Battery Metals Weekly Report

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Lithium Salt and Spodumene Market:

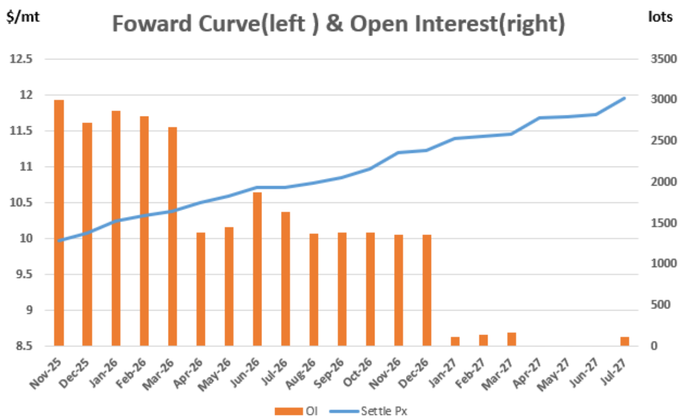
⇒ **FastMarket Lithium Hydroxide:** Our view is short-run **Neutral**. Lithium salt prices rebounded as negative factors faded after CATL finalized the documentation for resuming operations at its lithium mine. Thanks to the booming energy storage demand, the downstream battery market has seen no off-season in 2025.

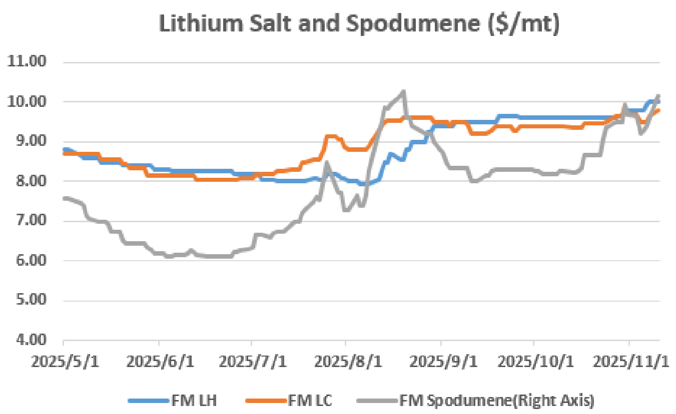
⇒ **FastMarket Spodumene:** Our view is short-run **Neutral**. Initially, spodumene lost some ground with lithium salts, yet surging demand prompted mines to hike prices and claw back some selling orders.

Prices Movement	10-Nov	3-Nov	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	10.00	9.80	+ 2.04%	Neutral
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	9.78	9.68	+ 1.03%	Neutral
SMM Lithium Carbonate Spot China(yuan/ton)	75,651	81,039	- 6.65%	Neutral
FastMarket Cobalt 30% ($/kg)	23.25	23.00	+ 1.09%	Neutral
FastMarket Spodumene min 6% Asia ($/ton)	1017.5	965.0	+ 5.44%	Neutral

Lithium carbonate surged as expected last week. Bulls should pay attention to short-term risks, given the relatively high closing level of GFEX on Monday. Since the changes in the supply and demand balance sheet in September, we have maintained a bullish mid-term outlook on lithium carbonate and spodumene prices, as well as on lithium carbonate volatility. After the sharp drop last week, our short -term expectation was that the decline would at least be partially reversed. This week, for the short term, if positions are closed out triggering a rally, concentrated short covering may drive prices to a higher level. If positions continue to increase, caution should be exercised regarding two-way volatility. We remain cautiously bullish in the mid-term. After a significant rise, volatility has reached the profit-taking target level.

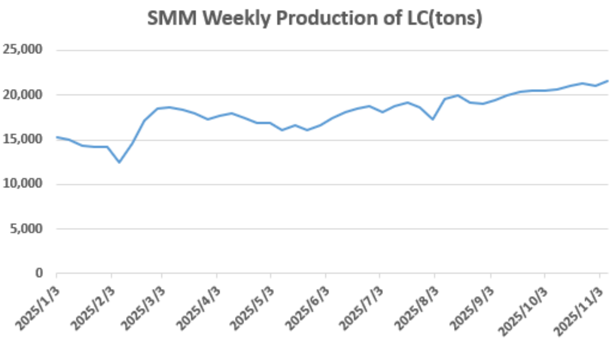
There were numerous mid-term bearish reports in the market during past six weeks, which may have overlooked the fact that the production capacity ceiling of lithium iron phosphate (LFP) restricts the apparent growth rate of energy storage. We maintain a mid-term optimistic outlook. After accounting for tax calculations, the resumption costs of lepidolite mines continues to rise: this not only pushes up overall costs but also creates a production capacity gap between spodumene and lepidolite. A rough estimate puts this gap at 80,000–120,000 yuan per ton, meaning that when prices fall within this range, they cannot effectively reflect marginal changes in fundamentals. This characteristic also provides sufficient reasons for market volatility and speculation.

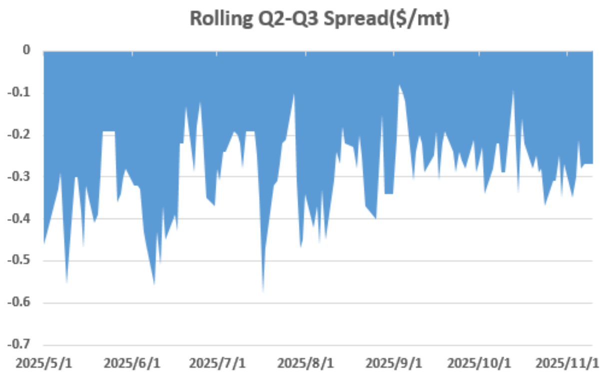


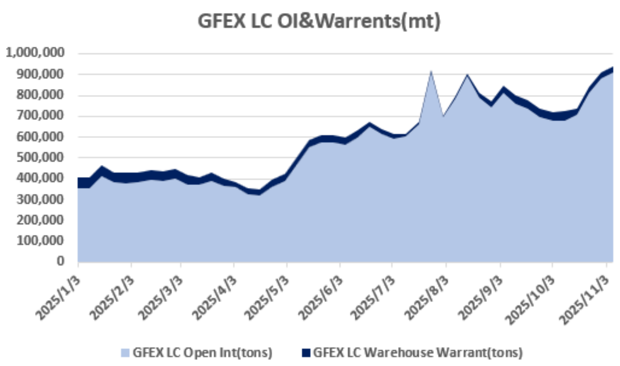


Data Sources: Bloomberg, SMM, Fastmarket, FIS

Lithium Salt and Spodumene Market(Cont'd):







Last week, the State Council released the "China's Action Plan for Carbon Peaking and Carbon Neutrality." This week, a self-regulatory meeting for the photovoltaic (PV) and polysilicon sectors was held, and yesterday the "Guiding Opinions on Promoting New Energy Consumption and Regulation" were issued. All these documents mention long-term new energy capacity growth and improved utilization rates, serving as bullish drivers for the market. A-share new energy stocks related to lithium batteries and energy storage have surged sharply, with some approaching their three-year highs during this week.

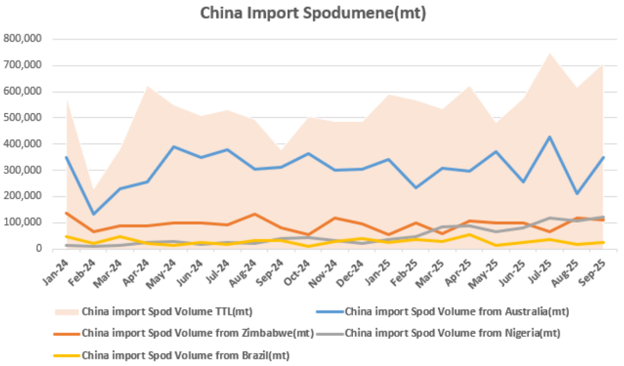
Looking back at September to November, China's weekly lithium carbonate output grew steadily, with the growth rate slowing in October. Inventory reduction accelerated significantly, from an average weekly decrease of 1,500 tons in September to 3,000 tons in October. Therefore, the market believes that even the short-term resumption of mines in Jiangxi Province will be unable to meet the rapidly rising demand. In addition, after averaging out taxes, fees and other costs following the resumption of production in Jiangxi, the unit production cost of lepidolite has risen above 12,000 yuan/ton, a considerable gap from the current lithium carbonate futures price of 87,000 yuan/ton or the spot price of 80,000 yuan/ton.

Meanwhile, the execution of the production resumption indicates that negative factors have largely been absorbed, encouraging bullish investors to increase their exposure and driving lithium carbonate prices higher on GFEX. This week, the aggregated open positions of lithium carbonate on GFEX hit a record high of 1 million tons. GFEX warehouse receipts have continued to decline to their lowest level since the end of August, indicating a rapid drop in social inventories. Spot demand for lithium carbonate remains robust, and SMM expects November's output to remain at October's level. However, demand from both the power battery and energy storage markets continues to grow at a high rate. Overall, inventory is expected to keep falling rapidly in November. The lithium hydroxide market has seen moderate purchasing activity. If export conditions improve, the market supply may face a shortage.

In the offshore market, lithium salt prices fell first and then rose last week. For lithium carbonate, initially, there were no takers for sell orders at the low level of $9/kg, but the transaction price later rebounded from $9/kg to $10.3/kg. Lithium hydroxide had weak liquidity at the start of the week, but prices gradually improved, with the bid-ask spread widening afterward. Spodumene began a continuous decline last week, with the lowest transaction at $910/ton.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

Lithium Salt and Spodumene Market(Cont’d):



As market demand increased, buy orders chased up to $960–970/ton, and sell orders disappeared. This week, spodumene traded at $1035/ton, but sell orders subsequently rose again to $1050–1100/ton. In the domestic market, the spot price of battery-grade lithium carbonate fell slightly by 600 yuan/ton last week and is likely to rebound this week. The decline was significantly smaller than that of futures last week.

Regarding the rolling Q2-Q3 spread, we continue to recommend buying opportunities around -$0.30/kg and selling opportunities around -$0.10/kg.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

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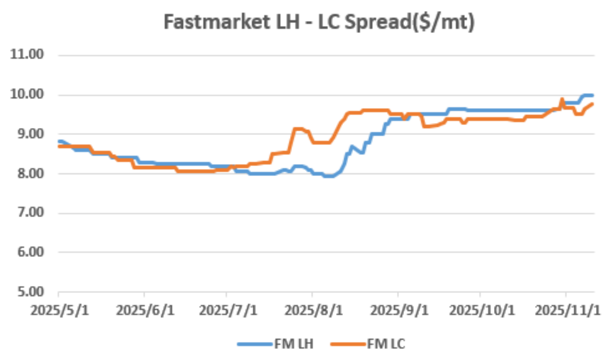
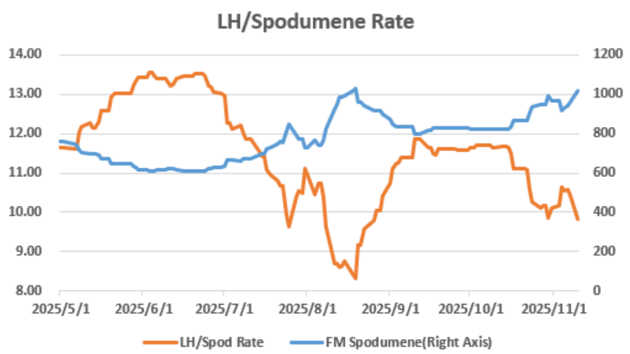
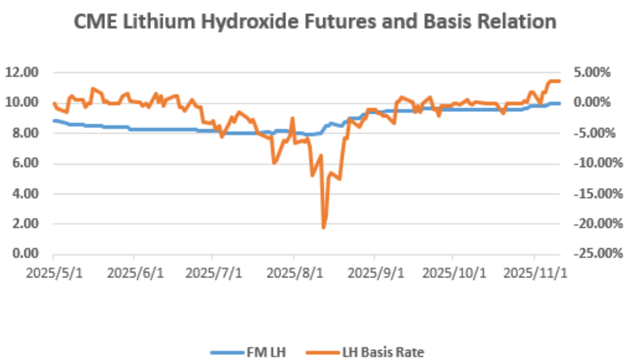


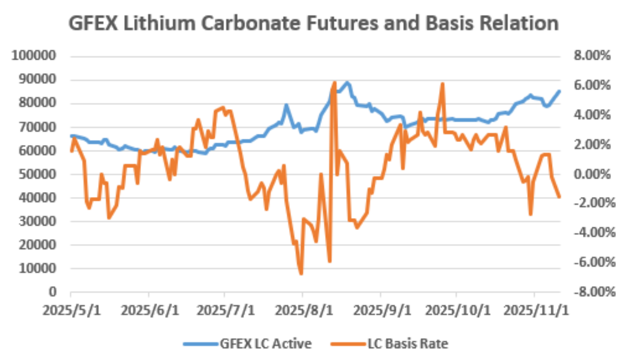
- Last week, the LH-LC spread broke out of the nearly two-month negative interval. Nevertheless, should the sporadic spot trading of lithium carbonate pick up in the subsequent period, the spread may re-enter negative territory.



- The lithium salt-to-spodumene ratio has narrowed significantly, but in the later stage, as lithium salt prices stabilize, spodumene prices will largely follow suit.



- The basis spread rate on GFEX has decreased, reflecting that spot prices are underperforming futures in terms of rebound momentum.



- GFEX warrants decreased to three-month-low, indicated active spot trade, which consumed the circulation inventory.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

Battery Components and Downstream Market:

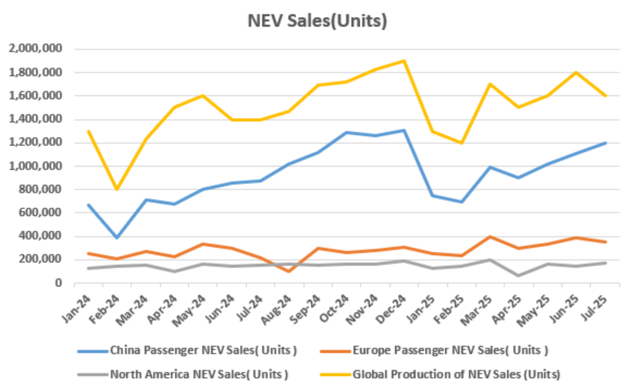
Prices Movement	Last	Previous	Changes %
6-Series Ternary Precursors (yuan/ton)	**86,650**	**86,650**	-
Prismatic Ternary Cells (yuan/Wh)	**0.67**	**0.67**	-
Lithium Iron Phosphate - Power (yuan/ton)	**39,590**	**39,650**	**- 1.05%**
High-end Power Graphite(yuan/ton)	**33,050**	**33,050**	-

Last week, the prices of ternary precursors and ternary cathode materials remained stable. On the raw material front, nickel sulfate prices declined, suppressed by high inventories of London Nickel. In terms of supply and demand, the market was generally stable, focusing on medium-to-high nickel products. Downstream pre-stocking is expected to continue driving prices higher in the future. Cathode manufacturers face significant pressure to deliver long-term orders, resulting in tight supply of ternary materials. As Q4 enters the peak season for digital consumer goods, the rise in cobalt prices has shifted part of the lithium cobalt oxide demand to ternary materials. Regarding pricing, discounts for sporadic orders have been raised, and price hikes are expected for term agreements.

LFP prices fell slightly last week, mainly dragged down by lithium salts. Currently, leading enterprises are operating at overcapacity, while the capacity utilization rate of small and medium-sized enterprises is continuously improving. Production scheduling is increasing month by month, and high order volumes are expected to be maintained at least until Q1 2026. The supply of LFP falls short of demand, driven by pure electric heavy-duty truck projects, purchases by power battery manufacturers before subsidy reductions, and the rapid growth of energy storage.

Electrolyte prices rose significantly, primarily due to cost-driven factors. The price of lithium hexafluorophosphate has doubled since early October - the low capacity expansion leading to a supply shortage amid strong demand.

This week, Australia’s Prairie Lithium started the construction of a factory in Saskatchewan, Canada, which it claims will be North America’s largest direct lithium extraction (DLE) facility. On Monday, according to SMM, a mining company in the Democratic Republic of the Congo (DRC) was ordered by the local government to suspend production for at least three months due to an environmental pollution incident, which may impact the global cobalt supply chain.



Data Sources: Bloomberg, SMM, Fastmarket, FIS