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**. Social inventories of lithium salts are drawing down at an accelerated pace. Supply contraction from salt-lake operations, paired with steady downstream demand, has created a supply-demand mismatch. Tight physical spot availability underpins the price rebound. Should supply recovery fall short of expectations, further upside remains open for prices over the medium term.

- **FastMarket Spodumene:** Our view is short-run **Neutral**. Spodumene trading activity has picked up. Lithium salt producers have shown clear restocking intentions, with markedly higher enquiry levels. Nevertheless, mines are holding back cargoes for better prices.

Price Movement:

	24 Aug	17 Aug	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	18.80	18.35	+ 2.45%	Neutral
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	19.80	19.55	+ 1.28%	Neutral
Bloomberg Lithium Carbonate Spot China (yuan/ton)	152500.0	144500.0	+ 5.54%	Neutral
FastMarket Cobalt 30% ($/lbs)	20.00	21.50	- 6.98%	Neutral
FastMarket Spodumene min 6% Asia ($/ton)	2335.00	2230.00	+ 4.71%	Neutral

Commentary:

Lithium salt prices have continued to rebound in August, in line with prior expectations. Following the sharp rally, price pass-through across upstream and downstream segments is largely complete, and volatility may moderate in phases next week. Medium-term fundamentals remain constructive, as market expectations of a Q3-Q4 supply surplus are gradually being disproved by actual supply-demand dynamics.

As lithium salt prices continue to rally, valuation-driven momentum is fading. Market focus has shifted towards the cost threshold of around CNY 150,000/t for spodumene-fed lithium salt production. A price break of more than 10% above this level could bring additional spodumene-fed capacity back online and exert countervailing downward pressure on prices. Market participants are now inclined to derive reasonable raw material pricing based on H2 demand levels, making a retest of H1 2026 highs unlikely. Positioning data from GFEX and CME also show no fundamental conditions for renewed market frenzy.

Lithium carbonate destocking accelerated further in August versus July, marking the 15th consecutive week of inventory drawdown. Some salt-lake producers cut output, though the actual reductions remain moderate. Sluggish export flows of Zimbabwean lithium concentrate and renewed hurdles for mine restarts in Jiangxi have combined to form multiple supply-side constraints, serving as the main driver behind the recent price rebound. Meanwhile, GFEX warrants continue to rise. Elevated spot prices have opened arbitrage opportunities between spot and futures, attracting arbitrage positioning that may cap sustained price gains. Mixed bull-bear dynamics are set to limit near-term upside for lithium salt prices.

The lithium salt market extended its rebound last week, with brisk trading and smooth price pass-through between upstream and downstream, alongside balanced bargaining power between buyers and sellers. CIF lithium hydroxide spot deals were thin. Bid-offer quotes clustered at USD 18–18.9/kg, while higher-priced trades emerged early this week. Improved enquiry activity points to a potential pick-up in transaction volumes. CIF lithium carbonate trades were concluded at an elevated USD 20–23/kg, with enquiries centred at USD 19.3–20/kg and notable volume expansion. Spodumene markets saw active deals within USD 2,165–2,319/t. Nonetheless, buying sentiment turned cautious once the index moved above USD 2,300/t.

Source: Bloomberg, Fastmarkets, FIS

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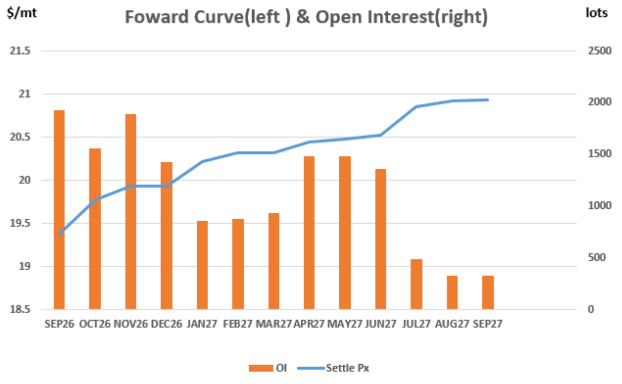
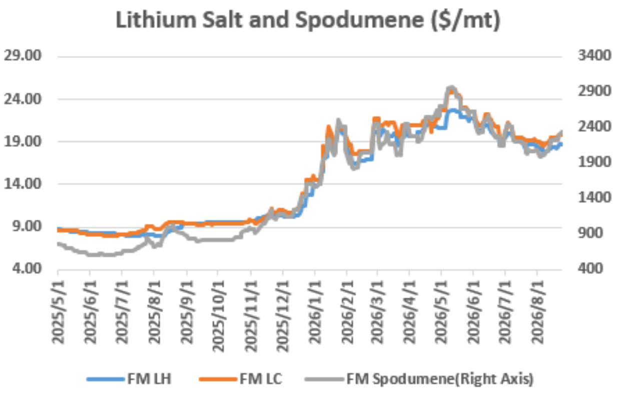
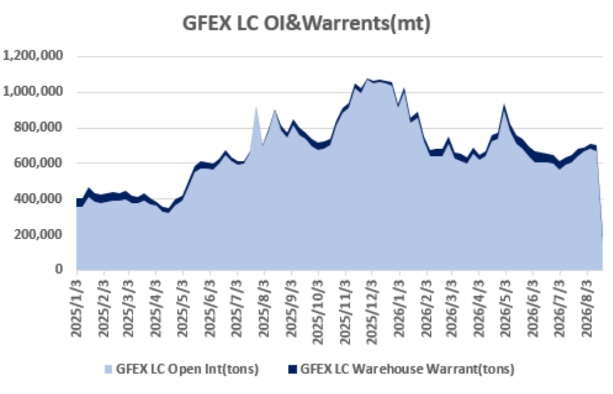
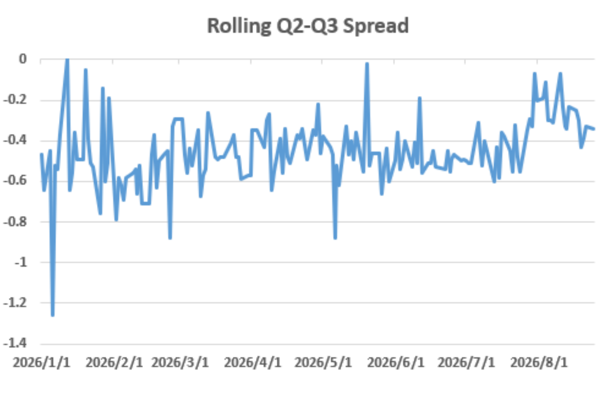








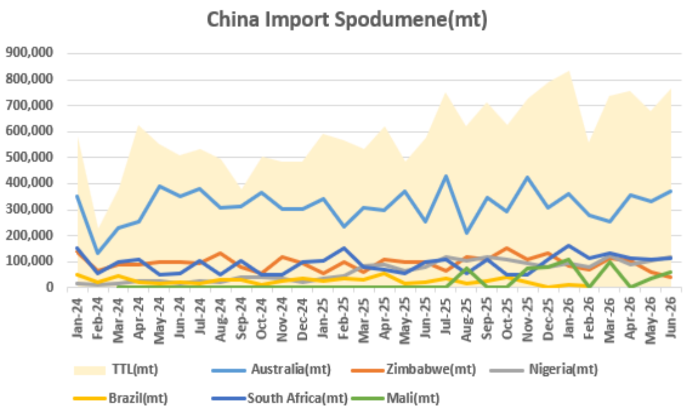
Inventories of lithium ore at lithium salt producers and port locations both edged higher last week, as buyers resisted chasing prices higher. Since mid-August, the market has displayed a “buy-on-dips, wait-on-rallies” pattern: dips quickly attract buying support, whereas sharp price advances prompt buyers to stand aside and wait for minor pullbacks before re-entering.

China’s NCM cathode material output is estimated at 90,000 tonnes in August 2026, up 4% month-on-month and over 30% year-on-year, reflecting solid growth momentum. After price hikes in mid-August, NCM markets entered a steady phase. Sustained restocking has not materialised. Downstream purchasing is mostly requirements-driven, with limited willingness to chase higher prices. LFP output is projected at 570,000 tonnes in August, up 7% month-on-month. Restrained capacity expansion underpins continued price gains alongside active restocking activity. Several smaller cell manufacturers have shown willingness to chase market prices, signalling anxiety among some downstream participants over tight physical supply. By comparison, restocking activity for NCM remains moderate, while capacity ceilings exacerbate supply-demand imbalances in the LFP segment.

Prices of electrolytic cobalt and cobalt sulphate have fallen sharply since mid-August, with evident sell-side capitulation. Cobalt feedstock arrivals from the DRC have picked up materially. Even though offers for cobalt intermediates are barely holding at USD 20–21/lb, buyers’ target price levels have fallen by USD 2–3/lb. Buyers hold advantages in both timing and price negotiations, leaving the cobalt market under near-term pressure.

In August, LCO output in China is set to rise 3.5–4% month-on-month. However, seasonal restocking has ended and downstream demand has weakened, eroding near-term demand support. LMO output is projected to jump 10% month-on-month, supported by steady orders from consumer electronics and two-wheeler batteries, marking a performance divergence from LCO. Lithium hexafluorophosphate remains supply-tight, with prices surging to CNY 130,000/t, a seven-month high. While electrolyte production is running at high operating rates, the slow ramp-up of new lithium hexafluorophosphate capacity exacerbates the supply-demand imbalance. Further price gains are possible before the commissioning of new capacity provides relief to the supply gap.

Source: Bloomberg, Fastmarkets, FIS

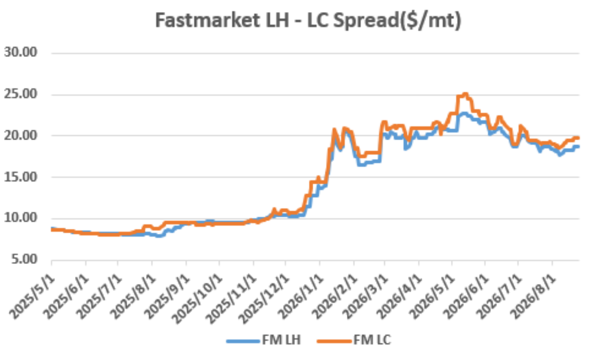


On the LH/LC spread, the entry opportunity flagged last week was initiated at -$1.2/kg, targeting spread repair towards -$0.7/kg. The spread has not yet reached the target range. Maintain the previous strategy.

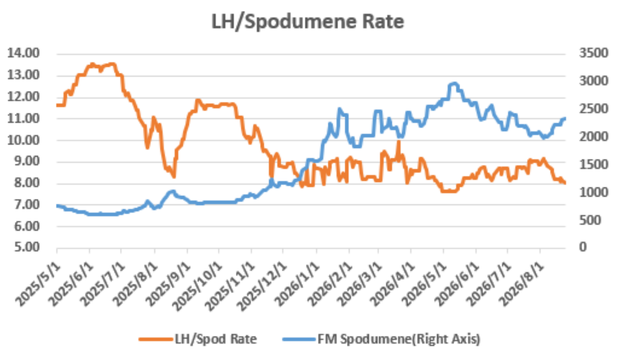
For GFEX lithium carbonate, the basis ratio has recently traded in the 2–4% range, with materially compressed volatility, reflecting rising participation from cash-futures arbitrage players and more balanced market pricing. In the absence of extreme catalysts, adopt a wait-and-see stance and look for counter-trading opportunities after a trending move in the basis ratio. On the CME lithium hydroxide basis ratio, the previously flagged bullish opportunity was entered at the -5.5% low, targeting a recovery towards -1.0%. The basis ratio remains within its recovery channel and has yet to reach the target. Maintain the previous strategy.

- 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 to Bearish**.

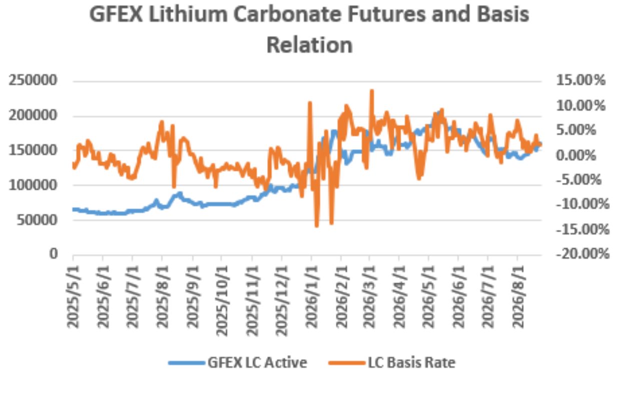
Source: Bloomberg, Fastmarkets, FIS



- The entry level for the LH/LC spread was previously set at -$1.2/kg, with a target of -$0.7/kg.



- The salt-to-ore ratio has moved lower, pointing to tighter metallurgical processing margins.



- The basis ratio for GFEX LC hit 1% in mid-month; we continue to target 5%.

Source: Bloomberg, Fastmarkets, FIS

Market News List:

- According to China Customs data, spodumene imports totalled 739,300 physical tonnes in July 2026, down 3.8% month-on-month from June's 768,400 tonnes. Lithium hydroxide imports reached 8,322.16 tonnes in July (+89.1% MoM), while exports stood at 6,419.51 tonnes (+6.7% MoM), shifting the country to a net importer of lithium hydroxide for the month. LFP exports fell 14.5% month-on-month in July.

- Multiple domestic lithium salt producers carried out maintenance in August, cutting lithium carbonate output by an estimated 9,000–10,000 tonnes.

- Electra Battery Materials (NASDAQ: ELBM) released detailed design parameters for its cobalt sulphate refinery under construction in Ontario, Canada. Initial nameplate capacity is 5,120 tpa of contained cobalt in battery-grade cobalt sulphate form. It has secured 100% of the required cobalt hydroxide feedstock through a long-term agreement with Glencore and executed a binding term sheet with LG Energy Solution for LG to offtake 60% of planned refinery output.

- The Mount Majevica lithium mine development project in Bosnia-Herzegovina is stalled amid environmental and political disputes. Residents and environmental groups warn that sulphuric-acid-based mining and processing may pollute the Drina and Sava river basins. Estimated resources include 1.5 Mt LCE, alongside 94 Mt of magnesium sulphate, 14 Mt of boric acid and 35 Mt of potassium carbonate.

- On 21 August, SAMR released six anti-cut-throat competition cases covering lithium battery, energy storage and new-material M&A and JV projects. The large-scale capacity expansion cycle for China's lithium battery sector has ended, marking a shift towards high-quality development.

- Liding Materials published an EIA pre-public notice for its 300,000-tonne-per-annum LFP project.

- LG Energy Solution commenced production at its new Lansing, Michigan battery plant on 18 August, its seventh North American manufacturing base. Total investment exceeds USD 2 billion, with annual capacity above 35 GWh, producing LFP and high-energy-density NMC cells.

- Australian-listed Elevra Lithium (ASX: ELV) signed a binding long-term spodumene concentrate supply agreement with Canada-based Mangrove Lithium on 21 August. Deliveries stand at 122,000 dry tonnes in Year 1 and 144,000 dry tonnes per annum from Year 2 (SC6 equivalent). Pricing follows a market-linked formula with a floor above production costs and no price cap.

- Coal India, one of the world's largest coal producers, plans to open a Singapore trading office to pursue overseas critical mineral assets including lithium and bauxite.

Source: Bloomberg, Fastmarkets, FIS

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