



MONDAY, JULY 18, 2005

Energy Insiders Turn Bearish

By RUTH MANTELL

Insider Tables: Buyers | Sellers

WITH THE PRICE of oil near its all-time high, increasing numbers of insiders at energy companies have been selling shares in recent weeks. In July, insiders at energy companies have aggressively sold portions of their positions, reversing actions last month that made them the most dominant purchasers.

For each energy insider who has acquired shares this month, almost 10 have sold, according to data provided by Thomson Financial.

The price of west-Texas crude oil is currently trading at 57.32 per barrel, after reaching a record closing price of 61.28 on July 6.

"If you look at a lot of the selling, insiders have been selling while the volatility of oil prices is higher," says Mark LoPresti, an analyst with Thomson.

Specifically, LoPresti notes that oil price volatility has been increasing this past year, and that insiders may feel it's time to take profits.

"Maybe because we're near the higher end of the [oil price spectrum, the insiders are not motivated to spend any more of their capital," he says.

"They were certainly motivated to take some money off the table."

Among the companies with more insiders selling this month are Cooper Cameron, Halliburton and Nabors Industries, according to LoPresti.

Earlier this month, Barron's Online noted that during June the most bullish insider activity was at energy, materials and consumer staples companies (see Inside Scoop "Insiders Stay Bullish on Energy," July 5).

Michael Painchaud, managing director of research for Market Profile Theorems, notes that insider trading patterns in July are worse than in previous months. According to Market Profile Theorems models, the level of energy insider transactions has actually plunged through the lower end of its usual trading range.

"We would consider this inordinately negative behavior," Painchaud says. "We would probably underweight the energy sector at this time."

Incongruously, Wall Street's expectations for energy are optimistic, Painchaud notes.

"The analysts see nothing but blue skies ahead, but insiders are telling us that caution is the better part of valor," he says.

However, the technical indicators for energy stocks are issuing "short-term warnings of a pullback," notes Barron's Online columnist Michael Kahn. (See Getting Technical, "Energy Sector Appears to Be Weakening," July 18.)

Kahn adds that there's still an energy bull market, though "what is starting to happen now is more of an adjustment within that market that could spell trouble for newly minted energy-stock bulls."