

Beats everywhere, rewards scarce: How AI capex fatigue and \$113 oil rewrote the Oct 22 scorecard

Twenty-four of twenty-nine companies beat revenue estimates on the busiest reporting day of the quarter. Meta, Lam Research and Tesla fell anyway—while defense, staples and even some misses rallied.

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The New York Stock Exchange on Broad Street. On Oct 22 the S&P 500 had its worst day since July, even as most reporters beat estimates.

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THE SHORT VERSION

- **Beats were sold, not bought, in AI.** Meta and Lam Research topped estimates and closed down 7.0% and 11.8%. The Nasdaq fell 2.6%, its worst day since June, and the iShares Semiconductor ETF (SOXX) lost 6.8%.^{1,2,7,8}
- **The rewards went to defensives.** The Consumer Staples Select Sector SPDR (XLP) rose 3.3%. Lockheed rose 7.0% and P&G 5.6%, and Blackstone and Rollins rallied despite missing on revenue.^{8,11,12,4}
- **Oil is the second headwind.** Brent rose 4% to \$113.17, its highest settle since May 4. American Airlines now expects a full-year loss.^{7,4}

The bar was the problem

By the usual measure, this was a strong week. Of the 24 reporters tracked by The Closing Print, 21 beat on earnings per share, but 19 of 29 fell on their first trade.⁶ Thursday showed the pattern in its clearest form. The S&P 500 fell 1.21% to 7,663.43, its worst day since July. The Nasdaq fell 2.6%, while the Dow ended flat (+0.02%).⁷

Meta had a good quarter by most measures:¹

- Revenue was \$64.60 billion, up 26% and ahead of the \$63.37 billion LSEG consensus.^{1,4}
- The Q4 revenue guide is \$73–76 billion.
- GAAP EPS was \$3.83 after a \$9.89 billion legal charge, or \$7.40 excluding it. That compares with consensus near \$6.67, though estimate bases vary by provider.⁵

The cost side drew more attention:¹

- Capex was \$34.91 billion in the quarter, and free cash flow turned negative, at −\$2.12 billion.
- The 2026 capex range narrowed to \$135–145 billion.
- The stock rose about 3% after hours on Wednesday and closed Thursday down 6.98%.⁸

Lam Research posted record revenue of \$8.22 billion and \$2.20 in adjusted EPS, both slightly above consensus. It guided the December quarter to \$8.6 billion $\pm$ \$0.4 billion. Management said supply-chain constraints kept that guide from being higher.^{2,4} The stock fell 11.76%. That shows how much of the AI equipment trade was priced for upside surprises, not in-line beats.



Lam Research's building in Fremont, California. Lam said near-term supply constraints, not demand, capped its December-quarter guide.

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The selling spread across the chip complex. AMD fell 8.1%, Micron 6.3%, Nvidia 4.4% and Arista 7.2%.⁸ Power names linked to data-center buildouts fell hard too, with Vistra down more than 10% and GE Vernova down more than 11%.⁷

- **Texas Instruments** beat on Wednesday night (\$2.62 vs. \$2.42; revenue \$6.06 billion vs. \$5.92 billion), and data-center revenue rose about 95%. The stock still slipped 1.8% Thursday.^{3,8}

- **Super Micro** raised its preliminary fiscal Q1 revenue outlook to \$18.5–19.5 billion from \$14.5–15.5 billion on Tuesday night. The stock gained 9.5% Wednesday, then gave back 5.2% Thursday.^{9,8}
- **IBM** beat on EPS (\$2.95 vs. \$2.86) and revenue (\$17.1 billion vs. \$16.82 billion). Shares swung from as much as 11% higher after hours to lower pre-market, then closed up 0.26%.^{4,5,8}

The quarter was rarely the problem. The price of the next one was.

Coteau Research

COMPANY	EPS ACT. / EST.	REVENUE ACT. / EST.	REACTION
 META Meta Platforms · Communication	\$7.40* est. \$6.67	\$64.60B est. \$63.37B	-6.98%
 LRCX Lam Research · Semis equipment	\$2.20 est. \$2.18	\$8.22B est. \$8.14B	-11.76%
 TXN Texas Instruments · Semiconductors	\$2.62 est. \$2.42	\$6.06B est. \$5.92B	-1.81%
 IBM IBM · Software & IT	\$2.95 est. \$2.86	\$17.1B est. \$16.82B	+0.26%
 TSLA Tesla · Autos	\$0.48 est. \$0.43	\$28.05B est. \$27.88B	-3.08%
 LMT Lockheed Martin · Defense	\$7.97 est. \$7.52	\$20.7B est. \$20.48B	+6.96%
 PG Procter & Gamble · Staples	\$2.00 est. \$1.88	\$23.28B est. \$22.80B	+5.58%
 CMCSA Comcast · Media	\$1.07 est. \$0.99	\$29.30B est. \$29.2B	+3.44%
 SAP SAP (ADR) · Software	n/a est. n/a	€10.3B est. €10.1B	+3.38%
 SPOT Spotify · Media	€2.48 est. n/a	€4.97B est. €4.98B	+11.10%
 BX Blackstone · Financials	\$1.32 est. \$1.26	\$3.06B est. \$3.33B	+8.38%
 ROL Rollins · Services	\$0.33 est. \$0.34	\$1.09B est. \$1.11B	+5.56%
 MOH Molina · Health care	\$0.89 est. \$0.79	\$11.08B est. \$10.86B	+0.81%
 LVS Las Vegas Sands · Casinos	\$0.54 est. \$0.69	\$3.22B est. \$3.35B	-2.61%
 AAL American Airlines · Airlines	-\$0.28 est. -\$0.33	\$16.3B est. n/a	+2.98%
 WDC Western Digital · Storage	\$4.64 est. \$4.10	\$4.38B est. \$4.15B	AH -8.87%
 NEM Newmont · Gold	\$2.20 est. \$1.95	\$6.36B est. \$6.24B	AH +0.96%
 BE Bloom Energy · Power	\$0.94 est. \$0.67	\$1.24B est. \$1.07B	AH -7.64%

COMPANY	EPS ACT. / EST.	REVENUE ACT. / EST.	REACTION
 VRSN VeriSign · Internet	\$2.35 est. \$2.46	\$443M est. \$441M	AH -3.32%
 DECK Deckers · Footwear	\$2.31+ est. \$1.79	\$1.48B est. \$1.51B	AH -8.01%
Scorecard: beats were common, rewards were not. Reaction is the Oct 22 change at the close. For after-close reporters (marked AH), it is the after-hours change in Webull data at about 4:51 PM ET; after-hours prices are thin and can swing. * Meta EPS excludes a \$9.89B legal charge (GAAP \$3.83). † Deckers includes a \$0.28 tariff-refund benefit. n/a means no published consensus was found. Positive and negative moves share one color; the sign carries the direction. Sources: company releases; consensus (LSEG, FactSet and others) via CNBC, Newsquawk and Investing.com; prices from Webull. Table: Coteau Research.			

Tesla: a beat, a capex cut and a merger question

Tesla beat on earnings:^{10,4}

- Adjusted EPS was \$0.48 vs. \$0.43, on revenue of \$28.05 billion.
- Gross margin was 19.6%, and free cash flow was \$1.53 billion.
- It cut 2026 capex to about \$20 billion from \$25 billion.

The weaker spots were in the details:^{4,5}

- GAAP net income fell 43% to \$787 million.
- Energy-storage revenue was \$2.88 billion vs. \$3.91 billion expected.
- Management said producing Optimus at 20,000 a week is at least a year away.

Bloomberg reported that Tesla and SpaceX are targeting a merger by the first half of 2027. Coverage describes talks through special committees, not a signed deal.^{5,22}

- Tesla fell 4.3% after hours Wednesday and closed Thursday down 3.08%.
- SpaceX (SPCX) fell 9.14%.⁸

Oil changes the math

Energy was the other macro story. Brent settled up 4% at \$113.17, and WTI rose 2.39% to \$99.47.⁷

- **American Airlines** posted record revenue of \$16.3 billion and a smaller-than-expected adjusted loss (−\$0.28 vs. −\$0.33). It now guides to a full-year loss of \$1.00–1.60 a share, with fuel costs up \$1.9 billion.^{4,5}
- **Southwest** cut its 2026 EPS guide to \$2.60–2.85 from \$3.25–4.25.⁶

Yet American closed up 2.98% and Southwest up 5.39%, and the U.S. Global Jets ETF (JETS) rose 1.36%.⁸ One reading is that the cuts were expected. Another is that the 10-year Treasury yield, down 17 basis points to 4.972%, helped rate-sensitive groups.⁷



A Southwest Boeing 737-700 at Columbus. Southwest cut its 2026 EPS outlook on fuel, and the stock rose anyway.

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Consumer companies are also absorbing oil-linked costs:

- **Philip Morris** guided 2026 EPS below expectations, citing conflict-related costs, and rose 2.17%.^{4,8}
- **P&G** warned of a larger commodity-cost hit from oil. It still beat on core EPS (\$2.00 vs. \$1.88) and sales (\$23.28 billion), with organic growth of 4%.¹²

Energy stocks did not hold their early gains. The Energy Select Sector SPDR (XLE) ended down 0.87% even with crude higher, and Valero fell 2.4%.⁸



Valero's Three Rivers refinery in Texas. Brent reached its highest settle since May, but energy stocks ended slightly lower.

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Where the money went

The groups that held up were the ones least exposed to AI capex.

Defense led:^{11,8}

- Lockheed's backlog hit a record \$292.0 billion, including a \$52.5 billion PAC-3 award.
- It raised its 2026 outlook to \$80–82 billion in sales and \$30.35–30.75 in EPS.
- The stock rose 6.96%, with Northrop up 2.42% and RTX up 1.62%.



Patriot launchers during the Orient Shield 21-2 exercise in Japan. A \$52.5 billion PAC-3 interceptor award lifted Lockheed's backlog to a record.

Photo: Staff Sgt. Christopher Schmielt, U.S. Army, public domain, via Wikimedia Commons

Staples were the session's strongest sector, with XLP up 3.31%.⁸

- P&G raised its all-in sales outlook to 2–4% after the Thorne acquisition and held its core EPS range of \$6.89–7.11.¹²
- Its stock rose 5.58%.⁸

Media and software outside the capex chain also rose:

- **Spotify** gained 11.10% on 788 million monthly users vs. 758 million expected.⁴
- **Comcast** rose 3.44% on \$4.21 billion of free cash flow.⁵
- **SAP** rose 3.38% after cloud revenue grew 26%.⁵

Some results were rewarded despite misses:^{4,8}

- **Blackstone** missed on revenue (\$3.06 billion vs. \$3.33 billion) but beat on distributable EPS and closed up 8.38%.
- **Rollins** missed on both lines, fell pre-market, then closed up 5.56%.
- **Molina** beat and reaffirmed guidance, and closed up 0.81%.
- **Las Vegas Sands** missed (\$0.54 vs. \$0.69) and fell 2.61%.

After the bell

Thursday's after-close reports followed the same pattern. All prices below are from Webull at about 4:51 PM ET.⁸

- **Western Digital** beat (\$4.64 vs. about \$4.10; revenue \$4.38 billion, up 55%) and guided its next quarter to about \$5.1 billion. Early reports had the stock higher, but it was down 8.9% at 4:51 PM ET.¹³
- **Newmont** beat (\$2.20 vs. \$1.95) and lowered its cost guidance. It was up 1.0%.¹⁴
- **Deckers** raised its EPS outlook, but revenue (\$1.48 billion) and its sales guide missed. It was down 8.0%.¹⁷
- **VeriSign** missed on EPS (\$2.35 vs. \$2.46). It was down 3.3%.¹⁶
- **Bloom Energy** grew revenue 138% to \$1.24 billion and raised its 2026 guide to \$4.4–4.6 billion. It was down 7.6% after an 8.7% regular-session drop. We cover it in Bloom Energy's record quarter meets a market that wanted more.¹⁵

Hartford was not part of this group: it reports Monday, Oct 26, at about 4:05 PM ET.¹⁸

Crack or reset?

THE RESET CASE

- **Demand is not the issue.** Lam is supply-constrained, TI's data-center revenue nearly doubled, and Super Micro raised its outlook by about \$4 billion.^{2,3,9}
- **Spending is being disciplined, not cut.** Meta narrowed its capex range rather than raising it, and Tesla cut capex while beating on earnings.^{1,10}
- **Breadth improved.** The Dow finished flat, and staples, defense and financials rose as tech fell.^{7,8}

THE CRACK CASE

- **Free cash flow is going negative.** Meta's turned negative even on 26% growth, and investors are pricing the cost of the build-out.¹
- **Beat-and-raise is no longer enough.** Most reporters beat, yet most fell, and Lam's 11.8% drop came on record revenue.^{6,2}
- **Oil adds a macro squeeze.** At \$113 Brent, fuel and input costs are rising for airlines and staples, and the pressure on margins could spread.^{7,12}



Microsoft's data center in Middenmeer, the Netherlands. Microsoft, Alphabet and Amazon report next week and will update their capex plans.

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COMPANIES IN THIS STORY · OCT 22



META
Meta Platforms

−6.98%



LRCX
Lam Research

−11.76%



TXN
Texas Instruments

−1.81%



IBM
IBM

+0.26%



SMCI
Super Micro

−5.20%



TSLA
Tesla

−3.08%



SPCX
SpaceX

−9.14%



LMT
Lockheed Martin

+6.96%



PG
Procter & Gamble

+5.58%



CMCSA
Comcast

+3.44%



SAP
SAP (ADR)

+3.38%



SPOT
Spotify

+11.10%



BX
Blackstone

+8.38%



ROL
Rollins

+5.56%



MOH
Molina

+0.81%



LVS
Las Vegas Sands

−2.61%



AAL
American Airlines

+2.98%



LUV
Southwest

+5.39%



PM
Philip Morris

+2.17%



NVDA
Nvidia

−4.40%



AMD
AMD

−8.10%



MU
Micron

−6.26%



AMZN
Amazon

−4.57%



WDC
Western Digital

−6.43%
AH −8.87%



NEM
Newmont

-2.62%
AH +0.96%



BE
Bloom Energy

-8.70%
AH -7.64%



VRSN
VeriSign

-0.87%
AH -3.32%



DECK
Deckers

-0.25%
AH -8.01%

Day change at the Oct 22, 2026 close; AH = after-hours change at about 4:51 PM ET for after-close reporters. Source: Webull. Logos: Coteau.

WHAT TO WATCH

Oct 26

~4:05 PM ET

Hartford Q3. An insurer's read on claims costs and pricing.¹⁸

Oct 27

before open

Boeing Q3. Results arrive the week fuel costs pushed airline guidance lower. The call is at 10:30 AM ET.¹⁹

Oct 28

2:00 PM ET

FOMC decision, with the press conference at 2:30 PM ET, after a 17-basis-point drop in the 10-year yield on Oct 22.²¹

Oct 28

after close

Microsoft and Alphabet. These are the first hyperscaler capex updates since Meta's.²⁰

Oct 29

after close

Amazon Q3. Expect a focus on AWS growth and the 2026 capex path. The call is at 5:00 PM ET.²⁰

Nov 3

Super Micro final Q1 results, following its raised preliminary outlook.⁹

Bottom line

This week's reports did not show a demand problem. AI suppliers said they are short of capacity, not orders. What changed is the price investors will pay for spending that runs ahead of free cash flow, at a time of \$113 oil and a market already priced for upside. Whether that is a crack or a reset will be clearer after Microsoft, Alphabet and Amazon report next week, and that is the more useful question to watch than Thursday's tape.

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