



## Insider Trading: Which CEOs Are Bullish?

### Description

Tracking insider trading activity is one of the ways investors can stay ahead of the curve. It is a means of understanding management sentiment. Considerable insider buying is a sign of bullish sentiment. On the flip side, heavy insider selling is a sign that management has turned bearish.

It is important to note however, that not all insider buying is relevant. Investors must be wary of their source of information. Typically, catch-all investment sites will include all insider activity, which includes those attached to options and warrants.

As these are often a part of compensation, selling a stock immediately after the receipt of options is not as relevant. What investors need to pay attention to are the unattached trades made on the open market.

Recently, I have been an advocate for investing in [high-quality stocks](#). Dividend-paying, blue-chip companies that will help insulate your portfolio from current volatility. Recent insider trading supports this thesis and is a bullish sign for these blue-chip stocks.

### Big investments

Railroads are known to be some of the best defensive stocks in North America. Rail is the primary means of transporting goods across the country. Although a slowdown is in effect, these won't slow to a halt.

Canada has a duopoly that includes **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)). This provides CP Rail with a significant moat and is one of Warren Buffett's favourite types of stock. CP Rail has lost only 9.88% of its value in 2020, far outperforming the 25% loss posted by the **S&P/TSX Composite Index**.

Despite this strong performance, the stock provides excellent value during these times — and insiders agree. Over the past few weeks, CP President and CEO Keith Creel has been frequently adding to his position. Over 92 trades, Creel added 14,588 shares with a total purchase price of just over \$3 million.

Creel isn't the only one. Chief Legal Officer Jeffrey Ellis and Senior Vice President Stanley Scott McDonald are also making big investments in CP Rail. Combined they invested approximately

\$350,000 in the company.

At Canada's second-largest railway, insider trading is indicating bullish sentiment.

## Heavy insider trading

Amid the current bear market, insurance companies are once again facing declining interest rates. One headwind for insurers is lower rates, and investors are having flashbacks to the financial crisis of 2008. During this time, several insurers cut the dividend.

One insurer that did not cut the dividend was **Power Corporation of Canada** ([TSX:POW](#)). Although it did suspend dividend growth, the company emerged from the 2008 financial crisis with its dividend intact. Investors once again appear to be discounting Power Corp's staying power.

Power Corp's stock price is down 37% year to date and is trailing the S&P/TSX Composite Index in a big way. Trading at just 8.3 times earnings at writing, it hasn't been this cheap since 2016. Similarly, the company's 9.76% yield is near record highs.

The good news is that insiders have been scooping up shares at a rapid pace. Over the past week, four insiders have purchased shares on the open market between the price of \$18.21 and \$22.47 per share. In total, insiders have bought 93,250 shares worth approximately \$2 million.

In mid-March, the company announced a 10% raise to the dividend along with fourth-quarter results in stark contrast to the significant number of companies that have recently announced a [dividend cut](#).

## Foolish bottom line

Management know their companies best, which is why insider trading activity is deemed a good measure of bullish or bearish sentiment.

In the case of Canadian Pacific Rail and Power Corporation of Canada, the sentiment is clear: insiders are bullish.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)
3. TSX:POW (Power Corporation of Canada)

### PARTNER-FEEDS

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