

■ Snapshot

February 22, 2026

SCOTUS Ruling a 'Risk-Clearing Event'

The S&P 500 rose 1.07% last week, while the Nasdaq climbed 1.51%. There seems to be little question that most impactful development this week came from **the Supreme Court, which overturned the tariffs imposed by President Trump** under the International Emergency Economic Powers Act on April 2, 2025. By a 6-3 vote, the Supreme Court ruled on Friday that the **IEEPA does not give the U.S. president the ability to impose tariffs**. The decision most directly affects tariffs Trump sought to impose on what he called “Liberation Day,” but a number of other tariffs imposed last year are unaffected by the ruling.

For now, the **decision arguably removes a sentiment overhang** – a cloud of skeptical, nervous, or negative emotion that keeps investors cautious and on the sidelines. In this respect, “this is **a risk-clearing event**,” Fundstrat Head of Research Tom Lee suggested shortly after the decision.

Hours after the decision was released, the president announced plans to impose a global 10% on all imports (later revised to 15%), regardless of country-of-origin, using authority granted by Section 122. This statute empowers the president to unilaterally impose a baseline tariff on all countries for up to 150 days, after which Congressional approval would be needed. Still, Lee suggested that because the removal of elevated tariffs (at least temporarily) **could have a disinflationary effect**, it could also push the Federal Reserve in a dovish direction. Thus, **the decision “is positive for stocks, in our view,”** Lee told us.

Due to the possibility of market uncertainty as investors await clarity on the White House’s long-term response, Lee noted that **tech, software, and crypto** “suddenly look more interesting, because they are **not caught up in the tariff messiness**.”



The crux of the SCOTUS ruling is that Congress must authorize tariffs. Our Washington Policy Strategist Tom Block told us that in his view, any regular Congressional approach to authorizing the tariffs would almost certainly end up filibustered by Senate Democrats, **unless the tariffs can be framed as a budgetary issue**. If so, the “Reconciliation” budget process would enable them to be passed on a simple majority vote and without the possibility of filibuster. Block also pointed out the importance of **paying attention to farm-state Republicans**, whose constituents have been hurt by retaliatory actions taken by countries targeted by the tariffs.

Looking at the rest of the week’s market activity, Head of Technical Strategy Mark Newton acknowledged that these days, **“market overall feels extraordinarily volatile**, given the software, crypto damage, along with the recent decline in the Magnificent Seven.” Yet, in his view, **“it really has not been.”**

“This has been a bull market,” he reminded us during our weekly huddle, “but it’s just been important to be in materials and energy, of course, and industrials and **not just be in technology**, where everybody is still overweighted.” He reiterated “I see a lot of great parts in the market. It’s just not tech.” In fact, he noted, “breadth is still sloping higher,” citing the advance-decline ratio in the Russell 3000. Breakdowns in this metric preceded the April 2025 decline, as well as the late 2021 decline. Thus, in Newton’s view, “if we start to see evidence of this breaking, then that’ll be a bigger concern for the equity market.”



▶ 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

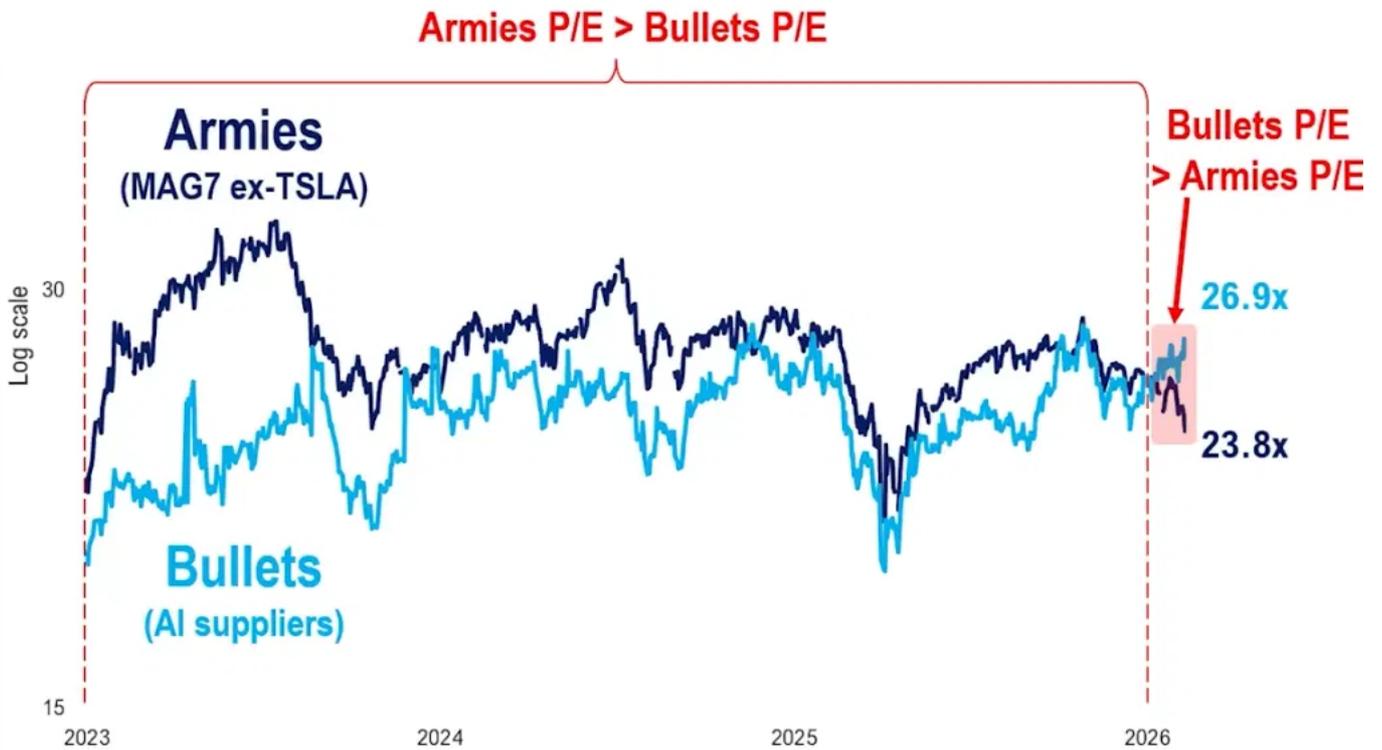
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The background of the banner features a network of blue circles connected by lines, with various cryptocurrency symbols including Bitcoin (B), Zcash (Z), and others.

Chart of the Week

AI: Rotation starting from Armies to Bullets

Average NTM P/Es for Armies vs Bullets composites
Since 2021



Source: Fundstrat, Bloomberg

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Fundstrat’s Tom Lee has been discussing the recent rotation away from the metaphorical AI “armies” – basically the Magnificent Seven excluding Tesla, and into the so-called “bulletmakers” – those supplying the “armies.” As many will recall, this is a group that includes companies in energy, memory chips, infrastructure, and networking. As Lee pointed out in our Chart of the Week above, this rotation has resulted in the bulletmakers now having a higher P/E ratio than the armies. To him, this suggests that “we’re pretty far through the rotation out of the Mag Seven.” He stressed, “We don’t necessarily want you to be a hero here, but I do think that means an opportunity is emerging when we rotate back into the ‘armies’, and I’d keep some dry powder.”

Recent *FlashInsights*



Tom Lee, CFA, CFA_{AC}

Head of Research

Super Court rules Trump tariffs are not legal. Attached are some thoughts post-Supreme Court:

- The Supreme Court decision is as expected and is not a surprise, but the timing was unknown
- The administration may try several paths, including: Congress puts these tariffs into law (perhaps using reconciliation) White House uses other measures to get new tariffs
- Investors will view this as disinflationary

- And some will see this as putting limits on executive power, which will be viewed positively by some investors What would we do now
 - This was an overhang (the decision), so this is a risk-clearing event
 - This is positive for stocks, in our view because of that
 - To us, this makes it easier for Fed to see path of inflation lower = possibly more rate cuts

Sectors

- We will favor Energy/Materials as top ideas
- Tech/ Software/ Crypto suddenly look more interesting, because they are not caught up in tariff “messiness”
- We think MAG7, crypto and software are in the later innings of their correction
- So we would be buyers of these in the coming weeks (as they make their way to their lows)

ETH▲0.98%

BTC▲0.84%

IGV▼-1.26%

MAGS▲1.61%

Feb 20 • 11:32 AM



Mark L. Newton, CMT_ AC

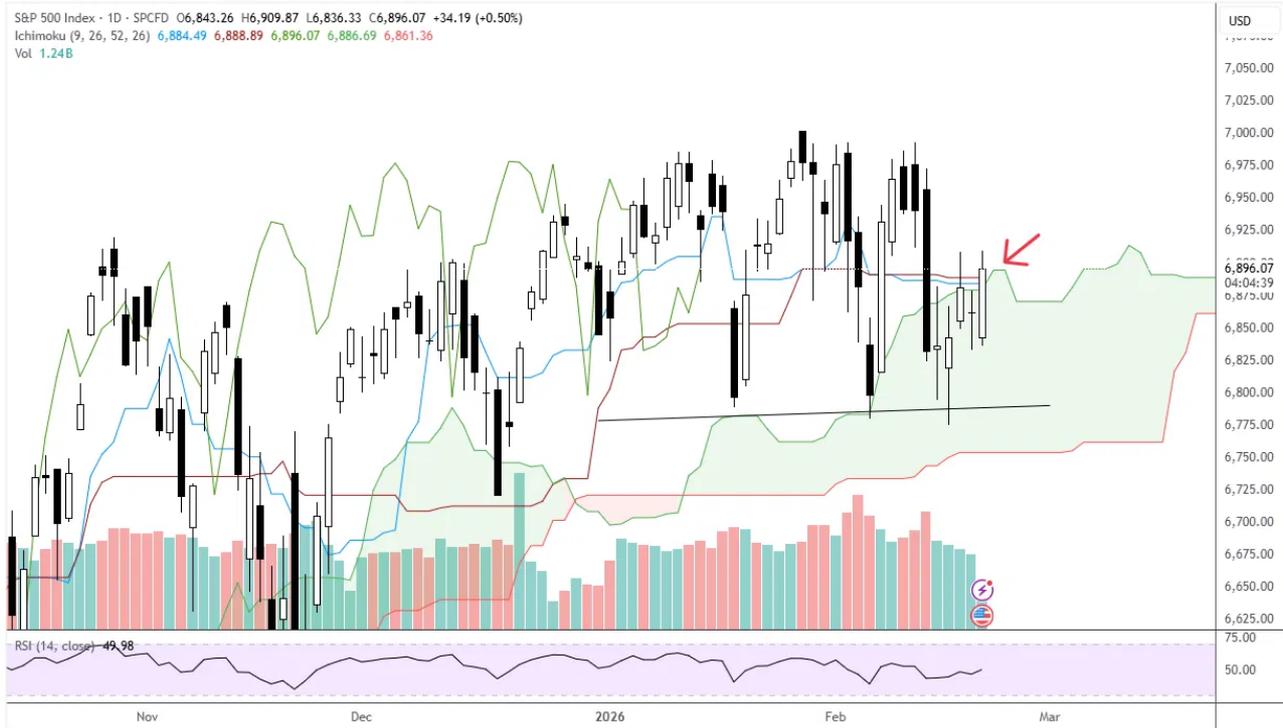
Head of Technical Strategy

The tariff ruling sparked an initial bounce and Equities have extended gains to near the highs of the day. Technically this is a good sign, and i agree with Tom Lee that today’s decision was a risk-clearing event (for now) and should help drive Equities back to recent highs. Many sectors remain somewhat muted outside of Technology and Comm. Svcs, and market breadth is only around 3/2 positive at this time. However, the move to multi-day highs on a closing basis is a positive for SPX and QQQ and should help to drive prices higher into the time of Feb 27th which i expect could be an important time for Equities



MarkNewtonCMT created with TradingView.com, Feb 20, 2026 12:05 UTC-5

SBP 500 Index - 1D - SPCFD O6,843.26 H6,909.87 L6,836.33 C6,896.07 +34.19 (+0.50%)
Ichimoku (9, 26, 52, 26) 6,884.49 6,888.89 6,896.07 6,886.69 6,861.36
Vol 1.24B



TradingView

Feb 20 • 12:22 PM



L. Thomas Block

Washington Policy Strategist

Big news from DC with a 6 to 3 decision against the Trump tariffs. What does the White House and Republican Congressional Leadership do in response? Any legislation under regular order would be filibustered by Senate Democrats. While aides are still researching the possibility one idea may be the Reconciliation process the Congress used to pass the BBB last year. One group of legislators to watch is farm state Republicans who in the past have been anti-tariffs as US agriculture is one of the easiest targets for retaliatory action by trading partners hurt by US tariffs. Another interesting dynamic could be next week's State of the Union when several Justices often come and sit in the front row facing the President. President Trump can be tough on



his opponents and does this action now place Chief Justice Roberts and the five other justices on the President's enemies list? Stay tuned!

[Feb 20 • 11:54 AM](#)

FS Insight Video: Weekly Highlight



Key incoming data

- ~~2/17 8:30 AM ET: Feb Empire Manufacturing Survey~~ **Tame**
- ~~2/17 10:00 AM ET: Feb NAHB Housing Market Index~~ **Tame**
- ~~2/18 8:30 AM ET: Dec P Durable Goods Orders MoM~~ **Tame**
- ~~2/18 2:00 PM ET: Jan FOMC Meeting Minutes~~ **Mixed**
- ~~2/18 4:00 PM ET: Dec Net TIC Flows~~ **Tame**



- ~~2/19 8:30 AM ET: Dec Trade Balance~~ **Tame**
- ~~2/19 8:30 AM ET: Feb Philly Fed Business Outlook~~ **Tame**
- ~~2/20 8:30 AM ET: 4Q A GDP QoQ~~ **Mixed**
- ~~2/20 8:30 AM ET: Dec Core PCE MoM~~ **Tame**
- ~~2/20 9:45 AM ET: Feb P S&P Global Services PMI~~ **Tame**
- ~~2/20 9:45 AM ET: Feb P S&P Global Manufacturing PMI~~ **Tame**
- ~~2/20 10:00 AM ET: Feb F U. Mich. 1yr Inf Exp~~ **Tame**
- ~~2/20 10:00 AM ET: Dec New Home Sales~~ **Tame**
- 2/23 8:30 AM ET: Jan Chicago Fed Nat Activity Index
- 2/23 10:00 AM ET: Dec F Durable Goods Orders MoM
- 2/23 10:30 AM ET: Feb Dallas Fed Manuf. Activity Survey
- 2/24 9:00 AM ET: Dec S&P Cotality CS 20-City MoM SA
- 2/24 10:00 AM ET: Feb Conference Board Consumer Confidence
- 2/24 10:00 AM ET: Feb Richmond Fed Manufacturing Survey
- 2/26 11:00 AM ET: Feb Kansas City Fed Manufacturing Survey
- 2/27 8:30 AM ET: Jan Core PPI MoM



 Live Webinar with Q&A

Mark Newton's Live Technical Analysis

March 3 at 2pm ET



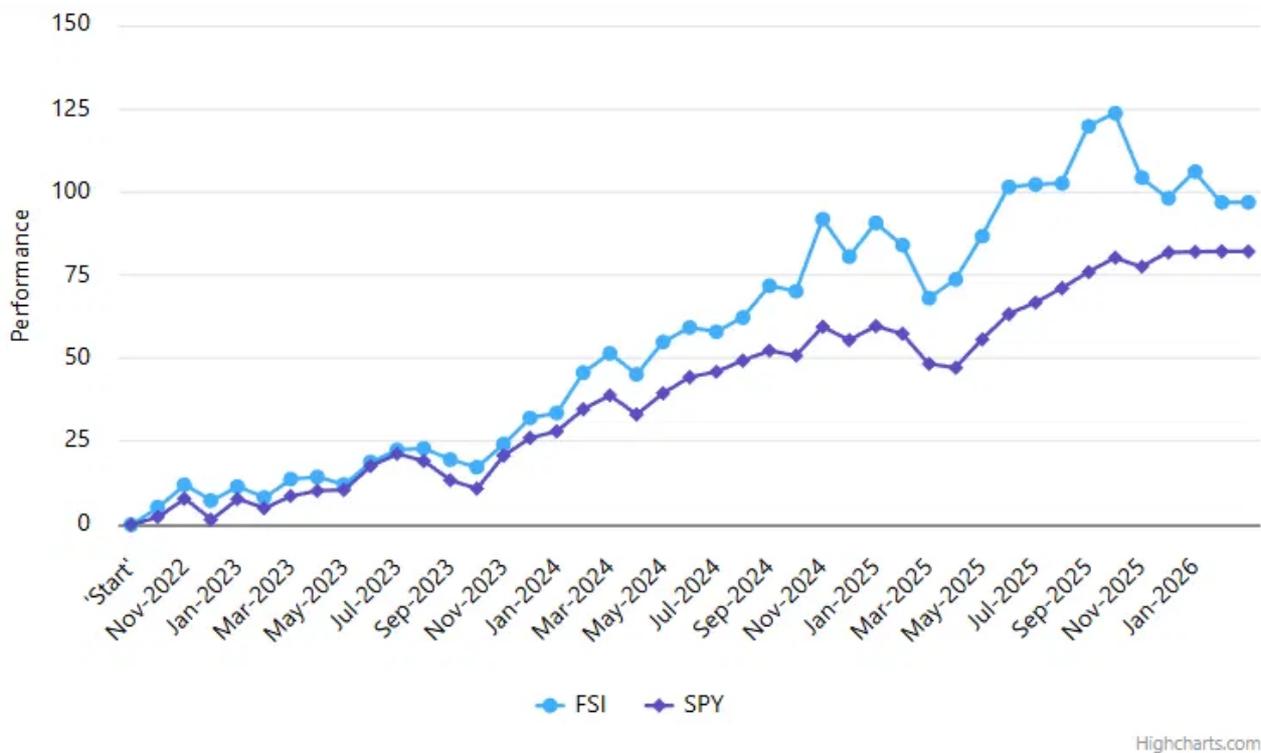
Mark Newton, CMT
Head of Technical Strategy



Stock List Performance



Upticks vs SPY (Inception to Date)



Highcharts.com

Performance period: October 5, 2022 through February 20, 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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