

## Stocks Continue Slide, AI Trade Evolves

The S&P 500 slipped 1.39% this week, and the Nasdaq Composite fell still further, ending the week down 2.10%. **Software stocks helped lead the indexes** lower, as worries over whether AI would render many forms of software redundant maintained their presence on investors' wall of worry.

As Fundstrat Head of Research Tom Lee put it, the story of "software eating the world," which we read repeatedly from 1980-2025, is **now becoming one of "AI eating software."** Yet this shift, to Lee, **signals that AI is productive and has a payoff.** "To us, [the carnage in software] argues that AI's biggest impact in the U.S. is ultimately less inflation. Because if there are fewer workers, less software and services spend, but the same output, this is both productivity-enhancing and disinflationary."

From a technical analysis perspective, Head of Technical Strategy Mark Newton acknowledged that "software has struggled to stabilize and find a bottom, [and] they look like they're going straight down in the short run." Going forward, Newton told us that "I don't sense it's going to be an area to overweight within technology."

As he told us during our weekly huddle, however, the situation **does not necessarily look so dire for those with more of an intermediate-term timeframe.** "The intermediate-term charts help to put this deterioration into perspective," he suggested, and "I do sense that this group can bounce."

Regardless of one's views on Kevin Warsh, President Trump's choice to succeed Jerome Powell as chair of the Federal Reserve, Newton noted this that **the changeover to a new Fed chair has historically tended to be followed by market uncertainty** and short-term drawdowns. Newton also sees a seasonality challenge. "The **second year of a second term of a president** has tended to coincide with challenging years for stock investors," he pointed out, a pattern that has largely held true going as far back as Harry S. Truman's second term.



For the most part, this independently coincides with Lee's view. As he reiterated this week, Lee said, "We still think markets have **enough tailwinds to get to 7,300**, and then we do think there's likely to be a **drawdown** that feels like a bear market this year. **And then year-end we do finish stronger**, in my view."

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## Sector Allocation Strategy

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These are the latest strategic sector ratings from Head of Research Tom Lee and Head of Technical Strategy Mark Newton – part of the February 2026 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	Neutral	Neutral
Industrials	Overweight	Overweight
Information Technology	Overweight	Neutral
Communication Services	Overweight	Neutral
Basic Materials	Overweight	Neutral
Energy	Overweight	Overweight
Financials	Overweight	Overweight
Real Estate	Overweight	<div>Neutral Upgrade</div> <div>Underweight</div>
Consumer Staples	Underweight	<div>Neutral Upgrade</div> <div>Underweight</div>
Health Care	Neutral	<div>Overweight Upgrade</div> <div>Neutral</div>
Utilities	Neutral	Overweight

Source: Fundstrat



▶ Live Webinar and Q&A

# Crypto Market Update

Tuesday, February 24 @ 2pm ET



Mark Newton  
Head of Technical Strategy



Sean Farrell  
Head of Digital Assets

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## Chart of the Week

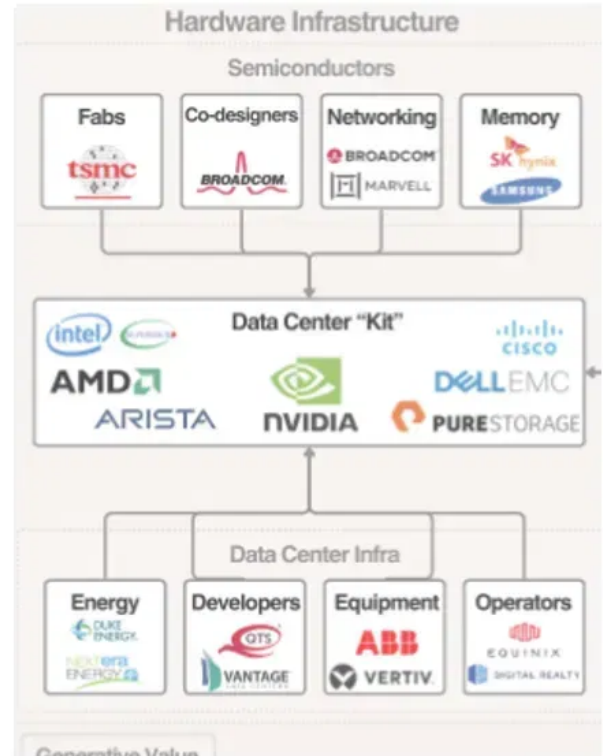


Macro Research

## Armies



## Bullets (arms makers)



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**fundstrat**

Fundstrat's Tom Lee views current mood of the market as also related to the current rotation within the AI trade, away from the Magnificent Seven and toward companies in processors, chips, energy, and infrastructure. Taking a look at market history, Lee sees a similarity between the current scenario and the situation with the initial building of nationwide wireless networks in the late 1990s. In those days, investor appetite shifted back and forth between buying carriers and buying infrastructure and handset makers. "Back then, we'd call this 'buying the armies or buying the bullets,'" he told us. In a modern context and as illustrated in our Chart of the Week, the current AI activity can be seen similarly, shifting between the Magnificent Seven as the "armies" and those companies that make "bullets" – processor and memory-chip makers and those in the business of building out data centers, such as energy companies. To Lee, this current shift does not necessarily mean underweighting or divesting from the "armies" of the Magnificent Seven. "At some point, this rotation will arguably shift again to Mag7," he told us.

## Recent ✨ Flash Insights



**Mark L. Newton, CMT\_ AC**

Head of Technical Strategy

Reposting and updating a chart i shared in last night's note of **IGV ▲2.33%** trying to bottom after its severe decline. As mentioned, following such a steep selloff, bottoming often takes time and is a 2 step forward/1-step backwards type affair. In this case, **IGV ▲2.33%** steep 3%+ decline today unless recouped, likely could allow for a pullback to retest lows again, but don't anticipate that April 2025 lows are taken out at \$76.67. Thus, Software stabilization looks to take time, but does appear like we're getting close to lows, technically. The next 2-3 days might bring about a good risk/reward to attempt to buy into this group on an absolute basis. However, as discussed in notes last week, the breakdown of Software to Technology as a whole is troubling and doesn't make for an immediate case of favoring this group over other parts of Technology.



Feb 11 • 11:14 AM

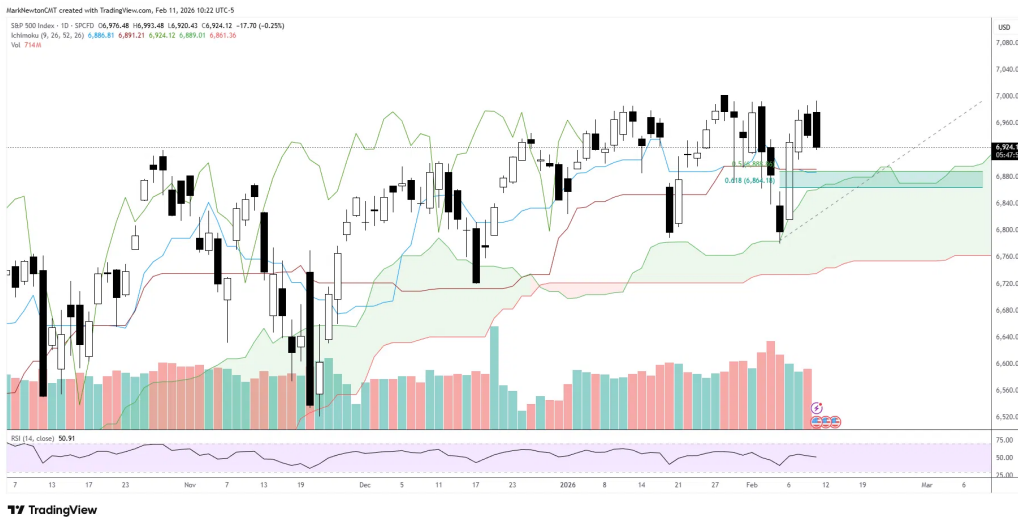


**Mark L. Newton, CMT<sub>AC</sub>**

Head of Technical Strategy

Today's trading is not unlike what's been happening for most of 2026 thus far. Energy and Materials strengthening while Technology is weak and being weighed down by Software, despite many Semiconductor and memory names still quite positive today (Note: **SNDK▲0.13%** , **MU▼-0.60%** , **ON▲2.35%** , **WDC▼-0.78%** are all up more than +3.50% today and 4 of the top 10 performers in this morning's trading are all Tech related, but just not Software based. **XLK▲0.26%** is lower by -0.68% and market breadth is positive despite **^SPX** having turned down by 0.34%. This Software move of -3% + likely could lead Tech down a bit further, yet, i don't expect a larger drawdown than to 6864, or the 61.8% Retracement of the prior rally from last Thursday's lows. Overall, a choppy market and one which continues to require selectivity. Following some brief consolidation, i expect SPX to push up to 7100-7200 in what could prove to be a peak for February and for 1st Quarter into late February.





Feb 11 • 11:11 AM



**Mark L. Newton, CMT<sub>AC</sub>**

Head of Technical Strategy

**GOLD ▲0.67%**

meanwhile has pushed back above \$5,000/oz as PBOC has extended its gold buying to 15 straight months. Technically given how sharp the recent decline from late January was, this counter-trend rally is not thought to get back to new highs right away technically, but might slow and reverse near 5339. Overall, the next 1-2 weeks could be bullish, but technically i feel this might represent resistance to this bounce and turn lower into Spring.





MarkNewtonCMT created with TradingView.com, Feb 09, 2026 10:37 UTC-5

CFDs on Gold (US\$ / OZ) · 1h · TVC O5,037.998 H5,055.930 L5,023.230 C5,049.755 +11.845 (+0.24%)  
Ichimoku (9, 26, 52, 26) 5,018.850 4,975.005 5,049.755 4,996.928 4,855.143  
Vol 95.23K  
1.382 (5,599.399)



TradingView

Feb 9 • 11:01 AM

## FS Insight Video: Weekly Highlight



### *Key incoming data*

- ~~2/9 11:00 AM ET: Jan NYFed 1yr Inf Exp~~ **Tame**
- ~~2/10 6:00 AM ET: Jan Small Business Optimism Survey~~ **Tame**
- ~~2/10 8:30 AM ET: Dec Retail Sales~~ **Tame**
- ~~2/10 8:30 AM ET: 4Q ECI QoQ~~ **Tame**
- ~~2/11 8:30 AM ET: Jan Non-farm Payrolls~~ **Hot**
- ~~2/12 10:00 AM ET: Jan Existing Home Sales~~ **Tame**
- ~~2/13 8:30 AM ET: Jan Core CPI MoM~~ **Tame**
- 2/17 8:30 AM ET: Jan Retail Sales
- 2/17 8:30 AM ET: Feb Empire Manufacturing Survey
- 2/17 10:00 AM ET: Feb NAHB Housing Market Index
- 2/18 8:30 AM ET: Dec P Durable Goods Orders MoM



- 2/18 2:00 PM ET: Jan FOMC Meeting Minutes
- 2/18 4:00 PM ET: Dec Net TIC Flows
- 2/19 8:30 AM ET: Dec Trade Balance
- 2/19 8:30 AM ET: Feb Philly Fed Business Outlook
- 2/20 8:30 AM ET: 4Q A GDP QoQ
- 2/20 8:30 AM ET: Dec Core PCE MoM
- 2/20 9:45 AM ET: Feb P S&P Global Services PMI
- 2/20 9:45 AM ET: Feb P S&P Global Manufacturing PMI
- 2/20 10:00 AM ET: Feb F U. Mich. 1yr Inf Exp
- 2/20 10:00 AM ET: Dec New Home Sales

▶ Live Webinar with Q&A

## Macro Update & Top Ideas Webinar



Tom Lee, CFA  
Head of Research



Mark Newton, CMT  
Head of Technical Strategy

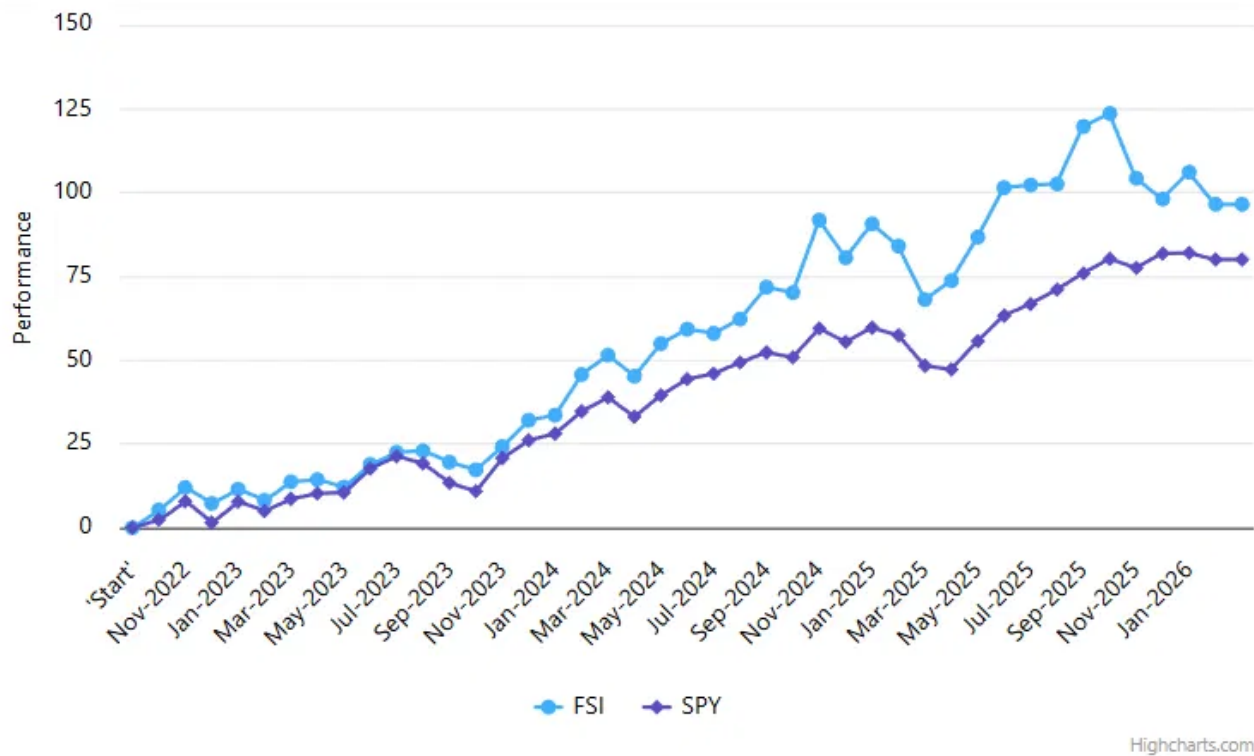


Thursday, February 5 @ 2pm ET

### Stock List Performance



## Upticks vs SPY ( Inception to Date )



Performance period: October 5, 2022 through February 13, 2026

## In the News

AI wreaking havoc across software stocks, job losses might follow: Tom Lee

Feb 13, 2026



Alphabet 100-year bond concerns revolve on continued disruption, says Fundstrat's Hardika Singh



Feb 13, 2026



If Gold can rerate higher, then so can equities

Feb 12, 2026



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