

L1 – Measuring the Net Supply of Shares

$L1 = \text{New Offerings} + \text{Net Insider Selling} - 2/3 \text{ New Cash Takeovers} - 1/3 \text{ Completed Cash Takeovers} - \text{New Stock Buybacks}$

Supply/Demand	Interpretation	Benefits of the Dataset
IPOs	Bearish, especially at extremes	Issuance of shares by newly public companies increases the supply of shares, which is negative for the market.
Secondary Offerings	Generally bearish	Issuance of new stock by companies that are already public adds to supply, which is negative for the market.
Insider Trading	High levels of buying are extremely bullish; we place more emphasis on buying than on selling	Corporate insiders know more about their companies than anyone else, so their actions are often a good leading indicator of stock prices.
Stock Buybacks	Bullish, especially when both the amount and number of buybacks are high	Companies typically repurchase shares when they believe their stock is underpriced, which is positive for the market.
Cash Takeovers	Generally bullish	Acquisitions financed with cash reduce the supply of shares, which is positive for the market.