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APAC Commodities Specialist Sales Commentary
Energy * Mining * Materials * Renewables

JPM | COMMODITIES IDEAS: Long Coal & Lithium Equities, fund with Golds

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Happy Sunday – some food for thought this weekend on tactical ideas into September & Q4 – given the dearth of newsflow on Coal, Lithium & Gold this week (critical india power plant inventories, Jiangxi governor's inspection & Fed Chair Warsh's comments). I think the case for Coal miners & Lithium converters looks quite attractive into the last few months of 2026 given switching economics, seasonality & relative valuations. The flip side is the golds which are +40-60% in the last month but I think are due a reversal given Chair Warsh's clear comments around PCE inflation targets & the use of Fed funds rate to combat this.

Key Highlights Today

- **LITHIUM:** Schrödinger's Mine => The Case for Q4 Equity Outperformance
- **COAL**: Disruptions across India, China & Indonesia, coupled with European Gas Pull
- **GOLD (-3.3%)**: Warsh moves focus back to PCE Inflation, the Fed will use short term rates to tackle inflation

LITHIUM: Schrodinger's Mine => The Case for Q4 Equity Outperformance

- **We had two significant pieces newsflow in lithium last week**. 1) On Wednesday (Aug 26), Yichun's Environmental Bureau in Jiangxi revoked its acceptance of CATL's Environmental impact Assessment notice for compliance reasons, that further delays the acceptance process for restarting the Jianxiawo mine. 2) On Thursday, China daily reported that Ye Jianchun, governor of Jiangxi province has been *placed under investigation for suspected serious violations* of Party discipline and law. Several investors have inbound believing that this put Jiangxi lepidolite supplies at risk - as Ye Jianchun was (supposedly) pivotal in securing approvals for CATL.

Investor Feedback:

The bulk of local investors trading Lithium seem exhausted - referring to the back & forth on CATL as "Schrodinger's mine" and trying to deploy capital elsewhere - expectations are for 414 to only come back in early 2027. HK investors agree that carbonate prices could be strong into next few months but think equity multiples will be capped given 2027 supply fears. Some other interesting conversations over the last week -

- **SUPPORTIVE SEASONALITY:** Lithium Prices have increased 22% from Sept-Feb on a 10-year average (with every month being positive), however pushback has been this is dominated by 2 big cycle years (2021-22 & 2025-26) & thus should not be extrapolated as seasonality.

- **BATTERY FRONTLOADING**? Some investors believe we get a Q4 frontload of battery demand like 2025 (as you get 4% consumption tax in 2027) but the flip pushback is the current 2% impact that starts on September - 2% increase in consumption tax cost increase equates to RMB12k on carbonate price.

- **TERMINAL MULTIPLE**: CATL's announcements around Sodium Ion reaching cost parity with LFP batteries by end of 2026 have revisited the question of what's the right multiple for lithium equities. Most spodumene & carbonate producers trade at 7-9x 1Y forward EBITDA, with the notable exception being Tianqi at 4.5-5x EBITDA (A & H shares). Unfortunately a multiple rerate is hard even if prices move higher - given the ease of bringing supply on & headlines around Sodium ion progress.

- **FUNDAMENTALS**: Inventories continue to draw w/w (Now below at 80kt) and battery shipments are solid (+5% & +6% m/m for Aug/sept)- but equities do not seem to be reacting at the back of this.

The Chinese Lithium Equities Screen Fairly Cheap: Ganfeng, Tianqi & PLS are trading at 60-90% discounts to their 10year P/E averages, and 15-60% discounts to their 10Y P/B ratios, while screening with 15-25% ROEs and seeing solid 2026 & 2027 EPS Upgrades on 3M, 6M & 12M Lookback.

Equities Screen Cheap with 2026/27 EPS upgrades:

	P/E	P/E avg	P/E vs his
9696 HK Equity	8.4	21.1	-60.5%
PLS AU Equity	20.0	54.3	-63.2%
1772 HK Equity	8.8	97.8	-91.0%

Tianqi is still down on a 1-year View despite +150% & +80% 26/27 EPS upgrades….

	2026 - EPS Change				2027 - EPS Change				Price Move (in USD)			
	1M	3M	6M	12M	1M	3M	6M	12M	1M	3M	6M	12M
9696 HK Equity	0.3%	23.5%	121.4%	155.7%	-10.2%	11.5%	62.0%	82.1%	14.9%	-22.2%	-20.6%	-6.1%
PLS AU Equity	-11.8%	-3.5%	9.8%	6678.5%	-8.5%	8.2%	16.0%	746.2%	27.3%	-17.0%	3.3%	118.8%
1772 HK Equity	-1.6%	47.5%	141.8%	315.8%	-0.2%	22.8%	66.8%	204.0%	9.5%	-35.5%	-39.9%	31.8%

Lithium Seasonality:



COAL: Disruptions across India, China & Indonesia, coupled with European Gas Pull

1. **INDIAN POWER PLANTS: Are At critically low inventories**: (Reuters) Forty-five power plants in India are operating with critically low coal inventories, government data showed, as monsoon rains disrupt supplies and electricity demand rises amid hotter-than-usual weather linked to El Nino. **India represents 17% of the thermal coal seaborne market** importing 170MT in a 1BT market.

2. **EUROPEAN GAS TO COAL SWITCHING**: European TTF prices are +20% in 1M (vs Crude +5%), +46% in 3Months (vs Crude -6%) & +140% ytd. This reflects the market's jitters around European gas inventories which need to be filled 60-80%+ by winter to satisfy heating demand & have upside risk into Q4. In this same period, Coal prices are only up +6% in 3M and +30% ytd.

    a. Current TTF prices of EUR 66/MWh currently **imply a $254/t Newcastle Thermal Coal Price** for economic parity (TTF*5.9-140) even after deducting carbon costs & tight freight rates. This represents about 90% upside to current spot prioces if European Utilities indeed choose to prioritize economics of running coal rather than Gas (as they did in 2022). The **TTF/Newcastle Spread is now at its highest level in 3 years** & into winter you have a good chance of coal prices finally moving higher.

3. **INDONESIA: Wildfires & Water Levels:** Through last week, you have seen widespread wildfires across the Kalimantan region in Indonesia - which accounts Atleast 2 Indonesian producers have n customers of curtailment of production due to declining water levels and expect the disruptions to last for 1-2 montl current headlines have already flagged disruptions to Met Coke output, this has pulled up met coal prices & has a ri over into thermal coal output as well.

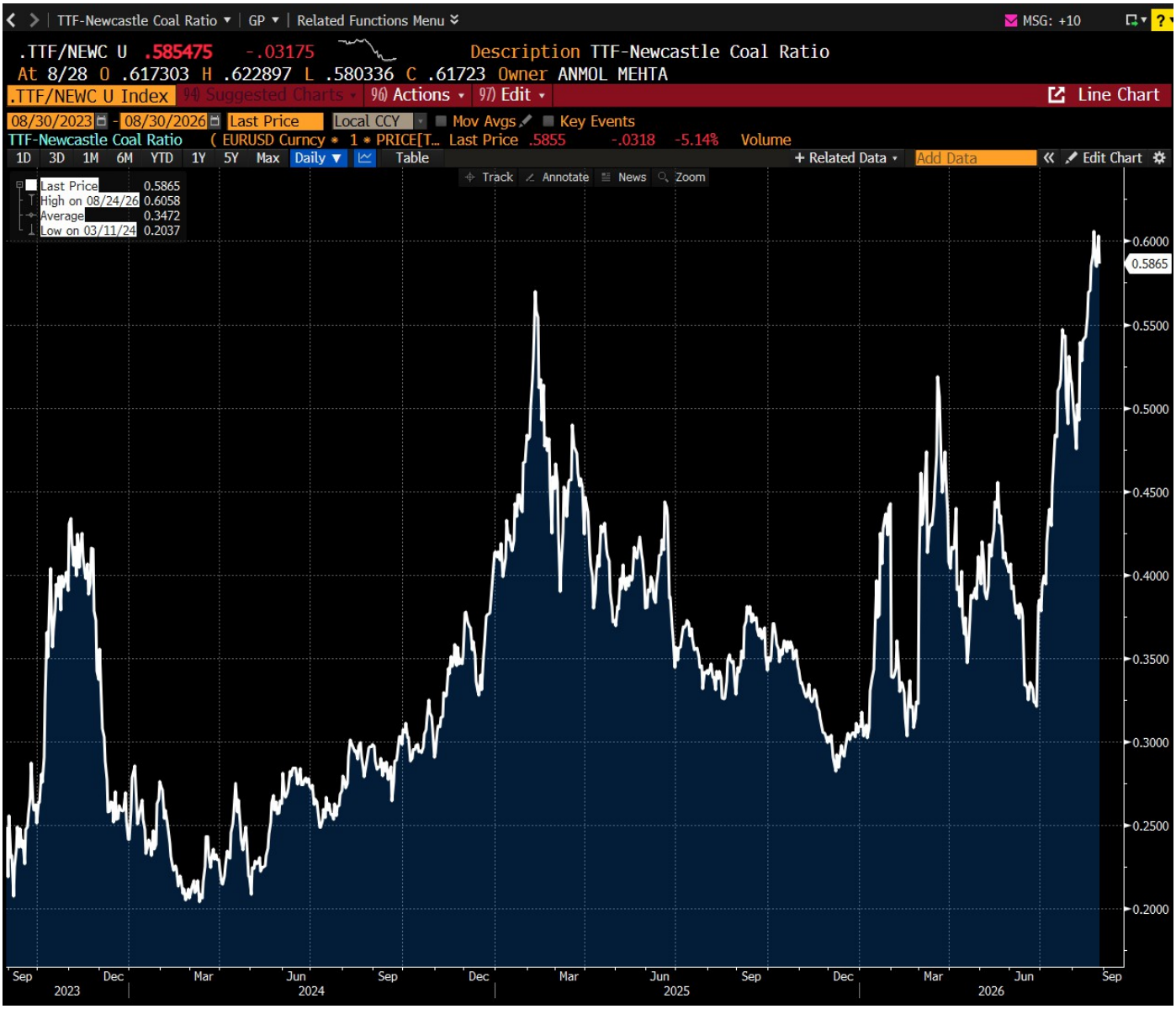
TTF to Newcastle Ratio……The Highest Level Since 2022

coming weeks (from 600Mt).
in India (although not at power plants). Investors also worry about a full reversal of Indonesian Coal out
year. Other point to investors – that are healthy at different points of the Chinese supply chain, and are
for coal miners. Other point to renewable generation – that has been taking share and could lead to suppl
2. **PUSHBACK? Costs, Inventories & Policy.** Some investors flag final prices which are elevated – that c

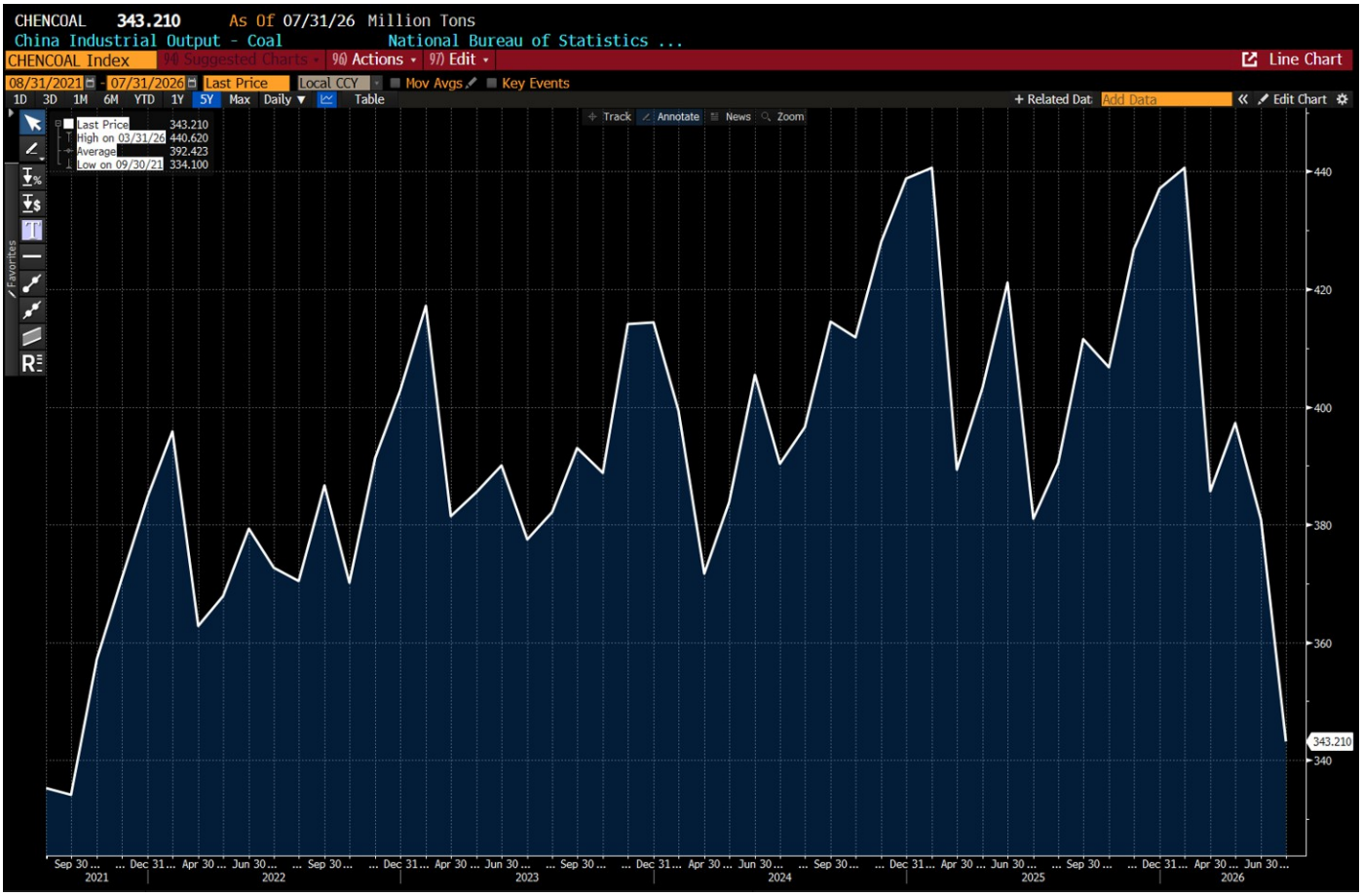
qtews could spike prices.
in the last quarter due to Shanxi's inspections that continue with numerous accidents. Investories remain
4. **CHINA COAL OUTPUT -2% in 3M:** July NBS Data showed us that China Coal Production now is c

for 80%+ of Indonesia coal production.

Aramco's thoughts here.



China Coal Output: Lowest since 2021…..



Wildfires & Water levels impacting Indo Coal output



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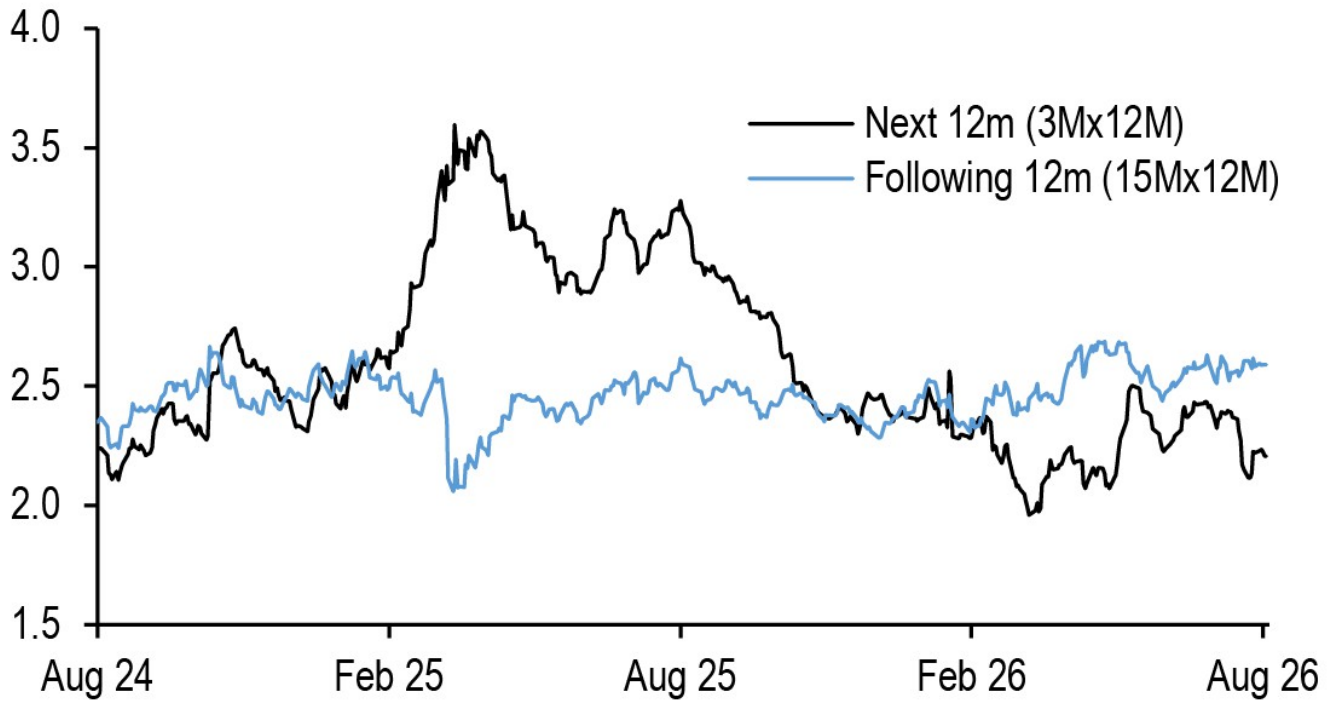
GOLD: Focus moves back to PCE Inflation, the Fed WILL use short term rates to tackle this

- Gold fell -3.2% on Friday post Fed Chairman Warsh's fairly comments at the Jackson hole Symposium. He directly addressed the market's principal concern, stating that "there should be no : The Fed's price-stability objective of 2 percent, as measured by the personal consumption expenditures (PCE) price index, is a firm, fixed target." (Latest PCE is at 3.34% y/y)

- Furthermore, the chair expressed that "short-term interest rates are the predominant tool to achieve the dual mandate," rather than his July FOMC comments, which put a heavier weight on the balance sheet. Finally, the chair made clear that "the Fed's predominant focus right now should be on prices". The share of PCE components experiencing inflation above 3% remains well above its pre-pandemic norm, reinforcing his message that the Fed still has more work to do. (see *JPM Economist's take here*).

- **The APAC Gold stocks are up between 40% & 60% in the last 1Month**, so it is likely people will be adding gold shorts (some have already started to last week) as the Fed expectations reprice into the September FOMC meetings. Markets are pricing in a 55% chance of hike at September FOMC, and also inflation reaccelerating post next 12M next year.

US Inflation Swaps: Pricing in Acceleration in CPI post next 12Months



APAC Golds: 1M Beta to Spot Gold Prices

Ticker	Company name	Senstivity to XAU
2259	Zijin Gold	2.675
3939	Wanguo Gold	2.592
1787	Shandong Gold	2.114
RRL	Regis	1.743
6693	Chifeng	1.614
EVN	Evolution	1.574
2899	Zijin Mining	1.521
BGL	Bellevue	1.448
NST	Northern Star	1.427
GMD	Genesis	1.346
RMS	Ramelius	1.24
NEM	Newmont	1.173
CMM	Capricorn	1.167
PRU	Perseus	1.153
ANTM	Aneka Tambang	1.039

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