



Should You Invest in Lithium Stocks Right Now?

Description

Lithium prices have shot through the roof. Following a 400% rise in 2021, lithium carbonate prices in China have nearly doubled this year to print new all-time highs this October. However, lithium stocks seem tangled in a bear market trap and haven't mimicked the commodity's price growth in 2022. Perhaps this could be the best time to pounce on undervalued stocks, but should you invest in lithium stocks right now?

Let's have a look.

Strong demand growth for lithium to exceed projected supply

In a 2021 survey released in January 2022, *Statista.com* estimates that global demand for lithium is expected to increase by 703.8% from 263,000 metric tonnes of lithium carbonate equivalent (LCE) in 2019 to more than 2.1 million tonnes by 2030.

Strong demand growth from electric vehicles (EVs) and exponential growth in stationary energy battery storage systems is anticipated as green energy projects (wind and solar farms) receive billions in funding globally, and as Europe tries to wean itself off Russian gas supplies.

In an August [report](#), research firm BCG forecast a shortage of lithium by 2030: "Lithium supply in 2030 is expected to fall around 4% short of projected demand (of 2.9 million tonnes LCE). By 2035, that supply gap is projected to be acute." Supply could fall 24% short of projected demand of 4.6 million tonnes of LCE.

Anticipated scarcity has led EV manufacturing companies, including **NIO**, **Ford**, and **Stellantis** to scramble for long-term supplies and jostle to secure long-term supply contracts for battery systems.

Geopolitics: A growing factor in lithium investing

Chile and China dominate control of global lithium primary production. While Chile has a geographical

superior advantage in extracting lithium from evaporated salt water (brine), Chinese mining and battery manufacturing firms acquired strategic control of various lithium mining projects, mostly in Australia.

Geopolitical tensions may disrupt the lithium battery supply chain, and the matter is akin to a national security risk that North America has to deal with before it materializes.

Hence, investing in Canadian and U.S. lithium projects has been a rewarding bet during the past two years, and may remain so for the foreseeable future, as America and its allies seek to secure strategic energy sources supply chains and wean them from Chinese and Russian influences.

The United States could gladly fund and nurture its lithium supply chain, boosting international competitiveness and rewarding early investors in lithium stocks and players in the North American lithium battery supply chain.

How have lithium stocks performed in 2022?

Despite a 100% rally in lithium prices in 2022, key lithium stocks [index fund](#) **Horizons Global Lithium Producers Index ETF (TSX:HLIT)** has gained 4.93% year to date. Lithium stocks have largely outperformed the broader stock market so far in 2022, as the **S&P 500** is down 22.7% and the **S&P/TSX Composite Index**, a gauge of Canadian stock market performance, is down 13.6%, despite a strong show in energy stocks.

One advanced stock to consider in the space is **Lithium Americas (TSX:LAC)**, which is down 12% year to date.

Lithium Americas

Lithium Americas is a development-stage lithium miner with interests in the Caucharí-Olaroz in Argentina, a project that is expected to report its first production this quarter before accelerating sales growth in 2023. The company also owns one of the most promising lithium projects in the United States — Thacker Pass in Nevada, which has received all necessary regulatory approvals and may be eligible for government loan support.

LAC is well funded with a US\$500 million liquidity going into the second half of this year. The company's Argentina partnership with Ganfeng Lithium, a well-experienced global player in the field, should offer critical technical support for project success.

Wall Street analysts expect Lithium Americas to report US\$24 million in revenue for the fourth quarter of this year. Sales in 2023 could surge to surpass US\$300 million, and the miner could record its first sustainable positive earnings next year.

That said, LAC is a high-risk [growth stock](#) for conservative [investing strategies](#). Well-established lithium giants like **Albemarle** may allow for low-risk lithium exposure.

Should you invest in lithium stocks right now?

Given lithium's ever-growing critical importance in the global economy, and a strong drive towards

green energy (which requires battery storage), investing in lithium stocks for the long term should reward patience with capital gains.

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2. Metals and Mining Stocks

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Date

2025/08/11

Date Created

2022/10/17

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