

Weekly Market Snapshot

Lithium: the new in demand metal

Weekly Recap

- **Interest Rates focus:** the ECB should decide on Thursday to keep Interest Rates unchanged at 2%, with discussion about a new cut increasing. In contrast, the Fed is expected to cut interest rates at their meeting on the 17th for the first time this year following recent weak employment data.
- **Precious metals soar** following a period of consolidation, gold has resumed its uptrend and recently exceeded USD3600/ounce, confirming its role as a safe haven investment. Silver has also rallied to USD42, confirming our positive view on precious metals overall.
- **Fitch rating downgrade of France:** Fitch downgraded France last Friday to A+, putting pressure on the French government which is facing political uncertainty around their proposed budget.
- **Stock markets at multi-year highs:** following a robust Q2 earnings season, stock markets continue their ascent to hit all-time new highs in many cases.

Snapshot

Lithium/batteries

With the transition to a low carbon world, lithium demand is increasing as this metal is a key component in battery electric vehicles, and in industrial battery storage for solar and wind power.

However, this metal has a complex extraction process and is concentrated in specific parts of the world: South America, Asia and Australia. Lithium supply could thus be subject to geopolitical tensions.

The lithium price has been very volatile and is currently close to historic lows. This has led several mines to close, temporarily decreasing supply. However, with (a) growing demand for higher-capacity phone batteries, (b) additional energy storage needs for solar and wind power and (c) increased penetration of hybrid and battery electric vehicles, demand should continue to grow, triggering a lithium price recovery.

| | 16 September | % Chg | Return Trend | |
|------------------|--------------|-------|--------------|--------|
| Market | Level | 1 Wk | 1 Month | 1 Year |
| Stocks | | | | |
| S&P 500 | 6607 | +1,4% | ↗ | ↗ |
| Euro STOXX 50 | 5372 | +0,1% | ↘ | ↗ |
| FTSE 100 | 9196 | -0,5% | ↗ | ↗ |
| Nikkei 225 | 44790 | +3,1% | ↗ | ↗ |
| MSCI EM | 1340 | +2,5% | ↗ | ↗ |
| Bonds | | | | |
| | Yield | | | |
| US 10Y | 4,0 | -0,5% | ↗ | ↗ |
| Gm 10Y | 2,7 | +1,3% | ↗ | ↘ |
| UK 10Y | 4,6 | +0,3% | ↗ | ↘ |
| Jp 10Y | 1,6 | +1,7% | ↘ | ↘ |
| IG Credit | | | | |
| | Yield | | | |
| US | 4,9 | -1,6% | ↗ | ↗ |
| EU | 3,1 | +0,5% | ↗ | ↗ |
| UK | 5,3 | -0,4% | ↗ | ↗ |
| Alternatives | | | | |
| Gold | 3673 | +0,9% | ↗ | ↗ |
| Copper | 4,6 | +2,9% | ↗ | ↗ |
| S&P Global Infra | 3466 | +0,4% | ↘ | ↗ |
| EU REITs | 1591 | -0,6% | ↘ | ↘ |
| BBG Hedge Fds | 1730 | - | ↗ | ↗ |



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A metal on the rise

Although not considered as a precious metal, lithium is used by most people, sometime even without them realizing, as it is contained in the high-power batteries found in smartphones, laptops or electric vehicles. The metal is currently gaining more and more importance in our day to day lives.

Indeed, with the technological advances we are currently witnessing and the transition to a low carbon economy, lithium is now considered as a necessity as it is one of the main components of mobile phones, laptops, electrical vehicles and industrial electrical battery storage systems to install alongside renewable energy sources.

As renewable energy installations grow, the demand on lithium is expected also to increase. Lithium demand has already grown the last 5 years, and experts predict it to grow by 5 times between now and 2030 following the global demand and increased need for cleaner sources of energy.

Lithium extraction and geopolitical possible tensions

Lithium mines are geographically present in 3 regions: South America, Asia and Australia carrying possible geopolitical tensions due to the possible constrains of future access to the metal. Once extracted, the raw metal is processed and goes through several phases to be eventually used in batteries. The metal has seen several cyclical phases with its price changing considerably to reach summits from a low phase.

Lately, due to low prices, some lithium mines have closed following falling prices, decreasing global supply. However, as the demand continues to increase, this implies a price rebound.

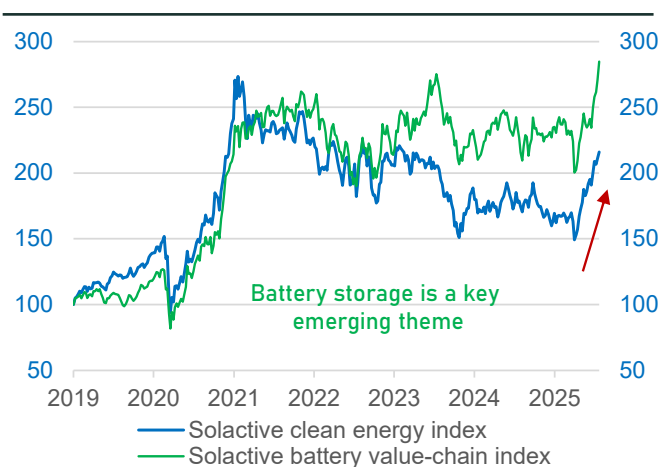
Lithium Investment perspectives

As mentioned, the capacity cuts on the supply side due to the low price of the metal, in addition to: a) the increased penetration of lithium batteries and hybrid electric vehicles, b) a growth of demand for better and higher capacity lithium-ion batteries for smartphones and c) additional energy storage capacity for solar and wind power will probably lead to lithium prices recovering from current lows.

Several possibilities do exist for investors in order to take part in this commodity/market:

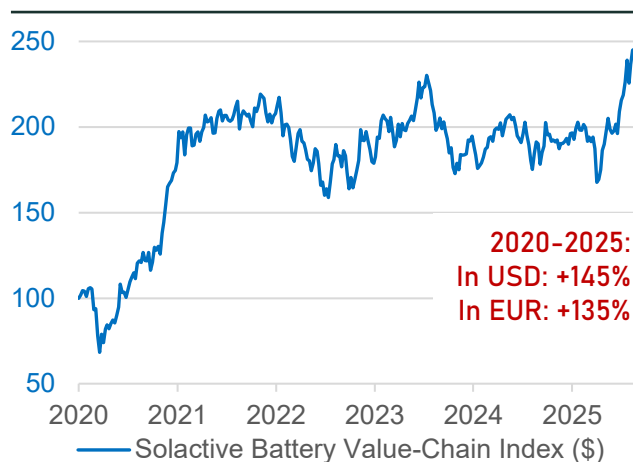
- i) Investing directly in Lithium through the commodities market via futures and options,
- ii) Investing in Funds or ETF that follows rare earth metals among which lithium,
- iii) Investing in mining companies that extract lithium,
- iv) Investing in companies that refine and process the raw metal,
- v) Investing in technological companies that rely on lithium in their products or in Funds and ETF that are focused for example on battery technologies or battery producing companies.

CHART 1 - RENEWABLE ENERGY +33% (IN \$) OVER 2025 YTD



Source: BNP Paribas, Bloomberg

CHART 2 - BATTERY VALUE CHAIN THEME: YTD +27% (\$), +13% (EUR)



Source: BNP Paribas, Bloomberg



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