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China AI Foundation Model | Asia Pacific

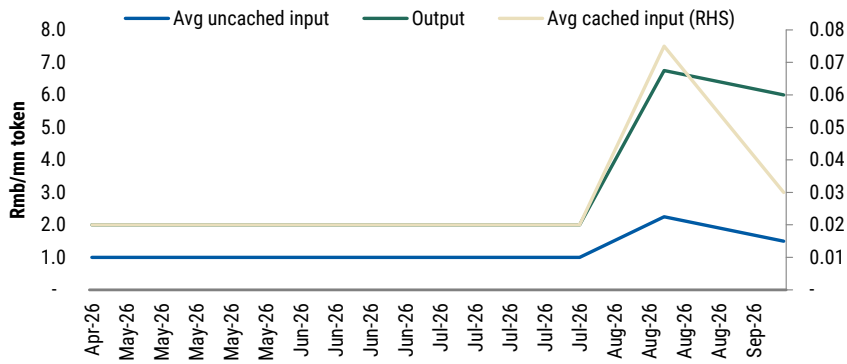
Our View on DeepSeek V4 Flash Price Cut

Key Takeaways

- We view the price cut as likely driven by (1) competition from Qwen3.8-flash and GLM5.3-flash launched in Aug and (2) the upcoming DS V4.1 Flash launch.
- Parallel model lines—pairing expensive, high-quality pro with cheap, fast flash—are becoming the standard LLM product strategy.
- Despite the cut, DS V4 flash remains pricier than at its Apr launch and also more expensive than Qwen3.8-flash and GLM5.3-flash.
- While price competition may intensify in flash models, gross margin remains critical. Hence we don't expect an undisciplined war.

On Sep 9, DeepSeek announced price cuts for DS V4 Flash effective Sep 10. Off-peak hour prices will fall as follows: (1) cached input down 60% to Rmb0.02/mTok, (2) uncached input down 33% to Rmb1/mTok, and (3) output down 11% to Rmb4/mTok. Meanwhile, the peak hour price, set at twice the off-peak rate, is also lower than before.

Exhibit 1: DS V4 Flash price trend



Source: Company, Morgan Stanley Research. Input price averaged with peak and off-peak hour

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GREATER CHINA IT SERVICES AND SOFTWARE
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Exhibit 2: Major China flash LLM comparison

AI lab	Alibaba	Z.ai	DeepSeek		
Model	**Qwen3.8-flash**	**GLM-5.3 Flash**	**V4-flash (initial)**	**V4-flash (pre-cut)**	**V4-flash (post-cut)**
Release date	Aug-26	Aug-26	Apr-26	Aug-26	Sep-26
License	Qwen Community License 1.0	MIT	MIT	MIT	MIT
Total parameter (B)	125	320	284	284	284
Context window (K)	1000	1000	1000	1000	1000
API price (Rmb/mn tokens)					
Input (uncached)	1.00	0.40	1.00	2.25	1.50
Input (cached read)	n.a	0.12	0.02	0.08	0.03
Output	3.00	1.40	2.00	6.75	6.00
AA Intelligence Index	56	57	52	52	52

Source: Company, Morgan Stanley Research. Input price averaged with peak and off-peak hour



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Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	559	15%	93	10%	17%	216	12%
Total	3,694		939			1754	

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