

Tom Lee's View on Renewed Trade Tensions, Pullback

For close to half a year, Fundstrat Head of Research Tom Lee has been referring to **the V-shaped rally** we've experienced since April as **one of the "most hated"** in his memory. Last week, we saw some evidence that the **"hate" was subsiding ever-so-slightly (see our Chart of the Week below)**.

Then on Friday, **U.S.-China trade tensions intensified**, with President Trump's unambiguous response to China's latest decision to intensify export restrictions on rare-earth materials. This was followed by a significant dip in both the S&P 500 and Nasdaq Composite that led both indices to finish the week in the red. **The S&P 500 suffered its biggest one-day decline since April 21.**

"I don't want to be glib and say 'hey this is nothing,'" Lee remarked on CNBC, **but he remains largely unfazed**. As he noted, the structural tailwinds that form the basis for his intermediate- and long-term constructivism are unlikely to be affected by a rare-earth dispute with China, and dips in 2025 have tended to be bought. Absent any structural change, Lee does not see why this time needs to be different. **That doesn't mean markets necessarily bottomed on Friday, but** to Lee, "this pullback is a **buying opportunity**."



For his part, Head of Technical Strategy Mark Newton suggested the possibility that Friday's break of 6569, which technically violates late September lows along with the ongoing uptrend, might signify that a Fall correction had gotten underway, though this is still unconfirmed at the moment. **Even if so, however**, "I believe that a pullback [...] should be healthy for U.S. equities ahead of a further push higher into year-end," he wrote.

Sector Allocation Strategy



These are the latest strategic sector ratings from Head of Research Tom Lee and Head of Technical Strategy Mark Newton – part of the October 2025 update to the [FSI Sector Allocation Strategy](#). FS Insight Macro and Pro subscribers can [click here](#) for ETF recommendations, precise guidance on strategic and tactical weightings, detailed commentary, and methodology.

Sector ETF Allocations – Strategic Sector Ratings

	Macro Thomas Lee 	Technical Mark Newton 
Consumer Discretionary	Overweight	Overweight
Industrials	Overweight	Overweight
Information Technology	Overweight	Overweight
Communication Services	Overweight	Overweight
Basic Materials	Neutral	Neutral
Energy	Neutral	Underweight
Financials	Overweight	Overweight
Real Estate	Overweight	Neutral
Consumer Staples	Underweight	<div>Neutral Downgrade Underweight</div>
Health Care	Neutral	Neutral
Utilities	Neutral	Overweight

Source: Fundstrat



 Live Webinar and Q&A

Mark Newton's Live Technical Analysis

October 13 at 2pm ET

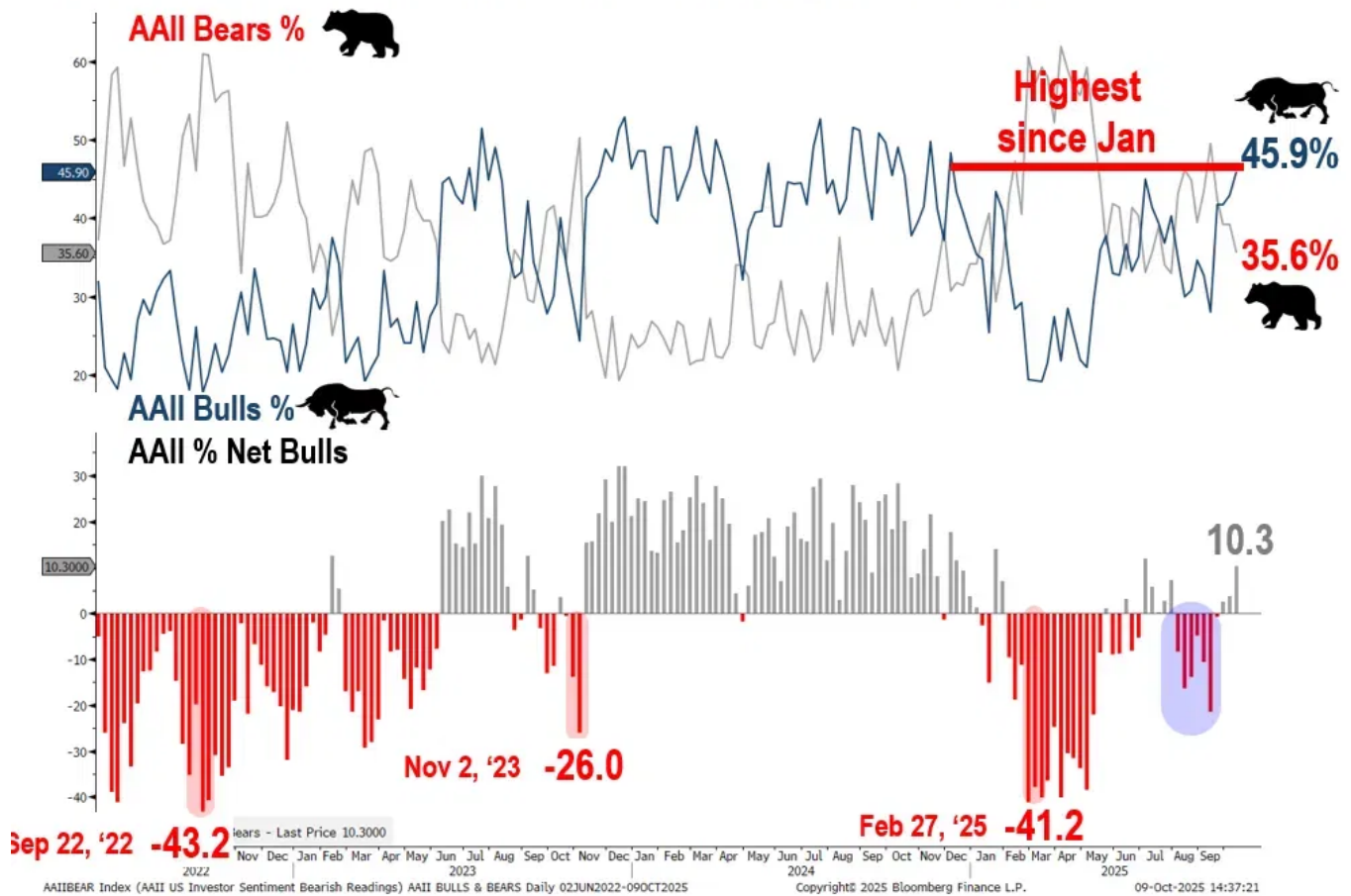


Mark Newton, CMT
Head of Technical Strategy



Chart of the Week

AAII NET BULLS: Net “bulls” Un-inverted, Bulls > Bears



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The latest American Association of Individual Investors (AAII) survey showed sentiment uninverting: The bullish reading rose to 45.9%, the highest since January, flipping the sentiment metric net bearish to net bullish (+10.3%). For those inclined toward contrarianism, however, Lee remarked, “I don’t see the flip to positive as that consequential.” As shown by our Chart of the Week, the extent of net bullishness is still at or below even levels seen for much of 2024, a year in which the S&P 500 rose 23%. In any case, the re-intensified trade tensions between the U.S. and China that emerged on Friday also call into question whether this uninversion will endure.

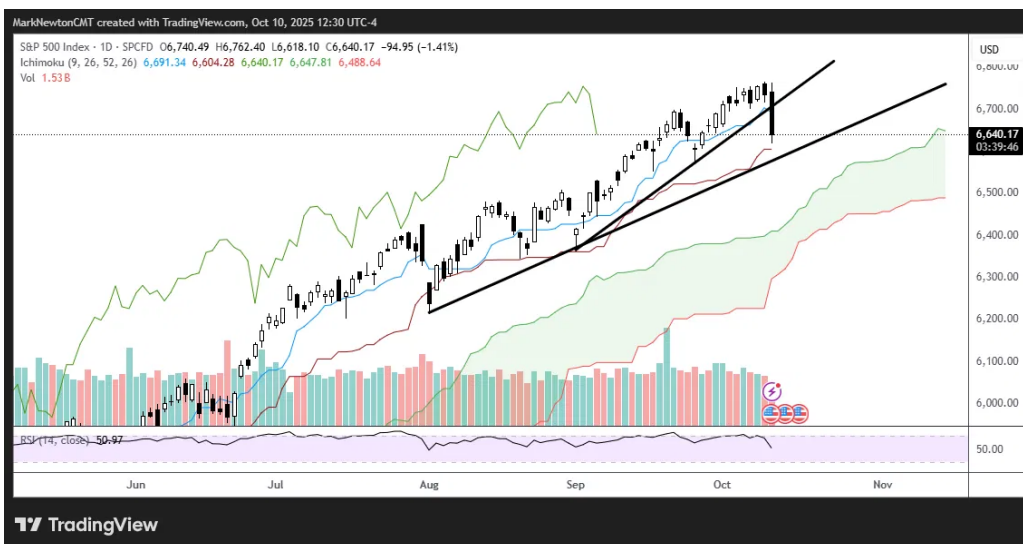
Recent ⚡ Flash Insights



Mark L. Newton, CMT_{AC}

Head of Technical Strategy

While it's normally important not to pay attention to news events and headlines from the Administration until they result in tangible action, today's comments regarding the trade deal souring with China have put the Trump/XI meeting in jeopardy. SPX broke 6700 and is currently lower by -1.5% as the violation of 6700 resulted in some quick acceleration lower by 80 points in the last 90 minutes. Treasury yields are plunging and the US Dollar has reversed lower today. Emerging markets are being particularly hard hit as China's Large-cap ETF by Ishares, **FXI ▼-5.50%** has plunged on heavy volume down to 38.87 from yesterday's \$40.51 close. (See last night's Technical note for reasons why EEM might underperform in Q4) At this point, the main area to watch for **^SPX** will occur near 6600 and then late September lows at 6569. This can't be broken without suggesting a Fall correction is upon us. For now, this is early, and i do suspect that SPX stabilizes and turns higher next week. However, breadth and momentum have been waning in the last week and i do anticipate that upside should prove limited to 6800, while a break of 6569 would bring about a 5% drop into November.



Oct 10 • 1:02 PM



Mark L. Newton, CMT_{AC}

Head of Technical Strategy

Near-term **~SPX** pattern shows price having hit support near the hourly trend channel since early October and turning up today. This is a positive and should lead SPX to push higher up to 6790-6800 area. Furthermore, it's likely that this trend pushes higher sharply today in a wave 3 type pattern before settling and then a 5 into next week, which could hit resistance. Key support lies at 6716 near yesterday's lows. If this were to be broken, it would result in weakness, which isn't expected right away.



Oct 10 • 10:12 AM



Mark L. Newton, CMT_{AC}

Head of Technical Strategy

TSLA ▼-5.34% has advanced nicely in recent weeks and yesterday's rally

likely paves the way for a coming challenge of \$488 before some stalling out and possible consolidation into November. While i expect that TSLA likely will push up to potentially \$600-\$700 into January, i'm not yet expecting that this happens over the next month. At present, the potential Elliott-wave count is

shown below and despite poor German sales, i anticipate TSLA to rise to challenge and exceed last Thursday's peaks at \$470.75 to near \$488 before stalling in the short run. Overall, i remain quite bullish on TSLA and it's right to be long technically, looking to buy dips if/when they arise over the next month.



Oct 7 • 9:54 AM

FS Insight Video: Weekly Highlight



Key incoming data

- ~~10/7 8:30 AM ET: Aug Trade Balance~~ **Delayed due to Shutdown**
- ~~10/7 9:00 AM ET: Sep F Manheim Used Vehicle Index~~ **Tame**
- ~~10/7 11:00 AM ET: Sep NYFed 1yr Inf Exp~~ **Tame**
- ~~10/8 2:00 PM ET: Sep FOMC Meeting Minutes~~ **Mixed**
- ~~10/10 10:00 AM ET: Oct P U. Mich. 1yr Inf Exp~~ **Tame**
- 10/14 6:00 AM ET: Sep Small Business Optimism Survey
- ~~10/15 Wed 8:30 AM ET: Sep Core CPI MoM~~ **-0.32%** **Delayed due to Shutdown**
- 10/15 8:30 AM ET: Oct Empire Manufacturing Survey
- 10/15 2:00 PM ET: Fed Releases Beige Book
- 10/16 8:30 AM ET: Oct Philly Fed Business Outlook
- ~~10/16 8:30 AM ET: Sep Core PPI MoM~~ **Delayed due to Shutdown**



- ~~10/16 8:30 AM ET: Sep Retail Sales~~ **Delayed due to Shutdown**
- 10/16 10:00 AM ET: Oct NAHB Housing Market Index
- 10/17 9:00 AM ET: Oct M Manheim Used Vehicle Index
- ~~10/17 4:00 PM ET: Aug Net TIC Flows~~ **Delayed due to Shutdown**

▶ Live Webinar with Q&A

"Super Grannies" & Market Update Webinar

Monday, October 20 @ 2pm ET



Tom Lee, CFA
Head of Research



Mark Newton, CMT
Head of Technical Strategy

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Stock List Performance

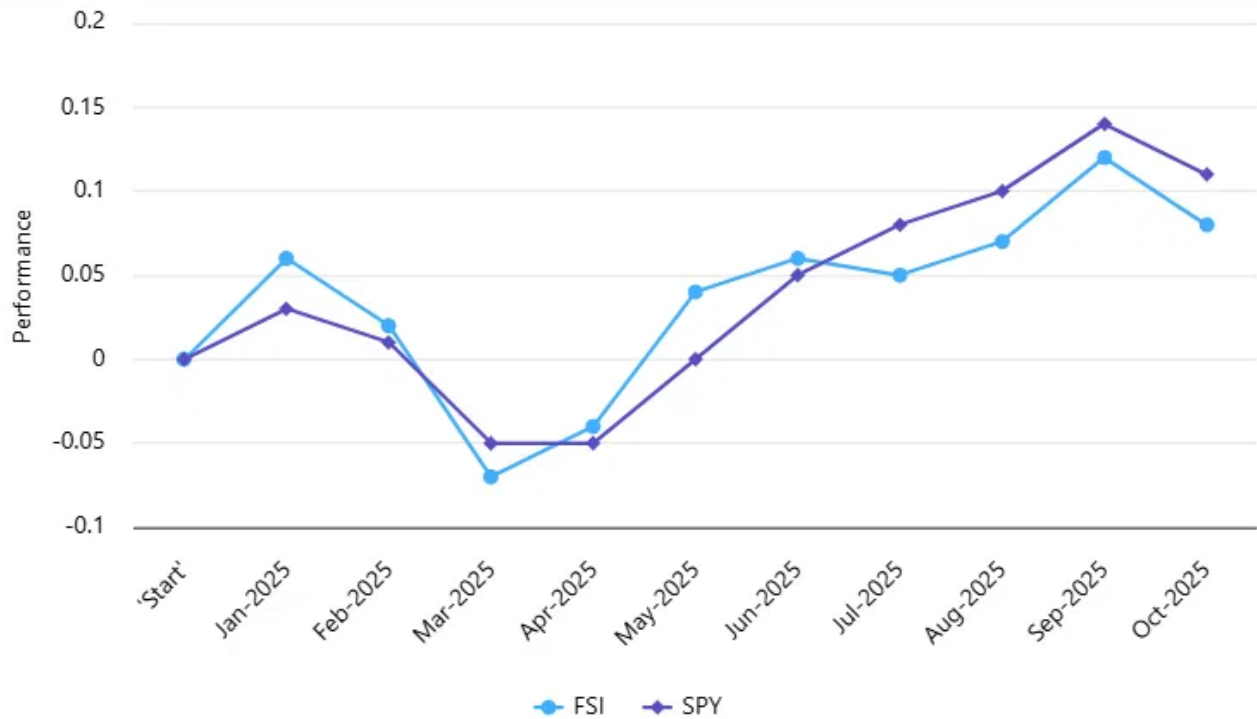
Year to Date SMID Granny Shots Performance



Performance period: January 01, 2025 through October 10, 2025



Upticks vs SPY (Year to Date)



Highcharts.com

Performance period: January 01, 2025 through October 10, 2025

In the News

Tom Lee: Market pullback may be overdue to an extent

Oct 10, 2025



Tom Lee: S&P can still get to at least 7,000 this year



Oct 9, 2025



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Sep 8, 2025



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