

4/11/2025

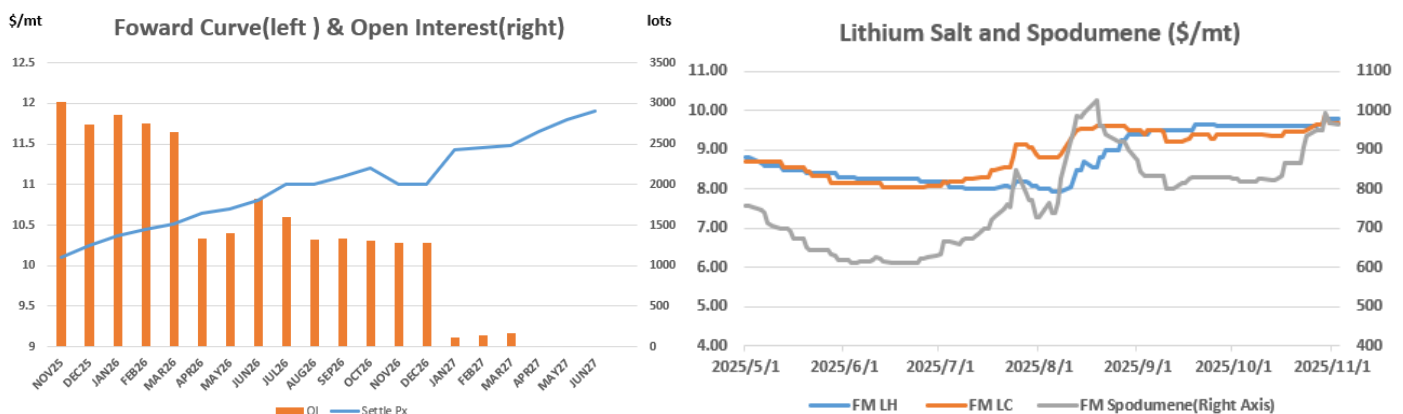
Lithium Salt and Spodumene Market:

- ⇒ **FastMarket Lithium Hydroxide:** Our view is short-run **Neutral**. Market speculation surrounding the resumption of production at major China lithium mines has triggered several pullbacks in lithium carbonate futures. However, supported by robust demand from both power and energy storage batteries, coupled with the backdrop of rapid inventory destocking, a potential rebound could take place in Q4.
- ⇒ **FastMarket Spodumene:** Our view is short-run **Neutral**. The resumption of domestic mines may exert downward pressure on imported spodumene.

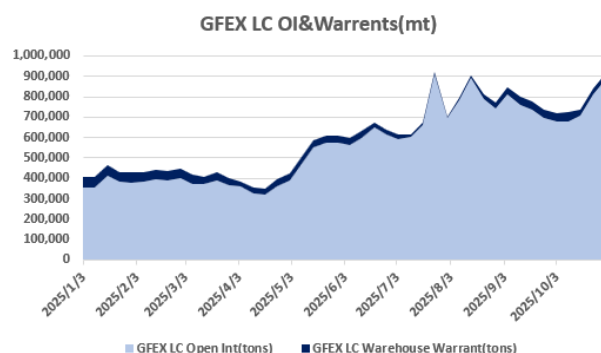
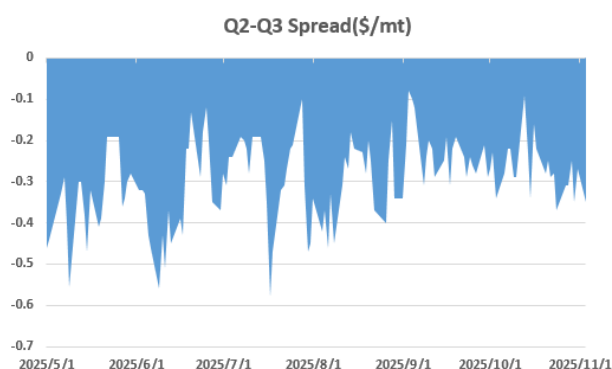
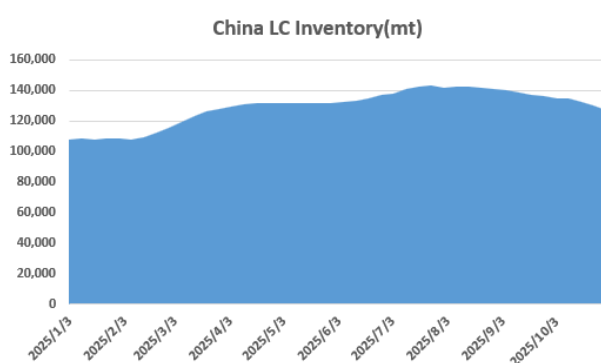
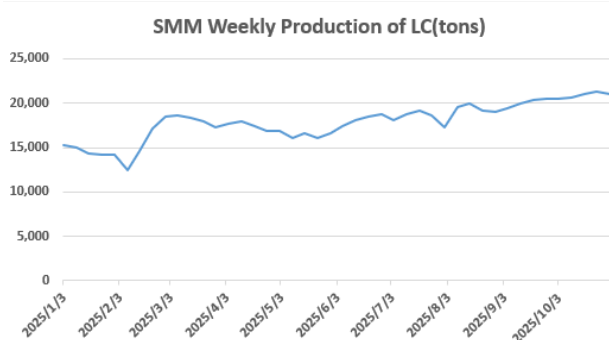
Prices Movement	3-Nov	27-Oct	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea (\$/kg)	9.80	9.60	+ 2.08%	Neutral
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea (\$/kg)	9.68	9.65	+ 0.31%	Neutral
SMM Lithium Carbonate Spot China(yuan/ton)	81,039	76,595	+ 5.80%	Neutral
FastMarket Cobalt 30% (\$/kg)	23.00	22.35	+ 2.91%	Neutral
FastMarket Spodumene min 6% Asia (\$/ton)	965.0	950.0	+ 1.58%	Neutral

This week has seen a flurry of news, leading to a marked increase in lithium carbonate volatility, a trend that aligns with our views, as consistently highlighted in previous reports focusing on monitoring volatility. The rebound is also coherent with our analysis of from our last report. We maintain our bullish stance on volatility. In terms of price direction, lithium potentially stabilize after a short-term pullback, while a long-term bullish position continues to offer a favorable risk-reward ratio.

Following the establishment of China-US economic and trade consensus last week, the export controls on lithium batteries and their materials have been suspended for one year, alleviating the market's rush to export. Additionally, market speculation over the rapid resumption of production at CATL's Jianxiawo lithium mine and Gotion High-Tech triggered sharp declines in futures prices on both last Friday and this Tuesday. China's installation rate of energy storage systems rose in the first half of the year, and has continued to increase the second half. The growth rate of energy storage battery shipments has been consistently underestimated this year: from the initial projection of 15% annual growth, it has now reached 75%. Similarly, the shipment growth rate of power batteries has increased from the Q2 estimate of 30-40% to over 50%.



Lithium Salt and Spodumene Market(Cont'd):

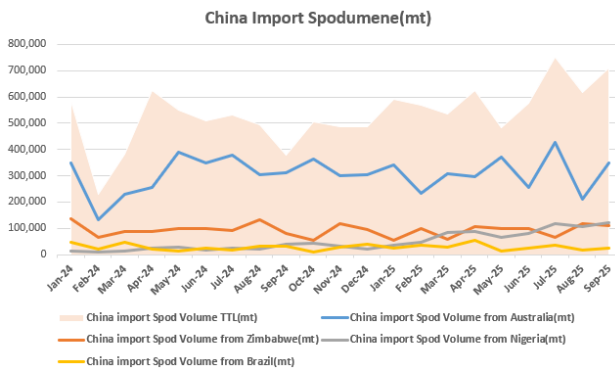


Furthermore, due to the production capacity ceiling of lithium ion phosphate, a key intermediate material, demand is expected to be evenly distributed over the coming months. With subsidies for power batteries set to decline next year, the remaining two months of this year represent the optimal window for electric vehicle (EV) purchases. Operating rates at downstream material manufacturers continue to rise. As noted in our September report, there may be no traditional off-season this year, with the second half characterized by steady demand growth. We firmly believe that against the backdrop of high growth in power batteries and energy storage batteries, any declines will be short-lived, and an upward trend will prevail in Q4. That said, we do acknowledge that based on annual supply-demand balance, the market may remain relatively loose in the first half of 2026.

Last week, open interest in lithium carbonate futures on the Guangzhou Futures Exchange (GFEX) rose continuously, hitting 913,000 contracts intraday on Thursday, nearing the all-time high of 918,000 contracts. During the same period, the trading volume nearly doubled. This signals elevated speculative sentiment in the lithium carbonate market. Meanwhile, cumulative trading volume of lithium hydroxide futures on the CME edged down from the previous week, indicating a decline in speculative activity. GFEX warehouse warrants continued to flow out, dropping to 27,621 tons, a three-month low. This suggests that social inventories are still in a trend of reduction. However, these developments also pose current capital-side risks: profit-taking-driven position reductions by market participants, coupled with the re-emergence of cash-and-carry trading opportunities, are exerting short-term downward pressure on the current prices.

From the perspective of production scheduling, LFP and ternary materials are expected to see steady output growth in November and December. Last week, lithium carbonate production edged down slightly to 21,080 tons, while its inventory continued to drop by 3,008 tons to 127,358 tons. Inventory turnover days are approaching 30 days, and total inventory has fallen by 11% over the past three months. Considering the resumption of production at mines in Jiangxi, the supply situation in Q4 will shift from "severe shortage" to "shortage". Theoretically, the shortage intensity in Q4 will still be nearly four times that of Q3. It should be noted that this calculation is based on the assumption that production resumption starts today. In reality, there should be a ramp-up period for production resumption, and the exact start time remains undetermined.

Lithium Salt and Spodumene Market(Cont'd):

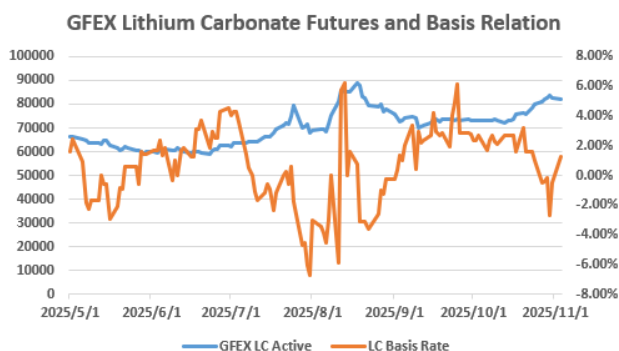
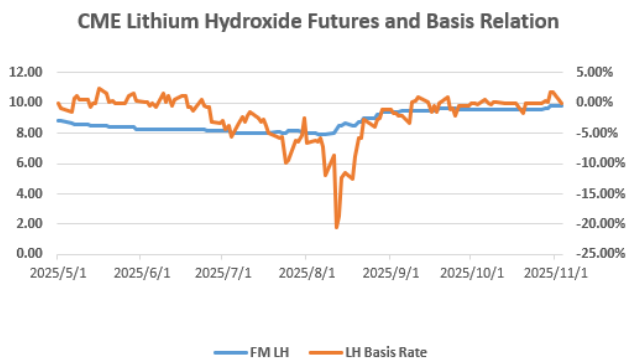
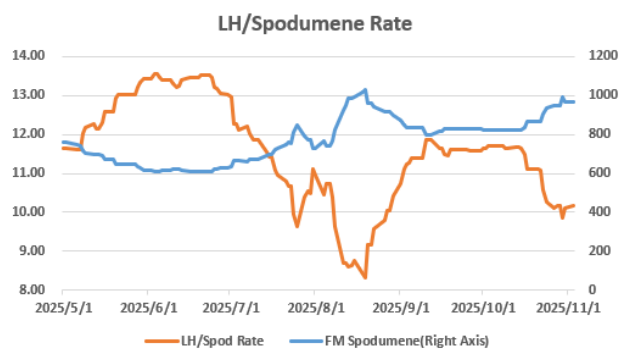
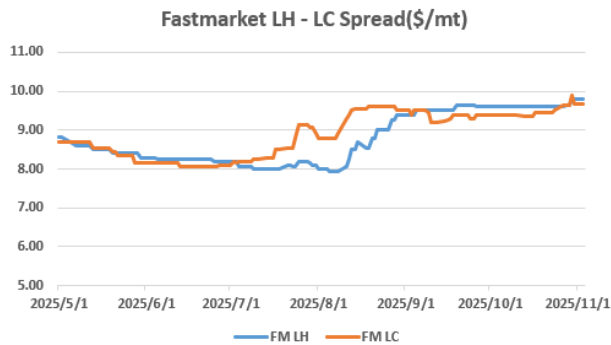


As the year-end long-term contract negotiations draw near, spot trading of lithium salts has turned brisk. Lithium hydroxide transactions are concentrated around \$11.5/kg, while lithium carbonate trades within the \$9.3–9.9/kg range. For spodumene, deals in the first half of last week were centered at \$950–1,006/ton. With buyers persistently chasing upward momentum, buying interest surged to \$1,000/ton by week-end. However, following the conclusion of a procurement cycle early this week, trading activity for spodumene cooled off, dragging the index lower. The earlier strength in spodumene was partly fueled by rumors of CATL ramping up external spodumene purchases, combined with high operating rates at lithium salt plants. That said, the resumption of domestic mines may exert downward pressure on imported spodumene going forward.



Regarding the minor fluctuations in the rolling Q2-Q3 spread, we recommend monitoring buying opportunities around -\$0.35/kg and selling opportunities near -\$0.10/kg.

Lithium Salt and Spodumene Market(Cont'd):



- The LH-LC spread remains in negative territory, but a further widening could trigger production switching in the market. While the room for the spread to stay deeply negative is limited, it may persist in negative territory for an extended period. With the recent marginal improvement in lithium carbonate supply, the spread is expected to normalize.

- The ratio of spodumene to lithium salt narrowed significantly during October, driven by imported spodumene mines maintaining firm prices and reducing shipments. However, as domestic mines are expected to provide sufficient supply going forward, the ratio is expected to narrow further.

- The basis rate increased as physical lithium was more stable especially if compared with fast drop on futures.

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

Battery Components and Downstream Market:

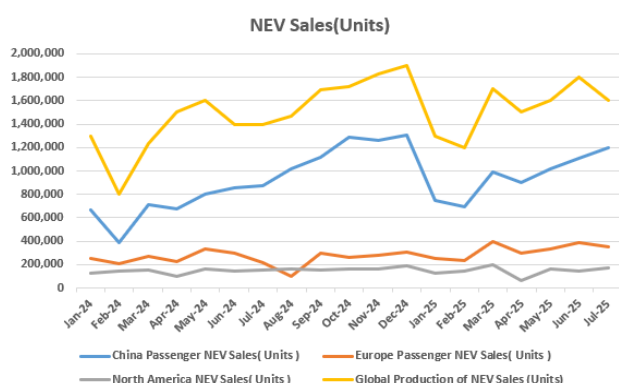
Prices Movement	Last	Previous	Changes %
6-Series Ternary Precursors (yuan/ton)	86,650	86,550	+ 0.12%
Prismatic Ternary Cells (yuan/Wh)	0.67	0.67	-
Lithium Iron Phosphate - Power (yuan/ton)	39,650	38,320	+ 3.47%
High-end Power Graphite(yuan/ton)	33,050	33,050	-

In September, China's imports of ternary materials reached 8,910 tons, up 18% month-on-month (MoM) and 88% year-on-year (YoY). Exports of ternary materials stood at 11,100 tons, down 18% MoM but surging 177% YoY.

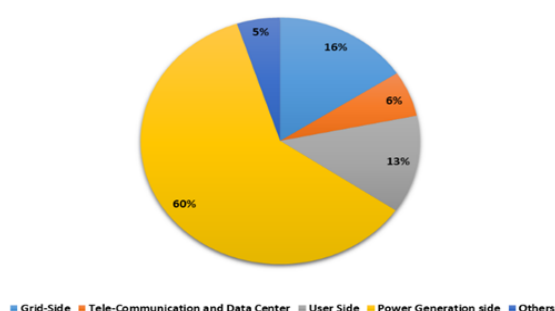
High prices of nickel sulfate and lithium salts provided solid cost-side support for ternary materials. Additionally, leading cathode material enterprises have maintained high operating rates, ensuring the supply of long-term contracted orders. Recently, the discount coefficient for spot orders has been raised, while manufacturers are in discussions regarding the discount terms for next year's long-term contracts.

Chuanda Longmang and Fulin Jinggong have launched projects to construct LFP production capacities of 175,000 and 350,000 tons respectively. Multiple consulting institutions forecast that LFP production will operate at full capacity 400,000–410,000 tons from November to early next year, with operating rates continuing to rise. The advancement of pure electric heavy-duty truck projects will drive incremental demand for LFP, while the supply of energy storage cells remains insufficient.

China's electrolyte output in September increased by 10.86% MoM and 39.82% YoY. Electrolyte orders are placed in advance, and production is adjusted based on sales volume. These factors have sustained the upward trend of electrolyte prices amid a tight balance between supply and demand. From the perspective of the battery industry chain, the price hike of electrolytes has been relatively delayed, only starting at the end of October, leaving room for catch-up growth. According to SMM (Shanghai Metals Market), China's electrolyte output in October is expected to rise by 1.1% MoM and 30.21% YoY.



Expected Global Demand for Lithium-ion Energy Storage Batteries in 2025(Gwh)



Data Sources: Bloomberg, SMM, Fastmarket, FIS

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