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**. Lithium salt prices have slumped recently amid dual headwinds: projected output ramp-ups during August–September and weakening macro risk sentiment. Markets have priced in ample future supply, while equity market volatility continues to drive near-term pricing. Still, fundamentals argue against a prolonged decline. Ongoing inventory destocking and resilient downstream battery output raise the prospect of a short-term oversold technical rebound.
- **FastMarket Spodumene:** Our view is short-run **Neutral**. Lithium ore prices held firm this week, with lithium salt producers stepping in to buy at current price levels to meet immediate requirements.

Prices Movement:

	3 Aug	27 Jul	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	**18.25**	**18.75**	**-2.67%**	**Neutral**
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	**19.00**	**19.25**	**-1.30%**	**Neutral**
Bloomberg Lithium Carbonate Spot China (yuan/ton)	**140500.0**	**139500.0**	**+0.72%**	**Neutral**
FastMarket Cobalt 30% ($/lbs)	**22.50**	**23.88**	**-5.78%**	**Neutral**
FastMarket Spodumene min 6% Asia ($/ton)	**2025.00**	**2077.50**	**-2.53%**	**Neutral**

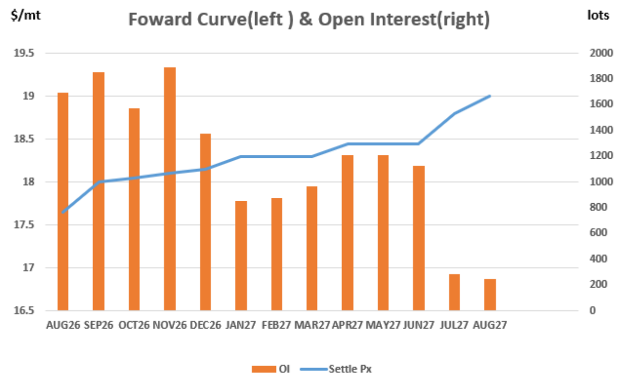
Commentary:

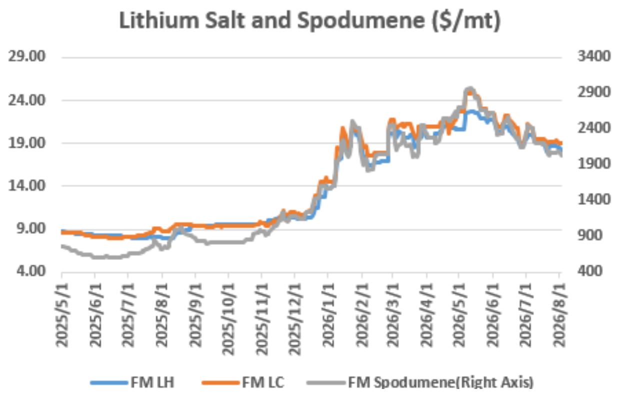
Bearish sentiment dominated the lithium salt market this week, triggering a breakdown in prices. GFEX lithium carbonate futures breached the key support level of CNY 140,000/tonne, while CME lithium hydroxide futures also fell below the critical threshold of $18.2/kg. The primary downside driver lies in systematic downward revisions to demand expectations. The upper limit of global energy storage installations is gradually becoming clearer, and price sensitivity is shifting from a theoretical risk to tangible demand suppression. On the power battery front, China’s July new-energy vehicle retail sales are projected to fall by roughly 2% MoM, while uncertainty remains over whether exports can sustain rapid growth. Overall, lithium salt demand is transitioning from a narrative of “high and certain growth” to “uncertain growth”. The demand premium that previously underpinned elevated prices is fading rapidly, ushering the market into a repricing phase.

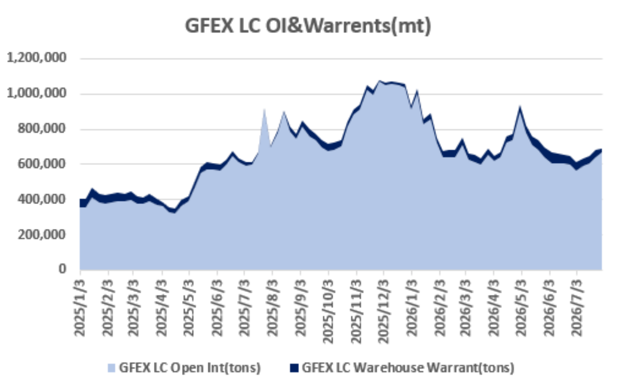
Following the sharp correction, valuation resilience represents the main source of underlying support. As we have reiterated over the past two months, the weighted average production cost of lithium carbonate across different production routes stands at approximately CNY 125,000/tonne, and current prices remain some distance from this level. Lepidolite-based lithium production costs are expected to decline as mines in Jiangxi resume operations. Concentrated spodumene shipments from Australia and Africa in H2 will also lower processing costs for producers relying on externally sourced spodumene. We infer that average prices in H2 could be CNY 10,000–20,000/tonne below H1 levels. Nevertheless, prevailing prices sit within the fifth percentile of the annual trading range, representing a relative bottom that is unlikely to persist over a six-month horizon.

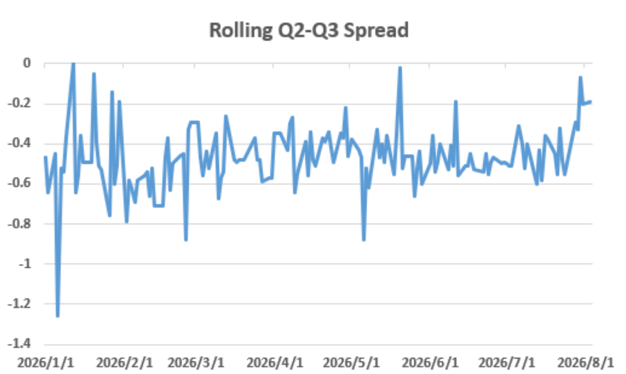
The introduction of China’s battery consumption tax marks a shift from policy-driven support to market-based competition for lithium-ion batteries. Capacity exits among small and medium-sized battery manufacturers could curb part of lithium salt demand. Global tariff uncertainty, the deflating AI narrative bubble and geopolitical risks pushing bond yields higher have triggered capital outflows from energy, metals and equity markets, creating a valuation ceiling for battery materials. That said, energy storage installation volumes and tender success rates continue to accelerate in H2. Concentrated lithium iron phosphate output growth is expected in August–September, while rising battery pack energy density per vehicle will offset part of the decline in demand. In addition, the executive order signed by US President Donald Trump restricting electronic waste exports provides marginal positive momentum. Lithium salt prices are seeking a new equilibrium between cost support and subdued demand expectations.

Source: Bloomberg, Fastmarket, FIS







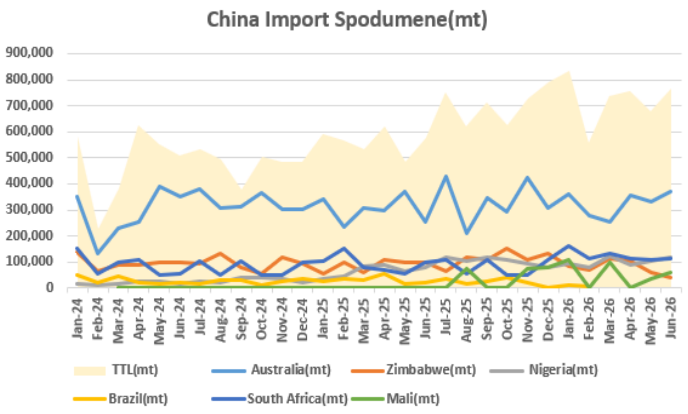


Export growth of ternary precursor materials among leading manufacturers remains robust, while production declines are mainly being seen among small and medium-sized producers, driving continued industry consolidation. In addition, market expectations of improved consumer electronics shipments in Q4 may provide further support to ternary material demand.

The cobalt intermediate market remained in a stalemate this week. Recent concentrated arrivals of imported cargoes have marginally increased supply, yet physical spot availability remains tight, characterised by inactive trading and holders' reluctance to sell. Affected by falling cobalt salt and cobalt metal prices, downstream smelters are holding back from purchasing while awaiting lower offers, resulting in muted buying interest. While Indonesia's nickel hydrometallurgical projects continue to ramp up output, disruptions to sulphur supply and slower-than-expected commissioning of new projects prevent Indonesian supply from meaningfully substituting for DRC supply. Mixed hydroxide precipitate (MHP) provides only limited supplementary cobalt feedstock. On the cost front, most Chinese processors relying on imported cobalt intermediates are operating at a loss. Some market participants have implemented production cuts, shutdowns or deferred purchases, keeping the market under pressure amid a persistent stand-off between buyers and sellers. Electrolytic cobalt is showing clear seasonal weakness, with sluggish downstream demand and continued price declines. Buying sentiment remains weak amid a lack of bullish catalysts, although limited spot holdings among traders are capping further downside. Export orders for ternary precursors provide partial support to cobalt demand but are insufficient to reverse the overall bearish trend.

Lithium salt spot prices moved lower amid volatile trading last week, accompanied by notable selling reluctance among upstream producers. The CIF lithium hydroxide index fell by only $0.25/kg week-on-week, reflecting entrenched bid-offer friction rather than a sustained downtrend. Trading volumes were extremely thin throughout the reporting period; the bid-offer spread widened from $0.75/kg to $2.5/kg at one point, signalling a sharp contraction in market liquidity. Low-priced enquiries persisted, yet sellers broadly refrained from making offers, indicating limited acceptance of prevailing price levels. The CIF lithium carbonate index fell by $0.85/kg week-on-week, but bids remained firm at $18.55/kg rather than following prices lower, supported by procurement driven by rigid end-user demand.

Source: Bloomberg, Fastmarket, FIS



Inventories among lithium salt traders have declined rapidly, while end-users continue to maintain low levels of inventory cover, implying no slowdown in actual consumption. Rapid destocking among traders, combined with lean end-user inventories, is creating a structural imbalance. Once prices stabilise, restocking demand could emerge with strong elasticity. Spodumene prices edged higher last week alongside a marked pickup in trading activity. Transactions were concentrated within the $2,000–2,060/tonne range, a band widely recognised by both buyers and sellers, suggesting limited room for further substantial declines in spodumene prices in the near term.

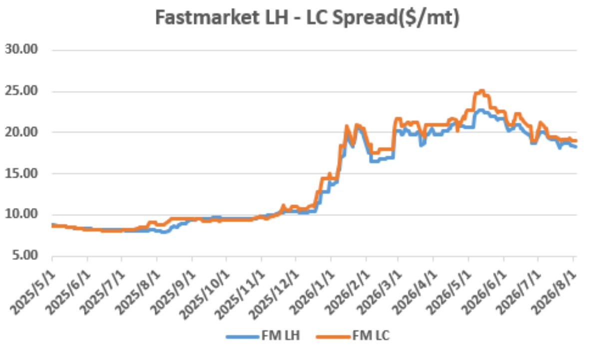
The LH-LC spread has traded relatively steadily within a range of -$0.75/kg to -$0.50/kg over the past two weeks, leaving limited trading opportunities.

The GFEX lithium carbonate basis ratio briefly climbed to 7%, potentially creating a near-term opportunity to short the basis ratio. Meanwhile, the LH basis ratio also reached an elevated level of 4.5% last week, offering an intraday bearish basis trade opportunity.

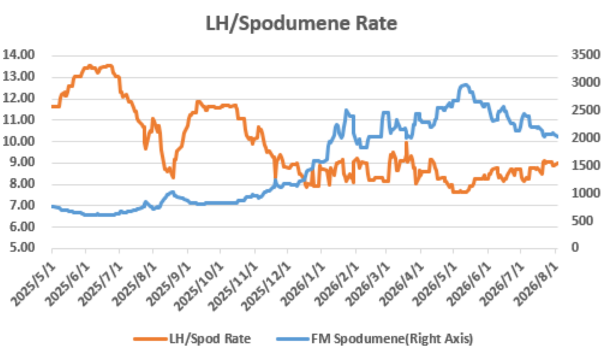
The rolling quarterly spread rebounded from -$0.45/kg to -$0.22/kg. Potential short opportunities may emerge if the spread rallies towards zero alongside a price recovery.

- 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**.

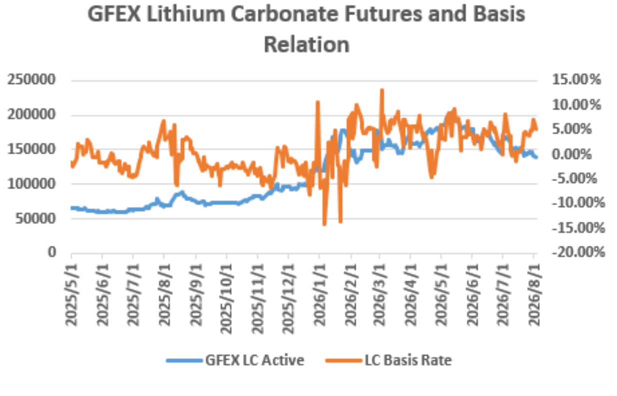
Source: Bloomberg, Fastmarket, FIS



- The LH-LC spread has remained stable over the past two weeks.



- The salt-to-spodumene ratio continues to rebound. Spodumene is currently supported by procurement driven by rigid end-user demand. Following a valuation recovery, stronger spodumene prices may drive the ratio lower in the short run.



- The GFEX lithium carbonate basis ratio has edged higher. Opportunities to short the basis ratio merit attention.

- The GFEX lithium carbonate basis traded within a narrow range. Bearish basis trades can be monitored at the 4–5% level.

Source: Bloomberg, Fastmarket, FIS

Market News List:

- Sodium-ion batteries will be fully exempt from consumption tax from September 2026 to the end of 2028, creating a clear 2–4% tax burden differential compared with lithium-ion batteries, which will be subject to tax over the same period. Brokerage projections forecast sodium-ion battery shipments of 5–10 GWh in 2026, potentially rising to 20 GWh in 2027, with costs expected to fall from the current CNY 0.4/Wh to CNY 0.3/Wh.

- Zhou Fu, Senior Vice President and Dean of the General Research Institute at Gotion High-Tech, stated that the firm’s solid-state batteries have increased energy density from 350 Wh/kg to 400 Wh/kg, with battery pack system capacity reaching 51.1 kWh. The group is targeting annual production capacity of 50,000 tonnes of lithium sulfide and 100,000 tonnes of sulfide solid electrolyte within five years, affirming solid-state batteries as the future direction for power batteries.

- On 31 July, Indonesian Minister of Energy and Mineral Resources Bahlil Lahadalia signed Decree No. 312.K/MB.01/MEM.B/16, officially releasing the first-phase Metal Mineral Reference Price (HMA) for August 2026. The nickel reference price edged up by 0.68% from the previous round, while cobalt remained unchanged.

- Rongbai Technology noted during communications with institutional investors that its 340,000 tpa lithium iron phosphate project in Guizhou is advancing rapidly and is expected to achieve full commissioning by the end of September.

- Rio Tinto’s Argentine brine lithium projects, Fénix 1B and Sal de Vida, both achieved first production ahead of schedule. Construction of the full-scale Rincon facility continues, supporting the targeted capacity of approximately 200,000 tpa LCE by 2028.

- Galan Lithium (ASX: GLN) released its Q2 2026 operational report on 31 July. The firm announced that its wholly owned Hombre Muerto West (HMW) project in Catamarca Province, Argentina, had successfully produced its first processed lithium chloride, marking its transition from project developer to producer. Salt pond construction is set to commence in the September 2026 quarter, targeting a capacity increase from 4,000 tpa LCE to 5,200 tpa LCE in H1 2027. Over the longer term, the firm has secured permits for its Phase 2 expansion to 21,000 tpa LCE and outlined a four-stage ramp-up plan, with a long-term target of 60,000 tpa LCE.

- Eramet’s Centenario operation in Argentina produced 8,440 tonnes LCE in H1 2026. The company maintained its full-year lithium carbonate output guidance of 17,000–20,000 tonnes LCE, with H1 production representing roughly 45% of the midpoint of the guidance range. Output is expected to accelerate in H2 as capacity utilisation increases.

- MinRes’ Wodgina lithium mine, in which MinRes holds a 50% stake, produced 94,000 physical tonnes of spodumene concentrate in Q2 2026, up 13% YoY and 21% QoQ. Concentrate sales totalled 100,000 physical tonnes, up 49% YoY and 45% QoQ. The FOB cost of SC6 spodumene stood at A$714/tonne, up 11% year-on-year but down 11% quarter-on-quarter.

Source: Bloomberg, Fastmarket, FIS

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