

## Another Evaluation of Recent Site Penny Stock Prophet ... Providing Stock Details, Trading Suggestions, And Stock Pointers

In our previous report, we provided an in-depth look at what exactly penny stocks are, and some of the inherent risks involved in trading them. This time we want to give our seal of approval to the Penny Stock Prophet site (see below).

You may recall that a penny stock is a stock that trades for less than five dollars a share and is traded over the counter (OTC) through quotation services such as the OTC Bulletin Board or the Pink Sheets. Although penny stocks are said to be "thinly traded," share volumes traded daily can be in the hundreds of millions for a sub-penny stock. (In the U.S. financial markets, the term penny stock commonly refers to any stock trading outside one of the major exchanges (NYSE, NASDAQ, or AMEX)).

One of penny stock's exciting features to many investors is the low price and perceived potential for rapid growth, although it pays to be aware that sudden changes in demand or supply of penny stock can lead to volatility in the stock price up or down. One way to get information on penny stocks is thru the use of the Pink Sheets.

Many new investors are lured to the appeal of a penny stock due to the low price and perceived potential for rapid growth, which can appear to be occurring if the stock is being promoted. However, severe loss can occur and many penny stocks lose all of their value in the long term. Accordingly, the SEC warns that penny stocks are high risk investments and new investors should be aware of the risks involved. These risks include limited liquidity, lack of financial reporting, and fraud.

A lack of liquidity can also make it extremely difficult to sell a stock, particularly if there are no buyers that day. This can also make the stock extremely difficult to short. Lack of liquidity and volatility also makes penny stocks much more vulnerable to manipulation.

Secondly, unlike NASDAQ or the NYSE, there are only minimal requirements for a stock to be quoted on the OTCBB, namely that they make their filings with the SEC on time. In fact, companies that fail to meet minimum standards on one of the broader exchanges and are delisted often relist on the OTCBB or the Pink Sheets.

Furthermore, a stock trading on the Pink Sheets (recognizable with a .PK suffix) has little to no regulatory or listing requirements whatsoever, at least compared to major markets. There are no minimum accounting standards, change in notification of ownership of shares, and reported other material changes affecting the financial viability of a company, all of which are designed to protect shareholders.

The SEC notes most of the same about Internet message boards, where fraudsters claiming to be unbiased investors who've carefully done their due diligence may in fact be company insiders, and that a single person or a small team can create the appearance of a huge interest in a stock simply by creating a huge number of aliases, while banning the most vocal or perceptive critics of these offerings.

Penny stocks may trade infrequently, which means that it may be difficult to sell penny stock shares once you own them. Because it may be difficult to find quotations for certain penny stocks, they may be impossible to accurately price. Investors in penny stocks should be prepared for the possibility that they may lose their whole investment.

(Important note: Before a broker-dealer can sell a penny stock, SEC rules require the firm to first approve the customer for the transaction and receive from the customer a written agreement to the transaction. The firm must furnish the customer a document describing the risks of investing in penny stocks. The firm must tell the customer the current market quotation, if any, for the penny stock and the compensation the firm and its broker will receive for the trade. Finally, the firm must send monthly account statements showing the market value of each penny stock held in the customer's account.)

Despite these concerns, there is a lot of money to be made with penny stocks if you know what you're doing. That's where Penny Stock Prophet comes in.

The PennyStockProphet site is a membership site that provides its members with insider picks and stock alerts and has garnered great reviews.

### About the Author

Click here for more information: [Penny Stock Prophet](#)