

CARLYLE

GLOBAL RESEARCH

The Carlyle Compass

September 30, 2025

*Welcome back to **The Carlyle Compass**, your weekly newsletter that brings together the latest research and market insights from our global team. Received this email as a forward? [Subscribe here](#).*

Oracular Warning

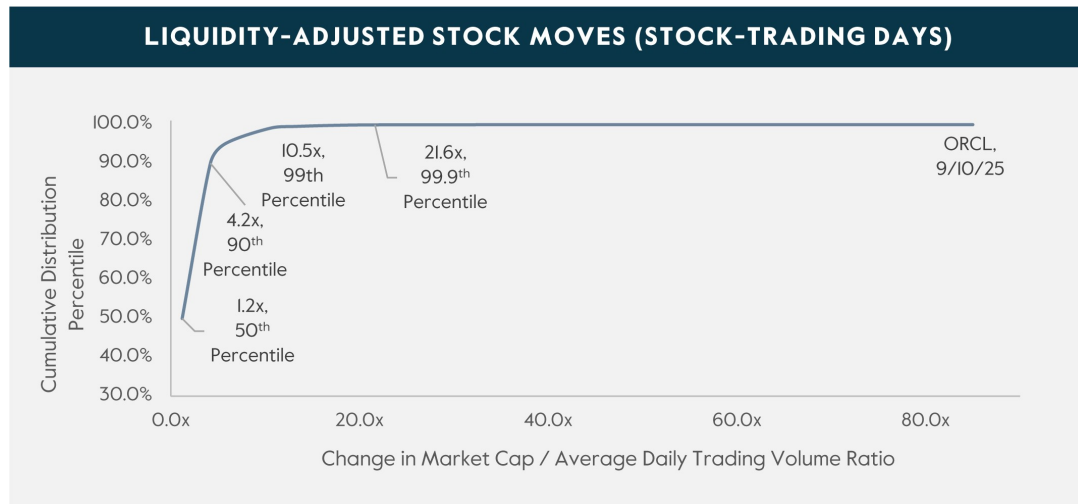
As Robert Shiller [observed](#), there are times when literary theorists have a better grasp of market dynamics than economists or financial analysts. September brought signs that we may be living through such a moment.

In its most recently completed [quarter](#), Oracle missed “consensus” on both the top and bottom line[1]. Pity the traders who guessed correctly on those financials and opened a short position in the stock. ORCL rose by an eye-popping 36% in the subsequent trading session.

Moves of this magnitude happen from time-to-time, but are typically

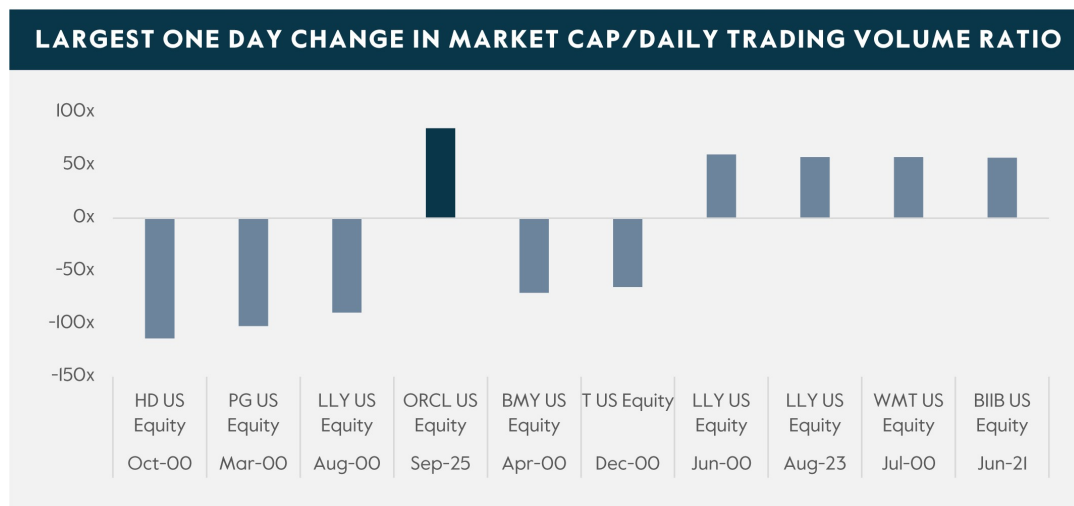
restricted to small cap or thinly-traded stocks. Oracle entered September 10 with a market capitalization of over \$650 billion and nearly \$3 billion worth of shares trading hands every day. When adjusting for market cap and liquidity, ORCL's move was the rarest of rare events, with a single-day change in value equal to 85x its average daily trading volume (Figure 1).

Figure 1: Deep into the Tail of the Distribution



Only three times has a highly liquid stock experienced a larger single-day swing in value, but all were to the downside (Figure 2). In these cases, sell orders flooded the market in response to bad news (an earnings miss, downward revision to guidance, failed drug trial or patent issue, etc.) and the stock hit an “air pocket” due to the absence of willing buyers. This time, it was an absence of *sellers* willing to meet the deluge of buy orders, even as bid prices escalated. On a liquidity-adjusted basis, Oracle's one-day rise was 41% larger than the prior record, set 25 years ago when Eli Lilly announced positive clinical trial results for its sepsis shock treatment, Xigris.

Figure 2: 41% Larger than Prior Record



Source: Carlyle Analysis; Federal Reserve Board of Governors, NAR, Bloomberg, August 2025. There is no guarantee any trends will continue.

What precipitated the jump? An [announcement](#) that Oracle signed “four multi-billion-dollar contracts with three different customers” resulting in a 359% increase in its contract backlog to \$455 billion. This was the coming-out party for Oracle AI Cloud Infrastructure. In the words of the press release, “AI Changes Everything”—catnip to a stock market desperate to add to its [\(already concentrated, p. 18\)](#) AI exposure.

The details proved less compelling than the headline. Virtually all of the increase in orders comes from a [five-year, \\$300 billion deal](#) signed with OpenAI, a company with an estimated \$13 billion in annual revenue and [\\$60 billion](#) in cumulative capital raised to-date. To deliver the “compute” promised to OpenAI, Oracle will have to increase its own [capital spending](#) to \$38 billion in its 2026 fiscal year and \$60 billion in 2027, a cumulative annualized growth rate of 47% from current levels. Oracle’s free cash flow has already fallen into negative territory for the first time since 1990 and the ramp-up in spending seems almost certain to cause the deficit to widen meaningfully from here. The stock has given back some of its gains, but remains up over 25% in September.

Chalking this up as an Oracle-specific event misses the forest for the trees. Later in the month, Meta founder Mark Zuckerberg nonchalantly [conceded](#) that his company might be “misspending a couple of hundred billion dollars,” but insisted that, when it comes to AI, the risk of underinvesting far outweighs the risk of overinvesting (a [common refrain](#) since the middle of last year).

To bring it back where we started: students of Melville understand what’s going on. The metaphorical “white whale” is AGI or, as some call it, ASI

(Artificial Super Intelligence). The hunt for it reveals the (value-)destructive power of obsession, with contemporary Ahabs just as unlikely to be reasoned out of their quest. Expect capex budgets to continue to grow until the financial equivalent of a harpoon line drags them to the bottom of the ocean.

The Pequod's crew couldn't get off the ship. Investors today can.

1. \$14.93 billion in quarterly revenue vs \$15.04 billion expected; \$1.01 adjusted EPS versus \$1.04 expected; Carlyle Analysis, Company Financials, Bloomberg.

JASON THOMAS

Head of Global Research & Investment Strategy

This material is provided for educational purposes only. Nothing herein constitutes investment advice or recommendations and should not be relied upon as a basis for making an investment decision. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual investors.

Economic and market views and forecasts reflect our judgment as of the date of this presentation and are subject to change without notice. In particular, forecasts are estimated, based on assumptions, and may change materially as economic and market conditions change. Carlyle has no obligation to provide updates or changes to these forecasts. Certain information contained herein has been obtained from sources prepared by other parties, which in certain cases have not been updated through the date hereof. While such information is believed to be reliable for the purpose used herein, Carlyle and its affiliates assume no responsibility for the accuracy, completeness or fairness of such information.

Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of, future events or results. This material should not be construed as an offer to sell or the solicitation of an offer to buy any security, and we are not soliciting any action based on this material. If any such offer is made, it will only be by means of an offering memorandum or prospectus, which would contain material information including certain risks of investing including, but not limited to, loss of all or a significant portion of the investment due to leveraging, short-selling, or other speculative practices, lack of liquidity and volatility of returns.

Recipients should bear in mind that past performance does not predict future returns and there can be no assurance that an investment in a Carlyle fund will achieve comparable results. The views expressed in this commentary are the personal views of certain Carlyle personnel and do not necessarily reflect the views of Carlyle. Investment concepts mentioned in this commentary may be unsuitable for investors depending on their specific investment objectives and financial position; each recipient is encouraged to discuss such concepts with its own legal, accounting and tax advisors to determine suitability. Tax considerations, margin requirements, commissions and other transaction costs may significantly affect the economic consequences of any transaction.

In connection with our business, Carlyle may collect and process your personal data. For further information regarding how we use this data, please see our online privacy notice at <https://www.carlyle.com/privacy-notice>.