



Solar stocks rally on long-term growth prospects; Solar largely shakes off pandemic; China's transition to subsidy-free solar is progressing well

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Solar Index Performance

The MAC Global Solar Energy Stock Index, the tracking index for the Invesco Solar ETF (NYSE ARCA: TAN), has rallied sharply during 2020 and posted a new 9-year high in September. The Index is up 97% on a year-to-date basis, adding to the rise of +67% seen in 2019.

The MAC Solar Index earlier took a sharp hit, along with the rest of the stock market in early 2020, on the emergence of the Covid pandemic. However, the Index has more than regained the early-2020 pandemic losses to rally to a new 9-year high.

Bullish longer-term factors for solar stocks include (1) the strong global solar demand picture that has resulted from the fact that solar has now reached unsubsidized grid parity in more than two-thirds of the world, (2) the stabilization of solar cell and module prices in 2019-20 that helped the profitability of solar manufacturers, (3) the pairing of solar with large-scale battery systems to provide a 24/7 electricity solution, (4) broadening solar growth in India, Turkey, Latin America, Middle East, and Southeast Asia, and (5) strong demand for renewable energy as countries seek to meet their carbon-reduction targets under the Paris COP21 global climate agreement.

Bearish longer-term factors for solar stocks include (1) the Covid pandemic that has hampered solar planning and installations, (2) the transition in China to unsubsidized solar by next year, (3) the continued negative effect on U.S. solar from the Section 201 tariff on imported cells and modules that took effect in February 2018, and (4) the obstacle to India's solar growth from the government's safeguard tariff on solar modules.

Solar stocks rally on long-term growth prospects

Solar stocks since spring 2020 have rallied sharply due to (1) the overall recovery in global stocks seen since the pandemic-induced dip in spring 2020, (2) the realization that solar is emerging as a key solution to climate change as it progressively becomes the cheapest source of new electricity generation and is paired with battery storage for 24/7 electricity, (3) the polls showing that former Vice President Biden is ahead for the November 3 U.S. presidential election, who has an aggressive clean energy agenda, and (4) a huge European renewable energy push to stimulate the pandemic-ravaged economy and to meet the Paris climate goals.

The Covid pandemic caused a temporary pause in solar growth in spring 2020, but the global solar industry has already shaken off the weakness in most areas and is still expected to show growth for

2020 as a whole. Despite the pandemic, Bloomberg New Energy Finance (BNEF) is forecasting that global solar installs in 2020 will grow by +8% to 127 gigawatts (GW) from 118 GW in 2019.

Solar growth is currently running strong in China and the U.S., and in many other countries around the world. China's solar installs in 2020 will grow by +21% to 44.1 GW, and U.S. solar installs will also grow by +21% to 13.4 GW, according to BNEF.

Meanwhile, European solar installs in 2020 are expected to be flat as pandemic restraints hold back what would otherwise be strong solar growth in Europe. India's solar installs are expected to fall due to the pandemic and other issues such as India's tariffs, delays in subsidy payments, and grid connection delays.

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