

Signs a Stock is Set to Plummet

Nobody has said it in so many words, but we are at the closing stages of the recession. In a time when the market is going to rise and fall as it stabilizes, it is central to recognize when a stock is about to stagger. Everyone knows the essentials. Pass up investing in companies that create sub par earnings, has frail cash flow, or a less than ample balance sheet. On the other hand, there are other nasty characteristics a stock can retain that will drop it into the toilet in rainy economic weather. Keep an eye out for these other symptoms that illustrate an landslide ahead.

It is not uncommon for a company to reduce their earnings guidance. That can happen for a number of typical reasons that happen in the cycle a company goes through: slightly dropped earnings, a damaged economy, etc. Just make certain that the corporation in question clears the bar they set in that quarter. Why is that? Of course you are more concerned about the value of the stock than the revenue earned from them. Regrettably, some shareholders, particularly those with controlling interest are so worried about the revenue coming in and the performance of the company that value will go downward as people sell for poorer and lower prices to get out if they do not have faith in the supervision of the corporation.

It is also not unusual for insiders at a company to sell off some shares, particularly if life changes they are undertaking involve quick funds. Other times, you may be looking at an insider that just wants to make some speedy income or vary their holdings. Now and then if a bunch of executives all distribute of some of their shares at one time, you are looking at a disastrous future. You start to wonder, What do they know that I am not aware of? Be very wary of executives selling at or near their low points. That tells you the executives think their money is better somewhere else, and yours very well may be too.

One more signal that a stock may be in dilemma is when a company abruptly discontinues its guidance toward the investment industry. This may signal that the company has no idea or belief to have an idea of when earnings could come in. This may also have a slight signal in the way of product or service diversification. The company and its stockholders are in danger if the company cannot keep up with the accelerating market and/or does not come up with original, original products or services to keep up or stay at the forefront of the industry. You do not want to invest in a company that is gambling all their funds on one horse.

Keep an eye on industry trends as well. Sometimes the nature of the industry at that minute can impact that one company and its competitors at the same time. For example, General Motors, Chrysler and Ford all came down with the same sickness at the same time, due to the same amount overdue and the same mistakes. That was the time all GM, Chrysler and Ford stockholders bailed at once, and correctly so. Investors with a sharp eye that receive good, up-to-date news and suggestions from a website like this one may be able to limit or prevent losses just by watching these early signs.

About the Author

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