

# Insider View Worsens, Though All Isn't Bleak

*Corporate Stock Sales Hit \$2.6 Billion in November, Highest Level Since May*

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WASHINGTON—Insider sentiment has taken a turn for the worse, but the overall outlook is far from grim, according to analysts of stock-transaction data.

Corporate insiders' stock sales hit \$2.6 billion in November, the highest level since May when the comparable figure for that month was nearly \$3.3 billion, according to data from Thomson Financial.

With \$193 million in insider buying in November, the ratio of sales to buys, in dollars, was 13.7-to-1, the highest ratio since May's 15.1-to-1.

The November figures for sales, and the sell/buy ratio, were more than double the October numbers, which in turn were more bearish than the September figures. Still, insider data analysts don't see the trend as representing a market top.

Lon Gerber, insider analyst for Thomson Financial, described the November figures as "right in the middle of neutral territory." "I wouldn't be afraid of what we are seeing now," he said. Part of the increase in sales, Mr. Gerber said, is the logical result of insiders taking advantage of a market recovery to take profits.

Another part of the increase, he said, is seasonal. Companies that restrict insider stock transactions often allow transactions in November, after earnings reports have been made public. On the other hand, he said that "three months ago, when we had ... earnings, there wasn't any pop-up [in selling] afterwards."

Michael Painchaud, director of research for Market Profile Theorems, said although the firm's insider model has turned neutral, he remains optimistic

about the overall market.

"It's all a matter of perspective," said Mr. Painchaud. "Relative to the activity, we saw ... in July, August and September, one could come to the conclusion that the activity is not as strongly biased toward buying."

Mr. Painchaud, however, said his firm isn't coming to that conclusion. Although the firm's insider transaction rating has turned neutral, other models remain bullish. In addition, he said, insider buying in industrial companies bodes well for the economy as a whole. "Ours is still a positive rating," said Mr. Painchaud. "Others may interpret it differently—and it is a matter of interpretation."

Jonathan Moreland, director of research at InsiderInsights.com, said the overall economic outlook is bright, but the insider trend inspires caution. "I'm not taking as many new positions as I would like," he said.

Mr. Moreland's primary method of assessing insider transactions compares the number of companies with sellers to the number of companies with buyers. By Mr. Moreland's measurement, insider selling in the past four weeks has taken place at nearly 50% more companies than has insider buying—a figure that hasn't been seen since May.

Furthermore, he said, last week that figure hit 83%.

Mr. Moreland said in May the bearish insider signal prompted him to take some positions that bet against the market, but he isn't so bearish this time. However, he said, he is more cautious than he has been.

"The insiders are telling me, don't be greedy," he said. "Take your profits and you might get a better entry price for some of the stocks that look good."



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