FIS Battery Metals Weekly Report

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Lithium Salt and Spodumene Market:

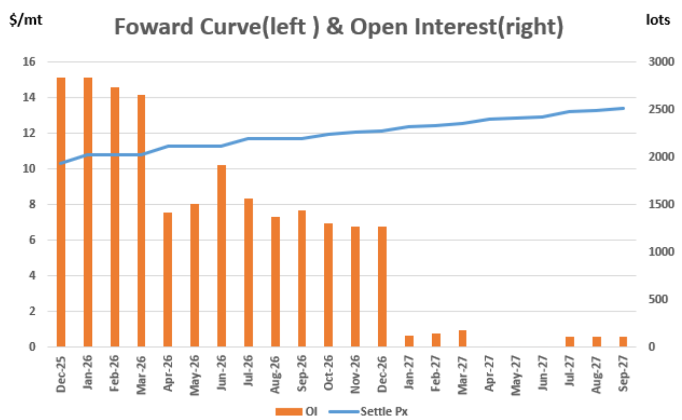
⇒ **FastMarket Lithium Hydroxide:** Our view is short-run **Neutral**. After the sharp fluctuations in lithium salt prices, volatility has diminished. The market is awaiting the results of long-term contract negotiations. Market expectations suggest that power battery demand will edge down marginally in January, while energy storage battery demand remains robust and supply will see a modest increase.

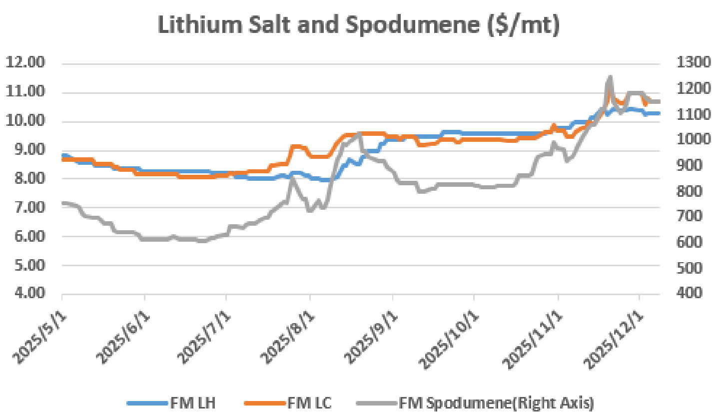
⇒ **FastMarket Spodumene:** Our view is short-run **Neutral**. Chinese domestic mines are expected to see a gradual increase in output from December to January, which may squeeze the demand for spodumene. However, the total supply of spodumene remains weak, and a price decline could reignite market interest.

Prices Movement	8 - Dec	1- Dec	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	10.30	10.40	+ 0.96%	Neutral
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	10.68	10.98	- 2.73%	Neutral
SMM Lithium Carbonate Spot China(yuan/ton)	92,725	94,978	- 2.37%	Neutral
FastMarket Cobalt 30% ($/kg)	24.65	24.25	+ 1.65%	Neutral
FastMarket Spodumene min 6% Asia ($/ton)	1150.0	1185.0	- 2.95%	Neutral

Lithium salt prices fluctuated moderately last week as expected. Contemporary Amperex Technology Co., Limited (CATL)'s previously announced production resumption on 5th December did not happen and this provided renewed support to the market. Battery demand remains robust in December, but expectations point to a weakening in demand during January and February. Additionally, supply growth is set to accelerate in January-February. One plausible scenario is that prices will start to retrace. The other scenario is that the Contango structure between nearby and deferred contracts will steepen, meaning deferred contracts will command a higher premium.

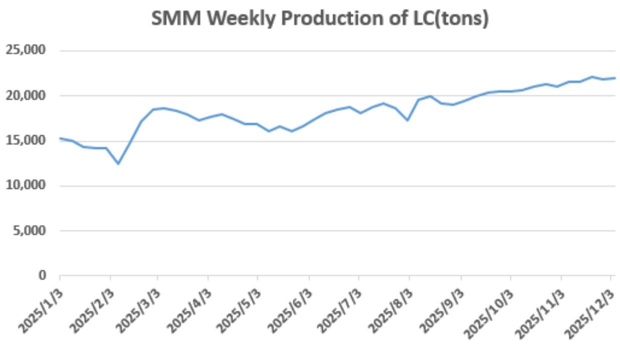
Last week, SMM-reported lithium carbonate output edged up slightly. However, constrained by limited imported spodumene and the start of production cuts at salt lakes, lithium salt production growth will be difficult to achieve unless mines resume production on a concentrated scale in the future. Over the past three weeks, inventories have declined by an average of 2,290 tons/week, a slowdown compared with the 3,298 tons weekly in the prior three weeks. Smelters' available inventories have dropped to 6.6 days, indicating a clear inventory squeeze. While downstream enterprises hold inventories with a longer days-of-cover period, there are signs of active restocking.

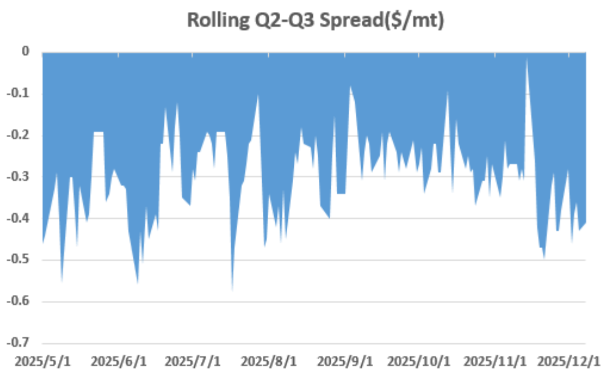


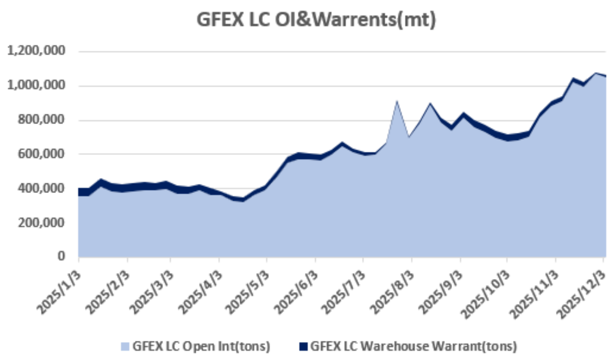


Data Sources: Bloomberg, SMM, Fastmarket, FIS

Lithium Salt and Spodumene Market(Cont'd):







Once total inventories fall to 100,000 tons in China , the entire lithium salt supply chain may face tightness.

Our internal scenario analysis indicates that a supply-demand gap will persist in December, though the gap has improved significantly compared with November. This aligns with the fundamental trend of a prior peak followed by a subsequent pullback. Given that the overall supply gap in December remains unaddressed, we expect limited downside in prices during the month. Looking ahead to January and February, production capacity from resumed operations will come online, yet salt lake production will see cuts. Demand is set to decline for both power batteries and consumer batteries, and incremental demand from energy storage may not be sufficient to offset this drop. On the other hand, lithium battery sector stocks in the equity markets have posted substantial gains, leaving open the possibility that they could drive a catch-up rally in bulk commodities after the New Year.

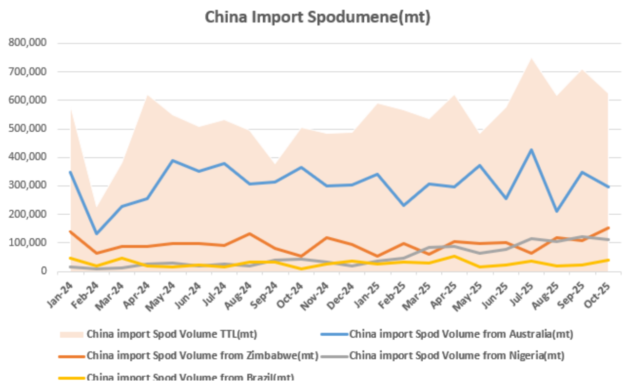
The LH-LC price spread oscillated in a narrow range of -$0.58/kg to -$0.35/kg from late November to early December. With power battery demand gradually declining at the end of the year and energy storage demand remaining robust, the spread is unlikely to revert to positive territory in the short term. In the offshore market, the lithium hydroxide index has performed steadily, with little change over the past two weeks. However, there have been numerous trades at high price levels and market activity remains strong, with deals concentrated in the range of $10.8/kg to $11.6/kg, indicating that the market is dominated by rigid-demand purchases. The lithium carbonate index has fallen sharply, with deals ranging from $10.8/kg to $11.6/kg, reflecting a decline in demand. The spodumene index has edged down slightly, with trades clustered between $1,200/ton and $1,280/ton, and buyers are adopting a wait-and-see stance in the spodumene market.

Regarding the rolling Q2-Q3 price spread, a buying opportunity at -$0.45/kg has emerged for the third time in three weeks, yet no appropriate selling opportunity has presented itself. We believe that if fluctuations driven by the expectation gap between nearby and deferred contracts occur again, a selling opportunity around -$0.2/kg may arise in the future.

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

Data Sources: Bloomberg, SMM, Fastmarket, FIS

Lithium Salt and Spodumene Market(Cont'd):



Market News List:

- The first batch of lithium concentrate from Bougouni Lithium Mine, owned by Hainan Mining, has been loaded and officially shipped from the Port of San Pedro in Côte d'Ivoire, with a total volume of 28,950 tons.
- Nineteen states in northern Nigeria have decided to suspend mining activities for six months, though lithium salt production in the region remains operational for the time being.
- Tianqi Co., Ltd. has completed the construction of an annual processing capacity for 100,000 tons of waste lithium batteries, including 50,000 tons of ternary batteries and 50,000 tons of LFP batteries. The company's core subsidiary, Tianqi Jintaige, boasts leading recovery rates, with an average recovery rate of 98% for cobalt and nickel from ternary batteries, and over 92% for lithium from both ternary and LFP batteries . Additionally, a 100,000-ton LFP battery recycling capacity is currently under construction.
- Tianhua New Energy is expected to expand its lithium salt production capacity to 260,000 tons.
- The Inter-American Development Bank (IDB) stated that against the backdrop of the Trump administration's promotion of "Nearshoring" for critical minerals, Latin American countries are stepping up efforts to build critical mineral supply chains and enhance the refining and processing capabilities of minerals including lithium and copper.

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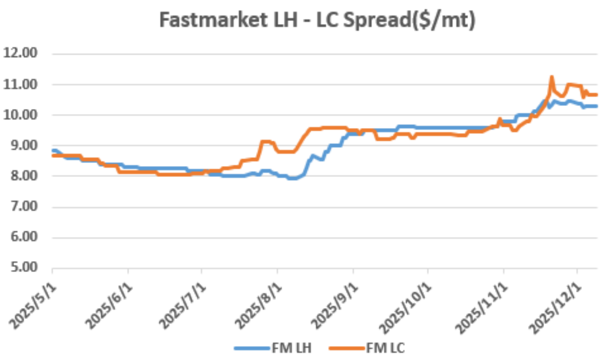
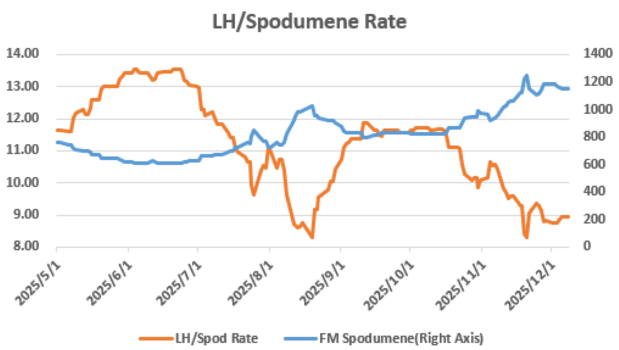
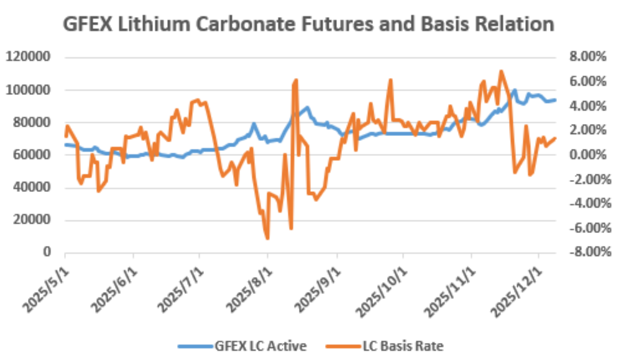


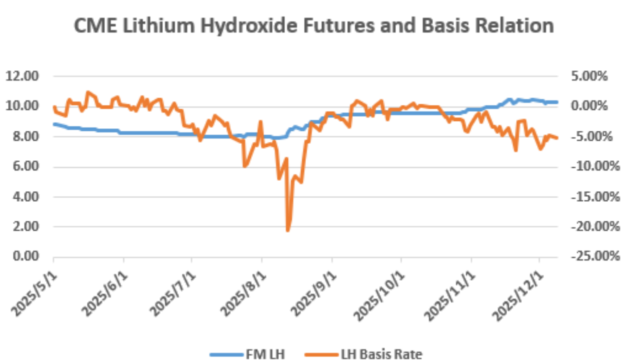
- The LH-LC price spread remains in negative territory, driven by the expected marginal decline in demand for ternary batteries while demand for LFP batteries stays robust.



- The salt-to-ore production ratio remains in a weak position, driven by limited supply of lithium spodumene alongside a simultaneous increase in overall lithium salt supply.



- GFEX front-month contract basis has swung sharply recently, while cash-and-carry strategies remain stable.



- CME lithium basis has trended weaker in the past three months, with robust spot buying activity.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

Battery Components and Downstream Market:

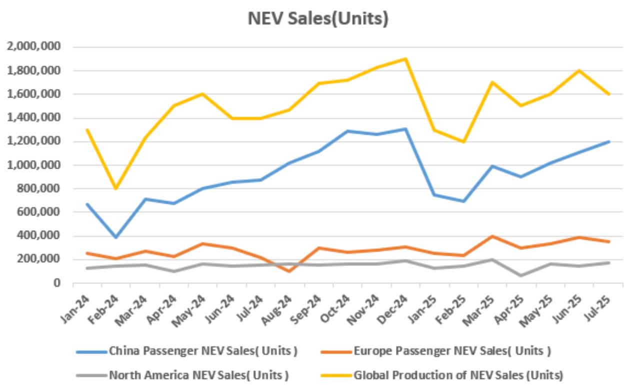
Prices Movement	Last	Previous	Changes %
6-Series Ternary Precursors (yuan/ton)	86,375	86,725	- 0.40%
Prismatic Ternary Cells (yuan/Wh)	0.67	0.67	-
Lithium Iron Phosphate - Power (yuan/ton)	43,085	42,550	+ 1.26%
Lithium Hexafluorophosphate(yuan/ton)	169,000	158,000	+ 6.96%

Cobalt intermediates stay strong but remain "priced without trades," amid tight supply from Congo (Kinshasa)’s delayed exports. The electrolytic cobalt-cobalt salt spread is narrowing, electrolytic cobalt rebounds on cost support, while cobalt salt prices edge up.

Prices of ternary cathode materials remained stable last week, as the market awaits the outcomes of next year’s long-term contract negotiations. Currently, significant divergences persist between upstream and downstream players. Following the end of the peak season, demand for power and consumer batteries is expected to decline in early 2026, prompting enterprises to adopt a cautious stance on production scheduling. Among ternary materials, the long-term demand share of high-nickel variants such as NCA (nickel–cobalt–aluminum oxide) and NCM (nickel–cobalt–manganese oxide) continues to expand.

Multiple leading LFP manufacturers have put forward price-increase requests, and some have already raised prices for January 2026 deliveries. Operating rates of top-tier enterprises have hit 95% of their theoretical maximum capacity. However, the industry-wide debt-to-asset ratio is approaching 70% in 2025, severely limiting manufacturers' financing capacity for capacity expansion. Meanwhile, the LFP sector has responded positively to the government's initiative against irrational competition, prioritizing quality assurance while controlling output. Data from the China Industrial Association of Power Sources (CIAPS) shows that the average industry cost of LFP from January to September 2025, calculated using both the simple average method and the market-share-weighted average method, ranges from RMB 15,714.8 to RMB 16,439.3 per ton (ex-tax). It is highly unlikely that market prices will fall below this range in the future. Consequently, the LFP market is expected to face a supply shortage over the next six months, with solid support for bottom-tier valuations from the cost floor.

CPCA: China’s Nov 2025 NEV wholesale volume hit 172,000 units, up by 7% MoM, with Jan-Nov cumulative at 13.78 million units (+29% YoY). Europe Nov wholesale expected to increase by 4%-5% MoM, while US expected to increase 7%-8% MoM.



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