August 30, 2024. Boris Mikanikrezai, metals analyst

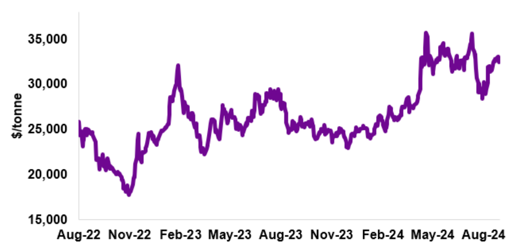
Tin Spotlight

Outlook: As we progress into the latter part of 2024, the tin market is likely to encounter potential tightness due to continuing supply disruptions in Indonesia and rapidly depleting inventories. With global stocks possibly declining to critically low levels by year-end, significant price increases could ensue. In the short term, tin prices will probably be influenced by the AI narrative and the performance of the semiconductor industry. Should semiconductor stocks continue to rise toward year-end, driven by sustained strong demand for chips, tin prices could benefit from this natural tailwind.

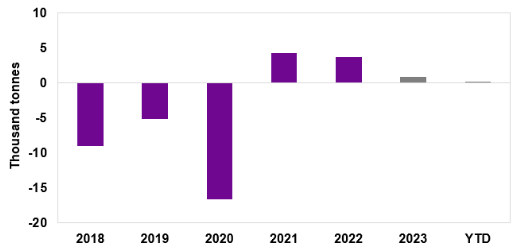
LME tin price forecasts

Short term (3 months)	Medium term (6 months)	Long term (12 months)
↗	↗	↗

LME tin price (official cash basis)



Refined market to post a surplus in '23/24



Source: Fastmarkets, LME

Tin prices rebound, but trading volumes shrink

- In August, the official cash price for tin on the London Metal Exchange rebounded by nearly 11%, marking its best performance in four months.
- But daily average trading volumes in the LME three-month contract were down by 28% from July, suggesting that the rebound in tin prices did not coincide with great market participation.
- Furthermore, the open interest in the three-month contract fell slightly, suggesting that the main driving force was short-covering, which led the average contango in the cash/three month spread to fall to less than $60 per tonne, from $110 per tonne in July.

Tin prices driven by renewed optimism in semiconductor stocks

- The notable rebound in tin prices during August can be attributed to renewed optimism in semiconductor stocks, particularly driven by strong performances from companies such as NVIDIA (NVDA).
- Since tin is heavily used in soldering within the semiconductor industry, its price movements have become increasingly correlated with semiconductor stock trends. In 2024, the correlation between tin prices and semiconductor stocks has been elevated, reaching +0.64, underscoring the sector's influence on tin. Specifically, the correlation between NVDA and tin prices surged to +0.7 by the end of August, highlighting the close relationship between tin prices and the semiconductor sector's performance. Following a 5% decline in July, NVDA rebounded by 8% in August, which contributed to an 11% rebound in tin prices after a 10% decline the previous month.
- This pattern underscores the strong linkage between semiconductor market sentiment and tin price dynamics.

Supply disruptions dominated by Indonesia

- In June 2024, Indonesia's tin exports reached 4,458.62 tonnes, an increase from May's 3,299.75 tonnes. But this figure represents a substantial year-on-year decline of 44.20% compared to the 7,990.42 tonnes exported in June 2023.
- Over the first half of 2024, Indonesia exported only 14,752 tonnes of refined tin, marking a sharp reduction from the same period in 2023.
- The downturn in exports can be attributed to significant disruptions within the industry. Delays in the approval of work plans and budgets (RKAB) for mining companies, caused by a shift from annual to triennial approvals, have significantly affected production activities. Compounding these challenges, an extensive corruption investigation involving PT Timah Tbk, spanning from 2015 to 2022, has further complicated production and export logistics.

Visible inventories act as a cushion – but for how long?

- As of the end of August 2024, global visible inventories monitored by the LME and SHFE stood at approximately 15,000 tonnes, significantly down from a peak of around 23,000 tonnes at the end of May.
- This indicates an average outflow of 127 tonnes per business day. If supply disruptions persist, this rate of decline could continue until the year closes, consistent with typical seasonal patterns.
- Under this scenario, global tin stocks could fall to roughly 4,500 tonnes by year-end—less than half of their five-year historical average. This sharp reduction highlights the potential for significant market tightness as we move into the latter part of 2024.