



PAUL COHEN'S *Marijuana Hub*



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WHY TRADING MARIJUANA STOCKS DOES NOT WORK

- ▶The marijuana stock market has been heavily traded by influential 'technicians' and 'technical trading services'.
- ▶Why does technical analysis not work, especially in a thinly traded penny stock marijuana market?
- ▶Volume is often determined by large sellers, some inside selling, some selling large positions by those who are behind or have founded an OTC penny stock, corporate officers, some selling Rule 144 stock in size and other large sellers.
- ▶The technical trader or technical trading service normally has no idea who is selling or where it is coming from. If the supposed technical guru sees a lot of volume on the sell side, they normally do not know its origin. They might advise a strong sell with a stock that should have been purchased. They just don't know. The chart means little or nothing. Their analysis means little or nothing.
- ▶If a marijuana stock is being promoted, it is a virtual certainty that sellers who have paid promoters for their campaign are selling into promotion, thus generating volume. A technical trading 'expert' does not know where this selling is coming from. All the trader guru can see is chart with selling volume.
- ▶Press releases for the most part are designed to prop up stocks. Hence companies self promote. If you read many of these press releases, it is easy to separate the hype from valid news.
- ▶Market makers have large spreads between the bids and offers. They can often times determine the direction of a stock, simply by buying or selling in size - or selling short in size. Retail sellers cannot short as a practical matter. Market makers have the capital to move a market that a day trader does not have. They can and often control markets because many times they have the inside track on who is selling, why, where it is coming from, reason for selling, how much etc. The technical trading expert or service is clueless.
- ▶Many chartists pitch their buy and sell chart signals as guesses, naïve and lacking information regarding what is really causing price increases or declines. Worse, if the stock is thin, they cannot predict movement that market makers control.
- ▶My view is to stay away from trading and technical trading services in the marijuana stock market. These trading services may be worse than your instincts or your innate ability to pick a winner - or a loser.
- ▶Without information on what causes upswings, downward moves and volume, the technician is really throwing darts at a chart. The chart is nothing more than a dart board in a marijuana bear stock market. Stay away from the dart board.