



Insider Buying Triggers Buy Signal for This Energy Stock

Description

Insider activity is one way in which to measure a stock's momentum. The more insiders buy stock, the more bullish they tend to be. Likewise, if there is significant insider selling, then this can be a sign of bearish momentum. After all, if management doesn't have confidence in their holdings, why should investors?

The important point to remember is that not all [insider activity is created equal](#). The best measure of momentum is activity on the open market. These are shares bought and sold directly on the open market without any attachment to options or the granting of rights.

One stock that has seen significant insider buying on the open market is **Gran Tierra Energy** ([TSX:GTE](#))(NYSE:GTE). Gran Tierra is a small cap engaged in the exploration and production of oil and gas. Its sole assets are in Columbia. It has approximately 17 million barrels of oil equivalent at its properties.

Significant insider activity

Over the past couple of months, there has been a flurry of insider buys on the open market.

GMT Capital, Gran Tierra's largest shareholder (+17%), has been scooping up shares at a rapid pace. In March, it made 45 separate buys, accumulating 3.4 million shares. In total, the company spent approximately \$8 million at prices between US\$2.28 and US\$2.51 per share.

Similarly, Lawrence West, VP of Exploration, and Rodger Trimble, VP of Investor Relations, both acquired shares in the open market. West purchased 12,000 shares at an average price of US\$231 per share and Trimble picked up 16,800 shares at an average price of \$2.34.

And these numbers were for March alone. There have been dozens of buys thus far in 2019 and only one insider sell on the open market.

Potential takeover target?

Over the past year, GMT Capital has been actively buying up shares on the open market. As a result, it has slowly been increasing its ownership of the company. Is the company positioning itself for a buyout offer? Not necessarily. GMT is a hedge fund company that isn't typically in the business of buying businesses outright.

There is no denying, however, that the company is extremely bullish on the company. Gran Tierra is the corporation's fourth-largest holding behind **Celanese**, **Entegris**, and **Alphabet**.

Foolish takeaway

Insider activity is a good momentum gauge. Analysts have a one-year price target of \$4.10 per share, which implies 33% upside from today's share price. Of the 12 analysts covering the company, 11 rate it a buy and the lone outlier has it rated as a hold. The lowest price target is \$3.48, which is still well ahead of today's share price of \$3.06. At today's prices, it looks to [provide excellent value](#), as it is expected to grow earnings by +30% on average over the next five years.

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