



Are Insiders Dumping Their Gold Stock?

Description

Tracking insider activity is viewed by many as a means to measure management confidence in the company. According to David LePoidevin, senior vice-president and portfolio manager at **Canaccord Genuity**, “insider activity is maybe one of the best indicators of buying and selling.”

The premise is quite simple. When insiders are buying the stock it is viewed as a bullish sign. On the flip side, if there is considerable selling, it may be a sign that management lacks confidence in the short-term prospects of the company or that the stock has peaked.

A quick glance at the top insider selling list and one trend stands out — precious metal companies dominate the list. Two of the top five companies with net insider selling are well-known gold companies **Dundee Precious Metals** ([TSX:DPM](#)) and **Kinross Gold** ([TSX:K](#))([NYSE:KGC](#)).

Is this a bearish sign that investors should be wary of? Let's take a look.

Dundee Precious Metals

It is no secret that investors have been fleeing to safety and, as a result, have been increasing their [exposure to gold](#). The price of gold broke through key resistance points and is hitting multi-year highs almost daily.

For its part, Dundee Precious Metals is up by approximately 35% over the past year. Although this tops the approximate 19% increase in the price of gold, it trails the S&P/TSX Global Gold Index. The Global Gold Index tracks a good number of producers and is up 44% over the past year.

One reason for Dundee's underperformance may be insiders' propensity to sell shares. Unlike a good majority of its peers, the company has not yet hit 52-week highs. When the company last hit 52-week highs in early December, the pace of insider selling skyrocketed.

As the company has begun a new uptrend, the pace of selling has once again accelerated. So, who is doing all this selling? It was GMT Capital, one of the company's largest holders (about 10%). Since January 27, GMT Capital has sold 978,800 shares on the open market at a price range between US\$4.18 and US\$4.69 for total proceeds just north of \$4.15 million.

On the bright side, not a single company director has sold their shares on the open market. Although GMT Capital selling such a high number of shares is pressuring the stock, it may simply be a case of taking profits and diversification.

As of writing, Dundee is trading at a cheap seven times earnings and has a P/E-to-growth (PEG) ratio of only 0.17. This makes it one of the most [attractively valued stocks](#) in the industry.

Kinross Gold

For its part, Kinross has been a star performer and has gained about 65% over the past year. The company has rode momentum and has been hitting 52-week highs almost daily over the past couple of weeks.

It looks like insiders have been taking advantage of this recent bump and have been lightening their positions. Over the past couple of weeks, six different insiders have sold shares on the open market. At prices between \$7.20 and \$7.85 per share, they generated proceeds of approximately \$850,000.

Although this doesn't seem like much, in mid-February its directors also received compensation in the form of rights and options. Every director exercised their rights for cash, and those who exercised options quickly disposed of them on the open market.

It is important to note that insiders may use rights/options as forms of compensation. As such, it is not out of the ordinary for these patterns to occur. The degree to which it has happened, though, is out of the ordinary for Kinross.

With respect to valuations, Kinross appears fairly valued. At a P/E of 16.49, a PEG of one, and an earnings growth rate that is expected to drop to only 4% in 2021, don't expect another +60% gain for Kinross in 2020.

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2. Metals and Mining Stocks

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TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. TSX:DPM (Dundee Precious Metals Inc.)
3. TSX:K (Kinross Gold Corporation)

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