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Market just as dangerous as late 1990s, and bank stocks could 'come crashing down,' analyst Dick Bove warns



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One of Wall Street's most vocal bank analysts is troubled by the rally in financials.



The Vertical Group's Richard Bove warns that the overall market is just as dangerous as the late 1990s, and he cites momentum — not fundamentals — as what's driving bank stocks to all-time highs.

"If we don't get some event in the economy or in politics or in somewhere that is going to create more loan volume and better margins for the banks, then yes, they would come crashing down," Bove said Monday on CNBC's "Trading Nation." "I think that the risk in these stocks is very high at the present time."

Bove's latest thoughts come just days before bank earnings season begins. JPMorgan Chase and Citigroup kick it off on Thursday when they report third-quarter numbers. Bank of America and Wells Fargo results are scheduled for Friday.

The big banks index, the SPDR S&P Bank ETF, has surged 12 percent in just the last four weeks.

Bove argues the rally isn't justified by the latest numbers.

"If you go through the different products that the banks sell, just about every one of them are flat to lower in growth than they've been for at least a couple of years," he said.

Despite his qualms, Bove is keeping his buy ratings on several of the largest banks — JPMorgan Chase, Bank of America, Citigroup, PNC Financial and First Republic. He advises investors to Wells Fargo and hold Goldman Sachs.

He predicts the newest results for financial firms will likely be "mediocre" at best. CEO comments on benefits of potential tax cuts out

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Bove's conundrum? He said there's no indication when a deep sell-off could happen.

"I think you just have to go with the flow at the moment," Bove said. "The outlook again from the fundamental standpoint is not exciting, not positive, but the market doesn't care."

Are you bearish on bank stocks?

- Yes
- No
- Undecided

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The full interview with Dick Bove ahead of big bank earnings

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Stephan Lindsman
Producer, CNBC's "Fast Money"

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