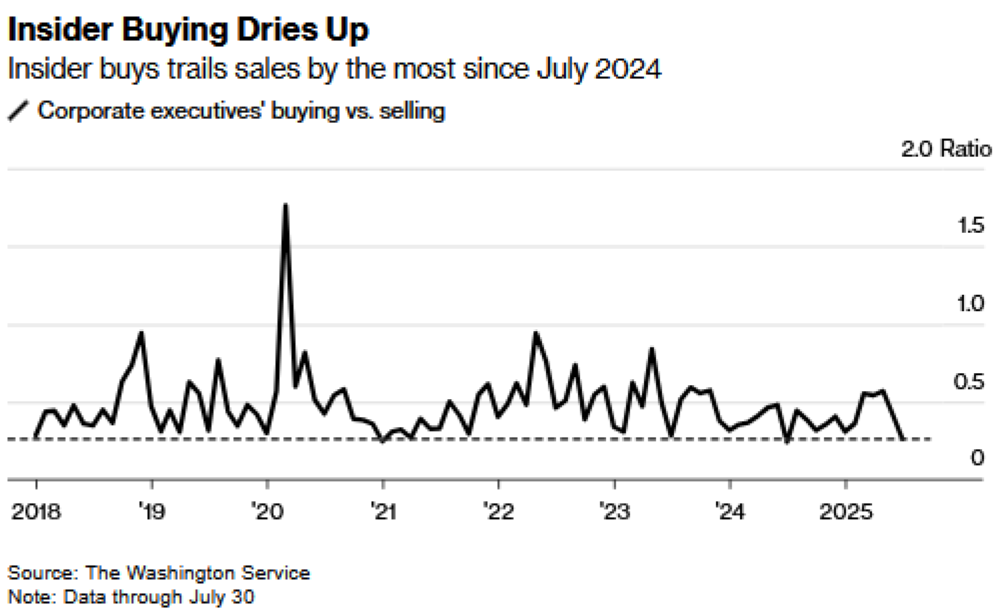
Insiders Sell The July Rally

While the market steadily rose throughout June and July, corporate insiders were growing less enthusiastic about the stock market. Less than a third of S&P 500 companies saw insiders purchase stock in their own company in July. That is the lowest figure since 2018. Moreover, the ratio of buys to sells for insiders fell to almost half of its longer-term average and now sits at its second-lowest reading in four years. Per Bloomberg?s article ?Corporate Insiders Were Dumping Stocks Into July?s Record Rally?:

> ?*Corporate executives are behaving a lot like institutional investors right now: cautious, conservative, and valuation-sensitive,? said Dave Mazza, chief executive officer of Roundhill Investments.*
>
> ?*The people that know the most about companies are telling you that much of the good news is discounted,?*

The logic in following the actions of corporate insiders is that they have more knowledge about their companies than other investors. Thus, their cumulative actions indicate their valuation view is different from that of the optimistic market. While the recent bout of insider selling and lack of buying is a warning, it?s not a good timing tool.

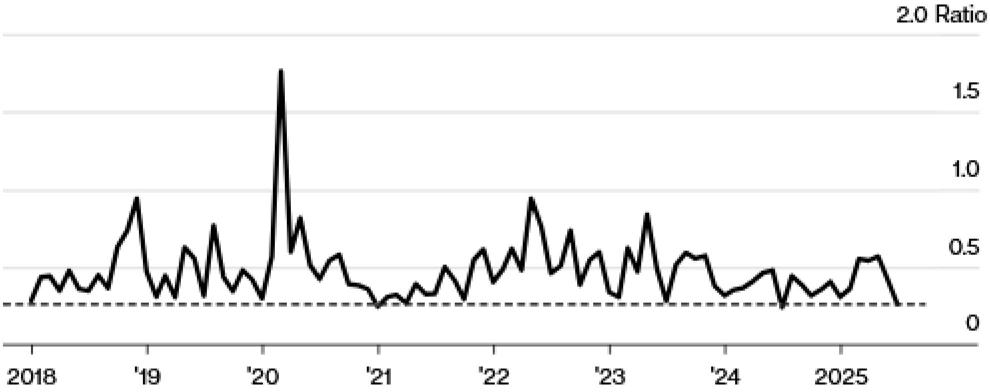
Bottom line: This data, along with high valuations, a weakening economy, and overbought technicals, provides a good reason for caution. However, we should not overreact. Insiders do have more knowledge, but their collective actions have proven at times to be poor indicators of the future. The graph below is courtesy of Bloomberg.



Insider Buying Dries Up

Insider buys trails sales by the most since July 2024

Corporate executives' buying vs. selling



Source: The Washington Service
Note: Data through July 30

What To Watch Today

Earnings

Thursday Aug 7	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Eli Lilly LLY:US		5.55	3.92		14.35B	11.303B	$782.01B	Q2	AM
Gilead Sciences GILD:US		1.94	2.01		6.96B	7B	$128.14B	Q2	PM
ConocoPhillips COP:US		1.42	1.98		14.91B	14.64B	$112.77B	Q2	AM
Constellation Energy CEG:US		2.01	1.68		4.88B	5.48B	$84.89B	Q2	AM
Parker-Hannifin PH:US		7.12	6.77		5.12B	5.19B	$79.27B	Q4	AM
Vistra Corp VST:US		1.57	0.86		5.15B	3.85B	$74.22B	Q2	AM
Motorola Solutions Msi MSI:U		3.47	3.24		2.77B	2.63B	$67.32B	Q2	PM
Monster Beverage MNST:US		0.47	0.41		2.05B	1.9B	$65.56B	Q2	PM
Cheniere Energy LNG:US		2.57	3.84		4.65B	3.25B	$57.05B	Q2	AM
Atlassian TEAM:US		0.81	0.66		1,341M	1.13B	$53.87B	Q4	PM
Datadog DDOG:US		0.41	0.43		789.85M	645.28M	$52.07B	Q2	AM
Corteva CTVA:US		1.89	1.83		6.27B	6.17B	$49.32B	Q2	PM
Becton, Dickinson and Co. E		3.44	3.50		5.5B	5.06B	$48.88B	Q3	AM
Sempra Energy SRE:US		0.89	0.89		3.16B	3.01B	$48.64B	Q2	AM
Take Two Interactive Softwa		0.27	-1.52		1.3B	1.34B	$39.41B	Q1	PM
Martin Marietta Materials MLI		5.40	4.76		1.91B	1.76B	$35.67B	Q2	AM
Consolidated Edison ED:US		0.66	0.59		3.52B	3.22B	$35.23B	Q2	PM
Targa Resources TRGP:US		1.89	1.35		4.86B	3.56B	$35.18B	Q2	AM
Microchip Technology MCHP:US		0.22	0.53		1.04B	1.24B	$34.78B	Q1	PM
Live Nation Entertainment LYV:		1.10	1.03		6.9B	6B	$31.46B	Q2	PM
GoDaddy GDDY:US		1.39	1.01		1.21B	1.12B	$25.12B	Q2	PM
Warner Bros Discovery DISCA:L		-0.24	-4.07		9.73B	9.71B	$23.67B	Q2	AM
Expedia EXPE:US		3.94	3.51		3.74B	3.6B	$22.7B	Q2	PM
Insulet PODD:US		0.93	0.55		614.36M	488.5M	$21.8B	Q2	PM
Twilio Inc TWLO:US		1.04	0.87		1.17B	1.08B	$21.68B	Q2	PM
Zimmer Biomet Holdings ZBH:U		1.98	2.01		2.06B	1.94B	$19.32B	Q2	AM

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Erie Indemnity ERIE:US		3.82	3.13		1.11B	990.44M	$18.44B	Q2	PM
Ralph Lauren RL:US		3.45	2.70		1.65B	1.51B	$17.56B	Q1	AM
Gen Digital SYMC:US		0.58	0.53		996.33M	965M	$16.37B	Q1	PM
Evergy EVRG:US		0.97	0.90		1.33B	1.45B	$16B	Q2	AM
Alliant Energy LNT:US		0.65	0.57		1.02B	894M	$15.84B	Q2	PM
Hyatt Hotels H:US		0.67	1.53		1.74B	1.7B	$14.97B	Q2	AM

Economy

Thursday August 07 2025			Actual	Previous	Consensus	Forecast
07:30 AM	US	Initial Jobless Claims AUG/02		218K	220K	220K
07:30 AM	US	Nonfarm Productivity QoQ Prel Q2		-1.5%	1.9%	1.8%
07:30 AM	US	Unit Labour Costs QoQ Prel Q2		6.6%	1.6%	2.0%
07:30 AM	US	Continuing Jobless Claims JUL/26		1946K		1947K
07:30 AM	US	Jobless Claims 4-week Average AUG/02		221K		222K
09:00 AM	US	Fed Bostic Speech				
09:00 AM	US	Wholesale Inventories MoM JUN		-0.3%	0.2%	0.2%
09:20 AM	US	Fed Musalem Speech				
09:30 AM	US	EIA Natural Gas Stocks Change AUG/01		48Bcf		

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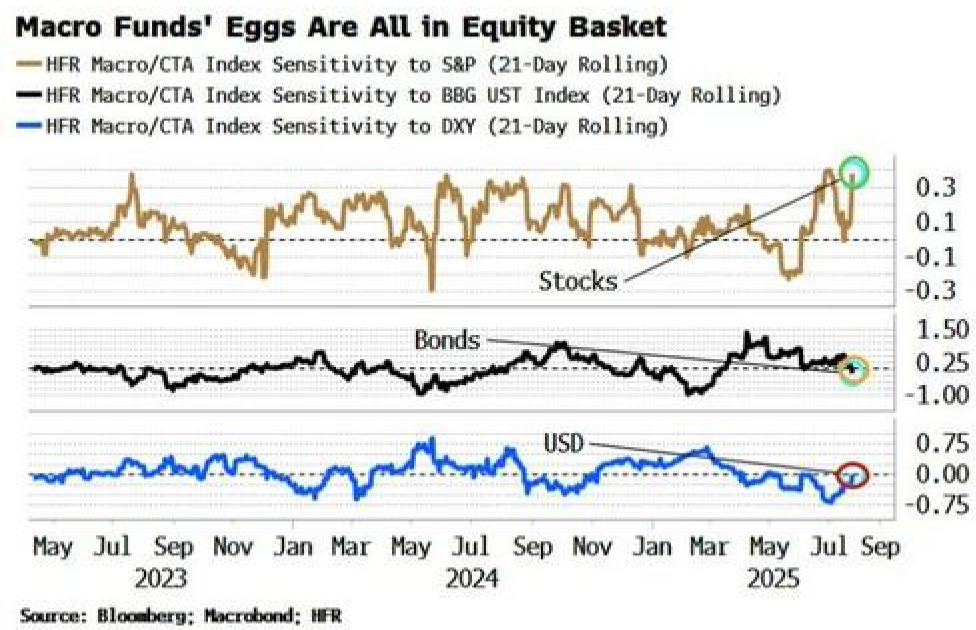
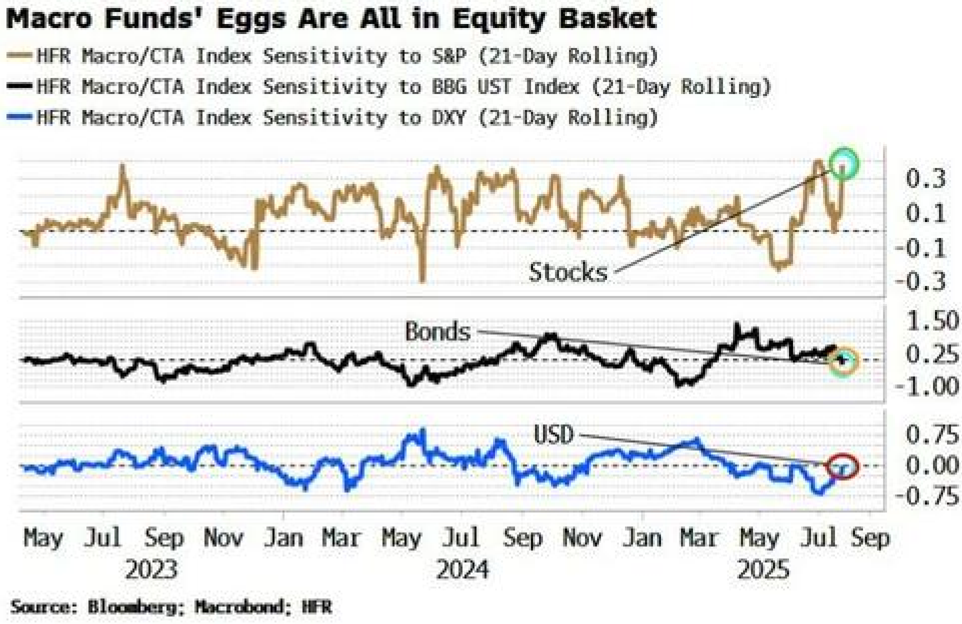
09:20 AM	US	Fed Musalem Speech				
09:30 AM	US	EIA Natural Gas Stocks Change AUG/01		48Bcf		
10:00 AM	US	Consumer Inflation Expectations JUL		3%		3%

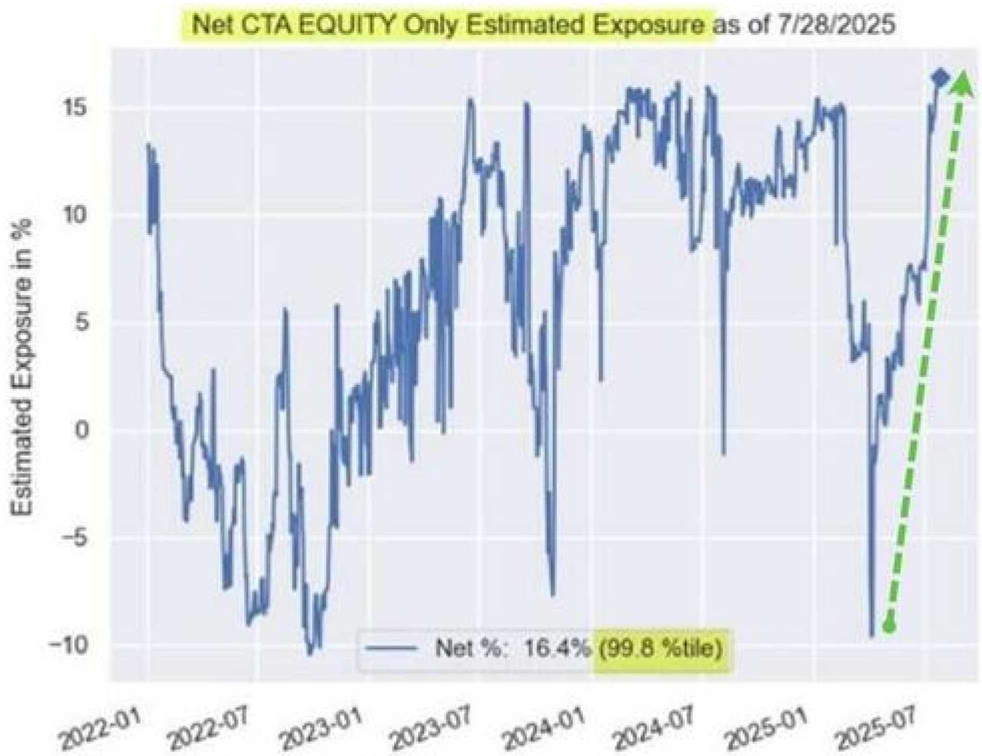
Market Trading Update

***Yesterday*,** we discussed that the market continues to struggle with the 20-DMA following Friday?s selloff. However, yesterday, the market bounced sharply off the test of the 20-DMA, giving it some clearance while starting to reverse relative strength higher. The *?buy the dip?* crowd was evident, and Macrofunds are heavily betting on a continuation of the bull market.



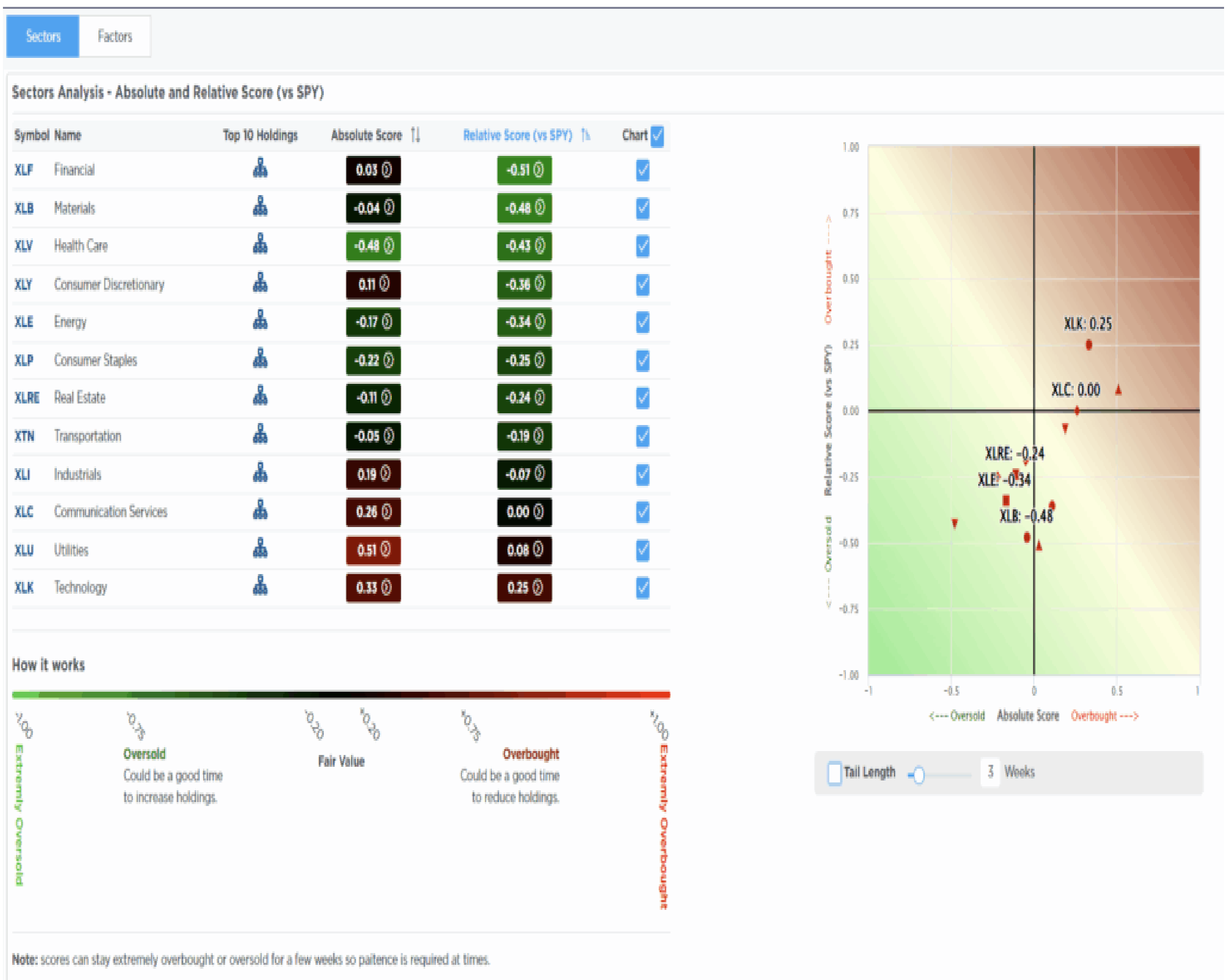


That is also corroborated by Nomura Securities? CTA equity-only risk measure.



Source: Nomura QIS, Nomura Vol Analytics

While the market remains technically bullish, we rebalanced the Equity and ETF models yesterday to reduce risk levels mildly. You can view all the trades made here, but the goal was to raise a little cash and rebalance the portfolio to target weights. A general market rotation from recent leaders to more defensive areas could be beneficial. Most of the trades yesterday, specifically trimmed the more overbought sectors of the market and added to those most oversold.



Sectors | Factors

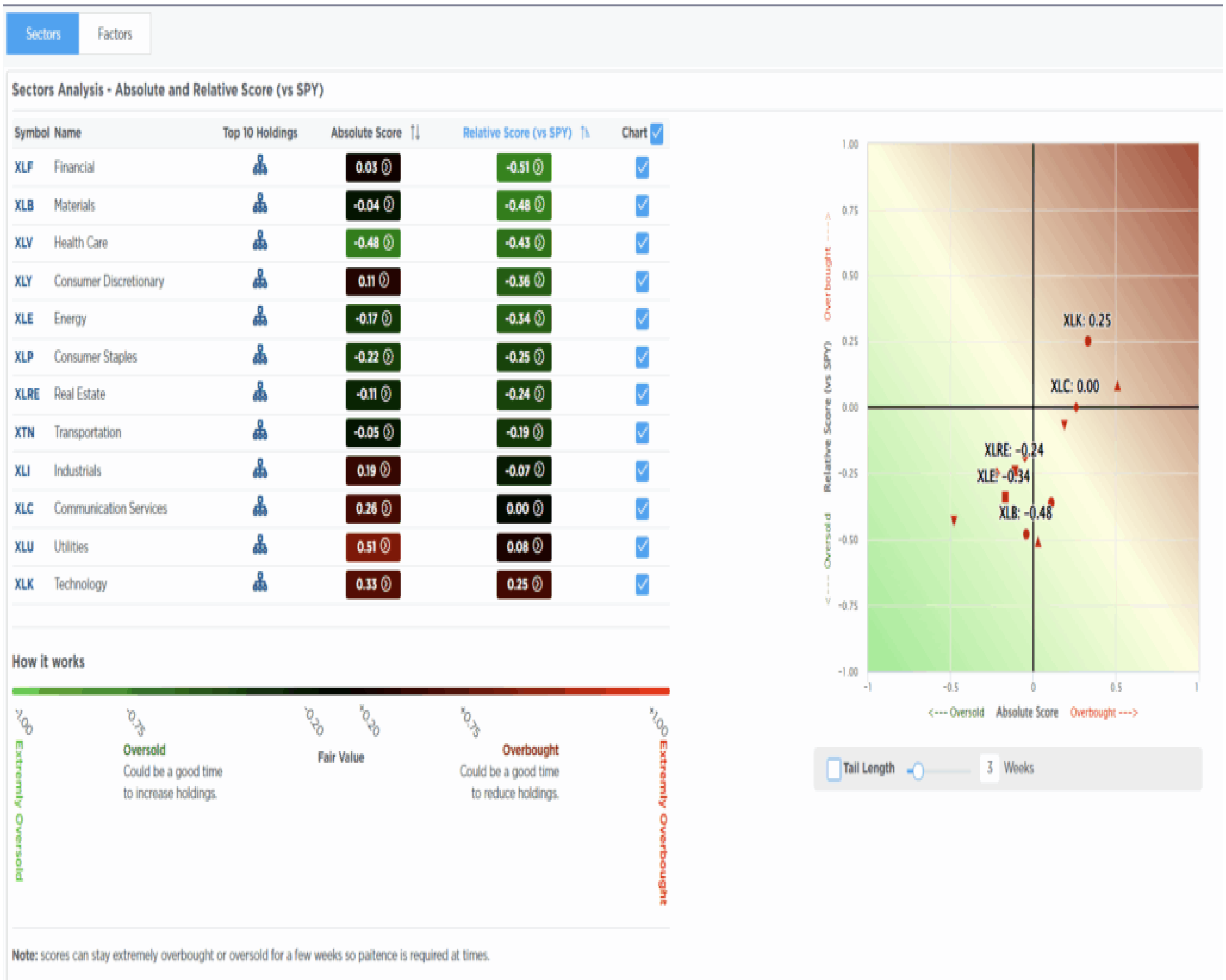
Sectors Analysis - Absolute and Relative Score (vs SPY)

Symbol	Name	Top 10 Holdings	Absolute Score	Relative Score (vs SPY)	Chart
XLF	Financial		0.03	-0.51	
XLB	Materials		-0.04	-0.48	
XLV	Health Care		-0.48	-0.43	
XLY	Consumer Discretionary		0.11	-0.36	
XLE	Energy		-0.17	-0.34	
XLP	Consumer Staples		-0.22	-0.25	
XLRE	Real Estate		-0.11	-0.24	
XTN	Transportation		-0.05	-0.19	
XLI	Industrials		0.19	-0.07	
XLC	Communication Services		0.26	0.00	
XLU	Utilities		0.51	0.08	
XLK	Technology		0.33	0.25	

How it works

-1.00 Extremely Oversold
-0.75 Oversold Could be a good time to increase holdings.
-0.20 0.20 Fair Value
0.75 Overbought Could be a good time to reduce holdings.
1.00 Extremely Overbought

Note: scores can stay extremely overbought or oversold for a few weeks so paitence is required at times.



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With earnings season winding down, the risk is that the market refocuses its attention on economic activity, which is clearly showing signs of weakness. The bullish bias is still alive and well, but a bit of risk management remains prudent.

The Dissenters Should Get Another Rate Cut Vote For The September Meeting

In a surprise to the markets, the Fed, and the President, Fed Governor Adriana Kugler announced that she would leave the Fed immediately, instead of waiting for her term to expire in January. Her role as Governor made her and her replacement permanent voters on the FOMC. President Trump intends to fill her position by the end of next week. This is important as the new Governor will be in place to vote at the mid-September FOMC meeting.

This new nominee will likely agree with the President and the two dissenters from the last meeting that rates should be cut immediately. Potential candidates could include those already in contention for other high-profile economic roles, such as former Fed governor Kevin Warsh or current Fed governor Christopher Waller, both of whom have been mentioned in discussions about Powell?s replacement.

While the latest employment data and its stunning revisions significantly increased the odds of a rate cut in September, Kugler?s replacement further increases those odds. As the table below shows, the market is now priced for 25bps rate cuts at each of the next three meetings. Such would bring the Fed Funds rate down to 3.50-3.75%.

FED FUND FUTURES												
ZQQ5	ZQU5	ZQV5	ZQX5	ZQZ5	ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6	ZQN6	ZQQ6
95.6738	95.7775	95.9175	96.0725	96.2075	96.2825	96.3875	96.4325	96.5175	96.5925	96.6525	96.7325	96.8175

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES										
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
9/17/2025						0.0%	0.0%	0.0%	0.0%	93.2%	6.8%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	61.8%	35.9%	2.3%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	49.1%	41.2%	9.2%	0.5%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	22.8%	45.5%	26.3%	5.1%	0.3%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.0%	11.6%	34.4%	35.7%	15.5%	2.6%	0.1%
4/29/2026	0.0%	0.0%	0.0%	0.0%	3.6%	18.7%	34.8%	29.4%	11.5%	1.9%	0.1%
6/17/2026	0.0%	0.0%	0.0%	1.9%	11.7%	27.3%	31.9%	19.8%	6.3%	0.9%	0.0%
7/29/2026	0.0%	0.0%	0.7%	5.5%	17.4%	29.0%	27.5%	14.9%	4.4%	0.6%	0.0%
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12/9/2026	0.2%	1.4%	5.6%	14.4%	23.8%	25.9%	18.3%	8.1%	2.0%	0.3%	0.0%

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The Low Beta Boom: Sidestepping The Dotcom Bust

Managing a portfolio is like coaching a sports team. A coach needs to consistently assess the game environment and decide who sits and who plays. Equally important, they must prepare to change players as the game evolves.

Similarly, as portfolio managers, we need to invest for today?s market while maintaining a plan for tomorrow.&#2013266080; Accordingly, let?s look beyond high and low-beta stocks and examine how other stock factors performed during the dotcom boom-bust era. **This will provide a roster of the types of stocks that may thrive if the current speculative melt-up melts down.**

READ MORE?

	2023-3/2025			4/2025-6/2025		
	Lo 10	Hi 10	Diff	Lo 10	Hi 10	Diff
Beta	28.58%	22.62%	-5.95%	-3.80%	22.62%	26.43%
Growth/Value	63.93%	13.94%	-49.99%	15.14%	15.65%	-0.51%
Size	-14.26%	51.26%	65.52%	15.30%	12.43%	2.87%
Profitability	15.19%	50.10%	34.91%	17.33%	6.55%	10.78%

	2023-3/2025			4/2025-6/2025		
	Lo 10	Hi 10	Diff	Lo 10	Hi 10	Diff
Beta	28.58%	22.62%	-5.95%	-3.80%	22.62%	26.43%
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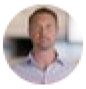
Profitability	15.19%	50.10%	34.91%	17.33%	6.55%	10.78%

Tweet of the Day

Santiago Capital reposted

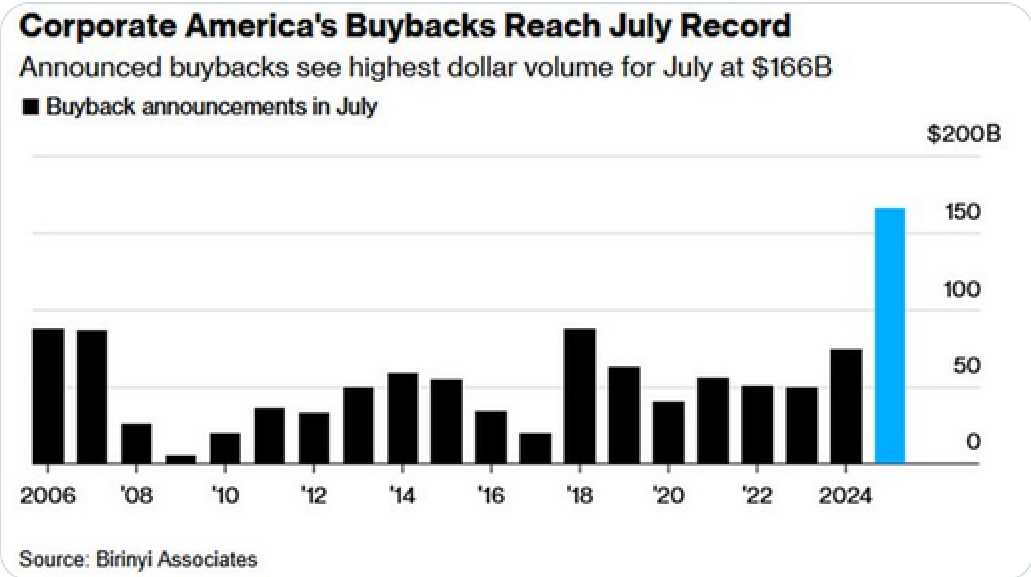


Tyler Neville @Tyler_Neville_ · 13m

And there you have it- the greatest volatility stifler out there just doubled in July.

Market structure continues to Trump fundamental flows for the 17th year and counting??!

"US companies announced share repurchases totaling $166 billion last month, the highest dollar value on record for July, as buyback plans from the largest American financial and technology companies kicked in. The previous record for July was $88 billion in 2006, according to data compiled by Birinyi Associates. For the year, announced buybacks stand at $926 billion, which is $108 billion ahead of the previous year-to-date record set in 2022."



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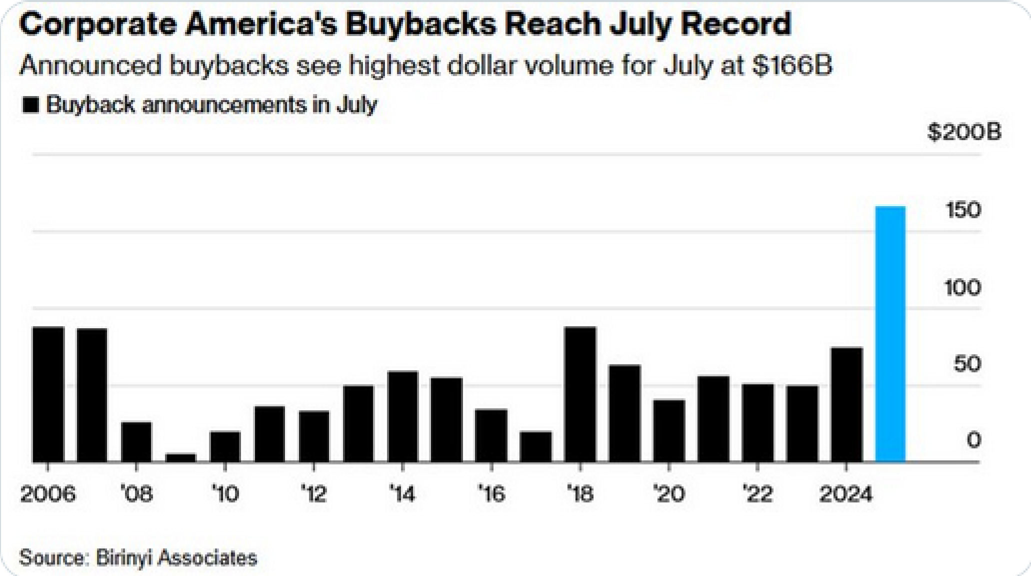

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