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A good sign: Insiders buying more shares

By Adam Shell, USA TODAY

NEW YORK — A growing number of U.S. executives are using their own money to snap up shares of their company's stock, a sign that corporate insiders believe stocks are cheap and will likely move higher.

The spike in legal insider buying by CEOs, chief financial officers, directors and other high-level managers coincides with investors' panic selling in late July that dropped the U.S. stock markets to five-year lows.

Recent purchases by executives at Walt Disney, American Express, IBM, Bank One and Vitesse Semiconductor are the latest evidence signaling that the July 23 lows marked a true bottom.

Who's buying

Executives at these companies are among those who have been buying their company's shares recently:

Walt Disney
Capital One Financial
American Express
Bank One
Ameritrade
LSI Logic

Check your company: [Get a quote.](#) then click on Insider Trading.

"In 1999 and 2000, insiders were selling very expensive stock to the average investor," says Michael Painchaud, research director at Market Profile Theorems, a firm that analyzes insider-trading data. "Today, insiders are buying back very cheap stocks from those same investors."

Last week, for example, insider buys outnumbered insider sells by more than 2 to 1, Painchaud says. A bullish shift of that magnitude last occurred after Sept. 11.

Other signs of insiders' growing confidence:

- Insider selling is drying up. Last week, 31% of insider transactions were sales, down from 67% in June and a high of 75% in April, according to Market Profile Theorems. Ratios less than 50% are bullish. The huge shift from bearish to bullish sentiment mirrored a similar move in the first week of October 2001, when the percentage of sellers plunged to 21% from 65%. The shift marked a short-term market bottom, as the Dow Jones industrials rallied more than 1,000 points from Oct. 5 to Dec. 28.

- Buying is spreading to blue chips. The initial surge of insider buying focused mainly on technology stocks, notes Jonathan Moreland, director of research at InsiderInsights.com. Last week, the buying spread to stocks of large, stable companies. "It indicates stocks are oversold," he says. And that's a good sign.

Says Pat Adams, portfolio manager at Choice Funds: "There's one reason why you buy: to make money."

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