

Metal Bulletin

*****LME WEEK: Tin will hit \$29,000 in 2012, BNP Paribas**

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Tin fundamentals are strong enough to propel prices to \$29,000 per tonne in 2012 or earlier, BNP Paribas forecast on Friday as the London Metal Exchange contract traded at all-time highs.

"You can't just go on having deficits, you will run out of stock. Something is going to happen and one of the things that's going to come along is high prices. It might even be before 2012," BNP's senior metals strategist Stephen Briggs told MB.

"The tin market fundamentals are so strong you could quite easily see \$29,000 next year," Briggs said.

As tin stocks continue to plummet, supply has been hit by lower Indonesian production, mining bans in the central Africa and factory closures in China.

Three-month tin settled at \$26,000/100 per tonne in Friday's official trading on the LME, compared with an opening price of \$25,399 per tonne.

The cash-to-three-month spread straddled backwardation and contango as the cash contract settled at \$26,020/025 per tonne.

Tin stocks in LME-approved warehouses fell 85 tonnes to 12,275 tonnes, compared with 26,795 tonnes at the start of the year.

While no market participant holds more than 30% of LME tin warrants, according to the most recent data provided by the exchange, there are fears that warrants are tightly held but spread across different brokers.

"Perhaps there are two ring-dealing brokers holding large, but not dominant, positions. If it's two or more [on behalf of one client] it's potentially someone with a real stranglehold," a trader told MB.

"The market has got to be prone to an enormous setback when they take profits. Tin's been pumped up for the last \$7,000 in a straight line; vicious. It could be much more vulnerable to collapse than copper," the trader added.

Mid-week data showed that one market participant held 30-40% of warrants at the start of the week.

"I'd not be at all surprised if the warrants were tightly held," Macquarie analyst Duncan Hobbs told MB.

"As and when there is profit-taking the tin price could unwind pretty fast, for a short time at least, but for now it looks like the trend is up and with the market genuinely in deficit. I think we'll be testing further new highs in the coming months."

Indonesia's leading tin producer PT Timah announced this week that it will be unable to honour its supply contracts this year.

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