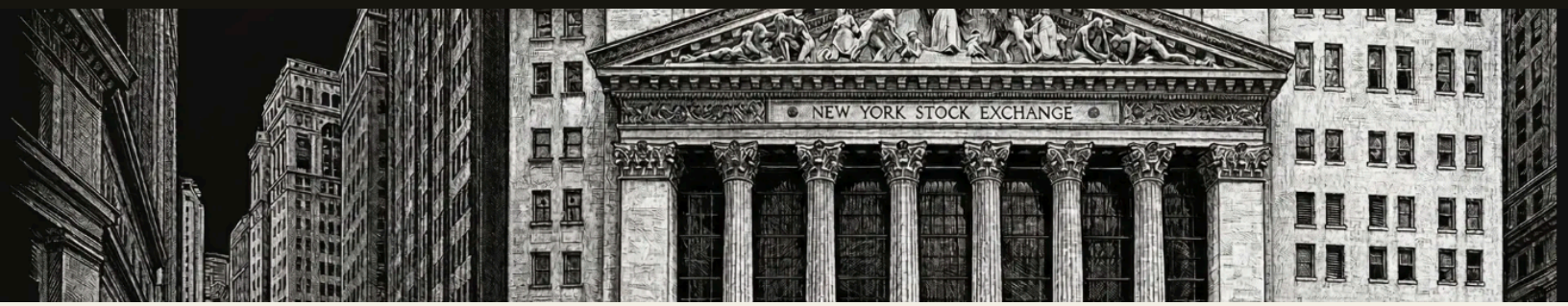


Not the Metaverse

Commentary on the AI story, Meta, and the broader markets.

I want to provide some commentary today around the AI story and how it is currently shaping up in the public markets. My current role puts me in a position where I work very closely with the leading models on a daily basis. I believe this work, coupled with some experience in the public markets, gives me a unique view into how the leading edge of this technology is operating and how this story is playing out in the public markets.

To explain my view on the AI trade simply: this is not the Metaverse. This technology adds fundamental value to the way people are working and living. Workers are optimizing and producing more output than they ever have before, and it is impossible to imagine going back to the old way of working. As a blunt example, most of the code you use in your day-to-day life now is not written by a human; it is only reviewed by a human when needed.

Even with these results, there is still a looming question around monetization and adoption of this technology. While adoption is slower outside of the bubble than inside, I do believe many people are closer to meaningful adoption than they realize, and products like Muse will tip the scale.

Meta's Muse: it's all about the use case

Muse launched six weeks ago. The creator of the best consumer product in the world launching an agentic AI product is a meaningful milestone that everyone is following closely. A few weeks in, daily usage sat at about 25% (the share of people who set it up and use it on any given day). People chose to pick this apart, but this met my own predictions.

Exhibit 1

Muse, six weeks in

What Meta disclosed about its personal agent on its Q3 2026 earnings call.

> "We expect to grow Muse to serve billions of people."
>
> Mark Zuckerberg, CEO, Meta
> Q3 2026 earnings call, Oct 21

10M+
people in the US and Canada set up a Muse agent in about six weeks

~25%
of people who set it up use it on any given day

#1
in the App Store almost every day since the Sep 8 launch

>25%
of users shop through Muse, with an average purchase over $200

Source: Meta Platforms Q3 2026 earnings call (Oct 21, 2026), transcript via Fiscal.ai.

Here's the thing about AI, and especially agentic apps: people aren't going to stick around until they find one great use case, and for some people that will be easier than others. Once they find it, it is a very sticky experience. I would relate it to getting a housekeeper or getting lounge access at an airport. Once you're used to a better and more efficient experience, you're not going to want to give it up.

This was evident throughout Meta's earnings call. Two things stuck out:

- The earliest users retain better the longer they use Muse.
- More than 25% of Muse users are already shopping through it, with an average purchase over $200.

Zuckerberg also said on the call this week that Meta already makes several hundred dollars a year off each US user, and he expects Muse to get even higher over time.

A market that can't make up its mind

Throughout this bull market triggered by the AI trade, we have seen consistent signs of a healthy market: one that has meaningful rotations and properly takes out its own trash. On the rotation side of the coin, this market has consistently shifted favor. Energy and tech stood out, but 7 of the 11 sectors led at least once over the past 20 weeks.

Exhibit 2

Market leadership has changed hands 14 times in 20 weeks

The best- and worst-performing sector each week since June, S&P 493.

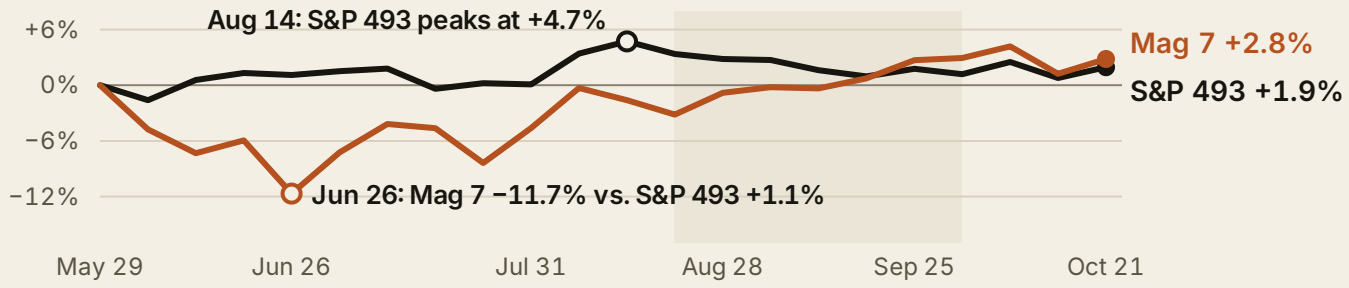
Weekly cap-weighted price returns by sector, weeks ending Jun 5 to Oct 21, 2026 (final week partial). Source: Fiscal.ai; Lombardozzi analysis.

While the Magnificent 7 (maybe 8 now, with SpaceX) has traditionally captured the returns and headlines, we saw a breadth of returns over the summer. This is highlighted by the "S&P 493," a name traditionally given to the non-Mag 7 stocks. During the summer, these stocks outperformed the S&P. In recent weeks, spurred by volatility, money has flocked back into the known names.

Exhibit 3

Summer belonged to the S&P 493. Fall is back to the familiar names.

Cumulative price return since May 29, 2026, cap-weighted. Shading marks six straight weeks of Mag 7 outperformance.



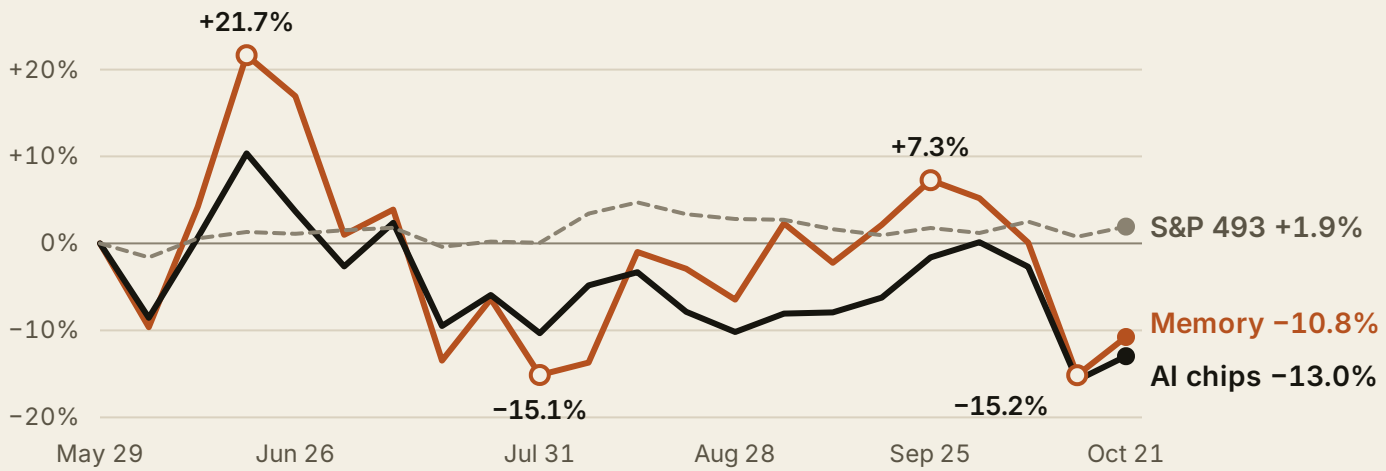
S&P 493 = the 481 largest US companies excluding the Magnificent 7. Price return through Oct 21, 2026. Source: Fiscal.ai; Lombardozzi analysis.

Within the AI trade, we are also seeing investors pool into certain storylines, then quickly retreat. There are flashes where money rotates into memory and into semis, and then it's gone again. Since June, memory stocks have dropped 30%, rallied 26% and dropped 21% again.

Exhibit 4

Money keeps flashing into memory and chips, then right back out

Cumulative price return since May 29, 2026, cap-weighted.



Memory = Micron, SanDisk, Western Digital. AI chips = those three plus Broadcom, AMD, Marvell, Lam Research, Applied Materials, KLA. Price return through Oct 21, 2026. Source: Fiscal.ai; Lombardozzi analysis.

Couple these rotations with a bad yield environment and uncertain geopolitical tensions, and I believe investors will keep being quick to react when it comes to where money is positioned. This does not mean an end to the bull market, rather just one that keeps trying to find the best place to be.

You need to own cybersecurity

Cybersecurity is not sexy. You won't see daily stories about it, or talk to someone at a bar about it, but it is increasingly becoming a staple in portfolios for good reason. Security researchers and bad actors can spin up thousands of agents in a second to exploit a vulnerability that lay dormant for years.

Just this week, two critical flaws were found in PHP, the code behind roughly 70% of websites. Governments from Germany to France took sites offline while they waited for a fix. Episodes like these will be increasingly common, and cybersecurity companies will serve as the backbone to preventing large-scale cyberattacks.

EXCLUSIVE | CYBERSECURITY

AI Just Found a Bug That Puts up to 70% of the World's Websites at Risk

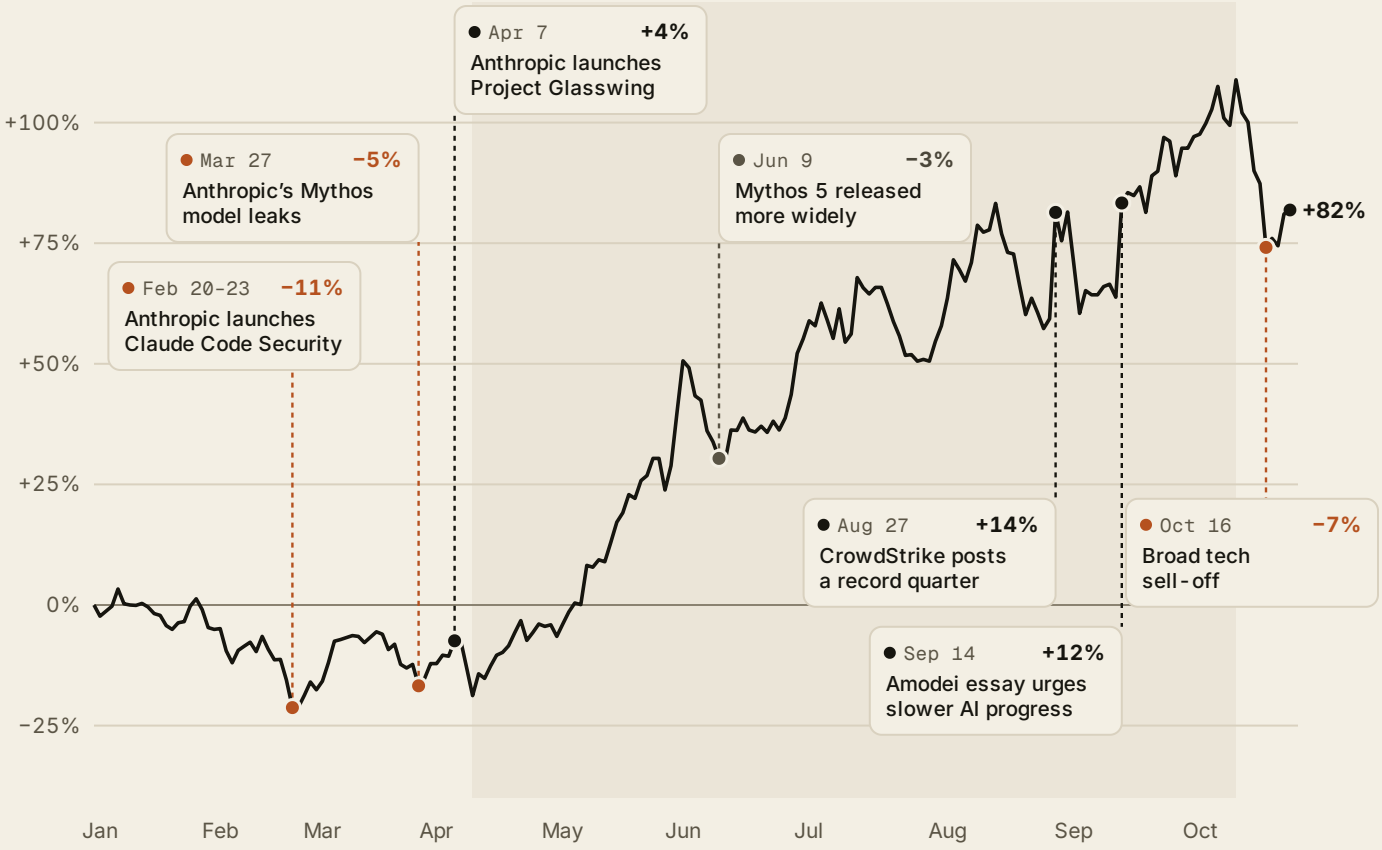
Artificial-intelligence tools helped find one of the most severe online bugs ever. Cyber experts are racing to patch it before hackers use AI to exploit it.

Source: The Wall Street Journal, October 2026.

Exhibit 5

AI news went from a threat to a tailwind for cyber stocks

Cybersecurity basket, daily price change since Dec 31, 2025. Shading marks the 157% run from the Apr 10 low to the Oct 9 high.



Basket: CrowdStrike, Palo Alto Networks, Fortinet, Zscaler, Cloudflare, Okta, SentinelOne, Check Point, Qualys, Tenable, Rapid7, Varonis, weighted by today's market values. Price return through Oct 22, 2026. Source: Fiscal.ai prices and company news; event context from press reports; Lombardozzi analysis.

I am a fan of having staples in a portfolio: companies or sectors that you never sell for decades on end. Apple is one, technology overall is another, and now I believe cybersecurity is next. These companies will be more important than ever over the next few years, and having exposure to them is a different way to benefit from this technological advancement.

Final word

I can't say how this bull market ends, but I can say that the use of AI will not end with it. As I said before, this is different from the Metaverse in a major way: it's actually creating value for people and companies. This is an incredibly exciting and uneasy part of the technology curve, but one of the best ways to be sure that you benefit from it is to be invested in the market and in these companies.

Talk soon,

Thomas Lombardozzi

Disclaimer: This commentary reflects the personal views of Thomas Lombardozzi as of October 22, 2026 and is provided for informational purposes only. It does not constitute financial, investment, legal, or tax advice, and nothing herein is a recommendation or solicitation to buy or sell any security. The author is not a registered investment adviser or broker-dealer. This commentary does not consider the investment objectives, financial situation, or needs of any individual investor; readers should conduct their own research and consult a licensed financial professional before making any investment decision. All investments involve risk, including the possible loss of principal, and past performance does not guarantee future results. Market data from Fiscal.ai. The S&P 493 is a proxy for the S&P 500 excluding the Magnificent 7 and is not an official index. Company figures are from Meta Platforms' Q3 2026 earnings call and company filings, via Fiscal.ai.