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Market Perspectives Video

Deepseek and Tariffs and Earnings, Oh My!

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What Is DeepSeek?

- DeepSeek is a Chinese AI startup, emerging as a global competitor to existing AI chatbots. It originated from the AI division of a hedge fund and focuses on efficient, low-cost innovations in generative AI.
- The DeepSeek R1 model demonstrates cutting-edge reasoning abilities at a fraction of the cost required by U.S. AI leaders like OpenAI, challenging the notion that AI advancement necessitates massive infrastructure investments.
- By leveraging efficient engineering techniques and less-advanced Nvidia chips, DeepSeek's success highlights a new competitive paradigm, challenging U.S. dominance in AI development.
- The launch of R1 triggered a \$1 trillion market downturn, creating a challenge to Big Tech's AI strategies and investment-heavy business models.

Chart 1: Tech Companies Are Spending Billions on AI Infrastructure

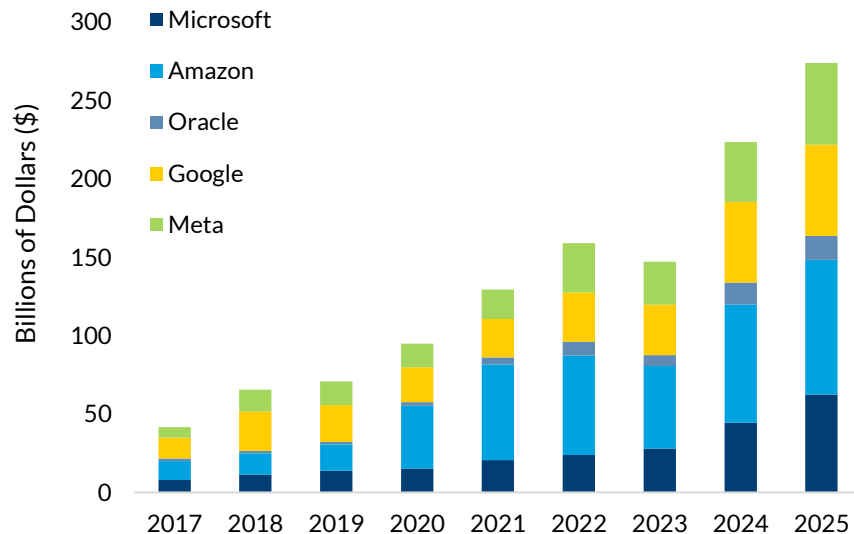
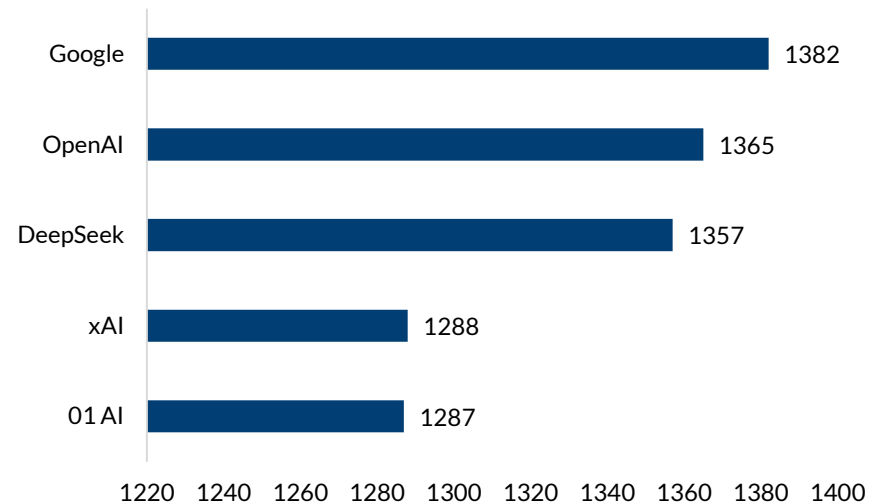


Chart 2: Chatbot Arena Community-Evaluated Scores Top 5 Models



Data current as of January 28, 2025

Sources: Chart 1: CNR Investment Management, Bloomberg, Large Model System (LMSYS), Chart 2: Chatbot Arena maintained by Berkeley Sky Lab:

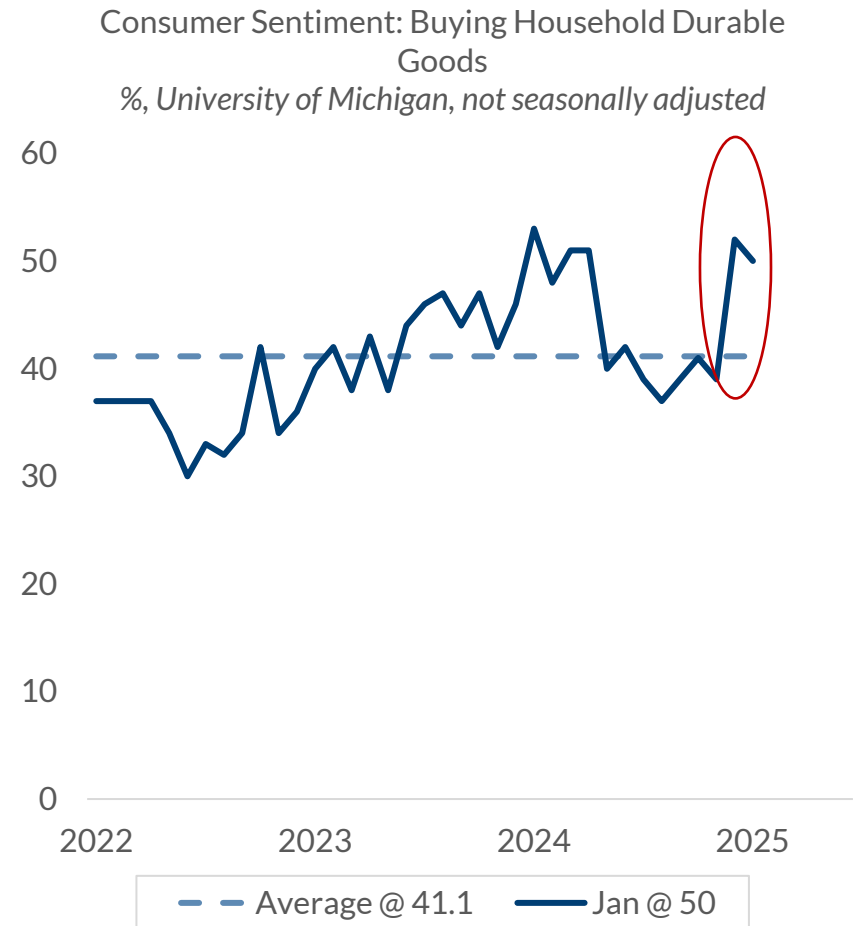
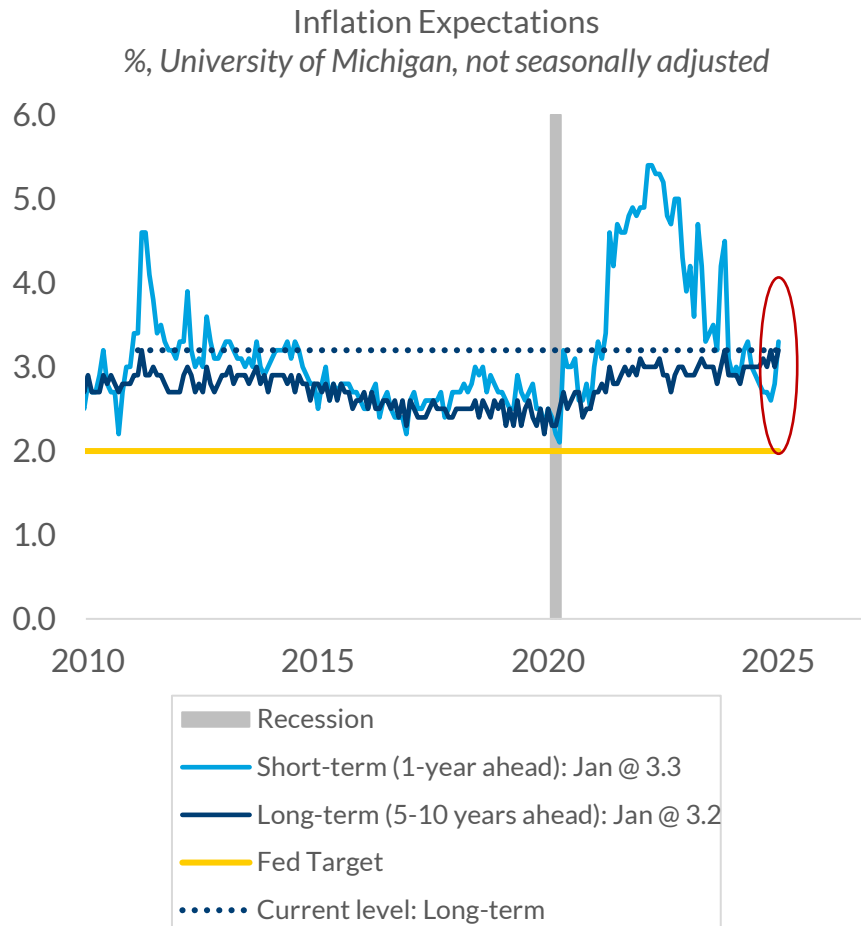
<https://lmarena.ai/?leaderboard>.

Information is subject to change and is not a guarantee of future results.



How Will Tariffs Impact The Economy

- Consumers are getting concerned that tariffs may lead to higher inflation.
- The Fed will probably “look through” an inflation jump from tariffs.
- The Fed is most concerned with inflation expectations and the economic risk of a trade war.



Data current as of January 30, 2025
 Source: University of Michigan Surveys of Consumers
 Information is subject to change and is not a guarantee of future results.



2025 Global Market Themes

Trump Administration Policy

- Tariffs
- Immigration
- Taxes
- Deregulation
- Digital Currencies
- Debt: Reduced deficit or Fiscal Expansion?

Geopolitical Tension

- U.S.-China Relations
- U.S.-Russia Relations
- U.S.-Europe Trade disputes
- Energy Security and Supply Chains
- Debt Crises & Capital Outflows

AI Acceleration

- Proof of Concept transition to large-scale deployment
- Market size is expected to show an annual growth rate of 28.46% through 2030¹
- AI adoption could add \$7 trillion to global GDP by 2030²

Equity Market Valuation

- Mega-Cap tech stocks account for 20% global market cap³
- Elevated valuations with P/E >22x³
- Federal Reserve Policy impact
- Can earnings continue to advance?

Sources: JPMorgan, FactSet, CNR Research, as of December 2024.

¹ Statista, as of December 2024.

² McKinsey & Co., as of December 2024.

³ FactSet, as of December 2024.

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Fixed Income investing strategies & products. There are inherent risks with fixed income investing. These risks include, but are not limited to, interest rate, call, credit, market, inflation, government policy, liquidity or junk bond risks. When interest rates rise, bond prices fall. This risk is heightened with investments in longer-duration fixed income securities and during periods when prevailing interest rates are low or negative.

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Index Definitions

The Standard and Poor's 500 Index (S&P 500) is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

Large Model Systems (LMSYS Corp.) is a 501(c)(3) non-profit focused on incubating open-source projects and research to make large AI models accessible to everyone by co-developing open models, datasets, systems, and evaluation tools.





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