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Insiders Nibble at Tech Stocks

By [Joanna Glasner](#)

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When technology stocks were all the rage, insiders at technology companies made a common practice of selling shares at opportune times.

Now that those same stocks are in the dumpster, many insiders are coming back to buy.

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Over the last several weeks, experts who track insider purchases at U.S. companies say they're seeing a rise in the volume of buys made by executives and directors. At the same time, insider selling -- which peaked at the height of the bull market -- is close to its lowest point in years.

"Insiders are now basically buying stock from the investment public rather than selling stock," said Michael Painchaud, research director at Market

Profile Theorems, which tracks buying activity at approximately 2,500 companies.

Painchaud views the buying as a bullish sign, since it indicates corporate officers believe their companies' stocks are undervalued.

For the week ending Aug. 9, buys represented 75 percent of all insider transactions, up from 65 percent the prior week (based on number of transactions, not dollar value), according to Market Profile Theorems. The data marks a sharp shift from June, when sales outnumbered buys by 2 to 1. It's also up from July, when 46 percent of transactions were insider buys.

Painchaud says buying activity is most pronounced in the tech industry, one of the sectors hardest hit in the market downturn. Buyers include a number of high-profile tech company founders, executives and directors.

Leading the pack was Microsoft co-founder Paul Allen, who in July reported spending \$20 million buying back shares of Charter Communications, the cable firm he took public in late 1999.

Sun Microsystems chief scientist Bill Joy recently pitched in about \$4 million to buy a million shares of Sun ([SUNW](#)).

Other recent technology buyers cited by Painchaud include insiders at Nextel, Nortel, Computer Associates and McData Corp. Meanwhile, the top insider seller of late remains Microsoft's Bill Gates.

David Coleman, editor of Vickers Weekly Insider Report, says the most dramatic increase in buying activity is coming from companies in the banking, technology, telecommunications and Internet sectors.

Almost universally, the sums spent by insiders to acquire stock are meager in comparison to what they raked in by selling stocks in the late 1990s and early 2000. One reason is that executives at technology companies usually get a generous supply of stock options as part of their compensation package, and therefore don't feel compelled to purchase more shares with their own money.

But now that share prices are down, fewer insiders are selling and more are buying, said Lon Gerber, director of insider research at Thomson Lancer Analytics.

For the month of June, the most recent period for which data was available, selling by insiders at technology companies dropped to \$129 million, its lowest level in five years, Gerber said. Insider buys for the month totaled about \$34 million.

Because individuals have up to several weeks to report insider transactions, Gerber won't have full data for July until later this month. Early indications, however, show healthy insider buying activity.

"Things were so depressed for so long in terms of insider buying that the numbers are now coming back," Gerber said. "But what's really telling on the tech side is the selling has really dropped off."

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