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TIAA Investments sees stocks slipping 4% by year's end - here's why



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in

This year's historic market rally may be running out of steam.

TIAA Investments' Brian Nick sees stocks ending the year below current levels. His **S&P 500** index target for the end of 2017 is 2400 — a four percent decline.

"That's been our target the entire year. When we came into the year I'd say we were cautiously optimistic," said the firm's chief investment strategist on Friday's "Trading Nation" this week.

"We ended up hitting that equity target of 2400 on March 1," he said.

Yet, he didn't adjust his year-end target even as stocks broke records. From March 1 until now, the S&P has soared six percent.

"We are going to see a leveling off in the trajectory of how fast these gains could come — especially given the fact that the price this year of the S&P 500 has grown faster than earnings have grown," he added.

It's a scenario that can't last forever, the investor said.

"We're already at the highest level for P/E [price earnings] ratios since the technology. Now they were a lot higher back then too," Nick said "If you're telling an investor to get into the market at 17 or 17 1/2 or almost 18 — their next five to ten year outlook is not going to be as good."

Despite his bearish case for the rest of this year, Nick predicts the bull market likely has a few years left.

"Look at our target for next year. It's 2600 for the end of 2018. So we're still thinking the market has legs," he said. "I don't think we'll get a year like this year where the total returns have been in the area of 13 percent if we keep seeing six to nine percent earnings growth."

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That's why Nick is urging clients to look aboard — citing higher odds for robust returns.

His top spots for investors are the euro zone, India and Latin America.

"Their long-term growth potential isn't as good as ours. But they're coming into the fourth quarter of this year and probably 2018 considerably cheaper looking than the United States," Nick said, who also cited those regions' growing economies and accommodating central bank policies.

Do you see the S&P 500 ending the year below current levels?

- Yes
- No
- Undecided

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The full interview with Brian Nick of TIAA Investments

4:52 PM ET Fri, 22 Sept 2017 | 06:33



Stephanie Landsman
Producer, CNBC's "Fast Money"

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