



PAUL COHEN'S *Marijuana Hub*



Newsletter: December 4, 2014, Issue 65

WHY DAY TRADING HAS CONTRIBUTED TO THE COLLAPSE OF THE MARIJUANA STOCK MARKET

- ▶ Lets look more into this marijuana stock market collapse, which again fell today.
- ▶ Trading penny marijuana stocks to my way of thinking is somewhat like jumping off of the Empire State Building.
- ▶ Some years ago, a large institution hired us to analyze day trading. We were well paid and spent quite some time on the research. I was amazed at the size of the market. It is huge. I learned a lot.
- ▶ In a previous newsletter, I reviewed our findings as a warning. Today, I repeat that warning.
- ▶ Our study concluded that 1 out of 9 traders including day traders, make money. The marijuana stock market is much more dangerous than any listed market or Nasdaq. I would guess the odds of making money trading this market are worse than 1 in 9 - perhaps something like 1 in 20 especially in this down market. One reason is that shorting penny stocks, especially marijuana stocks, is all but impossible. They cannot be borrowed. Margins are 100%. Market makers shorting stocks in their accounts have the edge, not the day traders.
- ▶ Most day traders invest between \$5,000 and \$15,000 in what I believe to be a no-win game. Beware of the technical analysis day trading services. They are throwing darts against a dart board they cannot see.
- ▶ There are well known services recommending day trading, especially off of press releases. My guess is that their subscribers have lost so much money that much of the day trading selling today has helped to drag down this market.
- ▶ Figure it out. Not only are the odds heavily against day trading in general, but today's losses for the majority of day traders in a disaster marijuana stock market equal a big time, long term drag on the entire marijuana stock market. The more they lose, the more they trade, the larger the losses, the greater the drag downward.
- ▶ My guess is that day trading this market has helped to crush the general marijuana stock market. Stocks are thinly traded. Volume is mostly poor, volatility is considerable, press release hype has not worked, market maker's spreads are large, lining the pockets of the OTC market makers.
- ▶ This market has been a day trader's nightmare. It has also been an OTC market maker's dream come true. I will comment more on the reality of trading in this market. In short, invest long term. Do not trade.