
Tin open interest may signal smaller position for main holder

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Bloomberg reported that tin futures open interest fell to the lowest since May in London and the nearest contract's premium to longer dates narrowed, signaling that the firm holding most inventories of the metal may be reducing its position.

Open interest or the number of contracts outstanding on the London Metal Exchange, slid to 29,222 lots, the lowest since May 29 and down 31% from 2009's peak at the end of July. Tin for immediate delivery traded at a premium of USD 75 per tonne over the benchmark price on November 2nd 2009, the narrowest spread since July 3rd 2009.

Mr Robin Bhar an analyst at Credit Agricole SA's Calyon unit in London said that the firm appears to be liquidating long positions. LME rules oblige parties holding more than 50% of a metal's inventories in exchange registered warehouses to make futures available to others in immediate need at controlled rates.

A single unnamed firm has controlled more than 90% of tin stocks in LME warehouses for most of the last 9 weeks. Tin is the only one of the 6 main industrial metals traded on the LME that's in backwardation, when nearby contracts are at a premium to longer-dated ones. The so called cash to 3 month premium has been in backwardation most of 2009.

Mr Michael Marcussen president of Fenix Metals Sp Zoo said that "There's not been such big backwardation and certainly not as prolonged, as this one. The company has lost many hundreds of thousands of dollars because of the price structure.

According to Mr Marcussen, companies that keep tin stockpiles must hedge inventories on the LME by periodically buying immediate delivery futures and selling three-month contracts. He said that "The 3 month backwardation will hit you every three months. You will be losing that backwardation every time you hedge."

Mr Abrun Abubakar spokesman for the Jakarta based company said that still, there is a false perception that the material is unavailable. LME tin warrants, documents granting ownership of metal in exchange registered warehouses are somewhat inaccessible to users.

He said that the largest open interest positions in tin are concentrated in December and make up a third of total contracts outstanding. The December contract traded at a premium of USD 5 per tonne over January futures yesterday and as low as zero in this week's first 2 days compared with the 2009 peak of USD 130 on September 30th 2009. Tin for 3 month delivery fell USD 140 or 0.9% to USD 14,835 per tonne at 3:43 PM in London. The metal, mostly used to make electronic and industrial solders has gained 39% in 2009 on the LME.

(Sourced from Bloomberg)

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