

# Cumberland Advisors Market Commentary – Insider Trading – the Case of Consumer Discretionary

We have recently published two commentaries regarding insider trading. You may find them here: <https://www.cumber.com/cumberland-advisors-market-commentary-insider-trading-the-case-of-energy/> & <https://www.cumber.com/cumberland-advisors-market-commentary-insider-trading-what-does-it-tell-us/>. As the third quarter has just come to an end, we want to pick the third-quarter winner, Consumer Discretionary, as our latest insider trading study.

Please see Chart 1 below for the sector's third-quarter sector performance. Consumer Discretionary not only led the quarterly performance by outperforming the S&P 500 by 6%, but the sector also has also beat the benchmark by almost 20% year-to-date. Undoubtedly, the 2020 equity market presents stock pickers an opportunity to significantly outperform. While Information Technology and Consumer Discretionary have outperformed the benchmark, Energy is down almost 50% so far. So how are Consumer Discretionary insiders doing?



Chart 1. Sector performance in the third quarter of 2020

Previously, we pointed out the insider buying frenzy in March.

If we dig into the Consumer Discretionary sector on its own, we can see that it was a hot sector among insider buyers. Total transactions reached \$173 million during the month of March. Those stocks would be worth \$400 million at today's values, reflecting a 131% return in six months—far larger than the entire sector's contemporary return.

But that's just the sector average. What may be the biggest shock comes when we look at the top performers in the sector. Please refer to Table 1, below, for the top insider trades in Consumer Discretionary in March. Overstock is a top online furniture company, which understandably should be a beneficiary of COVID-19 market. But the returns these insiders have made this year dwarf even those made by the greatest investors in history. Notably, there is a strong positive correlation between the net return and the importance of the roles that these investors play in the company. Also, before the purchase in March 2020, Abraham Allison and David Nielsen hadn't bought any company stock since 2015; and the purchases made by Jonathan Johnson and Joseph Tabacco were both their biggest share acquisitions in terms of number of shares in one single trade at the company.

Stock	Insider Name	Position	Date	Insider Trading Price	Profit	Return
Overstock	Johnson Jonathan E III	CEO	3/18/2020	\$2.60	\$2,389,202	3,063.08%
Overstock	Tabacco Joseph J Jr	Director	3/19/2020	\$3.07	\$2,375,102	2,578.83%
Overstock	Abraham Allison H	Director	3/20/2020	\$3.85	\$1,175,848	2,036.10%
Overstock	Nielsen David J	President, Retail	3/20/2020	\$4.17	\$191,193	1,872.18%

Table 1. Selected insider trading activity

Please note that Cumberland Advisors uses our research only for investment purposes. By this research we attempt to identify misvaluations. We do not imply any illegal activities in any circumstance.

*\*Data as 10/12/2020. All data come from a third-party provider. Cumberland Advisors does not guarantee the completeness of the data.*

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