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**. Sharp corrections in lithium carbonate dragged down the broader battery material complex. The pullback stemmed from decelerating battery cell production schedules for September, alongside an index provider's inventory-sample revision that brought previously unreported stocks into official statistics, triggering a near-term sentiment shock. From a longer-term perspective, this represents merely a structural change in reporting methodology and does not alter underlying physical fundamentals.
- **FastMarket Spodumene:** Our view is short-run **Neutral**. Spodumene physical trading has remained active recently, yet price indices continue to drift lower. Further price declines may trigger bottom-hunting buying interest from downstream consumers, which could provide support and stabilise the market.

Price Movement:

	7 Sep	31 Aug	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	18.1	18.5	-2.16%	Neutral
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	18.9	20.08	-5.88%	Neutral
Bloomberg Lithium Carbonate Spot China (yuan/ton)	152500	155500	-1.93%	Neutral
FastMarket Cobalt 30% ($/lbs)	16.84	19.25	-12.52%	Neutral
FastMarket Spodumene min 6% Asia ($/ton)	2070	2270	-8.81%	Neutral

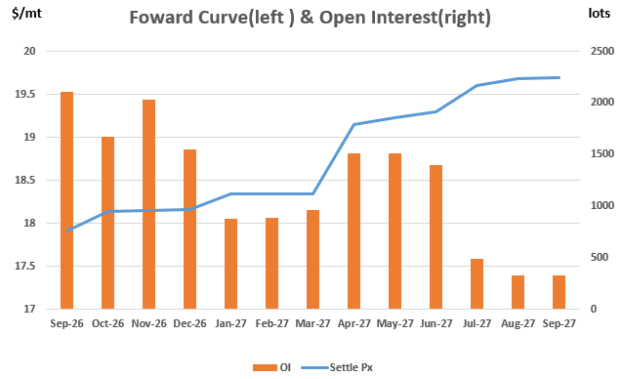
Commentary:

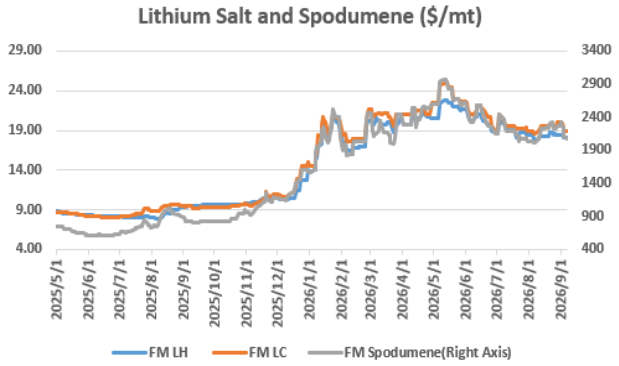
The market suffered a sharp sell-off last week, driven mainly by an unexpected shock. A prominent index provider implemented a large-scale one-off revision to its inventory sample set, bringing previously unreported inventories into official statistics and nearly doubling reported inventories in a single day. Despite rising cell production schedules, lithium carbonate prices slumped materially. This is a one-off structural methodological adjustment. Going forward, the inclusion of previously unreported stocks improves the accuracy of inventory readings. While September battery output growth is decelerating notably versus August, absolute demand remains at elevated levels, and the broader inventory drawdown trend remains intact. All told, last week's market move likely contained elements of overshooting.

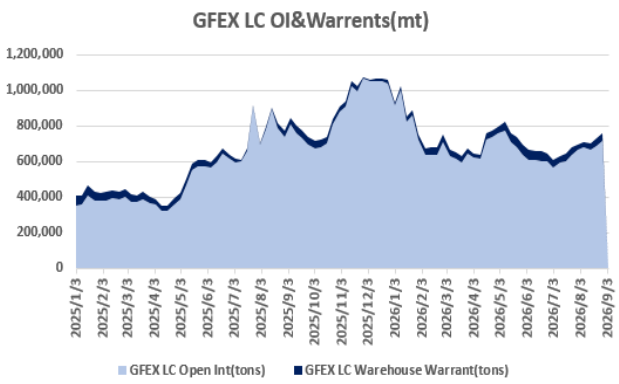
GFEX registered lithium carbonate warrants continued to rise to 47,198mt, hitting an eight-week high, with active participation from cash-and-carry arbitrage players. The CME basis ratio reached 7% at one point, creating arbitrage opportunities for "long futures, short physical". The production cost of lithium carbonate from purchased spodumene stands near CNY 150,000/mt. Since July, heavy cash-futures arbitrage and swing trading have kept prices within a CNY 135,000–165,000/mt range. Consistent with our earlier view, Q3 volatility has declined markedly versus Q1 and Q2. Given the substantial capital deployed in such strategies, the market is likely to remain range-bound through September–October.

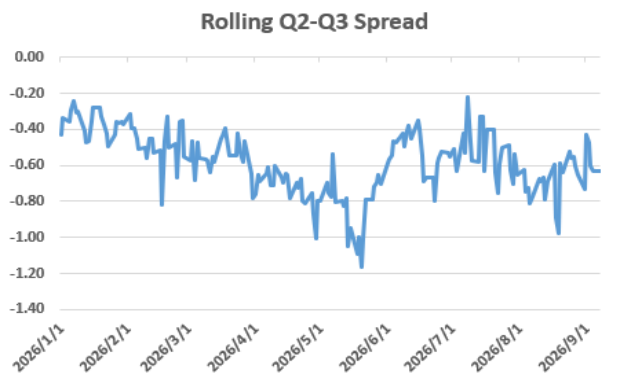
Overseas CIF lithium salt prices edged lower last week amid active physical trading. Bulk CIF lithium hydroxide trades were concluded at $16.85/kg, a level around which sellers clustered in the previous week. Trades at other times were scattered without a clear price pattern. CIF lithium carbonate trading remained thin, with the bid-offer spread at $19.55–20/kg. Multiple deals were concluded at $18.5/kg early this week. Solid underlying buying interest underpins expectations for firmer CIF lithium salt spot performance. In the spodumene market, large-volume trades were registered at $2,307/mt last week before prices gradually softened to $2,106.5/mt. Buying interest persisted through the correction, and further price declines may trigger concentrated bottom-hunting orders. Albemarle's Wodgina SC6 CIF auction cleared at $2,307/mt, a notable rise from $2,113/mt in late July and above consensus expectations. This signals persistently high cost pressure for lithium chemical producers.

Source: Bloomberg, Fastmarkets, FIS









Meanwhile, elevated price levels may incentivise near-term production restarts across Australian and African lithium mines.

Downstream orders for NCM cathode materials weakened, with September production schedules expected to fall 5% month-on-month. Demand is mostly sustained by China's exports of high-nickel cathode materials, and further price weakness for NCM products is highly likely. Higher direct and indirect exports of lithium hydroxide have tightened physical spot availability within China. Lithium carbonate output is projected to rise 11% month-on-month in September, yet inventories remain on a trend-driven drawdown. LFP cathode output is set to expand by 6% month-on-month in September. The lithium carbonate market is transitioning from shortage towards balance in Q3. Some cell makers are cutting NCM output in September to prioritise LFP production. Should lithium salt prices stage a rebound, lithium carbonate may once again outperform lithium hydroxide on the upside.

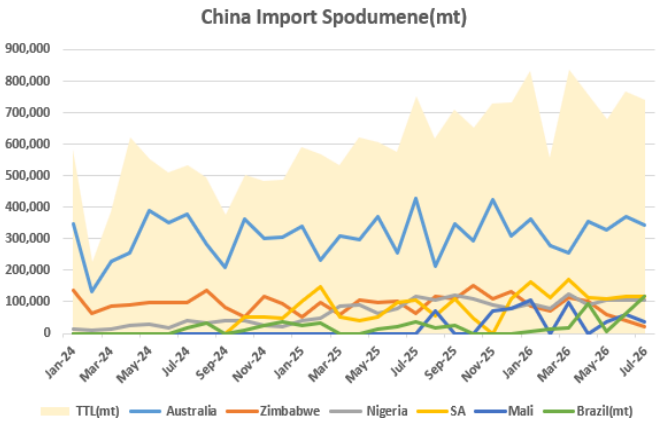
Cobalt powder prices broke below CNY 400,000/mt as peak-season hopes faded. Bid-offer spreads for cobalt intermediates continued to widen, with transactions converging towards buyer levels at $16.84/lb, alongside lower payable coefficients for MHP. Despite ongoing export-quota controls in the DRC, Q3 NCM battery sales and vehicle-installed volumes continued to decline, weighing on cobalt demand.

The LH/LC spread offered a buying entry at -$1.58/kg last week, consistent with our previous strategy threshold of entry below -$1.2/kg. The target exit level stands near -$0.6/kg.

On basis trades, as previously noted, a GFEX basis ratio of 7% represents a favourable entry for selling basis. Exit is considered when the basis converges towards -2%.

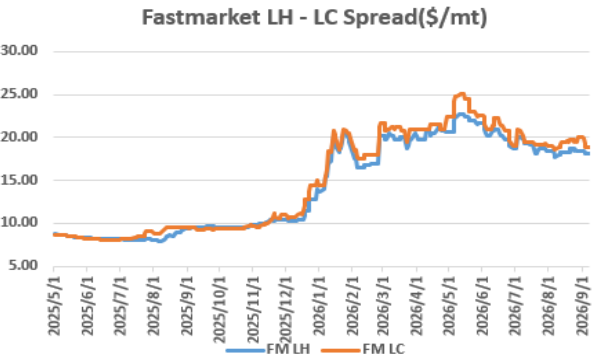
- In the short run, in our view, lithium salt is **Neutral**. In the long run, lithium salt is **Neutral**.
- In the short run, in our view, spodumene is **Neutral**. In the long run, spodumene is **Neutral**.
- In the short run, in our view, the volatility is **Neutral**.

Source: Bloomberg, Fastmarkets, FIS

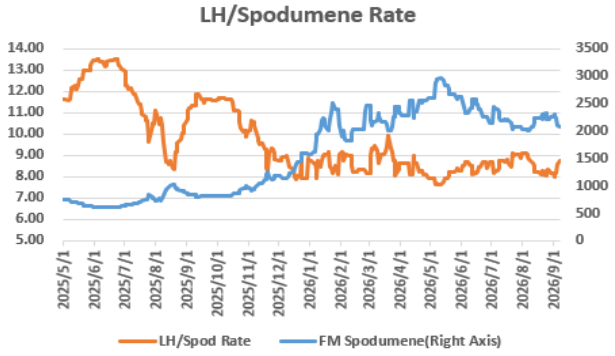




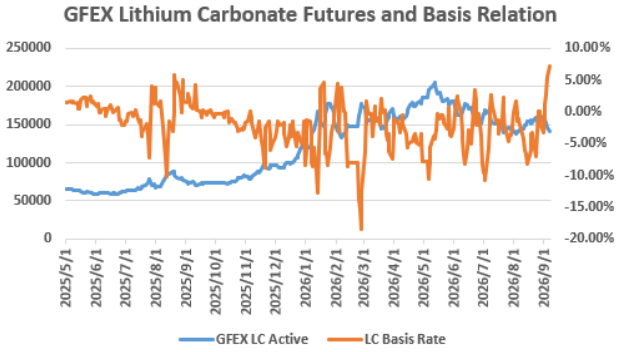
Source: Bloomberg, Fastmarkets, FIS



- The LH/LC spread triggered a buy entry at -$1.58/kg last week, matching our previous strategy threshold of entry below -$1.2/kg. The target exit is set near -$0.6/kg.



- The salt-to-ore ratio has recovered following the rapid correction in spodumene prices.



- A GFEX basis ratio of 7% represents a favourable entry point for selling basis.

Source: Bloomberg, Fastmarkets, FIS

Market News List:

- The EU launched the CIRCUIT4EU critical raw materials recycling project, targeting nine of 34 critical raw materials, including copper, cobalt, nickel, antimony, tantalum, boron and rare-earth elements. It brings together 21 partners across nine countries and will run for three and a half years until November 2029, with a total budget of EUR 8.9mn, aiming to recover key metals from e-waste and reduce import reliance.

- A major Brazilian lithium mine was ordered by a court to fully suspend operations over environmental permit issues.

- According to CAAM preliminary statistics, China's NEV passenger vehicle retail sales totalled 1.069mn units in August, down 4% year-on-year and up 12% month-on-month.

- Industry surveys project China's September lithium cell production schedules to exceed 330 GWh (+9% MoM). Energy storage cell schedules are expected to reach around 130 GWh, accounting for nearly 40% of total cell output.

- Chinese authorities launched a nationwide capacity survey for the energy storage industry, with storage cells as the core focus. Both existing and planned capacities are being inventoried. Projects not yet formally commenced are being put on hold, while filed and under-construction projects remain unaffected.

- Albemarle's online auction for Wodgina spodumene concentrate: 15,840 dry tonnes of SC6 (6% Li_2O) cleared at $2,307/dmt.

- A Chinese index provider revised its lithium supply methodology, adding samples for lithium recovery from bauxite residue, tungsten mine by-products and aluminium electrolysis slag.

- Zhongke Haina signed a strategic cooperation agreement with Korea's VOLTA Co., Ltd. The sodium-ion battery maker secured a long-term 10 GWh order. Sodium-ion batteries are set to displace part of low-end lithium battery demand.

- UK-based GEL achieved Europe's first production of lithium carbonate from deep geothermal brine with purity above 99.3% (technical grade). Should battery-grade specifications be met, output can be used without further refining.

- GCL Technology disclosed at its 31 August half-year results briefing its expansion into LFP and silicon-based anodes. Phase 1 Leshan LFP capacity stands at 200 ktpa; Phase 2 (200 ktpa) has broken ground and is scheduled for commissioning in Q1 2027. Long-term total capacity may reach 800 ktpa, with indicative orders exceeding 1mn tonnes.

Source: Bloomberg, Fastmarkets, FIS

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