

Observations About Investing in a Low-Volume Stock



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A few months ago, I bought a low-volume stock, Oregon-based Willamette Valley Vineyards (**WVVI**). I had seen the company's name on a screen of liquor stocks I occasionally run and was prompted to take a closer look when the company sent us a prospectus for a preferred stock offering. (I think my wife put us on their mailing list at a tasting.) After doing my own analysis, I passed on the preferred stock but bought shares of the common stock.



When I talk about the common shares having low volume, I'm not exaggerating. Daily trading has averaged just under \$36,000 per day over the past three months. This is the cumulative dollar amount for all of the shares traded on an average day. Some days, it's less; on others, it's more.

I'll share some observations I've had while owning Willamette Valley Vineyards, along with some suggestions about how to go about investing in a low-volume (aka less-liquid) stock in general. But before I do, I want to explain why it even makes sense to consider a stock with low levels of trading volume.

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First-quarter earnings season will remain busy, with 124 members of the S&P 500 scheduled to report. Included in this group are Dow Jones industrial average components Pfizer (**PFE**) on Tuesday and Merck & Co. (**MRK**) on Thursday.

The week's first economic reports will be the April PMI manufacturing Index, the April ISM manufacturing survey and March construction spending. All three will be released on Monday.

Wednesday will feature the April ADP Employment Report, March international trade and the first estimate of first-quarter productivity. April jobs data, including the change in nonfarm payrolls and the unemployment rate, will be released on Friday.

Six Federal Reserve officials will make public appearances: Atlanta president Dennis Lockhart and San Francisco president John Williams on Monday; Lockhart and Cleveland president Loretta Mester on Tuesday; Minneapolis president Neel Kashkari on Wednesday; and Lockhart, St. Louis president James Bullard, Dallas president Robert Kaplan and San Francisco's Williams on Friday.

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