

2/9/2025

Lithium Salt and Spodumene Market:

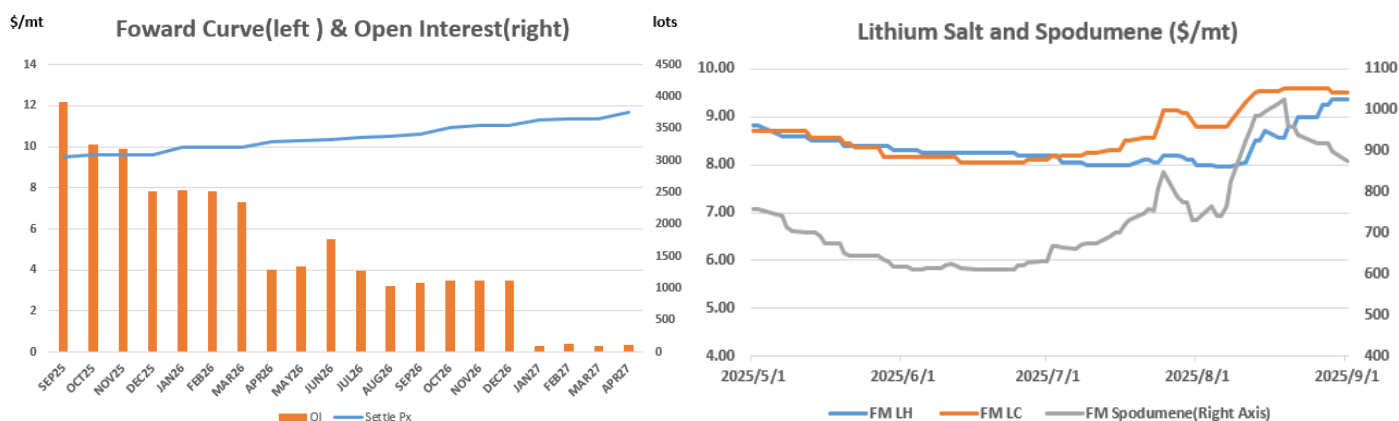
- ⇒ **FastMarket Lithium Hydroxide:** Our view is short-run **Neutral**. Lithium hydroxide has not followed lithium carbonate in its decline, due to stockpiling demand during peak season and tight supply. The downside potential of lithium carbonate is limited.
- ⇒ **FastMarket Spodumene:** Our view is short-run **Neutral**. Lithium ore prices have been in a continuous correction. Nevertheless, a drop below \$900/ton serves as a psychological threshold for physical traders, and there is a possibility of renewed bottom-hunting sentiment emerging.

Prices Movement	2-Sep	22-Aug	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea (\$/kg)	9.38	9.00	+ 4.22%	Neutral
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea (\$/kg)	9.50	9.60	- 1.04%	Neutral
SMM Lithium Carbonate Spot China(yuan/ton)	78,256	83,925	- 6.75%	Neutral
FastMarket Cobalt 30% (\$/kg)	13.40	13.20	+1.52%	Neutral
FastMarket Spodumene min 6% Asia (\$/ton)	875.0	960.0	- 8.85%	Neutral

Last week, lithium salt prices showed a divergent trend: lithium hydroxide rebounded due to tight supply and stockpiling demand for the peak season, while lithium carbonate continued to plummet amid sentiment driven by short-term speculative arbitrage.

The basis of the GFEX once dropped by over 5,000 yuan over a few trading days. Generally, a basis range of 3,000-5,000 yuan would generate returns for traders engaging in cash-and-carry arbitrage or portfolio return strategies. From arbitrage logic and previous price trends, a wide basis is unlikely to persist. Over the past two months, each round of the wide basis converging to zero has lasted for less than two weeks.

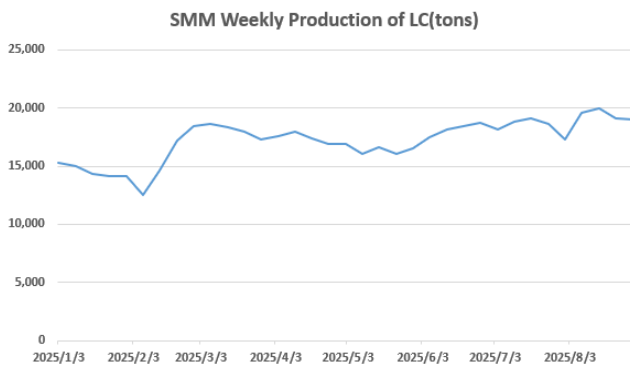
In July, open interest in GFEX lithium carbonate futures fell by 18%, and open interest in CME lithium hydroxide futures decreased by 9.5% over the same period, both indicating a retreat in speculative sentiment. Combined with the sharp price decline, this phenomenon was driven by the concentrated profit-taking exit of early long positions. Additionally, after GFEX warehouse receipts hit a yearly low of 8,000 tons in July, they rose rapidly again to around 25,000 tons in August. Following the hedging of lithium salts, the profit margin will facilitate further restocking of spodumene. Looking ahead, the market will be led once again by spodumene.



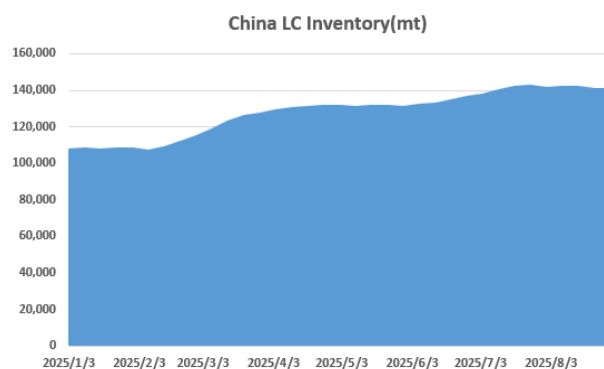
Data Sources: Bloomberg, SMM, Fastmarket, FIS

Freight Investor Services 2025

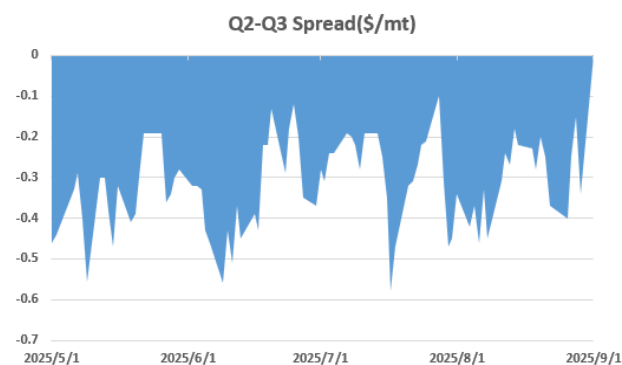
Lithium Salt and Spodumene Market(Cont'd):



According to statistics from SMM, lithium carbonate inventory stood at 141,100 tons at the end of August, with high inventory levels persisting throughout the second and third quarters of this year. Lithium carbonate output in August exceeded 85,000 tons, representing a 5% month-on-month increase and a 39% year-on-year rise. High lithium production originated from spodumene was the primary driver behind this output growth. Due to the peak season, lithium carbonate total output is expected to have further room for growth in September.

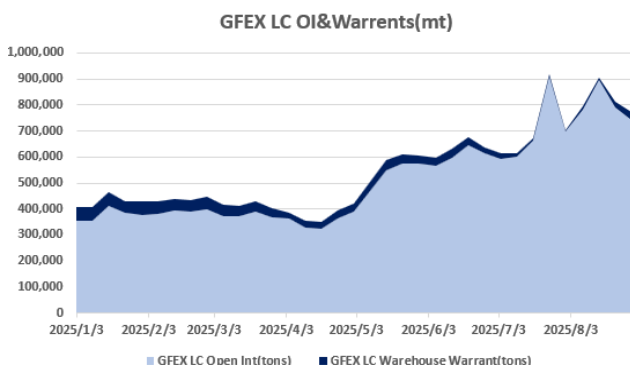


Currently, multiple market factors are interacting to shape the lithium landscape. On one hand, certain lithium mines are facing potential production suspensions due to mining license restrictions, while lithium ore shipments have been curbed by the ongoing conflict in Mali. On the other hand, the capacity utilization rate of some lithium salt producers still leaves room for improvement in the second half of the year, with select enterprises that have secured operational permits resuming production. That said, the downstream sector is poised to enter its seasonal peak in September and October, and restocking activities across the entire lithium battery supply chain are expected to underpin prices at their current bottom levels.



Pilbara Minerals reported a 4% year-on-year increase in production to 7.55 million tons for the 2025 fiscal year, setting a new production record. On Monday, Australia's Galan Lithium announced that the proceeds from its financing will be allocated to the construction of the first phase of the HMW Project. The project will be developed in four phases, and upon full commissioning, its annual production capacity will rise to 6,000 tons of lithium carbonate equivalent (LCE).

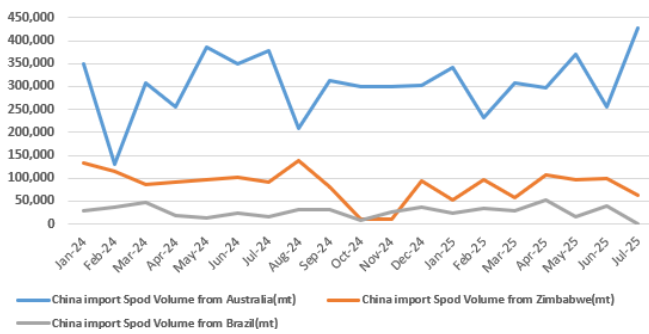
Following Citigroup's upward revision of its lithium carbonate price forecast, UBS raised its price outlook for spodumene by 9% to 32%.



The rolling Q2-Q3 spread has generally performed as expected, presenting multiple trading opportunities within the range of -\$0.1/ton to -\$0.5/ton. The current spread level aligns with the characteristics of the statistical arbitrage model and lies within the 95% confidence interval of (-\$0.5/ton, -\$0.1/ton). The frequency of trade accelerated, indicated more traders were starting to focus on these opportunities.

Lithium Salt and Spodumene Market(Cont'd):

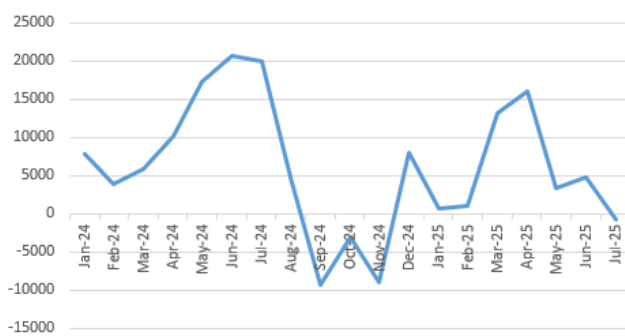
China Lithium Spodumene Import Volume(mt)



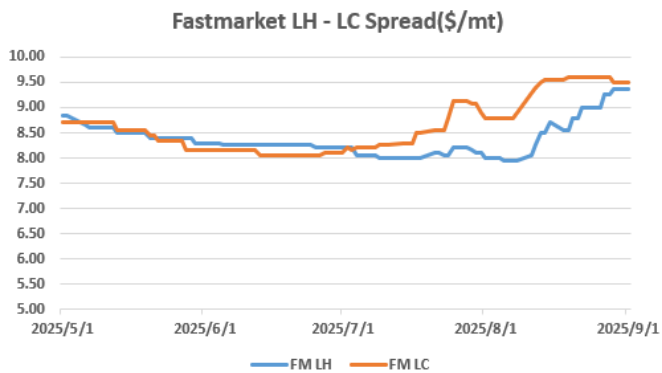
The short-term volatility is expected to increase

From a long-term perspective, the trend is bullish in our view. For short-term trading, range-trading strategies could be attempted in our view.

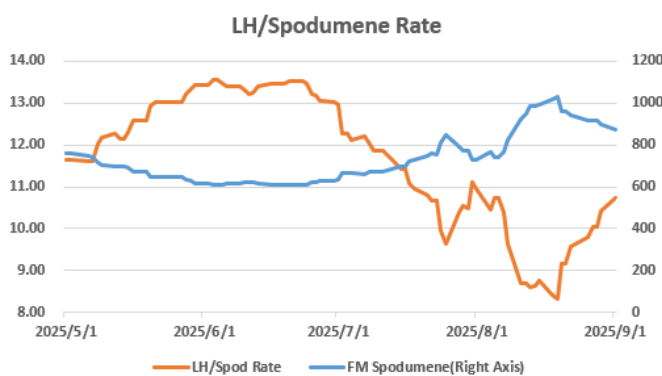
China LC Supply - Demand (tons)



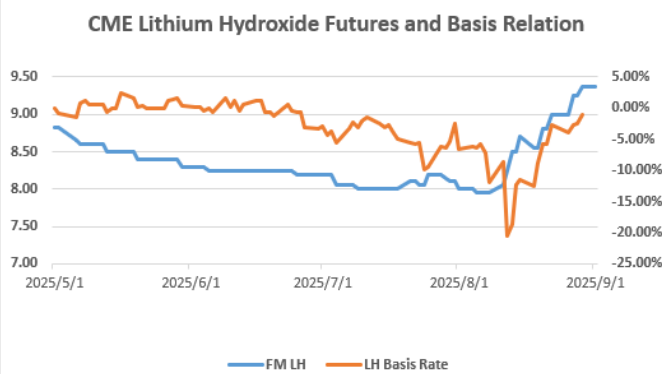
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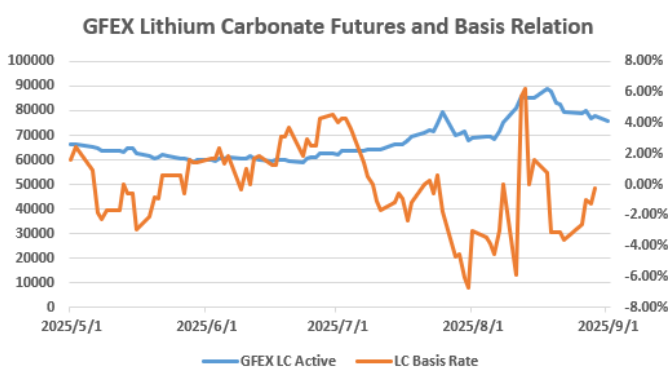
- The LH-LC spread has undergone a mean reversion, with lithium hydroxide seeing a notable catch-up rally last week, driven by tight supply.



- The basis rates of both CME and GFEX have rebounded rapidly, primarily driven by the sharp decline in short-term futures prices amid a slower drop in spot prices. However, the persistence of a wide basis will create arbitrage opportunities.



- The ratio between lithium salts and spodumene has continued to experience mean reversion, while spodumene has seen a relatively sharp decline amid low trading volume.



- Speculative sentiment toward GFEX lithium carbonate futures has weakened, with open interest dropping by 18% from its late-July peak. Over the same period, open interest in CME fell by 9%.

Battery Components and Downstream Market:

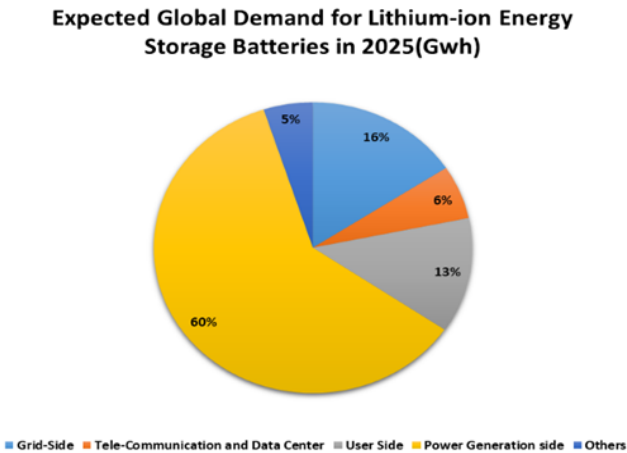
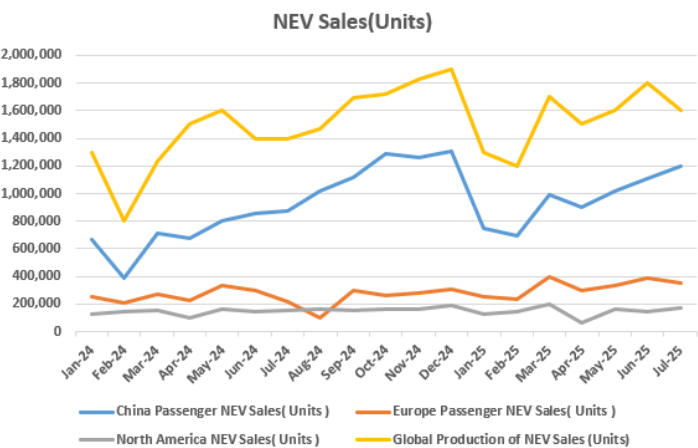
Prices Movement	Last	Previous	Changes %
6-Series Ternary Precursors (yuan/ton)	73,025	72,920	+ 0.14%
Prismatic Ternary Cells (yuan/Wh)	0.63	0.63	-
Lithium Iron Phosphate - Power (yuan/ton)	38,550	39,510	- 2.43%
High-end Power Graphite(yuan/ton)	33,050	33,050	-

As the downstream battery market enters its peak season in September, the entire battery industry chain has launched a restocking cycle. In September, battery production scheduling has started to accelerate across global markets.

Prices of LFP and ternary precursors have rebounded relatively quickly. Fengyuan Co., Ltd. has terminated a 50,000-ton lithium iron phosphate project under its subsidiary. Wanhua Chemical plans to put into operation a 120,000-ton annual capacity lithium iron phosphate project.

Domestic enterprises have started to accelerate stockpiling for ternary cathodes. Meanwhile, production scheduling for ternary batteries has also picked up pace, and the discount factor for ternary batteries could be potentially raised in September. The overall operating rate of ternary precursor production remains below 45%, though it has already rebounded from the low of less than 40%. There is still significant room for further growth in the operating rate going forward. SMM expects August to be the peak month for ternary cathode production of this year. Electrolyte output is projected to rebound rapidly in September.

On the automotive market front, some negative factors have emerged: the Guangzhou municipal government announced the temporary termination of new energy vehicle (NEV) purchase subsidies, and it could take several months for subsequent subsidies to be in place.



Data Sources: Bloomberg, SMM, Fastmarket, FIS

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