

Strong fundamentals behind Tin's rally

Published 5 February 2021

Mobeen Tahir

Director, Research

The price of front-month tin futures was up almost 13% in January extending the metal's surge since November. As of 04 February, tin's price has rallied to its highest level since the third quarter of 2011. Tin's gains have been fueled by a combination of strong fundamentals as well as broader tailwinds behind industrial metals. With a diverse and growing set of applications, tin is not just a metal that's hot right now but is one to look out for in the future.

Strong demand and weak supply

Sharp backwardation in tin's futures curve illustrates the strong fundamentals for the metal right now. Backwardation – a symptom of supply tightness relative to demand – is normally an unusual state for an industrial metal curve (see figure below).

Source: WisdomTree, Bloomberg. Data as of 04 February 2021.

According to the International tin Association (ITA), China's imports of tin were up 521% year on year in 2020 driven by a strong manufacturing rebound in the country. China's tin supply from Myanmar, one of the largest tin producers in the world, has also been disrupted since August last year as heavy rains have caused several mines to become flooded and therefore inaccessible. While China is beginning to look elsewhere – including Africa and Australia – to source its Tin, this transition is likely to be gradual.

When demand initially fell due to the pandemic last year, Indonesia – the largest tin exporter globally – also cut its exports to the lowest level in four years. However, the strong manufacturing rebound in China meant that tin ended up in a supply deficit last year and is expected to remain undersupplied this year – according to the ITA.

Macro tailwinds

Industrial metals have generally been buoyant especially since November last year with vaccine news boosting risk assets. Healthy fourth-quarter economic data for China has particularly reinforced industrial metals. Due to its strong fundamentals, however, so far this year tin has strongly outpaced the Bloomberg Industrial Metals Subindex – a basket composed of aluminium, copper, nickel, and zinc.

Diverse demand growth

Tin's industrial applications include soldering – the process of joining different metals, production of industrial chemicals, usage in lead-acid batteries, and the making of copper alloys which get used in

electronics. With 5G connectivity poised to fuel the internet of things economy in the future, tin's demand in electronic applications is expected to grow. Similarly, electric vehicles also present an exciting avenue of growth for the metal going forward.

Related blogs

+ [Charging into the future with Copper](#)

Related products

+ [WisdomTree Tin](#)

+ [ETFS 2x Daily Long Tin](#)

Important Risks Related to this Article

Important Information

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.