

# Spot price volatility drives record volumes on CME lithium contract

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**The steep drop in global spot lithium prices over the past few months has helped to drive record-high volumes of trade on the year-old lithium hydroxide contract on the Chicago Mercantile Exchange (CME), Fastmarkets heard on Wednesday April 12.**

According to CME data, 276 lots were traded on Wednesday, with open interest at 1,362 lots, a new high for the contract. This volume was higher than the previous record high of 176 lots traded on April 5 this year.

Wednesday's trades on the lithium hydroxide contract, which is based on Fastmarkets' assessment of the CIF China, Japan & Korea spot price, ranged from \$46.50 to \$47.00 per kg for 2023 and 2024.

The record volume came almost one year after the launch of the contract last April.

On the lithium spot market, weak demand for electric vehicles (EVs) in China, the world's largest EV market, has been driving prices downward.

Fastmarkets assessed the lithium hydroxide monohydrate LiOH.H<sub>2</sub>O 56.5% LiOH min, battery grade, spot price, cif China, Japan & Korea, at \$48-53 per kg on Wednesday, down from \$48-55 per kg the previous day. The price has fallen in the past six consecutive sessions and was down by 38% compared with the corresponding time last year.

Weaker lithium prices were said to represent an opportunity to establish a forward position for some.

"The increased volume trading this week [is something that] we ascribe to a number of significant [supply and demand] factors. Specifically, the market sees some excellent opportunities now, with the market showing a slight contango from June and the third quarter of 2023 until the first quarter of 2024, while market participants look to roll out of length at the front of the curve," Leon Hoffmann, battery raw materials broker at brokerage firm SCB, said.

Others said that liquidity on the forward contracts was driven by further bearish expectations.

"I believe brokers and banks had client orders to hedge. It is cyclical trading activity," a battery raw materials trader said.

"However, I believe the buying activity is hedging activity, and the matching selling is speculative due to the willingness to have short positions in the market, driven by the bearish sentiment across the board at present," he added.

"[Hydroxide and carbonate prices are] both moving down pretty aggressively," Jack Nathan, head of battery metals at brokerage firm Freight Investor Services, said, "and [the] market is pricing that in. Sentiment is bearish and we're seeing numbers scaling back with the index."

While prices were still under pressure from weak demand, some market participants expected a rebound in the second half of the year, potentially adding more volatility to lithium prices in 2023.

“With resupply markets looking well discounted to futures, and demand from EV producers likely to soften in the summer, the overall curve does appear to want to bottom out,” Hoffmann said.

Fastmarkets’ researchers have forecast that prices for hydroxide would average \$62 per kg in the third and fourth quarters of 2023.

“There are going to be some delays to supply coming online that were expected, and that’s going to support prices and push them up in the second half of the year,” Fastmarkets battery raw materials analyst Jordan Roberts said, adding that prices were not expected to return to the highs seen last year.

Fastmarkets’ battery raw materials research team has forecast that the global lithium market will be in a deficit of 68,900 tonnes of lithium carbonate equivalent (LCE) in 2023.

Volatility has driven record liquidity in battery raw material exchange records throughout the year. Volumes on the CME’s cobalt contract, based on Fastmarkets’ price assessment for cobalt standard grade, in-whs Rotterdam, hit a record high on January 18, with 1,369 lots traded.