

## A Cooling AI Rally – or Just the End of Chapter One?

The AI-fueled stock market rally that dominated much of 2023 and early 2024 began showing signs of fatigue in late 2024. By January 2025, momentum waned significantly following the release of Deepseek R1. On Jan 20th, an open-source AI model that shifted the narrative around AI's near-term potential. Investor sentiment, as tracked by behavioral signals like StockSnips, showed a clear downward trend starting in November 2024—intensifying post-Deepseek. The rally's core beneficiaries—semiconductor giants like Nvidia and key infrastructure providers such as Microsoft, Google, and Meta—began to face a fundamental reset in growth expectations in light of faster commoditization, global competition, and macroeconomic uncertainty.

### Nvidia Chart: Sentiment vs. Price (Apr 2024 – Mar 2025)



Source : StockSnips: 01 April 2025

This chart tracks Nvidia's stock price (orange) alongside investor sentiment, measured both daily (gray) and smoothed over 50 days (blue).

- Sentiment began declining in mid-2024, diverging from the continued price strength through late summer.
- The release of Deepseek R1 in January 2025 marked a clear inflection point, with sentiment dropping more sharply and price momentum weakening.
- This illustrates growing skepticism around the long-term upside of AI infrastructure plays, despite strong performance in the prior rally.

## Global Uncertainty & The Race Toward AGI Infrastructure Fatigue & The Shift to Applied AI

The softening of AI leadership has rippled across the broader ecosystem—impacting not only high-profile chipmakers, but also the full stack of infrastructure providers. This includes semiconductor designers and manufacturers, cloud platforms, network hardware companies, data center REITs, utilities, and security software vendors.

As initial excitement fades, market attention is shifting toward companies integrating generative AI directly into their product suites. This “next wave” of the AI trade includes firms like Adobe, Salesforce, Microsoft, Google, and Meta—businesses with deep enterprise relationships and the scale to embed AI into everyday workflows. These companies may prove more resilient, benefiting from consistent demand as generative AI becomes embedded in core business processes.

Yet this evolution unfolds within a challenging macro environment. Geopolitical tensions and tariffs have introduced new layers of volatility—making it harder to disentangle a slowdown in AI enthusiasm from broader concerns around inflation, growth, and monetary policy.

Looking ahead, the battleground is evolving once again. The focus is moving beyond large language models (LLMs) toward Artificial General Intelligence (AGI)—AI systems capable of human-level reasoning and learning. Tech giants such as Microsoft, Google, Meta, OpenAI, and X.ai are investing heavily in this frontier, with Chinese competitors racing to keep pace.

Futurist and AI pioneer Ray Kurzweil predicts that AGI will be achieved by 2029, with “singularity” arriving by 2045—defined as:

**“A hypothetical moment in time when artificial intelligence and other technologies have become so advanced that humanity undergoes a dramatic and irreversible change.”** In simpler terms: the moment when machine intelligence surpasses the average human—reshaping industries, societies, and economic structures in the process.

### What This Means for Investment Committees

As you prepare for Q2 investment reviews and rebalance conversations, consider the evolving structure of AI exposure:

- Is your current allocation heavily tilted toward the initial wave of infrastructure winners?
- Are you incorporating second-phase opportunities—platforms embedding AI into core enterprise workflows?
- How do macro risks (e.g., tariffs, inflation, global tech rivalries) impact the assumptions underlying your current positioning?

This quarter offers a moment to reassess not just how AI is priced in, but how it's evolving. True disruption is rarely linear—and the shift from hype to deployment could bring both volatility and opportunity.

For further reading:

[🔗 Goldman Sachs: AI Infrastructure Stocks Poised to Be Next Phase](#)

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## About StockSnips

Founded by leading AI & Data Science experts StockSnips, headquartered in Pittsburgh, is a Delaware C Corporation and an SEC registered Investment Advisor providing active, AI-powered portfolios & ETFs that leverage proprietary investor sentiment signals derived from large volumes of financial news stories. A blend of proprietary AI technology uniquely combines advanced Natural Language Processing, Data Science and Neural Networks to serve the emerging needs of investors & leverages AI in portfolio construction & management.

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