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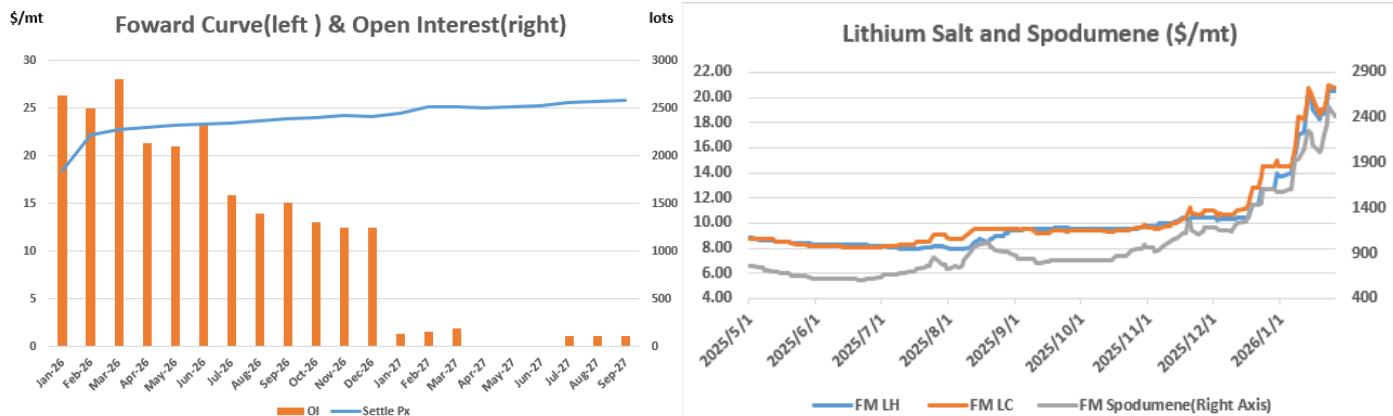
Lithium Salt and Spodumene Market:

- ⇒ **FastMarket Lithium Hydroxide:** Our view is short-run **Neutral to Bearish**. The scramble for lithium salt has ended. Marginal demand for lithium salts has declined in January and February. Speculative capital has exited the market under exchange regulation. Thus, the market moves from incremental expansion to stock competition.
- ⇒ **FastMarket Spodumene:** Our view is short-run **Neutral to Bearish**. Spodumene rallied in tandem with lithium salts, yet retreated as there were no buyers at elevated levels. Supported by limited output from salt lakes and imported spodumene supplies, the downside will be limited over the long term.

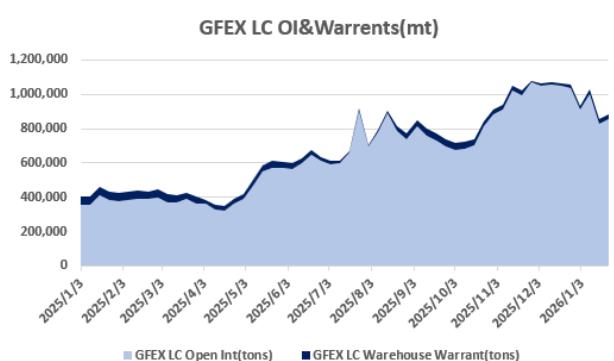
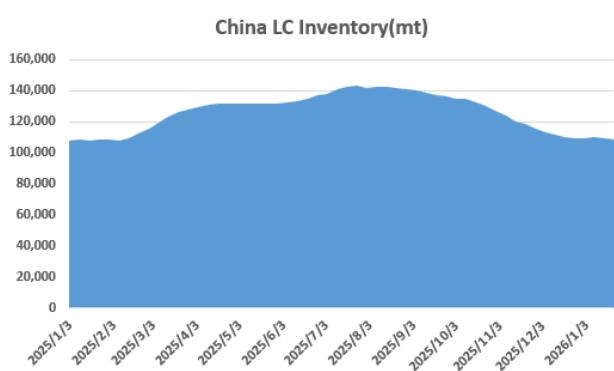
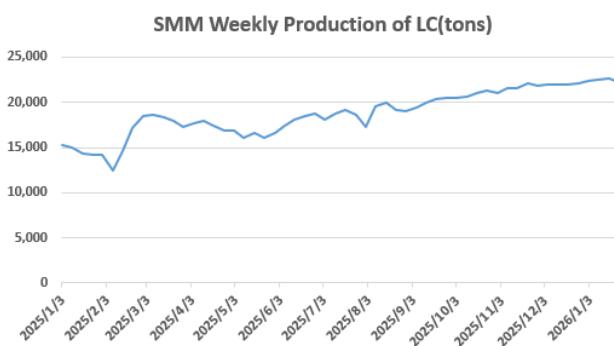
Prices Movement	26 - Jan	19 - Jan	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea (\$/kg)	20.00	18.25	+ 9.59%	Neutral to Bearish
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea (\$/kg)	20.50	18.60	+ 10.22%	Neutral to Bearish
SMM Lithium Carbonate Spot China(yuan/ton)	178,964	151,665	+ 18.00%	Neutral to Bearish
FastMarket Cobalt 30% (\$/kg)	25.75	25.68	+ 0.27%	Neutral to Bearish
FastMarket Spodumene min 6% Asia (\$/ton)	2410.0	2015.0	+ 19.60%	Neutral to Bearish

The active lithium carbonate contract on the GFEX surged to a three-year high last week, which pulled back sharply on Monday and Tuesday this week. Lithium carbonate and lithium hydroxide contracts on the CME both rallied then retreated from last week to the start of this week. After excessive speculative sentiment in the early stage and multiple regulatory measures rolled out by the GFEX, speculative capital has exited the market, with open interests on both bourses slumping sharply from early January.

Externally, the price was supported by a weaker US dollar, strong base metal prices and a concentration of speculative capital. On the fundamental side, however, it has been under pressure from the simultaneous decline in demand for energy storage and power batteries in January and February. From the downstream perspective, attention must be paid to the IRR red line for China's energy storage enterprises, which points to a critical lithium carbonate price of RMB 190,000 yuan/ton. In fact, a prolonged stay at 170,000 yuan/ton will already bring significant pressure to enterprises. Given that energy storage enterprises have stronger bargaining power than automakers, this level is regarded as a short-term ceiling. In addition, the withdrawal of export subsidies for electric vehicles is imminent, with few weeks left before the Chinese New Year. On the midstream materials front, lithium hexafluorophosphate has already entered a correction phase since late December.



Lithium Salt and Spodumene Market(Cont'd):

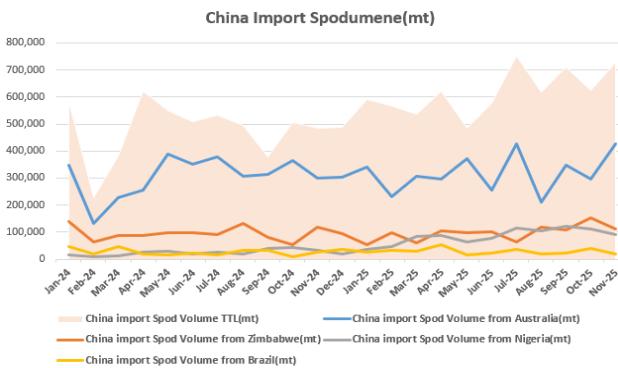


The production scheduling of lithium iron phosphate saw a slight decline in January and February. The price acceptability of ternary materials has hit a ceiling, yet lithium, cobalt and nickel all remain at high price levels, thus restricting each other's room for price increases. Valuations across the non-ferrous metals sector are generally elevated. A sharp pull-back in silver or other metals potentially trigger overall selling pressure. In fact, ETF holdings of precious metals have already started to see capital outflows in China and the US. Valuations of lithium salt-related stocks have become excessively high, and these stocks will face pressure from annual report releases in Q1.

There have been certain changes in the current market trading pattern. For most of January, lithium salt producers would hold back sales amid price drops and release cargoes in bulk once prices rebounded. However, a concentrated cargo release took place following this week's price decline. On one hand, it verifies that sellers are largely satisfied with current prices, potentially marking a relative peak for spot market rates. On the other hand, it still reflects strong downstream demand. Traders hold the view that current spot lithium salt prices are well above both the long-term contract average and the monthly spot average, and thus they intend to wait for a price pullback. Looking ahead, the demand side will continue pre-holiday stocking, while the supply side is facing planned maintenance. The lithium salt market has bucked the usual seasonal lull in January overall, with the decline in lithium carbonate inventories slowing down from December levels. Our balance sheet projects that the LCE market shifted from four consecutive months of supply tightness to supply-demand balance in January, and will see a mild surplus in February. That said, the market will return to a state of supply tightness in Q2, though the supply gap will be narrower compared with Q4 last year.

The LH-LC spread has rebounded sharply from -\$1.00/kg in mid-January to -\$0.25/kg, driven by stable demand for lithium hydroxide and the end of the scramble for spot lithium carbonate cargoes. Given lithium carbonate's relatively higher price elasticity, the spread potentially turn positive if lithium carbonate prices decline further. In terms of price performance, offshore lithium hydroxide has fallen from \$24.5/kg in mid-January to \$21.25/kg, with a small number of deals even traded at \$18/kg on Monday.

Lithium Salt and Spodumene Market(Cont'd):



Lithium carbonate, by contrast, has traded actively in a narrow range of \$19.5-\$19.6/kg. Lithium spodumene has seen an unabated rally since December, with robust trading activity. Its physical trading prices have surged by over 50% in January. The consistent trading continuity of lithium salts and lithium spodumene means the recent price rebound is a more authentic reflection of the underlying market pricing.



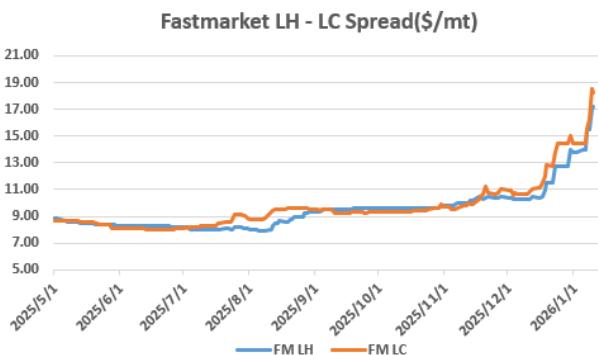
In the short run, be aware of pullback risks in both lithium and spodumene. From our view, the volatility is expected to decrease.

In the mid run, our view is bullish.

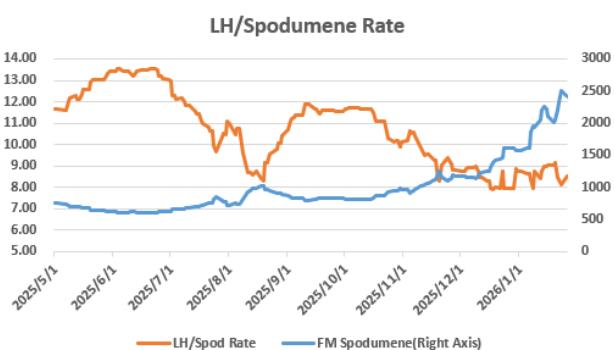
Market News List:

- Modification applications for the mining licenses of Jianxiawo and Guoxuan Electronics are underway, with the resumption of production falling short of expectations.
- The EU has secured priority access to reserves of a large number of critical minerals and agricultural products through the newly signed trade agreement with the Southern Common Market (Mercosur).
- The energy storage cell output in China is projected to hit 80.43 GWh in January 2026, a month-on-month increase of 3.6%. Total lithium battery production scheduling stood at approximately 210 GWh, a month-on-month decrease of 4.5%.
- China imported lithium ore from Mongolia for the first time in December, with two shipments totaling 22,500 metric tons at a unit price of \$169.52/ton. China's imported lithium concentrate reached 6.21 million metric tons in 2025, a year-on-year increase of 9%.

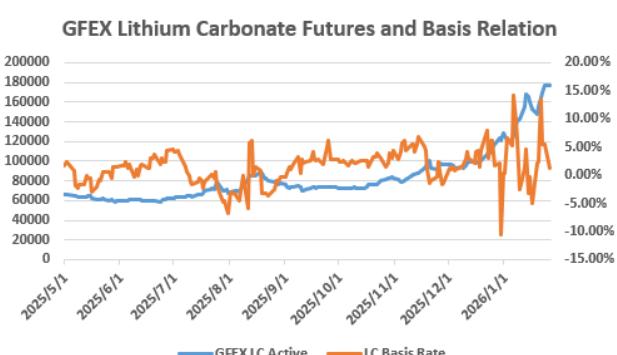
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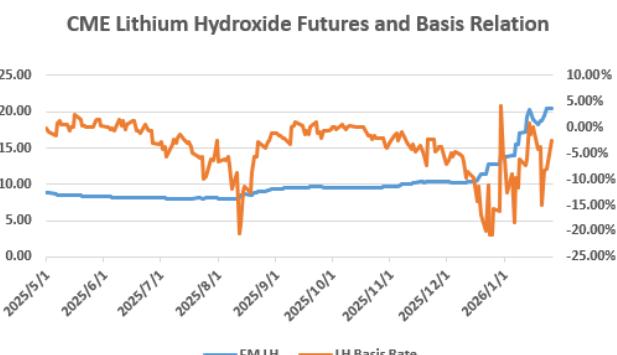
- The LH-LC spread has strengthened. Lithium hydroxide has shown low price elasticity, while lithium carbonate has seen a deeper pullback amid the overall market decline. Going forward, as spot demand for lithium carbonate wanes, the spread is expected to move back into positive territory and find support.



- The lithium salt to spodumene ratio fluctuates in a narrow range, while spodumene moves in high correlation with lithium salts.



- The GFEX futures have experienced sharp volatility recently, with a single-day move of nearly 15% this Monday. Exchange open interest has been trending lower of late, as speculative capital continues to unwind.



- The CME basis rate has swung widely, creating steady cash-and-carry opportunities.

Battery Components and Downstream Market:

Prices Movement	Last	Previous	Changes %
6-Series Ternary Precursors (yuan/ton)	96,650	96,550	+ 0.10%
Prismatic Ternary Cells (yuan/Wh)	0.69	0.68	+ 1.47
Lithium Iron Phosphate - Power (yuan/ton)	64,420	57,025	+ 12.97%
Lithium Hexafluorophosphate(yuan/ton)	145,000	155,000	- 6.45%

The sharp rise in nickel sulfate has capped the price of lithium hydroxide. China's total nickel sulfate imports reached 7,488 tons in December 2025, a month-on-month increase of 7% and a year-on-year surge of 46%. Given the accelerating import growth of nickel sulfate since Q4 last year, the month-on-month growth momentum potentially persist in Q1 2026 under normal shipment conditions. Therefore, a pullback in nickel sulfate prices may unlock the upside potential of lithium hydroxide once again.

Small and medium-sized battery manufacturers have slipped into a mild loss-making state in China. Thus, a price increase in any of lithium, cobalt or nickel—the upstream raw materials for ternary materials may force some enterprises to halt production or even lead to capacity consolidation. Leading manufacturers have seen robust demand for Sino-Australian nickel materials, mainly due to the upcoming phase-out of export tax rebates for cathode materials and batteries in April; manufacturers with significant overseas market exposure are ramping up production at an accelerated pace. Nevertheless, the impact of the export rush may have already been fully priced in at the battery price level.

Lithium hexafluorophosphate has retreated 16.18% from its peak of 173,000 yuan/ton since mid-December last year, with the market shifting from a tight supply pattern to a loose one. After enterprises raised their capacity utilization rates and expanded raw material procurement channels in the early stage, supply recovered rapidly in November and December. Consequently, traders have reduced stockpiling in tandem, resulting in a temporary surplus of circulating supplies in the market.

Regarding the export progress of Congolese cobalt, some enterprises have completed the approval for small-batch pilot cargo exports, while most are still stuck in procedures such as the prepayment of royalties and the verification of quota certificates—these procedures are expected to take at least one month. As a result, cobalt exports originally scheduled for Q4 2025 have been delayed to March this year, and in reality, only a small number of enterprises will be able to fulfill their planned quota exports in time. China's cobalt imports are expected to edge up slightly starting in March, with a notable increase only likely to materialize in April 2026 and beyond.

Data Sources: Bloomberg, SMM, Fastmarket, FIS

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