

Global Metals Weekly

Running out of tin

Tin inventories have been depleted

Tin is a commodity that usually flies below the radar because the market is small at around 300Kt. That said, tin is one of the MIFTs (metals important for future technologies) that is heavily used e.g. in electronics. Against this backdrop, a continued decline of London Metal Exchange (LME) inventories was accompanied by a 190% rally in prices since 1Q20. While this dynamic was not entirely demand-driven, it still highlights one of the biggest issues when tackling climate change: the more the global community leans on the metals in decarbonisation technologies, the bigger the likelihood that fundamentals will strengthen.

Leaning on metals may be tricky

Among other issues, this also captures one challenge the London Metal Exchange is facing: running physically backed contracts with very low physical backing is tricky. The exchange has tried to tackle this e.g. through a warehousing reform. Yet, a lack spare metal going around is the ultimate issue and that is a challenge the organisation cannot really resolve. This leaves a few unpalatable options. Assuming that demand will be structurally stronger in the coming years, one of those options is that market participants might have to get used to increased price swings/ volatility, unless of course the LME moved towards e.g. a cash-settled contract, which would potentially limit the risk of short squeezes.

Supply has been challenged in many countries

So how did we get here? As usual, market dynamics have been driven by a confluence of factors. Indeed, mine supply has been challenged, partially influenced by the COVID-19 pandemic. To that point, tin exports from Myanmar, typically one of the key suppliers to China, have remained low, with activity constrained by COVID issues/ worker shortages. Similarly, tin exports from Indonesia have been hovering within longer term ranges, heavily influenced by government regulation, which had led to the closure of private smelters.

Supply challenged, demand supported

Against the backdrop of supply challenges, demand has been supported. Indeed, solders, important in electronics, are the single most important sector for tin demand. Of course, this suggests that tin is a MIFT. Digging a bit deeper, and picking just one sector driving de-carbonisation, the solar modules joined to panels are connected through a ribbon, which usually constitute of a copper core covered in a layer of tin solder. While there is always scope for substitution, it looks as if demand may remain supported near-term. This means that the focus will be on supply side and a normalisation of recent disruptions, which could ultimately help ease some of the tightness.

>> Employed by a non-US affiliate of BofAS and is not registered/qualified as a research analyst under the FINRA rules.

Refer to "Other Important Disclosures" for information on certain BofA Securities entities that take responsibility for the information herein in particular jurisdictions.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 12 to 13.

12359216

Timestamp: 06 December 2021 02:15PM EST

06 December 2021

Commodities
Global

Global Commodity Research
BofA Europe (Madrid)

Michael Widmer
Commodity Strategist
MLI (UK)
+44 20 7996 0694
michael.widmer@bofa.com

Francisco Blanch
Commodity & Deriv Strategist
BofA Europe (Madrid)
francisco.blanch@bofa.com

Warren Russell, CFA
Commodity Strategist
BofAS
warren.russell@bofa.com

Kyle Czirr, CFA
Commodity Strategist
BofAS
kyle.czirr@bofa.com

Equity Research
Jason Fairclough >>
Research Analyst
MLI (UK)
jason.fairclough@bofa.com

Michael Jalonen, CFA >>
Research Analyst
Merrill Lynch (Canada)
mike.jalonen@bofa.com

Matty Zhao >>
Research Analyst
Merrill Lynch (Hong Kong)
matty.zhao@bofa.com