

## Tin Prices Rise Despite Metals Rout

Tin recovers from its sharp falls over the past four years in sharp contrast to other base metals

The price of tin, the solder used in smartphones like the iPhone, rose 15% in July, a month in which all other base metals saw large falls. ENLARGE

The price of tin, the solder used in smartphones like the iPhone, rose 15% in July, a month in which all other base metals saw large falls. PHOTO: ZUMA PRESS

By ESE ERHERIENE

Updated Aug. 14, 2015 9:46 a.m. ET

0 COMMENTS

The price of tin, the solder that holds smartphones together, is holding up as other metals continue their dramatic falls, in a rare patch of relative strength within the beleaguered metals sector.

Over the past four years, tin has fallen further than all other base metals except nickel, as fresh supplies from Myanmar and high exports from Indonesia put pressure on its price. The metal has fallen 54% from its highs in April 2011, while copper has declined 48% and aluminum 43%.

Now, however, the oversupply that drove down tin prices has abated, leading to a current outperformance that analysts see continuing. Tin gained 15% over the course of July as all other metals ended the month lower. Copper fell 9% and aluminum 5% in the same period.

Unlike almost all of its peers, the demand for tin has been exceeding its supply, causing some analysts and investors to predict gains. Along with aluminum, tin was the only metal where demand exceeded supply in the first five months of this year, according to Commerzbank.

“We’re still bullish [on tin],” said Caroline Bain, a senior commodities economist at Capital Economics. “We still expect demand to pick up toward the end of this year in China and for that to lead to some improvement in investor sentiment.”

Advertisement

On Friday, the LME’s three-month tin contract was down 0.03% at \$14,995 a metric ton in afternoon trading.

Among the positive forecasts, Deutsche Bank sees tin prices at \$17,000 a ton in the fourth quarter. Capital Economics forecasts \$17,500 a ton, Commerzbank \$18,000 a ton and BNP Paribas \$21,175 a ton.

More than half of all demand for tin is accounted for by the solder which is used to assemble electronics devices such as smartphones and televisions, according to Fastmarkets, a metal research group.

China's appetite for tin hasn't fallen away in the way that it has for other base metals, such as iron ore, and China is tin's biggest importer. Although this week's devaluation of the yuan will make the metal more expensive in the Chinese market, electronics manufacturers are likely to be well-hedged and able to absorb price rises, said Ms. Bain.

Analysts see the biggest impact on prices coming from the supply side. Indonesia is the world's largest tin exporter, with up to 35% of the global trade. New regulation this month bans all but refined products from legal mines leaving the country.

Myanmar, whose exports took off around 2011 after the fall of the ruling military junta led to the lifting of some sanctions, is a recent entrant into the tin market.

Now, though, output from Myanmar's main tin mine is declining due to falling ore grades, and the challenges posed by the ethnic conflict raging nearby. The recent fall in tin prices also stymied investment in current and prospective tin mines, analysts say.

Myanmar's exports to China started to dip in May, falling 34% to 21,915 tons from a record 33,595 tons in April, according to Chinese trade data. Data for June showed a slight rise to 24,632 tons, but the increase wasn't significant enough to derail expectations of a price rise, said Stephen Briggs, a metals analyst at BNP Paribas.

Given these, and other factors, tin is currently seen as being something of a bright spot in a troubled sector.

With the exception of tin, net long positions in all base metals have been slashed by between 40% and almost 90% since the downward trend began in early May, according to LME statistics.

Not all analysts are buying into the tin revival. In recent months, producers in Indonesia have failed to stick to an already existing, though self-imposed, export cap of 4,500 tons a month.

Ahead of this month's government-imposed regulation, David Wilson, an analyst at Citigroup, predicts a glut of shipments that will sink the recent relative strength. Citigroup sees tin trading at \$15,200 a ton in the fourth quarter.

Also, this market is unlikely to offer a significant safe haven for investors given its relatively small size. Last year, there were 349,400 tons of tin mined, against 53.127 million tons of aluminum and 8.715 million tons of copper.

Write to Ese Erheriene at [ese.erheriene@wsj.com](mailto:ese.erheriene@wsj.com)