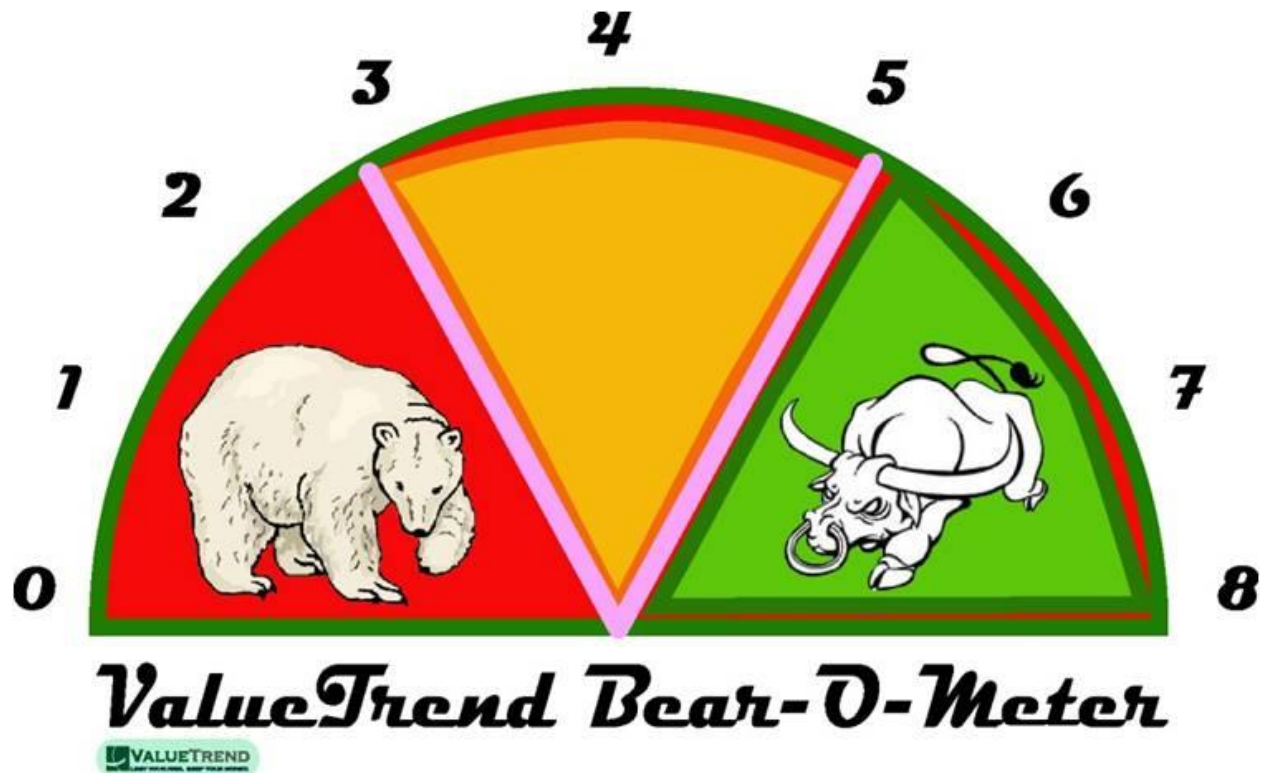


Insiders rotating out of FAANGs, into value. Bear-o-meter goes neutral

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Every month I like to take a reading of something that I like to call the “Bear-o-meter”. The Bear-o-meter is a compilation of a few trend, breadth, sentiment, value and seasonal factors. It assigns positive, neutral or negative ratings to each indicator, and the results are totalled. Readings fall between 0-8. That is divided into 3 zones, as noted on the diagram below. If the total of the current reading falls into the first zone, risk is considered higher than normal. If its in the second zone, risk/reward are neutral. The third sector suggests that risk is below average for the market.



I’ve tracked the indicator over the years, and its been pretty good for telling us when markets might be getting peaky, or might be getting oversold – obviously those situations occur when the “needle” is closer to one end of the scale or the other. A high score means conditions are better than normal for a lower risk stock market. A low score suggests its riskier than normal. Most of

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the time, the indicator lies in the middle—which might be expected. Most of the time, conditions are not extremely overbought or extremely oversold.

Today (Sept 9, 2019) we had a dead-in-the-middle neutral reading. We got score of “4” this time. This, up from a more risky reading [a month ago](#). What drove the reading up from risky to neutral were:

- A bullish divergence by the cumulative Advance Decline line (making new highs) vs. the SPX (no new high since July). Chart is below..AD line is top line.
- The market moved above its 50 day SMA (if its below that line, the compilation gets a “0”, but a move above it gives us a score of “+1”)
- The Transports vs. Industrials (Dow Theory) moved from non-confirming (giving a “-1” score last month) to confirming (“0”)



Insiders rotating

I thought it would be interesting to note some data provided by a company called TrimTabs [as reported in CBC news](#) – which specializes in insider trading activity. Apparently, there was a higher than normal amount of insider selling going on within the FAANG stocks over July and August. Before jumping to conclusions, you should know that insider selling is not as accurate as an indicator as is insider buying. However – the uptick in selling is interesting, given that Apple reports soon. That, and the fact that FAANGs are no longer leading the charge on the markets. You and I have both noticed the rotation into staples, REITs and utilities over the past months.

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More interesting than the selling has been the uptick in insider buying into select depressed sectors such as energy and industrials. Historically, insiders have been more accurate in predicting their company's stock market moves when buying than when selling.

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