

These three conditions imply stocks will plunge more than 40 percent during next bear market

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Wall Street veteran Sam Stovall is warning stock investors the longest bull market on record will end with an epic meltdown.

According to the CFRA chief investment strategist, it's a side effect of an unprecedented business cycle.

"Three conditions: Very long, very high, very expensive," Stovall said Tuesday on CNBC's **"Futures Now."** "History would imply that be careful because now we're likely to fall into a very deep bear market when it does finally hit with the average decline being close to 40 percent plus."

His latest thoughts came as the [Dow](#) was hitting record highs. The blue chip index is now up more than 8 percent this year. The [S&P 500](#) is performing a tad better — up more than 9 percent for 2018.

Since the [bull market began on March 9, 2009](#), the Dow and S&P 500 have soared more than 300 percent each. For now, Stovall doesn't see any near-term signs that the win streak is about to end.

He remains confident stocks will see a fresh string of new highs in the final months of the year. Referring to history as a guide, Stovall noted that the fourth quarter is pretty strong during midterm election years, and seasonality points to more gains.

He believes it will be easy for the S&P to grab another 80 points and break above 3,000 by year-end.

However, 2019 may be where the troubles begin.

"A lot of the euphoria, a lot of the optimism, is already built into share prices," he said. "How much more [in earnings] can companies deliver? Expectations are for a 22 percent gain for the entire calendar year 2018. Then it slips to a 10 percent gain in 2019. Those optimistic numbers are already built into the market."

Despite his subdued bullishness going into next year, his rolling S&P 500 12-month target is 3,100, about a 6 percent gain from current levels. His forecast is based on the idea that economic conditions don't suggest a recession will hit in that time frame.

"Nobody knows for sure when the music will actually stop," Stovall said. "But I think it's just a matter of time."