

NEWS FOCUS - Tin, up, up and away to record highs

By Martin Hayes - Chief Correspondent,
martin.hayes@fastmarkets.com (+44(0)20 7929 6339)

London 05/10/2010 - Tin prices reached an important milestone on Tuesday, as the latest advance in the metal lifted its value to an all-time high, fuelled by a combination of crimped supply prospects at a time of low inventories.

On the LME tin surged \$600 to a peak of \$25,800 per tonne, basis three months, smashing through the previous record level of \$25,500 on May 15, 2008 in the process.

Prices have been bolstered in recent sessions on near-term supply concerns, from the major tin producers in Asia.

"Refined output growth is limited by lack of investment and declining production in China and Indonesia," Credit Agricole analyst Robin Bhar said in a report.

In August figures showed that the tonnage of tin checked for export from Indonesia, the world's leading producer, prior to shipment fell to 7,974 tonnes in August, down 5.6 percent compared to August 2009. The year-to date tonnage of 60,107 tonnes was 11.3 percent lower than in the first eight months of last year as well..

All told, total exports this year could fall to 80,000 tonnes, compared to 99,287 tonnes in 2009 from this key supplier.

It is not only Indonesia - China, also a major producer of refined tin, has its own problems as well. The country's second largest refined tin producer, Yunnan Chengfeng has currently stopped production at its Gejiu plant due to electric power limitations.

The largest producer, Yunnan Tin, recently brought forward a maintenance shutdown of its smelter, while China Tin has also said that its production in the final quarter will be reduced due to power restrictions.

This is taking place at a time of relatively low stock levels - LME inventories currently stand at 12,545 tonnes after a five-tonne addition today. but this is not far above the 12,495 tonnes that the stockpile shrivelled to last week, which was the lowest since May 2009.

Further price rises are seen, given the underlying strength of the market which tends to see less investment interest than other metals and reflects more fully its fundamentals.

Credit Agricole's Bhar saw prices at \$26,000 in 12 months time, upping his forecast from a previous \$25,000.

