

Battery Metals Market Signals

Bull

- Lithium carbonate experienced continuous price drops last week. The main futures contract Jul25 in GFEX once reached the lowest level since its listing at 68,000 yuan/ton and then rebounded sharply from the oversold situation. Last week, the price of lithium carbonate decreased by 3.4% to 71,300 yuan/ton. The price of lithium hydroxide remained largely unchanged. According to the cost curve of lithium carbonate in 2024, a cost lower than 70,000 yuan/ton will squeeze out approximately 27% of the global lithium carbonate production capacity.
- There was a significant increase in the resumption of production of lithium hydroxide at the beginning of April. However, due to the reduced demand in the early stage, some production enterprises have switched to producing lithium carbonate. SMM expects that the production volume of lithium hydroxide in April will be the same as that in March, and the year-on-year decrease is close to 30%.
- After the Donald Trump administration imposed high tariffs on China, there was a period of tariff exemption for other countries, as well as exemption items for some commodities globally, which included some high-tech products exported from China. Therefore, the market regarded this as a turning point in the trade war. Some market participants believe that after the trade disputes, the situation will gradually move towards normalization and an improvement period of order. The US accounts for about 9.5-10% of the global demand for lithium carbonate. Therefore, the previous price drop may have fully reflected the expected decrease in demand brought about by the tariffs.
- After a round of price drops in spodumene, the production margin of lithium salts emerged again.
- Due to the lack of relevant industries in some countries in the US and Europe, cathodes are within the scope of tariff exemption.
- Although the price of cobalt salts has been stable recently, there is still a large amount of pre-purchase demand to deal with the possible variables in the subsequent exports from the DR Congo.
- In March, the production volume of electrolytic cobalt was 5,400 tons in China, a month-on-month decrease of 2.9%, still a year-on-year increase of 114%. In addition to the power battery sector, the demand for cobalt is also driven by the growth of the domestic 3C market.

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Bear

- According to the comprehensive estimates of security houses and investment banks, the combined result of multiple tariffs on power batteries and energy storage batteries is 132-135%, while the highest tariff rate for both in 2024 was 25%. China battery manufacturers believe that the impact is limited because the share of direct exports to the US is limited. After the significant increase in tariffs, building factories overseas and expanding into emerging markets are both helpful for enterprises to enhance their ability to resist risks.
- Recently, power cells have been continuously forcing price cuts in China, and both lithium iron phosphate and ternary cathode materials have shown relatively weak trends. The price of lithium iron phosphate decreased by 485 yuan/ton last week. However, the overall demand of cell factories in the second quarter is stable, and it is expected that there will be no continuous price cuts in the future. The production scheduling of cell factories increased by 14% month-on-month in March, and the increase mainly came from lithium iron phosphate cells. Leading enterprises maintained a high operating rate, and it is expected that the production scheduling in April will continue to increase.
- On April 10th, SMM's weekly lithium carbonate inventory was reported to be 131,020 tons, an increase of 9.7% compared to the beginning of March. Among them, the inventory of smelters was 50,770 tons, the inventory of cathode factories was 39,696 tons, and the inventory of battery manufacturers and traders was 38,921 tons. The historical highest inventory was 132,056 tons in August 2024. The inventory of lithium iron phosphate has been continuously decreasing since the middle of March, while the inventory of ternary materials has been continuously rising in March.
- Last week, both electrolytic cobalt and cobalt salts showed a downward trend. Among them, cobalt sulfate had a relatively large decline, mainly due to the inventory goods in the market pulling down the market circulation price. In terms of cobalt tetroxide, since most manufacturers have completed inventory replenishment, the decline in new orders has led to a weakening of prices. As the inventory of cobalt chloride in the early stage has been almost completely consumed, smelters are holding the price.

Others

- As of the week ending April 11th, the weekly trading volume of lithium carbonate on the Guangzhou Futures Exchange was 890,632 tons, an increase of 398,672 tons on the week. The open interest was 326,331 tons, a decrease of 35,887 tons on the week.
- The registered warehouse warrants of lithium carbonate on the Guangzhou Futures Exchange were 28,923 tons last week, compared with 24,603 tons in the previous week.

Sources: SMM, China Passenger Car Association, Bloomberg, MySteel, China Customs

Weekly Futures Price and Open Interest Change

Open Interest /lots	Cobalt Metal	Lithium Hydro	OI WoW %	Cobalt Metal	Lithium Hydro	Price	Cobalt Metal \$/mt	Lithium Hydro \$/mt	Price WoW %	Cobalt Metal \$/mt	Lithium Hydro \$/mt
Apr-25	734	3,168	Apr-25	0.0%	0.0%	Apr-25	35,009	9,240	Apr-25	0.2%	-1.2%
May-25	834	3,000	May-25	-0.8%	-0.2%	May-25	35,340	9,500	May-25	-7.9%	-0.8%
Jun-25	705	2,983	Jun-25	-1.1%	0.8%	Jun-25	35,803	9,490	Jun-25	-7.2%	-1.5%
Jul-25	848	3,519	Jul-25	0.0%	0.0%	Jul-25	36,398	9,690	Jul-25	-9.5%	-0.6%
Aug-25	762	3,013	Aug-25	-0.7%	-0.4%	Aug-25	36,663	9,700	Aug-25	-8.8%	-0.5%
Sep-25	635	3,390	Sep-25	0.0%	-2.8%	Sep-25	36,905	9,700	Sep-25	-8.2%	-0.5%
Oct-25	602	3,354	Oct-25	-0.3%	3.2%	Oct-25	37,456	10,150	Oct-25	-7.1%	-1.0%
Nov-25	480	3,278	Nov-25	-0.4%	3.2%	Nov-25	37,501	10,150	Nov-25	-7.0%	-1.0%
Dec-25	574	2,853	Dec-25	-0.3%	3.7%	Dec-25	37,567	10,150	Dec-25	-7.0%	-1.0%
Jan-26	538	1,173	Jan-26	-1.8%	4.9%	Jan-26	37,853	10,600	Jan-26	-6.8%	-4.4%
Feb-26	460	1,128	Feb-26	-2.1%	5.1%	Feb-26	37,897	10,600	Feb-26	-6.8%	-4.4%
Mar-26	662	1,113	Mar-26	-1.5%	5.2%	Mar-26	37,942	10,600	Mar-26	-6.9%	-4.4%
Apr-26	411	350	Apr-26	0.0%	0.0%	Apr-26	38,228	11,090	Apr-26	-6.8%	-3.6%
May-26	411	350	May-26	0.0%	0.0%	May-26	38,272	10,980	May-26	-6.8%	-4.5%
Jun-26	276	350	Jun-26	0.0%	0.0%	Jun-26	38,316	11,100	Jun-26	-6.9%	-3.5%
Jul-26	280	375	Jul-26	0.0%	0.0%	Jul-26	38,912	11,350	Jul-26	-6.3%	-1.3%
Aug-26	252	375	Aug-26	0.0%	0.0%	Aug-26	38,956	11,430	Aug-26	-6.2%	-0.6%
Sep-26	312	375	Sep-26	0.0%	0.0%	Sep-26	38,978	11,500	Sep-26	-6.1%	0.0%
Oct-26	455	55	Oct-26	0.0%	0.0%	Oct-26	39,198	11,800	Oct-26	-6.3%	2.6%
Nov-26	445	55	Nov-26	0.0%	0.0%	Nov-26	39,242	11,830	Nov-26	-6.2%	2.9%
Dec-26	512	55	Dec-26	0.0%	0.0%	Dec-26	39,286	11,850	Dec-26	-6.1%	3.0%
Jan-27	392	45	Jan-27	0.0%	0.0%	Jan-27	40,014	12,650	Jan-27	-5.1%	-0.8%

Source: CME

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