

29/7/2025

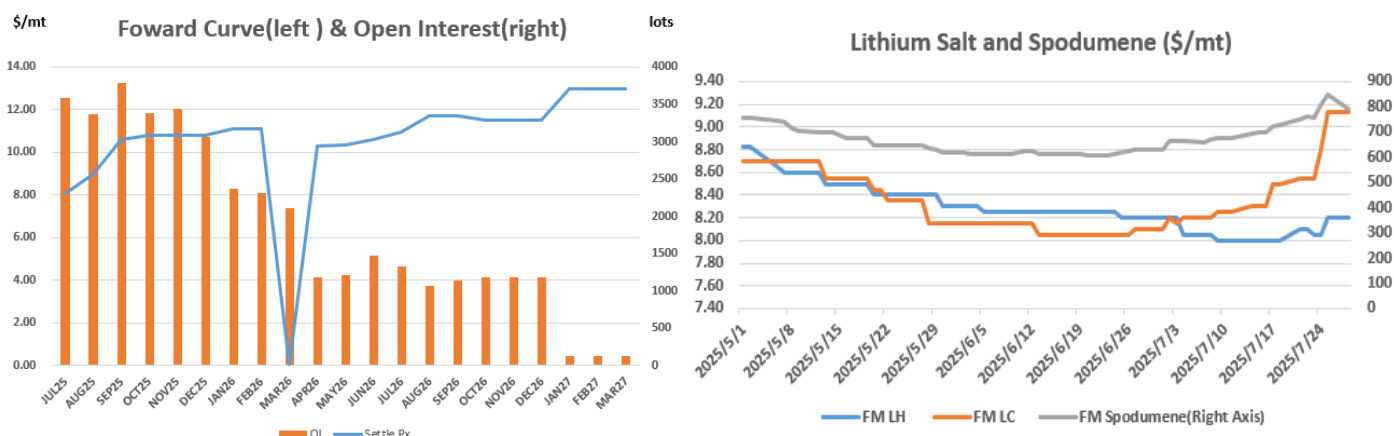
## Lithium Salt and Spodumene Market:

- ⇒ **FastMarket Lithium Hydroxide:** Our view is short-run **Neutral**. Lithium salt output and inventories remain at historically high levels. In addition, GFEX has imposed position limits to cool down speculation.
- ⇒ **FastMarket Spodumene:** Our view is short-run **Neutral**. With the rebound in lithium salt prices, the lithium mining market is also showing a bullish trend, and mining enterprises are clearly intent on maintaining the current high price level. However, the further price hike may potentially see a decline in the willingness to buy lithium ores from lithium salt producers.

Prices Movement	28-Jul	21-Jul	Changes %	FIS Sentiment
<b>FastMarket Lithium Hydroxide Monohydrate CIF China, Japan &amp; Korea (\$/kg)</b>	8.10	8.00	+1.23%	Neutral
<b>FastMarket Lithium Carbonate Spot CIF China, Japan &amp; Korea (\$/kg)</b>	9.13	8.55	+6.78%	Neutral
<b>SMM Lithium Carbonate Spot China(yuan/ton)</b>	73,737	67,741	+8.85%	Neutral
<b>FastMarket Cobalt 30% (\$/kg)</b>	12.73	12.63	+0.79%	Neutral
<b>FastMarket Spodumene min 6% Asia (\$/ton)</b>	790.0	750.0	+5.33%	Neutral

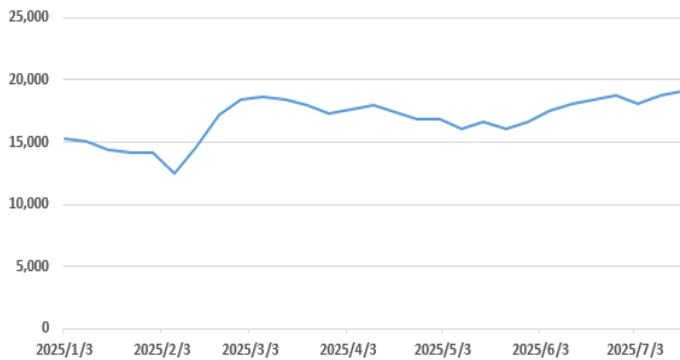
Commodities have seen excessive speculation driven by the "anti-involution" policy. As of last Friday, both open interest and trading volume of lithium carbonate on the GFEX hit record highs. The exchange has imposed restrictions on position openings. Short-term funds in the market were the first to exit. Meanwhile, commodities that had risen sharply in the earlier stage all saw similar pullbacks, including coking coal, glass, and polysilicon.

Lithium salt supply reductions and short-term cyclical impacts are relatively limited. Currently, production and inventories remain persistently high. Since mid-July, weekly lithium carbonate output has stayed at a record 188,000-191,000 tons, with inventories hitting a new high of 143,000 tons last week. No substantial upward adjustments have been seen in lithium salt long-term contract prices, limiting spot transactions' ability to drive overall market prices. Meanwhile, excessively high futures prices created cash-and-carry arbitrage opportunities, with the basis once reaching -4,500 to -5,000 yuan/ton. This triggered a surge in delivery sales, pushing GFEX warehouse receipts up 17.16% to 11,996 last week after a sustained decline.

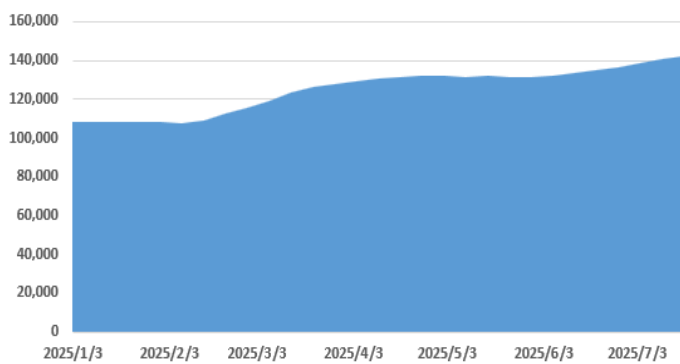


## Lithium Salt and Spodumene Market(Cont'd):

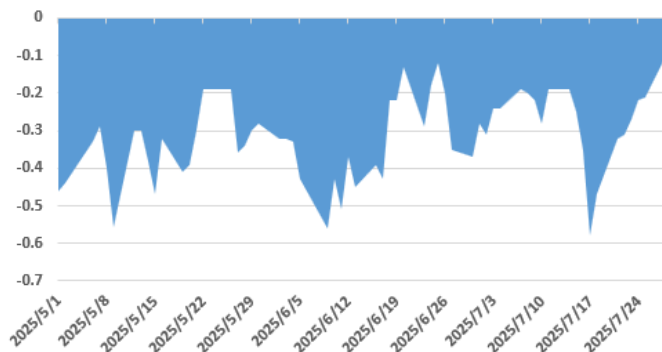
SMM Weekly Production of LC(tons)



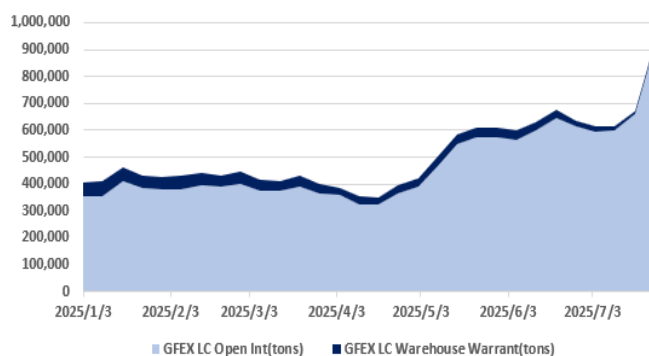
China LC Inventory(mt)



Q2-Q3 Spread(\$/mt)



GFEX LC OI&Warrents(mt)



As the market cools from overheating, key policy and market developments in this cycle include:

- Early June: China Ministry of Industry and Information Technology first proposed anti-involution regulations for automotive, photovoltaic, and energy storage sectors.
- Subsequent: Legislation announced for the Anti-Unfair Competition Law.
- Early July: Detailed measures emerged, such as phasing out outdated capacity and optimizing state-owned capital allocation.
- Mid-to-late July: Some lithium salt producers implemented short-term production cuts.

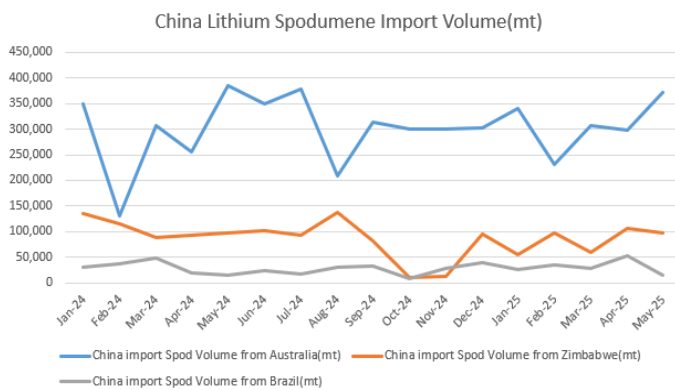
The critical variable lies in 10 Jiangxi mines. If their mining licenses are not renewed, combined with impacts from Tibet's mines, annual output could drop by up to 150,000 tons—18% of total output in theory. However, a shorter production halt would reduce the impact proportionally.

Lithium carbonate's overall cost has been gradually declining. In 2024, the marginal cost for global lithium carbonate capacity in the 0-1 million ton range stood at 58,000 yuan/ton, nearly matching the GFEX annual low of 58,200 yuan/ton that year. This cost has fallen to 43,000 yuan/ton in 2025.

Nonetheless, anti-involution measures to phasing out high-cost capacity could push up lithium carbonate's cost over the long term. As high-cost capacity exits, the remaining capacity's cost structure will shift. While near-term cost reductions are clear, future adjustments will be influenced by factors like potential supply disruptions. Stricter environmental and production standards amid industry evolution could increase cost.

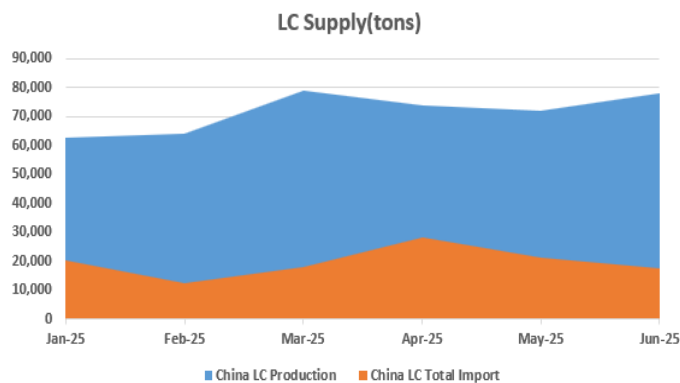
Looking at the short-term market, lithium spodumene has shown a marked effect in price support. It stopped falling in June and even surged by 18.6% at one point in July. Lithium carbonate rose by 20.11% in July. Historically, lithium spodumene has shorter price decline cycles and smaller decline magnitudes than lithium carbonate, but longer price increase cycles and larger increase magnitudes. Theoretically, lithium spodumene still has more room for growth.

## Lithium Salt and Spodumene Market(Cont'd):



Lithium salt producers' acceptance of lithium ores is continuing to expand. Some pre-purchases have emerged, shifting from a wait-and-see to a buying attitude.

The price spread between lithium carbonate and lithium hydroxide has continued to widen. As some lithium hydroxide production lines have switched to lithium carbonate production, the supply of lithium hydroxide is limited. If the market continues to pull back, the decline of lithium hydroxide may be smaller than that of lithium carbonate.



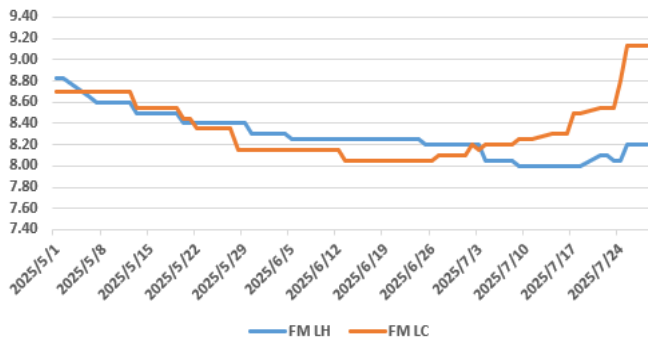
Both lithium carbonate and lithium spodumene pulled back this week, while lithium hydroxide saw no significant pullback due to its modest earlier gains. In the first half of last week, lithium hydroxide transactions were active with prices rising steadily, with some deals concluded at 11.8/ton. However, in the second half, there were prices but no transactions as buyers turned to a wait-and-see stance. The lithium spodumene market mirrored the lithium salt market. A large number of trades were made at 780/ton in the first half of the week. After the index broke through this level, buyers were muted from the market. As a result, spodumene fell from year-high at \$850/ton to \$790/ton. There is a relatively consistent view in the spot market on the ceiling prices of lithium spodumene and lithium salts.

The rolling Q2-Q3 price spread, as expected last week, fell by over \$0.1/ton. This movement is partly underpinned by the box trading range dynamics of statistical arbitrage. Meanwhile, the near-month contract acting as a proxy for spot prices, has strengthened in the wake of the rapid price rebound.

Australian mines are expected to support prices after recent declines, making a steep drop unlikely. For lithium salts, against the backdrop of relatively resilient demand, it seems the market has lifted from its long-term low, with long-position holders seeing favourable future market moves. We believe that after a short-term pullback, there remains significant upside potential in the long run.

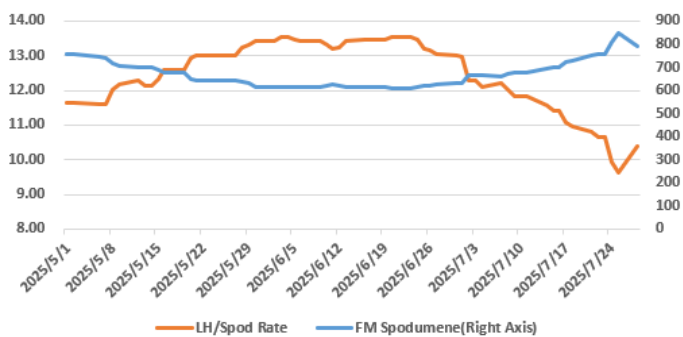
## Lithium Salt and Spodumene Market(Cont'd):

Fastmarket LH - LC Spread(\$/mt)



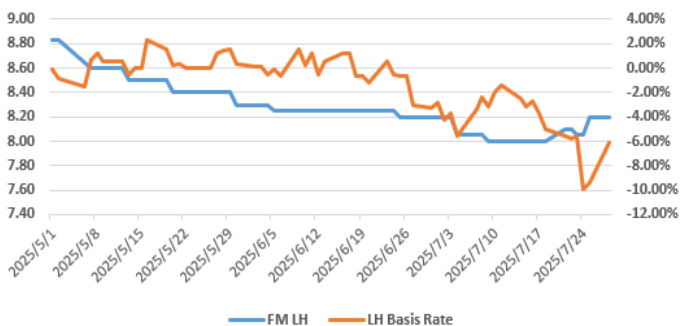
- The price spread between lithium hydroxide and lithium carbonate continues to widen in negative territory. If the market pulls back, the spread potentially converge again given lithium carbonate's higher price elasticity.

LH/Spodumene Rate



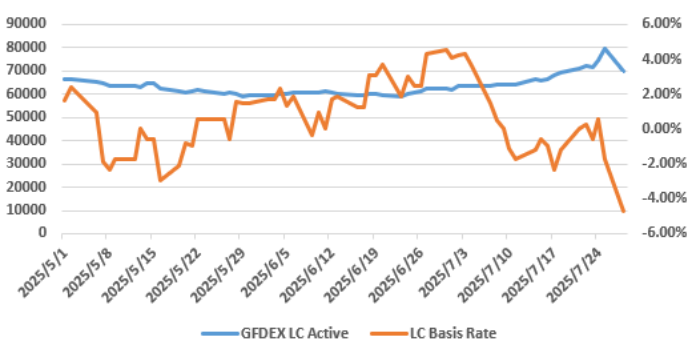
- After the extreme narrowing of the basis rates of CME and GFEX, an almost risk-free range emerged for cash-and-carry arbitrageurs, which led to a rapid widening of the basis at the beginning of this week and last Friday. In the long run, if the market stops falling and rebounds again, the basis rates would decline.

CME Lithium Hydroxide Futures and Basis Relation



- The lithium hydroxide/lithium spodumene ratio has seen a correction. This is because the lithium spodumene spot market has resisted high prices, while lithium hydroxide spot prices have not witnessed significant ups and downs recently. Hence, the ratio has rebounded.

GFEX Lithium Carbonate Futures and Basis Relation



- This week, due to regulatory measures, varieties that rebounded sharply earlier and are related to "anti-involution" – including coking coal, polysilicon, lithium carbonate and glass – have all pulled back significantly. In the future, attention needs to be paid to specific capacity reduction measures in different industries. The situation where prices rise and fall in unison should have come to an end.

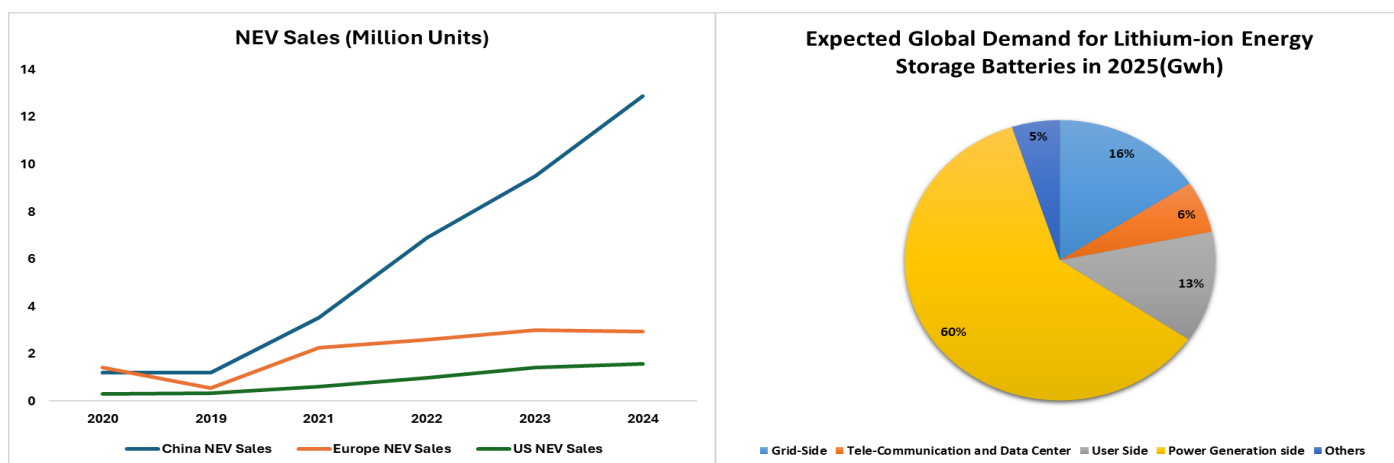
## Battery Components and Downstream Market:

Prices Movement	Last	Previous	Changes %
6-Series Ternary Precursors (yuan/ton)	72,050	72,200	- 0.21%
Prismatic Ternary Cells (yuan/Wh)	0.63	0.63	-
Lithium Iron Phosphate - Power (yuan/ton)	30,960	34,110	+ 2.49%
High-end Power Graphite(yuan/ton)	33,050	33,050	-

China ternary materials market has been relatively stable recently, with nickel prices fluctuating and cobalt prices showing a strong willingness to maintain levels. After the conclusion of the sales push in June, there are expectations of production cuts in July. However, driven by the strong prices of nickel, cobalt and lithium, ternary materials are expected to see advance purchases for the peak automotive demand season in September-October. In June 2025, China's total exports of ternary precursors stood at 7,912 tons, down 11% month-on-month and 62% year-on-year. Tariff adjustments in overseas markets and changes in new energy subsidies continue to impact the demand for ternary materials.

The lithium iron phosphate (LFP) market has seen a relatively rapid increase, mainly driven by lithium carbonate prices. Some system integrators in the energy storage sector have reported receiving price hike notices from leading cell manufacturers, and there is currently a shortage of supply. Last week, Hunan Yuneng, the world's largest LFP producer, announced plans to build a 90,000-ton annual capacity lithium battery cathode material project in Malaysia. The capacity reduction policy has specified the minimum standard for LFP capacity utilization, which will put enterprises with persistently low capacity utilization at risk of being eliminated. In the long run, market supply is tending to be tight. The industry concentration is rising sharply, with leading enterprises signing long-term contracts directly with downstream battery factories to reduce sharp price fluctuations. Last week, the LFP project in Bijie, Guizhou was put into operation, with an initial capacity of 500,000 tons.

New energy vehicles may see price increases in the future due to cost pressures. By then, the battery industry chain will have completed a round of price hike transmission from the upstream to the downstream.



**Data Sources: Bloomberg, SMM, Fastmarket, FIS**

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