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Wall Street bull warns a major pullback is near, and here's what could spark it

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One of Wall Street's most vocal bulls sees trouble in the stock market.

Raymond James'  Jeffrey Saut is detecting a couple of red flags that could trigger a 5%  percent pullback just in time for the holidays.

The first is connected to the historic stock performance following President Donald Trump's election win.

"One thing that nobody is talking about is the Trump rally started on November 7 of last year. And, this year the rally peaked out on November 7 of 2017 — just when people could sell the stocks they bought pre-the presidential election and make long-term capital gains," the firm's chief investment strategist said Wednesday on CNBC's "Trading Nation."

In that period, the **S&P 500** surged 23 percent — just long enough for investors to sell their positions. Saut predicts these outflows could trigger a correction.



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It's possible the move lower may have already started, with the S&P 500 and Dow off more than 1 percent since their intraday all-time highs.

He also cites his "intermediate-term model," a Saut-designed basket of economic and market indicators that includes such factors as volatility levels, as a reason to get bearish. But this isn't anything new.

Last summer, he warned on "Trading Nation" that a downturn was imminent because this model flashed negative on Aug. 3 and stayed there. Instead of seeing a sizable drop, the S&P 500 has gained nearly 4 percent since then.

Even though his near-term sell-off prediction hasn't panned out, Saut is convinced it will still happen.

"Twenty-nine percent of the S&P 500 stocks are actually down on the year," he said. "On the short-term, you can be cautious here."

Saut doesn't see negative activity sticking around permanently. He's still confident that the secular bull market could have a decade left, and he believes investors who get spooked would be making a big mistake.

"Pullbacks are for buying," said Saut, who already has put together a shopping list.

He said he'd buy financials and technology stocks, including Facebook, Amazon, Netflix and Google parent Alphabet, otherwise known as FANG.

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Stacey Gilbert

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Lawrence McDonald

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Are you bracing for stock market correction around the holidays?

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Jeff Saut of Raymond James on buying market pullbacks

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Stephanie Landsman
Producer, CNBC's "Fast Money"

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Jeffrey Saut: Major stock market pullback is near. This could spark it.

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