FIS

Battery Metals Weekly Report

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Lithium Salt and Spodumene Market:

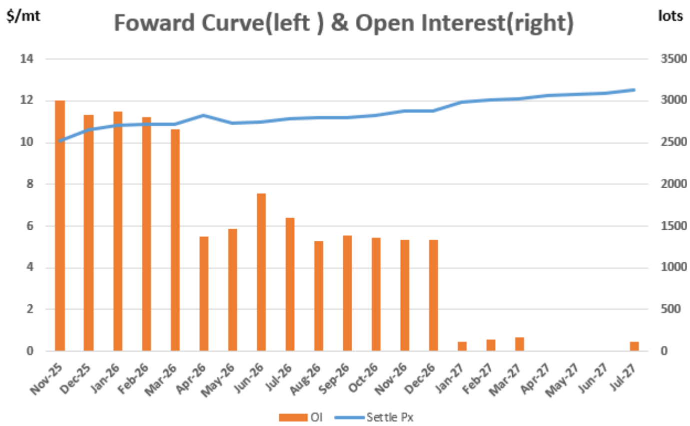
⇒ **FastMarket Lithium Hydroxide:** Our view is short-run **Neutral**. Downstream lithium battery supply is tight due to capacity limits, pushing up prices and driving a lithium salt rebound. Strong 2026 battery demand expectations from industry conferences have lifted far-month contracts.

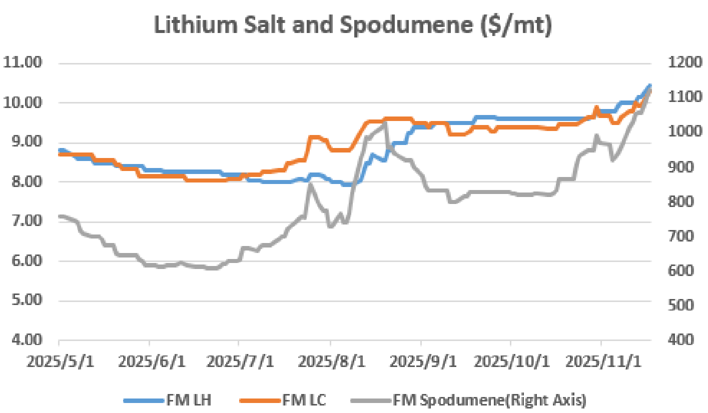
⇒ **FastMarket Spodumene:** Our view is short-run **Neutral**. Miners' continuous spodumene price hikes led buyers to abandon chasing highs in 2nd half of the week, causing indices to pull back subsequently.

Prices Movement	17-Nov	10-Nov	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	10.45	10.00	+ 4.50%	Neutral
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	10.30	9.78	+ 5.32%	Neutral
SMM Lithium Carbonate Spot China(yuan/ton)	86,395	80,864	+ 6.84%	Neutral
FastMarket Cobalt 30% ($/kg)	23.75	23.25	+ 2.15%	Neutral
FastMarket Spodumene min 6% Asia ($/ton)	1125.0	1017.5	+ 10.57%	Neutral

Lithium carbonate prices staged a surprise rally last week, propelled by combined drivers including solid demand fundamentals, upbeat institutional outlooks for long-term growth, and capital rotation from other metal sectors. The upward trend reversed on Tuesday, but the pullback is expected to be modest, anchored by the muted performance of dollar-denominated lithium prices. Our short-term view remains neutral, with volatility expected to ease from recent elevated levels.

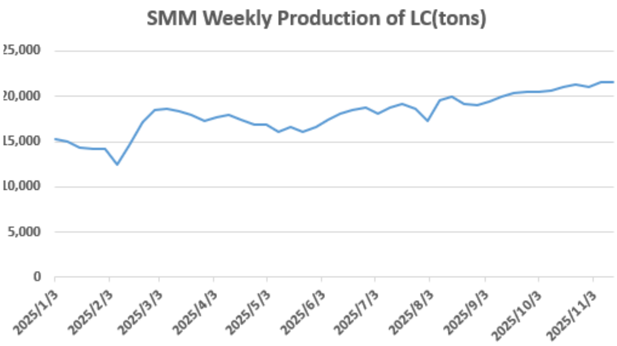
The year-end flurry of industry conferences has reinforced the bullish sentiment towards 2026 battery demand, with most institutional forecasts exceeding Q3 projections, directly fueling strong gains in Guangzhou Futures Exchange(GFEX)'s far-month lithium carbonate contracts. However, the market must reconcile this long-term optimism with near-term realities: the current supply-demand balance is tight, and this dynamic is expected to hold until Q1 2026, with post-Q1 trends clouded by uncertainties over capacity and demand. Two major factors are constraining short-term price upside. Rumors of impending regulatory tightening have circulated in the market, and historical precedents show that exchange interventions such as position limits or fee adjustments can quickly cool speculative fervor. Any formal policy rollout is likely to rein in excessive speculation in lithium carbonate futures. At the same time, macro headwinds are intensifying as global stocks correct from recent peaks and leading non-ferrous metals pull back after strong rallies. The Federal Reserve's hawkish stance has amplified liquidity fears, which in turn are triggering broader volatility across global assets, limiting the upside momentum for industrial metal prices.

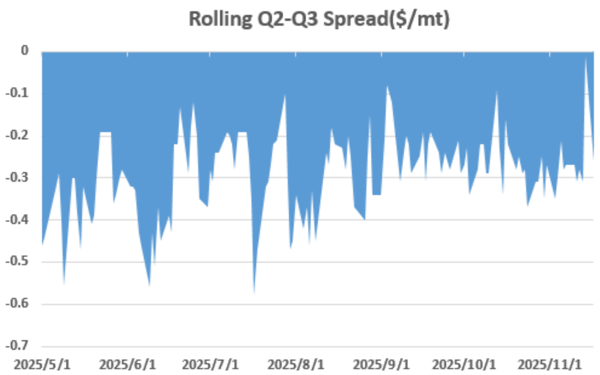


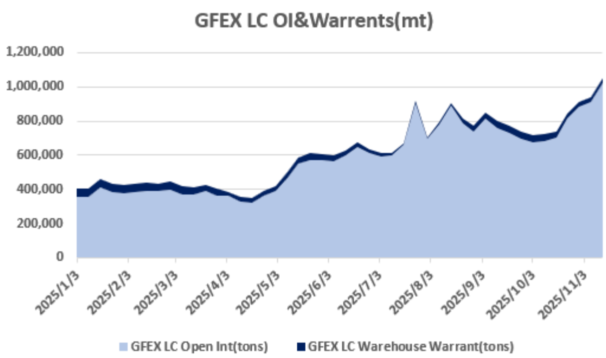


Data Sources: Bloomberg, SMM, Fastmarket, FIS

Lithium Salt and Spodumene Market(Cont'd):





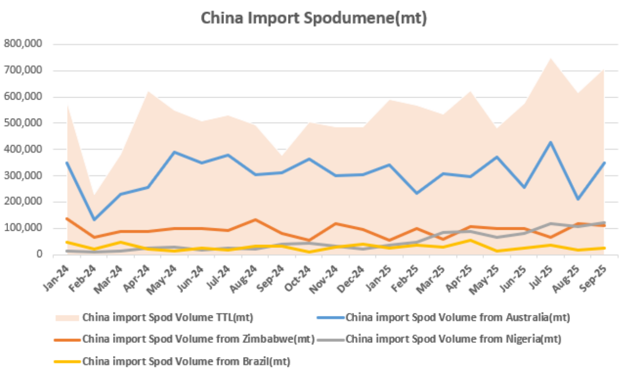


GFEX lithium carbonate futures' open interest reached a new all-time high this week, climbing to 1.12 million tons on Monday, 22% above August's high. Trading volume has also maintained an upward trajectory since late October, a trend that aligns with the broader new energy sector's investment enthusiasm amid bullish demand outlooks. The expanding participant base has not only elevated speculative dynamics but also intensified market volatility throughout November. Recent data shows the active contract's daily trading volume frequently exceeds 1 million lots, with intraday price swings widening as short-term traders react to news flows and technical signals. This combination of record open interest, rising volume, and heightened speculation underscores the growing influence of financial capital in the lithium carbonate market, a critical component of the global battery supply chain.

From the demand side, as the year-end long-term contract negotiation period unfolds, the spot market for lithium carbonate is experiencing a severe supply shortage. The continuous decline in exchange warrents further confirms the tightness of social inventories. On the supply front, lithium carbonate production recorded only a marginal increase last week, while inventories decreased by approximately 3,300 tons. This divergence between production and inventory dynamics leads to the inference that apparent consumption for lithium carbonate is accelerating. Looking back, this demand upturn actually began in early October, coinciding precisely with the start of the current lithium carbonate price rebound. From a trend perspective, a sustained downward reversal would require clear evidence of a significant deterioration in these demand fundamentals; otherwise, any price pullback should be regarded as a short-term correction within the ongoing upward trend. The mid-term upside potential hinges on the movement of industrial hedging positions. As physical spot inventory circulates and is absorbed by end-users, the unwinding of corresponding hedging short positions on the futures market could reshape market liquidity. A concentrated unwinding of hedging positions may trigger a sharp short-term price surge. We lean toward the view that the rollover of short positions will provide direct upward momentum to near-month contracts. Against this backdrop, the GFEX lithium carbonate futures market structure has the potential to revert to backwardation, where near-month contract prices trade above longer-dated ones.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

Lithium Salt and Spodumene Market(Cont'd):



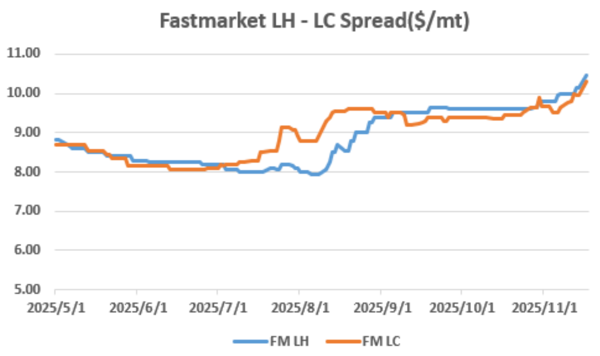
After confirming supplementary tax payments last week, CATL is expected to resume lithium mine production post mid-December 2025. Citigroup's recent report attributes the current lithium price rally to strong demand (not supply disruptions) and is bullish on battery energy storage demand, projecting 31% YoY global battery demand growth in 2026. Ganfeng Lithium's Chairman forecasts a 200,000-ton global lithium carbonate surplus in 2025 and supply-demand balance in 2026. China has approved Codelco and SQM's new lithium JV, while China Ministry of Industry and Information Technology(MIIT) issued guidelines to expand power battery applications. South Korea will increase EV subsidies in 2026 to fuel downstream demand.

Asia CIF Lithium salt prices rebounded last week, with divergent trading dynamics across products. Lithium hydroxide traded actively at $8.7-$9/kg in early half of last week but saw buying evaporate after sellers raised quotes late half of the week. Lithium carbonate hit $10.4/kg, though rapid futures gains led buyers to reject high prices from Thursday. Spodumene concentrate rose from $950/ton to $1,070/ton in the first half of last week, then pulled back as buyers turned cautious. Low acceptance of high-priced raw materials implies a non-one-off rebound.

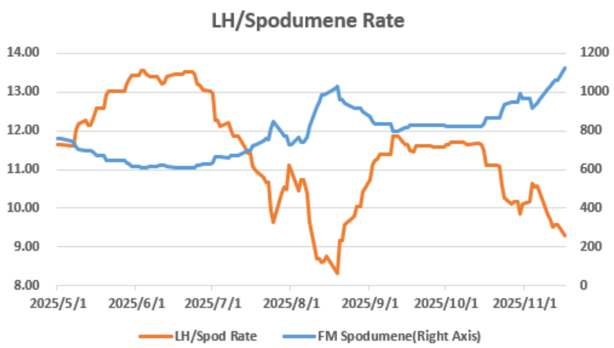
On the rolling Q2-Q3 spread, the -$0.30/kg buy setup we flagged previously hit a -$0.10/kg sell opportunity this week. Statistical arbitrage confirms high profitability in this range, so we keep the recommendation unchanged. We also suggest that buying the spread carries stronger downside protection and tight near-term lithium carbonate supply indicates the market may have underestimated near-versus-far demand dynamics, supporting the near-month contract's relative strength.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

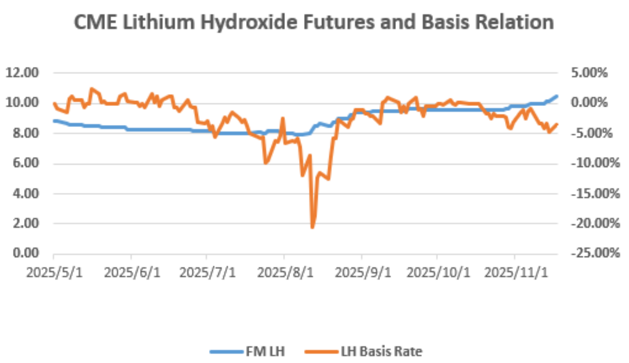
Lithium Salt and Spodumene Market(Cont'd):



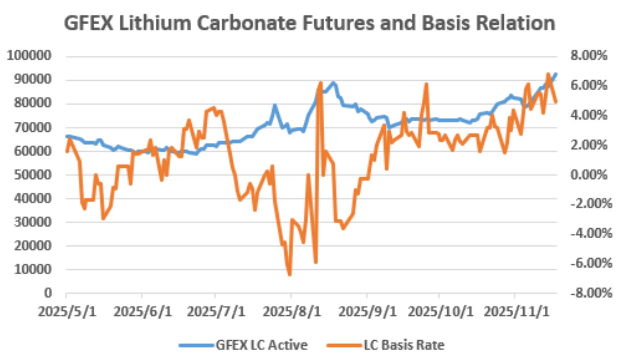
- Last week, the LH-LC price spread did not change much, as LH's catch-up rally tracked LC's rapid price increase. Spot market dynamics diverged: LH maintained steady demand, primarily driven by high-nickel cathode production needs. LC faced muted downstream acceptance of high-priced resources, curbing its price rally.



- 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 lithium salt-spodumene ratio has narrowed sharply, with weak market acceptance of high-priced lithium spodumene.



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

Data Sources: Bloomberg, SMM, Fastmarket, FIS

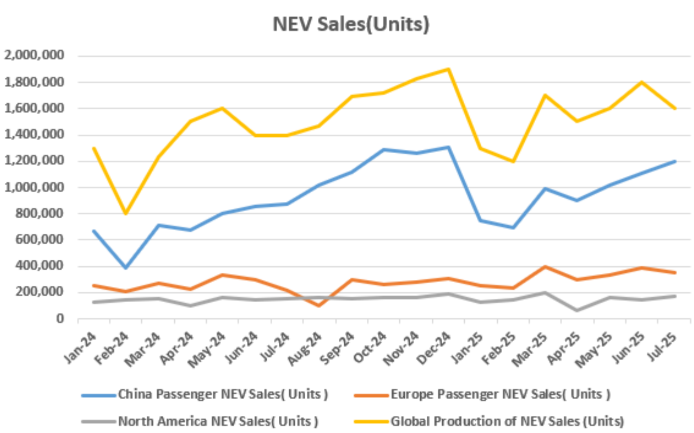
Battery Components and Downstream Market:

Prices Movement	Last	Previous	Changes %
6-Series Ternary Precursors (yuan/ton)	**87,225**	**86,650**	**+ 0.66%**
Prismatic Ternary Cells (yuan/Wh)	**0.67**	**0.67**	-
Lithium Iron Phosphate - Power (yuan/ton)	**41,100**	**39,590**	**+ 3.81%**
High-end Power Graphite(yuan/ton)	**33,050**	**33,050**	-

Since November, power battery demand has been supported by heavy-duty truck swapping projects in China, with energy storage demand continuing to rise. Last week, China MIIT released the Notice on Accelerating the Systematic Layout and High-Level Construction of Pilot-Scale Testing Platforms in the Manufacturing Industry, listing solid-state battery electrolytes, high-nickel cathodes, silicon-based anodes, and separators as key battery materials. This policy is set to boost technological innovation, industrial chain integration, and the commercialization of related solutions.

LFP production remains at full capacity, with leading enterprises' orders covering the first half of next year and most mid-sized enterprises securing orders for the first four months of 2026. Driven by surging demand for fast-charging power batteries and long-cycle energy storage systems, high-compaction density LFP technology is advancing rapidly, defined as materials with a powder compaction density of 2.6g/cm³ and above. In the medium term, structural demand for high-energy-density LFP is expected to witness an explosive growth, supported by technological iterations from third-to fourth-generation products and mass adoption by terminal carmakers. According to SMM forecasts, global LFP cell output will surge 51% year-on-year in 2025, with power LFP cells accounting for 62% and energy storage LFP cells 38%.

On the electrolyte front, China's output in October 2025 rose 4.85% month-on-month and approximately 35.02% year-on-year. SMM anticipates a modest month-on-month increase in November, with a year-on-year growth of 28%. Given the industry's production-to-order business model, the tight balance between supply and demand in the electrolyte market is poised to persist.



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