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BATTERY METALS

Lithium hydroxide CIF North Asia continues descent

Seaborne lithium hydroxide prices maintained their downward trajectory this week, as more market participants confirmed lower transaction levels.

The Platts lithium hydroxide CIF North Asia fell $300/mt on Friday to $13,900/mt, while the lithium carbonate CIF North Asia assessment was unchanged at $10,900/mt. Both assessments reflected offers, bids and deals for battery-grade material delivered to the main ports of China , Japan and South Korea .

The hydroxide price “might come down [further] in the coming two months,” said a Chinese consumer source, who pegged the hydroxide tradable level at $13,000-$14,000/mt. Looking to the Chinese domestic market and wider expectations in the region, this outlook has support from both buy- and sell-side participants.

Carbonate has found stability for the past four consecutive weeks, but there was some suggestion the tradable value could be falling, the Chinese consumer felt that lithium carbonate’s “tradable level should be

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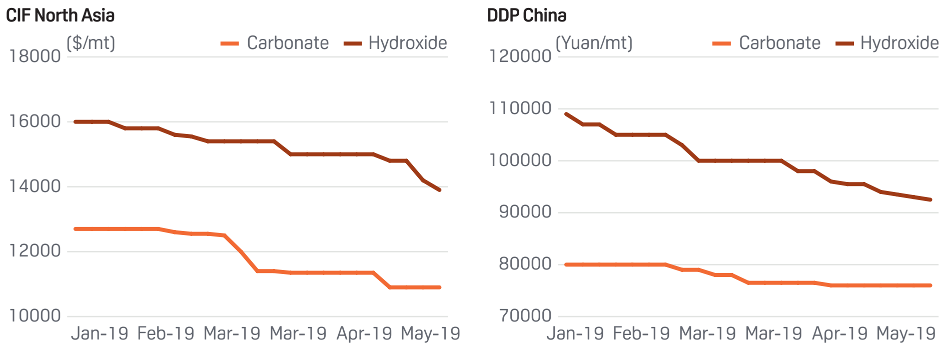
BATTERY METALS

	Weekly prices	Change	Date assessed
Lithium Carbonate			
CIF North Asia ($/mt)	10900	0	31-May-19
DDP China (Yuan/mt)	76000	0	31-May-19
CIF North Asia Import Parity (Yuan/mt)	84977	-2	31-May-19
Lithium Hydroxide			
CIF North Asia ($/mt)	13900	-300	31-May-19
DDP China (Yuan/mt)	92500	-500	31-May-19
CIF North Asia Import Parity (Yuan/mt)	108366	-2340	31-May-19
Cobalt Sulfate			
CIF North Asia ($/mt)	8350	-100	30-May-19
DDP China (Yuan/mt)	41500	-3500	30-May-19
Lithium Spodumene			
6% Spodumene Concentrate FOB Australia ($/mt)	615	-20	31-May-19

PLATTS LITHIUM CARBONATE AND LITHIUM HYDROXIDE



Source: S&P Global Platts

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below $9,000/mt CIF now, close to the domestic price level," he said. However, this mark "would not be repeatable due to the long term contracts and large volumes."

Another consumer saw no tradable value below $9,000/mt at present, but thought these prices could be found in the latter half of the year. He also suggested he would be loathe to import for above $10,000/mt.

The South Korean market was heard to be trading below the Japanese , according to a Japanese trader, who saw a disparity of around $2,000 between the regions. He felt that longer term commitments in Japan were holding the market up, as players were only looking to spot for urgent cargoes.

Several market participants believe that lithium hydroxide prices are likely to keep falling until the end of the year, narrowing the gap to carbonate prices , which are expected to either remain flat or drop slowly compared to hydroxide.

"The main reasons [for the hydroxide price reduction] are demand lower than expected and higher oversupply," said a seller source based in the Americas . He agreed with the $13,000-14,000/mt range, "but this level will be reached only when July starts" since his negotiations at this range "were not closed yet" and won't be valid before the beginning of the third quarter, he said.

On the Chinese domestic market, prices moved similarly, with carbonate holding at Yuan 76,000/mt and hydroxide slipping Yuan 500 on week to Yuan 92,500/mt. Continuing to hold CIF North Asia prices above DDP China .

The Platts $10,900/mt CIF mark for carbonate was equivalent to Yuan 84,977/mt, including 13% VAT, based on the Platts' import-parity formula, while hydroxide's price of $13,900/mt was equivalent to Yuan 108,366/mt on the same basis. The Yuan was assessed at 6.8992 to the dollar at 4:30 pm Singapore time Friday.

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Soft demand pressures Chinese lithium hydroxide prices

Chinese domestic lithium hydroxide dropped in price this week as sluggish demand weighed heavily on market sentiment.

Domestic carbonate prices were unchanged this week, despite some indications that prices remained under pressure on weaker demand and increasing supply.

S&P Global Platts assessed lithium hydroxide at Yuan 92,500/mt on Friday, down Yuan 500 from May 24, while carbonate was assed flat at Yuan 76,000/mt. Both assessments refer to battery-grade product on a delivered, duty-paid (DDP) China basis.

Many market participants expect battery-grade lithium prices to trend lower in the coming months as the transition period for China's subsidy on new-energy vehicles is coming to an end. The traditional off-peak season for EV buying is approaching and this is expected to drop carbonate and hydroxide demand.

"Now we are in a buyer's market and this situation should persist for a while," said a Chinese consumer source, who paid Yuan 75,000/mt for lithium carbonate . "Lithium hydroxide demand is worst, but production is on the rise," he added, which may indicate a price decline for hydroxide in the coming weeks. Some sources also stated that brine production was on the rise.

Conversely, one producer felt "the domestic price decline trend of lithium hydroxide is basically close to the end." He expects prices to sustain through June and July — but August should bring "a wave of decline for lithium carbonate ," forcing the prices down to as low as Yuan 65,000/mt. This should echo in hydroxide prices , which could fall to Yuan 75,000/mt, he said, adding that both prices are under the resistance level.

A further Chinese consumer stated that prices for carbonate and hydroxide should "go into reverse gear in the coming months." He reported visiting brines in China recently "and production there has been increased," he said, pegging the current tradable levels at Yuan 74,000/mt for carbonate and Yuan 91,000-92,000/mt for hydroxide.

Industrial grade carbonate prices were also heard to be holding stable, trading prices were seen around Yuan 67,000-69,000/mt at present on letter of credit payments; however, it was heard that some producers were willing to sell as low as Yuan 65,000/mt.

A suggestion was heard that current strong demand should sustain industrial-grade prices and would see them soften at a slower rate compared with battery grade. Nevertheless, prices of both are expected to come off, according to market participants.

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Spodumene concs fall to $615/mt FOB Australia in May

S&P Global Platts assessed lithium spodumene concentrate, 6% lithium oxide content (SC6) at $615/mt FOB Australia in May, down 3.1% from $635/mt in April, reflecting the spot price of a minimum volume of 1,000 mt cargoes exported from Western Australian ports.

Industry sources said spodumene concentrate prices fell on a supply glut that led producers to cut prices to turn inventory, under the pressure from falling downstream products prices, mainly battery-grade lithium carbonate and hydroxide.

Earlier this month, a spot deal was concluded between a trader and a lithium converter at $640-$650/mt CIF China for 10,000 mt from Port Hedland to Zhangjiagang, sources said. The price was above market, as the buyer was granted more favorable payment terms, the trader source said.

That source also said he had heard from his customer that a miner had sold at slightly above $600/mt, though it was not clear if that was FOB Australia or CIF China.

Another trader heard indications in China at $610-$620/mt, on a CIF basis, but saw tradeable value around $640/mt CIF China . "I can see lower spot prices from miners, though some miners have locked the majority of their [offtake] on long-term contracts," he said. "Excess tonnages are being sold in spot market."

A Western Australian miner put tradeable levels at around $635-$650/mt, CIF China.

"Certainly there is more supply in the market," another miner said, adding that selling at $620/mt FOB Australia for 5,000-10,000 mt June-loading cargoes was reasonable.

Several Chinese sources said the Gyabjeka lithium project in Sichuan province has gradually restarted production. The early stage output was relatively small compared with Australian projects but would, nonetheless, provide extra supply and, thus, competition.

An East China -based lithium converter said spodumene concentrate prices could fall as low as $550-$600/mt in the near future.

Platts surveyed market participants on freight rates from Western Australia to major Chinese ports and how they convert CIF China values to FOB Australia. Several indicated CIF values would typically be at least $20/mt above FOB.

Others cited price differentials ranging from $15-$35/mt, depending on load and discharge ports, vessel sizes and whether the cargoes were co-load or a full-ship load.

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Cobalt sulfate prices see further downward pressure

Cobalt sulfate's downward march persisted this week, with seaborne and Chinese domestic markets seeing prices drop further.

S&P Global Platts assessed cobalt sulfate (20.5% Co) at Yuan 41,500/mt delivered, duty-paid China , Thursday, down Yuan 3,500 from May 23, while the seaborne market also fell, assessed at $8,350/mt CIF North Asia , down $100.

On the Chinese domestic market weak demand continued to pressure sulfate prices, while on the seaborne market, prices moved in tandem with domestic electrolytic cobalt prices also dropping.

Plentiful supply continues to hang over the Chinese market where excess refining capacity is to be found and this, combined with softening demand, is lending a bearish sentiment to market participants outlooks.

One producer lamented the rapidity of refining growth experienced over the past few years. With aggressive investment into the space driving production to outstrip demand, leaving the market in the current state of oversupply. He added that he struggled to see normal demand levels resuming in the short term, especially because of decreasing cobalt usage in higher-nickel batteries.

The transition period for the subsidy to new energy vehicles is also coming to an end in China , and the off-peak season for EV purchasing is just around the corner, further weighing on market sentiment, according to sources.

Some on the sell-side fear that prices may continue to slide, but hoped the cost of production might slow the decrease and perhaps lend support.

A trader, however, suggested that some producers were overstating their cost of production and were in better shape than reported. Others in the market said that some producers, especially smaller ones, were now facing capital tightness.

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Glencore, Umicore in long-term cobalt supply deal

Diversified natural resources company Glencore has entered into a long-term cobalt hydroxide agreement with European recycler Umicore, which is continuing to build out its battery-metal offering, both companies said Wednesday.

The cobalt will be sourced from Glencore's mining operations, KCC and Mutanda in the Democratic Republic of Congo . Umicore has assessed each operation as fully compliant with its sustainable procurement framework for cobalt which excludes artisanally mined cobalt from its supply chain, as well as any form of child labor, a joint statement said. The cobalt units will be shipped to Umicore's cobalt refineries globally, including the Kokkola refinery in Finland once the acquisition process is completed.

"We are pleased to enter into this long-term partnership with Umicore in the fast growing electric vehicle market which further endorses Glencore's important role in supplying the materials that enable the energy and mobility transition," head of marketing, copper and cobalt at Glencore Nico Paraskevas said.

Umicore said last week it plans to buy Freeport-McMoRan's Kokkola refinery for around $190 million to strengthen its hand in the growing battery supply chain.

The news comes hot on the heels of increased calls for further European investment in the battery metal sector. Cobalt is a key ingredient in electric -vehicle batteries, even as more producers look to reduce their dependency on it because of sourcing issues in the key producer, the DRC.

One source recently said that, no matter whether the amount of cobalt in batteries is reduced to a minimum, large amounts of it will still be needed to meet growing battery demand.

"The agreement with Glencore guarantees Umicore's security of supply for a substantial part of its longer-term cobalt needs for its expanding global battery materials value chain. The agreement also provides Glencore long-term market access for its cobalt raw materials in line with Umicore's growing cathode materials sales," the statement said.

Umicore CEO Marc Grynberg added: "Our partnership with Glencore and the acquisition of the Kokkola refinery demonstrate our ability to execute our growth strategy for cathode materials with consistency. The agreement also reconfirms our strong commitment to promote a sustainable battery materials value chain globally."

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NPI rise may wipe out nickel deficit as stainless output grows: SMR

This year may be the last for the time being that the market sees a nickel deficit, as new nickel pig iron capacity comes on stream, helping meet demand from the growing stainless steel production sector, Robert Messmer of Austria's Steel and Metals Market Research (SMR) said Friday.

Increased availability of nickel pig iron means the nickel deficit should shrink this year to less than 60,000 mt, from around 146,000 mt last year, according to Messmer. Up to 185,000 mt of additional nickel units in the form of nickel pig iron could come onto the market this year, which could potentially depress nickel prices, he added.

"Nickel pig iron is a success story which started in very small volumes roughly 15 years ago: there are plenty of opportunities for more production of this in the Philippines and Indonesia," he said.

Nickel pig iron is a low grade type of ferronickel invented in China as a low-cost alternative to pure nickel mainly for the production of stainless steel.

"Nickel pig iron production will see a significant increase this year, and it will also be fully consumed because it is probably the cheapest option for Asian stainless producers," the analyst said during the International Recycling Bureau (BIR) Conference in Singapore last week. "This will help free up Class I nickel units that could be used for batteries in Electric Vehicles…and might help to keep nickel prices stable in a more balanced supply/demand situation…. nickel pig iron has to be seen as an add-on and not as a danger to the nickel market," he said.

LME nickel averaged $12,387/mt in Q1 2019, against $11,472/mt for the final quarter of 2018. Messmer expects the nickel price to end the year at around $12,500-$13,500/mt.

The International Nickel Study Group (INSG) expects nickel production in 2019 to be 2.38 million mt, and consumption at 2.46 million mt, Messmer reported.

Stainless steel production is seen growing 2.7% this year to an estimated 53.82 million mt, after a 4.8% year-on-year growth in 2018 to 52.43 million mt, with China producing more than 50% of the total, according to SMR data. Consumption was put at 43.2 million mt in 2018, he said. Both prices and profitability have fallen in the stainless steel market this year, due to high stocks of finished products and growing supply, according to the analyst.

This year the stainless market should see the full impact of Chinese anti-dumping restrictions on Indonesia, which boosted its stainless output by 181.2% last year to 2.19 million mt and is set to increase its production a further 29.6% to 2.84 million mt this year. Indonesia's Tsingshan works could further increase its output and new mill capacity from Delong will come on stream, according to the analyst. Both Brazil's and Taiwan's stainless output fell last year, he added, and especially the south east Asian markets , namely Taiwan , Japan and South Korea will see increased inflows of Indonesian stainless.

"The control of the (stainless) market has shifted firmly to Asia," he said.

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