LAMENSDORF
MARKET TIMING REPORT

APRIL 2017

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+100% 75% 50% 25% 0% -25% -50%

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Why are Corporate Insiders Selling into the Trump Rally?

The Trump rally was sparked by investor expectations that less regulation, improved health care and lower taxes will be good for corporate America. Any improvement in these areas would be welcome. However, while the investing public has been aggressively buying stock, corporate insider selling has touched a seven-year high. Corporate executives are obviously much more informed about the prospects of their own businesses compared to the general public. What do the insiders know that the public does not? This issue of LMTR explores why insiders are taking a contrary position.

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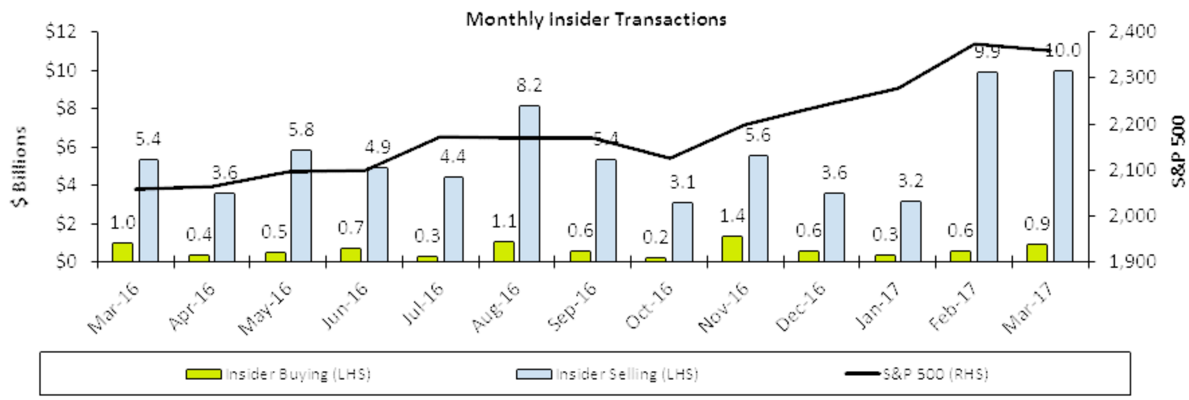
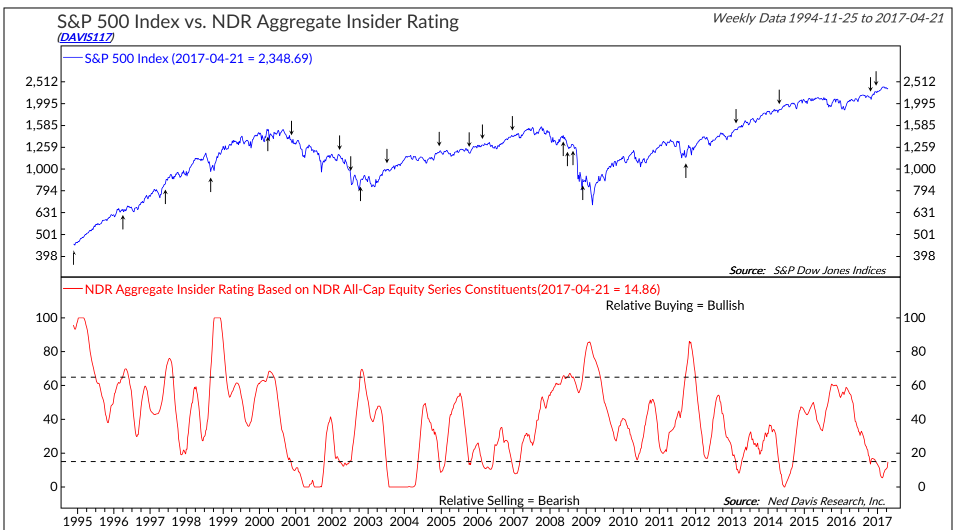
Trim Tabs Investment Research recently reported that monthly insider selling has hit a seven-year high. Corporate executives are better informed than the public, and this is definitely a negative sign.





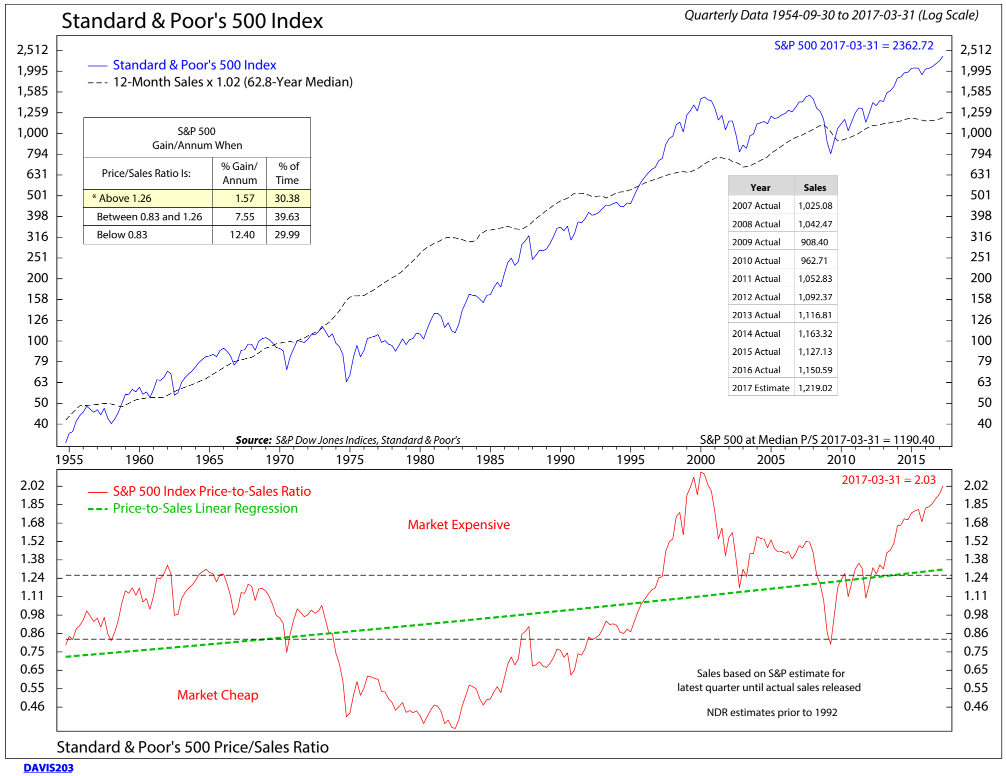
Buy signals when insider rating rises above 65.

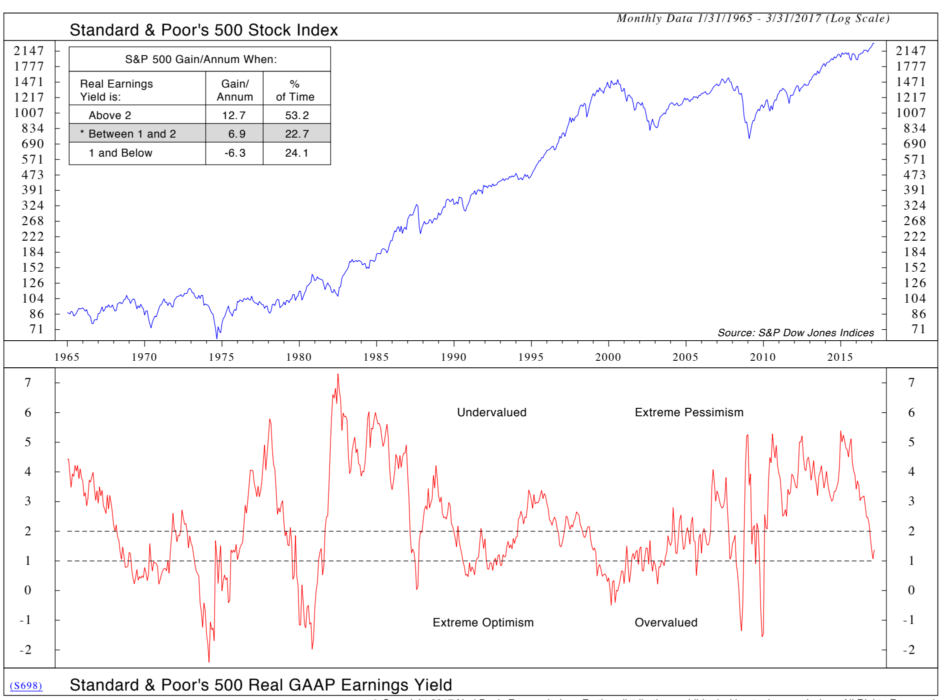
Sell signals when insider rating falls below 15.

Analysis Dates: 1994-11-25 - 2017-04-21					
Category	Mean Return After:				% Time
	1 Week	4 Weeks	13 Weeks	26 Weeks	
Bullish	0.54	1.98	4.70	9.95	12.05
Neutral	0.17	0.65	2.36	4.19	71.28
Bearish	-0.11	-0.21	-0.81	0.21	16.67
Buy/Hold	0.17	0.67	2.15	4.29	100.00

Ned Davis Research also tracks insider buying and selling. Their proprietary rating has just dropped below 15, which supports the Trim Tabs data.

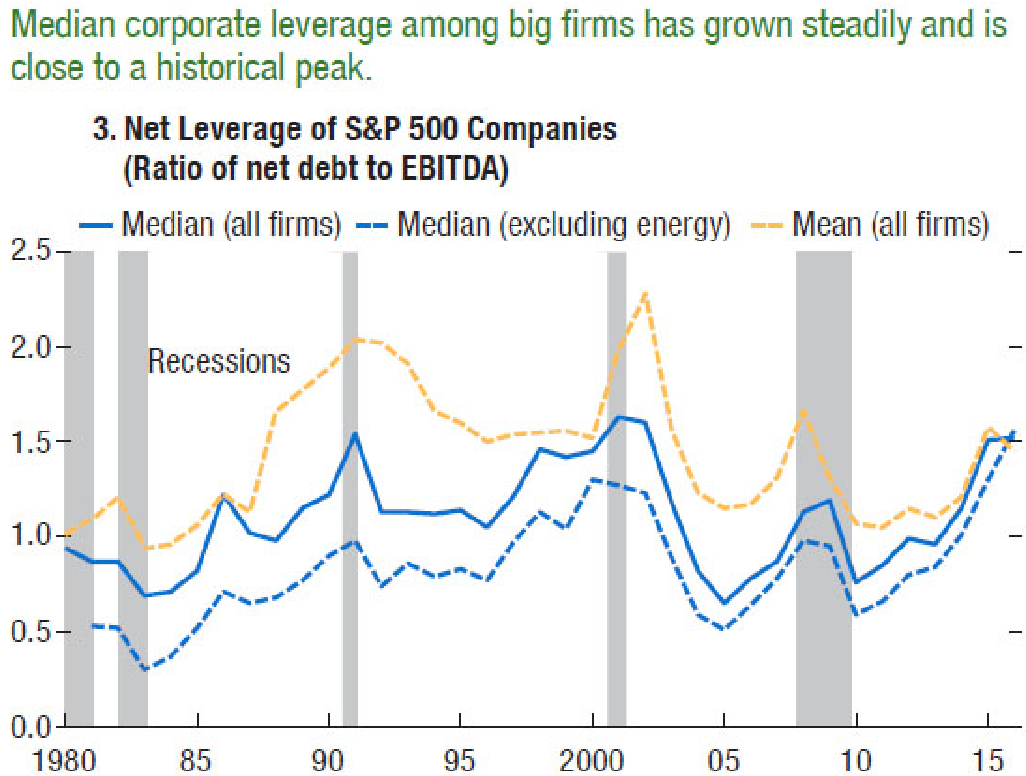
Valuation could be an impetus for stock selling by company executives. Earnings multiples are certainly at the high end of the historic range. However, earnings can be manipulated very easily. Therefore we prefer to look at sales, which are much more difficult to "massage". The current price-to-sales is at its second highest level, only outdone by the 2000 tech bubble.

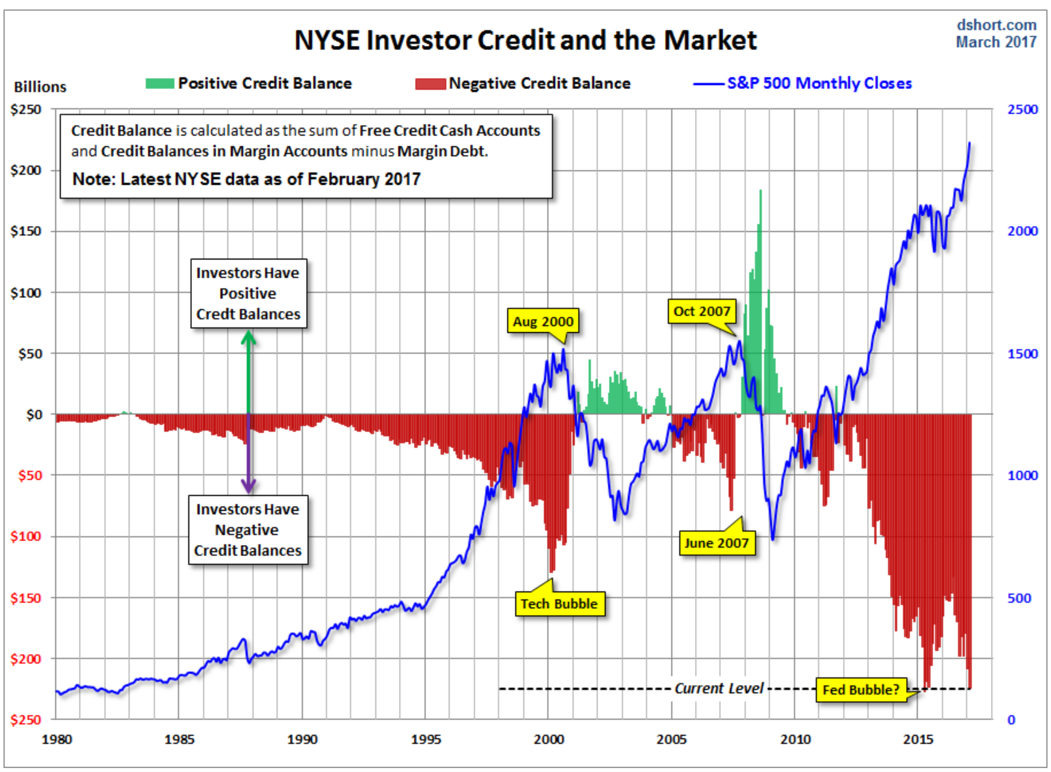




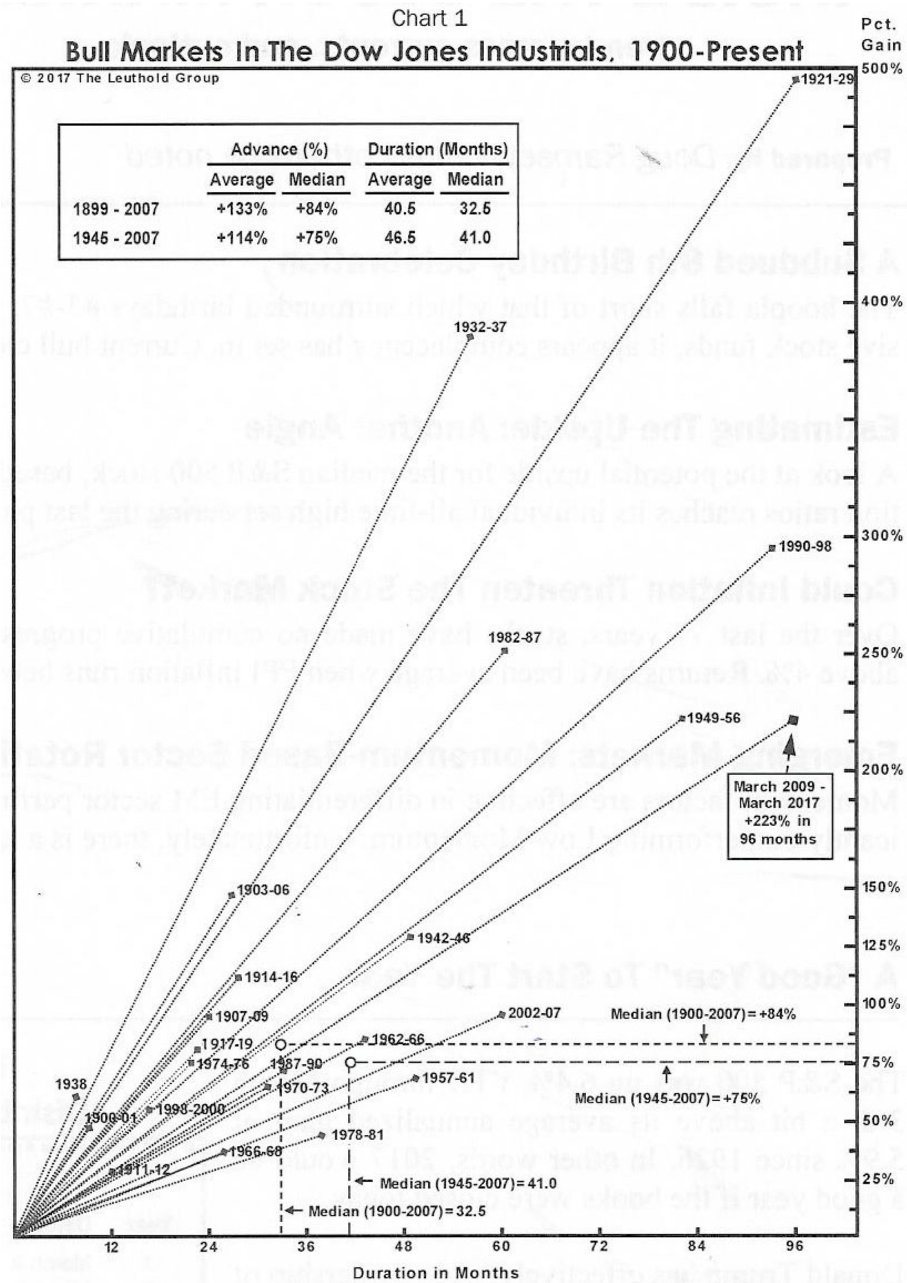
A jump in inflation has coincided with the recent rise in interest rates. As a result, the S&P 500 real earnings yield has fallen to its lowest level in seven years. This suggests that the forward rate of return will be substantially diminished.

The IMF has warned that over 20% of U.S. corporations are at risk of default should rates rise. According to a report published by Zero Hedge, the portion of income devoted to debt servicing is currently at a 15-year high. The average interest coverage ratio has also fallen substantially. A rise in interest rates would leave many of these companies unable to meet their interest payments. Such firms will be placed in an incredibly vulnerable position should rates rise.





The NYSE says margin debt – money investors borrow to buy stocks -- is at an all-time high. This is an alarming statistic!



The duration of this bull market is the second longest in 117 years. How much longer can it be sustained?

CONCLUSION

Corporate insiders aren't buying into the Trump rally. In fact, they are selling in droves. We have outlined some possible reasons, but their message is clear: They do not see value in their own companies! We remain 50% net short, and as always real-time subscribers will receive intra-month notifications should our position change.

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BIO

Brad Lamensdorf, a seasoned money manager and market strategist, is the CIO of The Lamensdorf Market Timing Report, a newsletter designed to help investors improve performance via market timing by assessing the environment of the stock market using a variety of technical, fundamental and sentiment-oriented tools from powerful independent research firms. Many investors mechanically enter and depart the market without a true "game plan." Studies have shown that retail investors, in particular, are very poor market timers, tending to invest at or near market peaks and sell at or near market lows. The newsletter is designed to provide risk parameters for both professional and retail investors around the short-term stock market environment, giving subscribers better insight about when to allocate assets into or out of the equity markets.

Lamensdorf, a frequent guest commentator and analyst on major business networks including CNBC, CNN and Fox Business News, also serves as a Portfolio Manager and Principal of Ranger Alternative Management LP, a sub-advisor to the Advisor Shares Ranger Equity Bear Exchange Traded Fund (NYSE: HDGE). In this role, he conducts top-down technical evaluations of broader market liquidity, sentiment and breadth to help identify short and intermediate-term market trends, manage exposure and mitigate risk. HDGE was launched in 2011 and is the first and sole actively managed, short-only ETF in existence.

Lamensdorf, also has managed investment portfolios for the Hughes family and was principal of Tarpon Partners, managing a long/short fund that was up more than 200% gross over six years. Earlier in his career, he was as an equity trader/market strategist for Taylor and Company, the Bass brothers' trading arm, co-managing a short-only strategy in a derivative format with national exposure. He also served as the in-house market timing strategist for the entire internal and external network of Bass managers.