“Trump and DeepSeek” Drama

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The world suddenly became more complex as Donald Trump began his new term as President of the United States, coinciding with the launch of DeepSeek, a Chinese firm’s challenger to ChatGPT’s dominance.

Trump inherited an economy already in great shape but remains eager to make changes. Alongside implementing tariffs, he had vowed to take control of the Panama Canal, Canada, Greenland, and Gaza. While these aggressive proposals may be seen as negotiating tactics, he has managed to pressure these countries into accepting some of his demands. For example, Canada has moved forward with a $1.3 billion plan to enhance border security, and Panama has announced its intention to distance itself from China’s Belt and Road Initiative. Trump’s focus on these countries likely stems from the valuable resources they offer—Canada, for example, possesses land, water, natural minerals, and electricity, some of which are crucial for building artificial intelligence capabilities. Given the current trajectory, we expect more intense diplomatic pressure in the coming months. However, capital markets will periodically serve as a reminder of his limits, as the “voting machine” of the market impacts both his and his administration’s net worth.

In January, the launch of DeepSeek, the Chinese equivalent of ChatGPT, caused a market selloff. The Nasdaq 100 index fell 3.5%, and Nvidia, an AI darling, plunged 19.6% in a single day. This event can be viewed from several angles. Undoubtedly, DeepSeek's ability to create a similar AI model in such a short period, despite U.S. semiconductor sanctions, is both impressive and surprising. Meanwhile, American tech giants Microsoft and Meta have spent billions developing their own Large Language Models (LLMs). A key question remains: would DeepSeek have been created if ChatGPT hadn't set the groundwork first? While Microsoft and Meta’s investments in AI have been massive, their large user bases make it easier to monetize these projects. As Mark Zuckerberg, CEO of Meta, put it, their goal is to be the best and the first, with monetization following afterward. This approach has worked for Meta, as they now operate a platform with over 3.5 billion active users (the world population is 8 billion, or 7 billion if you exclude China, where foreign social media is banned). In its latest earnings report, Meta reported revenue of $48 billion, representing a 21% increase compared to the same period in the previous year. It is fair to say they know both how to spend money and make it.

We don’t believe DeepSeek’s launch poses a serious threat to Microsoft or Meta. If anything, it affirms that these companies are heading in the right direction, especially with the potential for another billion active users in China. This growth will drive an increase in demand for hardware, and the competition will only intensify as AI evolves from chatbots to full self-driving and humanoid robots.

Combined top 15 equity holdings as of January 31st, 2025 of the Assante Private Portfolios 40i60e Standard portfolio with Alphastyle exposure:

1. Microsoft Corporation 2. Amazon.com, Inc. 3. Royal Bank of Canada 4. NVIDIA Corporation 5. Meta Platforms Inc Class A	6. Brookfield Corporation 7. Alphabet Inc. Class A 8. Apple Inc. 9. WSP Global Inc. 10. Enbridge Inc.	11. UnitedHealth Group Incorporated 12. Canadian Natural Resources Limited 13. Bank of Montreal 14. JPMorgan Chase & Co. 15. Suncor Energy Inc.

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