

■ First to Market

January 28, 2025

Much Seeking Leads to Deep Worries

A daily market update from FS Insight – what you need to know ahead of opening bell.

“My position is that America is great precisely because it is an open society, and an open society recognizes that nobody is the ultimate arbiter – and that we may be wrong at times, even if we are powerful.” – George Soros

Overnight

The Day DeepSeek Turned Tech and Wall Street Upside Down [WSJ](#)

DeepSeek Chief’s Journey From Math Geek to Global Disruptor [WSJ](#)

Why Nvidia investors are spooked by Chinese AI upstart DeepSeek [FT](#)

DeepSeek Undercuts Belief That Chip-Hungry U.S. Players Will Win AI Race [WSJ](#)

DeepSeek a ‘wake-up call’ for US tech firms, Trump says [BBC](#)

UK raises cloud competition concerns, names Microsoft and Amazon as dominant players [CNBC](#)

Trump administration’s early immigration moves risk bipartisan pushback [SEM](#)

Boeing reports its second-biggest annual loss after tough 2024 [FT](#)

Short seller Andrew Left seeks to dismiss U.S. fraud case, filing shows [CNBC](#)

Fed’s Tariffs Response Hinges on Where Americans Think Prices Are Headed [WSJ](#)



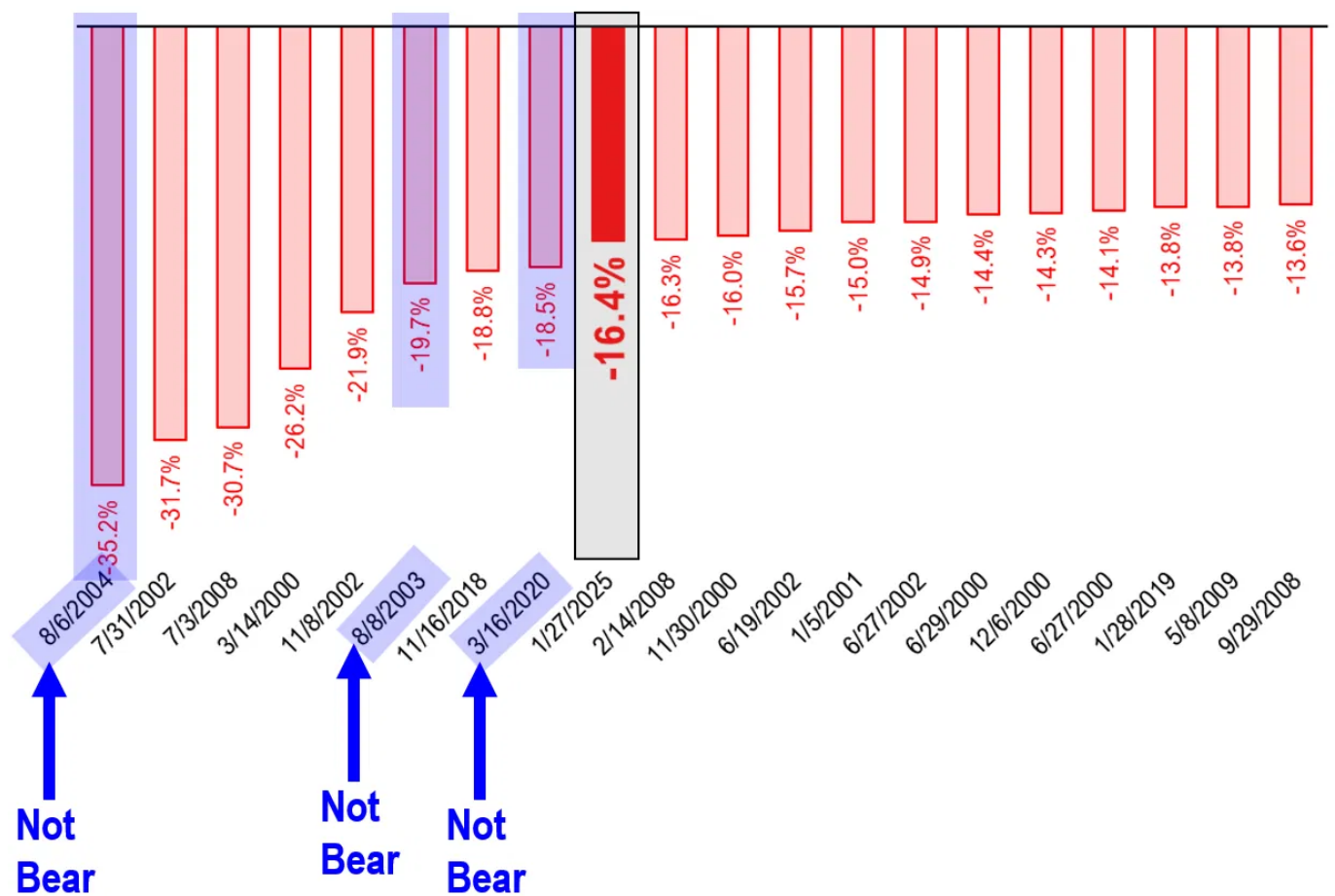
Scott Bessent pushes gradual 2.5% universal US tariffs plan [FT](#)

US Senate confirms Pete Hegseth as defense secretary [SEM](#)

Norway is set to become the first country to fully transition to electric vehicles [CNBC](#)

Chart of the Day

NVDA: 9th largest ever single day decline



Overnight

S&P Futures +23 ▲ point(s) (+0.4% ▲)



Overnight range: -14 ▼ to +26 ▲ point(s)

APAC

Nikkei -1.39% ▼
Topix -0.04% ▼
China SHCOMP flat
Hang Seng +0.14% ▲
Korea flat
Singapore +0.11% ▲
Australia -0.12% ▼
India +0.56% ▲
Taiwan flat

Europe

Stoxx 50 +0.49% ▲
Stoxx 600 +0.72% ▲
FTSE 100 +0.59% ▲
DAX +0.64% ▲
CAC 40 +0.5% ▲
Italy +0.5% ▲
IBEX +1.04% ▲

FX

Dollar Index (DXY) +0.49% ▲ to 107.86
EUR/USD -0.59% ▼ to 1.043
GBP/USD -0.44% ▼ to 1.2444
USD/JPY +0.57% ▲ to 155.39
USD/CNY flat at 7.2446
USD/CNH +0.34% ▲ to 7.2765
USD/CHF +0.45% ▲ to 0.9061



USD/CAD +0.23% ▲ to 1.4407

AUD/USD -0.68% ▼ to 0.625

Crypto

BTC +1.25% ▲ to 102610.29

ETH +1.05% ▲ to 3192.06

XRP +3.6% ▲ to 3.1219

Cardano +3.32% ▲ to 0.9598

Solana +1.98% ▲ to 238.55

Avalanche -0.84% ▼ to 33.91

Dogecoin +1.58% ▲ to 0.3344

Chainlink +0.63% ▲ to 24.02

Commodities and Others

VIX -2.07% ▼ to 17.53

WTI Crude +0.26% ▲ to 73.36

Brent Crude +0.36% ▲ to 77.36

Nat Gas -1.35% ▼ to 3.65

RBOB Gas +0.54% ▲ to 2.039

Heating Oil +0.08% ▲ to 2.462

Gold +0.02% ▲ to 2741.48

Silver -0.23% ▼ to 30.15

Copper +0.87% ▲ to 4.269

US Treasuries

1M -0.8bps ▼ to 4.3152%

3M -0.7bps ▼ to 4.2838%

6M -1.3bps ▼ to 4.2529%

12M -1.1bps ▼ to 4.1161%

2Y +2.9bps ▲ to 4.2238%



5Y +3.2bps ▲ to 4.3694%
7Y +3.2bps ▲ to 4.465%
10Y +3.2bps ▲ to 4.5667%
20Y +3.3bps ▲ to 4.8635%
30Y +3.2bps ▲ to 4.802%

UST Term Structure

2Y-3 ▼M Spread widened 1.6bps to -9.1 ▼ bps
10Y-2 ▼Y Spread widened 1.0bps to 34.1 bps
30Y-10 ▼Y Spread narrowed 0.1bps to 23.3 bps

Yesterday's Recap

SPX -1.46% ▼
SPX Eq Wt +0.07% ▲
NASDAQ 100 -2.97% ▼
NASDAQ Comp -3.07% ▼
Russell Midcap -0.74% ▼
R2k -1.03% ▼
R1k Value +0.32% ▲
R1k Growth -2.93% ▼
R2k Value +0.09% ▲
R2k Growth -2.06% ▼
FANG+ -3.67% ▼
Semis -9.83% ▼
Software -1.66% ▼
Biotech +0.16% ▲
Regional Banks +1.06% ▲ SPX GICS1 Sorted: Cons Staples +2.85% ▲
Healthcare +2.19% ▲
Fin +1.14% ▲
REITs +1.0% ▲
Cons Disc +0.3% ▲



Materials **+0.07%** ▲
 Energy **-0.74%** ▼
 Comm Srvcs **-0.81%** ▼
 Indu **-1.32%** ▼
 SPX **-1.46%** ▼
 Utes **-2.33%** ▼
 Tech **-5.58%** ▼

USD HY OaS

All Sectors **+9.0bp** ▲ to 303bp
 All Sectors ex-Energy **+8.3bp** ▲ to 287bp
 Cons Disc **+9.7bp** ▲ to 245bp
 Indu **+6.9bp** ▲ to 227bp
 Tech **+10.0bp** ▲ to 311bp
 Comm Srvcs **+14.3bp** ▲ to 490bp
 Materials **+9.0bp** ▲ to 278bp
 Energy **+8.5bp** ▲ to 283bp
 Fin Snr **+5.0bp** ▲ to 263bp
 Fin Sub **+2.9bp** ▲ to 193bp
 Cons Staples **+8.0bp** ▲ to 269bp
 Healthcare **+6.8bp** ▲ to 375bp
 Utes **+10.1bp** ▲ to 222bp *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
1/28	8:30AM	Dec P Durable Gds Orders	0.6	-1.2
1/28	10AM	Jan Conf Board Sentiment	105.85	104.7
1/29	2PM	Jan 29 FOMC Decision	4.5	4.5
1/30	8:30AM	4Q A GDP QoQ	2.7	3.1
1/31	8:30AM	Dec PCE m/m	0.3	0.1
1/31	8:30AM	Dec Core PCE m/m	0.2	0.11
1/31	8:30AM	Dec PCE y/y	2.6	2.4



DATE	TIME	DESCRIPTION	ESTIMATE	LAST
1/31	8:30AM	Dec Core PCE y/y	2.8	2.81774
1/31	8:30AM	4Q ECI QoQ	0.9	0.8
2/3	9:45AM	Jan F S&P Manu PMI	n/a	50.1
2/3	10AM	Jan ISM Manu PMI	48.9	49.2

MORNING INSIGHT

Good morning!

Deepseek’s release of its AI model sent investors into a panic, but we list reasons why this is overblown.

Click [HERE](#) for more.

TECHNICAL

- SPX’s Monday selloff has brought prices to within striking distance of support.
- Semiconductor weakness doesn’t yet seem complete; software likely to outperform.
- Dollar/Yen (USD/JPY) likely has begun a large selloff.

Click [HERE](#) for more.

CRYPTO

We do our best “AI expert” impression, explore how increased model efficiency impacts bitcoin miners, dive into the intersection of crypto and AI, and explain why we believe this dip is worth buying.

Click [HERE](#) for more.

First News

If only someone could have foreseen China threatening U.S. artificial intelligence supremacy.

Oh wait, they did.

During his first term, President Trump implemented [strict controls on technology-related exports](#) to China, and he imposed limits on technology-related investments linked to China as well. President Joe Biden [expanded on these controls significantly](#), and President Donald Trump is widely expected to continue this expansion during his last term.

Many criticized the effort as futile, with some warning that such actions could in fact spark larger leaps of progress in China, forcing Chinese scientists and engineers to get more creative and inventive. We saw signs of that in September 2023, when Huawei launched a smartphone powered by [a homegrown 7-nm processor](#). Western controls were supposed to have made that nearly impossible.

Not everybody was surprised. Microsoft President Brad Smith [told CNBC](#) that “[...] people who don’t go to China too often assume that they’re behind. But when you go there, you’re impressed by how much they’re doing.”

Performance by DeepSeek’s AI model rivals – and [in some ways, surpasses](#) – those being developed by the likes of OpenAI, Google, and Meta. As the [MIT Technology Review](#) argued, “Rather than weakening China’s AI capabilities, the sanctions appear to be driving startups like DeepSeek to innovate in ways that prioritize efficiency, resource-pooling, and collaboration.”

Indeed, DeepSeek's R1 model is more resource-efficient in several ways. DeepSeek reportedly used less advanced chips to develop R1. The startup's approach also likely requires far less computing time to train: R1 figures weren't immediately available, but its previous model, the V3, used about one tenth the "training compute" used by Meta's Llama 3.1 405B. Notably R1's operational cost per use is estimated between 2% and 3.7% that of OpenAI's o1.

Yet does that mean the sky over Silicon Valley is falling? Not necessarily. DeepSeek claims it used Nvidia H800 chips, a less-advanced chip that until October 2023 could be legally exported to China, but regardless of whether it used H800s or smuggled, cutting-edge H100 chips, yesterday's news could actually be seen as reinforcing the constructive thesis on Nvidia.

Also worth considering: Microsoft CEO Satya Nadella asserted yesterday that "Jevons paradox strikes again!" That's a succinct way of arguing that DeepSeek's advances in cost and efficiency could structurally increase demand for AI – a boon for tech companies all over the world, not just China. We will explore this idea in more detail in an upcoming FTM discussion about AI capex.

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