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**. Market sentiment remains constructive on demand, yet supply is recovering on the margin. The market has shifted from a supply deficit in Q2 to a tight balance. Capacity expansion across China's full battery industrial chain is proceeding cautiously, and this tight-balance pattern is set to persist through the second half of the year.
- **FastMarket Spodumene:** Our view is short-run **Neutral**. Spodumene prices staged a recovery this week, supported by seasonal restocking activities from lithium plants. This also signals that spodumene prices are unlikely to enter a sustained downtrend.

Prices Movement:

	6 Ju6	29 Jun	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	**20.00**	**18.75**	**+ 6.67%**	**Neutral**
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	**20.75**	**19.00**	**+ 9.21%**	**Neutral**
Bloomberg Lithium Carbonate Spot China (yuan/ton)	**160500.0**	**150760.0**	**+ 6.46%**	**Neutral**
FastMarket Cobalt 30% ($/lbs)	**24.75**	**25.13**	**- 1.51%**	**Neutral**
FastMarket Spodumene min 6% Asia ($/ton)	**2410.00**	**2150.00**	**+ 12.09%**	**Neutral**

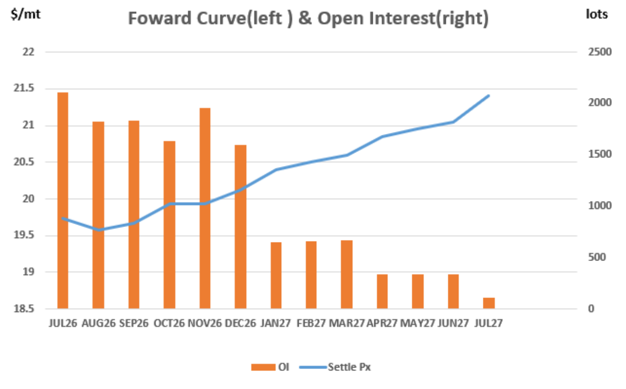
Commentary:

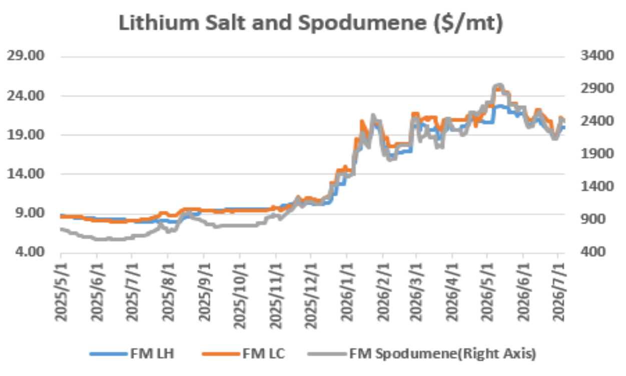
Bearish sentiment has broadly permeated the lithium market since June, with most institutions flagging near-term downside risks. Our weekly reports, however, have maintained a consistent house view since early June that the market would trade within a range absent clear directional momentum—a view validated by lithium product prices remaining virtually unchanged versus early-June levels as of yesterday. Looking ahead, the market is poised to transition from four consecutive quarters of supply deficit to a supply-demand balance in Q3 this year. While we acknowledge a marginal softening in underlying fundamentals, our weighted valuation framework continues to offer solid support for lithium prices, as previously elaborated in our research notes.

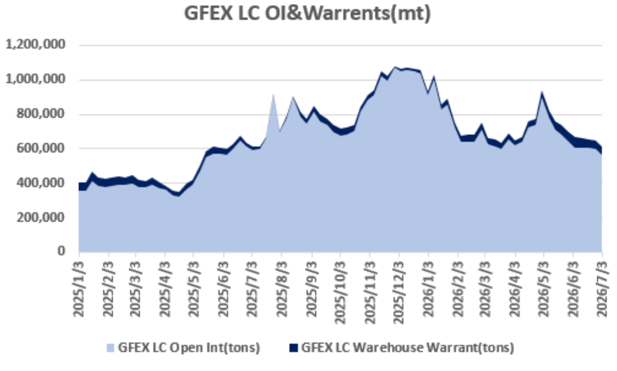
Global battery production schedules are set to rise 5% month-on-month for July. China's battery output plan climbs 6% MoM, hitting a new all-time high for five consecutive months. Demand growth has shifted from NEV-driven demand to multi-pillar expansion covering energy storage, EVs and AI hyperscale data centres. After large cell manufacturers scaled up capacity, the industry shifted from aggressive price competition to quality-focused competition, with higher capital and compliance entry barriers. Market participants noted last week that CATL obtained safety operating permits, a critical document enabling the start of construction. Zhongkuang Resources scheduled temporary maintenance shutdowns for two high-purity lithium salt production lines under its subsidiary Jiangxi Zhongkuang Lithium Industry, hitting a combined annual capacity of 65,000 tonnes. Maintenance is expected to finish by late July, and the firm clarified full-year production and sales volumes will suffer no material negative impact. Mining operations at the flotation plant of Zimbabwe's Zulu Lithium-Tantalum Project have been scaled back due to funding constraints, with a restart slated for July. The US Defense Logistics Agency (DLA) plans to award a five-year fixed-price tender for battery-grade lithium carbonate to replenish the US National Defense Stockpile, with a maximum procurement cap of 16,167 tonnes. Large-scale cancellation of GFEX warehouse receipts has eased spot supply pressure. Nevertheless, the drawdown pace of China's overall social inventories has slowed recently, shifting the market from acute supply tightness to a balanced supply-demand landscape.

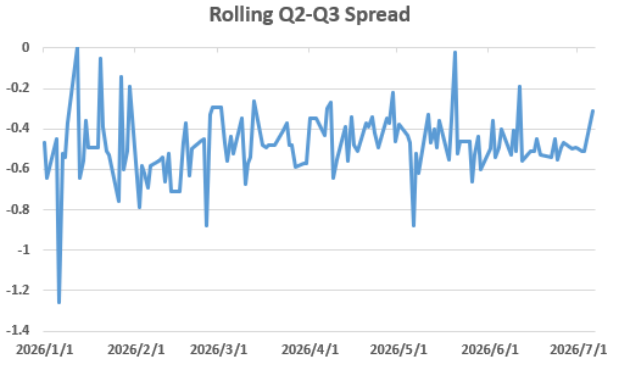
Lithium salt prices bottomed out at an interim low of \$18.5–19/kg and rebounded amid upstream sellers' reluctance to liquidate stocks. Downstream buyers face rigid operational procurement needs, so they have accepted elevated spot quotes after sustained supply tightening over a short period. That said, sharp price rallies will trigger more supply releases and cap further upside.

Source: Bloomberg, Fastmarket, FIS









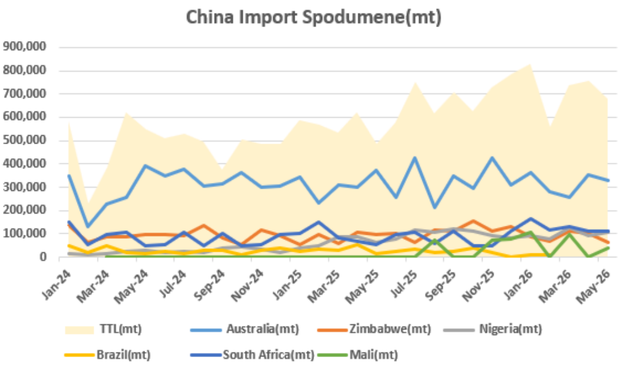
As such, lithium salts are set to trade sideways rather than forming a sustained directional trend, a dynamic observed in spodumene concentrate. Last week, both CIF lithium hydroxide and lithium carbonate benchmark indices staged a recovery, while spodumene posted a steep price jump, notably lifting overall spot trading sentiment. Mainstream lithium hydroxide spot deals rebounded from $18/kg to $23.5/kg at peak, whereas lithium carbonate traded steadily within the $19–21/kg band. Spodumene concentrate climbed from CNY 2,155/tonne at end-June to CNY 2,390/tonne, yet downstream buyers refrained from chasing highs after prices advanced.

From a valuation perspective, the cash cost of lithium carbonate produced from purchased spodumene concentrate stands at CNY 150,000–160,000 per tonnes. After Jiangxi lepidolite mines resume full operation, lithium carbonate made via lepidolite processing and spent battery recycling carries production costs of CNY 100,000–110,000 per tonne, while brine extraction from salt lakes delivers far lower costs ranging from CNY 35,000–50,000 per tonne. Weighting all production capacities across different routes yields a composite lithium carbonate price benchmark of roughly CNY 125,000/tonne, which has acted as the market's effective bottom this year. This floor is not entirely unbreakable, yet under the current supply-demand structure, any dip below this level will only be short-lived and triggered by extreme market conditions. On the upside, energy storage projects (both domestic and overseas joint ventures) impose strong price resistance. Large-scale centralised storage assets feature thin profit margins but possess robust bargaining power, limiting tolerance for sharp raw material cost hikes.

The pricing mechanism for LFP is evolving beyond the simple formula of "lithium carbonate consumption × unit consumption + processing fee" toward a multi-factor linked pricing model. Small and mid-sized cell manufacturers have pioneered a dual-index pricing scheme tied to both lithium carbonate and iron phosphate prices. Top-tier cell players are observing this shift without ruling out adoption, while average LFP processing fees keep edging higher. Starting July, incremental LFP demand is driven by two core pillars: policy-fuelled electric heavy-duty truck penetration and previously awarded large-scale energy storage project tenders.

Cost pressure is the direct driver behind the current rebound of ternary (NCM) cathode prices.

Source: Bloomberg, Fastmarket, FIS



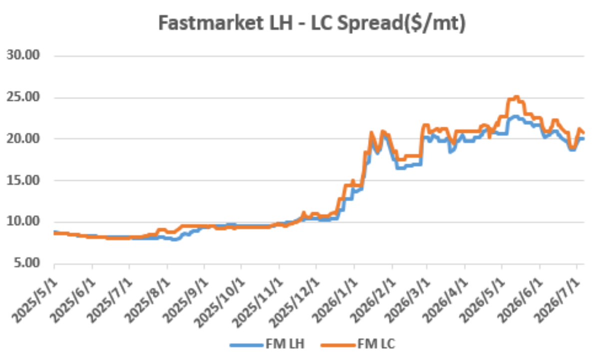
Lithium carbonate posted far larger gains than the drop seen in nickel sulfate. The nickel sulfate market remains caught in a standoff: feedstock supply stays tight, and precursor manufacturers intend to lift discount coefficients, yet downstream cathode producers resist such adjustments. Demand for NCM materials is still predominantly driven by power batteries, supported by rising Chinese exports and European output, while global consumer battery consumption remains sluggish overall.

The Regulatory and Control Authority for Strategic Mineral Markets (ARECOMS) of the DRC set the 2026 full-year cobalt export ceiling at 96,600 tonnes, comprising 87,000 tonnes of basic quotas plus 9,600 tonnes of strategic quotas. July 5 was designated as the cutoff date for utilizing H1 quotas, with unused volumes subject to confiscation and redistribution. Nevertheless, starting July 1st, customs filing systems became inoperable as ARECOMS issued no official notice authorising customs to process quota clearance, creating an administrative deadlock where miners hold valid quotas yet cannot complete export declarations. As a result, over 20,000 tonnes of cobalt cargo may be stranded. Sherritt International stated in its Q1 earnings report that constrained raw material supply from Cuba triggered sharp production declines for nickel and cobalt in that quarter. The firm produced 1,885 tonnes of finished nickel in Q1, a 36% year-on-year drop, while finished cobalt output slumped to just 213 metric tonnes, down 34% YoY.

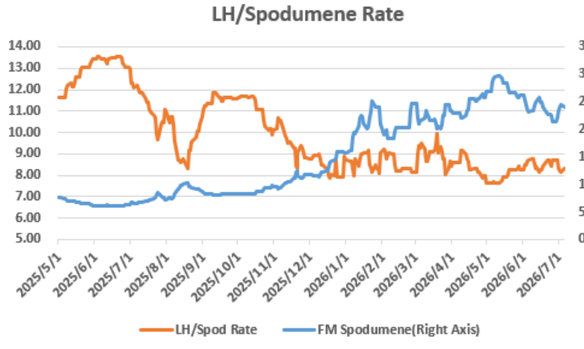
Nearly 20 global analogue and power semiconductor manufacturers launched a new round of price hikes starting July 2026, marking the second industry-wide pricing adjustment this year with typical single-round uplifts ranging from 10% to 25%. The construction boom of AI hyperscale data centres is transmitting demand momentum upstream along the supply chain, lifting consumption of key metals including copper, aluminium and lithium.

- 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 **Neutral**.

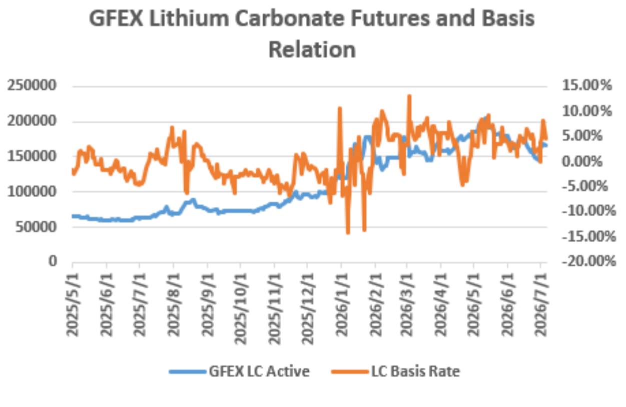
Source: Bloomberg, Fastmarket, FIS



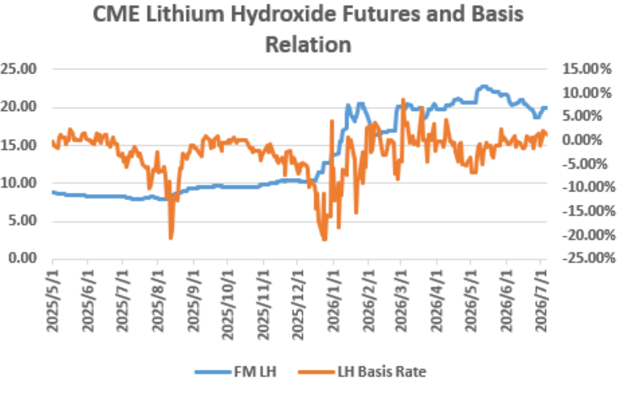
- The bearish LH-LC spread opportunity we flagged earlier at -$0.25/kg widened to -$1/kg last week, hitting the target for this trading strategy.



- The lithium ore-to-salt ratio has traded sideways between 8.15 and 8.7 recently. Correlation between lithium ore and lithium salt has strengthened in the near term, with their price fluctuations moving in tandem.



- As pointed out in last week's note, the GFEX lithium carbonate basis ratio dipped below 3% to present a buying window, while this week the ratio climbed above 8%, signalling a bearish opportunity.



- A basis ratio of 2% on CME lithium hydroxide is also viewed as a bearish trading signal.

Source: Bloomberg, Fastmarket, FIS

Market News List:

- The million-ton-scale LFP pyrometallurgy project in Bijie High-tech Zone, Guizhou, is scheduled to begin formal production in August 2026. The full three-phase layout totals 1.04 million tpa LFP cathode material capacity, with the 340,000 tpa Phase I line to come online this August.
- The Phase I 100,000 tpa ferrous oxalate project of Fulai New Energy Materials entered trial production. Ferrous oxalate acts as core precursor for high-loading LFP; its quality directly determines power battery cycle life and fast-charging performance. The Shehong Lithium Industrial Park has built core capacity of 100,000 tpa basic lithium salt and 328,000 tpa LFP to date.
- Shandong Liyuan Technology's newly built 110,000 tpa LFP line finished construction and is continuing to ramp up output, per General Manager Lü Congjiang's statement on June 30. Longpan Technology has completed core assets including a 60,000 tpa LFP cathode line and a 100,000 tpa iron phosphate precursor facility.
- Sichuan Development Lomon terminated its planned 100,000 tpa LFP project amid shifting market fundamentals and resource optimisation; the project had not broken ground prior to cancellation.
- Youngy Energy Technology (Guangzhou) singed a 3 GWh LFP cell supply framework with Indian energy storage integrator Lineage Power Systems Pvt Ltd on June 28, 2026.
- Core Lithium divested its gold and non-lithium mineral rights via a Share Sale Agreement (SSA) with Axiant Resources Limited, to fully focus on exploration and development of the Finniss Lithium Project and other lithium mineral assets.
- Novandino Litio, the joint venture between SQM and Codelco, formally submitted an EIA application for its Salar Futuro project. The scheme extends lithium production operations at Salar de Atacama to 2060, lifting annual lithium output from 270,000 tonnes LCE to 470,000 tonnes LCE.
- EVelution Energy LLC kicked off construction of its solar-powered refinery in Yuma County, Arizona, slated for commissioning by late 2029. The plant will process 24,000 metric tonnes of cobalt hydroxide (30% cobalt content) annually, yielding 20,000 tonnes battery-grade cobalt sulfate (20.5% cobalt) and 3,000 tonnes of alloy-grade cobalt metal, covering roughly 40% of total US cobalt demand.

Source: Bloomberg, Fastmarket, FIS

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