

Rolling your way through the Stock Market

By Robin G Coles

One of the easiest and fastest ways to enter the stock market is by a method known as Rolling Stocks. This happens when a company's stock price rolls between a low range and a high range on a consistent basis. For example, one of my first stocks that I played rolled back and forth between \$2.50 and \$3.50. This is a slow way to make money.

Rolling Stocks are common amongst the Small Caps. These stocks range in price of under \$10.00. When I started, my stocks were all in the under \$5.00 price range.

Most Stock Brokers do not recommend these stocks to you. However, if you do your homework, you shouldn't lose. This is also great for those who don't have a lot of money to invest in the stock market, especially when starting out.

Getting Started!

First you should read books and/or take courses on trading in the stock market. One book that helped me tremendously with this way of trading was "Rolling Stocks" by Gregory Witt.

Play them on paper first!

To play on paper, my recommendation is to get a 12-column notebook rather than using an excel spreadsheet. In the first column write down the ticker symbol of the stock, second column the name of the stock, 3rd column the 52-week high and 4th column the 52-week low, every column after enter the closing price. Track about a dozen selected stocks for at least a month or two. However long it takes to see the stocks roll. Watch the patterns. You will see by doing this that some stocks are moving right along – others take a while, or don't move at all. Now, based on this information you can decide which stocks to play and whether or not you have the stomach to play the stock market (though playing on paper is not as nerve wracking as playing live with real money). Some call this paper trading.

Finding the right broker!

While you are paper trading you will need to find a brokerage service you feel comfortable with. For this you must do your homework. The big firms like Charles Schwab, Smith and Barney, etc. charge for their services and can be very high, especially if you are just starting out. The cheapest services are online. Whichever route you choose, you must investigate them thoroughly. Interview the brokers and ask around to see what services others are using.

Know when to get out!

With rolling stocks you definitely need to know what your selling point is, also called your exit strategy. This is key! These stocks are not ones to hold onto once you buy them. The best ones roll in a month or less a few times a year. As soon as you put in an order to purchase the stock and it goes through, you need to next put in an order to sell that stock before it starts going back down again. Also called 'good to cancel order'.

Don't get Greedy!

You can't get greedy either. Being greedy is what gets you into trouble. The purpose of a rolling stock is to really only make a buck or two the most on each share you buy in any given transaction. Some will say a 15% return on your money is good.

Miscellaneous!

Today there are numerous charts and online services that are available to help you research stocks, such as: www.aol.com, www.yahoo.com, www.schwab.com, to name a few. Most big chain bookstores like Barnes and Nobles have various newspapers available like Investor's Daily, Wall Street Journal, etc where you can look up your stocks and/or research others.

One reason I suggest using a 12-column journal is that you can carry it with you. So whether you are at work, the library or having a cup of tea at Barnes and Nobles, you can log your stock information into your book right then and there without losing it.

Caution!

Rolling stocks don't roll forever. Some level off while others continue to go up. As you get more familiar with these stocks, you will be able to determine if you would like to eventually keep it longer or just move on to another stock. Remember, even after you have played for a while, it is still best to play on paper that next new stock.

Remember, when you feel you are ready to invest in the stock market, make sure you use money you can afford to lose. Not money needed for rent, mortgage, food, etc. Paper trade first! Know your exit strategy and don't get greedy!

Enjoy rolling!