

MARKET UPDATE

# DeepSeek triggers equity market weakness

Read our latest update on what's going on with the US tech sector



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# What's going on?

Equity markets suffered a fall on Monday as investors grew concerned over the earnings outlook for US technology stocks. DeepSeek a Chinese Artificial Intelligence (AI) company announced a new AI model competing with US developed AI programs like ChatGPT, at a fraction of the investment cost.

Markets generally recovered on Tuesday however there are still questions being asked about the future earnings potential of companies like Nvidia and Google who heavily invest in AI.



# Why are investors worried?

AI chip makers like Nvidia, were banned from selling their advanced tech to China which was a huge blow to AI advancement in the world's second largest economy.

Now, DeepSeek have announced they were able to develop an AI model competing with ChatGPT without the use of US advanced tech, and cheaper.

If China can now develop this technology at a lower cost, investors are concerned whether companies like Nvidia can justify their higher costs, or if they will be reduced and subsequent earnings will fall.



# What are we doing?

Investors are waiting to see if these claims from DeepSeek can be verified, and if so what will the response be from heavily-AI invested companies like Nvidia, Meta, Google and Microsoft.

Earnings projections from these big tech companies will be a key consideration for investors this year. If there is any change (or lowering), this could have a material impact on the current value of US equity markets.

We are closely monitoring the situation and focussing on any news flow or earnings updates coming from US tech companies.



# Focus on the long term

The market reaction to this news on Monday was material, however stocks quickly regained lost value in the days following. This is another example of short term market nervousness you can avoid by focussing on a long term approach.

By staying invested within a well diversified portfolio, your money can weather short term volatility and deliver on your financial goals over the long-term.

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