

Q24 Is the stock reasonably liquid?

Objective:

Stocks which are illiquid carry significant **impact cost** i.e. buying even small quantities will cause the price to increase. Also, when the investor decides to sell the stock, prices get hammered down due to low liquidity.

What to look for:

- ◆ Free float market cap (i.e. excluding promoter holding)
- ◆ Average daily trading volume to ascertain stock liquidity.