

# 60 Stock Tips For Investment Success

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I just finished up William O'Neil's book, **24 Essential Lessons for Investment Success** ([purchase](#)), and found it to be a great resource of stock tips for beginners. There are tons of great tips which were highlighted at the end of each chapter, and to summarize the book this post will mention 60 of them.

The best thing about the book in my opinion was the simplicity behind the material. Will O'Neil always seems to do a good job of making the read easy and understandable by all investors (something this blog works at achieving on a daily basis), and it really broke down his CANSLIM style which is one of the most famous if not most widely followed and used investor strategy in existence today.

## 60 Stock Tips For Investment Success:

As a new investor, be prepared to take some small losses.

Always cut your losses at 8% below your purchase price.

Persistence is key when learning to invest. Don't get discouraged.

Learning to invest doesn't happen overnight. It takes time and effort to become successful at it.

When getting started, it is important that you pick the right full service or discount brokerage. If you use a broker, make sure he or she has a good track record.

As a beginner, set up a cash account, not a [margin account](#).

**It only takes Rs. 2000 to Rs.40000 to get started. Experience is a great teacher.**

Avoid more volatile types of investments, such as futures, options, and foreign stocks.

Concentrate on a few, high-quality stocks. There's no need to own twenty or more stocks.

**Don't get emotionally involved with your stocks. Follow a set of buying and selling rules, and don't let your emotions change your mind (read my post on [50 Ways You Know You Are An Emotional Investor](#) to see if you are an emotional investor)**

Don't buy a stock under \$15 a share. The best companies that are leaders in their fields simply do not come at \$5 or \$10 per share.

Learning from the best stock market winners can guide you to tomorrow's leaders.

Always do a post-analysis of your stock market trades so that you can learn from your successes and mistakes.

A combination of fundamental and technical investment styles is essential to picking winning stocks.

Fundamental analysis looks at a company's earnings, earnings growth, sales, profit margins, and return on equity among other things. It helps narrow down your choices so that you are only dealing with quality stocks.

**Technical analysis involves learning to read a stock's price and volume chart and timing your decisions properly.**

To make big money, you have got to buy the very best companies at the right time.

Strong sales and earnings are amongst the most important characteristics of winning stocks.

Buying a stock as it is coming out of a price consolidation area or base is crucial to making large gains.

Always pick stocks from the leading industry groups or sectors. The majority of past market leaders were in the top industry groups and sectors.

Many big winning stocks come from sectors such as drugs and medical, computers, communications technology, software, specialty retail, and leisure and entertainment.

Volume is the actual number of shares traded by a stock (Find out how to [read volume on stock charts](#)).

**Stocks never go up by accident. There must be large buying, typically from big investors such as mutual funds and pension funds.**

In studying the greatest stock market winners over the past 45 years, bases formed just before the stock broke out into new high ground in price and then went on to make their biggest gains.

The most common pattern is a "cup with handle" names so because it resembles a coffee cup when viewed from the side.

The optimal buying point of any stock is the "pivot point".

On the day a stock breaks out, volume should increase by 50% or more above its average.

A decrease in price on decreased volume indicates no significant selling.

**Replace the old adage, "buy low and sell high" with "buy high and sell a lot higher."**

You want to buy a stock at its pivot point. Don't chase a stock up more than 5% past its pivot.

Chart price and volume action frequently can help you recognize when a stock has reached its top and should be sold.

**History always repeats itself in the stock market.**

Most big stock market leaders breaking out of a sound base will go up 20% in eight weeks or less from the pivot point. Never sell a stock that does this in four weeks or less, you may have a big winner.

The general market is represented by leading market indices like the S&P500, Dow Jones Industrials, and the NASDAQ Composite. Tracking the general market is key because most stocks follow the trend of the general market.

Ignore personal opinions about the market.

A typical [bear market](#) will decline 20% to 25% from its peak price. A negative political or economic environment could cause a more severe decline.

**Knowing when to both buy and sell a stock is key for success.**

Three out of four stocks, regardless of how “good” they will eventually follow the trend of the overall market.

After four or five days of distribution within a two to three week period, the general market will normally trend downwards.

Bear markets create fear and uncertainty. When stocks hit bottom and turn up to begin the next bull market loaded with opportunities, most people simply don’t believe it.

At some point on the way down, the indices will attempt to rebound or rally. A rally is an attempt by a stock or the general market to turn up and advance in price after a period of decline.

Most technical market indicators are of little value. Psychological indicators like the Put-Call ratio can help confirm changes in the market’s direction.

Once you determine you are operating in an uptrending general market, you need to pick superior stocks.

Potential winners will have strong earnings and sales growth, increasing profit margins and high return on equity (17% or more). They should also be in a leading industry group.

Using a chart service can help you determine if the timing is right to buy a stock (I covered the best [free stock charts](#) and [subscription based charting services](#) previously on this blog).

There are two basic types of investors: growth stock investors and value investors.

Growth investors seek companies with strong earnings and sales growth, superior profit margins, and a return on equity of over 17%.

Value investors search for stocks that are undervalued and have low P/E ratios.

**When starting to invest, keep it simple.** Only invest in domestic stocks or mutual funds (I disagree with this, [loads are a scam](#) and [fund management fees](#) can be bloated, [invest in ETFs](#) instead).

You get what you pay for in the market. Low-priced stocks are usually cheap for a good reason.

Options are risky because investors do not only have to be right about the direction of the stock but also about the time frame in which they believe the price will go up or down.

Futures, due to their highly speculative nature, should be attempted only by people with several years of successful investment experience.

Wide diversification and asset allocation are not necessary. Concentrate your eggs in fewer baskets, know them well and watch them carefully.

**If you have less than \$5,000 to invest, only own one or two stocks. If you have \$10,000-two or three stocks; \$25,000-three or four stocks; \$50,000-four or five stocks; and, \$100,000**

**or more-own no more than six stocks.**

If you already own the maximum number of stocks you want to add a new stock to your portfolio, force yourself to sell the least profitable stock to get money for the new name.

When purchasing a stock, only buy half of your desired position at the initial buy point. Buy a small amount more if the price rises 2% or 3% above your first buy. Average up in price, never down.

Don't let yourself lose money you had a reasonable profit in.

40% of stocks will pull back to their initial buy point-sometimes on big volume- for one or two days. Don't let this shake you out of your stock.

Sell a stock if its earnings per share shows a major deceleration in growth for two quarters in a row.