FIS Battery Metals Weekly Report

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Lithium Salt and Spodumene Market:

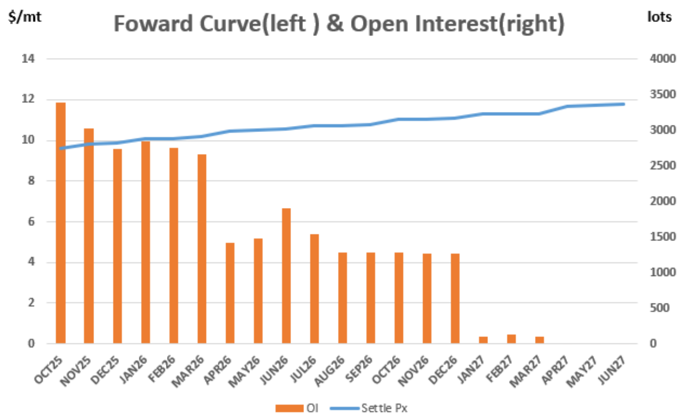
⇒ **FastMarket Lithium Hydroxide:** Our view is short-run **Neutral to Bullish**. Downstream energy storage demand has continued to surge beyond expectations, keeping the market robust even in the traditional off-season. Lithium ion phosphate (LFP) production remains at full capacity, underpinning demand for lithium carbonate. Lithium hydroxide has mostly tracked lithium carbonate to maintain strength. Additionally, strong export data has provided further support to its price.

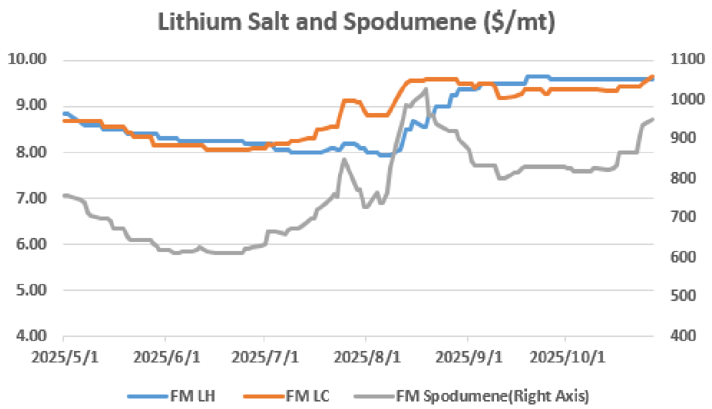
⇒ **FastMarket Spodumene:** Our view is short-run **Neutral to Bullish**. Driven by expanding lithium salt demand and miners' insistence on price stability, lithium spodumene offers have been rising steadily, while buyers have struggled to catch up with the continuous price increases.

Prices Movement	20-Oct	13-Oct	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	**9.60**	**9.60**	-	**Neutral to Bullish**
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	**9.65**	**9.45**	**+ 2.12%**	**Neutral to Bullish**
SMM Lithium Carbonate Spot China(yuan/ton)	**76,595**	**73,991**	**+ 3.52%**	**Neutral to Bullish**
FastMarket Cobalt 30% ($/kg)	**22.35**	**20.50**	**+ 9.02%**	**Neutral to Bullish**
FastMarket Spodumene min 6% Asia ($/ton)	**950.0**	**865.0**	**+ 9.83%**	**Neutral to Bullish**

During the previous reporting period, battery metals continued their rebound as anticipated. From our perspective, this upward momentum is still far from reaching its end. Previously, the market had underestimated the downstream demand. This was partly due to LFP production capacity constraints, which capped its output growth rate. In fact, demand would have been fully absorbable if LFP production capacity had been expanded. Consequently, a rally emerged, fueled by the correction of this earlier underestimation.

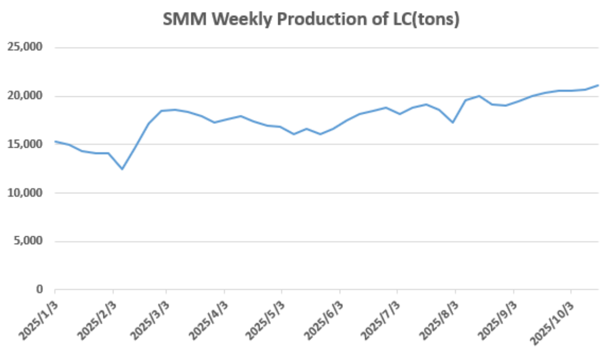
On macro side, the fourth quarter falls within a cycle of intensive policy implementation in China and the market is expecting more positive news related to the battery sector. The smooth China-US talks held in Indonesia over the weekend signaled that more detailed rules for mutually beneficial cooperation across various industries will be rolled out in the future. Safe-haven metals dropped sharply, freeing up liquidity, which in turn drove a broad rally in both stock markets and commodities.

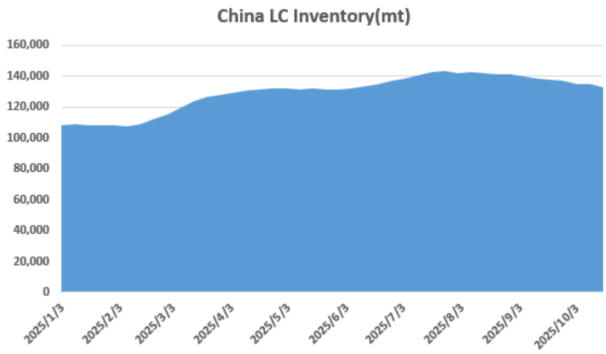


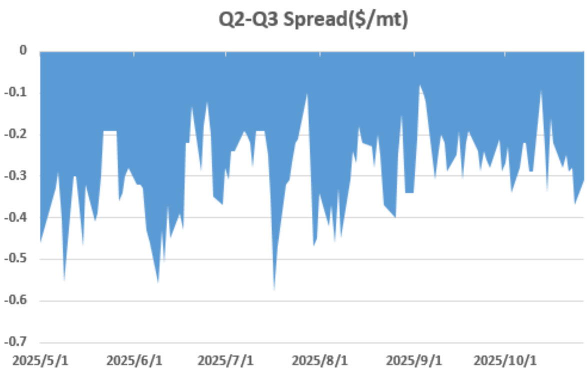


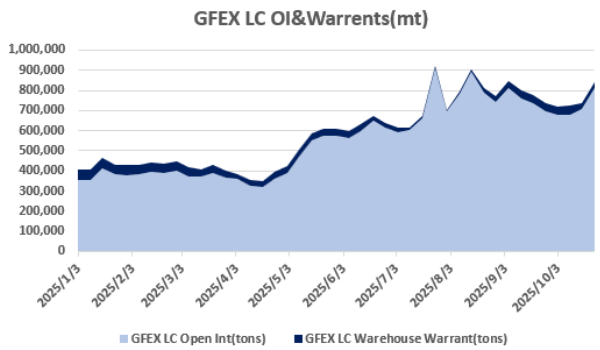
Data Sources: Bloomberg, SMM, Fastmarket, FIS

Lithium Salt and Spodumene Market(Cont'd):









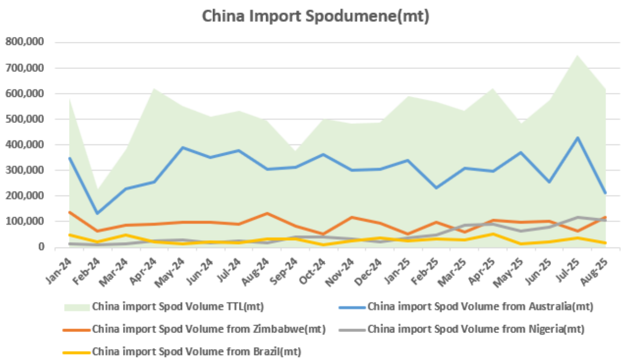
From last week to this week, open interest in the Guangzhou Futures Exchange (GFEX) Lithium Carbonate contract has surged continuously, reaching 880,000 contracts intraday on Tuesday, nearing the all-time high of 918,000 contracts. Meanwhile, the cumulative trading volume of the CME Lithium Hydroxide contract also hit a six-week high last week. These trends indicated a rise in market speculative sentiment: while new long positions are entering the market, some hedging positions have also opted for on-exchange hedging. Looking ahead, the market may establish a medium-term trend through a sharp decline in open interest, which would squeeze out positions from either the long or short side. Additionally, warehouse receipts fell to 28,699 tons last week, a two-month low, signaling a rapid reduction in social inventories.

In September, China's lithium carbonate imports decreased by 10% month-on-month, mainly due to the continuous decline in Chilean exports. Meanwhile, the production of lithium carbonate reached a record high of 21,038 tons. In October, the inventory level of carbonate lithium has been declining for 11 consecutive weeks. The supply-demand gap of lithium carbonate in September was 1,640 tons, accounting for 1.54% of the supply volume. The estimated gap of lithium hydroxide in September was 4,582 tons, and the gap in August was also relatively large at 8,829 tons. The large gaps in these two months were mainly due to high exports and high consumption. Currently, lithium carbonate faces a core challenge: its high existing inventory base. Even with an expected substantial supply gap in Q4, this gap is projected to only reduce 20%-30% of the current inventory, meaning the overall inventory level will remain relatively high. Notably, lithium carbonate prices tend to gain elasticity only when inventory drops to a lower range, specifically equivalent to 1-2 weeks of consumption. If the current pace of inventory drawdown is sustained, it may be possible that they will reach a low-inventory threshold by the end of the year.

From the perspective of market structure changes, the market share of China's energy storage battery cells has risen from 20% in June to 40% in October. Meanwhile, the market had previously made errors in estimating energy storage demand, and these two factors together have driven the relevant data to show better-than-expected performance. It is important to note that the production capacity ceiling of LFP has constrained the forecast of lithium carbonate's future demand at the data level, but this has not slowed down the growth rate of lithium carbonate's total demand in long run.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

Lithium Salt and Spodumene Market(Cont'd):



In addition, multiple short-term factors are further boosting demand: the gradual withdrawal of electric vehicles (EVs) subsidies next year is stimulating the accelerated release of current car purchase demand, coupled with the increase in battery capacity per vehicle and the implementation of the car trade-in policy. Overall, there is no traditional off-season for demand in the lithium carbonate market in 2025.

Demand for lithium salts surged, driving a 2.12% rebound in CIF lithium carbonate prices last week. Trading in lithium carbonate was highly active within the range of $9–$9.6/kg. For lithium hydroxide, physical volumes were limited, yet there was robust activity in bid and offer quotes, with a very wide price range. Spodumene, however, saw an almost one-sided market: buyers continued to chase higher prices while sellers kept raising offers. Spodumene prices soared from $830/ton at the start of the month to $970/ton, and seller offers even reached $1000/ton yesterday. In the short term, spodumene and lithium carbonate are in a strong trend, while lithium hydroxide maintains relatively balanced supply and demand.

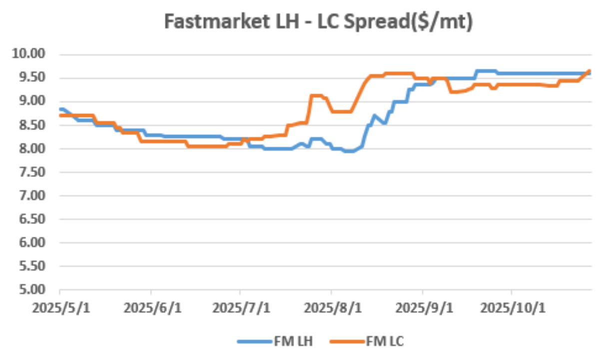
Regarding the minor fluctuations in the rolling Q2-Q3 spread, traders may look into the long opportunities around the $-0.35/kg level, targeting $-0.10/kg as an exit.

In our view the volatility is bullish.

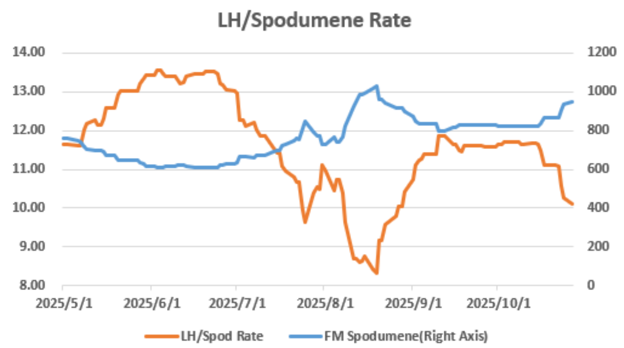
In our view the short-term trend is skewed bullish.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

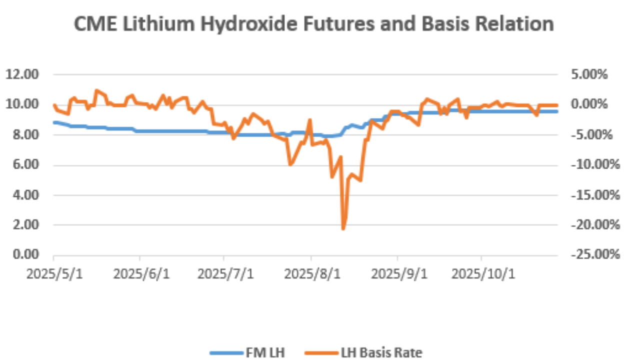
Lithium Salt and Spodumene Market(Cont’d):



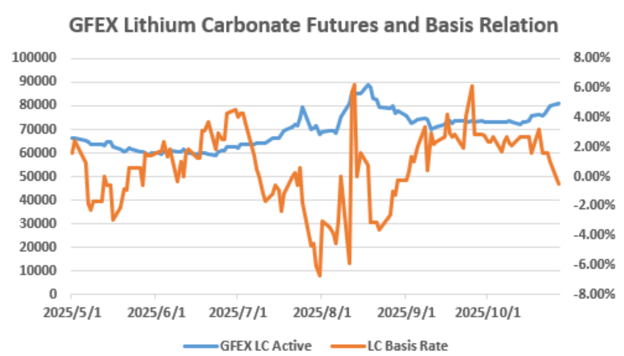
- The LH-LC spread narrowed to negative again, because of the tight supply on LC. The last negative number was observed in early September.



- The ratio of spodumene to lithium salt dropped fast as spike on spodumene prices. Miners deliver less cargoes.



- The basis rate went down significantly as the physical moved slower than fast climbing futures.



- GFEX warrants evaporated rapidly, indicated a shortage on spot market of lithium carbonate.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

Battery Components and Downstream Market:

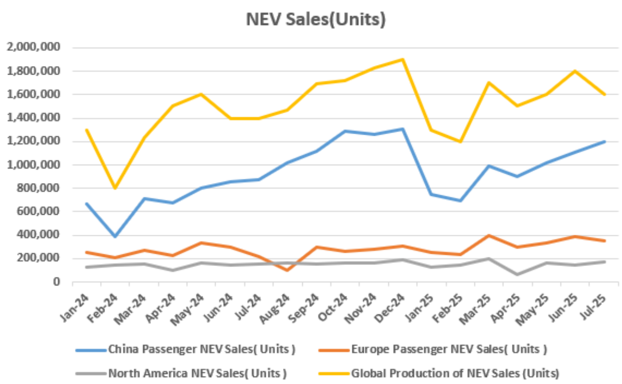
Prices Movement	Last	Previous	Changes %
6-Series Ternary Precursors (yuan/ton)	**86,550**	**86,000**	**+ 0.64%**
Prismatic Ternary Cells (yuan/Wh)	**0.67**	**0.67**	**-**
Lithium Iron Phosphate - Power (yuan/ton)	**38,320**	**37,700**	**+ 1.64%**
High-end Power Graphite(yuan/ton)	**33,050**	**33,050**	**-**

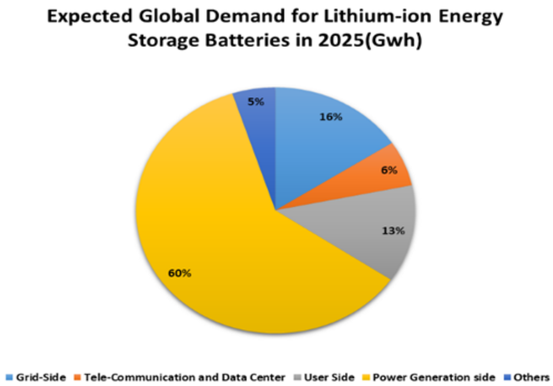
Cobalt intermediate imports have increased but remain insufficient relative to the strong market demand. This has resulted in a "price exists, but no deal" situation, with inventory holders continuing to raise their selling prices.

In September, China's exports of ternary precursors reached 9,218 mt, up 5% month-on-month but down 16% year-on-year. South Korea remains China's largest export destination. Recently, amid the downstream procurement peak season, high-nickel orders saw high demand. As the year-end approaches, manufacturers have started initiating discussions on long-term contracts for the next year.

Leading LFP producers are currently facing insufficient production capacity, with new capacity expansions expected to come online next year. For downstream battery cell manufacturers, output growth is mainly concentrated in the commercial vehicle segment. According to SMM, LFP production is projected to grow by over 5% in October.

Australian lithium producer Pilbara Minerals stated that demand for battery metals from the energy storage sector is offsetting the impact of slowing EV growth in US. The majority of the company's lithium output is committed through long-term offtake agreements. Meanwhile, Bolivia's new President, Luis Arce, has reignited hopes for the advancement of its stalled lithium mining projects. Bolivia holds one of the world's largest lithium reserves, though specific mining plans have not yet been discussed.





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