

Cramer: Insider-Trading Probe Good for Retail Investors

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The FBI's **sweeping investigation of insider trading** is good for retail investors, Cramer said Monday, after a time when many Americans felt they couldn't trust the stock market.

The Wall Street Journal broke news on Monday that the FBI had raided the Connecticut offices of Diamondback Capital Management and Level Global Investors, in addition to those of Loch Capital Management in Boston. The move was part of a broad insider-trading investigation in which still more raids are expected.

That's most likely a welcome blow to a system that many retailer investors feel is corrupt. With quant funds using opaque algorithms to trade stocks, Wall Street seeming to have better access to essential investing information and the market appearing to be slanted in favor of the rich, average Americans had cashed out and left. But with today's announcement, Cramer said, the government may have taken an important step "to bring people back."

"I think the overall takeaway for the retail investor is, you know what, everyone's always going to have an edge," Cramer said, "but the edge keeps getting cut back and cut back."

Netflix [NFLX 189.85 ▲ 1.53 (+0.81%)] was up over \$13 on Monday, or about 7 percent, supposedly on news that the company has raised prices on some of its subscription plans and shifted its focus to video streaming from DVDs as more members watch movies and TV shows over the Internet.

The "news" isn't the reason for the stock's big push, though, Cramer said. That jump in price is all about the "mechanics of mutual funds." NFLX is a top performer this year, up over 200 percent in 2010, and so these funds are buying it up. Why? Because it makes them look good to their clients to be in such a winning name.

A lot of analysts have turned on Netflix, saying its valuation is too high. But at this stage of the year, and in an isolated group of stocks—which includes **F5 Networks [FFIV 130.0201 ▼ -1.9149 (-1.45%)]**, **Apple [AAPL 308.94 ▼ -4.42 (-1.41%)]**, **Amazon.com [AMZN 166.6299 ▼ -3.7601 (-**

2.21%)], **Chipotle** [CMG 242.87 ▼ -0.05 (-0.02%)] and other high-growth names—“valuation will not play a role” in the price they fetch on the open market, Cramer said.

He recommended buying these names, which also include **Deckers Outdoor** [DECK 69.32 ▲ 1.10 (+1.61%)] and **Salesforce.com** [CRM 142.454 ▲ 2.624 (+1.88%)], with deep-in-the-money calls “until their market cap is so big that it’s absurd. And the market cap for Salesforce and Netflix is not as big as it can be.”

“These stocks are on fire,” Cramer said, “and they’re not stopping.”

--CNBC.com, Reuters and The Associated Press contributed to this report.