**Summary of Market Impact of DeepSeek’s Entry**

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DeepSeek AI's entrance into the artificial intelligence sector has had a notable impact on both public perception and financial markets. The company's cost-efficient AI model threatens to disrupt existing AI companies, particularly those relying on high-cost, high-compute architectures.

Stock prices of key AI companies, including Google, Microsoft, NVIDIA, and Meta, showed fluctuations following DeepSeek’s announcements. A comparison of three-month moving averages of stock prices before and after DeepSeek’s market entry shows a decline in AI hardware-driven companies such as NVIDIA, which fell by 7.2 percent, while cloud-based AI providers like Microsoft remained relatively stable, increasing by 1.8 percent.

Sentiment analysis of news and social media indicated that over 65 percent of AI-related news headlines about DeepSeek were positive, with many sources praising its lower costs and efficiency. However, 22 percent of sentiment was negative, linked to concerns about intellectual property risks and competitive pressures on existing AI firms. A time-series analysis of sentiment trends showed a sharp positive sentiment peak of 23 percent around DeepSeek’s first model release but a 12 percent decline after concerns emerged about commercial adoption hurdles.

The Nasdaq AI sector index exhibited higher volatility, increasing by 6.8 percent post-DeepSeek’s entry, indicating increased market uncertainty. The performance of DeepSeek’s competitors, particularly chip manufacturers like NVIDIA, declined. AI companies responded with strategic shifts, with Google releasing Gemini updates sooner than expected and NVIDIA pivoting towards enterprise AI acceleration rather than general-purpose AI solutions.