

2/12/2025

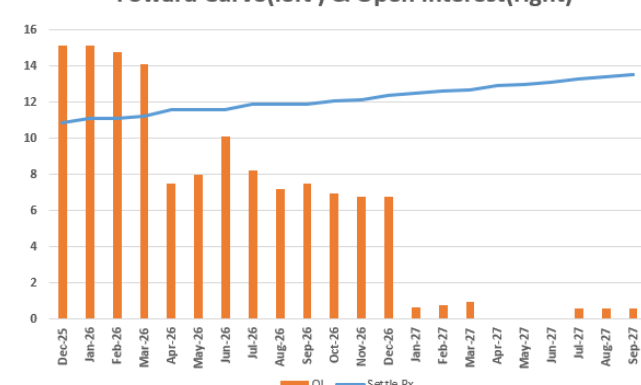
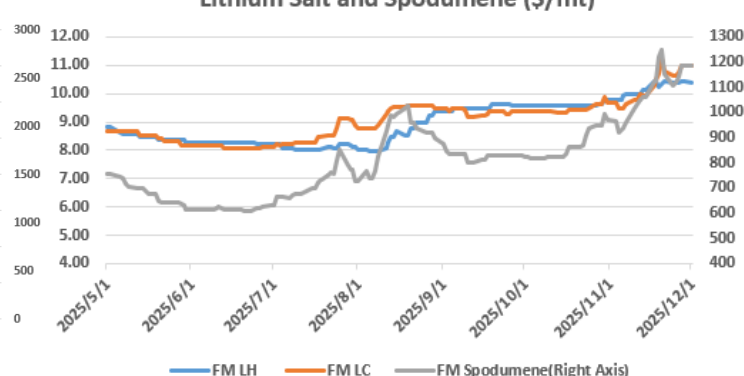
Lithium Salt and Spodumene Market:

- ⇒ **FastMarket Lithium Hydroxide:** Our view is short-run **Neutral**. After fluctuating last week, lithium salt prices have returned to around the level seen at the start of the week. The short-term outlook is optimistic. As we enter December, battery demand remains robust, coupled with low domestic lithium carbonate inventories and a rapid destocking trend. In the medium term, the market is concerned that the resumption of lithium salt production will increase significantly in December. Ahead of the Chinese spring festival in February, consumption as well as power battery demand may experience a downturn.
- ⇒ **FastMarket Spodumene:** Our view is short-run **Neutral**. The Chinese market expects an increase in lithium mica output, while the output of lithium from salt lakes is set to decline in January and February. After a sharp rebound in lithium spodumene prices, buyers and sellers have recently been locked in a stalemate over the pricing. Meanwhile, the shipment of lithium spodumene from Australia has picked up recently.

Prices Movement	1-Dec	24-Nov	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea (\$/kg)	10.40	10.40	-	Neutral
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea (\$/kg)	10.98	10.65	+ 3.10%	Neutral
SMM Lithium Carbonate Spot China(yuan/ton)	94,978	92,607	+ 2.56%	Neutral
FastMarket Cobalt 30% (\$/kg)	24.25	23.88	+ 1.55%	Neutral
FastMarket Spodumene min 6% Asia (\$/ton)	1185.0	1110.0	+ 6.76%	Neutral

Lithium salt prices traded as expected with a bullish bias last week. The main lithium carbonate contract price on the CME Group surged by 4.7%, while that on the Guangzhou Futures Exchange (GFEX) rallied 5.4% over the same period. Both rebounds outpaced those in the spot market. The narrowing basis has created opportunities for cash-and-carry traders.

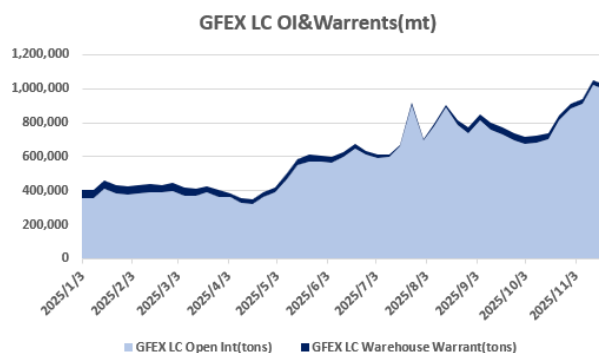
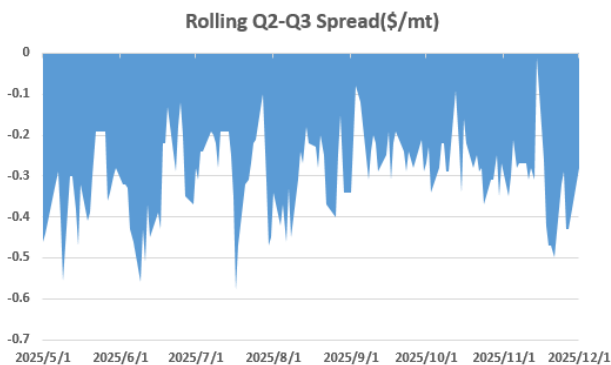
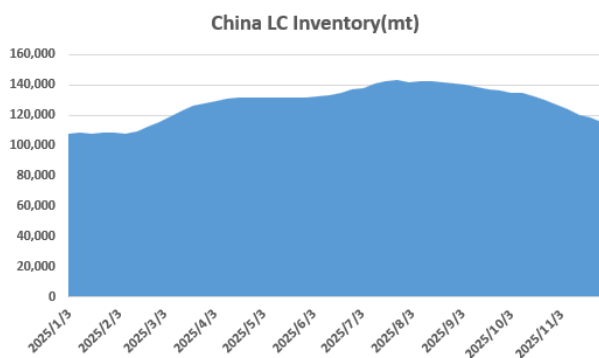
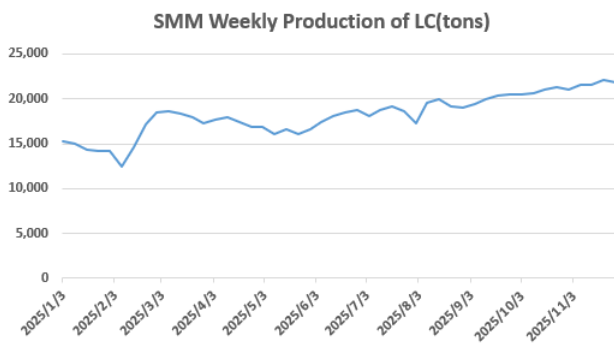
Recent lithium battery conferences show institutions predict 2026 energy storage demand will surpass expectations. The growth rate of energy storage battery demand, which the market generally projected at 30%-40% previously, has now reached 50%-80%. In addition, there is a consensus that the proportion of energy storage batteries in the whole battery market will increase. However, most of these positive factors are reflected in the performance of the equity market. As a bulk commodity, lithium salt is under pricing pressure from midstream and downstream enterprises through long-term agreements. The price fluctuations of spot trades only reflect the short-term supply and demand dynamics in the marginal market.

Foward Curve(left) & Open Interest(right)**Lithium Salt and Spodumene (\$/mt)**

Data Sources: Bloomberg, SMM, Fastmarket, FIS

Freight Investor Services 2025

Lithium Salt and Spodumene Market(Cont'd):

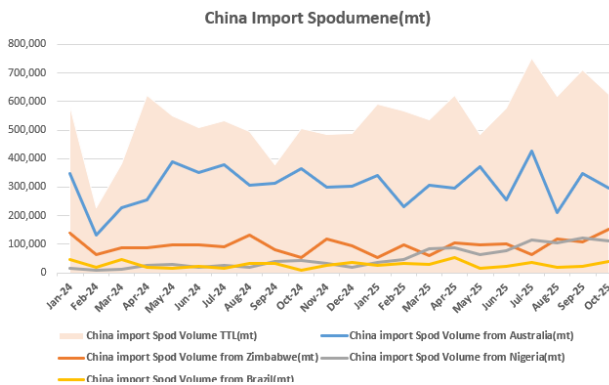


As we enter December, consulting firms have diverged in their views on the changes in lithium iron phosphate output. Based on the lagging nature of relevant data and the current order situation, we tend to believe that the market will see a certain output increase. As one of the marginal drivers of lithium carbonate demand, the short-term demand will remain on an upward trend. Last week, the reduced production capacity of salt lakes led to a drop in the overall lithium carbonate output to 21,865 tons (with a decrease of 265 tons). The inventory of lithium carbonate plummeted by 2,452 tons to 115,968 tons. It is expected that the days of available inventory may fall below 25 days in December, a figure far below the industry's critical threshold of 30 days, indicating an increasingly tight supply. In January, the market supply will fluctuate under the combined influence of three factors: the reduced production of salt lake lithium, the gradual production ramp-up of lepidolite, and the import pace of overseas spodumene.

After calculating the major mines' production ramp-up and battery demand across scenarios since entering December, we believe that multiple analyses consistently point to a milder supply shortage in December. Dynamic analysis shows this reduced shortage versus November will weigh on prices. However, the tight supply condition limits room for price declines. Looking ahead to January, total supply will keep expanding as production resumption outpace cuts. Nevertheless, battery demand might drop in both the consumer electronics and electric vehicle sectors, and energy storage can barely offset this demand gap in a single month.

Demand at ternary material manufacturers remains stable currently, with purchases driven by rigid demand. Against the backdrop of a substantial carbon-hydrogen spread, lithium hydroxide prices have been mainly driven up passively. In the offshore market, lithium hydroxide prices have performed steadily, with the index stabilizing at \$10.40/kg. The spot market has witnessed vibrant trading activities, with transaction prices spanning a wide range of \$9.3/kg to \$11.9/kg. The lithium carbonate index price has rebounded sharply by 3.1%, yet abundant sell orders at \$11/kg in the spot market have prevented the index from breaking through the \$11/kg mark for a long time. The lithium spodumene index has surged by 6.76%: buyers have continuously chased the price up from \$1,100/ton to \$1,200/ton. Subsequently, a large number of sell orders emerged at \$1,220/ton, and miners have kept releasing shipments at the current price level, leading buyers to stop chasing the upward price movement.

Lithium Salt and Spodumene Market(Cont'd):



After successive price increases by sellers, buyers showed no interest, leading to a subsequent pullback in the index price. For spodumene, there was bullish buying interest starting last Monday, eyeing prices surging from \$1,000/ton to \$1,254/ton. However, following the retracement of lithium salt futures, spot buying for spodumene vanished abruptly, and the latest trade has fallen back to \$1,100/ton.

On the rolling Q2-Q3 spread, a favorable entry point emerged during the past two weeks was at -\$0.45/kg. If the purchase cost is locked in, it is highly probable that the spread will rebound to -\$0.20/kg or above in the short term.

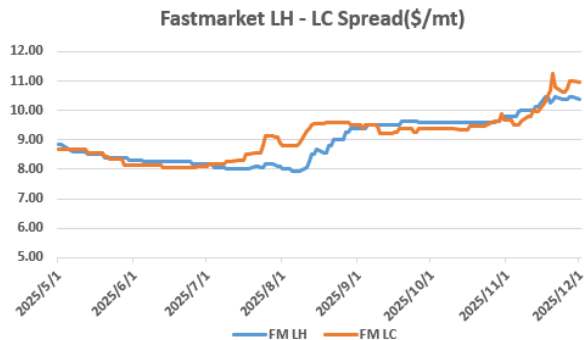


Market News List:

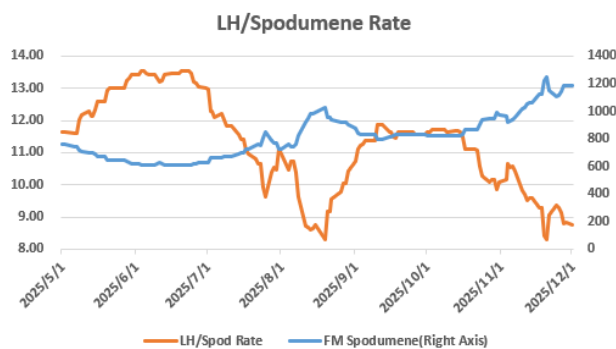
- Tianqi Lithium: 2026 global lithium demand to hit 2 million tonnes LCE.
- Huayou Cobalt's Chengdu plant to supply 127,800 tonnes of ultra-high nickel ternary cathode materials to EVE Energy's Hungary plant.
- China Securities lifts lithium price forecast ceiling to 120,000 yuan/ton.
- Bloomberg: China's 2025 battery output to surpass 1,500 GWh.
- Market talk: GFEX to adjust 2026 contract delivery specifications soon.
- Jiangxi miners see frequent startup news in Dec, but production ramp-up takes time; market speculates ahead of fundamentals.
- BBC: UK to add £1.3bn in electric vehicle subsidies.
- Bloomberg: US faces electricity crisis—data center demand and aging grid to cause potential power shortage.

In the short run, our view is neutral on both lithium salts and spodumene.

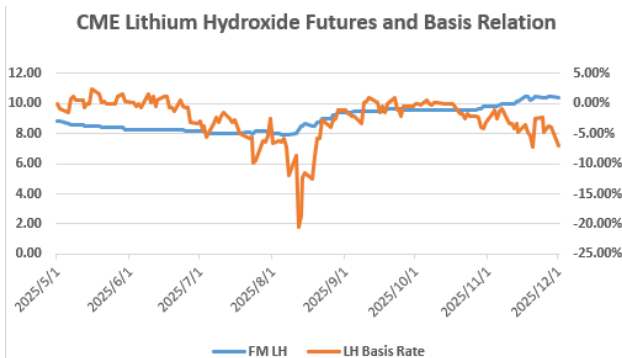
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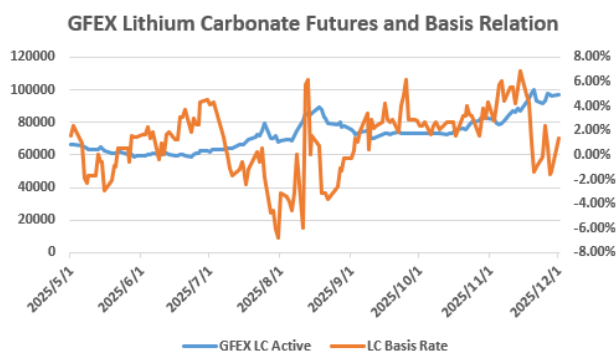
- After remaining positive for several consecutive weeks, the LH-LC spread turned negative during the past two weeks, primarily driven by a sharp rally in LC prices. If LC retracts after long-term negotiation, the spread is expected to move back toward zero.



- Spodumene spiked off the back of restocking sentiment



- The LH volatility decreased during the past week.



- The basis rate of the GFEX has fluctuated, while cash-and-carry traders have maintained robust activity in the market.

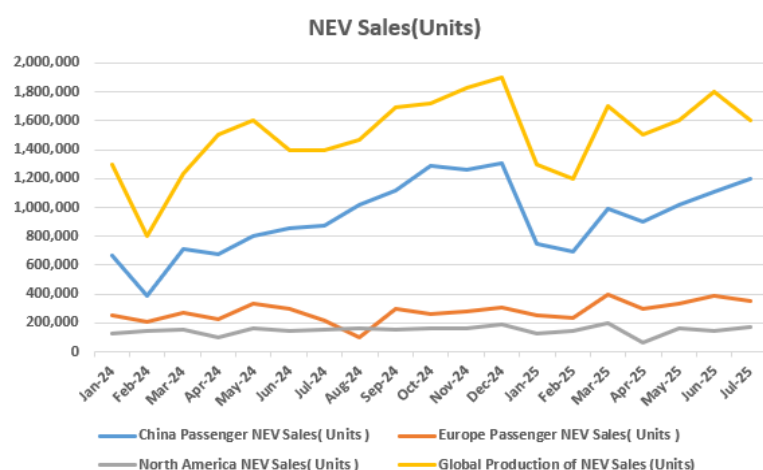
Battery Components and Downstream Market:

Prices Movement	Last	Previous	Changes %
6-Series Ternary Precursors (yuan/ton)	86,375	86,725	- 0.40%
Prismatic Ternary Cells (yuan/Wh)	0.67	0.67	-
Lithium Iron Phosphate - Power (yuan/ton)	43,085	42,550	+ 1.26%
Lithium Hexafluorophosphate(yuan/ton)	169,000	158,000	+ 6.96%

The completion of the export licensing process for the DRC is not completed yet, halting shipments of cobalt intermediates. The earliest arrival at ports is expected in late January or early February. With raw material costs exceeding those of cobalt salts, the market sees quoted prices but no actual transactions. Cobalt salt prices may break into an upward trajectory only when downstream launches a new round of bulk purchases. Otherwise, they should remain stagnant. SMM data shows China's cobalt sulfate output rose 2.29% month-on-month (MoM) and 16.4% year-on-year (YoY).

Last week, ternary precursor prices edged down slightly, with manufacturers' long-term contract negotiations still ongoing. Leading cathode enterprises maintain high operating rates to ensure long-order deliveries, underscoring robust demand resilience for ternary materials. However, manufacturers are reluctant to proactively restock since December. Both domestic and overseas demand may witness a modest decline by year-end. SMM reports China's ternary material output remained nearly flat, slipping 0.19% MoM but falling 7.29% YoY, with the proportion of Grade 6 series materials increasing. SMM forecasts a significant MoM drop in ternary material output in December.

Lithium iron phosphate (LFP) prices inched up last week. Both leading and mid-sized/small LFP enterprises are operating at full capacity, with orders extending into Q1 next year. SMM anticipates LFP output in December will remain on par with that in November.



Data Sources: Bloomberg, SMM, Fastmarket, FIS

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