

DeepSeek & AI investing

Short-term panic. Long-term lessons.



The frenzied selloff following the news about DeepSeek’s advances in artificial intelligence (AI) was an over-reaction, but one with valuable lessons for investors.

Those are two key conclusions from the latest Raymond James Investment Management webinar on AI and the future of investing.

“If the cost keeps going down, the usage becomes very, very easy. If you look at the cost of intelligence going all the way down to zero, you should start to use AI in almost every aspect of your daily life. So you’ll see a lot more usage over time.”



Shobit Varshney
Senior Partner and Vice President
Americas AI Leader
IBM Consulting

“It’s good for the market to think about, ‘Hey, what am I really paying for? Am I just buying things randomly because it is an AI theme or are we really thinking it through and understanding where the next leg of beneficiaries are going to come from?’”



Tariq Siddiqi, CFA
Senior Research Analyst
Eagle Asset Management

Key takeaways

- Panelists still see AI as a long-term investment opportunity.
- That’s because, according to the economic concept known as Jevons paradox, the emergence of better and more efficient AI models should be expected to drive even more use of AI.
- That, in turn, is expected to continue to drive a broad range of AI-related capital expenditures (capex).
- The bottom line: DeepSeek reminds investors not to invest blindly in AI, but to be selective.

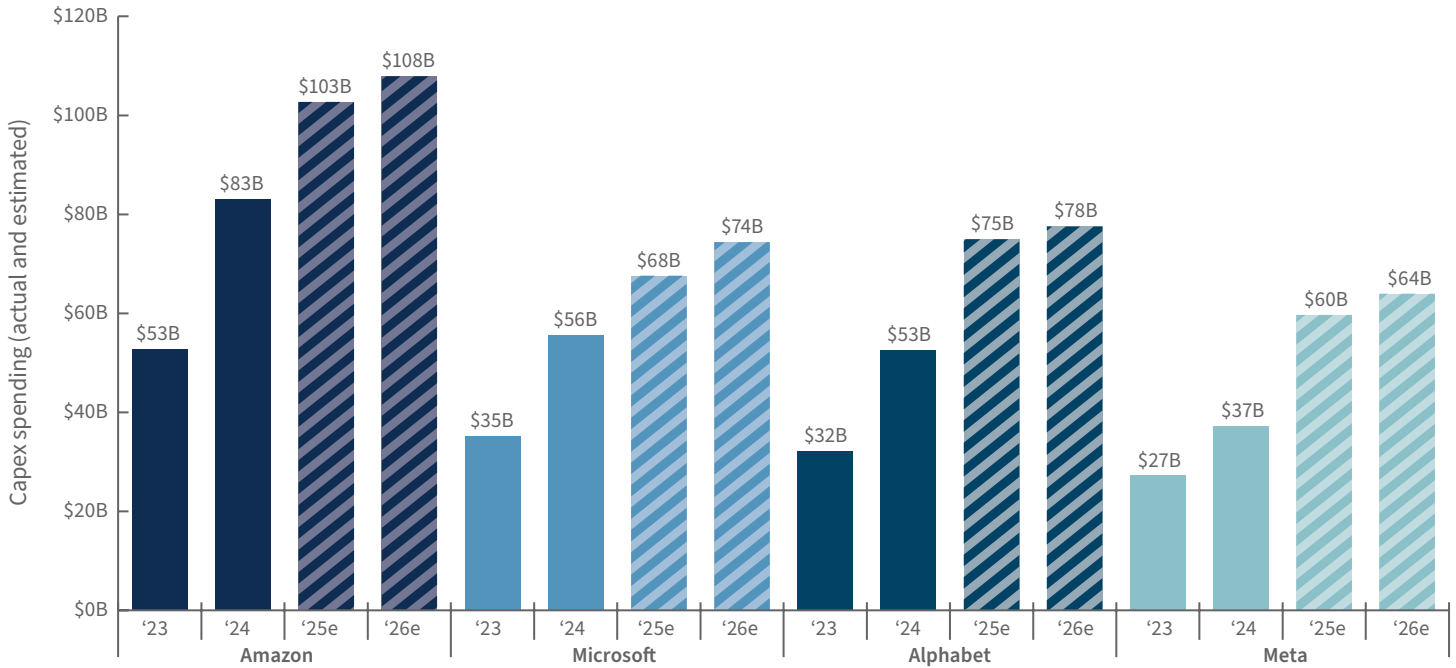
After DeepSeek, “there was a concern that the demand would disappear. That’s not the case. There’s still going to be a shortage of electricity and the various components for these data centers. There are backlogs for all of those manufacturers. That has not changed at all.”



Frank Sustersic, CFA
Senior Portfolio Manager
Chartwell Investment Partners

From \$147B in 2023 to \$306B in 2025, the AI arms race continues

Hyperscaler historical capex vs. forward estimates



Source: Bloomberg, as of 2/28/2025. Capital expenditures for individual companies tracked by Bloomberg
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[Watch the full discussion now](#)

Full webinar replay available online

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Definitions

Capital expenditures, or capex, are monies used by a company to buy, improve, or maintain physical assets such as real estate, facilities, technology, or

equipment, and may include new projects or investments.

DeepSeek is a Chinese artificial intelligence startup that in January 2025 became a leading free downloadable app in the United States. This followed DeepSeek's announcement that its AI model performed as well as market-leading models, and that it was developed at a significantly lower cost. This led to a selloff of well-known U.S. technology stocks on Jan. 27, 2025.

Hyperscalers refers to the largest cloud computing providers that can provide massive amounts of computing resources and storage at enterprise scale.

The Jevons paradox describes what happens when technological improvements aimed at raising the efficiency and/or reducing the cost of using a particular resource lead to a more widespread adoption and a greater use of the resource. The paradox is named for English economist William Stanley Jevons, who studied coal-burning technologies in the 19th century and concluded that advancements in technology would not necessarily reduce consumption of coal.

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Raymond James Investment Management is a global asset management company that combines the exceptional insight and agility of individual investment teams with the strength and stability of a full-service firm. Together with our boutique investment managers – Chartwell Investment Partners, ClariVest Asset Management, Cougar Global Investments, Eagle Asset Management, Reams Asset Management, and Scout Investments – we offer a range of investment strategies and asset classes, each with a focus on risk-adjusted returns and alpha generation. We believe providing a lineup of seasoned, committed portfolio managers – spanning a wide range of disciplines and investing vehicles – is the best way to help investors seek their long-term financial goals.

About Eagle Asset Management

Eagle Asset Management provides a broad array of fundamental equity and fixed-income strategies designed to meet the long-term goals of institutional and individual investors. Eagle's multiple independent investment teams have the autonomy to pursue investment decisions guided by their individual philosophies and strategies.

About Chartwell Investment Partners

Chartwell Investment Partners believes that actively managed strategies with high conviction and lower turnover will generate a consistent pattern of portfolio returns over the long term. Our portfolio managers take a long-term perspective with their investments, maintain focused portfolios, and strive for increased active share of their holdings to deliver attractive investment performance.