



Written by [Paul Dragu](#) on January 27, 2025

Chinese AI Company Triggers Record U.S. Stock Market Selloff

Concern over the arrival of powerful and cheap Chinese artificial intelligence (AI) software triggered a record selloff in the U.S. stock market on Monday.

Shares of Nvidia Corp., a semiconductor maker, plunged more than [16 percent](#) Monday. This wiped out about \$465 billion from the company's market capitalization. "That eclipsed the previous record — a 9% drop in September that wiped out about \$279 billion in value — and was the biggest in US stock-market history," *Bloomberg* [reported](#).



AP Images

Moreover,

The drop rippled through the rest of the market due to how much weight Nvidia has in major indexes. Including Monday's slump, Nvidia selloffs have caused eight of the top ten biggest one-day drops in the S&P 500 Index, based on market value.... The S&P 500 fell as much as 2.3% early Monday and the Nasdaq 100 tumbled as much as 3.6% before paring the drop.

DeepSeek

Stocks fell due to worries that U.S. companies put too much money into AI. Indeed, the Chinese firm DeepSeek seems to have capabilities comparable to Western chatbots at a much lower cost. DeepSeek released its latest model last week. It is widely perceived as competitive to those of U.S.-based OpenAI and Meta Platforms. It has created low-cost AI models that don't need the most advanced chips. DeepSeek has hit the top of the U.S. app download rankings.

"Nvidia has been the biggest beneficiary of the influx in spending on AI because they design semiconductors used in the technology. While that heavy spending looks poised to continue, investors may be more wary of rewarding companies that aren't showing a sufficient return on the investment," according to *Bloomberg*.

Stargate

There's been a lot of activity in the AI realm. On Friday, Facebook and Instagram parent company Meta announced plans to increase spending on AI projects by around half, to as much as \$65 billion. Before that, OpenAI, Softbank, and Oracle announced a \$100 billion joint venture called Stargate to build data centers and AI infrastructure in the United States.

AI competitiveness was a concern for the former White House administration, and it is for the Trump administration as well.



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Last Thursday, Trump signed an [executive order](#) designed to remove barriers to American dominance of AI. “This order revokes certain existing AI policies and directives that act as barriers to American AI innovation, clearing a path for the United States to act decisively to retain global leadership in artificial intelligence,” the order says.

Trump intends to remove any energy or social-engineering barriers to U.S. AI dominance put in place by the people running the Biden administration.



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