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Leuthold's Jim Paulsen explains why stocks are being saved by constant rotation

Stephanie Landsman | [@stephlandsman](#)

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MENU

There's nothing onal about this market, and according to one strategist, that could be a blessing.



Jim Paulsen of the Leuthold Group argues a lack of leadership is one of the major factors ecting the historic rally from buckling.

"We've had a lack of anything being in a trend for a really long time," said Paulsen, the firm's chief investment strategist, on CNBC's "Trading Nation" last week.

"We don't have everyone sitting in the nifty fifty today like in [1972]," he said, referring to the 50 most popular stocks investors owned during the 1960s and 70s.

"We don't have everybody sitting in energy stocks like we did in the late 70s. We don't have everyone sitting in dot-com stocks in the 90s," he added. "We've had this constant rotation. **Trump trades are on**, and then they're off."

His comments came as the **Nasdaq** raced to a record close, and the **S&P 500** hit an all-time intraday high.

Paulsen, who has spent 34 years on Wall Street, sees the S&P 500 ending the year around 2600 -- about two percent higher than current levels.

"I am kind of watching the foundation of this unique bull and its pillars and waiting for them to crumble a little bit before I take the urge to get too bearish," he said.

"We've been in this sweet spot where the economies continue to grow even though we're at full employment, and we have just never aggravated inflation or interest rates, which would put a break on this stock market," the investor added.

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gotten to a level that should concern investors yet.

"Every post-war recovery has ended with some semblance of overheat conditions. You know escalating costs, particularly wage costs, rising inflation which hurts the valuation of stock and then, finally, the need to reset rates higher. I do think that ultimately this bull market will end under that condition," noted Paulsen.

But for now, he suggests stocks are in a safe zone.

"Until you break the wall of worry, until you create more of a trendy market where the bear has something to bite.... I am going to err more on the side of bullishness," Paulsen said.

Are you firmly in the bull camp for the next 12 months?

- Yes
- No
- Undecided

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The full interview with Jim Paulsen of the Leuthold Group

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Stephanie Landsman
Producer, CNBC's "Fast Money"

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