Tom Lee: Why Stocks Could Still Finish 2026 Strong

Despite October's correction and widespread anxiety, clearing uncertainty could set the stage for a powerful year-end recovery.

Tom Lee remains bullish on stocks heading into the final two months of 2026, with an S&P 500 target near 8,200. His central observation is that the market has been surprisingly resilient despite worries about geopolitical conflict, AI spending, credit markets, inflation, the Federal Reserve, and the midterm elections. Although the Nasdaq 100 lost about 3% last week and weakness beneath the surface has been considerable, the major indexes have not broken down under the weight of those concerns.

The potential catalyst is not the disappearance of every risk. It is the removal of uncertainty. Investors have reduced exposure ahead of the elections and other significant events; if the outcomes prove less disruptive than feared, some of that sidelined capital could return to equities. The resulting recovery could be faster than investors expect.

Lee views the midterm elections as a possible clearing event. Markets may welcome Washington gridlock even if Democrats win both chambers of Congress, because the presidential veto would constrain major policy changes. He also expects AI infrastructure investment to retain political support across party lines because data centers bring jobs and capital investment to local communities. That argument does not eliminate concerns over financing costs or the returns on AI spending.

Election expectations are another source of potential surprise. Unlike 2024, when prediction markets differed substantially from polls, both now point toward a similar outcome. Lee therefore questions how much independent signal prediction markets provide and sees room for Republicans to outperform expectations in some states. Any departure from the expected result could prompt rapid repositioning.

The Most Important Insights

1) The market may be stronger than sentiment suggests.

When investors can identify many reasons to sell but the indexes remain relatively resilient, the divergence deserves attention. It can suggest worries are partly reflected in prices, although weak breadth cannot be dismissed.

2) The removal of uncertainty may matter more than the election result.

Stocks do not necessarily require a favorable political outcome to rally. Knowing the outcome can allow investors to move beyond defensive positioning and reconsider opportunities.

3) Cash on the sidelines could become buying power.

Reduced equity exposure may create a source of demand if earnings reactions improve and price action confirms a recovery. This is a potential catalyst, not proof that an advance has begun.

4) AI infrastructure has economic incentives supporting its expansion.

Local employment and investment could sustain bipartisan interest in data centers. Political support, however, is different from evidence that all the spending will earn attractive returns.

What Matters for Investors

We should prepare for a possible rally without assuming that it must happen. The critical evidence will be how stocks react after the November 3 elections, the next employment releases, and major earnings announcements. Stronger Nasdaq 100 leadership, improving breadth, better participation from equal-weight stocks, and earnings gains that hold would build confidence in a sustained recovery.

The early change in market character may be visible in stocks that stop falling on bad news, recover quickly from intraday weakness, and begin outperforming. Those are more useful signals than trying to forecast the election outcome or relying solely on a year-end index target.

Notable Quote

“Markets climb a wall of worry.”

The key is recognizing when the worries are already reflected in positioning and prices, and when the actual tape begins to confirm improvement.

The Bottom Line

The correction and a strong year-end rally are not mutually exclusive. If election uncertainty clears, earnings remain supportive, and buyers return, the market could recover quickly. But an 8,200 target is a scenario, not a substitute for confirmation.

Respect the correction, maintain flexibility, identify attractive entries and risk levels, and be ready to increase exposure if the price action improves. The costly mistake would be allowing recent weakness to make us unprepared for a recovery just as conditions begin to change.

Source: Tom Lee interview, “Still see markets ending the year strong,” November 2, 2026. Summary based on the supplied transcript through 4:21.

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