

Not having a good exit plan: It is common for new day traders to have a plan when it comes to getting in on a potentially profitable trade without having an equally solid idea for when they are going to get back out. This then leads them into scenarios where they get out too early and miss out on some easy money or stay in too long and either end up with an investment or end up being forced to take a loss despite the promising start. If you are having a hard time coming up with the right exit points, the easiest place to start is by focusing on adding detailed technical specifications to your exit strategy. After you have put these into play, it is important to not stick with them blindly and to instead change them up as need be based on the changing market environment.

Trying to get even: While most new day traders start out with a plan of some type, they often make the mistake of letting their emotions take over and when that happens it is very easy for a plan to go out the window. It is important to keep in mind your trading goals as well as your long-term plan when this occurs as trying to get even with a specific stock, either by doubling down or by holding onto it well past the point where logic would dictate that it is time to get out, will only lead you to a loss far more than it will work out in your favor.

This is why it is so important to focus on the numbers to the exclusion of all else which means removing your ego or self-esteem from the picture entirely. Focusing on the price action to the exclusion of all else will make it easier to block out aberrant thoughts relating to magic numbers or breaking even, which will naturally improve your overall trade results, possibly to a significant degree. Keep in mind that determining whether a day is a success or a failure isn't something that can be done until the final trade for a given day has been completed.

Sticking with relative trends: If a trend is already well-defined in the market then it is entirely possible that it is going to continue long enough for you to make some money off of it but it is far from a guarantee. The market will naturally fluctuate up to 20 percent of its current average with very little warning, before settling back to the current standard. This means that if you recklessly jump onto a specific trend without doing the required homework you will frequently find yourself making a momentum play that is never going to go anywhere.

Before you make a move regarding a specific trend, there are three distinct timeframes you are going to want to consider first. If you are prone to trading in the short-term then you are going to want to keep an eye on the weekly hourly and daily charts. If you prefer holding onto trades for a longer period of time then daily, weekly and monthly charts are typically going to be more useful.

Being too focused: Many new traders get so focused on a specific trade that they forget that no trade exists in a vacuum. Not keeping this in mind is a surefire way to hurt your overall successful trade percentage with losses that are, by and large, avoidable. The more profitable solution is to instead keep a strong macro view of any trades you are considering working with. Keeping tabs on the market in this way and looking for potentially profitable trades is a great way to track general derivatives. These derivatives are crucial when it comes to managing the underlying conditions that occur between markets while also make sure they are currently moving in the same ways. With that being said, it is important not take so much of a macro view that you lose sight of what is most important. A balanced mix of macro and micro is always going to yield to the best results.

Letting the opinions of other influence your trading: While every day trader is going to have opinions regarding the best way to trade this type of stock or when to use that indicator, the best day traders tend to avoid this advice like the plague and instead work out their own. The only thing you really need to focus on in

order to make the right types of trades in the right timeframes is math and anything else is only going to get in the way. Keep in mind that you want to analyze and observe economic and political events, not get caught up in them.

Timing it wrong: As hard as it might be to believe, finding a trade that is likely to be profitable in your desired timeframe is only half of the battle, you also need to learn when the right time to pull the trigger in order to determine the right results. Making the right move at the wrong time can easily cost you a big profit. How big exactly? Making the right move costs day traders around the world upwards of 10 million dollars per day. This doesn't mean that you need to wait to make a trade until the stars align and everything is perfect, just that you will want to focus on getting a feel for the best moment to start a trade and then act on it directly.

To do this you are going to need to keep in mind the relatively trend you are following and understand the strength of the market as a whole. While doing this you are going to need to keep an eye on the distribution and accumulation indicators as well. Most importantly, however, you are never going to want to move on a tip or a hunch without taking the time to do the required research beforehand. Anything else is akin to throwing the commissions you paid into a pile and burning them.

Averaging down: While few traders, even those who are new to day trading, start off the day with a plan of averaging down, it is something that they often end up doing because they didn't take the time to actively plan against it happening. The truth of the matter is that the resources spend holding onto a weak position will almost always cost you more than if you had ended a trade and used those funds elsewhere instead.

Remember, every time you end up with a failed trade that means the next trade needs to be even more profitable overall in order to make the entire day work out to a profit instead of a loss. If you get into the habit of averaging down, and your trading capital wasn't terribly strong to begin with, then a few days of doing so can easily equate to days or even weeks that will be required in order to just get back to where you were when you started. If you prefer to trade in the short-tern then you will need to be ready to exit a trade the instant that forward momentum begins to slow down, or even worse, starts to move in the other direction instead.

Not factoring in risk and reward before you make a trade: Risk and reward are an important part of every trade. This in no way means they are going to be

equal, however, and if you don’t take these differences into account then you can easily make the wrong moves without even realizing it in the moment. If a given trade has enough risk to cost you 2 percent of your overall trade capital then you are going to want to ensure that it pays out at least twice that much (3 times as much is better) to make it worth your while. Likewise, a signal trade that is worth 10 percent of your total trade capital is always going to be riskier than 5 smaller trades worth 2 percent each. Keep your risk reward ratio in mind for every trade or you will wish you had when you find your trade capital dramatically depleted.

Chapter 5

Tools of the Trade

Even when compared to other types of trading, the tools you use as a day trader are extremely important if you hope to generate a profit on a regular basis. Thanks to the tight timeframes that day traders typically operate under, every second can literally be the difference between success and failure which means the platforms, software and tools you use are ultimately just as important as the strategies you employ and the stocks you pick to trade. What follows is a list of things that every day trader should have on hand in order to ensure as much success as possible.

Tools

The right hardware: While you don't necessarily need the latest and greatest in computer hardware in order to run most types of trading software, that doesn't mean you can get by with the bare minimum either. The better your computer, the faster and smoother this software will run and the less lag and fewer crashes you will experience. First and foremost, it is important that you have adequate RAM which will make it easier to multitask without issue as you will frequently have several different programs as well as your web browser open at the same time. Additionally, as your software needs increase, the base level of hardware required will do the same.

While these costs can easily add up dramatically if you have to purchase an entire new rig all at once, there will rarely be a need to do so. Rather, you can purchase parts overtime as needed, or when they are on sale, in a more piecemeal fashion most of the time. With this strategy, you can grow your hardware capabilities slowly as your need for the increased power manifests itself.

As you get more serious about day trading, you are also likely going to want to run at least 2 monitors at a time, if not more, which will allow you to dedicate one to trading and the other to research and tracking results. This will mean you will likely need a better video card with enough HDMI ports to account for the

additional monitor inputs. Once this is done, depending on the quality of your system, and its available cooling power, you may need to look into liquid cooling solutions as well to ensure that things don’t overheat in the midst of an important trade.

Regardless, you are going to want to invest in the best internet speed available that your current system can reasonably take advantage of. The current high-end standard is 1 gigabyte MBPS which can be found in most major markets, though something around 100 MBPS is typically fast enough for most systems. In addition to having access to the speed, you are going to need to be sure that your router and modem can keep up as well or they will bottleneck your efficiency to a noticeable degree. When you contact your internet service provider, you will also want to consider reinstalling a landline as a type of emergency backup in case you find yourself unable to make a specific trade in any other fashion. While this might seem like overkill, the $10 per month will seem reasonable the first time you find yourself using it to place a major trade and you can think of it as a hardline to your broker in case the worst occurs.

Brokerage: Many traders stick with the first brokerage they come across without ever thinking twice about it. This can be a serious mistake, however, as an experienced trader has needs that are frequently quite different than those of a beginner. As such, once you get used to the day trading experience it will generally behoove you to reevaluate your choice of broker and determine if you ultimately made the right decision.

First thing in order to determine the best options for what you are looking for, the best place to start is on your favorite day trading website and see what the people who frequent their forums have to say. After you have determined a suitable list, the next thing you will want to do is determine the fees that they charge in exchange for the services that they offer. If you have already determined what trading platform or online tools that you prefer then it is important to make sure that the brokerages you are looking at support them as not all brokerages support all trading platforms. Otherwise you risk having to learn an entire new platform from scratch.

Additionally, it is very important that you choose a brokerage that is based in your home country or at least in a country that provides proper oversight when it comes to day trading. While many foreign brokerages might offer cheaper fees, putting your money into the hands of a company without direct oversight means that if that company suddenly disappears, your trading capital will go with it.

Finally, it is important to make a concentrated effort when it comes to determining the type of customer service the brokerages you are interested in provide. In order to determine this, you will want to do more than listen to reviews which can easily be skewed in one way or another, it is instead best to see for yourself. This means you are going to want to call the brokerage personally and see how long it takes for you to speak with a real person. While you won't have to actually call your brokerage very often, when you do it is likely to be an emergency which means you are going to want the time it takes to find someone to talk to, to be as short as it possibly can be.

As a new customer, it is likely that you will receive a call back from someone associated with the brokerage who will try and sell you their service. If this call takes more than one business to occur then you will know that you are better off going somewhere else. After all, if the company treats new customers with that level of disdain, consider how much worse things will be once they already have your money and aren't actively trying to make a good impression. Finally, assuming that their customer service is up to snuff, you will also want to email them with questions a few different times, just to see what their level of response is like. While this process may be a bit time consuming, once you find a brokerage that is on point, it will be more than worth the effort in the long run.

Online trading tools: There are plenty of different tools online that claim to help you maximize your trade efficiency so the ones you choose to use are ultimately up to you. First things first, you are going to want to find a financial calendar that works for you to ensure that you don't miss any important dates when it comes to financial earnings reports. The program you choose should automatically populate with various important events as well as offer many different customizable dates and provide details on multiple different markets.

If you ever trade in the forex market then you will want to find a good currency convertor that shows any changes to specified currencies in real time. You will also want a currency convertor that shows the range a specific currency pair has operated in over a predetermined period of time.

Additionally, you will want to ensure that you have a calculator that makes it easy to determine pivot points along with Fibonacci numbers. These tools will make it easy for you to keep up to date on relevant trends and help you stay informed on relevant indicators that it is otherwise easy to miss if you aren't careful. Along similar lines, you are going to want to track down a heat map that is reliable and that shows you the trades that are currently trending along with a

volatility monitor to make it easy for you to keep tabs on the mood of the market.

Popular Platforms

There are so many popular platforms online these days that finding the right one can be something of a chore. The list collected here will simplify this search somewhat as it lists those that are currently at the top of the list. This doesn't mean that you shouldn't do your own research if you have a lot of specific requirements, it is only here to point you in the right direction.

OptionsHouse.com: This is a trading platform that just offers the basics which is perfect for those who just want to focus on trading. It offers a variety of easily modifiable tools, zero minimum account balance and a flat commission rate of $4.95 per trade.

InteractiveBrokers.com: For those who like all the frills possible, this site offers a wide range of perks including classes for new traders and a variety of trading aids. They do require a minimum trade balance of $10,000, however, though those under 25 aren't held up to this level of scrutiny. They take $.005 of each traded share and include trading options for precious metals, forex, futures and more.

Ameritrade.com: This platform is considered one of the best on the market today and charges a flat rate fee of $9.99 for each trade. They feature a low required balance, several trading platforms based on what the client is looking for and access to especially curated research. They also offer an additional trading platform known as Trade Architect which is designed for those looking for something straightforward and simple.

Tradestation.com: This platform's main claim to fame is its extremely fast order execution rate and charges anywhere from $5 to $10 depending on the volume of the trade. Their required minimum balance is $5,000 and a $99 monthly subscription fee which is waved if you hit a large enough trade volume each month. Their trade platform is also lauded for its robust feature set.

Chapter 6

Strategies

Scalping

Scalping is a trading strategy whose goal is to make a profit from small changes in price. Those who use this strategy typically place as many as 100 or more trades in a given day. Scalping takes advantage of a combination of large position size and small price gains in the shortest market timeframes. The goal is to either buy or sell a number of shares at either the bid or ask price and then sell once the price has only moved a few cents.

Scalping is a fast-paced type of trade that nimble traders will excel in. The ideal margin for this type of trading is 4 to 1 in order to make the most profit in the shortest amount of time. Typically, scalpers focus on either the 1-minute or 5-minute candlestick charts. Commonly used indicators include the MACD, RSI and stochastic. Price chart indicators like pivot points and Bollinger bands are often used to determine levels of resistance and support. It is recommended that you have at least $25,000 worth of trading capital in order to utilize this strategy successfully.

Common mistakes to this strategy include choosing poor execution times, not setting the correct stop losses, late exits, late entries and overtrading. Scalping creates a high amount of commissions which means you are going to want to look for a per-share commission price structure for the best results.

Fade

A fade is an investment strategy based around taking a contrarian approach to the current trend. This is a high-risk strategy that has the potential for high short-term gains when it works out in your favor. The reasoning behind this is that once the initial surge or spike in price has occurred then the resulting retracement or pullback will be able to generate a profit. To know you are on the right path when it comes to one of these strategies, you will want to look for a gap between the price and the trend line, this means the price is heading more in the direction of the trend and away from the trend line.

The right time to fade a breakout is when you have reason to believe that the breakout from either the resistance or support level is false which means it is unlikely to continue for much longer. You would then want to put this strategy into play when you have reason to believe that this breakout is going to be substantial.

Most fade breakout trades tend to fail because the minority who chose to fade the breakout is frequently compromised by the major players in the market who want the current trend to continue. Remember, in order to sell something, you need to have a buyer and if everyone is currently buying above the resistance level or selling below the support level then the number of buyers for what you are proposing is going to be relatively slim. There is a reason that this is a high-risk strategy.

Momentum trading

In momentum trading, traders tend to focus on stocks that are currently moving in one direction a significant amount. Those who trade based on momentum typically only hold their positions for a few minutes at a time, though it can be longer depending on the speed at which the stock is moving.

Successful momentum trading requires the trader to analyze the list of stocks they favor by watching the charts, particular the momentum indicator which visualizes the total net change of a stock's closing price over a predetermined period of time. The momentum line is typically show in tandem to the price line and it shows a zero axis with positive numbers indicating an upward trend and vice versa. This indicator will typically determine an incoming breakout which means that even 2 periods of sustained momentum will be enough to cause a breakout.

Once a potential momentum trade is found, you don't need to jump on it right away as this type of trend is typically likely to continue for more than a few periods. It is important to keep an eye on the stock in question once you have made a move, however, as the second the trend seems to be dying out you need to sell to keep from losing a slice of your profits. The goal here is to find the saturation point which is where the number of orders starts to increase and the overall volume of bidding begins to slow. This point doesn't mean the momentum is stopping, it is just a good indicator that it is slowing down.

Butterfly spread

When it comes to trading options many day traders remain perfectly content with simple puts and calls when it comes to making money from market indecision or possibly using covered calls as a means of generating income. There are more promising alternatives available, however, and one of these is the butterfly spread. This strategy allows traders in the know to pinpoint the traders that are likely to generate the greatest amount of profit for the lowest amount of risk. The modified butterfly spread, also discussed below, takes things up a notch.

Standard butterfly spread: The perform the standard butterfly spread you are going to want to utilize 3 different puts or calls in a 1, 2, 1 configuration. The first call you place is purchased at a strike price that is similar to the current price of the underlying asset, the second pair is purchased at an increased price and the final call is purchased at an even higher price. The same strategy can be used for puts though the price descends rather than ascends.

What you end up with is a neutral trade that is sure to generate a profit assuming the underlying asset remains somewhere in the range of the strike prices. It is also useful if you are interested in profiting from a directional trend as long as you set all three either below or above the current strike price depending on if you are purchasing puts or calls. Assuming it is done correctly, this strategy minimizes risk to a defined level and offers a reasonably reliable potential for profit and the potential for a significant rate of return as well.

Modified butterfly spread: The more advanced form of this strategy is called the modified butterfly spread and it has similar goals to the standard version, though it differs in a few key ways when it comes to execution. The biggest difference is that it offers you the opportunity to maximize your profit if put trades are bullish and call trades are bearish. This is done via a ratio of 1, 3, 2 which leaves just the first put or call at the breakeven point and triples up on the higher/lower price and doubles up on the final price point.

For example, say that an underlying asset is currently being sold for $194 per share. To activate the modified butterfly, you are going to want to activate the first put at $193.50, three more at $190 and then the final pair at $175. The key takeaway from this example is that puts are selling at 5 points beneath the at-the-money point and another at 20 points below. As the price is currently at $194 this means that you will be able to breakeven if the price drops to $184 which means that the strategy generates 5 percent worth of downside protection.

This means that the underlying asset in question would need to drop a total of more than 5 percent before any type of loss would occur. In this example, the total potential loss is approximately $2,000 which equals the amount required to put the trade into action. In this case, the loss would not occur until the underlying asset dropped to a price that is lower than $175. On the other hand, the amount you stand to gain from the aforementioned trade equates to about $1,000 which is a 50 percent return on your investment assuming the underlying asset only increases to $200. The strategy would also result in a $500 profit as long as the underlying asset doesn’t move past $195.

While the modified variation of the butterfly spread contains a greater degree of risk than the standard version, it also offers a higher profit to risk ratio. It is most useful when you believe the underlying asset is likely to remain stable over the timeframe you have chosen or when you are looking to profit from capital gains on an underlying asset that is likely to remain in the middle of the road.

Criteria to consider

When it comes to determining the correct type of butterfly spread to use it is important to keep in mind the amount of money you are willing to lose based on your total trade capital. You will also need to determine the estimated risk based on the current state of the market which will determine your overall odds of failure or success. There is no one right answer to this question, you will need to ask yourself these questions and set your own limits to determine the type of butterfly spread that works best for you.

The potential for the return on your investment, along with the likelihood that you will actually see it are going to determine the level of risk that it is in your best interest to proceed with. Performing this risk/reward analysis is crucial as you want to avoid rushing into the modified butterfly spread simply to mix things up or to try something new. It should go without saying that it is only recommended that you use the modified version if you have a sizeable amount of trade capital stashed away.

When it comes to day trading options, it is a great choice for day traders looking to improve the flexibility of their trades while mollify the risk/reward ratio of an existing underlying stock that is not as strong as you would otherwise prefer. As long as it is only used when required, and the conditions are right, the modified butterfly spread adds to that flexibility even more.

Your Journey Has Just Begun

Thank you for making it through to the end of *Day Trading for Beginners: Forget Everything You Know and Go Back to the Drawing Board*, I hope it was informative and able to provide you with all of the information you need to achieve your goals, especially as a beginner, whatever it is that they may be. Just because you’ve finished this book doesn’t mean there is nothing left to learn on the topic, expanding your horizons is the only way to find the mastery you seek.

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Happy trading, until our paths cross again.

Prof. Tyler Yamazaki

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Penny Stocks

The Ultimate Strategy Guide to Trading Penny Stocks

PROF. TYLER YAMAZAKI

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PENNY STOCKS

THE ULTIMATE STRATEGY GUIDE TO TRADING PENNY STOCKS

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Foreword

Thank you for investing your personal copy of *Penny Stocks: The Ultimate Strategy Guide to Trading Penny Stocks.*

In this guidebook, we are going to spend some time learning about Penny Stocks and why they are one of the most unique options to consider when it is time to get into the world of stock investing. While there are many options out there in terms of stock investing, Penny Stocks can be an interesting choice that will bring in potentially high profit, if you know what you are doing. This guidebook is going to go over them in more details so that you can learn how to use such investing tool.

Firstly, we will start with some of the basics of Penny Stocks and how they are different from the other Stocks that you can choose from and we will discuss the two main options with Penny Stocks; namely the Pink Sheets and the Over-the-Counter Bulletins. Once we have had a chance for you to learn about these basics, it is time to get into the world of Penny Stock Investing. We will talk about how to get into the game and find a good broker before moving into some of the top strategies that you can use to put your money to work. We will then end the guidebook with some basic tips that can help you to really see results even as a complete beginner.

Investing in Penny Stocks is a great way to open up your portfolio so that your money can grow more than ever before, but it does take some time and effort in order to learn this method and get it to work well for you. This guidebook is going to give you the tips that you need in order to get started making a good income with Penny Stocks.

There are plenty of books on this subject on the market, thanks again for choosing this one! Every effort was made to ensure it is filled with as much useful information as possible. Please enjoy!

You can find all my books here,

https://www.amazon.com/author/tyler-yamazaki

Chapter 1

Penny Stock Basics

Investing is something that many people are interested in. They want to see how much their money can grow for them and some even want to see if they can make this a full-time job. There is a variety of investments that you are able to make. Some people keep it safe and place their money in a savings account while others go with a retirement plan. Some will go with real estate and choose one of those options when the market is good and others like to start their own business, get into the Stock market, or invest in a friend who is doing something new. The options can be endless when it comes to starting a new investment, and picking out the right one for you can be the hardest part of getting started.

One investment type that you may want to try is the Penny Stock. This is a type of Stock that starts out really low, at no more than $1 for each of the shares. According to the Securities and Exchange Commission in the United States, a Penny Stock is one that will trade at no more than $5 a share, but most of them will be much less than that.

A Penny Stock can bring about a huge profit to those who know how to use it, but it is not a popular option as it works off the regular Stock market and is often used when a company is really desperate for some money. There is the potential for large losses, even if you make the purchase at a small rate, but if you are able to read the market, there is the potential to see a great deal and make a good profit in the process.

One of the best ways to ensure that you aren't taking a big loss on these Stocks is to be careful who you purchase from. There are some unscrupulous people who will make a big purchase of Penny Stocks in order to help raise the price. They will use fake press releases, websites, Stock message boards and more to talk up the Penny Stock price so more people will make a purchase, and then the price goes up even more. Then they sell the Stocks at the inflated price, making themselves a lot of money while everyone else will not be able to find any buyers and will either have to hold onto the Stock or sell it at a loss.

The good news is that the Penny Stock does need to meet some standards in order to prevent the process above, which is known as 'pump and dump'. In

United States, these Stocks need to have a price, market capitalization, and minimum shareholder equity. Remember that even if the Stock you are looking at is below $5, it will not be a Penny Stock unless it is traded off of the Stock Exchange.

The Good Things About Penny Stocks

We spent a little time talking about some of the things that you will need to avoid when trading Penny Stocks and looking to invest in these opportunities. If you are careful about watching the market and seeing what is going on before you make a purchase, you should be able to figure out when a pump and dump scheme is going on. If something looks like it is rising in price too quickly, you see that there was only one buyer of a large amount of Penny Stocks with just one company, or you feel like this person is really trying to pressure someone into making a purchase that doesn't look like the best, it is a good idea to go with a different option for the Penny Stocks.

The good news is that you are able to do well in Penny Stocks; you just have to keep your head and make sure that you aren't trying to rush into something that doesn't make sense for you, or that has a lot of red flags all over it. One of the best ways to get the most out of your Penny Stocks is to learn how to do your research before making any purchases.

There are many things that you will be able to research about a Penny Stock before you get started. For example, start by looking at the corporate website for the company you want to work with. this provides you with a good idea about the company because a lot of information can be there. You should then look at the Balance Sheet of the company to see how many debts the company is dealing with; if there are too many debts, the company may be trying to sell the Penny Stocks to get out of debt, but if they haven't learned how to control that debt, throwing more money over to them will not help. You want to pick Penny Stocks out from companies that are profitable or the ones who are able to properly reduce their losses and will not take on large amounts of debt to keep running.

Penny Stocks can be a great form of investing if you are looking to get started with an option or you want to expand out your portfolio out to make your money work a little harder. We are going to take a look at more parts about Penny Stocks and how you will be able to make them to work for you.

So, before we get into some of the basics of trading in Penny Stocks, we need to take some time to understand the different methods that companies can list themselves in this kind of market. Remember that while there are rules for Penny Stocks, they are not considered part of the Stock market so working with them is going to be a bit different than what you are used to. Here we are going to talk about how a company is able to list in Pink Sheets and what this means for you as an investor.

Listing in Pink Sheets

For a company to get started with Penny Stocks, they will first need to file the Form 211 in order to be listed in Pink Sheets. This is a privately held corporation, compared to the other option (which we will talk about later) over-the-counter Bulletin Board, which is a service that is owned by the NASDAQ. There are many companies that use Pink Sheets to work with and when they fill out the Form 211, they will need to submit it over to the OTC Compliance Unit. The market maker is going to process the listing for the company. The broker and dealer will be able to quote a price for this company, as long as the company is pretty transparent. However, there are some companies that won't commit to this transparency because they won't submit their current information on business financials.

For the companies that are listed using the Pink Sheets, you will find that they are often small setup. This company will not have to work with the SEC during the trading time and they don't have to file their periodic reports. Now some of them will do this filing in order to show what they are doing and to help the investor feel more comfortable investing in them, but this is not mandatory. In many cases, it can be difficult to get information in order to understand companies that are on the Pink Sheets because you just don't have the information that is needed to get started.

The Benefits of Trading Pink Sheets

Despite the fact that the companies who use Pink Sheets are not required to be transparent or file periodic updates, an investor is usually going to find some pretty good options to trade in Penny Stocks with these Pink Sheets. You have the possibility of getting a high return because these are the Stocks that are volatile. There are also some companies that are in this group that used to be

strong, but for some reason or another had to leave the major exchanges because of a strict requirement they no longer met. They may still be good companies to trade with and you could make some good profits from it.

It is also possible to find obscure companies to trade with in order to help that company grow before they move over to one of the major exchanges. You would be able to invest with these companies early on and this could give you a huge reward later as they start to grow and move over to the Stock Exchange.

In addition, the Pink Sheets system has a tier system that helps you to differentiate between the companies that are there. This helps you to figure out which Stocks are higher risk and which ones are lower risk based on the classifications that are set. You are able to pick whichever risk setting that you are happy and comfortable with, but as a beginner, it is nice to know which ones fall into each category to help you make a decision.

If you want to use the Pink Sheets as part of your trading strategy, you need to make sure that you really do your research. Pink Sheets is not going to provide you with much information about the companies you are trading with and if you just randomly pick a company, you are increasing your risk and making it likely that you will lose all of your money.

The Classifications System

As mentioned before, the Pink Sheets system has a classification for each of the companies that trade using it. This makes it easier to determine whether a company is high risk or low risk and you can make your decisions based on this. Some of the tiers that are found inside of the classification system include:

Trusted Tier

Inside the *trusted tier* in Pink Sheets, you will find the international as well as American companies that are considered trustworthy and investor friendly. The companies that are from other countries are going to be on the international exchange, but they can still fit into this trusted tier. The companies that are in this tier have not met the requirements to be on the regular Stock Exchange, but this is usually because of one or two small issues since the Stock Exchange is so strict.

However, even though these companies were not able to get onto the Stock

Exchange, they were able to pass an independent audit. This list sometimes does include companies in American that pass the standards needed for NASDAQ but they aren’t submitting SEC reports and so they would be moved over to Pink Sheets instead.

Transparent Tier

This is a tier that will send in SEC reports and sometimes will also include those that are in Over-the-Counter Bulletin Boards. These are highly trusted companies because you will be able to see some of their financial reports as well as other information that is required for them to be good with the SEC. You will be able to do your research on these companies because it is provided to you and can save a lot of guesswork and hassle when choosing the Penny Stocks you want to work with.

Distressed Tier

Companies that are inside of this tier of Pink Sheets are ones that provide limited information for the investor to look at and often they are not following the guidelines that are set out by Pink Sheets. These companies may not even send out updated information to the SEC like they should, but some them will work with the OTC disclosures. Not all of these are bad to work with, but sometimes you need to be wary because they aren’t sending out the right information and some of them have gone bankrupt.

Dark Tier

This is the tier that you will really need to watch out for because it could cause some issues. Companies that are inside of this particular tier aren’t sending in any information about their business. They aren’t filing information with either the SEC or the OTC Disclosure service and they haven’t done so over at least the last six months, making it really hard for the investor to have any idea how this Stock is doing. There are some companies that get into this tier that are also failing with transparency in the market or they don’t have a market marker.

Toxic Tier

As a new investor or any investor for that matter, it is best to stay out of the toxic tier. Companies that are in this tier will often rely on marketing strategies that are fraudulent such as using promotions that are questionable or sending out a lot of spam to name a few. These can also include some companies that are subjected to large corporate events that disrupt them or they may have a suspension by the government. In some cases, these will not actually have their own business operations and can be really dangerous to send your money to.

Taking a look at these different types of tiers inside this system can help you to make a more informed choice when it comes to working the Pink Sheets. You will be able to see these rankings with any of the companies that you choose to go with and if you pick the one with the highest reputation, it becomes easier to get good returns on investments.

How to Make Decisions in Pink Sheets

So now that we know a bit more about Pink Sheets and how they work, it is time to learn how to make trading decisions. When picking a Penny Stock that is inside of Pink Sheets, you are going to be limited on information and technical analysis of most of the companies. There are also some issues on occasion because there isn’t a central exchange that you can use to buy and trade these Stocks. This is why it is best to start out with a broker and dealer who will be able to walk you through this process.

As the investor, you will need to do a fundamental analysis of any company that you want to invest in, even if they are not sending the information your way. You can look at the different companies and their past history and you can look to see if there are some hidden gems that other people will miss out on right now, but which will make the Stock better later on. With some good research, you will quickly be able to narrow down the choices that you want to use.

Working with Pink Sheets can be one way to get started on Penny Stocks, but you do need to be careful. Some of the companies are great and will provide you with information to pick them; many of these are working to get to the Stock Exchange, but for some small reason or another, they are not quite there yet and these are pretty safe options to go with. But there are also companies on the Pink Sheets that won’t provide any information and some that are even fraudulent, so you need to be careful about the companies that you invest in to help keep your portfolio strong and growing.

Investing with OTC Bulletin Boards

Another option that you can choose to invest for your Penny Stocks is the Over-the-Counter Bulletin Boards or the OTC Boards. This one, at least inside of the United States, is operated through the Financial Industry Regulatory Authority and it will hold many of the Stocks and securities that are not found on the NASDAQ or other Stock Exchanges. You will need to work with brokers and dealers in order to buy or sell the Penny Stocks since this is not an electronic method, and it can be pretty secure to work with.

This type of Penny Stock is usually seen as a little more secure because they are required to send in financial information and to be transparent. It is regulated a bit more and often the companies that are on this one will be here because they didn’t meet some small requirement to be on the exchange. All of the companies that are listed on these bulletin boards will need to report their information to the SEC, but they don’t have to include as much information as they would on the Stock Exchange and they can leave our information on their market capitalization, minimum share price, governance, and more.

These are usually seen as a bit more secure because of the fact that these companies have to send in information and report to the SEC while the companies on the Pink Sheets could do this reporting, but they didn’t have to. Many beginners in Penny Stocks will choose to go with this option because it allows them to learn a bit more about the company that they want to invest in, making it easier to pick a smart investment on their end.

Both the OTC Bulletin Boards and the Pink Sheets can be great places to start in order to find the Penny Stock that you want to invest in. Some of the options can be a bit risky, but as a good investor, it is up to you to step in and do the research to find this information out. You are going to find risky investments no matter where you are, whether on or off the Stock market or in other forms of investing, but you need to find the one that works the best for you and has the right risk-to-reward ratio that you are comfortable with. Both of these trading methods have their own systems to help you to make these decisions and if you are working with a broker or a dealer, you should have the support that you need to make the right decisions.

Chapter 2

Getting Into the Trade

Now that you know a bit more about working with Penny Stocks, it is time to work on putting some money into the Stocks that you would like to use and making sure that you get the right Stocks that will help you to make the money that you would like from this type of investment. This chapter is going to help you learn how to get started with Penny Stocks so that you can see the profits that you want in no time.

Opening Your Account

The very first step for you to do when starting on Penny Stocks is to open a trading account. As an investor, you need to consider how easy it is for the account setup, the customer service with the account, and any fees that are associated with opening and running the account. There are times when a broker will choose a fixed rate for a smaller amount of shares but this rate can increase when you trade on more shares; depending on the type of trading that you do, this could make a big difference in the profit that you make.

The good thing about working on a commission per share idea is that it works well for investors who want to get into Penny Stocks but who don't have a lot of extra money for it. As an investor, you will need to shop around in order to find the best brokers and the best trading accounts in order to maximize your profits so take the time to look around and talk to a few different brokers to determine which one is the best for you to get into.

Picking Your Penny Stocks

When you are ready to find a Penny Stock and make a decision, you will need to choose from either the Over-the-Counter Bulletin Board or from the Pink Sheets. You will find a list of Stocks that are available for you to purchase and you can do your research and pick the right ones. Some brokers will provide you some screening tools so that you are better in terms of picking the Stocks in line with your risk tolerance level and your investing strategy.

Since Penny Stocks are a very volatile investment, it is possible to make a lot of money from your investment, but it is also entirely possible to lose a lot of money in the process as well.

There aren't a lot of people who invest in Penny Stocks, some of the market players include money managers, index funds, and various mutual funds, which is one of the reasons why Penny Stock market is so volatile. Since there aren't that many investors that go with this option, you may experience liquidity problems at times. You may not be able to sell some of the Stocks that you own because there just aren't enough buyers available who would take your Stock at all, much less at the price that you would like. You may have to take a big loss and sell them at a much lower price you would like. But there is also a possibility that these Stocks will go the other way and you are able to sell them at a much higher value than you purchased them. But it is the job of the investor to decide which way this is going to go before making a purchase of a Penny Stock.

Choosing a Broker

A broker is an important person who will help you to get started on Penny Stocks. A broker is going to be in charge of providing you with the platform that you need in order to work on your trades. They can work with you to provide some recommendations for what Stocks to purchase, as well as providing marketing and sales services for all stakeholders. They will have a lot of tools and advice that you will definitely need when you get started. Every broker that you work with will have different services and tools that you can utilize, so this should go into consideration when it comes to picking out the brokers you want to work with.

Many of the brokers you want to consider will have a good presence online and some of them will offer trading platforms that work on mobile devices. You can also work with some that offer bank accounts for trading these shares. No matter what method you are using for your trading and which one you think is best, it is important that you choose a broker who is able to provide you with reliable and instant money transfers so that you are able to complete your trades at the right time.

If your broker is slow at executing any orders you placed, you may end up losing out on a lot of money because you pay more than expected for the Stock or they

aren’t quick enough at getting you out of the game, so be careful with this when working with them.

Some other things that you should consider when choosing a stock broker are the fees and charges they are offering to you. All brokers want some fees to help them perform their job, but learn right from the beginning how much they are going to charge you and what it all depends on (such as if they charge one rate for a small amount of trades and then another rate for subsequent trades, etc.). Always look at the terms and conditions on the website of your brokers and see for yourself if you can agree with everything stated there.

Rules to Ensure You Make a Profit When Trading Penny Stocks

While there is going to be some risk when you get into Penny Stocks, there are a few rules that you need to follow to make it easier in order to make some money with Penny Stocks. Some of the most common rules that are best for your trading include:

1. The investor needs to have a plan in place right from the start that helps them to know their entering and exiting strategy. This helps to keep some of the emotions out of the game.
2. The investor needs to know when it is time to exit. You should cut your losses when the market starts to become more unpredictable so that you don’t lose more money than you have to.
3. The investor needs to make sure that the reward is larger than the risk. You never should enter into a trade that seems as a sure loss.
4. The investor must have a good scheme for managing their money. They must always keep this in mind when choosing a Penny Stock.
5. The investor should never trade using their emotions. This is a guarantee way to lead to a big loss that will get worse when emotions come into play.
6. The investor should avoid trading during the first hour of the day. There are many older investors who use this time to work on selling shares to beginners and they know that the price is going to go down. They hope to make a profit during this time before the Stock goes down. So, wait a few hours and then do your trading.

7. The investor should never invest more money than they are able to lose. It is possible to earn a good profit if you are smart about your investments but never get so into the game that you invest more than you have to lose.

Learning to Minimize Your Risks

When it comes to Penny Stocks, it is important to realize that this is a risky investment. You are not working with a common stock that are on the usual Stock Exchange, hence getting the required information that you need in order to make perfect decisions is almost impossible. While you can make a lot of money with Penny Stocks, it is also possible to lose a lot of money in the process.

Luckily, there are certain things that you can do in order to severely minimize your risk with Penny Stocks. There are a few things that you must watch out for because these help to show which Penny Stock is too risky to work with. For example, if you notice that a company has a small operation and only a modest market capitalization, it is one of the riskier investments. Another thing to watch out for is Stocks that sell too low.

Some people think that all big companies started out with Penny Stocks and this is why they choose to go into this kind of investment. There are a few that do start out as Penny Stocks to get the funds that they need before moving into the Stock market, but this is abnormal and most companies do not work this way.

So why are some companies interested in offering Penny Stocks when there are other options? Some companies will go with Penny Stock when they want to pay for something expensive in the company or when they are looking to expand. The company can offer Penny Stocks in order to distribute some of its profits and make changes to its tax structure each year. Some brokerage firms will convince companies to offer up these Stocks because the brokers want to earn money from investors. Some companies will even offer Penny Stocks if it determines that they are not going to grow anymore in the future and they would like to place the ownership on the investors.

This is why you need to be careful about the Penny Stocks that you get into. Some are just looking for some help to expand and they will be reputable options that you can make some money on if you are careful and do your research. But others are just trying to offload some of their responsibilities or they want to get a tax break, rather than help you out, and you could end up losing a lot of

money. When you go into Penny Stocks, a good way to think about it is that these companies don’t really care about the investors. If you have this wary thought in your head when investing, you are more likely to pick a Stock that benefits you the most, in the long term.

Scams and Penny Stocks

Scams are pretty prevalent inside the Penny Stocks world because they are not part of the normal Stock Exchange. Many of the companies don’t even follow the SEC rules so getting information that you need can be difficult. It is easy for scams to arise in such situation.

As an investor, you need to be careful with your money and watch out for these scams. There are many good companies you can trade with and make some good money on, but there are also lots of bad brokers who will try to just take your money, bad companies that want to make money quickly, and even other investors who will start bringing up their own Stocks and earn higher than they paid for a bad Stock. You need to be independent and learn to think on your own so that you can get the best return on investment and not get taken in by one of the scams.

Getting started on Penny Stocks is pretty easy as long as you learn which companies to trust, pick out a good trading account, and find a broker who will not charge you too much to work with. Add in some good research and one of the trading strategies that we will talk about below, and you are all set in making some great money with Penny Stocks.

Misconception About Penny Stocks

It is common for people who want to make money off these Penny Stocks to start spreading some rumors and misinformation about how Penny Stocks will work. It is likely that you have heard at some point that many popular Stocks on the market today started out as Penny Stocks. These rumors are started in order to get new investors to purchase Stocks that they wouldn’t otherwise at a higher price because they want to be in on the ground floor of a company that is going to go big. However, as a diligent investor, you will find out that this is not true at all and the only reason that some of these companies had Stocks that were worth less money is because they split up their Stocks, not because they started out as

Penny Stocks.

Some people also assume that because a company offers Penny Stocks, it is not safe to trade at all. This is true in some cases. There are some companies who just want to make money quickly and then leave you with something that is worthless, but there are also some companies that are using this as a way to help them out. The regulations for getting on the larger Stock Exchange are pretty strict and some companies are really great, but miss out by a little bit for getting onto the common Stock Exchange. They may start out as a Penny Stock while they work on making it to the main Stock Exchange, theoretically there is nothing fundamentally wrong with them. These are the companies that you will want to bet on because they can make the best return on investment.

It is never a good idea to go into Penny Stocks thinking that it is easy. There are many brokers and others who are in this business who will try to tell you all their success stories and try to convince you that anyone is able to get into Penny Stocks and make a fortune. These people are usually trying to get you to buy into something so that they can make more money as well.

There are a lot of misconceptions that are out there about Penny Stocks. Some of them may be true, but many of them are just because of the buzz that is around the Penny Stocks to get you to purchase them or they are from people who just don’t understand how the market works. Before you invest your hard earned money, make sure to take a step back and really understand how these kinds of Stocks work so that you can make the best possible decisions.

Chapter 3

The Gist of Penny Stocks

There are two things that trading Penny Stocks are very much known for:

1. You can quickly make a big amount of money.
2. There is a high probability that you will lose a lot of money.

These are two opposing extremes that you will be facing. Of course, your objective is to rake in serious profits. Unfortunately, the majority of the people who trade Penny Stocks fail to make any positive return at all. But do not be discouraged because there are still people out there, the well-experienced and real expert traders who doubled, tripled, and continuously growing their money more than you can ever imagine.

Losing a trade is normal. Even well-experienced traders make the wrong investment decisions from time to time. However, you must avoid such mistakes as much as possible. Now, in order to help cut down your potential losses, you should be aware of the risks that you will be facing when you trade Penny Stocks.

The Risks

Small Companies

Majority of the companies in the Penny Stock market are small companies. In fact, they can be so small that they do not even meet the minimum capitalization requirement. You will find many of these companies on the Pink Sheets. Since they are small companies, it is hard to tell if they are stable enough and if they will even grow. Many small companies also tend to be less professional.

Start-Up Companies

Many of the companies that issue Penny Stocks are start-up companies. Therefore, they tend to have a very limited history that you can track. This

makes it risky because you would not know for sure if the business is legitimate or if the company is operating a scam.

Less Transparent

Penny Stocks do not have stringent requirements. Remember that the companies on the Pink Sheets are not required to file with the SEC to meet the minimum capitalization requirements.

Many companies on the Pink Sheets only reveal very limited information about their business, so it is hard to get sufficient and accurate data. Worse, some companies operate a scam.

Bankruptcy

The Penny Stock market is not only participated by small and start-up companies, but it also has companies that are about to go bankrupt. Unfortunately, these struggling companies will not reveal that they are already about to declare bankruptcy and will even make their Stocks look like an attractive investment. Of course, there is still a probability to make a good amount of profit when you invest in a company that is struggling to survive, especially when the company is able to save itself from bankruptcy and begin to grow successfully. However, the probability for such an ideal scenario to happen is rather small. Trading Penny Stocks is already risky enough; you would not want to take more risks.

The reason why you should not invest in a company that is about to go bankrupt is because you will run the risk of losing everything. Once the company declares bankruptcy and does not have sufficient assets to cover all its debts and obligations to its creditors, you will not be able to get a single cent back.

Low Liquidity

Penny Stocks have low liquidity. With low liquidity, they become open to manipulation. A common type of fraudulent scheme is the pump and dump, in which the value of certain Penny Stock is pumped up using some fraudulent marketing hype in order to convince traders to buy them. In turn, traders will find the Stock attractive and make an investment. The Penny Stock is then

dumped on the traders and their value begins to fall down.

Do take note that the pump and dump scheme can be applied even if the company is actually doing well. In fact, when the company is making profits, the pump and dump scheme will be harder to detect. By adding a few dollars on the price of certain Stocks that are already increasing, it is almost impossible for traders to determine whether the increased total value is due to legitimate means or merely a result of a pump and dump scheme.

Speculative

Due to so many factors that affect the prices of Penny Stocks, it can be said that the Penny Stock market is highly speculative. An important thing in trading Penny Stocks is to first buy the Stocks that truly have a good value. Unfortunately, with the increasing number of scams and frauds out there, it becomes difficult to know whether you are really purchasing a good Stock or merely a Stock whose value is being pumped. Secondly, even if you get to buy a profitable Stock, there are many active factors that can affect its performance in the market. The best Stock today may no longer be considered a good Stock by tomorrow, depending on the circumstances. Also, granting that the prices of your Penny Stocks increase, will the buyers still see them attractive and profitable by the time you want to sell them?

These, among many other things, are the risks faced by traders of Penny Stocks. Consider also the sad fact that most traders fail to make any profit and simply lose their investment.

Do you think you are up for the challenge? If your entrepreneurial spirit is not crushed by these risks, then get ready for the awesome benefits of trading Penny Stocks.

The Benefits

Trading Penny Stocks is one of the best investment opportunities that offer wonderful benefits. So, if you honestly think that you can manage the abovementioned risks, then welcome to the world of high profits — a place where you can double, triple, or even multiply your money by more than 20 times in a short period of time.

Price

Penny Stocks are cheap. A single Penny Stock only costs less than $5. If you have a lot of money to invest, then you can have thousands of Stocks from different companies. If you are on a shoestring budget, then this opportunity is also available to you.

High Potential Return

When you trade Penny Stocks, there is a potential to multiply the value of your Stocks many times over. In fact, there is a potential for the prices of your Stocks to double within 24 hours or less.

Unlike blue-chip Stocks where a 60% increase is considered a big profit already, such is considered normal when you trade Penny Stocks. And, unlike binary options where you can gain 90% but has a much higher risk, trading Penny Stocks can make your money grow by more than 500% within a short period of time. Also, since the Penny Stock market is mostly composed of small businesses, there is a high probability for the value of their Penny Stocks to grow, since small businesses have a lot of space for improvements.

High Volume

You can have thousands of Penny Stocks for a small amount. Having a high volume of Penny Stocks is good, especially if you get them from a start-up company that is doing well.

Low or Controlled Risk

Penny Stocks are inexpensive. You do not have to purchase a lot of Penny Stocks to earn a decent amount of profit. You can also diversify your Stocks to help minimize your losses. And, unlike trading binary options where you will lose your whole wager when you make a wrong investment decision, you can still keep your Penny Stocks and sell them. If you are patient enough, there is really no such thing as a permanent loss. Considering the volatility of Penny Stocks, even if the value of your Penny Stocks decreases, there is a good chance that it will increase after some time.

Chapter 4

Trading Strategies

Now that we have spent some time talking about Penny Stocks and how to get started on them and we did all the research, it is time to work on dealing with the Penny Stocks. If the Stock is a good one (which you should be able to determine from the research that you did before) it is time to pick the strategy that you are going to use in order to get started.

Before we look at some of the strategies that you are able to use with Penny Stocks, we need to remember that it is not a good idea to chase a Stock. Chasing stock means that you will raise your buying price quickly because you are desperate to get the shares instead of someone else. This is a really bad thing to work with because your emotions are going to start running and you will often spend a lot more on the Stock than it actually worth. Eventually, the buyers who chased the Stock will find that the value of the Stocks will go down and the price will go the same way, making it hard to sell them at all, even for a loss.

One thing that you should remember is that it is important to pick a strategy that you want to work with and then stick with it. Most of the strategies that are listed below, as well as some of the others that you may find or hear about during your research, are going to help you to make a good return on investment if you learn how to use them properly and you should not skip from one strategy to another.

Some beginners find that when they make a trade and it doesn't work while using one strategy, they will try to move over to another strategy and get this one to give them some of the results that they need. They assume that there was something wrong with that initial strategy and that they just need to try something else. The problem comes when they do this over and over again, switching strategies each time that something goes wrong.

This is an example of letting the emotions get in the way of what you want to do. If you are always switching strategies, you are never really learning how to use one of them and your whole plan is going to become a mess. You need to pick one and really get to know it, understanding how it works from all angles and in all situations, in order to get the best results with your trading. Over time you may find that it is better to get rid of one strategy and change it to another

because the one isn't working or you find one will work better with your style, but it is never a good idea to skip around on the strategies that you are using all the time because it is just going to confuse you and makes it harder to even see the success that you want with Penny Stocks.

There are many strategies that you can pick from, some of the trading strategies that you may want to consider include:

Day Trading

When it comes to day trading, the investor is going to buy and then also sell a security in just one single day, sometimes doing it several times during the day. Fortunes can be made with this kind of trading, but they can also be quickly lost. In order to get day trading to work, you need to have a lot of experience and knowledge in the particular market place you are trading, a good strategy, and sufficient capital.

There are a number of benefits by adopting day trading strategies, which include:

- The potential profits that you can earn will be huge if you get more than one trade that is profitable during the day.
- There is no long-term risk because you only hold a position for less than 24 hours. It is not likely that a company is going to change drastically within a day.

However, there are a few cons that come with day trading strategies.Some of the cons that you will find with day trading include:

- You need to have an account balance that is reasonably large before you can even get started.
- It is only suitable for those with great discipline and can control their emotions well.
- Day trading works well with a margin account. This type of trading can make you lose more money than you put in, which can be relatively dangerous.

Momentum Trading

The next strategy that you may want to consider is momentum trading. This is a strategy that the investor would use if the Stocks are moving quickly, as well as on a high volume, going in one direction. When it comes to Penny Stocks, many of the investors are going to play on an upward momentum because these are not usually going to be available for a short sale.

Stocks have momentum, mainly due to some buzz that is going on around the Stock, such as through the news or rumors. To find these Stocks, you will need to do some research and read through forums, message boards, and news to find out what exactly is going on. You should be able to find a few Stocks that are getting quite a bit of attention at a time, which means that traders are going to be playing the Stock pretty hard in order to get the price to go one way, and then they will take their profit before it all goes downward again.

You need to take the time to watch how the trading activity on the Stock is doing before you make the purchase. Ones that have the momentum trading opportunities are the ones that have a really high trading volume and ones that are moving either much higher or in the opposite direction compared to the rest of the market.

So, after you have a list of the Stocks that you would like to trade, it is time to make the purchase. You will want to purchase it as quickly as possible, at as low of a price as possible, before the momentum starts to go down again. Once you have bought the Stock, be ready and watch the changes in the market, look out for changes in various trading charts, and also monitor the news. If you see that there is anything negative about the Stock, such as bad news, bad indicators, or a negative trend, you should try to do a quick sell to cut your losses before moving on; this is not a strategy where you wait it out to see if it gets better.

On the other hand, if the momentum keeps going up, you will still need to hold on to the Stocks and wait until the bids start to pile up. If the momentum is going up when you receive these bids and they are high enough for you to consider, you may want to close your position by selling the Stocks. The momentum can cease going up at any time and could start to go lower so take a side that you are comfortable with before the tides start to turn. There may be a chance of earning more if you hold on to them longer, but if you hold on for too long, you are going to lose it all so it is better to get what you can out of them.

Some of the benefits that you can observe with momentum trading include:

- Momentum Trading works well with Penny Stocks due to its nature,

which means you stand the chance to make a lot of money in a short amount of time.

- You will be able to find a lot of information through message boards and other forums in order to pick the risk Penny Stocks.

While this is a great way to make some good money in a short amount of time, there are also some cons that you will need to watch out for. Some of the cons of adopting momentum trading strategies include:

- Sometimes Penny Stocks are so volatile and your window to sell and make a profit can be very limited.
- Companies that have dilution agendas can sometimes stall out a momentum run.
- There are some people who will use this idea in order to get more people to purchase their Stocks. Fake news will be flying around so you need to be careful.

Swing Trading

Another strategy that you can consider is Swing Trading. This type of trading is good if you are considering a Stock that has the potential to move up and down in a short time period. With this strategy, you are not going to be that interested in the values of the Stock, but rather the trends and patterns of their prices.

In a perfect market scenario, Stocks are trading below or above a baseline value, which is also what we called ‘a moving average’. When you are experimenting around with the charts, you will be able to see a set of moving averages that will fit to the actions of the price, and this can help you out with your trading decisions. Someone who has been in the Stock market for some time would know that they should buy near the bottom of the moving average, and then they would sell before it reaches the target moving average.

There are quite a few pros that can come with this trading strategy which include:

- This is a good strategy for beginners who are trying to get into the market and still makes some profits, mainly because it is relatively easy to execute.
- You can use the basics of this kind of trading strategy in any market

that you would like. Big board Stocks, Futures, XCM, and Forex also use swing trading.

However, there are also a few things that you need to watch out for. Swing trading is not an option that everyone is going to be fond of. Some of the cons of choosing swing trading as your strategy include:

- It is not easy to find a perfect market where a particular Stock is going to end up trading between the resistance and the support levels. This can get even harder to predict when there is a strong downtrend or a strong uptrend that are at work.
- Penny Stocks can make it hard to time your buys the right way, especially when dealing with dilution on the Stock that you purchased.

Technical Analysis

Technical Analysis is a good approach to go for, here we will cover a few of the basic ones. Anyone who picks this kind of trading strategy has to use charts in order to examine the whole history of the Stocks, take the time to observe indicators and patterns that are on screen, and then make the best educated decision out of it.

There are a few different indicator groups that you can use in Technical Analysis. Some of these include:

- Strength indicators: these are the indicators that compares your current price to that of its history. This helps to show how weak or strong the Stock will be. The Relative Strength Indicator is the most common one to use with this. Often it is shown at the top of your charts and it will indicate any overbought as well as oversold price conditions. Many a times this can be a tip for helping you to buy and sell at the right price for a Stock.
- Moving averages: these are known as MA's, and they are indicators that generated by averaging out the price levels over time. These can help you to see how often the movements of the Stock are either below or above their averages. These are known as crossovers and can sometimes indicate breakdowns and breakouts as well.
- Pattern analysis: this is the evaluation of your charts in order to

identify price formations, such as shapes, that come up in the historical data. Sometimes you will see wedges, triangles, cups, handles, and more for the Stock you want to trade with. These formations can sometimes show you a glimpse of the future and determine if there will be any downward or upward movement.

- Range analysis: this is where you are going to use a few different things together; including price range, closing prices, and opening prices in order to figure out where your resistance and support levels are. These can help you to figure out where the best purchase as well as sell points are, among other information, such as the levels of a breakdown and breakout with the Stock.

All of these indicators will help you, in one way or another, to figure out when is the best time to enter the market, how long to hold onto the Stock, and when to let them go in order to make the biggest profit possible while limiting your losses. There main benefit in adopting Technical Analysis includes:

- There are alot people who are on the forums and the boards who will help you in learning how to use TA and will talk to you about how to identify these hot Stocks.

It goes without saying, there are a few cons that you will need to worry about. Some of these cons include:

- Bashers and pumpers can make almost all charts look like they are negative or positive, in the hopes of luring investors without experience into performing the action that they want.
- Using a technical analysis can be hard. It is complex and hard for some people to understand.

Scalping

One of the other strategies that you can use when trading Penny Stocks is known as Scalping. This is when an investor is making several trades throughout the day in order to make some small profits on one of the Stocks that really doesn’t move much during that day. The scalpers use the bid-and-ask spread to make this work. This strategy is not going to make them a ton of money, but it is better than nothing if you plan it out right and the market isn’t moving.

You can repeat this strategy a few times in order to increase your profits. While

you may only make a few dollars on each trade, when you do hundreds of these, you can make a lot of money throughout the day. Sometimes this strategy will do well, but you need to be careful because most Stocks are not going to stay constant and you may end up with one that goes down in value throughout the day.

There are a few benefits that come from using the scalping method in your trading strategy. Some of these benefits include:

- For the most part, Penny Stocks are going to have a large spread, which helps to give you a good profit.
- When you purchase at the bid and then sell right away at the ask, you will still get the lowest price on your purchase and it reduces the risk when you sell as quickly as possible before things can change.

Of course, there are a few negatives that can come up from using the scalping process for your Penny Stocks. Some of the cons of going with this method include:

- It can be difficult to scalp a Penny Stock because of their anemic volume.
- This process is going to make you work against your market makers, and this makes it difficult.
- Since Penny Stocks are high risk and this option is only going to give you a small amount of profit, it may not be the best. If you want to give it a try it isn't that bad, but some people don't think the risk is worth the reward.

All of these strategies have been widely used when it comes Penny Stocks trading and it is important to figure out which method you would like to use for your needs. You can pick any of them and see what works best for you. No matter which strategy you use, there are best practices that all experienced and successful traders follow. These are the keys that will help you in your investment journey. Here are the best trading practices that you should know:

Do Your Research

Do not simply focus on the Penny Stocks that you want to purchase. Keep in

mind that the performance of Stocks heavily depends upon the overall performance of the business. Therefore, you must also give attention to the company itself. How is the company doing in the market? Does it match up well against its competitors? Remember to research the Penny Stocks that you intend to purchase, as well as their competitors.

The scope of research is, of course, a big task. This is one of the most important parts of trading. Also, find out the factors that affect a particular Stock and understand them. Are these factors present at the current moment? Is there any chance that any of these influential factors will appear in the future? If so, what are the consequences? The more research and knowledge that you have, the better your chances of investing in the right Penny Stocks.

Only Invest the Money You Can Afford to Lose

A very common advice known to all gamblers is this: “Only play with the money you can afford to lose.” This is a common advice given to average investors as well. Although trading Penny Stocks may not be considered as gambling, especially if you do not rely on pure luck, it is still similar to gambling in the sense that there is always the possibility to lose your money. Do not use the money that you need for your child’s enrollment or for paying the household bills, *etc.* Although there is no assurance that you will lose you money, you must only invest the money that you can afford to lose. The Penny Stock market is very volatile and it is hard to guarantee that you will make a profit.

Set a Limit

It is a sound advice, especially for beginners, to decide before making any trade, on a limit on how long will you continue to hold on to a losing Stock, as well as for a profitable one. The Penny Stock market is extremely volatile. Although you can expect their value to increase and decrease almost randomly, it does not always mean that a Stock whose price has just decreased will soon increase.

Part of the volatility of Penny Stocks is that a significant decrease in value can still be followed by another big drop. Therefore, in order to cut down your losses, it is important to set a limit on how long would you be willing to hold on to a losing Stock. In the same way, you should know how long you will hold on

to a winning Stock. Again, even if a Stock continuously experiences an increase in value, there is still the possibility that its price can just drop dramatically, almost without any warning.

Look for Patterns

The movement of the prices of Penny Stocks can somehow be random. The thing is, randomness creates patterns. And, if it is not random, then there is more possibility to find a pattern. If you can identify these patterns early, then you will be one step ahead.

Observe the Trends

Do not just study a stock's current record, but also check its past performance. This is a good way for you to know if the Stock is really doing well. Also, do not rely completely on the latest trends. Although the latest trends can show you the most recent performances of a particular Penny Stock, you must take note that trends often change. In fact, in the Penny Stock market, you will barely see a trend that will last for too long.

Know the Latest News

If you are serious about trading Penny Stocks, then you should keep yourself updated on the latest news. The many factors that affect the prices of Penny Stocks are usually revealed on the news. You should know that government interventions, economy, market behavior, inflation, among other things, can affect the prices of Penny Stocks. Take note, however, that although the news can give you valuable insights and information, what matters the most is still the actual prices of Penny Stocks.

Stay Calm

Bad days do happen, and you may encounter a series of losing streaks despite doing some good research. During such a moment, or the moment when you first experience your first loss, stay calm. Penny Stock market does not care about how you feel, so you must remain objective and focused.

Do Not Be Greedy

For beginners, it is recommended that you stick to getting small yet regular profits. Many inexperienced traders lose their money not because of buying the wrong Penny Stocks, but because of keeping the Stocks for too long. Do not underestimate the high volatile nature of the Penny Stock market. Learn to sell, cash out, and enjoy your profit.

Keep Your Emotion Under Control

Do not be an emotional trader. Although it is good to feel passionate about trading Penny Stocks, do not let your passion blind your judgment. Never make any trade when under pressure.

Make Your Own Decision

Although it is advisable to read the opinions of “experts,” it is wrong to let them dictate your investment decisions. They promote themselves as an expert even if their overall losses outweigh their profits. Of course, there are still a few real experts out there, but even the best traders still commit mistakes from time to time. After all, the process of developing your trading strategy is a life-long journey.

Instead of relying on expert advice, you should develop your own understanding of the Penny Stock market and make your own decisions. You can compare your decisions with the pieces of advice given by “experts” and see how well you match up. Of course, you also need to check the real outcome of a particular trade to see if you have made the right investment decision.

Do Not Chase After Your Losses

This is another advice given to gamblers. Unfortunately, although this advice is very common, many still fail to observe it. There are several ways to chase after your losses, but they all usually lead to the same unfortunate result. Usually, you chase after your losses by investing more right after you lose a trade. When you lose, you simply have this strong urge to get your money back. Another thing people do is by continuously holding on to losing Stocks, thinking that once they sell them, they would no longer save their lost investment. In any way, you are

on the losing side with just a little hope of getting your losses back. The bad thing here is that you gamble your whole funds for the sake of recovering a few losses. Therefore, the risk is really high.

A good way to avoid this is by learning to accept your losses. If certain Penny Stocks fail to meet your expectations, learn to accept your losses by selling them and start all over again. When you seriously engage in trading Penny Stocks, losing some investments is normal. After all, once you get lucky and hit truly profitable Stocks, you will quickly recover all your losses and enjoy grand profits.

Stick to Your Strategy

During the execution process, you must do your best to stick to your planned strategy; otherwise, you will not be able to measure effectiveness, as well as its full potential. Of course, there are instances that you should abandon your strategy, especially if circumstances clearly show that continuing with your strategy will result in a total loss of investment.

Pump Your Stocks

There is a reason why the pump and dump scheme still exists despite many people being aware of such scheme: It works.

So, if you do not mind being a bit tricky, you can market yourself as an “expert” in trading Penny Stocks. You can put up a website and send out newsletters to your readers. You can then purchase cheap Penny Stocks, use your connections to gain interest in the Stocks, and sell them at a premium price. If you are the type that can convince people to do what you want, then this may be an easy way for you to make money. However, if you are the type who cannot exercise a bit of trickery, then you can simply take advantage of people who pump and dump their Stocks. How? Simply buy their Penny Stocks, preferably before they pump them or as early as possible while they pump their value. You can then wait for their price to increase, sell your Penny Stocks, and reap some profits.

Keep a Journal

Writing a journal is not required, but it is very helpful. You do not have to be a

professional writer to write a journal. What is important is for you to be honest about everything that you write.

There are many things that you can write in your journal. It is also good to write your goals and reasons for why you want to trade Penny Stocks. Also, write any lessons and mistakes that you have learned. It is your journal, so feel free to write about anything and everything about your trading adventure. A journal will allow you to think outside the box and be a smarter trader.

Take a Break

Trading Penny Stocks has a gambling factor: It can be addicting. It is something that you can do for hours without getting tired. You would feel more like playing than working. However, when you engage in research, which is a must, that is the time where you will definitely feel that trading Penny Stocks involve serious work. Allow yourself to take a break from time to time. Remember that you will have better mental clarity if you give yourself a chance to take a rest.

Get the Latest Updates Quickly

Successful traders get the latest news and respond quickly. The way to take advantage of the news is by making the appropriate trading actions just before others realize them. For example, when you see that your Penny Stocks will soon encounter a massive drop in value, sell them right away. Also, if possible, know the news before it is even released in the public. To increase the probability that certain Stocks will increase in value, the Stocks should also be effectively promoted. Therefore, it is helpful if you can join and be active on online groups and forums on Penny Stocks.

Focus on Start-Up Companies

One of the best things about the Penny Stock market is that it is a place where you can find many start-up companies. Surely, a good number of these companies will do well. Unfortunately, some of them will perform badly and even go bankrupt. However, if you manage to get the Stocks of a good start-up company early on, you will find yourself in a winning position.

Therefore, you must exert the effort to research and analyze the different start-up

companies that participate in the Penny Stock market. When analyzing a particular company, also measure how it matches up against its competitors in the market.

Growing companies have lots of space for improvements; and as their profits increase when they continue to expand, the prices of their Penny Stocks will also increase.

Be Patient

Patience is important when you trade Penny Stocks. Do not rush for a buy order simply because you have funds in your account. Take note that every action that you make is essential. The Stocks that you buy today are the Stocks that you will soon sell. Be patient, wait for the proper timing, and act accordingly.

Use the High Volatility to Your Advantage

Although many people shy away from Penny Stocks due to their high volatility, it is this volatile nature of Penny Stocks that make them a profitable investment. With high volatility, mastering the famous principle for making money is the key to profit: buy when the price is low, and sell when the price is high.

Chapter 5

Tips and Tricks

As a beginner, you may be a bit worried about getting started with Penny Stocks. These are going to take a different route compared to working with traditional Stock Market and sometimes it is hard to find the information that you need about the company before making the investment that you want. With that being said, it is possible to be successful when using Penny Stocks, you just need to be careful with the decisions that you make in Penny Stocks and take your time to really see results. Some of the tips that you can follow when you get started with Penny Stocks to help you be successful include:

Ignore Some of the Success Stories

When you first getting started with Penny Stocks, you are going to get a lot of information and emails about the success stories of others who have done well with Penny Stocks. These are found on social media sites as well as in emails, but often these are unusual circumstances or the information is all made up.

Instead of focusing on this, you need to look at the Stocks on their own and see if they are going to work for you. Just ignore all of the success stories since most of these will not repeat. Do your own research and learn about the market to determine which ones are the right ones for you.

Read Through the Disclaimers

If you are receiving a newsletter about a Penny Stock, you need to be careful about the tips that you are reading. There is nothing wrong with picking i[some of the Stocks from these newsletters, but you should be aware that most of them are sales tips and to give exposure to companies that, for the most part, are really bad and could end up making you lose a lot of money.

Most of the newsletters that you are reading won’t give you the full story. The people who are writing them will do so in order to pump out the Stock Price and they are not going to tell you the right time to sell the Stocks. They will work

hard to get you to purchase their Stocks, and then you never hear from them again. It is fine to read through some of these to get some information, but when the disclaimers state that these are written as a promotion for one company or another, you know that the tips are more of a sales pitch rather than a good investment advice.

Sell Quickly

One of the allures that you will hear about with Penny Stocks is that you are able to get a huge return on investment, up to 30 percent, in just a short amount of time. If you want to make a return on investment like this with Penny Stocks, you will need to sell your Stocks quickly after you purchase them. Unfortunately, instead of being happy with the 30 percent or so, people will get greedy and will look to make an even bigger return. Considering Penny Stocks are sometimes getting pumped out and the industry is volatile, you should be happy with what you get or you may lose out on a lot of money.

Be Careful When Listening to the Company Management

You need to be really careful about the people you are listening to, even when it comes to company management of the Stock that you are planning to get into. When the Stock prices are going up, these companies are able to raise even more money and it is more likely they will stay in business. In some instances, they may not even be companies, but basically, insiders who are trying to get rich.

In fact, most of the promotions that you see come from the same group of people who use different companies and press releases in order to get some hype up and make some extra money. They may have purchased the Stocks at a lower price and now want to create a lot of buzz to get you to make a purchase much higher than what they initially paid.

With some good research and being analytical of things you hear, it is easier to pick a Penny Stock that is actually good and make the money you want.

Focus on High Volume

When you are getting started, it is best to only purchase Stocks that have a minimum of 100,000 shares traded each day. If you go with a Stock that is too

low in volume, it is sometimes too hard to get yourself out of the position. In addition, experts recommend that you pick Stocks that are selling for over 50 cents a share. Going with a Stock that is lower in price than this may seem appealing, but often these aren't considered liquid enough to really play with.

Pick the Best Stock out of the Bunch

You should make sure that you pick one of the best Stocks that you can find, especially when you are a beginner in this business. Some experts recommend that you find a Stock that has really good earnings overall or one that has broken out of its average 52-week highs in volume. Some of these are easy to find, but the trick with these is that you want to find ones that have these highs, but not because of a pump and dump scheme. You want the highs to be because others are interested in the Stock and the value is going up naturally, not because of some buzz that is created to inflate the price.

Never Fall in Love with Just One Stock

When it comes to the Stock market especially with Penny Stocks, you can't fall in love with just one Stock. When you decide that one Stock, and only one, is the only option that you will go with, you are going to end up failing because you won't look at the Stock in a logical manner.

There are always going to be salespeople who come to you with a great story about their company and will make you fall in love with their product. But your job is to look at something objectively to find out if it is actually going to make you the money that is promised. With some good research and hard work, you will be able to find the right options for your needs without falling prey to others who want your money.

Do Your Research

Before you get into any of the Stocks, you need to make sure that you complete your research. There is not much information that is provided inside of Penny Stocks, although there are a few companies that will provide this information to help you out. This means you will need to get to work and do some research on your own. Look up the company and learn a bit about them including some press releases and other news that surrounds them. You should take a look at the

market overall and see where things are going. You can even look at the current Stock and see its history to learn how things are going for the company.

When you finish the right research before making a decision, you will find that it is easier than ever to get the results that you want. You will be able to make informed decisions, rather than just jumping into the mix and hoping that it all works out for the best.

Keep Your Head

If you are new to Penny Stocks, you may find that it is easy to get really involved with the Stocks. You may get too involved, feeling that you need to keep going when you are losing money and getting too upset, when things aren't going the way that you wanted. It is important to look at all of this objectively and learn how to always keep your head and think critically, no matter what is going on in the market.

For those who lose their tempers quickly, those who have an addictive personality, it is not a good idea to get into Penny Stocks. You need the ability to take control of the situation, no matter what happens, so that you can think critically and make decisions that will help you to make the most money possible with Penny Stocks.

Conclusion

Thank for making it through to the end of *Penny Stocks: The Ultimate Strategy Guide to Trading Penny Stocks.* Let's hope it was informative and able to provide you with all of the tools you need to achieve your goals.

The next step is to find a broker you would like to use and get started with Penny Stocks. It is always a good idea to have a plan in place to help you to get started before just jumping in. Penny Stocks are a bit harder compared to trading in traditional Stock market, but it is a great way to make some money and see your portfolio grow.

Inside this guidebook, we took some time to discuss Penny Stocks and how you would get started with them. We discussed how Penny Stocks are different than the traditional Stock market before moving on to some of the tips that you can follow in order to get into the market for Penny Stocks. Then we spent a good deal of time talking about the different strategies that you can use when getting into Penny Stocks. The strategy is one of the most important steps to getting this started because it helps you to know what to look for when making your predictions, and most importantly, making money. We then ended with some great tips, as well as an overview of the SEC regulations on the Penny Stocks to help you fully understand what is going on with this industry.

When you are ready to get into investing or you are looking for a new way to expand out the portfolio and make some more money, Penny Stocks may be the answer that you are looking for. Make sure to look through this guidebook and learn as much as possible about investing in Penny Stocks and how you can make money in this market.

Finally, if you found this book useful in any way, a review is always appreciated!

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Thank you for reading, hope you can leave a few kind words.

Your review will motivate us to do better.

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Write a Review

Until our paths cross again.

Prof. Tyler Yamazaki

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Bonus Content

Trading Psychology of Millionaire Investors

PROF. TYLER YAMAZAKI

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TRADING PSYCHOLOGY OF MILLIONAIRE INVESTORS

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The Differences Between YOU and The Big Boys

What is the biggest difference between you and a millionaire? If you think that it's the amount of money that you have, you are actually incorrect. The biggest difference is in how you think.

Most millionaires aren't just everyday people that happen across large sums of money. Instead, they are extraordinary thinkers who have transformed their mindsets. They learned to *think rich* before they became rich.

You may think of money in terms of the hours required for you to earn it, the nickels and dimes that you can save from couponing and changing your satellite plan, or your modestly growing savings account. Millionaires, however, think of money in terms of ideas. It isn't a sparse resource to be collected and hoarded. Rather, it is the result of taking actions on good ideas. They know that to make big money, they have to use creativity and leverage.

Thinking determines action, and because millionaires know how to think rich, they know how to act rich. Acting rich is about more than driving around in a fancy limousine and impressing all of your friends and coworkers with your collection of Armani suits. It is about treating others with the kindness and respect with which you want to be treated. It has an active lifestyle that is always looking for a new investment option or business venture to pursue.

If you want to learn more about the psychology of millionaires and how to think rich, then continue reading. It will show you what negative thought patterns you need to replace so that you can see yourself as millionaire material.

Inside this eBook, you will find helpful information including

- Negative views about money that limit you.
- Finding a mentor.
- Presenting your best self for success.
- Focusing on earning.
- Thinking of money in a nonlinear way.

And much more!

Best wishes to you as you seek to transform your thought life and reap the benefits in terms of financial success.

You can find all my books here, https://www.amazon.com/author/tyler-yamazaki

Section 1

Mimic Them

Many of us have limiting beliefs about things like money, hard work, and success. One thing that sets millionaires apart from the rest of us is not just how much money they have but how they think. This mindset is not exclusive to how they think about money but also encompasses how they think about themselves, the people around them, and life in general. In short, they have a mindset that gears them for success rather than for mediocrity or survival.

They have a positive mindset.

We have all heard about the power of positive thinking. Turning negative phrases, such as, "I don't want to eat spaghetti for supper," into, "I want to eat a hamburger for supper," can completely change a person's mindset and attitude. This positive attitude isn't just a way to survive a mediocre day but is actually one of the keys to millionaire-type thinking.

There are a lot of negative phrases about money. You have probably heard plenty of them. Some examples include:

- Money can't buy happiness.
- Money is the root of all evil.
- Wanting a lot of money makes a person selfish.
- Money and wealth bring loneliness, isolation, and misery; just look at how unhappy lottery winners are.

If the majority of millionaires really believed these sayings, they wouldn't work so hard to be successful! Instead of looking to these maxims to justify your lack of money, try changing how you think. Move from negative views about money, success, and wealth to positive affirmations about yourself and the world around you.

- I have everything that I need to become the person that I want to be.
- I have the creativity and work ethic to create the prosperity that I

want.

- I can accumulate wealth and resources.
- I can live in wealth and prosperity rather than in debt.
- I can be the successful person that I envision myself becoming.

Even better than this is practicing the art of gratitude and thankfulness for what you already do have.

- I am thankful for the house that I have and the people around me.
- I am thankful for my job and income.
- I am thankful that I am able to put money into savings.

You can substitute these statements for any that apply to your own life and circumstances. Just remember to leave all negativity and complaining at the door and practice positive thinking!

They Have Mentors

Most millionaires didn't become rich on their own. Rather, they found people whose lifestyles they wanted to emulate and followed what those people did. In other words, they found mentors.

Mentors are people who have already been there and already done that. They've already made mistakes and broken barriers. While their success won't become your success, they can show you what works and what doesn't. On the road to financial success and wealth, you don't have to fail in the same ways that other people have failed. You can find someone to show you how to do things more efficiently and how to make better financial decisions.

Try Success On For Size

How would you do things differently if you were a millionaire? I'm not talking about what you would buy or what house you would live in. I'm talking about the day-to-day choices that you would make, especially concerning how you interact with people and with yourself. Start making those choices now. You will be amazed at the change in how people see you and in how you see yourself.

Would you dress differently? Maybe you fancy yourself wearing an Armani suit every day. Maybe you would style your hair nicely and put on makeup and

jewelry every day. Start doing those things now! Maybe you can't afford an Armani suit; if you can't, buying one would be a silly decision. But start dressing for success. Wear a tie and sports jacket. Wake up 10 minutes earlier than you are used to so that you can do your hair and makeup. Dress and present yourself as if you are millionaire material.

How would you treat people if you were a millionaire? Would you be more generous? There is no need to wait to be generous and kind to others. Maybe right now, you can't afford to give $50,000 to charity, but you can give $50 or volunteer somewhere. You can tip your waiter or waitress generously.

How would you treat yourself if you were a millionaire? If you have a lot of negative self-talk — in other words, if you wouldn't talk to your best friend or family members the way that you talk to yourself — you may envision that you would talk to yourself and see yourself differently. Don't wait until you have a lot of money to see yourself in a different light. Replace the negative self-talk with positive affirmations about yourself and your abilities.

Changing the way that you see yourself and the people around you will create changes in how other people see you. When your co-workers see you walk into work dressed nicely and polished every day when your friends and family see you treat others and yourself with respect, when you see yourself as a kind and generous person, you are on your way to having a millionaire mindset.

They Focus on Earning

If you are like most middle-class Americans, you probably see your income as limited to a certain amount (you may get a Christmas bonus and a yearly raise, but for the most part, you are stuck at a certain earning level). You are also probably looking for ways to hoard and save your money for the fear that it might one day run out, should a catastrophic event like job loss or severe illness occur. You may be looking for nickel-and-dime ways to save money, such as spending hours every month looking for coupons or switching to a phone plan that is $10 cheaper. While living within your means is a worthy goal, this mindset of hoarding will keep you from using a millionaire mindset to earn true wealth.

Millionaires think differently than most of us when it comes to how they see money. Instead of focusing on how to hoard their wealth, they focus on how they can earn more money. Of course, they understand the value of saving. However,

they are less concerned with modest gains, such as a 1% interest rate on a savings account, than they are with finding where the big money is. They may decide to invest their money in the stock market or in a business venture, giving it the opportunity to grow even more rapidly, rather than socking all of it away in a savings account. Instead of focusing their mental energy on living as frugally as they possibly can, they look for creative ways to earn big money.

They Know How to Leverage

Many middle-class people know very well the value of hard work. They go into work every day, rarely missing a day unless absolutely necessary, and work tirelessly until the time comes when they can go back home. When they see their paycheck, they can feel proud because this is money that they earned. They may not have had to sweat for it, especially not if they work in an air-conditioned office, but they worked hard for it.

While millionaires understand the value of hard work, they also understand the value of leverage. Leverage is using your resources, contacts, and network, and time in such a way as to maximize results in every aspect. If one aspect of the business isn't fruitful, either prune it or use your network of people to find a way to make it fruitful. Focus your efforts on what works best, and leverage it as best as you can.

Keep in mind that leverage is not the same as using people to get what you want. While some millionaires undoubtedly use people, this is a way to create enemies and alienate people so that they will not be there when you need them. When leveraging people, always look for ways to give back to them and let them know that you are not merely trying to use them for personal gain.

They Don't Equate Money and Time

If you are like most middle-class people, how much money you earn is probably directly connected with how many hours you spend working. Even if you are in a salaried rather than an hourly position, you won't make much more money at work, except through raises and bonuses, unless you invest more time. This paradigm creates a linear view of money in which the amount of money you make is basically fixed without significantly more time invested.

Millionaires don't equate money, especially not big money, with time. They

know that the best financial decisions can happen through creativity and problem-solving — things that don't happen on a 9-5 schedule — rather than through working more hours. Ideas and creativity are limitless; therefore, so is the amount of money that you can earn. The right idea activated at the right time can create a fortune virtually overnight.

Instead of thinking about money in linear terms, in which time and money are directly correlated, think of it in exponential terms, in which ideas can generate unlimited wealth.

They Have an Action-Based Mentality

Many middle-class Americans who want to become rich are taking passive steps at best towards wealth and financial success. They may be buying lottery tickets or putting in resumes for a better job, one that they may not even be qualified for. So may simply hope and pray that prosperity will one day find them.

Millionaires, however, are constantly looking for how they can take action. Instead of buying lottery tickets, they are looking for a good and better investment options. Instead of looking for good and better jobs, they are looking for business ventures that can bring in big money.

Millionaires aren't looking for a hero to rescue them and bring them financial success. Instead, they recognize that their wealth is in their hands and that they must be their own heroes if financial prosperity is to be theirs. They take action and take responsibility for their actions. They are constantly moving forward and looking for new, creative ideas.

Section 2

Dream of The Future

Many of us are so bogged down in getting through our everyday lives that we don't give much thought as to what we are going to eat for supper, much less where we want to be five or even ten years from now. Sure, we may have dreams of the future. We may dream of getting married, buying a house, having children, getting a better job, going back to school, moving to the big city, setting down roots on a farm, or any number of things. However, the number of people who actually work towards making their dreamed-of future a reality is surprisingly few.

Many people are stuck in wishing for a return to the "good old days." They are so bogged down in nostalgia and wishing for life to be as it once was that they are unable to make any plans for the future, and their dreams are limited to how they remember life used to seem. They may believe that their best days are behind them and that the rest of their lives will be efforts to recreate the past. People with this mindset will never become wealthy. Further, they often become lonely and depressed because life has a bleak and dreary outlook.

Dreaming of and planning for the future is an important aspect of the millionaire mindset. Millionaires are constantly planning for what direction they want their lives to go in. They don't just daydream about what they want out of life; they make plans for how to make those dreams a reality. They make financial goals and determine how to achieve those goals. Maybe achieving those goals will require that they take classes, acquire a new skill, or hire more people. Then those steps will be taken.

Millionaires know that their best days are in front of them, not behind them. How do they know that their best days are in front of them? Because they take steps to ensure that the future is better than the past. Even if the past was good, the future could be better. While looking backwards at the past brings depression and loneliness, forward thinking and looking towards the future brings about the optimism that defines the millionaire mindset.

Expectations are what determines success. Millionaires expect to earn money, and more than that, they expect their money to earn for them. They make

decisions that are aimed at the goal of turning their money into more money, be it from a new investment, a new business, or even a creative enterprise.

These action-based decisions do not come from nowhere. Rather, they are the product of vigorous thought processes that helped turn them into the successful people that they are. Millionaires don't think negatively and certainly don't see themselves in a negative light. They don't see money as a bad thing but rather see poverty as a bad thing.

Developing a millionaire mindset won't happen overnight. It may take years of work to undo some of the negative thought patterns, decide every day to present your best self, and live an action-oriented lifestyle. However, the rewards will certainly pay off.

I hope the book was informative and able to provide you with all the information you need to kickstart your long journey in the investment world. Happy investing!

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Your review will motivate us to do better.

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Until our paths cross again.

Prof. Tyler Yamazaki

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