TIN REPORT

2nd October, 2010

Summary

LME Settlement Prices

Cash	**USD 25,905/-**
3 months	**USD 25,900/-**

LME

Tin is currently trading on the systems between USD 25,745 and USD 25,785 basis 3 months. The Cash to 3 months spread is in the range 5 to 35 contango.

Indicative 3 months Chinese Tin prices were trading at RMB 171,212/ 172,034. In Euros 3 months was trading at €18,372/ €18,446. Currently Euro is trading at 1.4042/ 1.4044 against US Dollar.

LME STOCKS

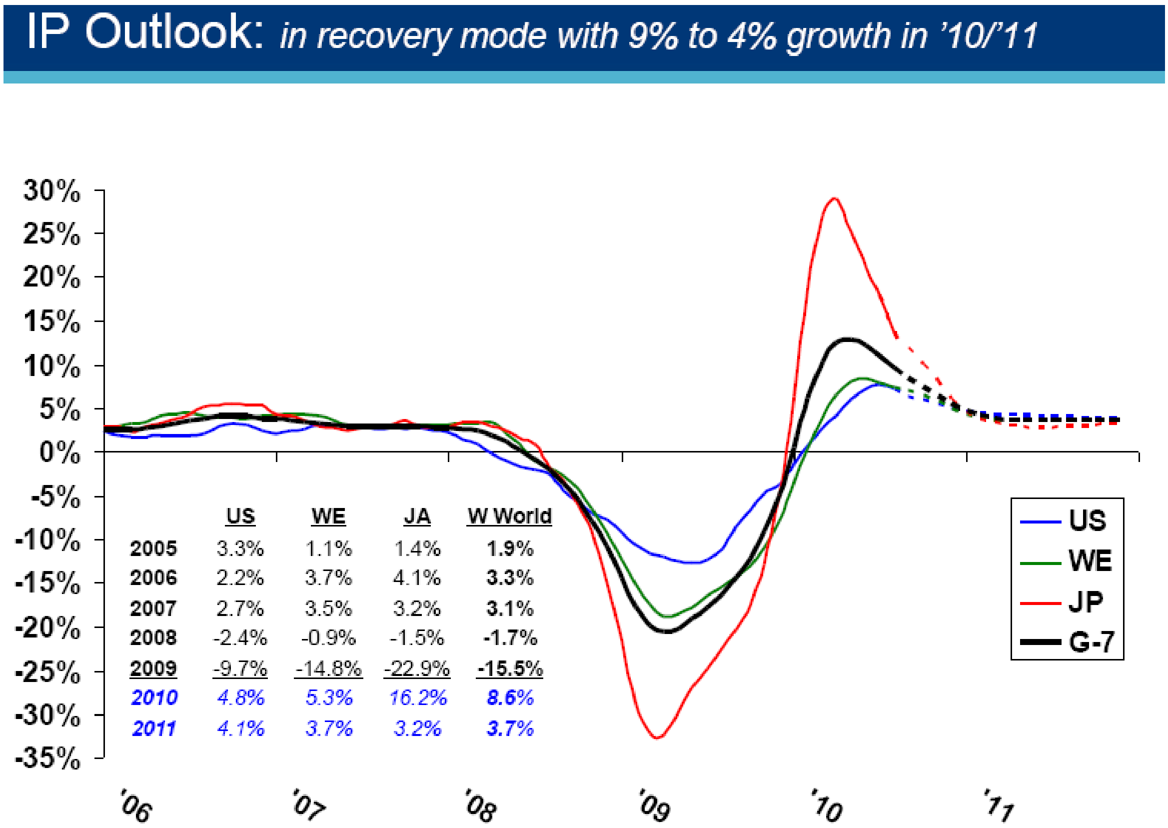
	WEEK 40 (07/10/10)	**WEEK 44 (02/11/10)**
Total	**12,355 MTS**	**12,935MTS**
Cancelled stocks	**390 MTS**	**315 MTS**
Freely available stocks	**11,965MTS**	**12,620MTS**

Tin Warehouse Stocks 02 Nov 2010

	Close	In	Out	+/-	On Warrant		Cancelled	
Antwerp	0	0	0	0	0	0	0	0
Baltimore	200	0	0	0	200	0	0	0
Barcelona	0	0	0	0	0	0	0	0
Bilbao	0	0	0	0	0	0	0	0
Busan	90	0	0	0	90	0	0	0
Genoa	0	0	0	0	0	0	0	0
Gwangyang	110	0	0	0	110	0	0	0
Hamburg	0	0	0	0	0	0	0	0
Hull	0	0	0	0	0	0	0	0
Johor	11530	55	275	-220	11285	-30	245	-190
Liverpool	0	0	0	0	0	0	0	0
Long Beach	0	0	0	0	0	0	0	0
Los Angeles	0	0	0	0	0	0	0	0
Mobile, Alabama	0	0	0	0	0	0	0	0
New Orleans	0	0	0	0	0	0	0	0
Rotterdam	100	0	0	0	100	0	0	0
Singapore	905	0	5	-5	835	-5	70	0
Trieste	0	0	0	0	0	0	0	0
Tyne & Wear	0	0	0	0	0	0	0	0
Vlissingen	0	0	0	0	0	0	0	0
Total	12935	55	280	-225	12620	-35	315	

SUPPLY & DEMAND

In general metals have continued to perform well since our last report. Tin however has slipped from the highs reached in early October 2010 but this is probably due to a short term technical correction rather than a long term downward trend. Many of the prices have been supported by the weak US dollar but, according to the Financial Times, a range of unexpectedly upbeat manufacturing data from both emerging and developed economies have indicated a turning point. This suggests that it is fundamental demand rather than market shortcomings and technicalities that are actually supporting the current prices. They cite surveys of purchasing managers in India, China & the US as all beating best expectations. Global demand for raw materials seems to be continuing to grow with MF Global citing global industrial production, in what they term, recovery mode which will have the net effect of further demand side price pressure. Elsewhere it has been noted that base metals in general will be well supported by the manufacturing pressures coming out of China.



Tin demand will benefit from this continued pressure and this is highlighted in the graph below which dramatically demonstrates the upward curve that we have been seeing over the past year. In the short term tin is also likely to benefit from seasonal demand in the run up to Christmas as manufacturers rush to put electrical goods on the shelves and this is underpinned by the fact that China's October manufacturing data is up on September's figure. This is normally the other way round. In the longer term MF Global suggest that Q4 prices for tin will average $28,000 in 2011.

Problems with supply continue, Mining companies scaled back investment in new projects during the recession and this under-investment will hit the availability of base metals for some time to come.

In the case of tin, there are also specific production problems in Indonesia, with heavy rains and shuttered mines causing a shortfall. Overall global production will only be 1.5pc higher this year than in 2009, despite strongly rebounding demand from Asian countries.

The world's largest tin producer, PT Timah, plans to sell up to 50% of its tin production next year in the spot market. Contract obligations usually take up 80-90% of Timah's production. But for next year, they intend to lower it to 50-60% of total production. They hope to sell 40%-50% at spot in an effort to take advantage of the current high prices. It is understood that PT Timah has not decided it production target for 2011 but it is thought to be in the region of 45,000-48,000 tonnes. The same as the 2010 target that is unlikely to reached due to weather conditions already mentioned and the now company expects its 2010 production to fall short of 40,000 tonnes

China has announced, through its Ministry of Commerce, that it is cutting the tin export quota from 21,000 tonnes to 18,900 tonnes for 2011. Tin quotas have been reduced in recent years but are still in excess of actual exports. Rising domestic demand together with the 10% export duty on refined metal are the leading constraints on export sales. In the first nine months of 2010 refined tin exports amounted to only 108 tonnes, although tin semis and other tin products were 5,364 tonnes according to customs data. Most recently, however, when Chinese domestic tin prices have been much lower than those on the LME, lack of access to quotas has prevented exports by some small producers.

In summary, although global economic recovery has slowed, it is continuing and this is evidenced by the continued upswing in production data. In general metals consumption continues strongly, although, global stock levels are high, production is underperforming and this has resulted in declining stock levels. Technically the trend is still bullish but is potentially, short term overbought. Institutional support is returning to the market, once again adding to the bullish outlook.

LME TECHNICALS

At present we maintain a broadly neutral stance but look to turn positive should tin break through $26,675. Should that happen we would cite $27,750 as our next upside target. Should tin close strongly below 25,650 we would turn short term bearish. In general, we remain bullish and will continue to do so while tin remains above $22,700.

RESISTANCE (USD) 26,675/27,100 and 27,500
SUPPORT (USD) 25,700/25,050 and 24,550
OUTLOOK / TREND Short Term Neutral, Long Term Bullish

OPTIONS

2nd November, 2010
Basis $ 25,760,$25,850 3 MONTHS Jan 2011

Strike	**CALLS**		**PUTS**	
	BID	OFFER	BID	OFFER
22000	$3976	$4096	$187	$307
24000	$2464	$2584	$669	$789
26000	$1356	$1476	$1554	$1674
28000	$652	$772	$2842	$2962
30000	$263	$383	$4447	$4567

TRADING STRATEGY

In essence our long term view continues on a bullish theme, we cite the continued upbeat news on consumption data coming out of China, Europe and the US as supporting this view and the longer term issue with supply. In short we expect some sort of correction by the year end. We also note that there is some notable de-stocking in Europe from major steel consumers and we would expect this to have a major impact if it persists. All economic data is giving a truly mixed and conflicting signal and so for the moment we would sit on the side lines and wait for lower prices.