

## Insider Sales Swamp Purchases In Face of Stock Market's Advance

By **TONY COOKE**

*Dow Jones Newswires*

Analysts of insider transactions admit to being perplexed by the recent stock-market rally, but they continue to advise caution as insider sentiment, which had been unusually negative, has descended to a level of bearishness some observers call unprecedented.

Insiders sold more than \$44 of stock during August for every dollar of stock they



### INSIDE TRACK

bought, according to data from Thomson Financial. That is the most bearish monthly reading since comprehensive record keeping began in 1990, said Kevin Schwenger, insider research analyst at Thomson Financial. Insider sentiment is commonly regarded as an indicator that leads the market by six months or more. By most measures, sentiment began to turn negative early in the year. During May and June, insider analysts began to advise that the time was right for investors to hedge their bets.

Since that time, insiders have become even more bearish, but stock prices have risen, particularly in the last month. The response from insider analysts has been a collective shrug, accompanied by insistence that the other shoe has yet to drop.

Michael Painchaud, research director for Market Profile Theorems, said his firm turned bearish in June and still has a negative outlook. "I can't ignore the

search for the newsletter Insiderinsights.com, began in June to shift his portfolio toward betting on a drop in stocks, especially technology stocks, by taking short positions. Mr. Moreland acknowledges having moved too soon, but he isn't going back on his decision.

"I think insiders will be proven to be early, and not wrong," he said. "All they are telling us is that something is wrong with the rally. ... It's very difficult to use the data as a precise indicator of when the market might reverse."

Mr. Moreland said market momentum and meager bond yields have lifted stocks longer than he expected. "However, at some point a stock-investment thesis must be supported by its fundamentals, and I think that most stocks that have risen so much recently, the fundamentals won't support their present price—and certainly not another spurt upward," he said.

Like Mr. Moreland, Mr. Painchaud said he looks at other factors to assess the reliability of an insider signal, and he too sees support for his belief that stocks are due for a fall.

Mr. Painchaud said his firm tracks four indexes of investor sentiment—for individuals, portfolio managers, newsletter writers and traders—and all are positive. Such uniformly bullish sentiment among investors tends to precede market downturns, he said.

Investor sentiment "is behaving exactly as you'd expect if insiders are correctly bearish," Mr. Painchaud said. The market's rise has increased his unease, he said. "I have to maintain our bearish-