FIS

Battery Metals Weekly Report

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Lithium Salt and Spodumene Market:

⇒ **FastMarket Lithium Hydroxide/Lithium Carbonate:** Our view is short-run **Neutral**. EV demand remains robust in Europe while domestic sales post a notable decline, leading to mild weakening in lithium hydroxide demand. Driven by renewable energy development and mandatory energy storage policies, the energy storage sector continues to underpin lithium carbonate consumption. Nonetheless, upside potential for lithium prices is capped by returns of energy storage projects, and the industry is now witnessing a new wave of expansion.

⇒ **FastMarket Spodumene:** Our view is short-run **Neutral**. Shipments of African spodumene are expected to rise in July, and output from China's salt lakes will stay elevated from July to October. Near-term supply remains tight. However, salt lake producers and importers are reluctant to keep absorbing continuous price hikes.

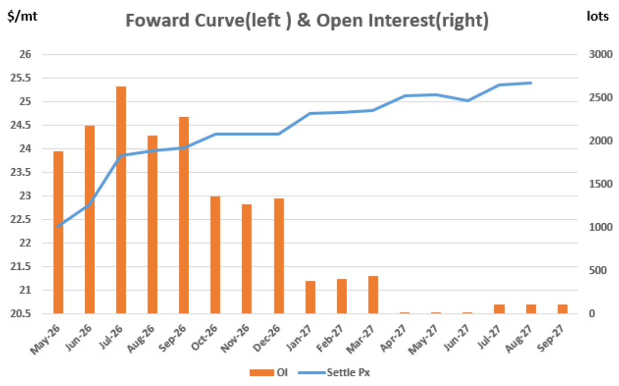
Prices Movement	25 - May	18- May	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	22.00	22.50	-2.22%	Neutral
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	23.00	24.50	-6.12%	Neutral
Bloomberg Lithium Carbonate Spot China (yuan/ton)	178500.0	189500.0	-5.80%	Neutral
FastMarket Cobalt 30% ($/lbs)	26.03	26.03	0.00%	Neutral
FastMarket Spodumene min 6% Asia ($/ton)	2675.00	2835.00	-5.64%	Neutral

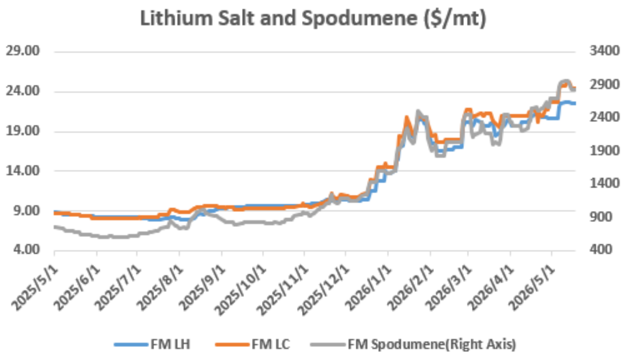
Lithium salt prices continued their decline as reported last week, with spodumene also posting a sharp correction.

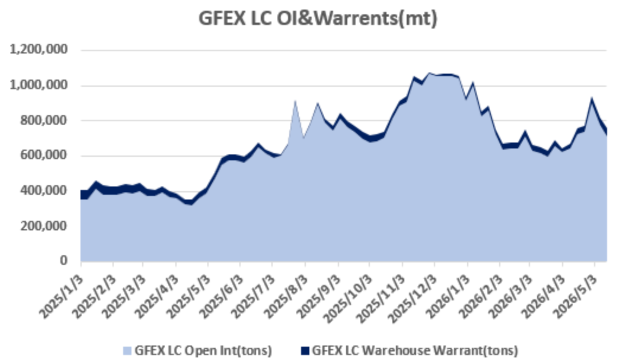
Lithium salt prices continued their decline as reported last week, with spodumene also posting a sharp correction. Following the implementation of China's new Mineral Resources Law, lithium has been officially designated a strategic mineral subject to total production control, which will constrain domestic mining volume in the medium to long term. A Brazilian court ordered Sigma Lithium to suspend nighttime operations and relocate residents, alongside a hefty cash deposit requirement, significantly impacting its annual production target. On the import side, China's April lithium carbonate imports rose 15.23% year-on-year, easing domestic supply tightness. Driven by elevated lithium salt prices, the global lithium sector will see concentrated capacity ramp-up in Q3, including projects such as Finniss, Keliber, Bald Hill, the Mamico Salt Lake, and Project Aurora, accelerating global lithium supply expansion. China lepidolite mines remain shut for license renewal with no clear timeline for resumption, while approved mining scale may shrink post-compliance, keeping near-term supply uncertain.

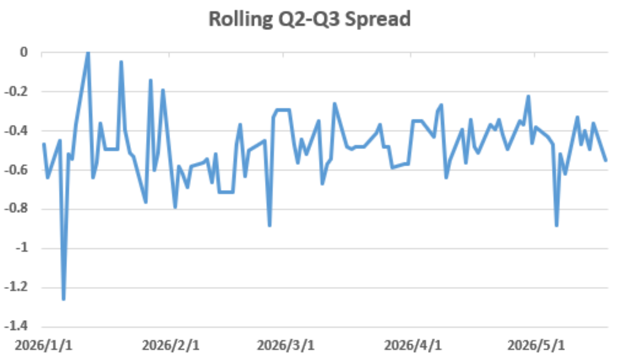
The downstream lithium market presents a clear structural divergence across segments and regions, reshaping the overall demand landscape for lithium materials. In the hydroxide market, demand momentum is gradually shifting away from China toward European markets, as domestic consumer demand slows notably amid intensified industry competition and adjusted downstream inventory strategies. In contrast, China's energy storage sector has emerged as a robust counter-cyclical growth driver, fueled by supportive new policies for renewable energy deployment. The mandatory matching energy storage requirements for green power projects have sparked a substantial expansion of storage installations, translating into strong incremental battery demand and providing solid and sustained support for lithium carbonate consumption.

Data Sources: Bloomberg, Fastmarket, FIS









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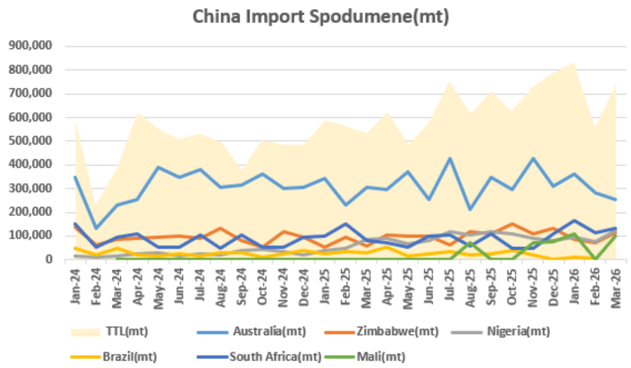
Industry operational data further validates the differentiated demand trend. From January to April, China's total shipments of power and energy storage batteries reached 601GWh, representing a year-on-year increase of 48.9%. Remarkably, this impressive growth is predominantly contributed by the explosive expansion of energy storage batteries, whose growth rate far outpaces that of power batteries and has become the core pillar driving overall battery demand growth. On the global front, downstream production activity maintains a positive upward trajectory. Scheduled production volumes for power batteries across global manufacturers continue to rise steadily throughout May and June, reflecting sustained overseas market demand and underpinning medium-term lithium consumption expectations.

Based on the latest supply-demand balance analysis, the growth momentum of lithium demand clearly outpaces that of global supply. China is projected to see a lithium supply deficit of approximately 10% across May and June. Although a wave of new supply ramps up in the third quarter, which will partially relieve the current supply strain, the market will still stay in a state of tight balance. On the global scale, the supply-demand gap has continued to expand from the first quarter through the first three quarters of this year. It is anticipated that the lithium market will not return to a fully balanced state until after the first quarter of next year.

Lithium carbonate futures on the Guangzhou Futures Exchange have encountered notable resistance and plateaued at the key threshold of 200,000 yuan/ton. In the international spot market, CIF lithium carbonate prices have consolidated within the range of $24/kg to $25/kg, while CIF lithium hydroxide has topped out at $23/kg after a period of steady movement. From a technical perspective, these price points have evolved into strong near-term resistance and support levels. Any decisive breakout above or breakdown below these critical benchmarks is expected to take considerable time, as market participants across the industrial and trading sectors are actively locking in profits and executing hedging strategies around these price zones to mitigate operational risks. Fundamentally speaking, the upside potential of lithium salt prices is currently constrained by the internal rate of return of domestic energy storage projects. As profitability metrics for new energy storage installations remain under pressure, market demand is unlikely to expand rapidly enough to drive a sustained rally in lithium prices.

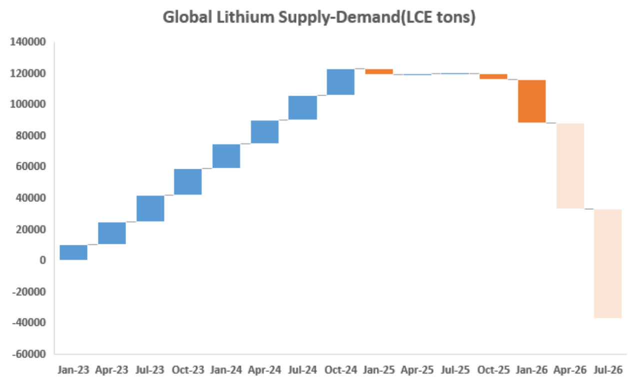


Lithium salt and spodumene indices dipped early last week before stabilizing. CIF lithium hydroxide prices saw limited movement, trading between $20.5/kg and $21.5/kg. CIF lithium carbonate posted active trading; deals were initially settled at $24/kg and gradually softened to around $23/kg. Spodumene traded in the range of $2640/ton to $2705/ton.

The LH-LC spread kept rebounding in line with our previous strategy. We recommended entry at -$2.4/kg in mid-May. When the spread moved to -$2/kg one week later, we noted further upside potential. It narrowed to -$1/kg last week, and the rebound has basically come to an end.

On GFEX, notable selling emerged when the basis rose to 7%-9% last week, pulling the basis down quickly to 3%-4%. Registered warrants on GFEX stood at 53,047 metric tons, near the all-time high. The CME lithium hydroxide basis staged a rebound from -3.6% to -0.9%.

The swap curve flattened compared with a week ago, indicating weaker near-term downside momentum. The Q2-Q3 rolling spread improved from -$0.45/kg to -$0.36/kg. The flattening market structure underpins our bearish view on volatility, as directional positions are unlikely to be concentrated in a specific period.

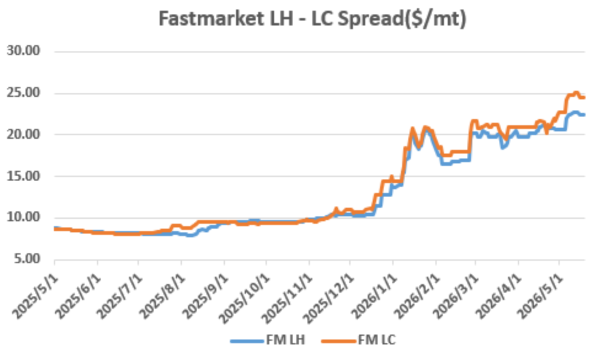


In Short Run, from our view, lithium salt is Neutral. In Long Run, lithium salt is Neutral.

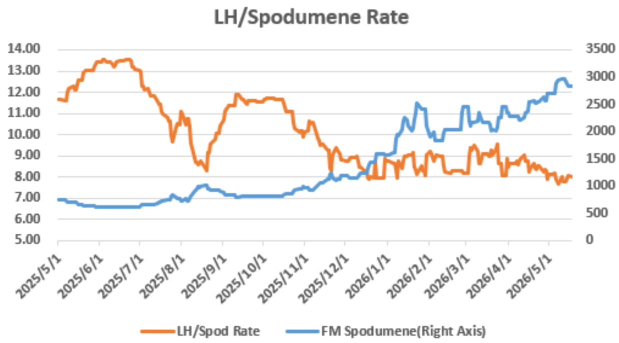
In Short Run, from our view, spodumene is Neutral. In Long Run, spodumene is Neutral.

In Short Run, from our view, the volatility is Bearish.

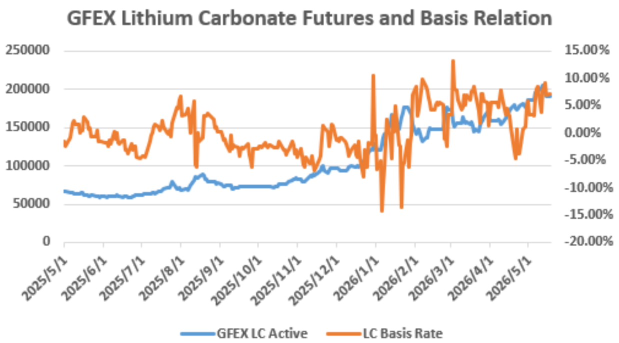
Data Sources: Bloomberg, Fastmarket, FIS



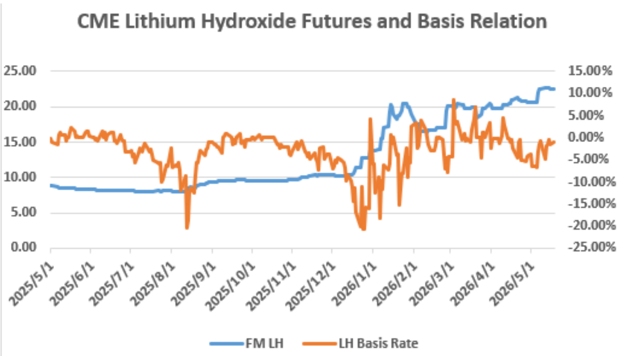
- The LH-LC spread recovered over two weeks, moving from -$2.40/kg to a reasonable level near -$1/kg.



- The salt-lithium ore ratio rebounded after hitting an extreme low, while market acceptance for spodumene has reached a ceiling.



- Heavy short selling emerged when the GFEX lithium carbonate basis rate climbed to 7%-9%, pushing it down to 3%-4%.



- The CME lithium hydroxide basis rate remained relatively stable.

Data Sources: Bloomberg, Fastmarket, FIS

Market News List:

- Brazil's court issued an emergency injunction against Sigma Lithium's Grota do Cirilo lithium mine, requiring a BRL 50 million deposit, community support measures and a halt to nighttime operations from 22:00 to 06:00. The company's share price tumbled over 12% on May 18 following the ruling.
- Chinese Customs data showed April 2026 lithium spodumene imports at 758,000 tonnes, down 9.5% month-on-month. Australia remained the top supplier at 355,000 tonnes, while Brazil's shipments surged 457% on Sigma cargoes arriving.
- China's power and other battery output reached 184GWh in April 2026, up 34% YoY, with Jan–Apr cumulative production at 671GWh (+28% YoY), according to CAAM. The proportion of batteries used in EVs fell to 34%, as weak domestic demand made exports the key growth driver.
- The DRC's mining ministry ordered a three-month suspension of all mining in Mwenga and Shabunda, South Kivu, effective May 22, targeting illicit mines and armed-group financing. The area is key for tin, tantalum and gold supply, raising near-term risks for electronics and EV supply chains; major Chinese copper/cobalt/lithium projects in southern DRC remain unaffected.
- Mineral Resources and Ganfeng Lithium have approved a AUD $490 million expansion at Mt Marion lithium mine, including a AUD $240M flotation plant and AUD $220M underground development, with payback under one year at US$2,700/t. The expansion will lift capacity to 600,000 tpa SC5 and extend mine life, with underground ore supplying up to 40% of feed from FY28.
- Western Australia regulators approved the Mount Holland lithium mine expansion, doubling spodumene capacity to 4.4 million tpa while keeping 50,000 tpa lithium hydroxide unchanged. Owned 50/50 by SQM and Wesfarmers and operated by Covalent Lithium, the project adds new resources and replicates existing processing lines to extend mine life.
- GFEX issued disciplinary sanctions on some private equity firms and five individuals for using accounts-splitting to evade position limits and overtrade in lithium carbonate futures, imposing RMB 2.004 million confiscation, public reprimand, and 12-month trading suspension.
- Yichun, Jiangxi, released a consultation paper on May 18 to tighten lithium mine supervision, centralizing approval with the Ministry of Natural Resources, cracking down on "license-mining mismatch" (e.g., ceramic clay permits for lithium), and enforcing green mine standards and ecological restoration. The rule sets a 0.4% Li_2O threshold for legal lithium mining, below which lithium extraction is prohibited, and targets illegal mining to stabilize domestic supply chains.

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