INSIDE METALS

Wednesday, April 11, 2012

CHART OF THE DAY

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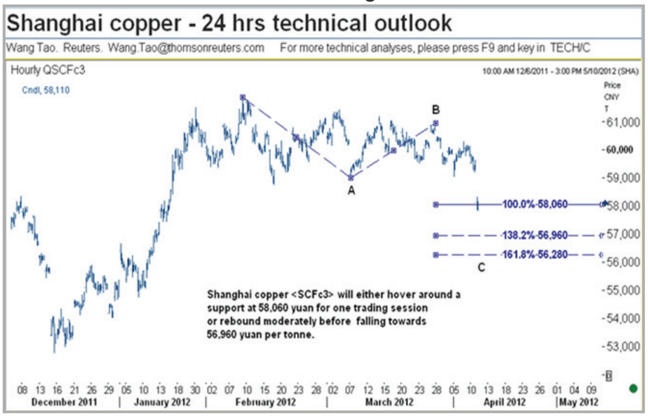

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COLUMN-Chinese copper imports, a sense of deja vu?

China's imports of copper were still running at an accelerated pace in March. Forget about the headline 4.6 percent monthly drop in aggregate imports of copper in refined, anode, alloy and semi-fabricated form.

At 462,182 tonnes last month's imports were the fourth highest on record. Cumulative imports of 1.361 million tonnes in the first quarter were up 51 percent on last year and the highest quarterly print ever.

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TODAY'S MARKETS

BASE METALS: London copper rose on Wednesday, regaining some ground after sliding nearly 4 percent in the previous session in a broad-based sell-off some analysts thought may have been overdone with top consumer China's copper imports staying high in March.

Copper futures in Shanghai lost almost 3 percent to hit three-month troughs, tracking the steep decline in London on Tuesday, but have managed to come off early lows.

Three-month copper on the London Metal Exchange gained 0.7 percent to $8,094.75 a tonne by 0225 GMT, after falling as low as $8,024.85 in the previous session, its weakest since Jan. 16.

PRECIOUS METALS: Gold edged lower on Wednesday, pausing after four sessions of consecutive gains driven by safe-haven flows on a cloudy global economic outlook, but sentiment has turned cautious as investors seek further clues to growth.

Euphoria over a U.S. economic recovery was cut short by a disappointing employment report that showed far slower jobs expansion than expected, and led investors to question the outlook for the world's largest economy. "Gold is vulnerable to the next leg of risk sell-off, as it doesn't like being the only metal to be trading higher in a sea of red," said a Singapore-based trader, since investors tend to liquidate gold positions to cover losses elsewhere.

FOREX: The yen hovered at multi-week highs against many currencies in Asia on Wednesday, while the Australian dollar floundered as worries about global growth took another bite at risk sentiment.

A jump in Spanish bond yields exacerbated concerns about the fragility of peripheral euro zone economies, while disappointing imports from China kept alive worries about a hard economic landing in the world's second-biggest economy.

FEATURE

COLUMN:

Chinese copper imports, a sense of deja vu?

By Andy Home

LONDON, April 10 (Reuters) - China's imports of copper were still running at an accelerated pace in March.

Forget about the headline 4.6 percent monthly drop in aggregate imports of copper in refined, anode, alloy and semi-fabricated form.

At 462,182 tonnes last month's imports were the fourth highest on record. Cumulative imports of 1.361 million tonnes in the first quarter were up 51 percent on last year and the highest quarterly print ever.

Projecting February's product ratios onto the aggregate March figure suggests imports of refined metal were somewhere around 360,000 tonnes last month.

That would bring the quarterly total up to 1,070 million tonnes, also a record and a year-on-year increase of 474,000 tonnes.

There were times when such import strength from the world's largest consumer of the red metal would have had the bulls bellowing.

Not any more.

Copper prices in both London and Shanghai were under early pressure this morning, the former testing technical support levels below $8,250 per tonne.

Analyst reaction was muted to the point that some commentators appeared almost disappointed that imports hadn't fallen more heavily.

Why has what was once an unambiguous bull signal turned into, if not quite a bear signal, at least a highly mixed one?

BROKEN CONNECTION

First and foremost because any read-through link between copper imports and the state of actual copper demand in China is currently broken.

To what extent the link really worked at all was always a moot point, given the counter-cyclical nature of Chinese copper buying.

But right now strong import flows run counter to just about every other indicator of what is happening to copper consumption within the country. Visible inventory in China is high. Stocks registered with the Shanghai Futures Exchange (SHFE) rose by 1.5 percent to 222,092 tonnes last week, dispelling any thoughts that they may have peaked in March.

That abundance is why the SHFE curve is in comfortable contango and the spot arbitrage window with London is closed.

All of which tallies with what one might expect from a country which is experiencing engineered slowdown in its commercial property sector, a key source of copper demand, and weakening exports. The latter has caused a build-up of copper products inventory.

UK research house Bloomsbury Minerals Economics (BME), for example, notes that end-2011 unsold inventory of air conditioners stood at 11.9 million units. Output was accordingly slashed by over 20 percent in January alone, according to BME.

But it's the amount of metal held in bonded warehouse in Shanghai that is the real indicator of Chinese buying patterns.

And at an estimated 600,000 tonnes plus, such stocks have more than doubled since the start of the year.

DEJA VU?

This is not the first time bonded stocks in Shanghai have soared.

The same thing happened this time last year and it is that sense of deja vu that is unsettling copper market nerves.

Last year it was a Chinese buyers' strike in the face of prices above $9,000 per tonne that caused metal to back up in Shanghai "limbo", so-called because such metal has been counted as an "import" even if it has travelled only as far as the nearest warehouse. Bonded stocks started flowing out of the country again.

The volumes were not huge at 144,000 tonnes in the first six months of the year. But they were big enough to reverse a downtrend in London Metal Exchange (LME) stocks once the metal hit exchange warehouses in South Korea.

And big enough to stall the bull charge in its tracks prior to a third-quarter price collapse.

This morning's preliminary trade data do not include any copper export figure for March and it remains to be seen whether metal flow patterns are repeating themselves. But one indicator, and a worrying one from a copper bull's perspective, is the recent arrival of metal at LME warehouses in Asia, particularly at Busan in South Korea.

It received another 3,000 tonnes of metal last Thursday, according to this morning's LME stocks report. That brings the cumulative inflow to 8,000 tonnes over the last couple of weeks.

It's not a large amount by any yardstick but may prove to the tip of the proverbial iceberg, if recent market chatter is to be believed. Moreover, together with steady inflow at Baltimore in the U.S., it has been enough to stop the LME stocks downtrend that had been in place since the start of the fourth quarter last year.

Now, these arrivals in South Korea may not be re-exports from Shanghai's bonded zone. They could, for example, be fresh shipments being diverted en route to China. But either way there is a strong sense of the global market's recent disconnect coming to an end.

RECONNECTING

That disconnect was caused by the channelling of global market surplus away from the LME warehouse system into the Shanghai bonded warehouse zone.

Financiers, using copper as collateral in China's shadow credit market, have been the prime facilitators of this metal flow.

FEATURE

How much of this copper, "imported" statistically but not in reality, is sterilised under such financing deals and how much is truly liquid we'll find out in the coming days and weeks.

But the implications for the LME market are immense.

Because the flip side of this diversion of metal has been the steady erosion of stocks everywhere else.

That in turn has led to mini scrambles for metal in both Europe and the U.S., causing physical premiums to spike.

And it has led to a persistent backwardation on the front part of the LME forward curve. The benchmark cash-to-three-months period ended last week valued at $21 backwardation.

All apparent signals of a market in underlying deficit, a statistical mirage occasioned by the movement of surplus metal into a place where it cannot be accurately counted other than as a Chinese "import."

Or put another way, what would have been the consequences of around 400,000 tonnes being warranted in the LME system over the last three months rather than going to Shanghai stocks build?

Would the LME front dates still be in backwardation? Would the price still start with an "8"?

Now you can start to see why China's super-strong copper imports are not exciting the bulls. Because if mainland China declines to buy that metal, the bottlenecked inventory in Shanghai will simply grow with the attendant risk that more of it will seep back out. And even if Chinese consumers recover their appetite for imported copper, implying a pick-up in real consumption within the country, there is a lot of inventory now sitting in their back yard which will be called on before fresh imports.

Either way surplus units could start to hit the statistical light of the LME warehouse system, undermining the bull narrative of continuing market deficit.

(Andy Home is a Reuters columnist. The opinions expressed are his own)

GENERAL NEWS

Vedanta says mining ban hits iron ore output

By Clara Ferreira-Marques

LONDON, April 10 (Reuters) - India-focused miner Vedanta posted a drop in full-year iron ore output on Tuesday, hit by a ban on mining in the southern Indian state of Karnataka and logistical bottlenecks in nearby Goa that dented one of its key profit contributors.

Iron ore, a steelmaking ingredient, is typically one of Vedanta's most profitable products along with zinc, accounting for almost a third of profits, but output has been constrained in recent quarters by curbs to combat illegal mining.

Iron ore shipments across the sector in India have been sliding for the last two years, with hikes in export taxes, as the government tries to keep supplies for domestic use, also hurting overseas sales.

London-listed Vedanta said its iron-ore production over the full year to the end of March fell to 13.8 million tonnes compared with 18.8 million a year ago, after a fourth quarter broadly in line with market forecasts. Sales fell less steeply, totalling 16.0 million tonnes, from 18.1 million.

The Karnataka ban is being examined by the Supreme Court.

Vedanta said its refined zinc production from its core Indian operations rose 6 percent to 759,000 tonnes for the year, despite a dip in the fourth quarter. Zinc contributed roughly half the group's core profit at the half year.

In copper, the miner's Indian production was just short of some analysts' expectations with the Tuticorin smelter producing 326,000 tonnes of copper cathode over the year, while Zambian copper cathode production was hit by the lower availability of concentrate.

NO UPDATE ON STRUCTURE

Oil and gas, the division acquired from Cairn last year, was marginally ahead of forecasts with 180,293 barrels of oil equivalent a day for the fourth quarter, up 12 percent, on the back of the Bhagyam field, the second-largest discovery in the Rajasthan block which began producing in January.

Aluminium production rose 5 percent to 675,000 tonnes for the full year. A key hearing on a projected bauxite mine in India's Orissa state, which would help increase capacity at Vedanta's Lanjigarh alumina refinery but is being opposed by pressure groups and indigenous people, was postponed on Monday. Vedanta said it expected another hearing in May or June.

The group gave no update on its plans to simplify its complex structure, but said the move was still expected to be completed this calendar year.

In February Vedanta unveiled long-awaited plans to streamline its structure, improve access to cash and reduce debt - a process of eliminating cross holdings that will begin with the proposed merger of base metals producer Sterlite Industries and iron ore miner Sesa Goa to create Sesa Sterlite, an umbrella unit for others.

Shares in the group, due to report full-year earnings on May 17, were down 3.1 percent at 1015 GMT at 1,197 pence, in line with most of its peers and marginally underperforming a 2.1 percent drop in the sector.

MARKET NEWS

Alcoa trims its aluminum demand outlook for China

By Carole Vaporean

NEW YORK, April 10 (Reuters) - Alcoa Inc. said on Tuesday it lowered by 1 percentage point its outlook for China's aluminum consumption growth in 2012, but kept its forecast for global demand growth at 7 percent. In 2011, global primary aluminum use grew by 10 percent.

Alcoa now expects China's aluminum demand will grow by 11 percent in 2012, down from the 12 percent pace it projected in early January, Chairman and Chief Executive Klaus Kleinfeld told analysts on the company's first-quarter conference call.

It also trimmed its projected 2012 outlook for Asian aluminum use minus China to 8 percent from 9 percent previously.

Consumption increased by 15 percent in China and by 10 percent in Asia excluding China during 2011. The aluminum giant left its outlook for India's demand growth at 10 percent, matching last year's growth rate. "We also remain confident about the consumption increase patterns that we're seeing in North America, Brazil, India and Russia. So, that's all good," said Kleinfeld.

Alcoa continues to project a primary aluminum deficit for 2012, but cut that as well to 435,000 tonnes from a 600,000-tonne deficit estimated in early January.

It lowered the deficit it sees for China in 2012 to 350,000 tonnes and now looks for a small 85,000-tonne shortfall for the rest of the world, where the company had previously predicted a 250,000-tonne surplus for this year.

For alumina, the key ingredient used to produce the shiny metal, Alcoa now expects a surplus of 1 million tonnes, whereas it had previously looked for supply to match demand in 2012.

Last week, Alcoa announced that it planned to cut its own alumina production in the Atlantic region by 4 percent, becoming the first refiner to take measures aimed at reducing oversupply that has lowered prices to around $300 a tonne.

Turning to China, the CEO pointed out that about 80 percent of its alumina refineries sit in the higher end of the global cost curve and that it imports about 60 percent of the raw material bauxite needed to make alumina and ultimately aluminum.

He added that over 90 percent of China's aluminum smelters and alumina refineries are coal powered, well above the industry norm, which, when combined with a falling metal price and rising input costs, suggest that about a third of China's smelting capacity is cash negative.

"If you add this all up you can see that this is not a very healthy and not a very competitive industry structure," the executive said, setting up for his reasons why China's plans to rapidly expand its aluminum industry into its western regions would unlikely improve its structural imbalances in the long term.

He argued that the massive $45 billion investment needed to set up smelting operations in the West and the environmental impact of using coal and scarce water resources would be too costly for the roughly 100,000 new jobs it would create. Still, Kleinfeld said, Alcoa expects healthy sales and production increases for China in all of the main aluminum consuming market segments during 2012.

The company raised its 2012 global sales growth projections in only two of the six main aluminum market segments from the forecasts announced in January. It left its outlook for beverage cans steady at 2 to 3 percent sales growth and barely lowered production growth targets for the automotive and heavy truck and trailer segments.

It lifted 2012 global aerospace sales growth outlook to 13 to 14 percent from the previously projected gains of 10 to 11 percent in early January, but cut commercial building growth outlook by 1.5 percentage points to 2.5 to 3.5 percent. Though it whittled down its forecasts for China's 2012 sales and production growth in all segments except beverage cans, which it left at a hefty 15 to 20 percent pace, Kleinfeld said, "A little softer but still good, good growth (in China)."

Pittsburgh-based Alcoa surprised Wall Street with a first-quarter profit after a fourth quarter of 2011 loss. Results beat analysts' forecasts for a 4 cent per share loss.

Alcoa continues to look for more capacity cuts-CEO

NEW YORK, April 10 (Reuters) - Alcoa Inc. continues to look for high-cost smelting and refining capacity for potential capacity cuts, a goal that chief executive Klaus Kleinfeld called a "strong commitment."

Speaking to analysts on Tuesday's conference call after the aluminum giant released its first-quarter results, Chairman and Chief Executive Klaus Kleinfeld said: "We continue to look at our portfolio and we continue to monitor the outside world. And by the way, the 530,000 tonnes that we've taken offline may not be the end."

In early January, Alcoa announced it would slash its global smelting capacity by 12 percent, becoming the first producer to take direct action to cut costs amid a steep drop in metal prices.

On Tuesday, Kleinfeld named as possible facilities for capacity cuts Alcoa's Point Henry smelter in Australia, which he called a high-cost aluminum producer, and its Brazilian smelters with high power costs.

After discussions with the Brazilian government, Alcoa recently extended for 60 days a timeline that was originally set for March 31 to come up with a plan to reduce costs. Kleinfeld said Alcoa was also reviewing its alumina refining portfolio for potential curtailments. "That is a very strong commitment," the executive added.

Last week, Alcoa said it plans to cut alumina production in the Atlantic region by 4 percent, becoming the first producer to take measures aimed at reducing oversupply that has lowered prices to around $300 per tonne.

MARKET NEWS *(Continued)*

Alcoa surprises Wall St with first-quarter profit

By Steve James

NEW YORK, April 10 (Reuters) - Aluminum producer Alcoa Inc surprised Wall Street with a first-quarter profit after a loss in the fourth quarter of 2011 as global markets improved, especially in the aerospace and automobile sectors.

The results, which beat analysts' forecast for a loss, sent the company's stock up 6 percent to $9.80 in after-hours trading on the New York Stock Exchange.

"We pretty much see growth in all global end markets," Chief Executive Officer Klaus Kleinfeld told analysts on a conference call. "On aerospace, the market goes from strength to strength."

He said demand for aluminum in North America was strong in most industrial sectors except for building and construction.

"China, (there is) growth across all segments. A little softer but still good, good growth. The markets in Europe are hovering along," he said.

Alcoa, which makes aluminum for aircraft, cars and beverage cans, raised its 2012 global growth forecast for the aerospace market by 3 percentage points to 13-14 percent and said it expects global growth in the auto industry of 3-7 percent.

The company also projects a global aluminum supply deficit in 2012 and reaffirmed its forecast that global aluminum demand would grow 7 percent in 2012, on top of the 10 percent growth seen in 2011.

BEAT THE STREET

Alcoa said income from continuing operations in the first quarter was $94 million, or 9 cents per share, compared with a profit of $309 million, or 27 cents per share in the same quarter last year. Excluding items, income was 10 cents per share.

Revenue rose slightly to $6 billion, Pittsburgh-based Alcoa said. Analysts on average were expecting a loss of 4 cents per share and revenue of $5.77 billion, according to Thomson Reuters I/B/E/S.

Bridget Freas, an analyst with Morningstar in Chicago, noted it was the first time Alcoa had beat earnings estimates by a considerable margin for many quarters.

"A key for me is the revenue number. To be able to keep your revenue constant when prices are down eases concerns that demand is weakening," Freas said.

Alcoa is the first company in the Dow Jones industrial average to report earnings for the March quarter and considered a bellwether for the rest of the materials sector.

"Clearly, they're doing much better downstream, which you'd expect because the metal price was down," said Charles Bradford, an analyst with Bradford Research in New York.

"I was expecting break-even, so I was higher than the average, but if you had told me 10 cents, I never would have believed it."

Alcoa's results: http://link.reuters.com/zus57s

Estimated profit growth (sector): http://r.reuters.com/qes57s

Alcoa said the improvement over the fourth quarter was driven by strong productivity improvements across all businesses, higher realized prices for aluminum, and improved volume and mix. These were offset somewhat by a lower realized alumina price and higher input costs, the company said.

A 9 percent drop in the realized price of aluminum was partially offset by third-party shipments in the upstream businesses, better volume and mix in the midstream business, and improved volume in the downstream business, Alcoa said.

Compared to the first quarter of 2011, it said revenue in its commercial transportation business was up 32 percent and aerospace revenue rose 15 percent.

Alcoa's stock price has fallen 46 percent since April 2011 -- mostly on a drop in global aluminum prices -- prompting the company to cut the performance-based element of Kleinfeld's 2011 compensation by 45 percent.

Aluminum prices are down almost 20 percent from a year ago but have been creeping higher, reaching $2,126 per tonne on March 31 from $2,020 on Jan. 1.

The company has already cut back aluminum production and last week said it would reduce production of alumina, a key raw material, by 4 percent.

Russian tycoons' feud over RUSAL comes to UK court

HONG KONG, April 10 (Reuters) - A feud between two Russian billionaire shareholders in UC RUSAL , the world's biggest aluminium maker, will be aired in a London court, the company said on Tuesday, with a $47 billion supply deal in the balance.

Minority investors led by Viktor Vekselberg, who quit as chairman last month, are already in dispute with chief executive and main owner Oleg Deripaska, the former physicist who came out on top in the scramble for aluminium assets after the Soviet Union collapsed, for his refusal to sell the company's stake in Arctic miner Norilsk Nickel , which has since tumbled in value.

A source close to a RUSAL shareholder had told Reuters last week that Vekselberg's investment firm Sual Partners, which owns 15.8 percent of RUSAL, was opening a fresh dispute over the giant supply deal between RUSAL and commodities trader Glencore .

Sual, which Vekselberg runs with partner Len Blavatnik, claims the deal was struck in violation of its right of veto and is suing RUSAL, Glencore, Deripaska and his holding company En+, through which he owns 47.4 percent of RUSAL.

While not directly related to the feud over Norilsk Nickel, the legal action marks an escalation in Vekselberg's campaign against Deripaska, in turn part of a wider clash between Russia's metals oligarchs, who made their fortunes from the corpse of the Soviet command economy in the 1990s.

MARKET NEWS *(Continued)*

Deripaska's own net worth was effectively wiped out when the markets turned during the financial crisis, one banker close to him has told Reuters, and RUSAL had to restructure the debt burden it took on to finance the Norilsk deal he had driven through.

RUSAL said on Tuesday the clash over the supply deal would be heard by the London Court of International Arbitration (LCIA), a disputes resolution forum provided for in the RUSAL shareholders agreement.

"The company has engaged counsel to advise the company in the arbitration and will vigorously defend its position," RUSAL said in a statement.

"The company does not expect its involvement in the arbitration would have any material adverse impact on its operations," it added.

Under the LCIA's rules it is required to respond to arbitration requests within 30 days. In the event of a favourable response, a tribunal can be formed to review the case. Proceedings are typically lengthy.

RUSAL's board is holding a regular meeting in Cyprus during the day, though a spokesman declined to say what was on the agenda.

MISSED MERGER

RUSAL bought a quarter stake in Norilsk at the top of the market in 2008 for an estimated $14 billion, but Deripaska's hopes of merging the two firms were dashed by the financial crisis.

Vekselberg had supported offers by Norilsk over the past year and a half to buy back the stake for as much as $13 billion, in a step that would have helped RUSAL clear its $11 billion debt burden.

He was consistently opposed by Deripaska, leaving RUSAL nursing paper losses on the stake, which is now worth around $9 billion.

The supply deal between RUSAL and Glencore runs for six years and will see the share of RUSAL's output that Glencore markets rise to 50 percent from 30 percent, according to a source familiar with the contract details.

Deripaska confirmed the deal was approved in December but has given no details.

Glencore, which owns 8.75 percent of UC RUSAL, said on Tuesday it had received a request for arbitration, but declined further comment.

A cyclical downturn in aluminium prices and shareholder frictions have knocked about 60 percent off RUSAL's Hong Kong-listed shares since their peak last April.

The shares have not traded since Thursday, as Hong Kong markets are closed for the Easter holiday.

Chile energy woes could hit investment rate-BHP

By Felipe Iturrieta

SANTIAGO, April 10 (Reuters) - Chile's costly energy and its fragile electric grid could hurt investment in the world's top copper producer, BHP Billiton base metals president Peter Beaven told reporters on Tuesday, but said it will not affect the global miner's current expansion projects.

Chile's third consecutive drought and the delays in key generation projects have compounded energy problems in the country, whose grid has been hurt by from years of underinvestment and a massive earthquake in early 2010.

Asked if energy woes could affect the rate of BHP's investment plans in Chile, Beaven answered "Absolutely. If we don't have any power, we don't have any operations," he said.

But the global miner's current expansion plans in Chile won't be affected by the country's shaky grid, he said.

BHP Billiton and Rio Tinto in February approved plans for a $4.5 billion expansion of Escondida, the world's biggest copper mine, where BHP said the ore reserve estimate has been increased by 25 percent.

Chile needs to reform electric transmission lines and energy generation to avoid blackouts like the one that hit vast swaths of the country's center in September 2011 and cost state mining giant Codelco more than 1,400 tonnes in lost copper output.

"And the question is not what will BHP do about it, but what is the country going to do about it," Beaven added. "This is a countrywide issue that needs to be resolved."

The government estimates that to keep up with rising energy demand, some 8,000 megawatts of capacity will need to be added by 2020 to the current 17,000 megawatts in the nation's power matrix.

Roman Copper hopes to rescue Romania mine deal

BUCHAREST, April 10 (Reuters) - Canada's Roman Copper Corp sought on Tuesday to rescue a deal to buy Romania's biggest copper mine, saying it was prepared to meet conditions required by the government, which had pulled out of talks.

However, a government spokesman told Reuters the deal was still off.

Roman Copper last month won a tender to buy Cupru Min Abrud for 200.8 million euros ($262.3 million), outbidding Australia's OZ Minerals Ltd , Dutch Dundee Holding and Bulgaria's Ellatzite Med Ad.

Romania's economy minister said on Saturday the deal had fallen apart and the government would relaunch the sale, dealing a blow to a sell off plan agreed with the International Monetary Fund.

MARKET NEWS *(Continued)*

The ministry said in a statement that talks to sign the deal ended on April 6 without reaching an agreement and that negotiations with Roman Copper were "irrevocably closed."

It said the government did not want to give up certain conditions, among them that all privatisation contracts are made public, that payment for shares is settled within 30 days and the company sets up a collateral deposit of 32.27 million euros as a guarantee for future environment investment.

Roman Copper said on Tuesday it had accepted the terms.

"Roman Copper's team and the Romanian government's negotiators agreed on the terms and conditions of the acquisition contract in the late evening of Friday, April 6 2012. These terms included an undertaking by Roman Copper to accept additional financial and other obligations that were not required in the original tender documentation," it said.

Government spokesman Dan Suciu said Roman Copper's statement changed nothing, however.

"The process is now closed. The sale of Cupru Min to Roman Copper won't happen," he said by telephone.

Former communist countries across the European Union have sold state holdings, but Romania's persistent failure to do so has left a huge, inefficient public sector in the bloc's second-poorest nation as it struggles to emerge from deep recession.

Analysts say failure to sell Cupru Min - with estimated reserves of 900,000 tonnes of copper, or about 60 percent of the country's overall estimated reserves - would not bode well for a plan to cut state participation in its enterprises.

"Roman Copper unequivocally confirms its readiness to implement all the actions and investments requested by the government since the open auction for Cupru Min on March 26," the Canadian firm said in its statement.

"We look forward to continuing our relationship with the Romanian authorities in a spirit of good faith and co-operation so that this transaction can be completed as envisaged under the competitive and transparent privatisation process."

China iron ore demand to remain strong - Vale CEO

By Sabrina Lorenzi

RIO DE JANEIRO, April 10 (Reuters) - Chinese demand for iron ore will remain strong, defying expectations of a slowdown in the world's second-largest economy, the chief executive of Vale SA , the top producer of the mineral, said on Tue sday.

"Those who have been betting against Chinese growth since the 1990s will be wrong again," CEO Murilo Ferreira told reporters in Rio de Janeiro. "China is just getting going."

To help meet that demand, Vale expects to invest more than $50 billion to expand iron ore, nickel, copper, fertilizer, coal and other mining output. Of that, $35 billion will be spent over four years to complete its 20 biggest projects, Ferreira said. Vale has already spent $13.5 billion on those mines.

Another $19.5 billion is expected to be approved by the Rio de Janeiro-based company's board later this year for the 90-million-tonnes-a-year Serra Sul iron-ore mine project in Brazil's Amazon, he added. Serra Sul should start operations in 2016.

Serra Sul will raise iron-ore output from the Carajas region of Brazil's northern Pará state by about 90 percent and boost the company's overall output by almost a third to nearly 400 million tonnes a year.

Vale is responsible for between a quarter and a third of the world's 1 billion tonnes of sea-borne iron ore exports a year.

Ferreira's comments come after the International Monetary Fund warned o n T uesday that commodities exporters should brace for lower prices and slower world growth.

Brazil is the world's top coffee, beef and orange juice exporter and No. 2 soybean and iron-ore exporter.

China, the biggest iron-ore importer and steel producer, said on Tuesday that March iron-ore imports dropped 3 percent from February to 62.9 million tonnes. Oil and copper imports also fell.

While Chinese iron-ore imports fell in March, they rose 6 percent in the quarter from a year earlier, Ferreira said.

Because China has little high-quality ore of its own, it needs more from producers in Brazil and Australia, such as BHP Billiton and Rio Tinto .

"China every day needs us more and more," he said.

The spot price of ore with 62 percent iron content in China rose 0.2 percent to $148.45 a tonne o n Tu esday, its highest in more than five months, according to Metal Bulletin. Iron ore is the main ingredient in steel.

The Serra Sul project will also include a doubling of Vale's Carajas Railway and the construction of a new iron-ore export terminal in Sao Luiz in Brazil's Maranhão state.

Vale gets 32 percent of its revenue from China and 46 percent from Asia, Ferreira said.

Vale preferred shares, the company's most-traded class of stock, fell 1.1 percent to 40.32 reais in Sao Paulo. The Bovespa index of the most-traded stocks on the Sao Paulo BM&FBovespa stock exchange fell 1.9 percent.

India to challenge U.S. duty on steel pipes-source

By Matthias Williams

NEW DELHI, April 10 (Reuters) - India is preparing to challenge a U.S. import duty on steel pipes by requesting "consultations" at the World Trade Organisation, a senior trade ministry official said, in the latest in a series of recent disputes between the two allies.

The United States Commerce Department in March set a preliminary import duty of nearly 286 percent on a certain type of steel pipe from India to offset government subsidies. A final decision on duty rates is expected by August.

The Indian government will challenge the allegation that the manufacture of the pipes is indeed being subsidised, the official, who declined to be named given the sensitive nature of the matter, told Reuters on Tuesday.

"They are in absolute and total breach of the WTO. There is no subsidy involved," the official said.

The U.S. embassy in New Delhi was unable to provide an immediate comment.

Commercial ties between India and the United States flourished after India's economic liberalisation in 1991, but in recent years each side has accused the other of erecting unfair barriers to trade and investment growth.

India is also requesting consultations - the last step to resolve a disagreement before entering a full-fledged legal dispute - over the cost of U.S. work visas and over a recent spike in Indian visa applications being turned down.

The official said Washington has imposed the duty on the Indian pipes because a portion of the iron ore used to produce them is provided by state-run miner NMDC , the country's largest.

Washington has imposed a duty on the premise that "because NMDC is a public sector undertaking, it is selling this iron ore ... for a song, and therefore implicitly subsidising a private-sector enterprise. This is the allegation," the Indian official said.

The allegation is baseless as NMDC is one of many producers of iron ore in the country, the official said.

"And prices of iron ore are domestically market-determined, because NMDC is one PSU (public sector undertaking) and most mining of iron ore is in the private sector. So where is the question of a subsidy being paid? There is no subsidy

Egypt's Ezz Steel 2011 net profit falls 20 pct

By Tamim Elyan

CAIRO, April 10 (Reuters) - Egypt's largest steel producer, Ezz Steel , posted a 20 percent drop in 2011 net profit on Tuesday as soaring costs and higher taxes offset a rise in sales during a year of economic and political turmoil.

An uprising ousted President Hosni Mubarak in February last year and the turmoil rocked Ezz Steel, which gets much of its business from infrastructure and real estate sectors that were plunged into crisis.

Ezz Steel's net income dropped to 202 million Egyptian pounds ($33.5 million) last year, despite a 12 percent rise in net sales to 18.6 billion pounds.

"The increase of corporate tax rates from 20 percent to 25 percent in Egypt weighed on net profits," Beltone Research said in a note.

Analysts said a strong operational performance by the company's Ezz Dekheila Steel unit helped to drive a rise in underlying profit.

Net profit before tax and minority interests rose by 33 percent to 1 billion pounds.

The company said Dekheila contributed 65 percent of consolidated net sales.

Ezz Steel said its long-steel prices rose by 23 percent year on year while flat steel prices rose by 17 percent domestically and by 20 percent for export markets.

"They maintained margins by increasing prices to face the increase in raw material costs," said Prime Research analyst Heba Sherif.

Shares in the firm fell 1.9 percent to 6.08 pounds by the end of the trading session, while Egypt's main index was down 0.8 percent.

Company founder Ahmed Ezz was hit with corruption charges last year and the group's share price slumped to as low as 3.28 pounds from above 21 pounds before the uprising.

Ezz, who was a top official in Mubarak's now disbanded political party, quit the board of Ezz Steel and Ezz Dekheila in May last year to fight the charges against him. A court jailed him in September.

Indonesia's March refined tin exports down 4.9 pct y/y- govt

JAKARTA, April 10 (Reuters) - Refined tin shipments from Indonesia, the world's top exporter, fell 4.9 percent in March compared to a year ago, mostly due to heavy rainfall, a trade ministry official said on Tuesday.

Indonesian refined tin exports for March were 8,607.71 tonnes from 9,051.46 tonnes a year earlier, said the official, who asked not to be named.

March exports were also 3.4 percent higher compared to February's figure of 8,324.73 tonnes.

Singapore was the stand-out importer of Indonesian refined tin, taking 6,364.02 tonnes, the official added.

Total 2011 exports of tin, mainly used in soldering for electronics, rose almost 4 percent to 96,019.76 tonnes.

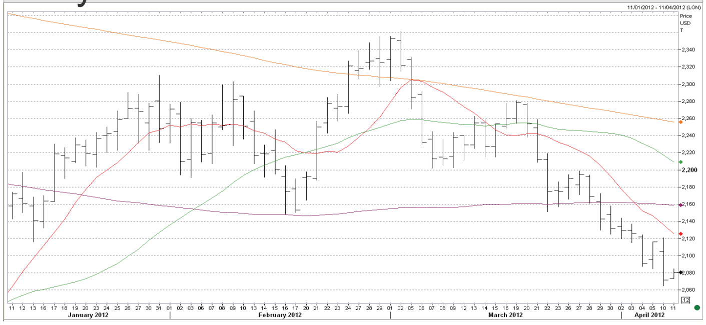
In recent months, wet weather has seriously hampered tin output in Indonesia's main producing region of Bangka Belitung, although the weather is not as bad as last year.

Benchmark tin traded at about $22,750 a tonne on the London Metal Exchange on Tuesday, versus Thursday's close at $23,175 a tonne.

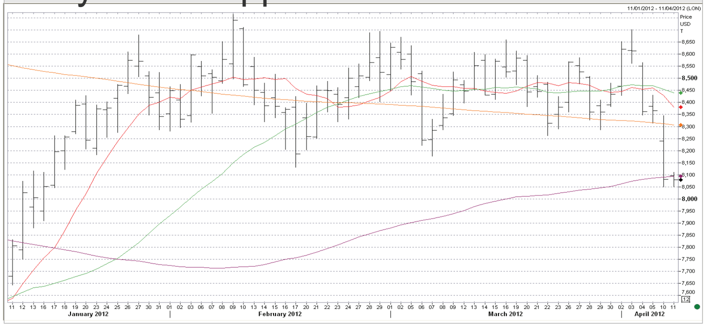
Prices for the base metal have slumped from record highs above $33,000 a tonne hit in April last year, due in part to the uncertain demand outlook and the Euro zone debt crisis.

ANALYTIC CHARTS *(Click on the charts for full-size image)*

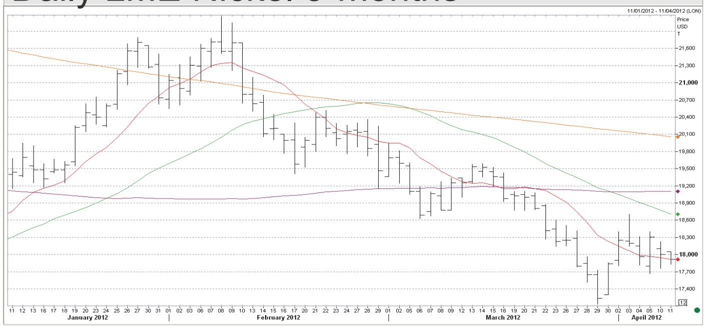
Daily LME Aluminium 3-months



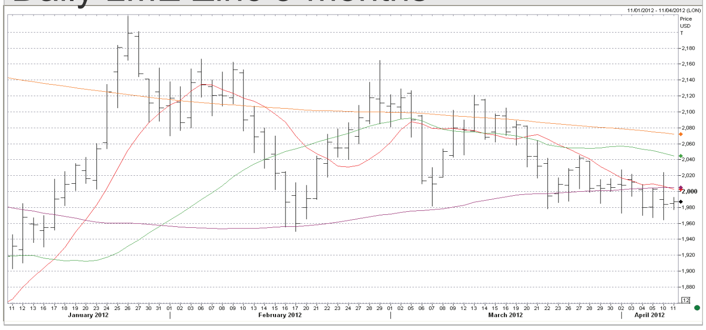
Daily LME Copper 3-months



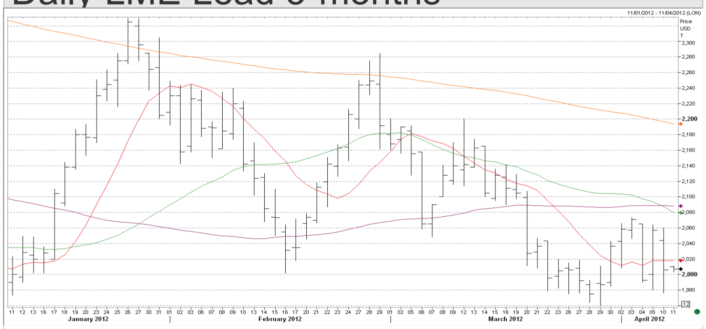
Daily LME Nickel 3-months



Daily LME Zinc 3-months

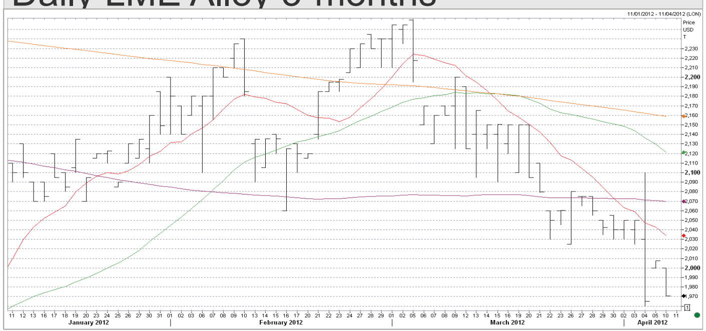


Daily LME Lead 3-months

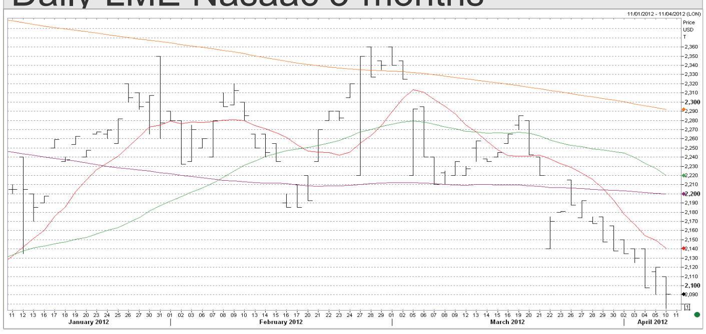


Daily LME Tin 3-months

Daily LME Alloy 3-months



Daily LME Nasaac 3-months



MARKET REVIEW

METALS-LME copper edges up after sell-off, Shanghai down

By Manolo Serapio Jr

SINGAPORE, April 11 (Reuters) - London copper rose on Wednesday, regaining some ground after sliding nearly 4 percent in the previous session in a broad-based sell-off some analysts thought may have been overdone with top consumer China's copper imports staying high in March.

Copper futures in Shanghai lost almost 3 percent to hit three-month troughs, tracking the steep decline in London on Tuesday, but have managed to come off early lows.

Three-month copper on the London Metal Exchange gained 0.7 percent to $8,094.75 a tonne by 0225 GMT, after falling as low as $8,024.85 in the previous session, its weakest since Jan. 16.

The almost 4 percent decline in LME copper on Tuesday was its biggest single-day drop since mid-December.

The most-traded July copper contract on the Shanghai Futures Exchange fell as low as 57,740 yuan a tonne, its lowest since Jan. 12, before cutting losses to trade at 58,080 yuan ($9,200), down 2.2 percent.

The sell-off mirrored weakness across risky assets, pushing down Asian shares lower for a third day on Wednesday, after a less-than-forecast rise in China's overall imports last month sparked concern about a potential slowdown in demand from the world's top importer of many commodities.

While the same trade data showed China's copper imports fell 4.6 percent from February to 462,182 tonnes in March, that import volume was the fourth highest on record.

"Our view is that underlying Chinese demand is still solid and we think it should pick up heading into the second quarter," said Natalie Robertson, analyst at Australia and New Zealand Bank.

Investment bank Credit Suisse said the sell-off in industrial metals "is at least partly related to global risk aversion and looks slightly overdone".

Tuesday's sell-off happened as many European market re-opened after a long Easter weekend and combined the Chinese trade data with the far more disappointing U.S. nonfarm payrolls numbers out last Friday to slash positions in risky assets.

Investors are now eyeing China's gross domestic product data due out on Friday, with the world's No. 2 economy seen growing by 8.3 percent in the first quarter, its slowest pace in nearly three years.

Economists say the GDP report should support expectations that China's economy is cooling but not crashing.

ANZ's Robertson said copper should bounce back to $8,600 during the second quarter, helped by a pickup in Chinese demand.

PRECIOUS-Gold edges lower after 4-day rally as investors turn cautious

By Rujun Shen

SINGAPORE, April 11 (Reuters) - Gold edged lower on Wednesday, pausing after four sessions of consecutive gains driven by safe-haven flows on a cloudy global economic outlook, but sentiment has turned cautious as investors seek further clues to growth.

Euphoria over a U.S. economic recovery was cut short by a disappointing employment report that showed far slower jobs expansion than expected, and led investors to question the outlook for the world's largest economy.

"Gold is vulnerable to the next leg of risk sell-off, as it doesn't like being the only metal to be trading higher in a sea of red," said a Singapore-based trader, since investors tend to liquidate gold positions to cover losses elsewhere.

Spot gold inched down 0.3 percent to $1,654.59 an ounce by 0400 GMT, after hitting a one-week high of $1,662.60 on Tuesday. U.S. gold also lost 0.3 percent to $1,656.00.

Gold, the dollar and U.S. government debt had benefited from the latest bout of safe-haven interest from investors, with gold rallying more than 1 percent and U.S. Treasuries yields hitting 4-week lows in the previous session.

The prospect of more monetary easing, which strengthens the outlook for higher inflation, also supports the sentiment in gold, regarded as a hedge against rising prices.

"If weak data continues, the Fed will have to intervene again to stimulate consumption," said Jeremy Friesen, commodity strategist at Societe Generale in Hong Kong.

"The next couple of years will be really challenging for global growth and central banks will be relied on as a crutch to get us through."

Investors will closely watch the European government debt market, after Spanish and Italian government debt encountered slumping demand as investors fretted over the fragility of peripheral euro zone economies.

Hong Kong's gold exports to China rose 20 percent in February on the month, as China's appetite for gold remains strong and the country is expected to overtake India as the world's top gold consumer this year.

Some suspected the number could include purchases from the public sector, as the market was largely quiet during a post-Lunar New Year holiday slump in February.

"On the public level, China's central bank will continue to accumulate gold, which is easier than liberalising their capital account and currency," said Friesen of SocGen, adding that building gold reserves would help China's push to turn the renminbi into a global currency.

Accommodative monetary policy will remain an incentive for private investors to buy into gold, he added.

MARKET REVIEW *(Continued)*

Recent price gains suppressed demand in the physical market, but India's return after a three-week strike helped support the sentiment.

"There is some light buying and a bit of scrap selling," said Dick Poon, manager of precious metals at Heraeus in Hong Kong, "At this point I don't think China's gold demand growth this year will be as strong as last year, as a lot of people prefer to keep cash rather than making an investment."

Spot platinum fell to a $1,573.99 an ounce, its lowest in more than two months, before regaining some lost ground to $1,588.24, tracking losses in industrial metals and equities hit by downbeat sentiment on global growth.

FOREX-Yen buoyed near multi-week high as risk aversion climbs

By Ian Chua and Hideyuki Sano

SYDNEY/TOKYO, April 11 (Reuters) - The yen hovered at multi-week highs against many currencies in Asia on Wednesday, while the Australian dollar floundered as worries about global growth took another bite at risk sentiment.

A jump in Spanish bond yields exacerbated concerns about the fragility of peripheral euro zone economies, while disappointing imports from China kept alive worries about a hard economic landing in the world's second-biggest economy.

Coupled with a big fall on Wall Street and a steep fall in Treasury yields, the yen climbed across the board, hitting a five-week high against the U.S. dollar.

The move also came a day after the Bank of Japan kept monetary policy steady, though the Asahi newspaper on Wednesday reported the central bank would consider easing at its April 27 meeting.

"For now, it is a bit too early now for the market to trade on the April 27 meeting. But expectations of further easing mean the yen is unlikely to keep rising, beyond the 80 yen mark," said Kimihiko Tomita, the head of forex at State Street Bank in Tokyo.

"But the market will probably start trading on it perhaps next week," he added.

Traders said talk of strong bids at 80.50/55 should provide initial support for the dollar, followed by 79.50/55, the October high reached after Japan intervened to weaken its currency.

The euro fell to a seven-week trough of 105.44 yen , while the Aussie plumbed 82.52 , reaching levels not seen since early February. Support is seen at 82.33, the 38.2 percent retracement of its October to March rally.

"Simple momentum suggests that AUD/JPY should head for its 38.2 percent retracement of its rise since Oct 2011, which is almost exactly its 100-day moving average," said Sebastien Galy, strategist at Societe Generale.

"By then it will have entered oversold territory as we did in October. Few will be the braves to buy on a potential dip."

Not helping sentiment, the International Monetary Fund warned commodity-exporting countries should prepare for lower prices given weaker global economic activity and lower demand.

Against the dollar, the Aussie skidded to $1.0226 before regaining a bit of ground to flirt with support at around $1.0236, the 76.4 percent retracement of the late-December to late-February rally.

The euro also lost ground against the U.S. currency, slipping to $1.3091 from Tuesday's high of $1.3145. As a result, the dollar index pushed up to 79.861 from a one-week low of 79.603.

Unsettling the single currency, Spanish bond yields rose to within a whisker of 6 percent, and German bund yields equaled their lowest-ever levels as investors opted for the safety of German debt.

That brought the spread between the two to the highest level since December, completely wiping out its tightening triggered by the European Central Bank's massive three-year cheap funding offers, dubbed Longer-Term Refinancing Operations (LTROs).

"The LTROs crushed liquidity concerns (among European banks) rather aggressively. But the magic power of the LTRO seems to be fading," said Minori Uchida, senior analyst at the Bank of Tokyo-Mitsubishi UFJ.

(Inside Metals is compiled by Pradip Kakoti in Bangalore)