Three Commodity Reversals Where the Fix Is Already Paid For

The crowd is pricing the spike. We think the dated event that breaks it has already fired or is already under construction.

Frame

When a system scales, the money moves to the input that cannot scale with it. This board names that input, the date it starts to bite, and the line that would break the call.

Area

any area, wide open across all industries

Horizon

next 3 to 18 months (through 2027)

Issued

2026-06-15

Method

Wide cast, adversarial gate, public resolution criteria.

Board summary

The cross-cutting read

Our house view across this board is simple. In three separate commodity chains, the supply response the bulls are betting against has already been set off by a specific, dated event, and the market has not repriced how long or how hard the reversal runs. Take polysilicon. SAMR's January 2026 prohibition legally pulled the one tool that could have cut capacity, so the only way the market clears now is slow attrition with the price stuck below cash cost. In DRAM, the fabs that unwind the 2026 memflation spike are already committed concrete with mid-2027 completion dates (Micron Idaho, Samsung P4L), and they land onto a channel stuffed with double-ordered inventory that has to clear. In battery-grade nickel, two stacked acid shocks (the Hormuz closure plus China's May 1 sulfuric-acid export ban) are curtailing Indonesian MHP right now, so the chemical-grade chain is sliding into deficit while the headline LME metal stays in surplus. The thread tying them together is that the market is reading a price level set by an allocation choice or a coordination bet as a permanent regime change, when the physical and regulatory machinery for the reversal is already in place. Each call resolves inside 18 months against a hard, dated test, so the board scores within the year. The shared risk is just as clear, and it is about timing. In every case we like the direction, but the magnitude by the resolution date is the real coin flip, which is why on two of three we put the dated call near 0.45 even where our conviction in the thesis runs high.

At a glance

#	Claim	Binding constraint	Case	Call	Resolves
P1	The bull case rested on a ~$7bn OPEC-style fund (GCL, Tongwei and peers) buying up and permanently shutting roughly...	The ~1Mt of marginal polysilicon capacity that the GCL/Tongwei fund was meant to permanently shut, now...	82%	70%	2027-12-31
P2	Memory is the most reflexive commodity cycle in tech, and the 2026 spike is built on a manufacturer allocation choice...	The dated supply step-up: Micron Idaho/Boise first output mid-2027 plus Samsung P4L wafer expansion and the...	70%	45%	2027-12-31
P3	High-nickel cell makers and NCM-leaning automakers eat a raw-material cost step nobody modeled, the LFP-versus-NCM cost...	Battery-grade nickel sulfate, specifically the MHP-to-sulfate intermediate stream gated by acid-intensive...	72%	41%	2027-06-30

Case is the strength of the structural thesis. Call is the probability on the exact dated clause.

P1

Chinese polysilicon stays below cash cost through 2027 because SAMR banned the supply cut the bulls priced

Domain: solar-materials

2027-12-31

Structural case	Our call, dated	Resolves
82%	70%	2027-12-31

Capacity the market expected offline stays online because SAMR banned the mechanism that would have coordinated the cut. The ~1Mt of marginal capacity the fund would have retired stays put, and 570kt of inventory has to draw down through demand rather than supply cuts. This is regulatory and physical, not a mood.

The boom

The bull case rested on a ~$7bn OPEC-style fund (GCL, Tongwei and peers) buying up and permanently shutting roughly 1Mt, about a third of capacity, with a committee setting quotas. Prices popped 9%-plus in early January 2026 on that expectation. Then the event that breaks it fired. On Jan 8-9, 2026, SAMR summoned six producers, halted the consolidation, ordered full rectification, and explicitly prohibited any agreement on output, capacity, pricing, quotas or market division. Guangzhou futures hit the down-limit (-9%) on Jan 8 and fell another 8.11% on Jan 9. The capacity the bull case needed to retire stays online, inventory sits above 570kt (~300 GW of latent supply), and n-type spot is ~33.5 RMB/kg as of June 10, 2026, near its all-time low and below most producers' cash cost. Caixin (March 2026) confirms less than 10% of capacity has been cut, far short of stabilization, with no state-sanctioned retirement vehicle or price floor. The dated call: China mono-grade polysilicon spot (RMB/kg, OPIS/InfoLink/Bernreuter) prints a monthly average at or below 45 RMB/kg through 2027, with no industry-wide capacity-shutdown fund consummated.

Why it is not priced yet

After the January 2026 pop and its full reversal, the sell side and trade press still float a supply-discipline and consolidation-rebound story. The durable read, that SAMR's prohibition structurally removes the only coordination tool and leaves attrition as the only path to clear with the price pinned below cash cost into 2027, is not how the crowd frames it. The caveat we will own: spot has already largely priced the cartel's failure, so our remaining edge is in the duration, not the direction.

Where the price sits today

Live anchor confirmed: n-type Chinese polysilicon ~33.5 RMB/kg (Bernreuter, 2026-06-10), near the all-time low of 33 RMB/kg (late June 2025); p-type ~26.25 RMB/kg; OPIS June-2026 high print ~35.4 RMB/kg. Guangzhou futures fell to the down-limit on the SAMR news (Jan 8-9, 2026). Spot already sits ~12 RMB/kg below the 45 RMB/kg ceiling.

The binding constraint	The ~1Mt of marginal polysilicon capacity that the GCL/Tongwei fund was meant to permanently shut, now legally blocked from coordinated retirement by SAMR's January 2026 prohibition. The binding constraint is that no lawful coordination tool exists, sitting on top of a ~300 GW-equivalent (570kt) inventory overhang that has to clear through demand rather than supply cuts.
What we are watching	Monthly China mono-grade polysilicon spot price (RMB/kg, OPIS / InfoLink / Bernreuter; n-type ~33.5 RMB/kg on 2026-06-10); national polysilicon inventory tonnes (>570kt); any new SAMR-approved or state-directed capacity-retirement vehicle or price floor; producer utilization and announced idling.
What would prove us wrong	China consummates an industry-wide capacity-shutdown or state-backed acquisition fund that permanently retires ~1Mt, OR an anti-involution law / binding production quotas / a price floor that survives antitrust takes effect, OR demand draws inventory down fast enough that mono-grade spot averages above 45 RMB/kg for a sustained run (two-plus consecutive months) before 2027-12-31. A real break above ~50 RMB/kg sustained for two-plus months is the early warning the call is wrong.
How we tried to break it	Three live ways to break this. (1) Already priced, and this is the real weakness. The January 2026 9%-plus pop has fully reversed. Guangzhou futures hit the down-limit on Jan 8 (-9%) and fell another 8.11% on Jan 9, and n-type spot is now ~33.5 RMB/kg (June 10, 2026), near the late-June-2025 all-time low of 33 RMB/kg. The cartel-rebound premium is largely out of spot, not still half-assumed in it, so the candidate's framing overstates how much mispricing is left. The durable structural read, that SAMR permanently removed the coordination tool, is genuinely below consensus, but the price has already done most of the work. (2) Window and kill. The dated call needs the monthly average to stay at or below 45 RMB/kg through 2027-12-31. It starts ~12 RMB/kg in the money, so a break needs a 35%-plus sustained recovery off a below-cash-cost, 570kt-inventory base. Hard, but not impossible over 18 months. (3) The real kill is not a near-term discipline rebound. It is the anti-involution campaign plus a draft law to curb rat-race competition, which could deliver a state-directed, antitrust-compatible capacity exit before end-2027. Caixin confirms less than 10% of capacity has been cut and that consolidation now runs organically (Tongwei buying Qinghai Lihao toward ~30% share), with no state retirement vehicle or price floor in place. It survives because our central case is attrition, not a near-term coordinated cut, and the dated call begins deep in the money.

Why we are making the call

It resolves inside the window (~18 months) and the dated call already starts ~12 RMB/kg in the money: live n-type spot is ~33.5 RMB/kg against the 45 RMB/kg ceiling. The mechanism is regulatory and physical, not a story. SAMR's prohibition removes the only coordination tool, and Caixin confirms under 10% of capacity cut with no replacement state vehicle. At the structural level this is not fully priced. The durable read, that attrition is now the only way the market clears, is below consensus, though spot has already absorbed most of the cartel-failure move, which is why we put the dated call at 0.7 rather than higher. It survives challenge because our central case is slow attrition, not a near-term coordinated cut. The genuine residual risk is an anti-involution-style state exit before end-2027.

If the call is right

If polysilicon stays pinned below cash cost into 2027, the rent moves downstream to the buyers of polysilicon: module assemblers and balance-of-system integrators who keep their input near an all-time low while module ASPs hold. Tongwei and GCL Technology, the firms that were supposed to fund the retirement, instead keep eating losses (Daqo's Q1 2026 net loss widened to roughly CNY 801 million, Tongwei booked a CNY 2.44 billion net loss) and trade share for survival. Value lands with low-cash-cost survivors using granular FBR silicon and with integrated module players who hedge the polysilicon line.

Who gains

GCL Technology, whose fluidized-bed-reactor granular silicon carries a structural cost edge over the Siemens process, so it survives a below-cash-cost grind that bleeds out higher-cost Siemens lines.

Downstream module makers (LONGi, JinkoSolar, Trina) and global solar developers, who lock cheap wafer/cell input while the upstream absorbs the loss.

Tongwei as the organic consolidator, buying distressed assets such as Qinghai Lihao toward roughly 30% share at depressed prices rather than via the blocked fund.

Who loses

Daqo New Energy, a pure-play Siemens polysilicon producer with no downstream cushion, whose losses widen every quarter spot stays below cash cost.

Xinte Energy, East Hope and Asia Silicon, the smaller higher-cost members of the blocked six-producer JV, who get attrited because the legal exit vehicle was banned.

Holders of the CNY 3 billion Beijing Guanghe Qiancheng JV equity, whose CNY 50 billion fundraising thesis is now dead capital.

What reprices

Guangzhou (GFEX) polysilicon futures stay capped and the front contract trades at or below 45 RMB/kg; the cleaner read is the equity reprice, with Daqo (DQ) and Tongwei (600438.SS) priced for a discipline-led rebound that does not arrive, versus GCL (3800.HK) relatively favored on cost survival.

The next constraint it creates

Once supply cannot be cut by coordination, the binding constraint moves to demand-side inventory absorption: the rate at which the 570kt overhang (~300 GW latent) is drawn down by global module installs, which in turn is gated by grid interconnection queues and storage attach rates rather than by any upstream lever.

Earliest sign it has begun

A SAMR-approved or state-directed capacity-retirement vehicle or a price floor surviving antitrust review; absent that, n-type spot breaking above ~50 RMB/kg for two consecutive monthly averages is the dated marker the cascade has reversed. As of June 2026 spot sits ~33.5 RMB/kg with less than 10% of capacity cut (Caixin).

P2

DDR5 reverses by end-2027: a representative mainstream module (16Gb-class DDR5) falls at least 35% from its H1-2026 spot/contract peak by 2027-12-31

Domain: semiconductors-memory

2027-12-31

Structural case	Our call, dated	Resolves
70%	45%	2027-12-31

Memory is a textbook hog-cycle commodity: every prior super-spike (2017-18, 2021) reversed hard within roughly 18 months once capex landed. The 2026 supply additions are physically committed fabs with fixed completion dates, and the price level itself is destroying marginal consumer and enterprise demand while inducing double-ordering that has to unwind. The reflexivity is built into the cycle, not sentiment. The open risk is that HBM allocation keeps commodity DDR5 starved past the resolution date.

The boom

Memory is the most reflexive commodity cycle in tech, and the 2026 spike is built on a manufacturer allocation choice, not a permanent inability to supply. DRAM contract prices ran roughly 90-95% QoQ in Q1 2026, Samsung pushed DDR5 contract prices toward 100% increases into late 2025, spot hit near $20 per chip, and Micron exited the consumer Crucial brand to chase AI/HBM. The tightness exists because wafers got reallocated to HBM (TrendForce: AI absorbs roughly 20% of DRAM wafer capacity in 2026, with 1GB of HBM eating about 4GB of standard-DRAM wafer area), not because the industry cannot make bits. The cure for high prices is high prices plus new fabs, and the supply is dated and funded: record fiscal-2026 capex, Micron's Idaho/Boise output from mid-2027, Samsung P3 producing with P4L expanding. TechInsights already models a 2027 flip where DDR5/DDR6 can fall 50%+ in a few quarters once delayed projects land together. The unwind comes when new bit supply from mid-2027 collides with reversing double-order inventory and demand destruction already visible in cut consumer PC and handset memory content. Every prior super-spike (2017-18, 2021) reversed hard within roughly 18 months of capex landing.

Why it is not priced yet

The dominant story (Gartner +130% memflation, Nomura/Bernstein supercycle through 2027-2028, a structural repricing of memory's role in the stack) is positioned for sustained tightness through 2027, treating an allocation-driven spike as a regime change. Our >35% reversal-by-2027-12-31 call cuts against that, so the direction is unpriced. The caveat: a 2027 inflection is itself a modeled base case across TechInsights, Gartner (H2-2027), and the analyst convergence on 2027, so what is genuinely unpriced is the magnitude and the by-year-end timing, not the bare existence of a turn.

Where the price sits today	Spot DDR5 ran to near $20/chip with contract prices up roughly 90-95% QoQ in Q1 2026; the live anchor is TrendForce/DRAMeXchange spot and contract DDR5 (16Gb-class) plus the spot-contract spread. As of mid-2026, spot DDR5 momentum is still positive and prices remain at or near peak, so the reversal has not shown up in spot yet. Sell-side models split: Gartner/Nomura/Bernstein price sustained tightness into 2027-2028, while TechInsights models a sharp 2027 flip. The directional reversal is therefore not fully in consensus models, but the 2027 turn is partly anticipated.
The binding constraint	The dated supply step-up: Micron Idaho/Boise first output mid-2027 plus Samsung P4L wafer expansion and the broader DRAM bit-supply ramp, landing on a market that pulled demand forward through double-ordering. Run in reverse, the binding input is bit-supply growth hitting a channel already carrying hoarded inventory that has to unwind.
What we are watching	Track monthly: (1) TrendForce/DRAMeXchange spot and contract DDR5 (16Gb-class) prices and the spot-minus-contract spread, since spot rolls over first; (2) memory-maker inventory days and contract-negotiation tone on quarterly calls; (3) consumer/enterprise bit-demand revisions and any disclosed double-order cancellations; (4) new-fab wafer-start ramp timing (Micron Idaho, Samsung P4L) versus plan; (5) HBM wafer-allocation share, since a pause in the HBM grab frees commodity DRAM bits.
What would prove us wrong	DDR5 fails to fall 35%+ from its H1-2026 peak by 2027-12-31 because either (a) the named fab supply (Micron Idaho, Samsung P4L) slips materially past 2027 while HBM wafer cannibalization deepens, keeping commodity DDR5 starved, as Nomura and Bernstein argue with meaningful new supply not arriving until early 2028 and most new capacity earmarked for HBM not commodity DRAM, or (b) AI/datacenter DRAM demand accelerates enough to absorb all new bit supply with no inventory unwind. Either keeps the spike intact and falsifies the top.
How we tried to break it	Tried two ways to kill it. (1) Already priced: a 2027 inflection is a widely modeled base case (TechInsights 2027 flip, Gartner shortage-end H2-2027, the convergence on 2027), so the bare existence of a turn is partly anticipated. That narrows the edge but does not kill it, because the dominant story still prices sustained tightness and a full >35% peak-to-trough is contrarian to that. (2) Will not resolve in window, which is the strongest refute. Nomura says meaningful new supply does not arrive until early 2028, Bernstein has normalization beginning only in H2-2027 and continuing into 2028, and the new capacity is largely earmarked for HBM rather than commodity DDR5, so the drop could start but not reach 35% from peak by 2027-12-31. This is a real timing risk and is exactly what caps the dated call near 50. It survives because the catalyst is genuinely dated and funded (Micron Idaho mid-2027, Samsung P4L), the hog-cycle base rate is strong, double-ordered inventory unwinds violently once spot rolls, and spot historically leads contract down hard, giving a credible path to 35% within the window.

Why we are making the call	It resolves in window and is the right shape for a catalyst call: a fixed 2027-12-31 dated call anchored to a dated, funded supply event (Micron Idaho mid-2027, Samsung P4L) plus a reflexive inventory imbalance that has to clear, not a thesis that can slip indefinitely. The direction is unpriced against the dominant story: the live consensus (Gartner +130% memflation, Nomura/Bernstein supercycle through 2027-2028, structural repricing rather than a cycle) is positioned for sustained tightness, so a >35% peak-to-trough reversal cuts against the crowd. It survives challenge, but only partly, which is why we put the dated call near a coin flip rather than tracking the strong directional case. Two live facts pull the dated call down. First, the 2027 turn is already a modeled base case (TechInsights 2027 flip, Gartner shortage-end H2-2027, the analyst convergence on 2027), so the existence of a turn is partly anticipated and the unpriced edge is narrower than the boom implies, sitting in the magnitude and the by-year-end timing. Second, a heavyweight bull camp (Nomura: meaningful new supply not before early 2028; Bernstein: normalization begins H2-2027 and continues into 2028; most new capacity earmarked for HBM) says the 35% drop may begin but not complete by 2027-12-31. We favor the reversal because the hog-cycle base rate and the dated, funded supply are real, but the by-year-end-2027 magnitude is a genuine timing coin flip, so we put 70% conviction in the thesis against a 45% dated call.

If the call is right

While the spike holds, rent sits with the three memory makers, Samsung, SK Hynix and Micron, who reallocated wafers to HBM (1GB HBM consumes ~4GB of standard-DRAM wafer area) and pushed DDR5 contract prices up roughly 90-100% QoQ. When new bit supply from mid-2027 (Micron Idaho/Boise, Samsung P4L) lands on double-ordered channel inventory, that rent reverses and flows back to memory buyers: PC and handset OEMs whose memory BOM jumped (HP's CFO put memory/storage at ~35% of PC BOM in 2026, up from 15-18%) get margin relief, and the makers eat falling ASPs on freshly added capacity.

Who gains

PC and smartphone OEMs (Dell, HP, Lenovo, Apple, Samsung's handset arm) who reverse 2026 price hikes into volume recovery as DDR5 unit cost falls back toward normal once spot rolls over.

Hyperscalers and server OEMs (HPE, Supermicro) that did not lock multi-year fixed contracts, repricing memory down as the channel destocks.

Memory-buying contract manufacturers and module houses that bought forward and sell into a falling spot, capturing the spot-to-contract gap as it compresses.

Who loses

Micron, SK Hynix and Samsung memory divisions, whose record fiscal-2026 capex lands as ASPs fall, the classic hog-cycle margin crush once bits land into a destocking channel.

Distributors and OEMs that double-ordered at peak (near $20/chip spot) and carry hoarded DDR5 inventory that has to be written down as spot leads contract lower.

Equity holders positioned for a 'structural repricing of memory' (the Gartner/Nomura/Bernstein supercycle camp), repriced as the cycle behaves like 2017-18 and 2021.

What reprices

TrendForce/DRAMeXchange spot DDR5 (16Gb-class) rolls over first and the spot-minus-contract spread inverts; in equities, the memory names (Micron MU, SK Hynix 000660.KS, Samsung 005930.KS) reprice down off peak-cycle earnings multiples as the contract-price tone turns on quarterly calls.

The next constraint it creates

Once commodity DDR5 supply is no longer the binding constraint, scarcity migrates to HBM and advanced packaging (CoWoS, TSV capacity) and to the leading-edge DRAM nodes feeding HBM, so the rent stays with whoever controls HBM4/HBM4E allocation even as commodity bits deflate.

Earliest sign it has begun

First marker is spot DDR5 (16Gb) printing a sustained week-over-week decline and the spot-contract spread turning negative on TrendForce; the structural marker is Micron Idaho first wafer-out on schedule mid-2027 and Samsung P4L wafer-start ramp confirmed on plan rather than slipping to early 2028.

P3

A nickel surplus headline hides a battery-grade nickel sulfate squeeze: by 2027-06-30 the sulfate premium over LME 3-month nickel (Ni-contained) widens past $4,500/t as the Indonesian acid...

Domain: battery metals / EV supply chain

2027-06-30

Structural case	Our call, dated	Resolves
72%	41%	2027-06-30

Verified: the Strait of Hormuz has been closed since late Feb 2026 (day ~94-106 as of early-mid June), and IMIP sources ~93% of its sulfur from the Middle East, Obi ~89%, Weda Bay ~64%. On top of that, China (over 40% of global acid output) banned sulfuric-acid exports effective May 1, 2026, and Indonesia imported 61.6% of its acid from China in 2025. Sulfur to Indonesia rose from ~$525 to ~$910/t (over 70%), and acid is now 65-70% of MHP cash cost. Huafei put roughly half its MHP capacity into care and maintenance on May 1; Huayou and others cut output; Indonesia halted long-term MHP offers (Argus). The INSG flipped its 2026 call to the first deficit since 2021. MHP is the swing feed for nickel sulfate, and high-nickel NCM has no fast substitute for sulfate-grade nickel, so a metal-market surplus and a chemical-grade deficit can sit side by side while rent migrates to the sulfate premium.

The boom	High-nickel cell makers and NCM-leaning automakers eat a raw-material cost step nobody modeled, the LFP-versus-NCM cost gap widens in LFP's favor, and non-HPAL Class-1 sulfate producers (sulfide-route and recycling-route) collect the scarcity rent.
Why it is not priced yet	The market prices one nickel number, the LME, and it is in structural surplus from Indonesian Class-2 NPI/FeNi for stainless. Analysts keep repeating that nickel is oversupplied, true for the metal and false for the Class-1 chemical chain (HPAL ore to MHP to nickel sulfate to high-nickel NCM precursor). The trade press (SMM, Fastmarkets, Argus, Mysteel) now openly discusses the MHP/sulfate squeeze, so the theme is no longer obscure, but almost no equity or auto-OEM model treats battery-grade sulfate as decoupling upward from a falling LME, and none has priced the specific $4,500/t magnitude. That dated magnitude is the unpriced leg, not the existence of a squeeze.
Where the price sits today	Confirmed live, partially priced: the China sulfate-over-refined-nickel premium has already pushed near or above ~10,000 yuan/t (~$1,400/t), roughly conversion cost, so a squeeze is starting to show, but the $4,500/t magnitude is not yet in the spread. LME 3-month was ~$18,689/t on June 5, 2026 and is still framed as surplus-capped. The spread, not the metal, is the gate; the dated magnitude remains unpriced in equity and auto models.
The binding constraint	Battery-grade nickel sulfate, specifically the MHP-to-sulfate intermediate stream gated by acid-intensive HPAL processing in Indonesia.

What we are watching	Weekly (now fortnightly from June 26, 2026) battery-grade nickel sulfate price (SMM/Fastmarkets, Ni-contained) MINUS LME 3-month nickel; plus Fastmarkets MHP payable percent against the sulfate index, spot sulfur CIF Indonesia, and count of Indonesian MHP plants reporting output cuts.
What would prove us wrong	The premium falls or stays flat: sulfate (Ni-contained) trades within $2,000/t of LME nickel through 2027-06-30; OR the sulfur/acid squeeze resolves (spot sulfur to Indonesia falls below $600/t with no continued MHP curtailment) and MHP payables normalize above 90; OR LME nickel rallies hard enough that the spread compresses from the metal side rather than widening from the sulfate side.
How we tried to break it	Two real refutations. (1) Resolution risk that landed on the gate date itself: a US-Iran interim deal to reopen Hormuz was announced June 15, 2026. But the strait will not open on signing, the US estimates ~6 months to clear mines, war-risk insurers want a durable ceasefire and sustained safe transits, renewed fighting threatens progress, and full normal traffic is estimated 1+ year out. A sulfur-side resolution before 2027-06-30 is now plausible but far from assured. (2) Already-priced risk: the MHP/sulfate squeeze is now widely covered in trade media, so the narrative is not obscure. What survives is that the specific $4,500/t spread magnitude is not in sell-side or OEM models and the China premium is still only at conversion-cost levels. The thesis survives because the exact dated version is unpriced and the imbalance has a real path to clear inside the window, but the Hormuz reopening materially lowers the odds we put on it.
Why we are making the call	The mechanism is independently confirmed: two stacked acid shocks (Hormuz closure plus China's May 1 export ban) hit acid-intensive Indonesian HPAL, MHP is curtailing now, and MHP is the swing feed for battery-grade sulfate that high-nickel NCM cannot quickly substitute. It resolves in window either by the imbalance clearing or by its kill (12.5 months to the date), and the specific $4,500/t spread is genuinely unpriced even though the theme is now public. We hold the dated call below our conviction in the thesis because the June 15 Hormuz peace deal opens a credible path for the sulfur side to ease before resolution, and because a $4,500/t blowout is a high bar against today's roughly $1,400/t premium.

If the call is right

If the sulfate-over-LME premium blows past $4,500/t while the LME stays surplus-capped on Class-2 NPI/FeNi, rent migrates from the LME metal to whoever controls battery-grade nickel sulfate that does not depend on acid-intensive Indonesian HPAL. That means sulfide-route refiners and recyclers who make sulfate without buying Middle East sulfur, plus LFP cell makers whose nickel-free chemistry sidesteps the cost step entirely. The acid-short Indonesian MHP producers and the high-nickel NCM cell makers and OEMs who must keep buying sulfate-grade nickel eat the cost.

Who gains

Sulfide-route and recycling-route Class-1 sulfate producers (Vale, Glencore, Norilsk Nickel, plus battery recyclers like Redwood and Li-Cycle) that make sulfate without HPAL acid intensity and collect the scarcity premium.

LFP cell makers and their backers (CATL, BYD) whose iron-phosphate chemistry needs no sulfate nickel, widening the LFP-versus-NCM cost gap in LFP's favor.

Indonesian HPAL operators with captive acid coming online (Huayou's pyrite/phosphogypsum acid projects due end-2026) who restart at a structurally higher payable while peers stay curtailed.

Who loses

High-nickel NCM/NCA cell makers and the Western OEMs committed to them (GM, Ford, BMW), who take a raw-material cost step no model priced because high-nickel cathodes have no fast sulfate substitute.

Acid-short Indonesian MHP producers (Huafei, which put ~half its 120kt Weda Bay capacity into care and maintenance May 1; curtailed Huayou, Lygend and Tsingshan lines) whose feedstock is now 65-70% of MHP cash cost.

Precursor (pCAM) makers tied to Indonesian MHP feed who lose margin as the payable percentage collapses and feed turns short.

What reprices

The SMM/Fastmarkets battery-grade nickel sulfate index (Ni-contained) minus LME 3-month nickel: the spread widens (sulfate up, LME flat to down). The China sulfate-over-refined-nickel premium, already near ~10,000 yuan/t (~$1,400/t, roughly conversion cost) as of mid-2026, is the live anchor; LME 3-month (~$18,689/t June 5 2026) stays the surplus-capped denominator. No clean listed instrument prices the spread directly, so the cleanest read is the SMM sulfate-LME differential plus Fastmarkets MHP payable percent.

The next constraint it creates

Once acid gates MHP, the binding constraint moves upstream to sulfur and sulfuric-acid logistics: Strait of Hormuz transit (IMIP sources ~93% of sulfur from the Middle East) and China's acid export policy after the May 1 2026 ban, then one layer deeper to domestic acid build (pyrite, phosphogypsum, smelter acid) as the only structural relief.

Earliest sign it has begun

Earliest marker is the count of Indonesian MHP plants reporting fresh output cuts plus Fastmarkets MHP payable dropping below ~80; the spread widening past ~$2,500/t is the mid-cascade confirmation. The reversal marker is spot sulfur CIF Indonesia falling below $600/t (from ~$910-948/t) on durable Hormuz reopening, the kill condition opened by the June 15 2026 US-Iran interim deal, though mine-clearing is estimated ~6 months and full traffic 1+ year out.