

Do Tariffs Change the Bull Case for Stocks?

The **resolve of the bulls was tested once more** last week. Two weeks ago, the Chinese artificial intelligence startup DeepSeek shook up markets with its advanced and purportedly low-cost R1 model. Last week it was **President Donald Trump's Feb. 1 announcement of tariffs** to be levied on goods from Canada, Mexico, and China. Yet, as Fundstrat Head of Research Tom Lee noted, "**equities seem to have managed to largely shrug off any fears** being raised." The S&P 500 ended the week slightly lower, down 0.24%.


"It feels like the market has gone through a lot, but you know, **markets are roughly at the same levels where they were two weeks ago**," Head of Data Science Ken Xuan remarked at our weekly research huddle. Agreeing with Lee's view of market resilience, "Tireless Ken" also pointed out that year-to-date, every sector except Tech is up.

Head of Technical Strategy Mark Newton agreed. "All in all, I think the market's a lot healthier than what many people would think if you just heard the news flow and you think that things have got to be awful. **Technically speaking, the market actually looks quite healthy** to me. There's been no break of any sort of meaningful uptrends."

Addressing what was arguably the most impactful market news of the week, Newton said that in his view, "this whole fear of tariffs really has not affected the market almost one iota in terms of technical structure." However, he noted, "**it certainly has affected sentiment. Sentiment has gotten a lot more skittish** in recent weeks – well off the peaks of last year."

From a contrarian perspective, this could be seen as positive for investors seeking to get or stay ahead of consensus, he suggested: "**My thinking is that it's right to be optimistic** and use this fear as a way of thinking that **things likely are going to be resolved back to the upside**."



 Live Webinar and Member Q&A

Market Update & Top Ideas

February 19, 2025 at 2 pm ET



Tom Lee, CFA
Head of Research



Mark Newton, CMT
Head of Technical Strategy

Chart of the Week

There was a lot of macroeconomic data released this week, and in that respect, Fundstrat's Tom Lee saw it as a good week, "supporting the view that the US economy is strong." Notably, the ISM Manufacturing index (released Monday) rose above 50 for the first time in 26 months in January. As Lee explained and as our Chart of the Week below illustrates, this "likely signals accelerating EPS growth for small-caps and broader index," as it has in every cycle since 1996.

Recent Flash Insights



Tom Lee, CFA, CFA_{AC}

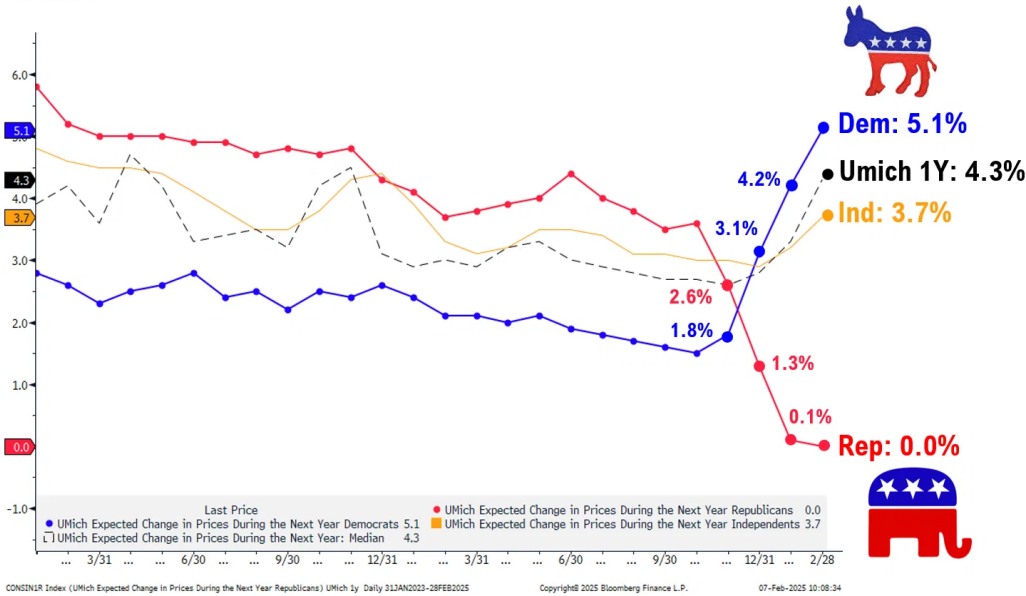
Head of Research

Equity markets turned down after the U Mich 1-yr inflation expectations surged to 4.3%.

- no, inflation is not suddenly accelerating for consumers
- gasoline was up
- but bigger driver is political views
- Democrats exp. inflation surged to 5.3%
- Republicans went to 0%
- Math will pull up the median since Republicans probably won't go "negative inflation"

INFLATION: Primarily "problem" for opposing voters

Median 1-year inflation by party
Since 2023



Source: Fundstrat, Bloomberg

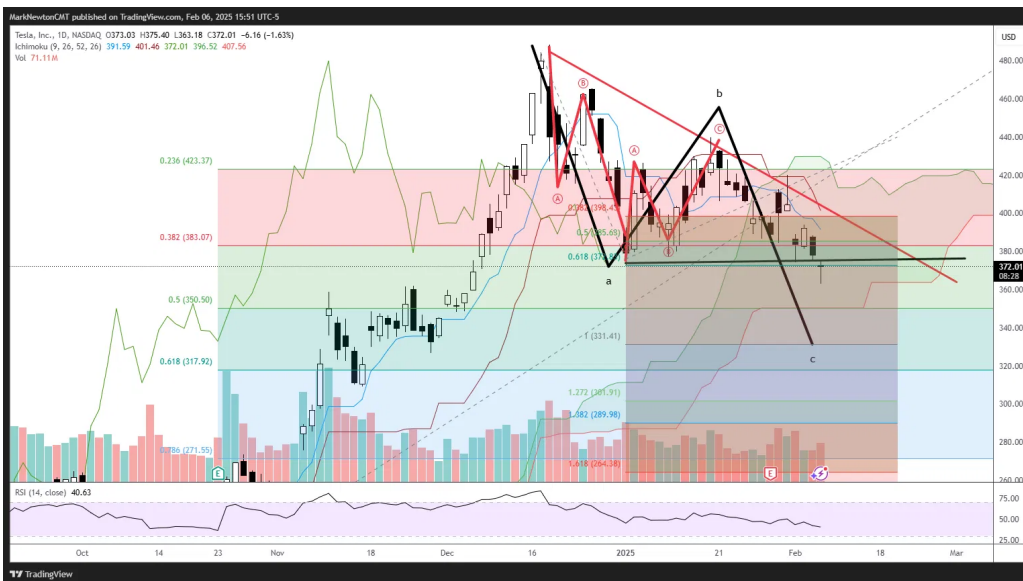
Feb 7 • 10:52 AM

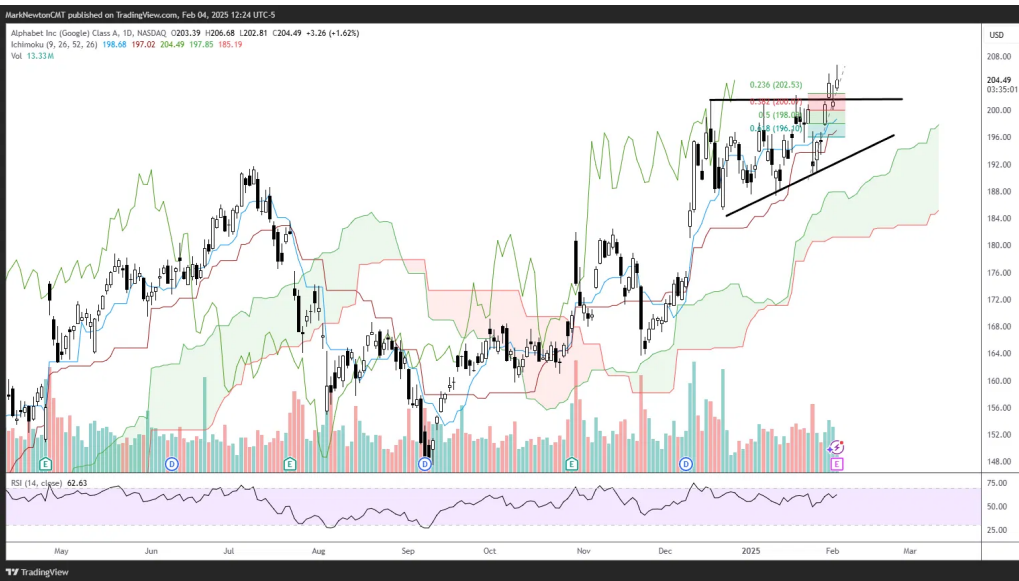


Mark L. Newton, CMT_{AC}
Head of Technical Strategy

I'll make some brief comments on **TSLA ▼-3.79%** as a few have interest here and this remains on my UPTICKS list. The following are relevant: 1) TSLA just

broke early January lows on a close to reach the lowest levels since early December 2) Volume expanded on the support violation to three-day highs 3) The overall extent of the decline from December has not proven too extreme given the 100% advance in literally two months from late last year. TSLA has given back roughly 40% of that, and the 50% mark is important which lies near \$350 4) The Shape of the first move down from 12/17-1/2 was clearly a three-wave decline. (That's encouraging because even though it's undergoing a consolidation that's ongoing, the stock's entire decline as a corrective move should eventually move back to new highs 5) The short-term pattern has been a C wave of the ABC pattern since 1/17 but cannot be called complete, despite TSLA closing well up off early lows today 6) From an Elliott perspective, this looks to be in the 3rd wave of C, which would call for 380 to not likely be exceeded before a "faster" decline which could take this down near \$350. 7) I expect that TSLA likely does bottom within around 2-3 weeks from now and turn up sharply; However at this time it remains within a short-term downtrend with an incomplete pattern and volume which is still far heavier on the downside. 8)) Cycle composites call for TSLA to bottom near 2/24 (But maybe this might happen earlier?) 9) Being under \$380 on a daily close (and potentially weekly close) with one day left in the week keeps TSLA in a bearish technical position which might have another 25-30 points of downside. (My support target at this point lies in a zone anywhere from 331-350, but will study its structure carefully if/when TSLA gets down to \$350. 10) TSLA looks early to buy, but for those that are patient, should bring opportunity within the next three weeks and further decline makes TSLA an attractive risk/reward opportunity.





Feb 4 • 12:48 PM

FSI Video: Weekly Highlight





Key incoming data

- ~~2/3 9:45 AM ET: Jan F S&P Global Manufacturing PMI~~ **Tame**
- ~~2/3 10:00 AM ET: Jan ISM Manufacturing PMI~~ **Tame**
- ~~2/4 10:00 AM ET: Dec JOLTS Job Openings~~ **Tame**
- ~~2/4 10:00 AM ET: Dec F Durable Goods Orders~~ **Tame**
- ~~2/5 8:30 AM ET: Dec Trade Balance~~ **Tame**
- ~~2/5 9:45 AM ET: Jan F S&P Global Services PMI~~ **Tame**
- ~~2/5 10:00 AM ET: Jan ISM Services PMI~~ **Tame**
- ~~2/6 8:30 AM ET: 4Q P Non-Farm Productivity~~ **Tame**
- ~~2/6 8:30 AM ET: 4Q P Unit Labor Costs~~ **Tame**
- ~~2/7 8:30 AM ET: Jan Non-Farm Payrolls~~ **Tame**
- ~~2/7 9:00 AM ET: Dec F Manheim Used Vehicle index~~ **Tame**
- ~~2/7 10:00 AM ET: Feb P U. Mich. Sentiment and Inflation Expectation~~ **Hot**
- 2/10 11:00 AM ET: Jan NY Fed 1yr Inf Exp
- 2/11 6:00 AM ET: Jan Small Business Optimism Survey
- 2/12 8:30 AM ET: Jan CPI
- 2/13 8:30 AM ET: Jan PPI
- 2/14 8:30 AM ET: Jan Retail Sales Data



▶ Live Webinar and Q&A

Hyperion Decimus:

A Bright Future for Digital Assets

February 10, 2025 at 11am ET



Chris Sullivan
Co-Founder & Co-Portfolio Manager
Hyperion Decimus



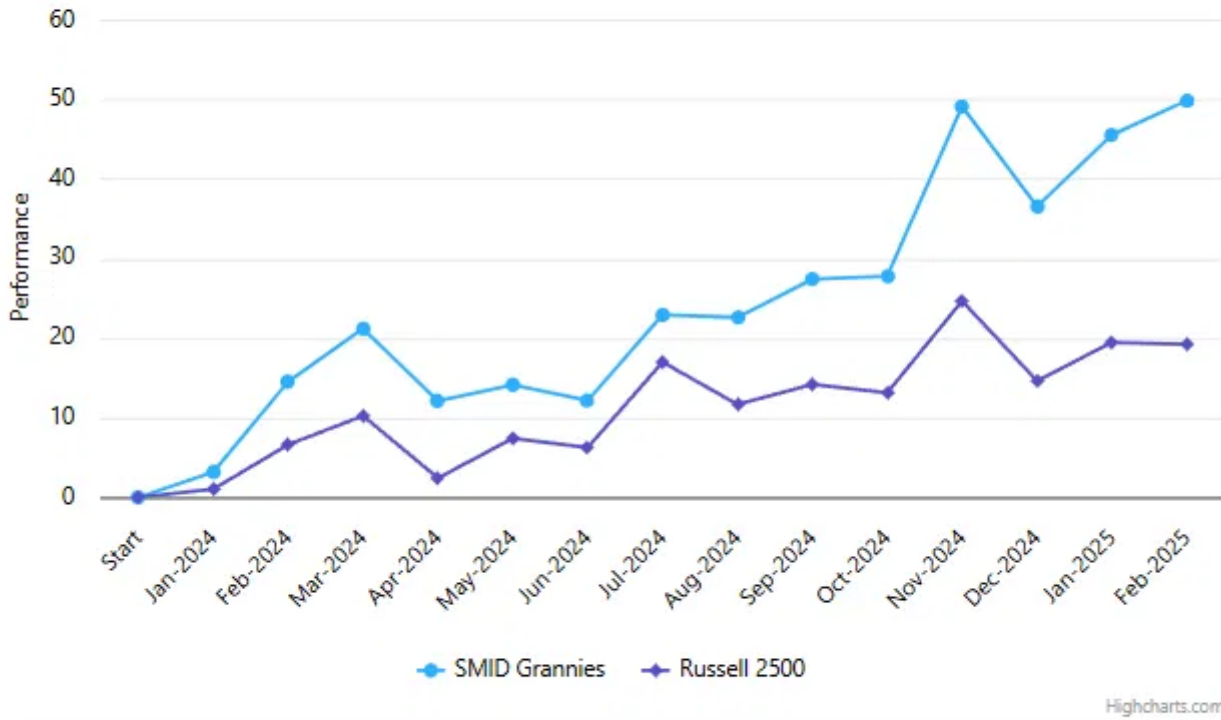
Sean Farrell
Head of Crypto
Fundstrat



Andy Baehr, CFA
Head of Product
CoinDesk Indices

Stock List Performance

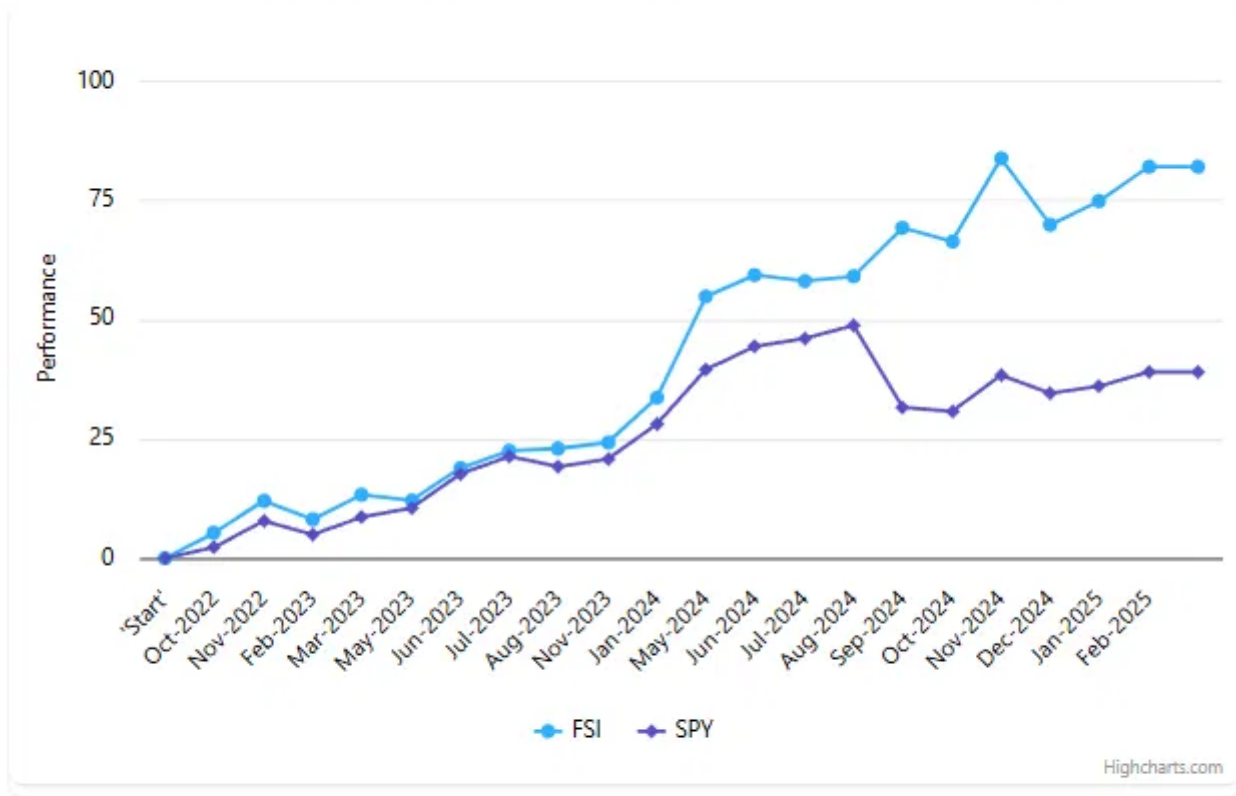
Inception to Date SMID Granny Shots Performance (16 of January 2024)



Highcharts.com

Performance period: January 16, 2024 through February 06, 2025

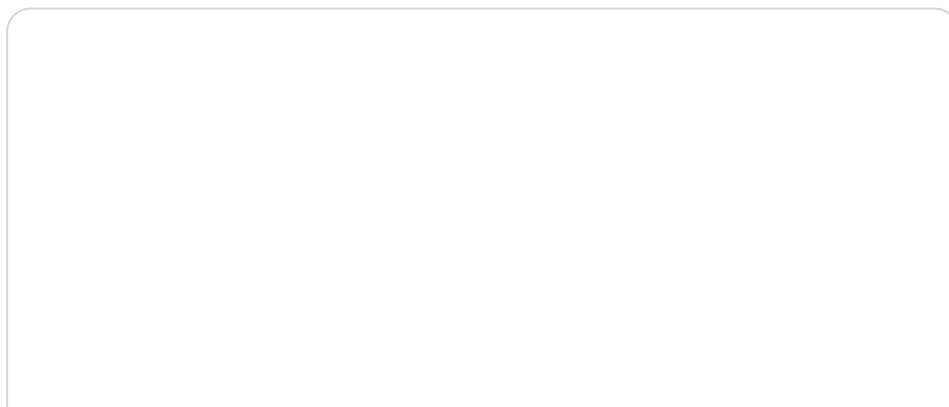
Upticks Against the SPY (Inception to Date)



- Upticks
- SPY

Performance period: October 5, 2022 through February 06, 2025

In the News





Tariffs have had more bark than bite, says Fundstrat's Tom Lee

Feb 7, 2025



Fundstrat's Tom Lee on Pres. Trump's tariffs: There's downside protection to the markets

Feb 3, 2025





Financials remain our top market sector, says Fundstrat's Tom Lee

Jan 27, 2025



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