
High stock valuations reduce insider-buying, buybacks: TrimTabs

By Editorial Staff Thu, Oct 27, 2016

'The best-informed market participants seem unenthusiastic about U.S. stocks at current prices,' said David Santschi, CEO at TrimTabs Investment Research.

The purchase by corporate executives of their own firms' stock—aka “insider buying”—dropped to just \$110 million in the first three weeks of October through Friday, according to TrimTabs' review of Form 4 filings with the Securities and Exchange Commission.

“The best-informed market participants seem unenthusiastic about U.S. stocks at current prices,” said David Santschi, CEO at TrimTabs Investment Research. “Insider buying is running at the slowest pace for October in the past five years.”

“The pullback in buying by both insiders and companies isn't an encouraging sign for U.S. equities,” Santschi added. “Corporate America seems to be battenning down the hatches.” TrimTabs Asset Management, a sister company, offers funds that pick stocks on the basis of their liquidity, or the supply and demand for their shares, rather than their fundamental value.

In a research note, TrimTabs explained that the weakness in buying is not just seasonal. On the first 15 trading days of October, insider buying was \$390 million in 2012, \$360 million in 2013, \$540 million in 2014, and \$260 million in 2015.

Share repurchasing programs have also slowed. Stock buyback announcements fell to a nine-quarter low of \$115 billion in the third quarter of 2016, and would have been much lower without Microsoft's single \$40 billion buyback. Buybacks have totaled just \$8.2 billion in October, as of Friday, October 21.

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