

Insider buying surge positive sign

Chicago Tribune; Chicago, Ill.; Aug 23, 2002; Bill Barnhart;

Abstract:

In Thursday's action, the Dow gained 96.41 points, or 1.1 percent, to 9053.64. American Express, General Motors, Merck and Johnson & Johnson led the Dow gainers. Microsoft added 95 cents, to \$53.23, after Salomon Brothers boosted its investment rating on the stock.

Full Text:

(Copyright 2002 by the Chicago Tribune)

The recent rally in stock prices from their July 23 low reflects several optimistic indicators. One is an apparent decision by executives and directors of major companies to start buying their own stock.

In separate reports, Lancer Analytics, a unit of Thomson Financial, and Market Profile Theorems, a Seattle-based investment research boutique, said that straightforward purchases of shares by insiders of large companies--not associated with stock option awards--has increased unexpectedly this summer, especially among technology companies.

"To start seeing buying in these large-cap companies is a pretty positive sign," said Kevin Schwenger, insider research analyst for Lancer Analytics.

The pattern, which first emerged in late June, is especially strong among big-name technology companies, said Michael Painchaud, research director for Market Profile Theorems.

"It's the most striking signal I've ever gotten in the area of technology," he said.

For the first time in nine years, the monthly level of insider buying increased in July from June, Schwenger said. The trend is especially noteworthy among technology sector insiders, he said.

"Most of them tend to get their shares through options, so to see so many paying the full market price is a bullish sign," Schwenger said.

For example, William Joy, chief scientist at Sun Microsystems, bought outright 1 million shares at a cost of \$4 million, his first open-market purchase since September 1987, Lancer Analytics reported.

Wilfred Corrigan, chief executive of LSI Logic, bought 100,000 shares at the end of July.

But the buying is broad-based. Amid pressure on him by disgruntled investors, Michael Eisner, chief executive of Walt Disney, has been an aggressive buyer of Disney shares.

Executives at Johnson & Johnson, Beckman Coulter, Bell South and Korn/Ferry have been buying their stock. In the Chicago area, Bank One, Baxter International and Andrew have reported insider buying.

Schwenger said it will take two or three more months of insider buying reports, as well as a continuation of the market rally, to determine whether insiders correctly called the bottom of the market.

But even if the economy weakens in the fall, as some economists predict, current patterns of insider trading and stock prices are bullish, said Painchaud.

"We don't think that the potential for having an untoward economic event will take us below the prices that we went to in July," he said.

Thursday's action: Stocks advanced modestly but closed above a closely watched threshold: the 9000 mark on the Dow Jones industrial average.

In a week marked by few market-moving economic reports and moderate trading activity, investors took heart in the ability of the Dow to pierce the 9000 mark, the first time since July 9.

The closing Nasdaq composite index on Wednesday broke above the 1400 mark for the first time since July 8.

In Thursday's action, the Dow gained 96.41 points, or 1.1 percent, to 9053.64. American Express, General Motors, Merck and Johnson & Johnson led the Dow gainers. Microsoft added 95 cents, to \$53.23, after Salomon Brothers boosted its investment rating on the stock.

3M, Coca-Cola, Philip Morris and SBC Communications were among the Dow's losers.

The broader Standard & Poor's 500 index added 13.34, or 1.4 percent, to 962.70; the Nasdaq composite index rose 13.70, to 1422.95; the Russell 2000 index of small-company stocks gained 2.88, to 409.67.

New York Stock Exchange trading volume totaled 1.37 billion shares. Winning stocks outnumbered losers by nearly 2 to 1.

Nasdaq trading volume reached 1.83 billion shares, as winners topped losers by a 10-7 ratio.

Treasury securities slipped on the face of the stock market advance and heavy demand for corporate bonds, which pay higher yields than Treasuries.

General Motors Acceptance Corp., the financing arm of General Motors, sold \$2.5 billion in bonds, 25 percent more than previously announced. SBC Communications sold \$1 billion in bonds.

Sub Title: [North Sports Final Edition]
Column Name: Market report
Start Page: 5
ISSN: 10856706
Subject Terms: Dow Jones averages
 NASDAQ trading
 Stock prices
 Securities markets
 Insider trading

Reproduced with permission of the copyright owner. Further reproduction or distribution is prohibited without permission.