

Stocks Surge 'for the Right Reasons'

The first full trading week of May ended with the broader S&P 500 index having gained 2.33%. Notably, **stocks continued climbing despite** what Fundstrat's Washington Policy Strategist Tom Block described as a continuing stream of **"mixed messages" from the White House about the status of the Iran war.**

Yet this advance is not due to the kind of irrational exuberance that often precedes a bubble bursting. On the contrary, as Fundstrat Head of Research Tom Lee put it, "in our view, **the U.S. stock market is rising for the right reasons.**"

Some of the most closely watched companies have reported their quarterly earnings, and the results thus far have pleased Lee. We are 88% through earnings season, and 86% of those that have reported are beating estimates, with a magnitude of surprise hitting 18.4%. Lee told us companies are essentially **beating at "the largest margin that we have seen in more than a decade."**

Yet as Head of Data Science Ken Xuan noted during our weekly huddle, **that figure might be "kind of distorted"** by the results being reported by the likes of Amazon and Google. The possibility of **this sort of tech stock-driven distortion** is on the mind of Head of Technical Strategy Mark Newton, too.

To be clear, the exuberance being seen in AI-related parts of the market is understandable to Newton. **"Demand seems to still be outpacing supply** by about 30%" when it comes to **semiconductors and parts of memory and optics**, he suggested, so "I don't think the exuberance being shown for those stocks is something to get too concerned about." Still, in his view, **"we need to see the broader market play catch up,"** noting "the lack of rallies out of healthcare and financials and [consumer] discretionary."



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 MAY 2026 update to the [Fundstrat Sector Allocation Strategy](#). Macro and Pro subscribers can [click here](#) for ETF recommendations, precise guidance on strategic and tactical weightings, detailed commentary, and methodology.



Macro Research

Sector ETF Allocations – Strategic Sector Ratings

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

Source: Fundstrat

5/7/2026

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▶ LIVE WEBINAR WITH Q&A

Crypto Market Update



Mark Newton, CMT
Head of Technical Strategy

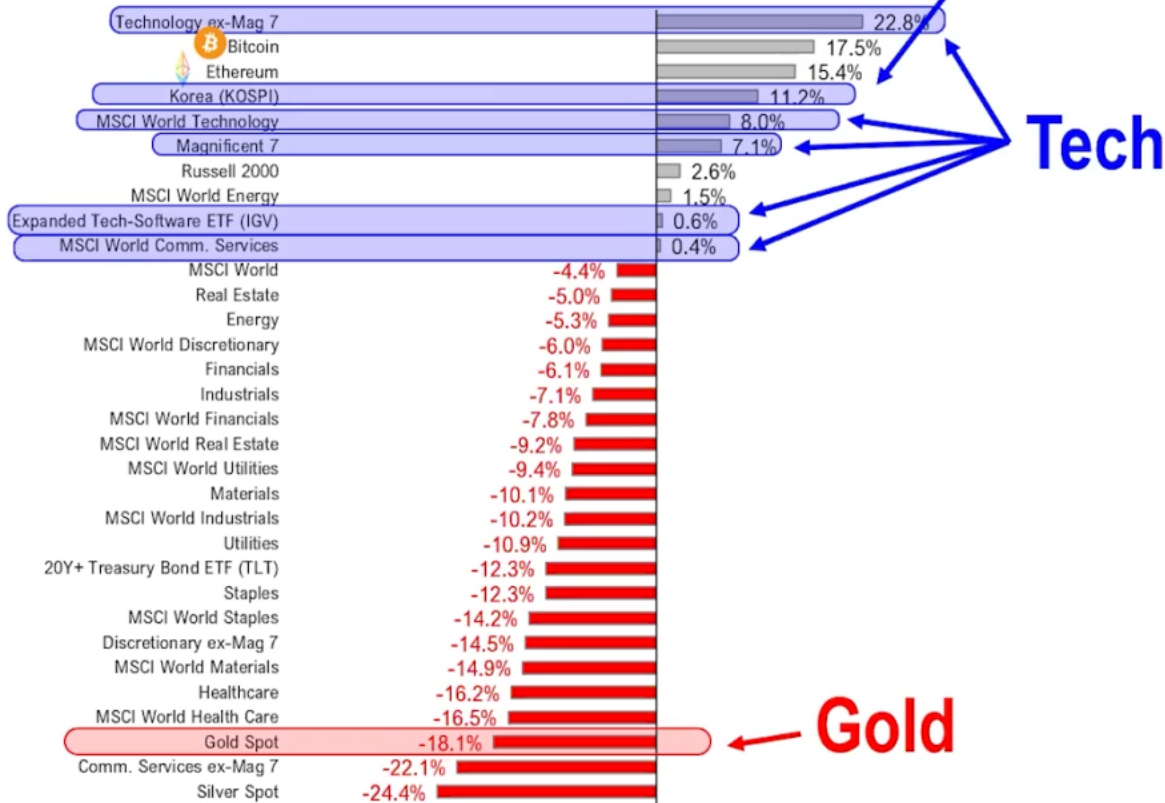


Sean Farrell
Head of Digital Assets

Chart of the Week

IRAN: Crypto & Tech Outperformers since war

Performance of Sectors and Assets Relative to S&P 500 since start of Iran Conflict
2/27/26 to 5/6/26



Korea = AI hardware

Tech

Gold

Source: Fundstrat, Bloomberg

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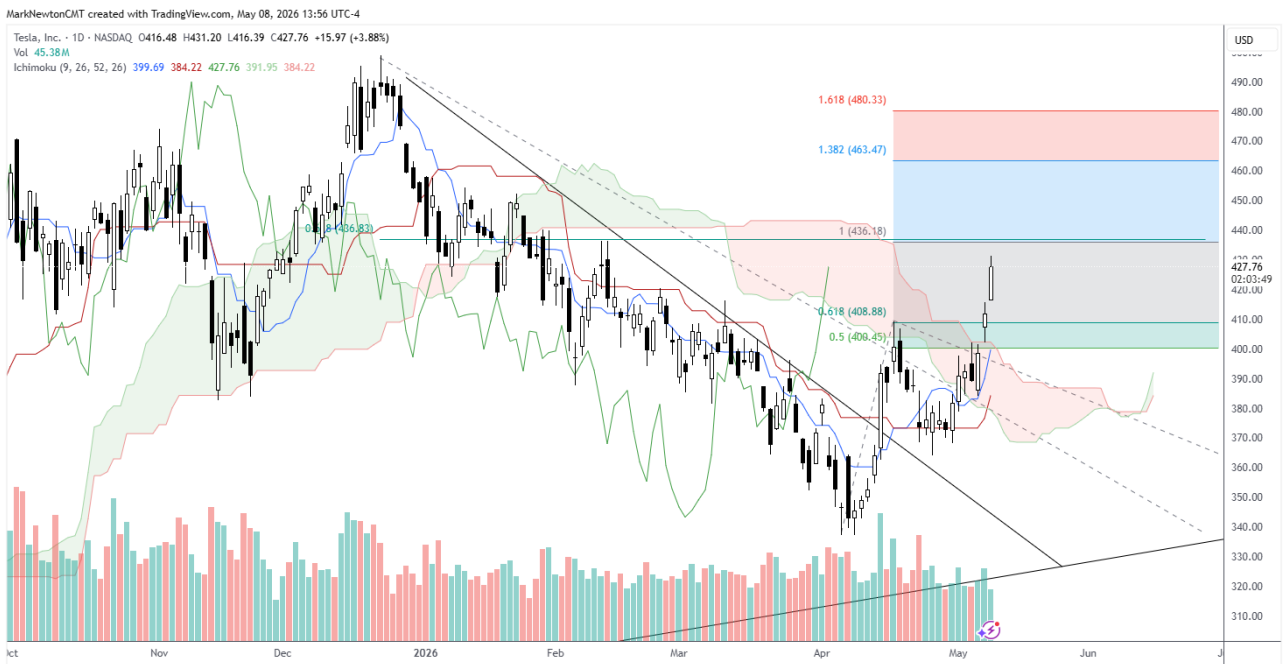
Fundstrat's Tom Lee pointed out this week the companies leading this rally are companies that produce things in scarce supply – companies that have strong fundamentals. This includes AI compute components, AI power generation components, petroleum products (jet fuel and diesel), and scale computing enterprises. It also explains why Korea (KOSPI) has outperformed since the outset of the Iran war. South Korea's stock market is dominated by AI hardware – think Samsung and memory companies like SK Hynix, for example.

Recent *Flash Insights*



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

Let's talk TSLA a bit as price has finally gotten above April peaks which was an obvious level of importance structurally for this stock. Momentum has improved given the weekly MACD bullish crossover and volume has picked up on the rise, all good signs. Near-term, we want this to push up in five waves, not three to give us an eventual shot of moving to new all-time highs. I cannot say for sure this happens as the daily cycles peak for **TSLA▲3.92%** in June of this year. For now the area at \$436 looks important for now, representing a 100% alternate retracement and then also a 61.8% of the prior range- I expect this area 436 up to 443 would be first potential target into next week potentially. Then some backing and filling before a push up to 470-480 into June. For now, i like being long into mid-June and buying any weakness which happens into late May.



TradingView

May 8 · 2:38 PM

Mark L. Newton, CMT_{AC}

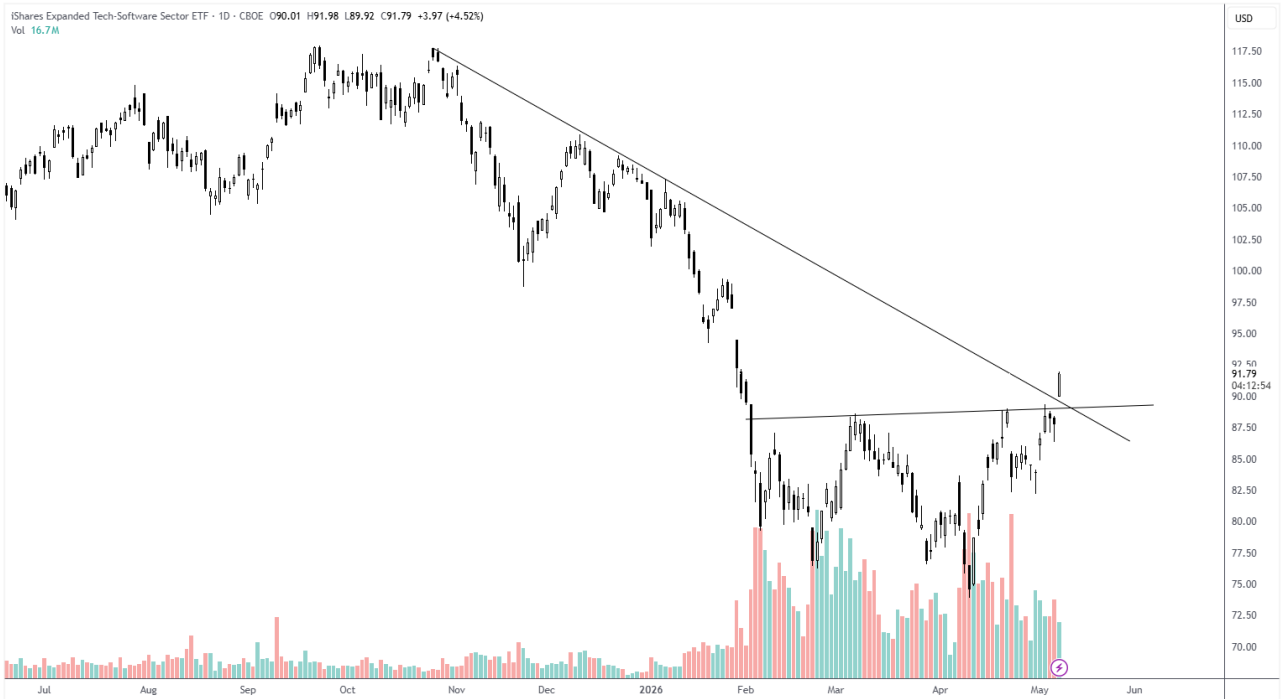


Head of Technical Strategy

IGV ▲0.19% showing a minor breakout of both its downtrend along with the prior highs mentioned in recent technical notes as stocks like **DDOG ▲5.97%** **FTNT ▲5.65%** **APP ▼-6.20%** **WDAY ▼-2.33%** and the cyber security names like **CRWD ▲4.21%** and **PANW ▲5.34%** are all up more than 7% in trading today. This is a very good move for Software and should help to jump-start a rally in this group which has been base building for the last three months. While it will take some time for Software to begin to show the kind of strength being seen in the Semiconductor stocks, today's move is a welcome sign for this group which has lagged substantially. I see first resistance at \$95.79 and then \$101 being important initially on gains.

MarkNewtonCMT created with TradingView.com, May 07, 2026 11:47 UTC-4

iShares Expanded Tech-Software Sector ETF · 1D · CBOE · 090.01 H91.98 L89.92 C91.79 +3.97 (+4.52%)
Vol 16.7M



TradingView

May 7 • 12:15 PM

L . Thomas Block



Washington Policy Strategist

Some clues of progress towards an agreement between US and Iran, but conflicting statements remain. President Trump has reportedly temporarily halted actions in the Strait but simultaneously threatening further action. Iran reportedly is reviewing most recent US offer. Oil price is going down. Could exit strategy be emerging? Republicans believe peace is key to any midterm hopes for key wins.

May 6 • 2:49 PM

FS Insight Video: Weekly Highlight



Key incoming data

- ~~5/4 10:00 AM ET: Mar F Durable Goods Orders~~ **Tame**
- ~~5/5 8:30 AM ET: Mar Trade Balance~~ **Tame**
- ~~5/5 9:45 AM ET: Apr F S&P Global Services PMI~~ **Tame**
- ~~5/5 10:00 AM ET: Mar JOLTS Job Openings~~ **Tame**
- ~~5/5 10:00 AM ET: Mar New Home Sales~~ **Tame**
- ~~5/5 10:00 AM ET: Apr ISM Services PMI~~ **Tame**
- ~~5/7 8:30 AM ET: 1Q P Unit Labor Costs~~ **Tame**
- ~~5/7 8:30 AM ET: 1Q P Non-Farm Productivity~~ **Tame**
- ~~5/7 11:00 AM ET: Apr NY Fed 1yr Inf Exp~~ **Tame**
- ~~5/8 8:30 AM ET: Apr Non-Farm Payrolls~~ **Tame**
- ~~5/8 10:00 AM ET: May P U. Mich. Sentiment and Inflation Expectation~~ **Tame**
- 5/11 10:00 AM ET: Apr Existing Home Sales
- 5/12 6:00 AM ET: Apr Small Business Optimism Survey
- 5/12 8:30 AM ET: Apr CPI
- 5/13 8:30 AM ET: Apr PPI
- 5/14 8:30 AM ET: Apr Retail Sales Data
- 5/15 8:30 AM ET: May Empire Manufacturing Survey

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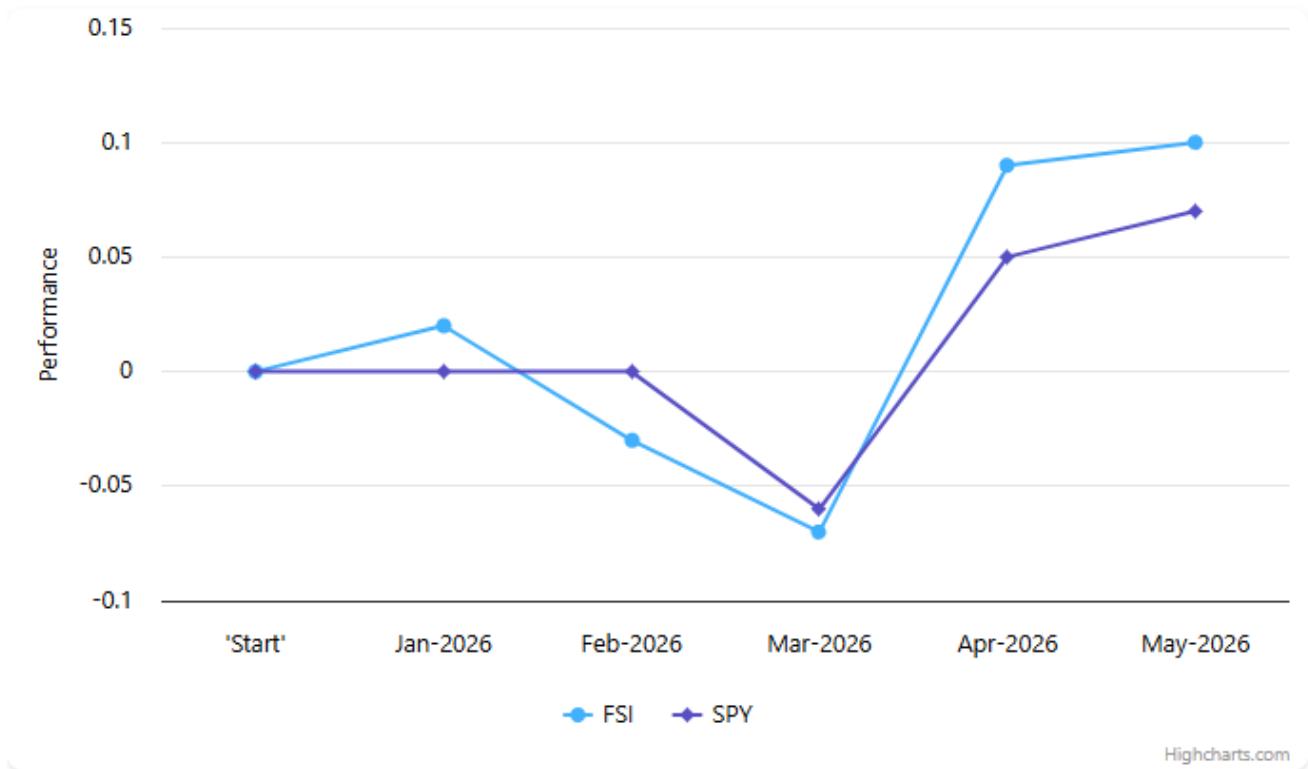
Mark Newton's Live Technical Analysis



Mark Newton, CMT
Head of Technical Strategy

Stock List Performance

Upticks vs SPY (Year to Date)



Performance period: January 01, 2026 through May 08, 2026

In the News

Robinhood stock surges after SEC removes limit on day trading activity

Apr 15, 2026

Defense stocks are the market's newest safe havens – and this ETF is a pure play

Mar 11, 2026

MarketWatch

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

Feb 27, 2026



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