

# China Solar Sector

Rating: **Neutral**

## Weekly Pricing Snapshot – Installation demand in overseas markets cooling down

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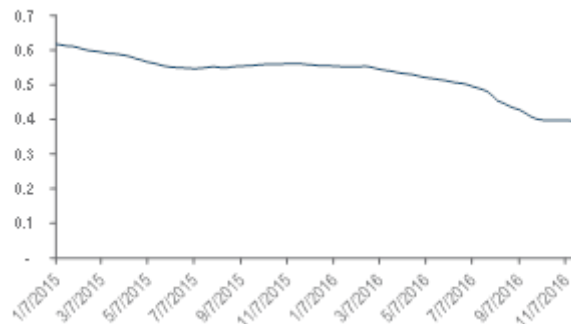
### What's new:

Global spot prices for major solar products retreated slightly this week, dragged down by weakness in the US and EU. Multi solar module ASP was down 1.02% WoW to USD0.389/w. Multi solar cell ASP declined 1.73% WoW to USD0.227/w. Multi solar wafer ASP was 1.37% lower WoW to USD0.650/piece while polysilicon ASP was intact at USD14.61/kg. Processed solar glass ASP in China remains unchanged at the low level of CNY27.5/m<sup>2</sup>.

### Our comments

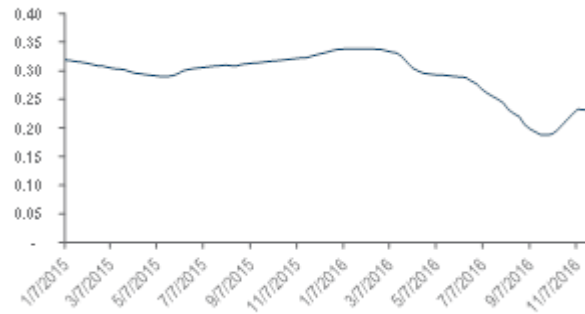
- **Cooling demand outside China dragged down module/cell prices.** Although the product demand in China remained fairly stable during the week, cooling demand in the US, EU and India, partially due to solar installations slowing ahead of the holiday season, has led to strengthening price competition in solar module/cell markets outside China, dragging down global prices by 1.02% and 1.73% WoW respectively.
- **Leading Chinese multi wafer suppliers adjust down price quotes for December.** During the week, top tier multi wafer suppliers officially lowered their price quotes for December given the ASP outlook for multi module/cell in the near term is weaker than expected. Lower-tier players in the market are likely to follow the adjustments in order to stay competitive. Thus, we think the recovery of wafer prices since October has ended for now, unless there is a meaningful pickup in downstream demand.
- **Polysilicon ASP remained resilient in the near term.** As we expected, polysilicon prices remained resilient during the week, given China's review against Korean polysilicon suppliers. However, given the weakening prices down the value chain, Chinese polysilicon suppliers were not able to raise their price quotes.
- **Xinyi's new solar glass capacity commenced operation as scheduled.** Processed solar glass ASP remained stable at its low level of CNY27.5/m<sup>2</sup> in China during the week despite Xinyi Solar (968 HK, HKD2.66, Outperform[2]) bringing its new production line in Anhui online as scheduled. We believe the impact of new capacity on solar glass ASP will start to be felt in the next two weeks or so.

### Multi module ASP (USD/w)



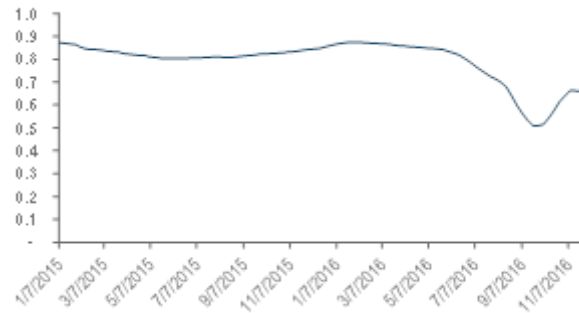
Source: PVinsights, Daiwa

**Multi cell ASP (USD/w)**



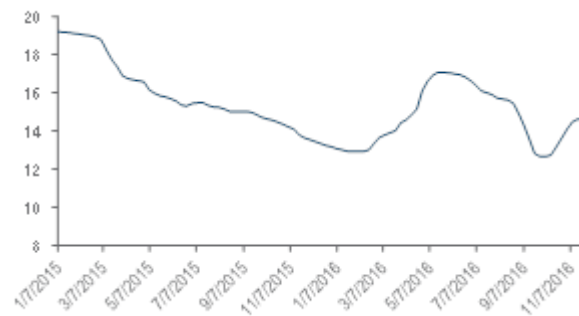
Source: PVinsights, Daiwa

**Multi wafer ASP (USD/w)**



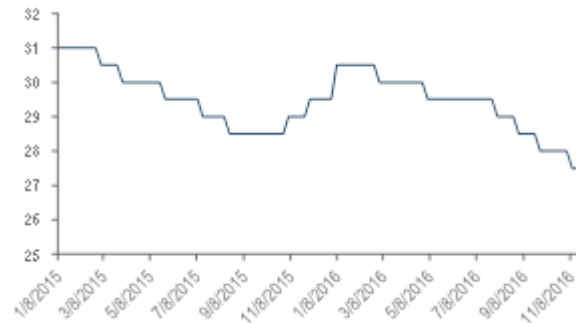
Source: PVinsights, Daiwa

**Polysilicon ASP (USD/kg)**



Source: PVinsights, Daiwa

**Solar glass ASP (CNY/m<sup>2</sup>)**



Source: PVinsights, Daiwa

**What we recommend:**

We believe visibility for China's solar sector is low at the moment. The proposed tariff cut would bring market consolidation in the solar upstream and downstream markets and eliminate the high-cost players, in our view. We have an Outperform (2) rating and a 12-month SOTP based TP of HKD3.20 for Xinyi Solar (968 HK, HKD2.66, Outperform) for its cost advantage in downstream solar farms development and undemanding valuation of 7x 2017E PER. We have a Hold (3) rating and a 12-month SOTP based TP of HKD1.08 for GCL-Poly (3800 HK, HKD1.04, Hold). The main upside risk to our call is stronger-than-expected installation demand in China while the downside risk is lower-than-expected FiT for solar power for 2017.

In the interests of timeliness, this document has not been edited.

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Sell***	14.8%

Source: Daiwa

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