BATTERY METALS WEEKLY REPORT

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Lithium Salt and Spodumene Market:

- **FastMarket Lithium Hydroxide/Lithium Carbonate:** Our view is short-run **Neutral to Bullish.** Resumed production at Chinese mines has lifted marginal supply, temporarily weighing on lithium salt spot prices. However, robust demand from power batteries and energy storage in July is set to underpin another price rebound, driven by procurement to meet rigid downstream demand. The tug-of-war between marginal supply and near-term demand has shifted to September and Q4, with market focus turning to forward supply-demand balances.
- **FastMarket Spodumene:** Our view is short-run **Neutral**. Lithium carbonate output from spodumene processing has fallen sharply recently, capping spodumene's near-term rebound. However, traders are increasingly holding back spot cargoes amid low price levels, paving the way for gradual price stabilisation down the line.

Prices Movement:

	13 Jul	6 Jul	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	19.28	20.00	-3.60%	Neutral to Bullish
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	19.50	20.75	-6.02%	Neutral to Bullish
Bloomberg Lithium Carbonate Spot China (yuan/ton)	150500.0	160500.0	-6.23%	Neutral to Bullish
FastMarket Cobalt 30% ($/lbs)	24.25	24.75	-2.02%	Neutral
FastMarket Spodumene min 6% Asia ($/ton)	2199.00	2410.00	-8.76%	Neutral

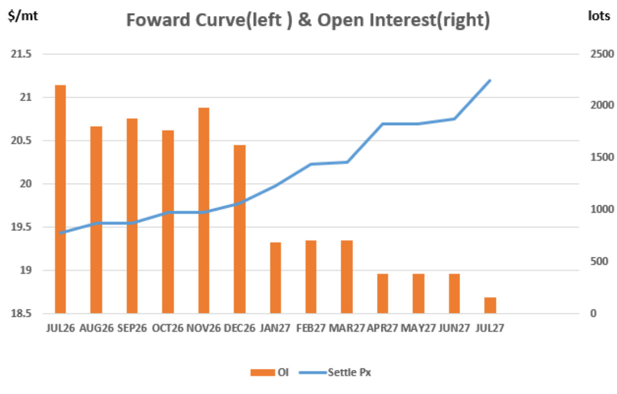
Commentary:

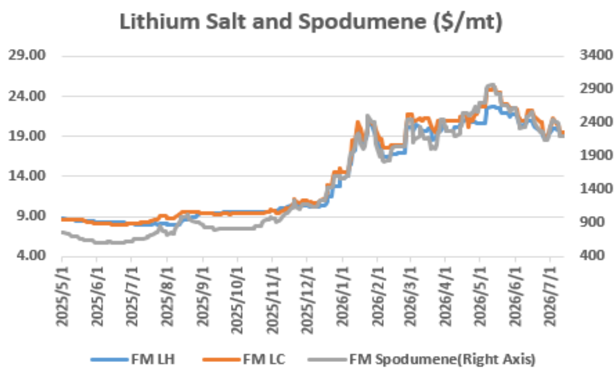
Following last week's correction, we upgraded our lithium salt outlook from Neutral to a Neutral-to-Bullish stance this week. The core rationale lies in an excessive short-term overshoot to the downside. While marginal supply is projected to recover from late Q3 through Q4, robust downstream demand in July and August keeps the spot market in deficit, creating a divergence between bearish long-run expectations and strong near-term fundamentals. Lithium salts edged lower this week, continuing the range-bound pattern observed since June. Both lithium carbonate and lithium hydroxide traded within a 7% range, with volatility markedly lower than during March–May.

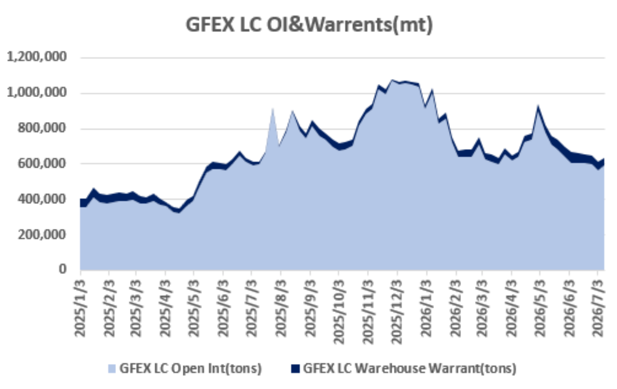
We retain our previous cost valuation framework to gauge the market's price floor. Taking RMB-denominated lithium carbonate as the benchmark, the weighted all-in production cost across spodumene, lepidolite and brine extraction routes stands at roughly RMB 125,000 per ton. The cost floor for recycled lithium ranges between RMB 100,000 and RMB 110,000 per ton. The overhead resistance zone sits around RMB 190,000 per ton. Annual price adjustments for energy storage products remain modest and cannot fully pass through swings in raw material costs, while internal rate of return (IRR) requirements for Chinese state-owned and overseas projects impose additional constraints.

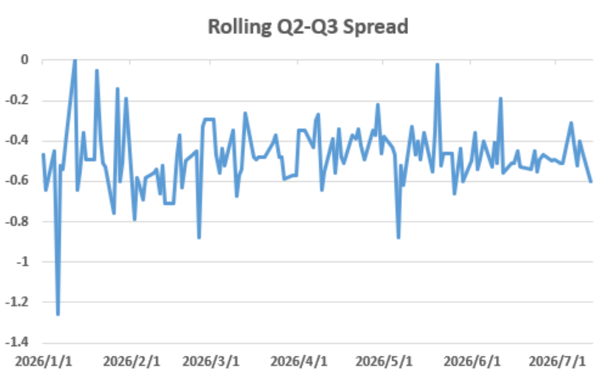
China's State Administration for Market Regulation (SAMR) has intensified its crackdown on cut-throat competition across industries, deploying a full toolkit including price law enforcement, quality supervision and standardised industry guidelines to curb predatory low-price dumping and disorderly market rivalry, thereby standardising competition within the lithium battery supply chain. Listed lithium battery firms released a flurry of H1 2026 performance previews featuring sharp profit rebounds. Yahua Group's net profit attributable to the parent company surged over 800% year-on-year; Tianci Materials posted a tenfold YoY jump in net profit. Zangge Mining, Salt Lake Co., Ltd. and EVE Energy all doubled their net profits, while multiple midstream material manufacturers swung from losses to profitability. Sustained robust demand from power batteries and energy storage underpins a strong full-year outlook for lithium battery materials. In the secondary market, substantial valuation bubbles had built up in the AI and new-energy sectors. From late June, both sectors witnessed sharp synchronised corrections across global capital markets amid a temporary pullback in risk appetite.

Source: Bloomberg, Fastmarket, FIS







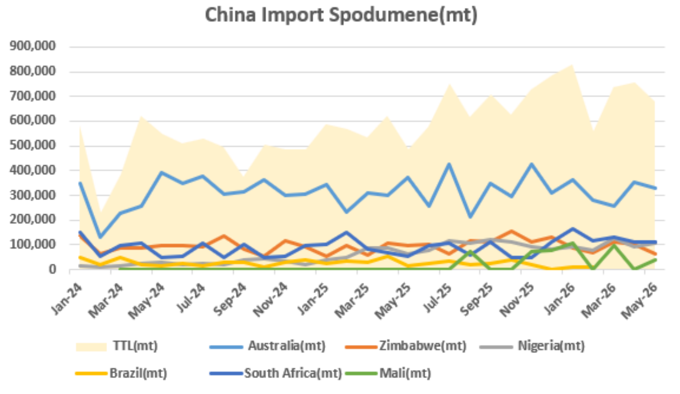


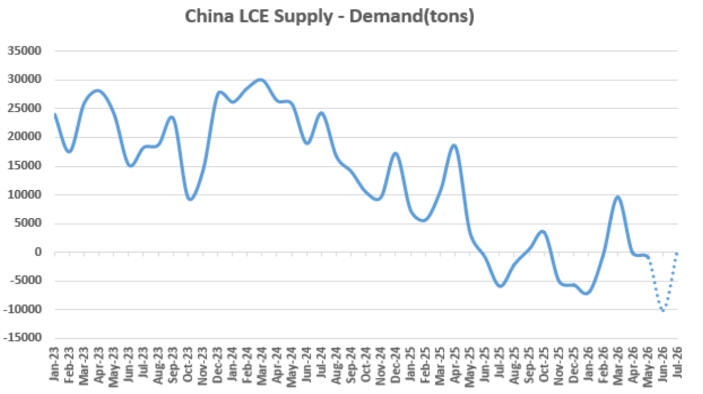
Concurrent growth in supply and demand is fuelling rapid capacity expansion across the global lithium battery supply chain. China's total lithium battery shipments reached 1.2 TWh in H1 2026, rising over 50% year-on-year, of which power battery shipments stood at 630 GWh, up 30% YoY. Demand was bolstered by robust vehicle sales: new-energy commercial vehicle sales topped 500,000 units (+40% YoY), new-energy heavy-duty truck sales hit 120,000 units (+65% YoY), while NEV exports reached 2.3 million units, surging 110% YoY. Energy storage battery shipments came in at 485 GWh in the first half, up more than 80% YoY, with the segment's market size rapidly converging with that of power batteries. Upstream materials delivered matching output growth. China's cathode material shipments hit 3.32 million tons in H1, jumping 59% YoY; full-year shipments are projected to exceed 7.5 million tons, representing growth of over 50% YoY. On the resource side, Chile's lithium export revenue reached USD 3.2 billion in H1, tripling the year-ago level, with incremental volumes dominated by lithium carbonate, followed by lithium sulphate and lithium hydroxide. In summary, end-user demand driven by both power and storage sectors continues to beat forecasts, while cathode materials and overseas lithium resources ramp up supply in tandem. The global lithium battery industry is in an upswing cycle featuring synchronised expansion in demand and production capacity.

China's ternary cathode output rose 5% month-on-month and over 50% year-on-year in July 2026, driven by overseas high-nickel demand and domestic high-end new-energy vehicle models. Nevertheless, domestic downstream purchasing sentiment remains cautious amid broad industry destocking.

The lithium iron phosphate (LFP) sector features stark structural divergence: an overall nominal capacity surplus coexists with tight supply for premium grades. Available supply of high-compaction and fast-charging LFP lags far behind demand, while capacity ramp-ups at leading producers have fallen short of expectations, widening supply gaps for high-end materials. Low-end production lines face intense competition. As market demand shifts towards premium-grade capacity, price benchmarks centre on high-specification products, providing solid price support for LFP.

Source: Bloomberg, Fastmarket, FIS





Global lithium hexafluorophosphate (LiPF6) output climbed 43% YoY in H1 2026, with leading manufacturers operating at full utilisation. The top five global players capture a combined 70%–75% market share. This high concentration establishes a structural price floor. When lithium prices are elevated, LiPF6 quotations move in close correlation with lithium salt fluctuations. When lithium prices retreat to low levels, leading firms wield pricing power to defend margins, backed by dominant market share and a tight supply-demand balance. Overall, the LiPF6 segment boasts stronger profit resilience than most midstream lithium battery materials thanks to its concentrated market structure and robust pricing power, giving it a clear competitive edge.

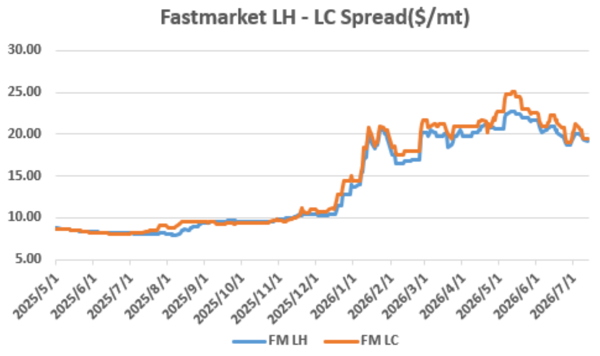
The Authority for the Regulation and Control of Strategic Mineral Substances' Markets (ARECOMS) of the DRC announced the full forfeiture of unused H1 cobalt export quotas, reinforcing market expectations of tighter long-run supply. Downstream smelters have a buying threshold of around USD 22–23/lb, creating a wide bid-offer spread with miners and resulting in muted spot trading activity. On 9 July, the DRC General Tax Authority (DGI) sealed office premises at Glencore's Kamoto Copper Company (KCC) amid enforcement proceedings over a major tax dispute. KCC produces 16% of global primary cobalt and 0.85% of global copper output; no official suspension of mining operations has been announced to date, leaving the risk of operational disruption unresolved.

Over the past 16 trading days, market participants executed consistent basis trades around two key GFEX lithium carbonate price levels: six days of long-basis trades at RMB 150,000/ton and another six days of short-basis trades at RMB 170,000/ton. The basis ratio mostly fluctuated within 0–5%, and spot and futures prices traded sideways within this band accordingly. Lithium salts edged lower this week, while spodumene suffered a sharp correction. Overseas CIF cargoes remain structurally supported. CIF lithium hydroxide traded mainly at USD 18.5/kg, with strong dip-buying demand emerging at USD 17.5–18/kg, capping downside potential. CIF lithium carbonate spot prices retreated from USD 20.5–21/kg to USD 19.3/kg, with limited further downside potential. Spodumene spot prices corrected sharply from USD 2,390/ton to below USD 2,200/ton, yet holders remain reluctant to release cargoes below this level, limiting downside selling pressure. Spot order activity indicates that lithium salts have reached a near-term bottom, with limited further downside potential. Following the sharp pullback in spodumene, sellers' reluctance to offload cargoes is poised to support a price rebound. Buying interest has gradually emerged at current price levels, with the short-term bottom zone validated by multiple indicators.

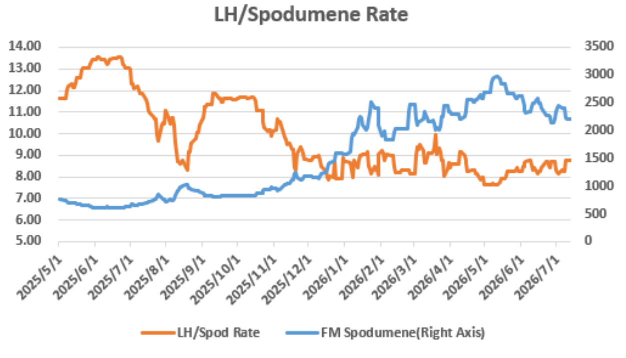
The rolling Q1–Q2 spread has stabilised around -USD 0.45/kg, presenting a balanced forward curve with few trading opportunities. The LH-LC spread of -USD 0.20/kg to -USD 0.15/kg offers bearish trading opportunities. We have repeatedly flagged this bearish entry zone in previous reports, and it has historically generated multiple profitable swing trades.

- In the short run, our view on lithium salts is **Neutral to Bullish**.
- In the long run, our view on lithium salts is **Neutral to Bullish**.
- In the short run, our view on spodumene is **Neutral**. In the long run, spodumene is **Neutral to Bullish**.
- In the short run, our view on volatility is **Neutral**.

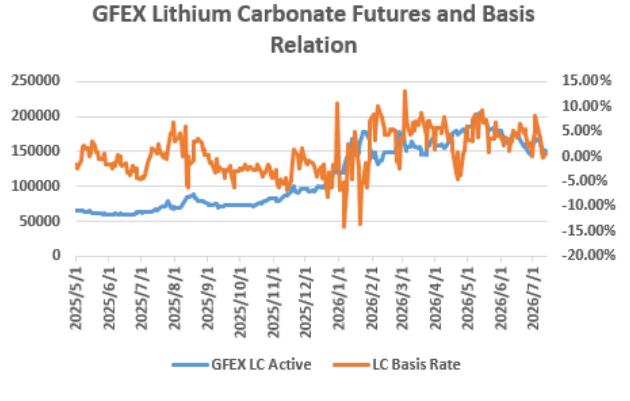
Source: Bloomberg, Fastmarket, FIS



- The LH-LC spread has returned to -USD 0.20~-0.15/kg, the bearish trading zone we flagged previously.



- The salt-spodumene ratio trades sideways; spodumene stages an oversold rebound, which may push the ratio lower ahead. The basis ratio of GFEX lithium carbonate fluctuates within a tight 0–5% band.



- Arbitrage traders execute aggressive trades whenever the basis hits either boundary of this range, confining futures prices to the RMB 150,000–170,000/ton consolidation box recently.

Source: Bloomberg, Fastmarket, FIS

Market News List:

• Listed lithium battery companies released a batch of H1 2026 performance previews showing a broad profit recovery. Yahua Group's net profit attributable to the parent company surged over 800% YoY; Zangge Mining, Salt Lake Co., Ltd. and EVE Energy all doubled their net profits, while multiple midstream material manufacturers swung from losses to profitability. Sustained strong demand from power batteries and energy storage underpins a strong full-year outlook for lithium battery materials. In the secondary market, substantial valuation bubbles had accumulated in the AI and new-energy sectors, triggering sharp synchronised corrections across global capital markets from late June.

• ANZ's latest research report states that lithium prices entered a downtrend after rebounding in mid-2025 amid persistent global oversupply, forecasting that lithium carbonate could slide to USD 16,000 per ton.

• VinFast Indonesia formalised cooperation with CATL and Gotion High-Tech, authorising the two Chinese battery manufacturers to handle end-of-life EV battery disposal and recycling in the Indonesian market, completing the local green lithium supply chain.

• US firm EnergyX's Black Giant lithium project in Chile has total mineral resources of 4.5–9.8 million tons LCE and uses closed-loop brine reinjection DLE technology. The development is split into two phases: Phase 1 targets 7,500 tpa LCE, with commissioning scheduled for 2028; Phase 2 adds 45,000 tpa of capacity, lifting full-run output to 52,500 tpa LCE by 2030.

• Diamond Energy Group, a Chinese-funded joint venture owned 50/50 by JiuLing Lithium Industry and Tianhua New Energy, commissioned West Africa's largest lithium processing plant in Nasarawa State, Nigeria. The facility has a stated processing capacity of 6,000 tonnes of ore per day and a reported annual capacity of 3 million tonnes, equivalent to approximately 30,000 tonnes LCE per annum. The joint venture Suzhou Shengyuan, controlled by the two shareholders, acquired a 75.01% stake in the local Ogapa lithium mine, achieving full integration from mining to concentration.

• Yahua Group's Kamativi Lithium Mine: Ample lithium concentrate inventories support steady domestic lithium salt output. The mine maintained full production throughout Zimbabwe's lithium export ban, with no output losses; export quotas and formal clearance have been obtained, with concentrates being shipped to China in batches.

• Sinomine's Bikita Lithium Sulphate Project: Subsidiary Bikita Minerals is accelerating construction of a 100,000 tpa lithium sulphate plant in Zimbabwe, with the chairman committing to full-speed construction and commissioning within 2026. Upon completion, it will rank as Africa's largest single lithium sulphate facility, exceeding Prospect's 50,000–60,000 tpa plant at the Arcadia Mine.

• Guizhou Huayan New Materials plans to invest RMB 80 million in a 30,000 tpa spent lithium battery recycling complex at Geyi Economic Zone, Taijiang County, handling 12,000 tons of ternary scrap and 18,000 tons of LFP scrap annually. The EIA notification has been publicly released.

• TSXV-listed E3 Lithium signed a non-binding framework agreement with Tees Valley Lithium (TVL), a wholly owned subsidiary of Alkemy Capital Investments. The partnership would allow E3 to convert lithium carbonate from its Clearwater brine project into battery-grade lithium hydroxide at TVL's UK refinery, with a maximum conversion volume of 50,000 tons over a ten-year term to serve European offtake clients. Separately, TVL has secured a 10,000 tpa offtake agreement with a Glencore subsidiary.

Source: Bloomberg, Fastmarket, FIS

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