

Battery Metals Market Signals

Bull

- At the beginning of last week, market was affected by the reduction of China-US tariffs, and the decline in lithium salts slowed down. The strengthening of automobile exports and broader market potentially provide some support for batteries in the second half of the year.
- During past week, the spot price of lithium carbonate fell by 2.38%, slowing down from last week's decline of 3.97%. The futures price decline on the GFDEX was 1.94%, also slowing down from last week's decline of 4.46%. The lithium hydroxide index fell by 1.16% last week, also slowing down from the previous week's decline of 2.6%. If the price of lithium carbonate falls below 60,000 yuan per ton, it potentially trigger a large number of production cuts in the lithium salt sector.
- At present, only small-scale transactions exist between traders and downstream mills. Downstream mills have low willingness to purchase, and their demand for orders is met by customer-provided materials and long-term agreements. Under the pressure of cost losses, upstream lithium salt manufacturers have a strong willingness to maintain prices.
- After the tariff reduction on energy storage exports to the US, the demand for lithium iron phosphate may correspondingly increase in May, which has become a factor favorable to the demand for lithium salt.
- Within the 90-day tariff exemption period of the latest US tariff policy on China, it potentially prompt Chinese energy storage manufacturers to rush exports, thereby increasing the demand for lithium salt.
- Production cuts at electric cobalt smelters continue, and downstream manufacturers' orders have not significantly recovered. Manufacturers still maintain a procurement rhythm of scheduling production on demand, and downstream has not seen significant inventory preparation actions.
- According to a Reuters report, a research report released by the Cobalt Institute on Wednesday predicts that the growth rate of cobalt demand will outpace supply, the surplus situation of cobalt will ease in 2024, and it will turn into a shortage in the early 2030s.

Battery Metals Market Signals

Bear

- The price of lithium carbonate ore has started to plummet, breaking below last year's low. As mines have not initiated large-scale maintenance or production cuts, the downward pressure on the entire industry chain has intensified. Currently, traders have a weak willingness to accept goods at CIF prices above \$700 per ton.
- The commissioning of overseas lithium spodumene mines has not decreased, and output is still expected to increase in the second half of the year. Therefore, the pattern of production cuts being smaller than new capacity has kept supply pressure relatively high. It is reported that lithium spodumene shipments in May are expected to be slightly higher than those in April.
- The FOB cost of major newly invested lithium spodumene mines has been lowered, leading to downward room for the CIF cost of lithium concentrate.
- The main trading purpose in the lithium carbonate futures market is to hedge and lock in spot sales cash flow. A trend-based price rebound would trigger concentrated unwinding; otherwise, the more hedging positions exist, the safer the sales channels become. As a result, if inventory pressure is not resolved, hedging demand will continue to grow. Under this trading model, marginal cost analysis becomes less effective.
- The penetration rate of NEV in China has reached a high 47.6%, and the slowdown in growth. In the energy storage battery sector, with the implementation of the new policy abolishing mandatory energy storage allocation in China, the annual shipment volume of the energy storage battery market is relatively limited.
- Last week, domestic lithium carbonate inventory increased by 351 tons week-on-week to 131,900 tons, approaching the all-time high of 132,600 tons set in August last year.

Others

- As of the week ending May 16th, the weekly trading volume of lithium carbonate on the Guangzhou Futures Exchange was 1,833,648 tons, an increase of 699,575 tons on the week, setting a new record for the largest single-week trading volume since last November. The open interest was 550,105 tons, an increase of 81,537 tons on the week.
- The registered warehouse warrants of lithium carbonate on the Guangzhou Futures Exchange were 36,624 tons last week, compared with 36,351 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
May-25	830	3,175	May-25	0.0%	0.0%	May-25	34,921	8,560	May-25	-0.1%	1.3%
Jun-25	736	3,085	Jun-25	0.0%	4.8%	Jun-25	35,825	8,300	Jun-25	0.9%	-2.9%
Jul-25	711	3,691	Jul-25	-9.7%	0.6%	Jul-25	36,685	8,400	Jul-25	1.8%	-2.9%
Aug-25	647	3,277	Aug-25	-7.8%	5.6%	Aug-25	37,919	8,440	Aug-25	5.0%	-2.4%
Sep-25	536	3,486	Sep-25	-9.6%	1.4%	Sep-25	37,919	8,430	Sep-25	4.4%	-2.5%
Oct-25	617	3,521	Oct-25	7.9%	-0.6%	Oct-25	38,801	8,740	Oct-25	2.3%	-1.8%
Nov-25	520	3,480	Nov-25	5.1%	-0.4%	Nov-25	38,801	8,740	Nov-25	2.3%	-2.6%
Dec-25	589	2,927	Dec-25	4.4%	-0.5%	Dec-25	38,801	8,740	Dec-25	2.3%	-1.8%
Jan-26	665	1,828	Jan-26	10.6%	7.0%	Jan-26	39,573	9,560	Jan-26	3.7%	0.6%
Feb-26	562	1,765	Feb-26	12.9%	7.3%	Feb-26	39,573	9,560	Feb-26	3.2%	0.6%
Mar-26	756	1,720	Mar-26	9.2%	7.5%	Mar-26	39,573	9,560	Mar-26	3.0%	0.6%
Apr-26	416	813	Apr-26	0.0%	10.0%	Apr-26	39,970	9,920	Apr-26	2.9%	0.4%
May-26	416	813	May-26	0.0%	10.0%	May-26	40,014	9,920	May-26	2.9%	0.4%
Jun-26	281	813	Jun-26	0.0%	10.0%	Jun-26	40,058	9,920	Jun-26	2.9%	0.4%
Jul-26	285	579	Jul-26	0.0%	17.2%	Jul-26	40,697	9,990	Jul-26	3.8%	-3.5%
Aug-26	257	579	Aug-26	0.0%	17.2%	Aug-26	40,763	9,990	Aug-26	3.9%	-3.5%
Sep-26	312	579	Sep-26	0.0%	17.2%	Sep-26	40,852	9,990	Sep-26	4.0%	-3.5%
Oct-26	480	217	Oct-26	0.0%	47.6%	Oct-26	41,072	9,920	Oct-26	3.6%	-7.7%
Nov-26	470	217	Nov-26	0.0%	47.6%	Nov-26	41,072	9,920	Nov-26	3.5%	-7.7%
Dec-26	537	217	Dec-26	0.0%	47.6%	Dec-26	41,094	9,920	Dec-26	3.4%	-7.7%
Jan-27	392	65	Jan-27	0.0%	0.0%	Jan-27	42,108	11,000	Jan-27	3.8%	-1.3%
Feb-27	357	45	Feb-27	0.0%	0.0%	Feb-27	42,174	11,050	Feb-27	3.8%	-1.8%

Source: CME

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