

# Watchlist Guide: Tips and Examples to Develop Your Stock Watchlist



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## What is a Watchlist?

A watchlist is a list of stocks you watch to see if they fit a particular trading strategy. According to Investopedia, a watchlist is “a list of securities being monitored for potential trading or investing opportunities.”

## Importance of Developing a Stock Watchlist

It's impossible to keep up with that many stocks. I believe in trading with as much information and education as possible. You have to be prepared. Your watchlist can help you identify potential trades that meet your trading criteria.

A watchlist is an essential part of your trading strategy, regardless of which strategy you use. How else will you know what stock play to make — and when — if you don't have a watchlist?

Tip for newbies: Never trade a stock solely on what you read on a message board or in a promotion. The reason why 90% of traders lose money is because they're not prepared.

## How to Develop a Stock Trading Watchlist

You're looking for stocks that meet certain criteria: your [trading strategy](#). Know what to look for. Also, make use of the great tools available.

The tools available today are amazing compared to what I had when I got started two decades ago. Back then I used to hog three computers in the school library to study stock charts and news.

## What to Look Out For

### Company Details

Trading is different from traditional 'buy and hold' stock investing. One big difference is when you invest in stocks you're buying a part of the company. Your investment should reflect your belief in the company fundamentals.

### Stock Analysis

The two best known types of stock analysis are technical analysis and fundamental analysis. You can get tons of this kind of information from the television pundits. In fact, you can get TOO MUCH of this kind of information.

What they WON'T give you is an idea of the few truly profitable opportunities for the day. So, while you need to understand traditional stock analysis, let's keep it simple for now.

Every single day, you should look for the stocks with the biggest percent gains from the previous day. Then, you should look for stocks with good news or chart breakouts.

Why? In my experience, the best stocks keep going.

You should look at trading volume. If there's not enough trading volume I tend to stay away from trading a stock. But trading volume can pick up with a catalyst like a new contract or a positive earnings report.

One other important note: If a stock falls — say, 50% — in one day, that stock is usually off my watchlist. Yes, I might just buy the dip if there's price support and reason to expect a bounce. But in general, unless it looks like it will keep falling and give me a [short-selling](#) play, I get it off the list.

## **Volatility and Price**

For a day trader, stock volatility is a positive. When the market falls, it tends to reduce volatility. As volatility moves lower, fewer shares are traded. When fewer shares trade, the liquidity in the market goes away.

## **Key Patterns**

I teach my students common and reliable patterns. Like dip buying, [shorting](#), buying low-priced stock breakouts on big trading volume, and earnings spikes. Learn these patterns.

Earnings breakouts happen over and over again. Sometimes an [earnings breakout](#) can go for three days or more. So keep an eye out for those big percent gainers.

Once you identify a big percent gainer, check to see if the catalyst was earnings. If it was, add this stock to your watchlist.

The [dip buy](#) is another simple-yet-often-reliable penny stock pattern. What happens after a penny stock is pumped? The dump. It drops in price.

If you watch, a lot of times the stock will bottom out at a support level and then bounce back with a short squeeze. When all the short sellers try to get out of their position at the same time, it causes the stock price to bounce back up.

So watch stocks that rise and then come crashing down. If it's a big enough crash, it could be a dip buy opportunity.

There's also the classic [“buy the rumor, sell the news”](#) pattern. It happened earlier this year with marijuana stocks. There are more patterns you need to learn. I teach them in this [must-read article](#).

## **Using Screens to Filter Important Data Points**

I recommend using a screening system. A stock screening system like [StocksToTrade](#) gives you real-time access to all the information you need to make trades based on your trading strategy.

StocksToTrade has built-in tools for creating custom stock watchlists. You can set up your StocksToTrade account to scan the markets for stocks meeting whatever strategy you want to use.

Whatever system you use, try to avoid a ‘cobbled-together’ screening system. That’s where you use so many different tools to get the information you need that you spend all of your time trying to make sense of it.

## What to Avoid in Your Watchlist

### Don’t Pick Too Many Stocks

Stock trading is more of an art. It’s definitely NOT an exact science. It’s like aiming at a moving target. If you have too many stocks — both on your list and in trades — you’re aiming at too many moving targets.

Limit the number of stocks on your watchlist and you’ll have a much better chance to understand how the game works.

### Never Trade Too Big

Remember, no matter how much preparation, you will lose some of the time. Losses are part of the deal. Aim small, miss small. Then, when you do miss, cut your losses quickly.

The goal is to win more and achieve a better profit on your wins than the amount you lose. That’s it. Don’t overcomplicate things.

There are several different opinions about what percentage of your account to have in play on any given trade. A lot depends on the level of risk you’re willing to accept. At first, you should focus on small plays. Once you know what you’re doing you can go for bigger trades.

### Watchlist: Real-life Examples

You still need education and knowledge. If you want access to my daily stock watchlist, [you can get it here](#). But I urge you to also watch the video lessons and learn this stuff. My team and I have cataloged tons of different stocks and examples. Studying the past can be the key to your future.

### Penny Stocks Watch List

If the gain is supported by the right news, the right catalyst, and the right chart breakout, it could keep going and give you the opportunity to trade — and potentially and make a profit. But if you see a big percent gain without news, be wary of trading the stock.

I don’t like to trade a stock based solely on the percent gain. I want to know the specific catalyst. Percent gain is a good indicator to go do some research. But then you’re looking for news.

One thing to clarify: You want to watch stocks that are ‘in play.’ Stocks that are sideways or just sitting there doing nothing don’t give you the potential to trade for a profit. So limit your penny stock watchlist to market movers.

## Finding Hot Penny Stocks

Remember, a lot of the news doesn’t have legs past the first day. In other words, you might see news on a stock and think you want to keep an eye on it. But then news about the stock goes silent. You can drop that stock from your list.

If news about a stock carries on to day three or day five, then keep watching this stock. It might be primed for the kind of setup you look for to make a play.

## Volatile and Low-priced stocks

For example, if a stock is at \$1 and it shifts 20 cents, that’s a 20% movement. If a stock is at \$20 and moves 20 cents, that’s only a 1% shift.

So volatile and low-priced stocks can potentially have a huge upside for you as a day trader.

## Watchlist Tips for Traders

### Create Watchlists Based on Current Factors

How is the market trending? What kinds of plays are working today? If you’ve read [my book](#), “[An American Hedge Fund](#),” you know the market shifted the second half of 2000. I had to sit on the sidelines for a while to look for a new strategy.

It wasn’t just 2000 ... it has happened again and again. The point is, you have to pay attention to what’s happening right now.

### Use Your Previous Watchlists as a Reminder

You might scrap the entire list and start over based on the day’s biggest percentage gainers or some catalyst. But it can often give you an idea which stock to watch the next day. Every single night, when I build a watchlist, I look at the previous day’s watchlist.

### Master Your Trading Skills

When I first started trading back in high school, I immersed myself in learning how the markets work. It was time well spent. And now I want to pay it forward.

My hope for you is that you educate yourself just as well. But the awesome thing is you don't have to go searching for all this information the way I did. The world has moved forward, technology has advanced, and you can get what you need a lot faster.

What do you need? You only need three things ...

1. A desire to have more for yourself.
2. The willingness to succeed.
3. And a dedication to continuous learning.

## **The Bottom Line**

Here, you learned some solid tips to help you start the smart habit of keeping a daily stock watchlist. You've learned what information to include, what to avoid, and how to use the watchlist to your advantage.