

Software in Focus as Stocks Put February in Rear-View Mirror

The last trading day of February has come to a close. The S&P 500 closed the second month of 2026 down 0.87%. That number is arguably **far from catastrophic**, but as Fundstrat Head of Research Tom Lee noted this week, “I think many people are going to be glad to put this month behind us,” acknowledging that it was “**quite turbulent**.” As he has been pointing out, the market in February felt like a bear market to many investors for a number of reasons, including concerns about **what AI means for software stocks**, and a “thematic ballast shift” within the AI trade itself—away from the metaphorical AI “armies” of the Magnificent Seven and toward the “bulletmakers” that supply them, such as data-center construction, energy companies, and others.

Yet even before these trends appeared on the horizon, historical precedent had suggested the possibility of a largely flat February. Since 1950, there have been 36 years in which the first five trading days of the year and the month of January have both been positive for stocks. The win ratio has largely amounted to what Lee depicts as a “coin flip,” with median gains of 0.4%. Yet that same historical precedent suggests the likelihood of a stronger March.

“I do think that March is likely an up month,” Lee said, and that’s not just due to the precedent. As he noted, February has arguably reset valuations for the Mag Seven (see our Chart of the Week below). His views for March are arguably an improvement from last week, when he tempered his optimism by telling investors at the time that there’s “no need to be a hero.”

For Head of Technical Strategy Mark Newton, however, this caution is still warranted. At our weekly huddle, he suggested that **investors might wish to refrain from “getting too emboldened”** at the moment. “My own cycles tend to think that the spring could bring about some consolidation,” Newton said.



Yet despite the slight differences in their views on timeframes, the two are largely in agreement about one thing: software. **“Software is on the verge of trying to turn,”** in Newton’s view. From a tactical perspective, “I’m increasingly looking at making a bet on being **long software** and to be short semiconductors,” he said. “It might be wise to consider [...] thinking we’re due for a pretty good bounce in this group” over the next couple of months.

Lee’s views are similar. “I think for software, a lot of the bad news is priced in, and the **sellers are largely done selling,**” he said.

▶ Live Webinar with Q&A

Mark Newton's Live Technical Analysis

March 3 at 2pm ET

 Mark Newton, CMT
Head of Technical Strategy

Chart of the Week



TECH: Consumer Staples more expensive than Mag 7

Mag 7 vs Consumer Staples 2026 P/E Ratios

Mag 7:

Ticker	Name	P / '26E
1 TSLA	Tesla, Inc.	205.8x
2 AAPL	Apple Inc.	32.2x
3 GOOGL	Alphabet Inc. Class A	26.9x
4 AMZN	Amazon.com, Inc.	26.8x
5 MSFT	Microsoft Corporation	24.4x
6 NVDA	NVIDIA Corporation	22.7x
7 META	Meta Platforms Inc Class	22.1x
Average (ex-TSLA)		25.8x
Median (ex-TSLA)		25.6x

Consumer Staples:

Ticker	Name	P / '26E
1 COST	Costco Wholesale Corpo	48.6x
2 WMT	Walmart Inc.	42.5x
3 KO	Coca-Cola Company	24.9x
4 PG	Procter & Gamble Comp	23.5x
5 PM	Philip Morris Internationa	22.2x
6 JNJ	Johnson & Johnson	21.1x
7 PEP	PepsiCo, Inc.	19.4x
Average		28.9x
Median		23.5x

Source: Fundstrat, FactSet

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One reason for Fundstrat Head of Research Tom Lee's constructive outlook for March has to do with Magnificent Seven Valuations. February arguably reset those valuations to the point where they are trading at a discount relative to the aforementioned bulletmakers (see above) in the AI trade. In fact, as Lee noted, Mag Seven P/E ratios are now comparable to—and in some cases, lower than—the multiples of some stocks in the staid consumer staples sector. This is illustrated in our Chart of the Week.

Recent Flash Insights





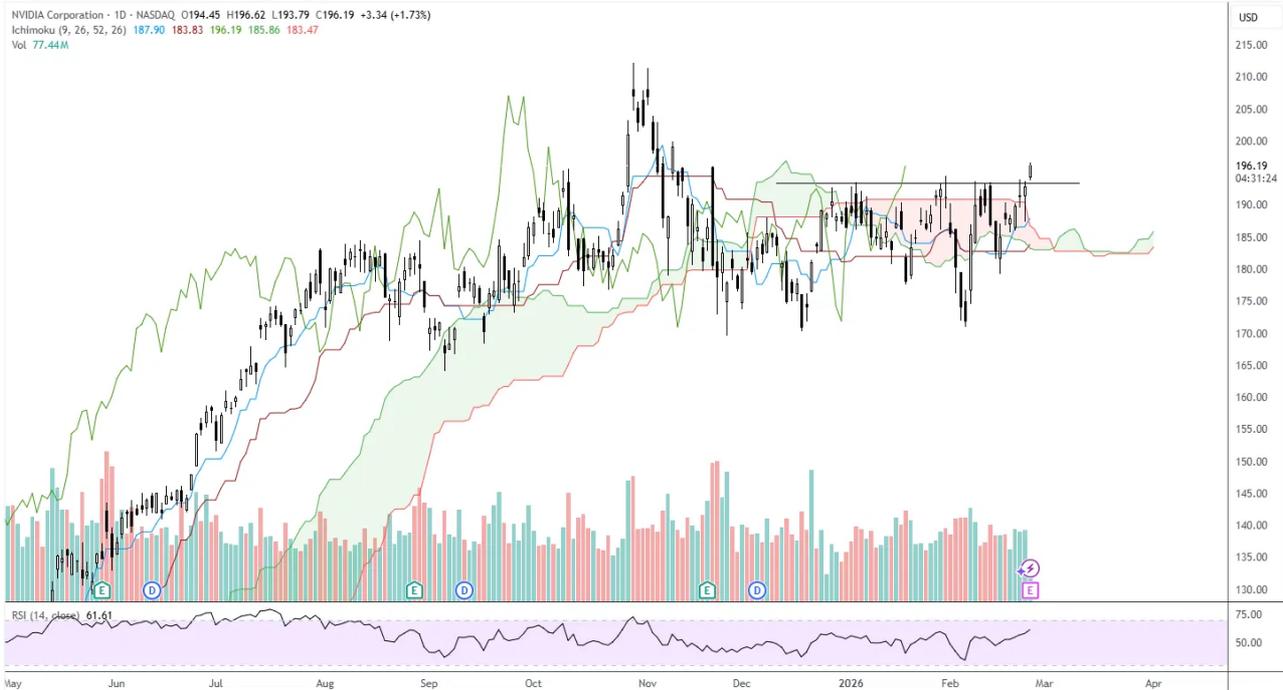
Mark L. Newton, CMT^{AC}
Head of Technical Strategy

NVDA ▼-4.02%

has managed to clear prior highs of the last couple months ahead of today's earnings report, which is a mild positive if/when NVDA manages to close above \$194. My cycle studies which i presented night suggest that a possible turn back lower might happen in NVDA in mid-March, so my feeling is that today's earnings might present a "sell on the news" type event if/when NVDA pushes higher after earnings into tomorrow. Above \$194 the first resistance that stands out lies near \$200.94 and if this holds within the next three days on any sort of muted reaction, than i would suspect this should be strong resistance and might result in a reversal into next week. (Above \$200.94 on any upside gap lies \$212.16, the intra-day highs from 10/29/25. Bottom line, this move above \$194 is happening before the earnings are even out and given its sideways range since last Summer, i am not inclined to "chase".

MarkNewtonCMT created with TradingView.com, Feb 25, 2026 11:28 UTC-5

NVIDIA Corporation - 1D - NASDAQ 0194.45 H196.62 L193.79 C196.19 +3.34 (+1.73%)
Ichimoku (9, 26, 52, 26) 187.90 183.83 196.19 185.86 183.47
Vol. 77.44M



TradingView

Feb 25 • 12:04 PM

**L. Thomas Block**

Washington Policy Strategist

At 9:00 tonight President Trump will need to walk a fine line as he tries to recapture the momentum he had last year when Congress approved his Big Beautiful Bill. As he stands at the podium looking out at Congress, his Cabinet, special guests and likely some of the 6 Supreme Court Justices who voted against his tariff policy he will need to stay on message and stick to the speech in the teleprompter. He is expected to cover a broad range of issues including tariffs and the economy, healthcare policy, possible attack on Iran, his Board of Peace and Gaza/Israel situation, status of his immigration actions, and the shutdown at the Department of Homeland Security. With this full agenda the President has warned it will be a long speech. SOTU speech usually has a large audience of over 40 million viewers. It gives the President the opportunity to reestablish his agenda and reconnect with the voters who sent him back to the White House for his second term.

Feb 24 • 1:53 PM

**Mark L. Newton, CMT^{AC}**

Head of Technical Strategy

The key takeaway from this weekends announcements are that Tariffs are not going away anytime soon, even if SCOTUS has ruled against his emergency tariffs under IEEPA as the Administration can still put in a full embargo even if they cannot collect right away and other methods such as Section 122 can be utilized, so Scott Bessent discussed revenues being unchanged as other methods are available. However, the unexpected news on 15% levels has resulted in some early week selling in US Equities ahead of the State of the Union speech and NVDA earnings, but has not resulted in any meaningful technical damage. Crude oil and precious metals are both higher this morning and **SPX** is lower by -0.70% led by Consumer Discretionary, Technology and



Industrials. Yet, six sectors are higher this morning (albeit mostly defensive groups except for Comm. Svcs) and as such market breadth is lower by just 3/2 negative. As shown below, this area near 6850 in SPX initially has importance based on the minor uptrend from last Tuesday's lows and under its proper to watch 6833. On the upside, any reversal which manages to eclipse 6917 would help the rally get back on track.

MarkNewtonCMT created with TradingView.com, Feb 23, 2026 10:19 UTC-5

S&P 500 Index · 1h · SPCFD O6,893.51 H6,916.96 L6,861.25 C6,865.86 -43.66 (-0.63%)



TradingView

Feb 23 · 11:06 AM

FS Insight Video: Weekly Highlight



Key incoming data

- ~~2/23 8:30 AM ET: Jan Chicago Fed Nat Activity Index~~ **Tame**
- ~~2/23 10:00 AM ET: Dec F Durable Goods Orders MoM~~ **Tame**
- ~~2/23 10:30 AM ET: Feb Dallas Fed Manuf. Activity Survey~~ **Tame**
- ~~2/24 9:00 AM ET: Dec S&P Cotality CS 20-City MoM SA~~ **Mixed**
- ~~2/24 10:00 AM ET: Feb Conference Board Consumer Confidence~~ **Tame**
- ~~2/24 10:00 AM ET: Feb Richmond Fed Manufacturing Survey~~ **Tame**
- ~~2/26 11:00 AM ET: Feb Kansas City Fed Manufacturing Survey~~ **Tame**
- ~~2/27 8:30 AM ET: Jan Core PPI MoM~~ **Hot**
- 3/2 9:45 AM ET: Feb F S&P Global Manufacturing PMI
- 3/2 10:00 AM ET: Feb ISM Manufacturing PMI
- 3/4 9:45 AM ET: Feb F S&P Global Services PMI



- 3/4 10:00 AM ET: Feb ISM Services PMI
- 3/4 2:00 PM ET: Fed Releases Beige Book
- 3/5 8:30 AM ET: 4Q P Unit Labor Costs
- 3/5 8:30 AM ET: 4Q P Nonfarm Productivity QoQ
- 3/6 8:30 AM ET: Feb Non-farm Payrolls
- 3/6 8:30 AM ET: Jan Retail Sales

▶ Live Webinar with Q&A

Macro Update & Top Ideas Webinar



Tom Lee, CFA
Head of Research



Mark Newton, CMT
Head of Technical Strategy

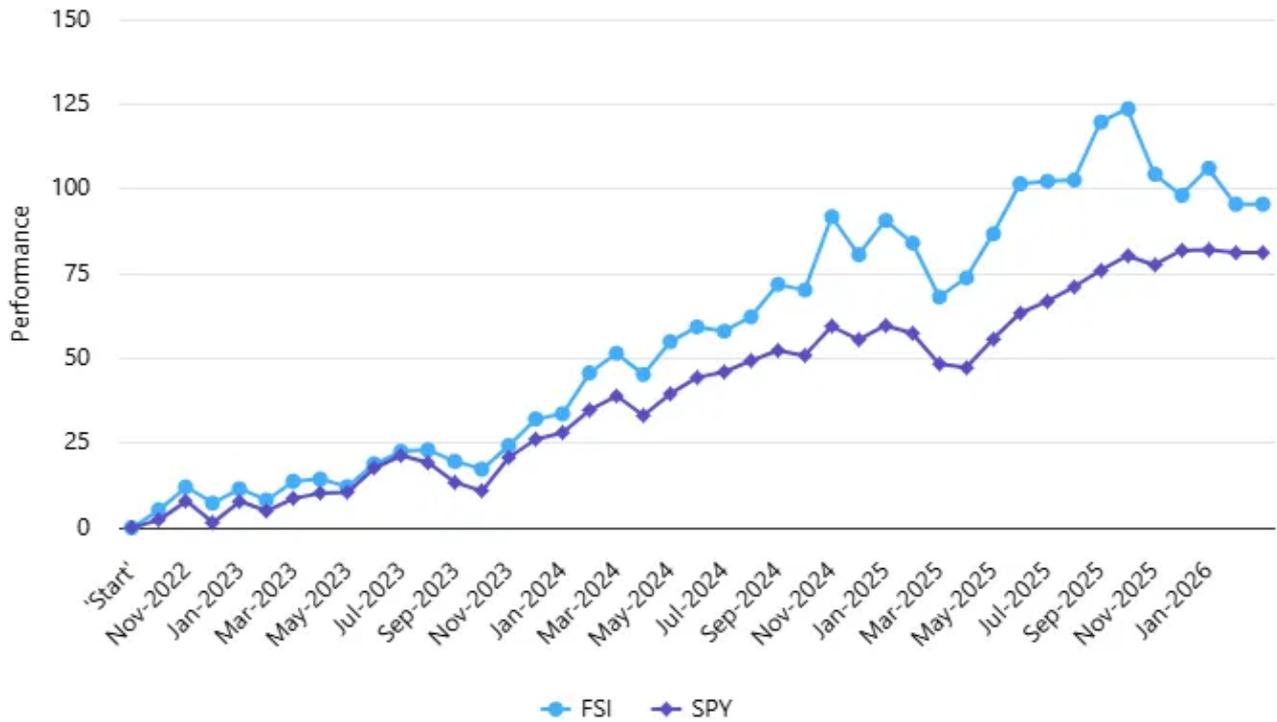


Wednesday, March 18 @ 2pm ET

Stock List Performance



Upticks vs SPY (Inception to Date)



Highcharts.com

Performance period: October 5, 2022 through February 27, 2026

In the News

Tom Lee: Nvidia at 19x PE. Is the Market Getting It Wrong?

Feb 27, 2026



Tom Lee: Supreme Court Ruling. What It Means for Investors



Feb 20, 2026



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

Feb 13, 2026



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