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**. The lithium salt market has recently displayed an oscillating pattern of "forward-looking pricing followed by physical reality correction". Prices weaken on bearish expectations before rebounding as expectation gaps are revised and spot fundamentals remain robust. The current pullback remains part of range-bound consolidation rather than a sustained downtrend, and we retain our view of solid downside support.
- **FastMarket Spodumene:** Our view is short-run **Neutral**. Spodumene prices saw a moderate recovery this week. Lithium salt producers have accepted current ore prices but remain eager to secure lower procurement costs to shore up profit margins. Overall market quotations have stabilised, and trading activity remains robust.

Prices Movement:

	20 Jul	13 Jul	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	18.10	19.28	-6.12%	Neutral
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	19.25	19.50	-1.28%	Neutral
Bloomberg Lithium Carbonate Spot China (yuan/ton)	146500.0	150500.0	-2.66%	Neutral
FastMarket Cobalt 30% ($/lbs)	24.13	24.25	-0.49%	Neutral
FastMarket Spodumene min 6% Asia ($/ton)	2140.00	2199.00	-2.68%	Neutral

Commentary:

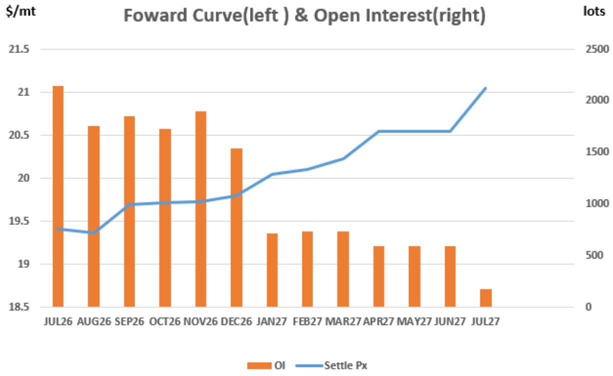
The lithium salt market staged a mild rebound last week, yet prices retreated again from late last week into early this week, weighed down by a black-swan slump across macro assets. We believe lithium salts will revert to fundamentals-driven pricing once macro risks unwind, with a corrective recovery likely to unfold. Downstream demand remains robust in July amid persistent spot supply shortages, while the feared marginal increase in long-term supply has yet to be validated by tangible data. Higher arrivals of imported brine lithium products are expected in August, though demand growth may moderate marginally versus July, potentially lowering price peaks slightly. Current valuations have overshot to the downside, leaving room for a short-term rebound.

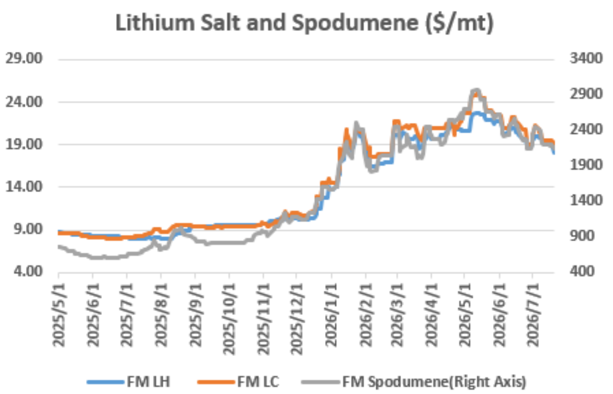
The weighted all-in production cost of lithium carbonate through mainstream processes stands at roughly RMB 125,000/ton. Low-cost routes, including brine extraction, captive lithium ore feedstock and battery recycling, operate below prevailing market prices, yet a price drop to RMB 125,000/ton would force nearly half of high-cost capacity offline, providing robust cost support. Nevertheless, based on supply-demand balances, sustained pricing above RMB 130,000/ton over the long run is unlikely, though high market volatility leaves room for temporary spikes to this level.

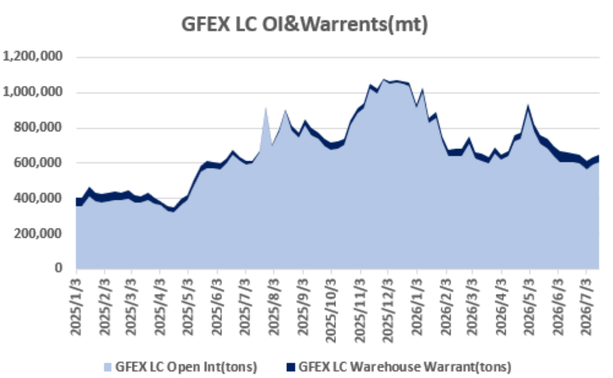
Last week, China rolled out a battery consumption tax policy for the first time in a decade: a 2% tax rate will apply to primary lithium batteries and lithium-ion batteries from September 1, 2026, rising to 4% from September 1, 2027. Sodium-ion, solid-state and fuel cells will be exempt from the tax between September 2026 and the end of 2028, as will batteries for self-use, continuous in-house production and export shipments. The market has fully priced in this policy change. The measure will accelerate the phase-out of capacity at small and medium-sized battery manufacturers, raise industry concentration and support higher valuations for battery products.

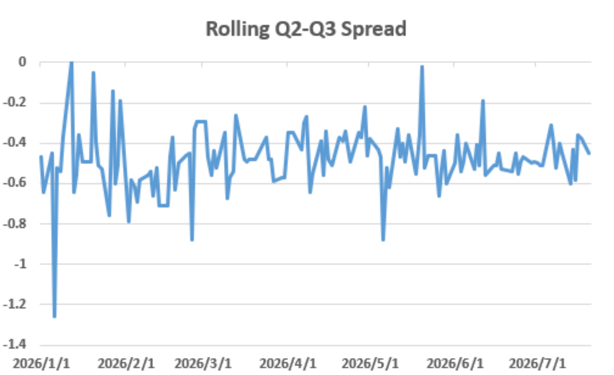
Our supply-demand balance sheet indicates that the market remained in a supply deficit in June and July this year. From August, synchronised growth in lithium imports and domestic output, paired with a marginal slowdown in demand growth, may gradually shift the balance into surplus. Since mid-July, apparent demand for lithium carbonate has improved further, while output has trended steadily lower, driving a more pronounced inventory drawdown and accelerating destocking momentum.

Source: Bloomberg, Fastmarket, FIS







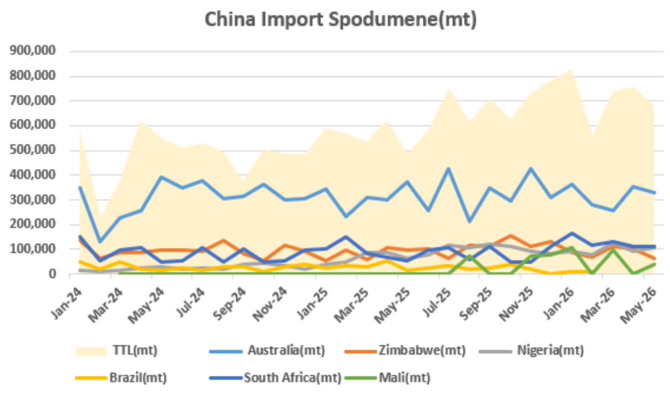


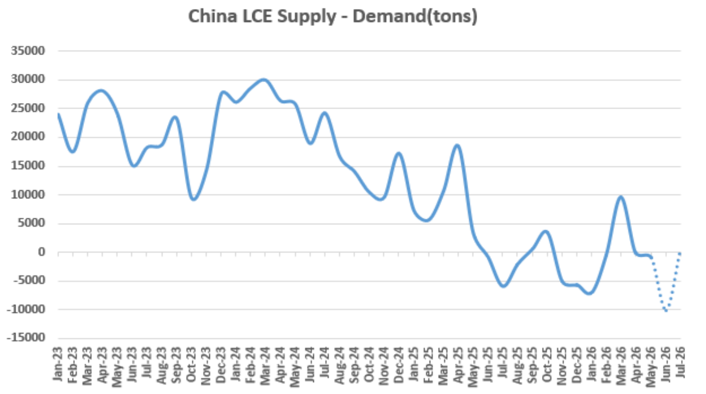
Inventories are undergoing a structural shift, gradually moving from battery makers and traders to cathode manufacturers and smelters, a trend that has persisted for several weeks and signals a clear divergence between upstream and downstream outlooks for July. Upstream producers currently hold relatively bullish price expectations, while downstream buyers resist high quotations, creating stark sentiment polarisation. Notably, market cycles typically unfold as divergent views converge into a broad consensus, by which point price movements may already have run their course.

China Jiuling Lithium has temporarily suspended 4,000 tons of lithium carbonate production, while Tianhua is set to cut lithium carbonate output by 4,000–4,300 tons, slightly tightening supply. The Jianxiawo mine has yet to resume substantial production, meaning earlier market expectations of fresh supply entering the market were premature. Meanwhile, China's lithium battery production schedules are certain to rise by more than 5.5% month-on-month in July. Hunan Yuneng, a leading LFP producer, announced a RMB 2,000/ton price hike across all product lines last week. However, the market had fully priced in this adjustment during the previous rally in upstream raw materials, and the move had no directional impact on the supply chain. LFP demand has outperformed expectations in Q3, with major manufacturers boosting production schedules by 30% month-on-month. For ternary materials, incremental output softened in July and is projected to remain steady throughout Q3, resulting in divergent demand trends across cathode varieties. Ternary material valuations have declined overall due to lower prices for nickel sulphate, cobalt sulphate and lithium feedstock. Nevertheless, robust LFP growth remains the core pillar of lithium salt consumption. Constrained by shrinking supply and the slow recovery in actual output, the tight short-term supply-demand balance will persist.

The CIF lithium salt index turned lower early this week after remaining flat for a week, while CME lithium hydroxide futures have posted declines for seven consecutive sessions. In the spot market, lithium hydroxide saw a prolonged bull-bear stand-off at elevated levels before multiple low-end trades at $16–16.2/kg were recorded late last week. Heavy buying interest has emerged around $18/kg this week, and prices are likely to find support above this level.

Source: Bloomberg, Fastmarket, FIS





The downward correction in lithium salt prices has prompted salt producers to cut forward spodumene procurement, yet spot ore prices remain within acceptable ranges, with brisk physical trading and limited downside potential. Market participants currently hold relatively aligned views, with mainstream transaction prices centred at $2,080–2,100/ton, while the $2,000/ton threshold is poised to act as a key psychological and cost support level in the near term.

The cobalt market features limited supply alongside muted demand. The DRC's revocation of unused export quotas for the first half of the year has fuelled expectations of lower shipments, yet demand from Chinese smelters remains sluggish, sustaining a persistent stand-off between buyers and sellers. Current prices stand roughly $1–2/pound above downstream tolerance levels.

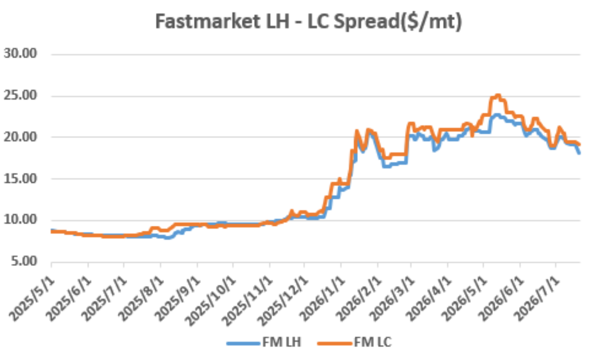
Regarding the LH-LC spread, it has moved deeper into negative territory, from the bearish zone of -$0.15/kg flagged last week to -$1.15/kg as of Monday, creating an opportunity to exit short-term positions. Further downside cannot be ruled out, yet given the recent stabilisation in price volatility, closing out positions at current levels represents a more prudent strategy.

The rolling quarterly spread has traded within a narrow range of -$0.55/kg to -$0.45/kg, offering relatively limited trading opportunities.

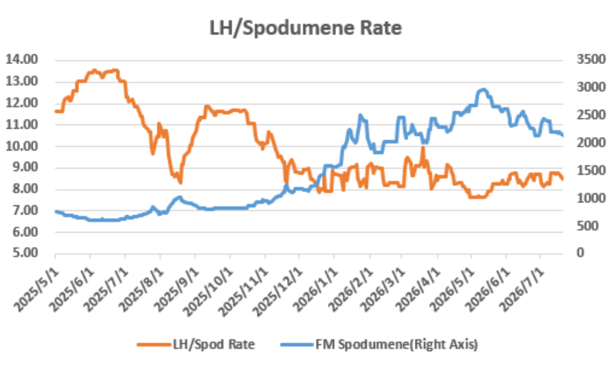
The basis rate of CME lithium hydroxide plunged sharply to -4.48% on Monday, creating an opportunity to go long the basis with a target near zero. The GFEX basis rate has remained relatively stable recently.

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

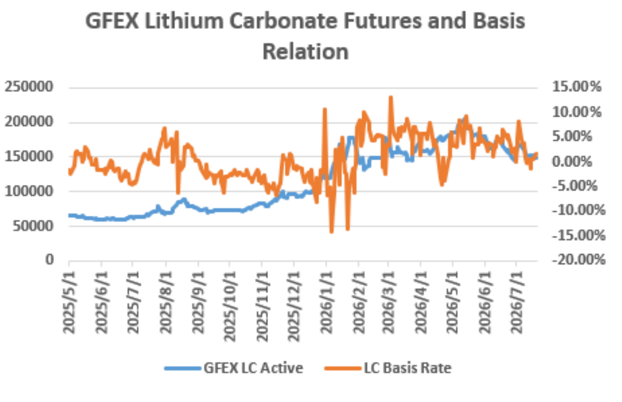
Source: Bloomberg, Fastmarket, FIS



- The LH-LC spread moved deeper into negative territory, from the bearish zone of -$0.15/kg noted last week to -$1.15/kg on Monday, creating an opportunity to exit short-term positions. Further downside cannot be ruled out, yet given subdued volatility recently, exiting positions now would be more prudent.



- The lithium salt-to-concentrate ratio fluctuates within a narrow range of 8.45–8.8, while lithium salt prices have recently regained a strong correlation with spodumene prices.



- The GFEX lithium carbonate basis rate has fluctuated within a narrow range, with most volatility confined to individual trading days, resulting in limited periodic trading opportunities.

Source: Bloomberg, Fastmarket, FIS

Market News List:

• Jiuling Lithium temporarily suspended 4,000 tons of lithium carbonate production. Sichuan Tianhua Times suspended its 53,000-ton annual-capacity production line for maintenance, with output set to decline by 4,000–4,300 tons. Mining has not commenced at the Jianxiawo mining area following site clearance, leading to continued downward revisions to earlier expectations of supply expansion.

• Phase II of Jiangxi Zhongke Lithium's 30,000-ton lithium carbonate production line was ignited and commissioned on July 22, releasing marginal incremental supply.

• The Manono project in the DRC initiated lithium concentrate exports in June, marking a first for the country. All output is shipped to China, bringing one of the world's largest hard-rock lithium resources into formal circulation.

• Kodal Minerals' Bougouni lithium mine recorded below-target Q2 output due to equipment malfunctions that weighed on May production, though operations were expected to return to normal in June.

• The Zimbabwean government rejected requests to postpone the lithium concentrate export ban until March, leaving the previously scheduled restrictions from next January unchanged.

• China's lithium carbonate imports totalled 25,861 tons in June, down 31% month-on-month. Spodumene imports reached 768,400 tons, up 12.9% month-on-month. Australian spodumene shipments resumed after a one-week disruption in mid-July, while arrivals of Zimbabwean lithium concentrates were widely delayed in July amid port congestion.

• LFP demand outperformed expectations. Leading manufacturers, including Hunan Yuneng, Dynanonic and Wanrun New Energy, have full order books, with overall Q3 delivery demand rising by roughly 30% month-on-month. Hunan Yuneng announced a RMB 2,000/ton price hike across all product lines. The market had already priced in this adjustment during previous upstream cost increases, with no directional impact on the supply chain.

• CATL signed an agreement to supply its newly launched sodium-ion energy storage systems to Europe. Samsung SDI began upgrades at its US plant to manufacture LFP ESS batteries exclusively for Tesla.

• China's Ministry of Finance issued an announcement adjusting battery consumption tax rules. A 2% tax will be levied on primary lithium batteries and lithium-ion batteries from September 1, 2026, with the rate rising to 4% from September 1, 2027. Sodium-ion, solid-state and fuel cells, as well as certain photovoltaic batteries, are exempt until the end of 2028. The policy will accelerate the phase-out of small and medium-sized production capacity, raise industry concentration and provide structural valuation support to the battery sector.

Source: Bloomberg, Fastmarket, FIS

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