Why is DeepSeek a threat? Surely it is a client

NVIDIA's Predominant Role as a Chip Manufacturer

NVIDIA's dominance in AI is not just due to its GPUs but also its integration of hardware and proprietary software ecosystems. By combining chips with software like CUDA, TensorRT, and AI frameworks, NVIDIA ensures its GPUs remain the go-to hardware for training and inference tasks. If Deep Seek is a client, the natural assumption would be that it relies on NVIDIA's GPUs to function effectively. However, if Deep Seek is innovating in ways that challenge or bypass NVIDIA's ecosystem, the threat becomes clear.

Why Deep Seek Could Be a Threat to NVIDIA

Hardware Independence: If Deep Seek develops algorithms or AI models optimized for hardware other than NVIDIA GPUs (e.g., AMD GPUs, Google TPUs, or custom accelerators), it could disrupt NVIDIA's dominance. If Deep Seek scales without NVIDIA hardware, it weakens NVIDIA's grip on the AI market.
Competition in Software: If Deep Seek operates in areas NVIDIA is trying to dominate (like AI platforms, deep learning pipelines, or simulation software), it could provide alternatives to NVIDIA's AI software stack. This might lead clients to adopt a different ecosystem altogether.
Strategic Shift by Partners: If a client like Deep Seek shifts to alternative hardware or develops its own chips (a trend among AI companies, as seen with OpenAI, Amazon, and Google), it threatens NVIDIA's core revenue from hardware sales. For instance, Deep Seek could foster competition between NVIDIA's rivals.

Possible Scenarios

If Deep Seek partners with NVIDIA's competitors (like AMD or Google), it could drive innovation away from NVIDIA GPUs, eroding its market share.
Deep Seek might also be developing proprietary technologies to reduce its reliance on GPUs altogether, such as leveraging AI accelerators or cloud-based inference platforms.
Why It's a Threat Despite Being a "Client"
Clients like Deep Seek aren't traditional customers—they are highly innovative entities. If Deep Seek becomes less dependent on NVIDIA's hardware or software, it could set an industry precedent, encouraging other companies to follow suit. This reduces NVIDIA's dominance in both chip manufacturing and its adjacent software ecosystem.

Despite the maxim of "don't catch a falling knife", I remain confident that the results to be released plus the pipeline of work ahead of existing dominant players such as NVIDIA presents an opportunity. Goldman Sachs release today forecasts Magnificent 7 to post 18% earnings growth this year, and 16% in 2026 compared to 33% in 2024. How many other stocks present those opportunities!