The Fight of AI Supremacy Got Interesting with Chinese Deep Seek's Budget AI Model Sparking Fear in US Tech Sector with NVIDIA's Losing $589 Billion in Market Cap.

GLOBAL MARKET SQUARE

BIRLING CAPITAL ADVISORS, LLC

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The US and European stock markets closed the session with mixed results, impacted by a downturn in the tech-focused Nasdaq, which saw a decline of 612.47 points. NVIDIA, the leader in AI chips, fell more than 16% and lost $589 billion in market capitalization, the largest for one stock in history. The market reaction followed reports that Chinese AI company Deep Seek had developed a competitive large-language model on a budget reportedly under $6 million—starkly contrasting the projected $60 billion AI investment by giants like Microsoft and Meta this year. This development has sparked debates on whether major US tech companies are investing too heavily and could benefit from increased efficiency. However, it's important to note that the figures for Deep Seek are yet unverified.

Some reports point out that in various independent benchmark evaluations, Deep Seek's model demonstrated superior performance over leading models from Meta's Llama 3.1, OpenAI's GPT-4, and Anthropic' s Claude Sonnet 3.5, excelling in tasks that range from complex analytical challenges to mathematics and programming.

Amidst these tech stock declines, investors have shifted towards safe-haven assets like Treasury bonds, easing some of the rising yield pressures. The yield on the 10-year Treasury notes dropped by 0.10% to 4.53%, marking a yearly low, while the VIX volatility index surged past 20, reaching a peak for the year.

Despite these shifts, US technology firms are poised to remain at the forefront of the global AI landscape. These firms boast robust financial and are subjected to more stringent regulations and transparency than their international counterparts, which continues to attract investors. Nevertheless, competitors like Deep Seek's emergence underscores the tech sector's highly competitive nature, particularly in AI.

Our 2025 outlook underscores a strategic emphasis on diversification, from high-valuation areas like mega-cap tech, to broader market segments.

Diversification remains a pivotal theme for 2025, suggesting a strategic spread across various sectors, asset classes, and market sizes.

Key Economic Data:

- **US Retail Gas Price:** rose to $3.229, up from $3.164 last week.
- **US New Single Family Houses Sold:** rose to 698,000, up from 674,000 last month, up 3.56%.
- **Germany Ifo Business Climate Index:** rose to 85.10, up from 84.70 last month.
- **Germany Ifo Business Expectations Index:** fell to 84.20, down from 84.40 last month.
- **Germany Ifo Business Situation Index:** rose to 86.10, up from 85.10 last month.

- **Japan Business Conditions Composite Coincident Index:** fell to 115.40, down from 116.80 last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 529.69, down 0.38 points or 0.0073%.
- **FTSE 100:** Closed at 8,503.71, up 1.36 points or 0.016%.
- **DAX Index:** Closed at 21,282.18, up 112.75 points or 0.53%.

Wall Street Summary:

- **Dow Jones Industrial Average:** Closed at 44,713.58, up 289.33 points or 0.65%.
- **S&P 500:** Closed at 6,012.28, down 88.96 points or 1.46%.
- **Nasdaq Composite:** Closed at 19,341.83, down 612.47 points or 3.07%.
- **Birling Capital Puerto Rico Stock Index:** Closed at 3,769.72, down 3.51 points or 0.09%.
- **Birling Capital US Bank Index:** Closed 6,930.61, down 15.40 points or 0.22%.
- **US Treasury 10-year note:** closed at 4.53%.
- **US Treasury 2-year note:** closed at 4.17%.

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US New Single Family Home Sold & US Retail Gas Price,

Germany ifo Business Climate Index, Germany ifo Business Expectations Index, Germany ifo Business Situation Index & Japan Business Conditions Composite Index

Wall Street Recap

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