

File Created by [Blogging Rebirth](#) WP Plugin

# Penny stock picks

Penny stocks- an introduction: If you are well aware about penny stocks and want to invest some money in penny stocks, you will be interested to know how to pick penny stocks. You will find a list of many stocks being traded at the website of pink sheets and will be interested to invest in some of the future Microsoft or Wal-Mart. This may happen only if the investor picks a right penny stock otherwise he or she may lose the amount.

Limited information for penny stocks: It is really very difficult to find information on penny stocks, as there are reliable sources with us. First of all the information provided by the company may not be the correct one and suppose if the information provided is correct, it may not be relevant.

For penny stocks we are not sure how to find information about the companies offering penny stocks. These companies have to provide a very little information to Securities and Exchange Commission (SEC) and get easily listed at pink sheets. These companies are therefore not regulated by SEC, as is the case with companies listed at NASDAQ or NYSE. Furthermore the history of the companies listed at penny stocks is not available. The companies may be bankrupt or new having no experience of business and thus can be highly risky. A new investor should therefore carry out the research about the companies before putting their hard earned money into the market.

The next restriction on penny stocks is the limited liquidity. Sometimes it is difficult to sell the stock, as you may not find the buyer for it. Having very low liquidity, you may have to sell the stock at hefty discount causing you a heavy loss. Sometimes the brokers manipulate the penny stocks in various ways and may cause you sever loss so until and unless you do not understand the basics of stock market avoid investing large amount in penny stocks.

Chances of fraud: As the companies offering penny stocks are not scrutinized or regulated by government agencies or The Securities and Exchange Commission (SEC), penny stocks are more prone to fraud. Most of the times the companies spread rumors about their financial performance and other related issues and mislead the investors. Many times these companies take the help of media such as newspapers, radio or email and hype about the penny stocks offered by them. You may get several emails (spam) from their agents as well. These companies also pay for some financial consult for recommending their penny stocks to the investors.

Picking the right penny stock: Although the market of penny stock is highly risky, there are good companies also at OTCBB and pink sheets. The actual understanding is needed to identify the good penny stock and a lot of research is needed before putting money in penny stocks.

Summary: Picking of a right penny stock is the key factors for earning and you should ensure yourself that you are picking the right penny stock. Sometimes a little research can help you picking a right penny stock.

You can also find this article published on [Penny stock picks](#)