

What's Hot Today:

► Lithium: Demand driven in earnings recovery

The battery materials value chain has entered a new upcycle since 2H25. Unlike the previous cycle, which was mainly driven by rapid EV sales growth, the current cycle is led by stronger-than-expected energy storage demand, followed by continued upward revisions to both power battery and storage demand. As supply side demand conditions shift from oversupply toward a tighter balance, upstream lithium carbonate, has once again become one of the most earnings-sensitive segments in the value chain.

Demand: Strong Growth from Energy Storage and Higher Battery Content

On the power battery front, global NEV sales grew by around 10% YoY, while domestic passenger EV sales remained relatively weak. However, battery capacity per vehicle increased by around 30% YoY, offsetting slower vehicle volume growth and lifting power battery demand growth from close to 20% previously to around 25%.

For energy storage, supply remains tight in 2026, with effective annual supply of energy storage cells estimated at around 1TWh. Although lithium carbonate prices have rebounded from the previous low of around RMB80k/ton to an average of RMB140k/ton in 1Q26, the impact on storage demand has so far been manageable. Demand remains resilient, supported by domestic utility-scale storage tenders, increasing overseas demand, and incremental power load from AI data centers, with energy storage demand expected to grow by around 60% in 2026.

Based on industry feedback, combined power battery and energy storage demand growth in 2026 has been revised up from less than 20% at the beginning of the year to around 35%, with total demand expected to exceed 2.8TWh and the overall battery market approaching 3TWh inclusive of consumer batteries and other applications. Looking into 2027, demand is expected to grow by over 30% YoY given continuous growth in energy storage, faster penetration of electric heavy trucks and other commercial vehicles as well as strong growth in overseas passenger EV.

Supply: Takes Time to Increase Supply

Compared with the rapid upward revision in demand, upstream lithium supply remains slow to respond. Lithium mine development usually takes two to three years to achieve stable output, which is much longer than capacity expansion in some midstream materials. Although some companies have recently restarted new lithium mine projects and related capex is expected to recover gradually from 2H26 to 2027, new capacity is not expected to come on stream until around 2028.

China & HK Indices	CLOSE	1D	YTD
HSI	25,606	0.9%	-0.1%
HSCEI	8,550	0.9%	-4.1%
HSCCI	4,438	0.1%	10.5%
CSI300	4,921	1.6%	6.3%
Shanghai A	4,355	1.0%	11.0%
Shanghai B	281	0.9%	11.0%
Shenzhen A	3,023	0.9%	14.2%
Shenzhen B	1,134	-0.5%	-10.3%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	50,579	0.6%	5.2%
S&P 500	7,473	0.4%	9.2%
Nasdaq	26,343	0.2%	13.3%
NIKKEI Index	64,997	-0.2%	29.1%
FTSE Index	10,466	0.2%	5.4%
CAC Index	8,258	1.8%	1.3%
DAX Index	25,389	2.0%	3.7%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	4,570	1.4%	5.4%
STEEL (US\$/oz.)	3,224	3.2%	26.8%
SILVER (US\$/oz.)	78	3.4%	8.2%
CRUDE OIL (US\$/bbl)	96	0.3%	58.8%
COPPER (US\$/oz.)	13,667	0.1%	10.0%
ALUMINIUM (US\$/oz.)	3,649	0.7%	21.8%
PLATINUM (US\$/oz.)	1,971	2.2%	-4.7%
ZINC (US\$/oz.)	3,543	-0.4%	13.6%
WHEAT (US\$/bu)	646	-0.2%	25.9%
CORN (US\$/bu)	463	0.2%	1.3%
SUGAR (US\$/lb)	119	-1.8%	
SOYBEAN (US\$/bu)	1,196	0.2%	10.4%
PVC (US\$/t)	4,895	1.1%	58.3%
CRB	392	-1.1%	3.0%
BDI		-0.5%	59.4%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.834	0.859	158.910	0.783	6.783
HKD	0.128		0.110	20.284	9.991	0.866
EUR	1.164	9.122		185.020	1.097	7.899
JPY	0.006	4.930	0.540		0.493	0.043
CHF	1.278	10.010	1.097	203.043		8.667
RMB	0.147	1.155	0.127	23.426	0.115	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece		N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	16	-6.9%

Source: Bloomberg

As a result, lithium carbonate supply will be tight given the strong growth in demand in 2026-2027, supporting the prices.

Pricing and Earnings: Upstream Profitability Returns

The recovery in lithium carbonate prices is a key reason for lithium mines to restore profitability. In 4Q25, the average lithium carbonate price was around RMB80k-90k/ton, driving a marginal recovery in industry profitability. Full-year 2025 profit for the lithium carbonate segment was around RMB13bn, with roughly half of that only recognized in 4Q25. In 1Q26, the average price further increased to around RMB140k/ton, pushing quarterly profit close to the 2025 level.

Looking ahead, as the average lithium carbonate price in 2Q26 is likely to remain higher than in 1Q26, upstream resource companies may continue to see sequential earnings improvement. For the full year, prices are expected to fluctuate at a high level within the RMB150k-200k/ton range, continuing to support profit elasticity in the upstream lithium resource segment.

Our View: The recent breakout of lithium carbonate prices above RMB200k/ton was due to strong demand from energy storage and certain disruptions in supply. Some mines in China were out of production while imports from Zimbabwe were also affected by export restrictions. In addition, Greenbushes, the largest lithium miner, has lowered its FY2026 production guidance, further reinforcing concern on less supply globally. As such, effective global supply in 1H26 could face a shortfall of around 100k tons LCE.

Despite the product price rally, the recent correction in the share price of lithium miners is believed to be profit-taking as the market worries whether lithium carbonate prices can stay at such level. However, given the expected supply tightness, the industry is largely accepting a price level of around RMB150k/ton in the near term. It is expected that miners will be profitable should lithium prices trade within this range.

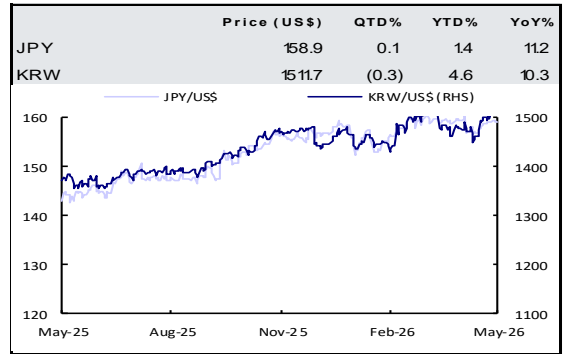
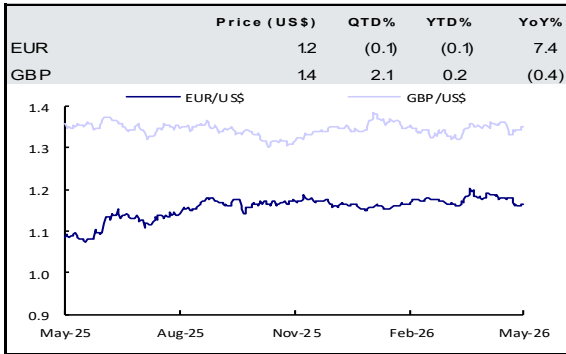
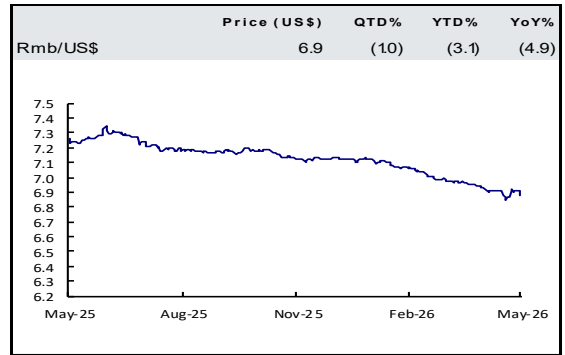
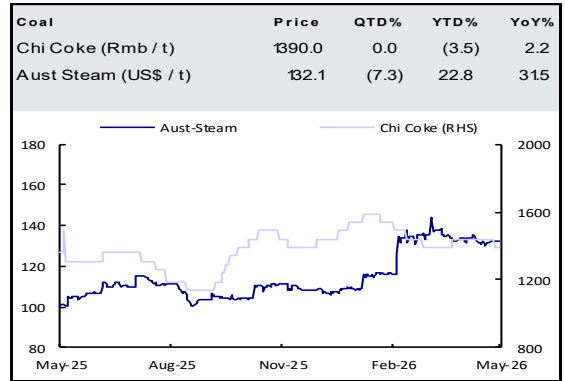
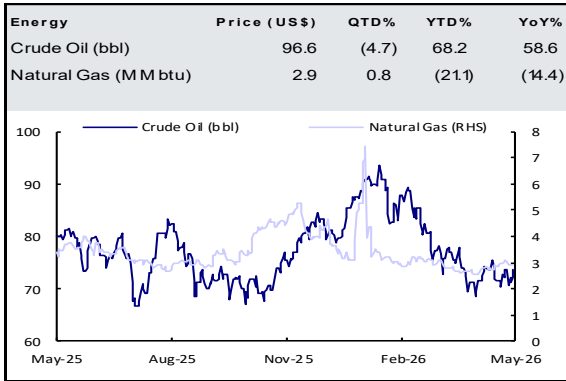
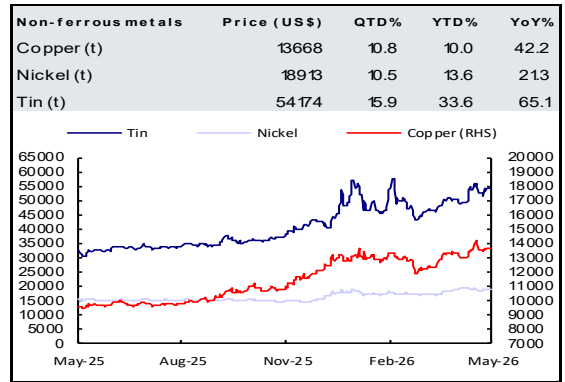
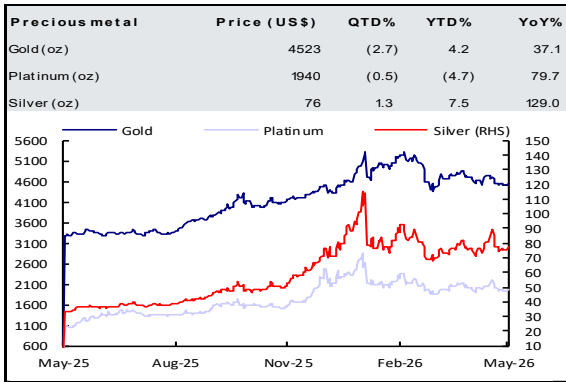
We like the following leading players:

Tianqi Lithium (002466.SZ, RMB 66.67, RMB 114bn) — A global low-cost lithium resource leader. The company holds an interest in Australia's Greenbushes spodumene mine and has a strategic investment in SQM, giving it exposure to both high-quality hard-rock lithium and salt lake resources. In 2026, the company is expected to have around 120k tons of attributable LCE capacity, around 6.6mn tons of attributable LCE resources, and a cost of around RMB68k/ton. The counter is trading at 21x FY26E P/E.

Ganfeng Lithium (002460.SZ, RMB 75.10, RMB 157bn) — A leading integrated lithium producer with global resource exposure. The company has built a lithium resource network across Australia, Argentina, Mali, Qinghai, Jiangxi, and other regions, while covering upstream resources, lithium salt processing, batteries, and recycling. In 2026, the company is expected to have around 140k tons of attributable LCE capacity, around 42.8mn tons of attributable LCE resources, and a cost of around RMB70k/ton. The counter is trading at 26x FY26E P/E.

Sinomine Resource (002738.SZ, RMB 67.01, RMB 48bn) — A lithium resource company with strong self-owned mine exposure. The company controls the Tanco spodumene mine in Canada and owns the Bikita large-scale spodumene project in Zimbabwe. In 2026, the company is expected to have around 70k tons of attributable LCE capacity, around 5.0mn tons of attributable LCE resources, and a cost of around RMB65k/ton. The counter is trading at 19x FY26E P/E.

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Consumer Confidence	MoM		26-May-26
Initial Jobless Claims	WoW		28-May-26
GDP	QoQ		28-May-26
New home Sales	MoM		28-May-26
Wholesale Inventories	MoM		29-May-26
Factory Orders	MoM		3-Jun-26
Existing Home Sales	MoM		9-Jun-26
CPI	MoM		10-Jun-26
PPI	MoM		11-Jun-26
Industrial Production	MoM		15-Jun-26
Housing Starts / Building Permits	MoM		16-Jun-26
Business Inventories	MoM		17-Jun-26
ISM Manufacturing PMI	MoM		1-Jun-26
Personal Income & Spending	MoM		28-May-26
Durable Goods Orders	MoM		28-May-26
Trade Balance	MoM		9-Jun-26
Employment Report	MoM		5-Jun-26
Retail Sales	MoM		17-Jun-26
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		31-May-26
Foreign Exchange Reserves	QoQ		7-Jun-26
Money Supply - M2	MoM		9-Jun-26
Trade Balance	MoM		9-Jun-26
PPI	MoM		10-Jun-26
CPI	MoM		10-Jun-26
Retail Sales	MoM		16-Jun-26
Industrial Production	MoM		16-Jun-26
GDP	YoY		15-Jul-26

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Trade Balance	MoM		28-May-26
Money Supply - M2	MoM		29-May-26
Retail Sales	MoM		2-Jun-26
PMI	MoM		3-Jun-26
Foreign Currency Reserve	MoM		5-Jun-26
Producer Prices Index	QoQ		12-Jun-26
Industrial Production	QoQ		12-Jun-26
Unemployment Rate	MoM		16-Jun-26
CPI	MoM		23-Jun-26
GDP	QoQ		31-Jul-26
Composite Interest Rate	MoM		

Kingsway Research Team

Analyst
Howard Wong
Alan Li

Email
howard.wong@sunwahkingsway.com
alan.li@sunwahkingsway.com

Phone No.
(852) 2283 7307
(852) 2283 7306

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Head Office

Hong Kong
Kingsway Financial Services Group Limited
7/F, Tower One, Lippo Centre,
89 Queensway, Hong Kong
Tel: 852-2283-7000
Fax: 852-2877-2665

Affiliated & Overseas Offices

Guangdong
廣東新華滙富商業保理有限公司
601-5, Building 3
130 Jiaoxi Road, Nansha District,
Guangzhou, 511455, PRC