FIS Battery Metals Weekly Report

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Lithium Salt and Spodumene Market:

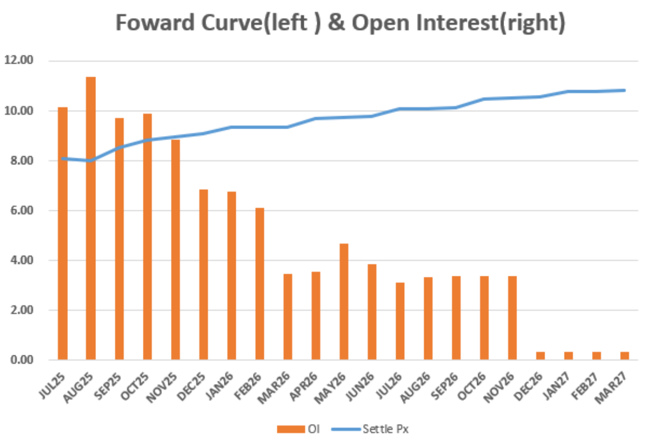
⇒ **FastMarket Lithium Hydroxide:** Our view is short-run **Neutral**. Speculation has ended, with prices pulling back from highs. Given stable long-term contract prices and spot orders' limited market impact, post-pullback lithium salt markets warrant attention, particularly the peak season restarting in September.

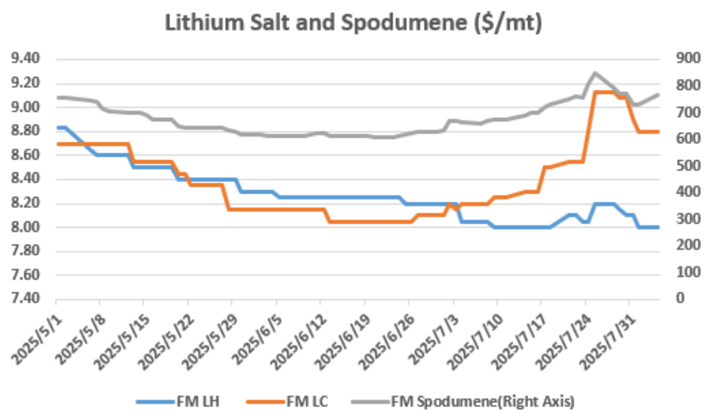
⇒ **FastMarket Spodumene:** Our view is short-run **Neutral**. Lithium ore prices have seen a modest pullback, while miners maintain a distinct stance of price support.

Prices Movement	5-Aug	28-Jul	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	8.00	8.20	- 2.44%	Neutral
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	8.80	9.13	- 3.61%	Neutral
SMM Lithium Carbonate Spot China(yuan/ton)	70,988	73,737	- 3.73%	Neutral
FastMarket Cobalt 30% ($/kg)	12.95	12.73	+1.73%	Neutral
FastMarket Spodumene min 6% Asia ($/ton)	765	790	- 3.16%	Neutral

Battery metals witnessed sharp corrections in both futures and spot prices over the past week. Following the GFEX's further reduction of trading limits and repeated curbs on speculative activities, the market cooled notably. CME's lithium hydroxide positions dropped 11%, while GFEX's lithium carbonate positions fell 23%—indicating a quick retreat of speculative capital after short-term hype. The short-term market fluctuates around the renewal of Jiangxi lithium mining licenses. Fundamentally, lithium salt inventories and supply remain high with no significant improvement. However, Australian lithium mines show a strong price-support stance. If prices break below $700/ton again, the market potentially revisit the trading logic of reduced shipments.

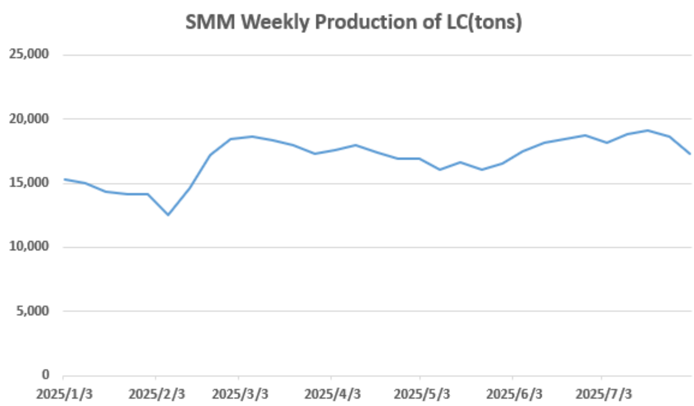
In the spot market last week, a slump in lithium ore dragged lithium salts downward. After Australian spodumene prices briefly hit this year's high of $850/ton, they plummeted to $730/ton. The spot market failed to follow the rally beyond $850, instead seeing activity in the $725-780 range. After prices started declining in late July, spot trading saw a "vacuum drop" with no buyers. Bids hit a low of $675/ton, and after minimal transactions at $706/ton, prices quickly rebounded to near $795/ton. This suggests the spodumene spot market will struggle to break below $700/ton, and even below $730/ton, a sentiment of holding back sales may emerge.



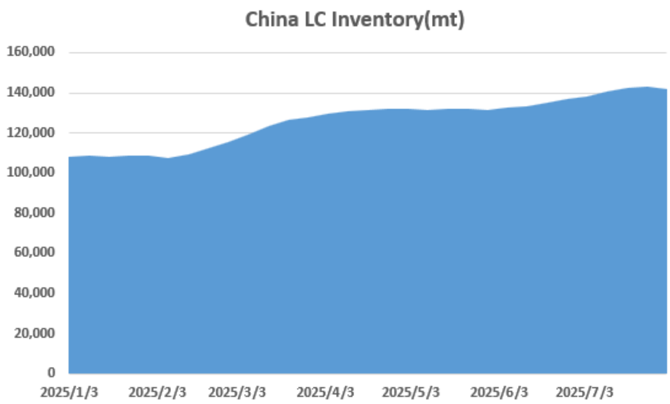


Data Sources: Bloomberg, SMM, Fastmarket, FIS

Lithium Salt and Spodumene Market(Cont'd):

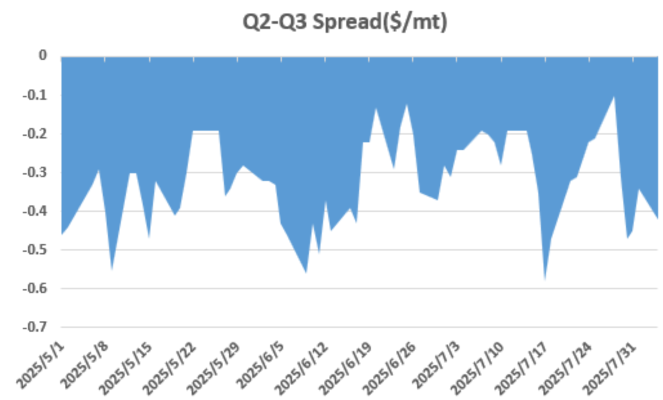


Lithium hydroxide saw a relatively moderate weekly decline due to its smaller prior rebound. Spot trading was sluggish, with the market essentially stagnant after a slight pullback in late July. The pullback was more of a downward adjustment in the upper end of the trading range, while the lower end remained firm at $7.6-7.7/kg. For SMM lithium carbonate spot prices, after a continuous surge from July 18th to 28th, they plunged again from July 29th to August 1st, before stabilizing in early August.

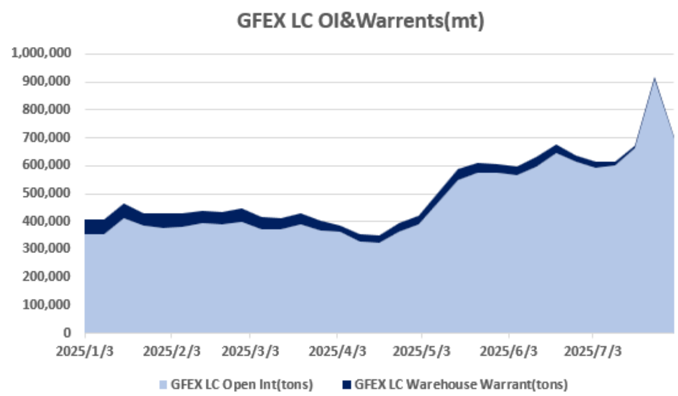


In July 2025, China's monthly lithium carbonate output reached 80,000 tons, a month-on-month increase of 4% and a year-on-year increase of 26%. The high-value futures provided enterprises with hedging opportunities, while locking in the futures sales price, they also increased the operating rate.

The annual production guidance of Australian mines IGO, Pilbara Minerals, Liontown Resources and Wesfarmers has increased. The 90 - day extension of the Sino - US tariff negotiation is an overall positive signal for the export market. Australian miner Liontown Resources said on Tuesday that it had resold part of the lithium products originally planned for Ford to a Chinese buyer. According to Bloomberg, Ford Motor Company's electric vehicle sales plummeted 31.4% in the second quarter. The US current policy support for electric vehicles is gradually decreasing, which may continue to lead to a decline in electric vehicle sales. The future market rebound may need to wait for the recovery of electric vehicle sales in September - October and the trend-based decline in lithium salt inventories.



Prior to July 25th, the market rebounded driven by the strong performance of lithium carbonate, with the basis narrowing to negative at one point. However, after the July 25th, spot prices remained firm while futures fell, and the basis returned to positive again. This indicates that the main futures and spot markets will fluctuate within a reasonable range, making long-term divergence unlikely. If futures continue to decline in the future, stable spot prices will potentially provide support to futures once again.



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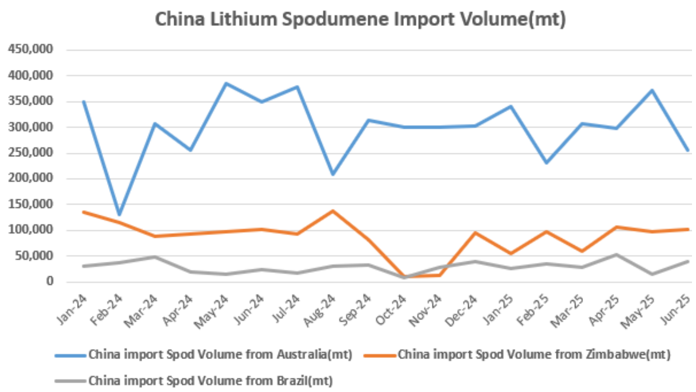
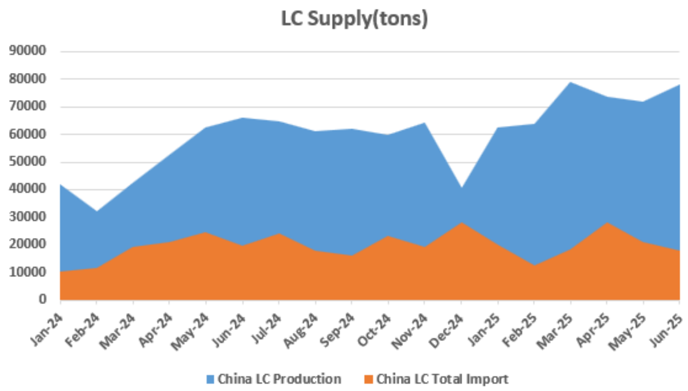


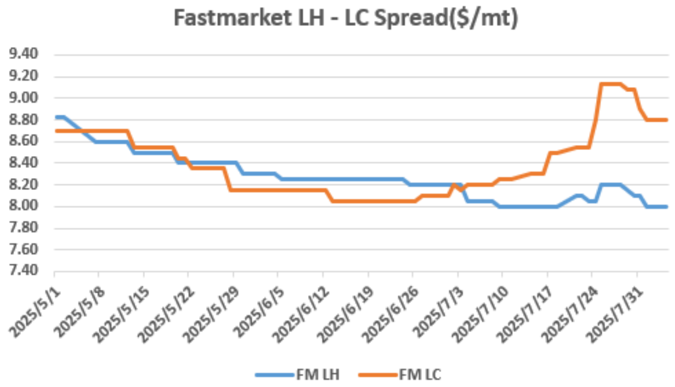


The rolling Q2-Q3 spread has fallen further, from -$0.1/ton to -$0.4/ton. The current spread level fits the characteristics of the statistical arbitrage model and lies within the 95% confidence interval (-$0.5/ton, -$0.1/ton).

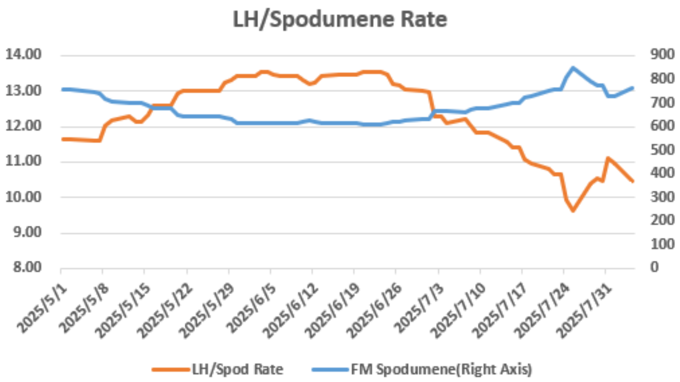
Australian mines are expected to prop up prices after the decline, making deep drops in actual transactions unlikely. However, attention should also be paid to the resumption of operations at some mines. In early August, the focus of market games remains the outcome of the renewal of Jiangxi's mining licenses, but as the market has already priced in speculative expectations in advance, the volatility potentially become limited. In our view, there will be short-term volatility opportunities with a bullish bias for the long-term direction.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

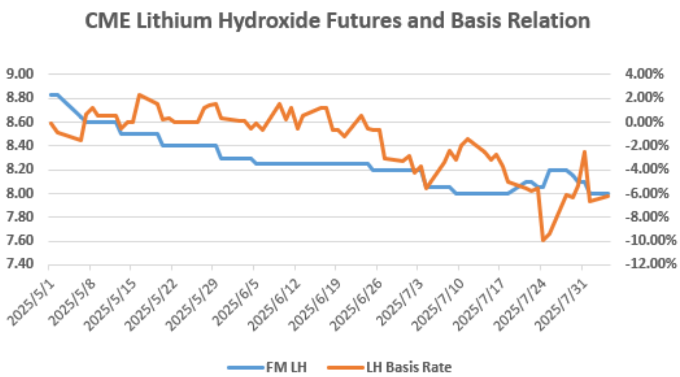
Lithium Salt and Spodumene Market(Cont'd):



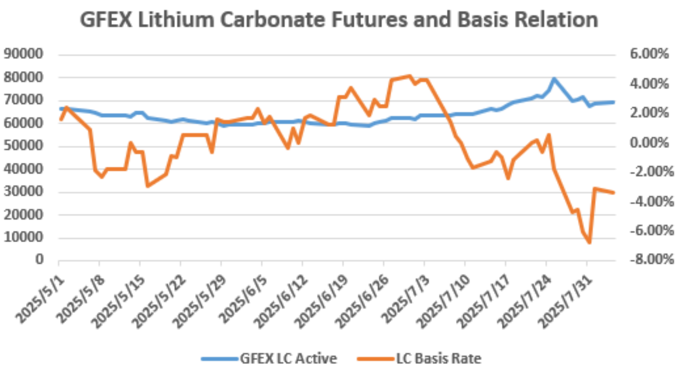
- The price spread between lithium hydroxide and lithium carbonate has converged as expected, and further convergence is likely during price declines or consolidation phases. Lithium hydroxide supply remains relatively tight, with spot orders having weak pricing power and smaller price elasticity.



- The basis of CME and GFEX rebounded again after weakening, as spot prices first showed resistance to declines.



- The lithium hydroxide/spodumene ratio is recovering. If lithium ore prices are propped up in the future, the ratio may fall again.



- After successive regulatory measures by GFEX, both trading volume and positions of lithium carbonate have evaporated rapidly. With speculative sentiment fading, the market is expected to return to trading based on fundamentals.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

Battery Components and Downstream Market:

Prices Movement	Last	Previous	Changes %
6-Series Ternary Precursors (yuan/ton)	72,430	72,300	+ 0.18%
Prismatic Ternary Cells (yuan/Wh)	0.63	0.63	-
Lithium Iron Phosphate - Power (yuan/ton)	36,980	36,380	+ 1.65%
High-end Power Graphite(yuan/ton)	33,050	33,050	-

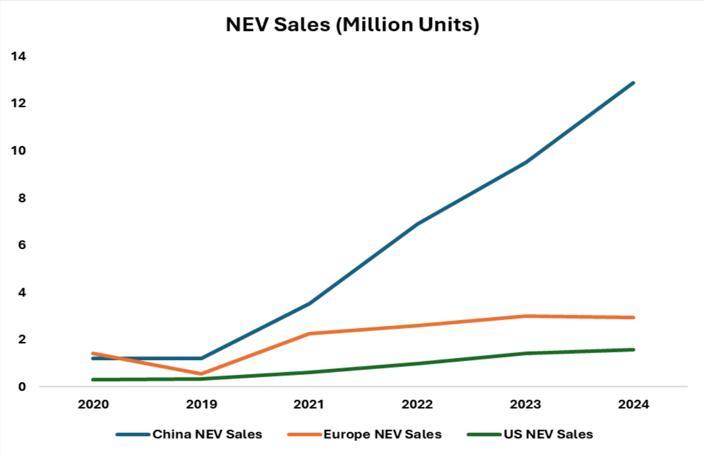
The market is currently anticipating an upward adjustment to the discount factor in the ternary material segment, driven by rising prices of nickel sulfate and cobalt sulfate. In July, ternary material output rose 5.75% month-on-month and 16.65% year-on-year. According to SMM reports, precursor production saw a sequential recovery in July, with an even more pronounced growth projected for August.

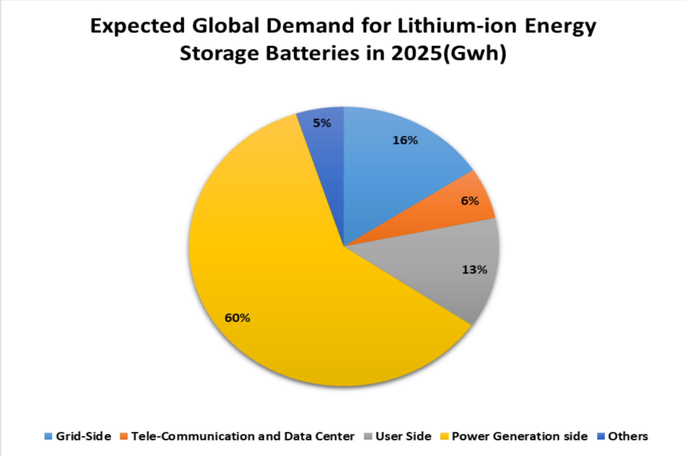
While orders for power batteries declined in July, energy storage demand is expected to sustain growth in installed capacity, buoyed by the 90-day extension of Sino-US tariff hike negotiations.

Lithium iron phosphate (LFP) prices have fallen amid the drag from lithium salt weakness. However, a modest production cut in August coupled with the upcoming peak consumption season in September-October may facilitate a price recovery.

Graphite prices failed to track the July rally in precursors, leading to market expectations of a catch-up rally for graphite in the near term.

Recycled lithium carbonate output increased 10% month-on-month in July, primarily as higher lithium carbonate prices boosted production incentives among recycling enterprises.





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