Tesla HOUSE OF CARDS could be the most dangerous stock on Wall Street, investment researcher says

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Tesla shares may be up 400% this year, but one investment researcher is sounding the alarm on the stock.

New Constructs CEO David Trainer calls Tesla the most dangerous stock on Wall Street and says the fundamentals do not support such a high price and valuation.

"Whatever best-case scenario you want to paint for what Tesla's going to do – whether they're going to produce 30 million cars within the next 10 years, and get in the insurance business and have the same high margins as Toyota, the most efficient car company with scale of all-time – even if you do believe all that is true, the stock price is still implying that profits are going to be even bigger than that," Trainer told CNBC's "Trading Nation" on Thursday.

He notes that the stock price is implying anywhere from a 40% to 110% market share based upon the average selling price. At its current average selling price of $57,000 and assuming 10.9 million car sales by 2030, that implies 42% market share, Trainer says. Tesla trades at 159 times forward earnings.

“We think this is a big, big – one of the biggest of all time – houses of cards that’s getting ready to fold,” said Trainer.

He adds that its recent stock split could also prove dangerous to new investors getting into the stock.

“Stock splits are inconsequential to value. They’re not changing the size, they’re just dividing it up into more pieces. Honestly, I look at the stock split as a way to lure more unsuspecting, less sophisticated traders into just trying to chase this stock up and that is not a real strategy,” said Trainer.

Tesla split its stock five to one on August 31 – shares rallied 12% on the session. However, the stock ended last week down more than 5% after the company’s largest outside shareholder Ballie Gifford trimmed its stake. The stock was also caught up in a broader sell-off that punished some of the market’s high momentum names.

A more realistic valuation, says Trainer, would be far lower than current levels.

“I think around a 10th of what it is is probably appropriate if you look at, you know, kind of a reasonable level of profits,” he said. “Tesla doesn’t rank in the top 10 in market share or car sales in Europe for EVs and that’s because the laws changed in Europe that have strongly incentivized the incumbent manufacturers to crank up hybrids and electric vehicles. The same is coming in the United States. I think realistically we're talking about something closer to $50, not $500, as a real value."

A focus on fundamentals, though, makes Tesla a no-touch for him.

Tesla did not respond to a request for comment.

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