FIS

# Battery Metals Weekly Report

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## 12/5/2026

**Lithium Salt and Spodumene Market:**

⇒ **FastMarket Lithium Hydroxide/Lithium Carbonate:** Our view is short-run **Neutral**. Lithium salt prices have surged sharply in May, with demand growth accelerating notably. Massive capacity expansions in LFP (lithium iron phosphate) scheduled for Q2 2026 have driven robust, inelastic demand for lithium carbonate, serving as the primary catalyst for the price rally.

⇒ **FastMarket Spodumene:** Our view is short-run **Neutral**. Due to the global spodumene shortage, suppliers are raising prices. Lithium salt producers have a more cautious outlook.

| Prices Movement | 11 - May | 4 - May | Changes % | FIS Sentiment |
|---|---|---|---|---|
| FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg) | 22.75 | 20.65 | + 10.17% | Neutral |
| FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg) | 24.90 | 22.75 | + 9.45% | Neutral |
| Bloomberg Lithium Carbonate Spot China (yuan/ton) | 194500.0 | 172500.0 | + 12.75% | Neutral |
| FastMarket Cobalt 30% ($/kg) | 26.13 | 26.03 | + 0.38% | Neutral |
| FastMarket Spodumene min 6% Asia ($/ton) | 2970.00 | 2605.00 | + 14.01% | Neutral |

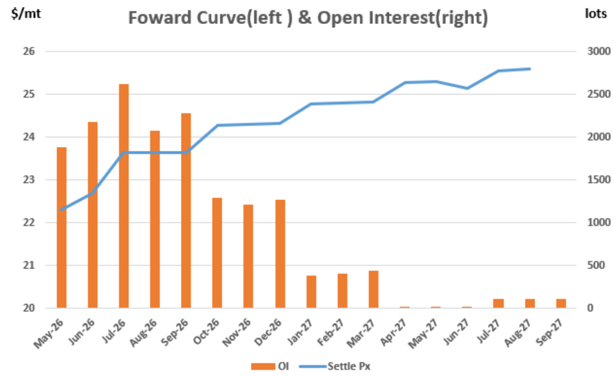
Lithium salt prices have rebounded rapidly recently and entered a high-risk and overvalued zone. We keep a neutral outlook for May.

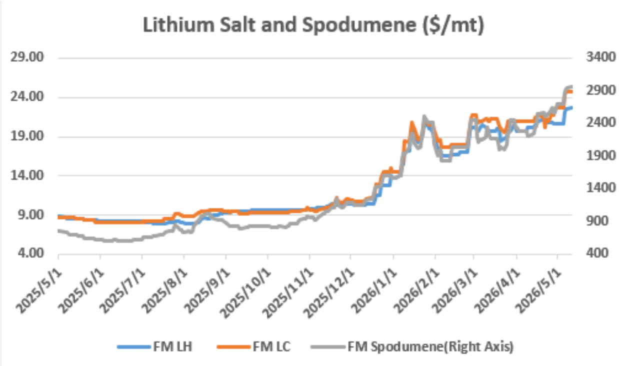
On the supply side, export shortages from Zimbabwe, compounded by logistics bottlenecks across Africa, continue to weigh on overall lithium ore shipments. South American salt lake capacity is ramping up at a solid pace, while China production is set to see notable incremental release after June, and tight supply conditions persist for lepidolite in Jiangxi. Higher energy costs have further lifted mining expenses upstream, with inventory levels staying low across the whole industrial chain. Heightened uncertainties over shipping routes have also prompted proactive restocking and front-ordering activities for battery metals globally, as market participants hedge against foreseeable supply shortages ahead.

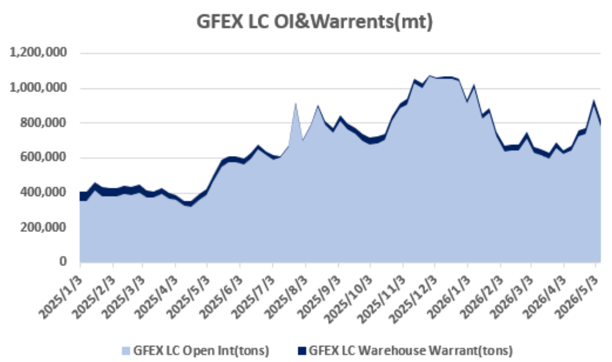
Lithium demand maintains a solid upward trend. Concentrated LFP capacity ramp-ups in China in Q2 and Q3 will continuously drive marginal demand growth for lithium carbonate. European NEV demand has accelerated notably, with Q1 sales surging over 50% year-on-year, and institutions expect this strong growth momentum to persist through Q2 and Q3. China energy storage cell output has repeatedly hit record highs since March and is set to register another new peak in May. Leading battery manufacturers have order backlogs extending to mid-2027, while mid-tier producers keep capacity utilization above 90%. Furthermore, China's zero-tariff policy for 53 African countries, effective May 1st, covers core lithium materials including lithium carbonate, lithium hydroxide, lithium hexafluorophosphate and battery separators, effectively boosting industry export demand and further underpinning lithium fundamentals.

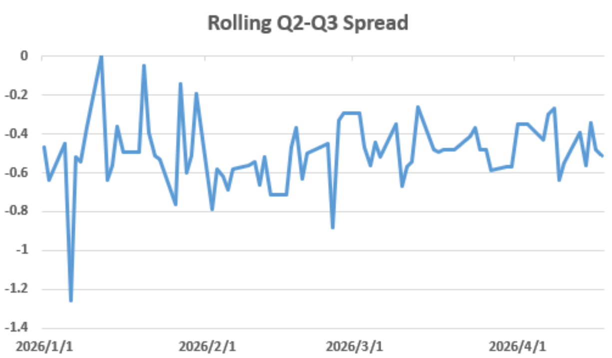
Based on the global lithium balance sheet, the LCE supply deficit is set to widen progressively, with the deficit expansion in Q2 and Q3 expected to accelerate markedly faster than in Q1. For China, the world's largest battery producer and consumer, its domestic LCE supply shortfall is also projected to broaden further in Q2.

***Data Sources: Bloomberg, Fastmarket, FIS***

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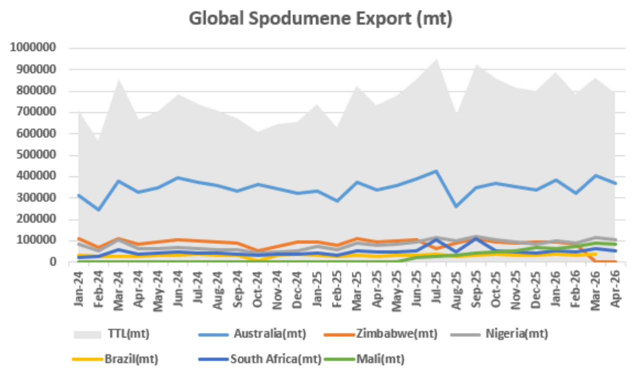
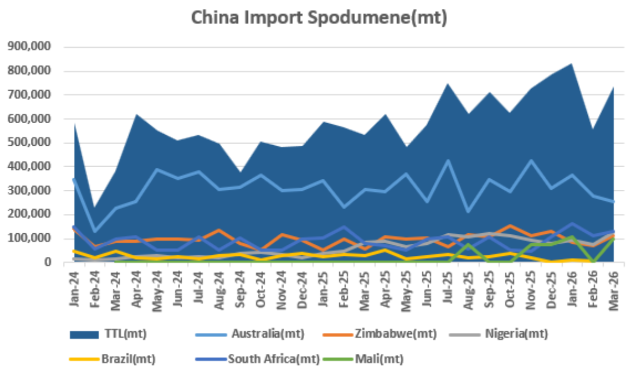
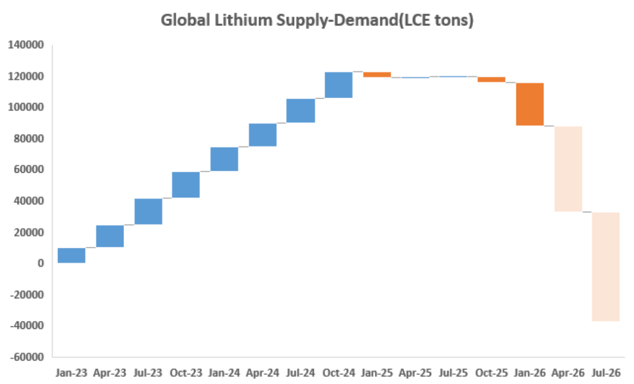
From a valuation perspective, the Chinese lithium sector regulations imposed supplementary taxes on low-grade lithium ore, materially lifting production costs for low-grade lithium extraction and resetting the industry’s overall cost baseline. Accordingly, the reasonable trading range for lithium carbonate has been fully restructured and shifted higher, with the fair value area revised upward from 58,000–120,000 yuan/ton to 120,000–220,000 yuan/ton.

Overall, lithium carbonate’s price trading range has widened while its overall price elasticity remains largely unchanged. A rigid upward shift in the cost floor is set to reshape the industry’s hedging pricing logic and trading strategies. Current lithium prices are nearing our estimated short-term valuation ceiling. In the previous rally, lithium prices peaked at 210,000 yuan/ton before a sharp pullback, mainly as falling IRR for energy storage projects forced downstream enterprises to cut procurement and cap upstream prices. The current rally follows a fundamentally different logic. With cell prices already higher, energy storage players have little incentive to tolerate continuous margin compression, suggesting the near-term upside for lithium prices is limited. Meanwhile, battery metals including lithium, cobalt, nickel, manganese and aluminum are trading at elevated levels, making recycled battery materials materially cost-competitive against virgin feedstock and serving as a key incremental supply source. However, this supply hedge has a clear threshold: if lithium carbonate falls below 150,000 yuan/ton, the cost advantage of recycled materials will diminish sharply, leading to shrinking recycled supply and forming a natural price floor for lithium prices.

International lithium spot prices have strengthened in tandem. CIF lithium hydroxide reversed its weak trend seen in late April and staged a sharp rebound in May. Trading stood at $18.1–18.6/kg in late April, before strong buying momentum pushed prices up to $26.85/kg earlier this week. The CIF lithium carbonate index also rallied rapidly in May. Spot prices rose to $23.5/kg from the late-April range of $22–22.5/kg, with no sellers willing to offer cargoes, reflecting strong spot supply tightness. The current spot rally is mainly a catch-up move. After futures entered consolidation earlier, the basis has gradually returned to normal levels. Spodumene prices also rebounded from $2510/ton in late April. Sustained seller withholding last week further tightened spot availability, driving traded prices to $3000–$3100/ton earlier this week. That said, prices above $3000/ton may trigger buyer hesitation and slow the upward momentum in the near term.





***Data Sources: Bloomberg, Fastmarket, FIS***

The LH-LC spread rebounded sharply from an average of -$0.80/kg in late April to -$2.17/kg in early May. Diverging demand between lithium hydroxide and lithium carbonate has widened the spread further, creating speculative room for conversion trades, with spread long entry opportunities around -$2.3/kg.

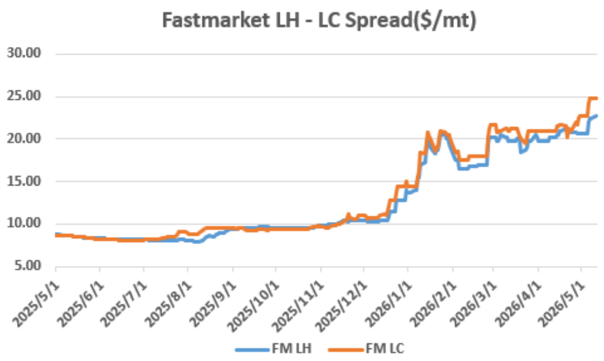
The CME lithium hydroxide basis rate stands near -5%, warranting attention for long entry. GFEX lithium basis has remained stable recently. The salt-to-concentrate ratio is currently at a low level; any marginal improvement in spodumene supply going forward is likely to drive a rapid rebound in the ratio, rendering the current level an attractive starting point for long-term bullish positioning.

For the CME lithium hydroxide rolling Q2-Q3 calendar spread, long spread opportunities are worth monitoring below -$0.75/kg, while short spread positions can be considered near -$0.35/kg, reflecting clear range-bound trading characteristics.

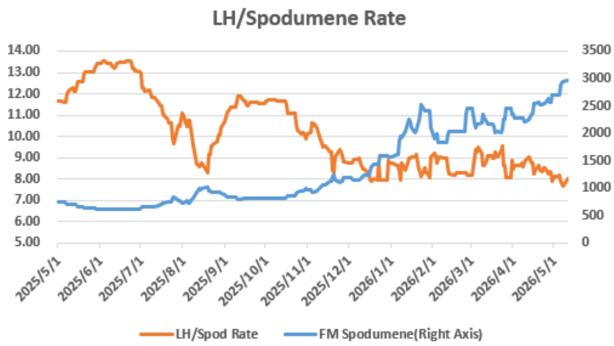
**In the Short Run, in our view, lithium salt is Neutral. In the Long Run, lithium salt is Neutral.**

**In the Short Run, in our view, spodumene is Neutral. In the Long Run, spodumene is Neutral.**

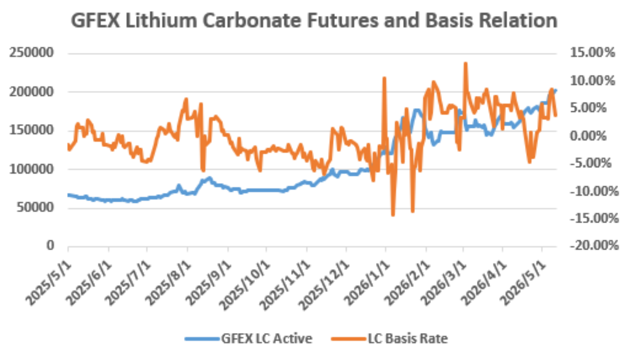
**In the Short Run, in our view, the volatility is Bearish.**



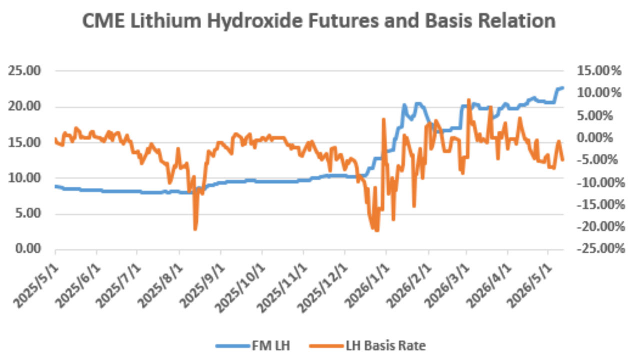

- The LH-LC spread widened sharply from an average of -$0.80/kg in late April to -$2.17/kg in early May, reflecting clear divergence in demand between lithium hydroxide and lithium carbonate. Long-spread opportunities to watch at around -$2.3/kg.




- The salt-to-spodumene ratio keeps consolidating at a low level. The ratio is notably depressed at present, implying overvaluation risks for spodumene. Long ratio strategies may be considered at current levels.




- The basis rate of GFEX lithium carbonate remains at a neutral level.




- CME lithium hydroxide basis moved to −5%.

***Data Sources: Bloomberg, Fastmarket, FIS***

**Market News List:**

- CATL plans to invest RMB 5 billion to build 40GWh sodium-ion battery capacity in Fuding, Fujian, for completion by 2028, targeting energy storage and low-speed EVs. Bloomberg estimates sodium batteries cost 15–20% less than LFP, with 2026 global demand seen at 35GWh, mostly for storage.
- China's sulfuric acid export ban (May 1, 23% of global seaborne supply) disrupts 17% of global wet-process lithium capacity. UBS raises 2026 China lithium carbonate price forecast 18% to RMB 200,000/t, with spot seen hitting RMB 250,000/t in May–June.
- UBS projects 2026 global lithium demand at 1.97Mt LCE (+16% YoY), with energy storage (ESS) accounting for 17% and surging 60% YoY.
- The EU Battery Regulation (mandatory minimum recycled content) could increase cell costs by up to 15%.
- On May 6, DRC President stated critical minerals must no longer be exported as raw materials; high-value processing must be localized.
- Western Australia's Goongarrie nickel-cobalt project secures Australia-Japan critical minerals funding. Developed by Ardea Resources with Sumitomo and Mitsubishi, it will accelerate and cover long-term nickel-cobalt demand growth.
- Jan–Mar 2026: China auto exports 2.226 million units (+56.7% YoY); NEV exports 954,000 units (+116% YoY).
- Yongshan Lithium announces Phase 1: 30kt/year battery-grade lithium carbonate; Phase 2 plans another 30kt/year lithium chemicals.
- Jan–Apr 2026: domestic cobalt lithium output 35kt (-5.4% YoY), dragged by weak consumer electronics, higher export tax costs, and chip inventory destocking.

***Data Sources: Bloomberg, Fastmarket, FIS***