Tesla Swings and Misses on Earnings Estimates – How Did It Affect Its Stock?

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Stock prices have stalled near all-time highs as the market digests second quarter earnings results and awaits the next move from the Federal Reserve Board.

The Entrepreneur index declined 0.83 percent in the last five days as large numbers of companies reported uneven financial results for the second quarter. The Dow and S&P 500 index also had small losses on the week, while the tech-heavy Nasdaq Composite eked out a 0.38 percent gain for the week.

The corporate earnings picture for the second quarter has – as expected – been spotty. While upwards of 75 percent of companies reporting so far have beaten lowered expectations, poor results have been punished by investors.

Top on the list this past week was Tesla, which missed earnings estimates by a wide margin despite delivering a record number of vehicles in the quarter. The stock fell nearly 12 percent after the electric vehicle pioneer reported results late Wednesday and was down 10.4 percent in the last week.

Tesla also announced the departure of another senior executive

as co-founder and chief technical officer J.B. Straubel plans to leave the company. Tesla's low margins and continuing cash burn could force it to seek more capital in the near future. The bad quarter may also have snuffed out a nice recovery in the stock price over the last month. The shares are down 31.2 percent on the year.

Other earnings misses included Ford Motor Co., which fell 7.45 after it reported results yesterday, and O'Reilly Automotive Inc. was down 5.17 percent after missing analyst estimates. Pest control company Rollins Inc. hit estimates this week, but its gross margins slipped slightly and the stock fell more than 10 percent.

The FAANG stocks also reported mixed results this week. Amazon.com missed earnings estimates and reported slower growth than expected in its web services division yesterday. The stock was down in pre-market trading this morning, but is down just under one percent in the last week.

Facebook easily beat analyst estimates, and investors continued to shrug off concerns about mounting regulatory issues for the company. The stock was nevertheless down slightly in the last week. Alphabet Inc., on the other hand, crushed estimates for the second quarter and saw its stock jump 9 percent yesterday. Other tech stocks posting good gains in the last week included chip-maker Analog Devices, up 5.2 percent in the last week, and Twitter, which jumped nearly five percent this morning after reporting good financial results late yesterday.

Capital One Financial had a strong week after beating earnings estimates last week. The stock was up 5.43 percent over the last five days. Other good gains on the Entrepreneur index included truck-maker PACCAR Inc., up 3.0 percent, and retailer Gap Inc., up 2.94 percent on the week.

Whether the stock market can continue its upward climb this

year may depend on the Federal Reserve Board. The market was hopeful that the Fed might cut rates by 50 basis points next week to insure against a deeper dip in the economy, but that scenario now seems unlikely. The European Central Bank gave less dovish guidance than expected this week and recent data suggests the U.S. economy may have slowed but is by no means in the doldrums.

Thanks to a strong rebound in June, second quarter GDP growth came in at 2.1 percent – significantly less than the previous quarter but better than expected. The odds of a bolder move by the Fed next week have dropped but investors still expect a quarter point cut in short-term interest rates.

The stock market may need all the help it can get. While it appears Congress will avoid another game of chicken on increasing the government debt ceiling, a trade deal with China still looks like a long shot. The Entrepreneur Index is now up 26.7 percent on the year, and further gains could be harder to come by for the rest of the year.

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