



Don't Fall for these Pump and Dump Schemes in the Stock Market

Description

The Internet can be a dangerous place for ignorant investors.

Recently, I came across an informative post that detailed the bullish case for what the author posited to be a hugely undervalued growth stock. The thesis was extremely compelling, with plenty of industry statistics and market trends to back up its case. Information asymmetry (knowing what others do not know) was a key underlying theme, and when I cross-verified the statistics and market data cited, it all checked out.

The author's credentials also seemed pretty legitimate enough, as he claimed that he had been studying the industry for 10 years and was a (supposed) expert in this field.

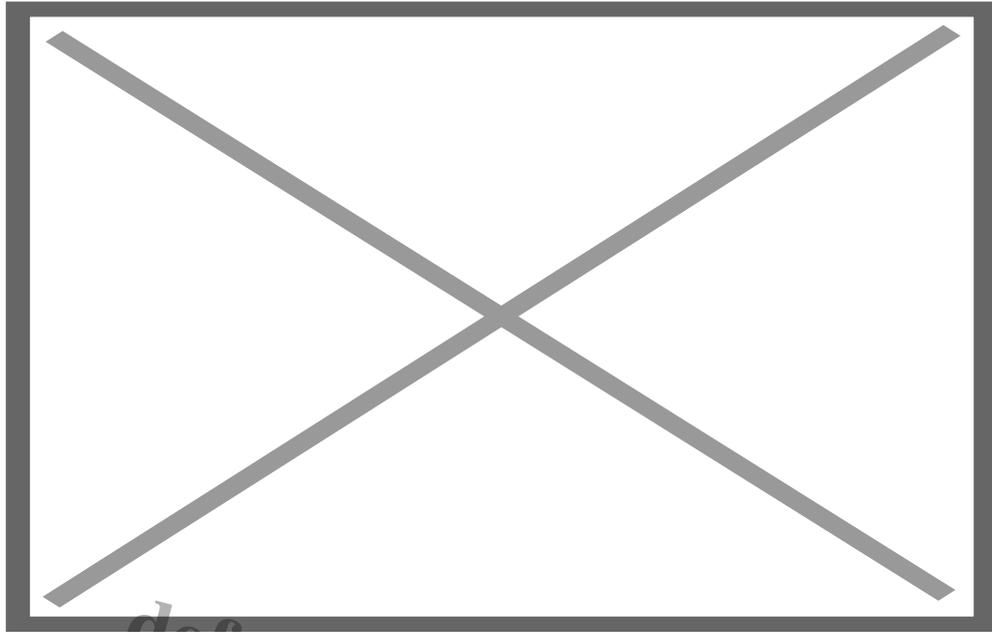
After about an hour of reading (*and my own cross-research to verify his statistics*), I was almost convinced that the stock was a good investment opportunity until I saw this (super) tiny print buried near the bottom which disclosed that

- the issuer had provided a marketing company with a budget of over USD 600,000 for its advertisement campaign
- the writer (blogger) of the post had been paid more than USD 15,000 to endorse the ad
- the **writer himself does not own shares of the company that he was promoting**

(thanks to smart visual design by playing around with font sizes and disclosure placements, it was not immediately obvious to me that this was even an advertisement in the first place.)

That effectively made me conclude that I had wasted all my time reading and researching what I had thought was a legitimate "hot stock tip". Because if the writer himself can present such a bullish case with such extensive research but YET not feel compelled enough to take up a position in the stock, then that really shows me his *real* conviction towards it.

Was it all talk but no action? In this case, it apparently was.



Which brings me to my point:

The Internet has nuggets of valuable information, but it also concurrently full of **misleading ideas** and is **rife with elaborate pump-and-dump schemes**.

If you're an ignorant investor, you're more likely to fall prey to these and end up potentially losing most of your money.

I'm not sure how I feel about the company spending more than half a million to attempt to boost its share price through such marketing tactics, but what I'm certain is that the blogger's actions absolutely are a huge NO in my rulebook.

And I worry about other investors who may have read that post too and thought, *'dang, I better invest in this stock now before it is too late!'*•And before you judge these victims for being stupid or dumb, bear in mind that not everyone may be observant (or knowledgeable) enough to tell the difference between what's probable and what's not.

With all the elaborate pump-and-dump schemes on the Internet these days, we definitely need to be more careful with what we read and act on.

I love reading finance blogs and different bloggers talk about their bull/bear case for a stock, but they are never a buy/sell recommendation for me. Instead, I use them to spot great stock ideas, then follow up with my own research and analysis, before deciding whether to add (or remove) it to my stock portfolio.

But at the same time, I'm seeing so much misinformation out there that it is starting to worry me. This gets worse on social media, where information is usually presented in bite-sized chunks and may

P.S. If you're clueless and have no idea where to get started (*nor do you have time to DIY through books and your own experiences in the market*), how about learning through a course? [Check out my course materials here and get started for as little as \\$49.90!](#)

Category

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