INSIDE METALS

Friday, August 30, 2013

CHART OF THE DAY

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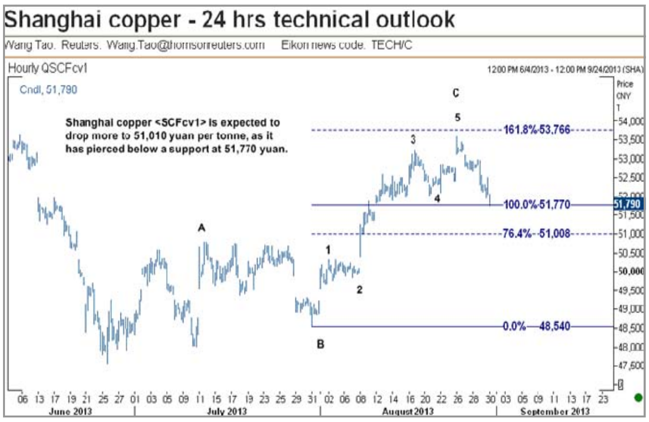

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GENERAL NEWS

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- India might buy gold from citizens to ease rupee crisis
- Australia's Norton Gold hedges prices on 30 pct of expected annual output

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- Chilean workers at small Codelco mine say could strike next week
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- CSN wants U.S. mill included in Thyssen deal -source

FEATURE

COLUMN-Most news bad for emerging markets

Syria today, the taper tomorrow - emerging market policymakers are learning that once the market becomes concerned with a current account deficit, most news is bad news.

James Saft is a Reuters columnist. The opinions expressed are his own

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TODAY’S MARKETS

BASE METALS: London copper was set to wrap up its biggest monthly gain in nearly a year on signs the global economy is edging towards recovery, although prices touched a three-week low on fresh strength in the dollar.

"Given the recent pick-up in prices, and the uncertainty in September over the impact of Fed tapering, markets could just be taking profits and cutting risk, which is why we have seen a bigger fall than usual at the end of the month," said commodity analyst Natalie Rampono of ANZ in Melbourne.

PRECIOUS METALS: Gold held steady as the probability of an immediate military strike on Syria faded, and strong U.S. data rekindled fears of an imminent scale-back of the Federal Reserve's stimulus measures.

"Looks like the market is running out of steam at these levels," said one Singapore-based gold trader. "If it cannot hold above $1,400 today, it will surely see a sharp drop."

FOREX: The dollar held steady near a four-week high versus a basket of currencies on Friday after having rallied on upbeat U.S. economic data, while the yen was supported by month-end flows from Japanese exporters.

The dollar eased 0.1 percent versus the yen to 98.26 yen , having backed off an intraday high of 98.48 yen.

"Things have settled down compared to the situation we saw before, in which Asian currencies were sold off," said a trader for a Japanese bank in Singapore.

FEATURE

COLUMN-Most news bad for emerging markets

By James Saft

Aug 29 (Reuters) - Syria today, the taper tomorrow - emerging market policymakers are learning that once the market becomes concerned with a current account deficit, most news is bad news.

Having enjoyed easy funding and massive inflows for much of the post-financial crisis period, the prospect of structurally higher global interest rates has made the world suddenly a much less welcoming place for emerging markets.

Expectations that a U.S-led military strike against Syria would cause oil to spike in cost, driving up current account deficits for non-oil-producing countries, helped spur the latest weakness. And any bit of good U.S. economic news, bringing with it higher chances of a Federal Reserve cutback on bond purchases, have only made it worse.

That's especially true for those, like India, South Africa and Brazil, that import more than they send abroad and thus must rely on foreign money to fund borrowing needs.

When money was easy and investors entranced by stories of structurally superior growth, those funding needs were easily and cheaply met. Now, not so much, and emerging market currencies have been tumbling and flows of funds reversing rapidly.

"The last few weeks have conclusively demonstrated the idiocy of one of the key investment themes since the 2008 Great Recession - namely that with developed economies burdened with excessive debt and in the throes of multiyear deleveraging, investing in emerging markets would not only produce superior returns but was also less risky," wrote Albert Edwards, a global strategist at Societe Generale, in a note to clients on Wednesday.

"Regular readers will know we have long railed against this idea, having dubbed the BRIC story a Bloody Ridiculous Investment Concept."

With an extended selloff under way, emerging market central banks are making apparently frantic efforts to buy stability.

The Reserve Bank of India on Thursday engineered a bounce in the hard-hit rupee from recent all-time lows, unveiling a deal whereby it would provide dollars directly to state-run oil companies, which use them to purchase oil abroad. The Brazilian central bank hiked rates yet again, this time by half a percentage point, to 9 percent, its fourth hike in four meetings. Bank Indonesia also hiked by half a percent in a relatively rare inter-meeting move, taking benchmark rates to 7 percent.

CASH FOR GOLD

India particularly showed a note of panic in its attempts to counteract the 20 percent fall in the rupee. Having unveiled a host of other measures to support the rupee, India is mulling a scheme to have banks buy gold from households, according to a Reuters report.

As with oil, India is a big consumer but not a producer of gold, and must send dollars abroad to bring it home. The idea would be to persuade households, many of which keep substantial wealth in gold, to part with it in exchange for rupees. The gold could then be smelted and reused domestically, thereby avoiding the need to send dollars abroad.

Sound desperate to you?

The unfortunate reality is that current account deficits are easy to tolerate when times are good, but very difficult and painful to fix quickly if the market, as it appears to be doing, loses patience.

"The only lasting solution to our external sector problem is to reduce the CAD (current account deficit) to its sustainable level," Outgoing Reserve Bank of India (RBI) Governor Duvvari Subbarao said at a conference in Mumbai on Thursday.

"Reducing the CAD requires structural solutions. RBI has very little policy space or instruments to deliver the needed structural solution. They fall within the ambit of the government."

Interestingly, China thus far has been a strong out-performer, with Shanghai stocks doing well and investors apparently no longer that concerned by the cash crunch of earlier this summer.

Edwards, a well-known bear of long standing, notes that Chinese officials, having bemoaned quantitative easing (QE) when it was being expanded, are now doing the same as it threatens to contract. Indeed, credit growth, on which China is highly dependent, has been falling. Edwards argues that Chinese officials may in the end choose to devalue the yuan as a way to expand credit. That would be very deflationary for the rest of the world, and doubtless highly destabilizing for financial markets.

Markets, especially currency markets, tend to fasten on to themes, usually until they overshoot. As we've seen several times in the past, that seldom ends quietly for emerging markets and current account deficits.

--The author is a Reuters columnist. The opinions expressed are his own--

GENERAL NEWS

Striking S.African car workers reject wage deal, gold strike looms

By Olivia Kumwenda-Mtambo and Wendell Roelf

JOHANNESBURG, Aug 29 (Reuters) - Striking South African car workers rejected a double-digit wage increase offer on Thursday and said they would intensify a strike that has crippled production of a major export.

Gold mining firms said they were also preparing for a bruising strike that could come as early as Sunday and would slow bullion output, one of South Africa's largest foreign currency earners.

The wave of strikes in Africa's largest economy has already swept up more than 120,000 workers this month in the auto production, construction and airline sectors while sending the rand to four-year lows on worries labour strife will slow growth.

The number of strikers could increase by more than 220,000 next week, with textile workers, petrol station attendants, retail auto workers and gold miners walking off the job.

That would mean that about 3 percent of South Africa's workforce would be on strike.

The main union for manufacturing, NUMSA, said its 30,000 members in the auto industry rejected a 10 percent wage hike from carmakers. The union is demanding 14 percent, well above inflation that is estimated to run at 5.9 percent this year.

The auto strike started last week and has hit global carmakers such as Toyota , Volkswagen and Ford . The industry makes up about 6 percent of GDP and the strike has cost the economy an estimated $60 million a day.

A strike in the gold sector would cost the economy 349 million rand ($34 million) a day, Harmony Gold Chief Executive Graham Briggs told a news conference, speaking on behalf of the industry.

"Producers lose production, revenue, profit and the confidence of the markets; some may even have to shut down shafts, possibly forever," Briggs said.

The National Union of Mineworkers (NUM), the main union in the gold sector, will give producers on Friday 48 hours' notice of its members' intention to strike over deadlocked wage talks, a source with direct knowledge of the matter has said.

The Chamber of Mines, the industry body that negotiates on behalf on gold producers, said this week it had made a final offer to unions to increase basic wages by between 6 and 6.5 percent.

NUM, which represents 64 percent of the country's gold miners, dismissed this offer. Another more militant mining union is seeking pay hikes as high as 150 percent.

The companies, which also include AngloGold Ashanti , Gold Fields and Sibanye Gold , say these demands are unrealistic as they are being badly squeezed by rising costs and falling bullion prices.

The South African government will not intervene in the deadlocked talks, mining minister Susan Shabangu told Reuters in Perth, Australia, on Thursday.

South Africa's declining gold industry was caught off guard last year when violent wildcat strikes spread from platinum to gold shafts, costing 5 billion rand ($500 million) in lost output.

The strife in the mines, rooted in a union turf war, dented economic growth and led to sovereign credit downgrades.

India might buy gold from citizens to ease rupee crisis

By Suvashree Dey Choudhury and A. Ananthalakshmi

MUMBAI, Aug 29 (Reuters) - India is considering a radical plan to direct commercial banks to buy gold from ordinary citizens and divert it to precious metal refiners in an attempt to curb imports and take some heat off the plunging currency.

A pilot project will be launched soon, a source familiar with the Reserve Bank of India's (RBI) plan told Reuters, although the idea was met with some scepticism.

India has the world's third-largest current account deficit, which is approaching nearly $90 billion, driven in a large part by appetite for gold imports in the world's biggest consumer of the metal. That has played a major role in driving the rupee to a record low.

With 31,000 tonnes of commercially available gold in the country - worth $1.4 trillion at current prices - diverting even a fraction of that to refiners would sate domestic demand for the metal. India imported 860 tonnes of gold in 2012.

The RBI will ask the banks to buy back jewellery, bars and coins for rupees. Lenders will have to offer better rates than pawn shops and jewellers to lure sellers.

"We will start a pilot project among some banks where we will allow them to buy back gold from individual households," the source, an official familiar with the central bank's plan, said. "This will start soon, we have discussed (it) with banks."

The RBI did not immediately have an official comment, a spokeswoman said.

The RBI proposal was a talking point in world gold markets, although prices were reacting more to an easing of concerns that a U.S.-led attack on Syria was imminent. Spot gold prices fell by around 1 percent.

The source said banks in the pilot project would be given a regulatory directive to purchase the gold. It will initially be limited to those with big gold portfolios. Several Indian banks already offer a gold deposit scheme that pays out interest.

"I don't think it is going to work. It has to be more structured, like a gold bond," said Samiran Chakraborty, chief economist at Standard Chartered Bank.

That's exactly what India's Trade Minister Anand Sharma suggested on Thursday. He said the central bank should look into

GENERAL NEWS *(Continued)*

the possibility of monetising gold holdings, and issuing bonds for privately-held gold was one way to do it.

India's central bank holds 557.7 tonnes of gold in its own reserves.

However, any talk of using the central bank's gold to help meet India's international obligations revives memories of a 1991 balance of payments crisis - when India flew 67 tonnes of gold to Europe as collateral for a loan to avoid a sovereign debt default.

"I have not said there should be any mortgaging of the gold, or auction of the gold, that is incorrect. I have just said the RBI should look into ... how they can benefit the people, particularly with regard to the bonds or the monetisation," Sharma said in response to a question in parliament.

Earlier this week in comments reported in the national media, Sharma said that in a country with 31,000 tonnes of declared gold "even if 500 tonnes is monetised at today's value it takes care of your CAD", or current account deficit.

Selling the country's gold reserves may sit badly with Indians, many of whom saw the 1991 sale as a public humiliation. The secret operation was only exposed after a vehicle carrying the first consignment of bullion broke down on its way to the airport from the central bank.

"It (pledging gold) will be a desperate measure, and it will send a very wrong signal to the entire country because all the time we've maintained that things are under control even though things are adverse," said Madan Sabnavis, chief economist at CARE Ratings.

Such a sale would also dent international gold prices which took a hit earlier this year after Cyprus said it was considering selling its gold reserves to shore up its finances.

Some economists said India should improve the current gold deposit scheme, which allows individuals to effectively hold gold in a bank account in exchange for a certificate. They receive interest payments and can redeem the same weight in gold when the certificate matures.

Analysts say this scheme would also allow the government to funnel gold to the refinery industry and reduce import demand.

However, Indians are currently put off by the 500 gram minimum requirement. Offering higher interest rates could also draw out gold stashed in the country's temples. South India's Tirupati temple, considered one of the world's richest, is estimated to hold gold worth up to $80 billion.

Gold is considered auspicious as a gift or offering at religious festivals in India and forms an essential part of a bride's dowry.

"The biggest avenue the government has to monetise gold is the gold deposit scheme," said Shekhar Bhandari, executive vice president of treasury at Kotak Mahindra Bank. "It has the maximum potential and (encourages) recurring behaviour."

India has taken multiple steps this year to curb imports of gold, its second-biggest import after oil, including raising duty three times to 10 percent.

The rupee , the worst-performing emerging market currency in Asia this year, rebounded from a record low on Thursday after the RBI said it will provide dollars directly to state oil companies to shore up the currency.

In comments published by The Hindu newspaper last week, David Gornall, chairman of the London Bullion Market Association, said India could raise $23 billion by swapping gold for a payable currency for a period of its choice, while remaining the long-term holder of the gold.

Australia's Norton Gold hedges prices on 30 pct of expected annual output

By A. Ananthalakshmi

SINGAPORE, Aug 30 (Reuters) - Australia's Norton Gold Fields Ltd is hedging the price risk on nearly a third of its projected 2013 gold output, becoming one of few producers to adopt such a strategy amid this year's tumble in bullion prices.

Norton, controlled by China's biggest gold producer Zijin Mining Group , said it has entered into a hedging program with Macquarie Bank comprising 50,000 ounces of gold for delivery over the next 12 months at a flat forward price of A$1,601.40 ($1,400) per ounce - lower than current spot prices.

The pricing indicates Norton does not expect a recent recovery in gold prices to have legs. That is in contrast to most producers, who expect gold prices to rebound and have thus been reluctant to initiate a hedging strategy.

Spot gold prices have fallen 16 percent this year after 12 consecutive annual gains. They hit an all-time high of over $1,900 an ounce in 2011, helped by easy central bank money and a weak global economy.

But with the possibility of the United States winding down its stimulus, the metal fell to a three-year low of $1,180 in June this year before rebounding to trade at around $1,409 on Friday. Several brokerages, including Goldman Sachs, have forecast prices to weaken by the end of the year and even more next year.

"We want to protect ourselves from the volatility in gold prices," Dianmin Chen, chief executive of Norton, told Reuters. "This is going to give us good security in cash flow."

Norton is expected to incur A$900-A$980 per ounce as cost of production, according to the company's forecast provided earlier this year.

"So that (the A$1,600) offers us a very good margin," Chen said.

With mines in the Kalgoorlie region in western Australia's outback, Norton expects to produce 163,000 to 167,000 ounces of gold this year and double it over the next three to five years.

Hedging, once a popular practice among gold miners, all but dried up in the mid-2000s, as they spent billions to unwind forward sales and regain full exposure to rising bullion prices.

MARKET NEWS

Chilean workers at small Codelco mine say could strike next week

SANTIAGO, Aug 29 (Reuters) - Workers at world No. 1 copper producer Codelco's small Salvador mine have voted in favor of staging a strike after turning down a proposed bonus, the unions' spokesman told Reuters on Thursday.

The union will first seek dialogue with the state-owned miner until Wednesday, spokesman Waldo Gomez said. If that doesn't materialize, "the most likely (scenario) is that the strike will kick off as of Sept. 5," he added.

The deposit produced a modest 62,700 tonnes of copper in 2012-- under 4 percent of state-owned Codelco's total production of roughly 1.647 million tonnes.

But the announcement comes at a tricky time for the company, which is already grappling with insufficient funding for its crucial investment plans, dwindling ore grades and slumping metal prices.

Codelco was not immediately available for comment.

Gomez declined to comment on the content of the company's bonus offer.

He said the 1,122 worker-strong unions are seeking greater equality of salaries and benefits among Salvador's workers and in comparison with the wider mining industry.

Ecuador and Codelco to explore Llurimagua reserves together

By Alexandra Valencia

QUITO, Aug 29 (Reuters) - Ecuador's state mining company Enami EP will create a joint venture with the world's top copper producer, Chile's Codelco, to explore the Llurimagua copper reserves in the North of Ecuador, the head of Enami said on Thursday.

In an interview with Reuters, Santiago Yepez said Enami would have a 51 percent stake in the joint venture, which will explore deposits which the government says early studies have shown could be particularly important for the country.

Ecuador has no mining industry to speak of, and President Rafael Correa is seeking to attract investment to tap the nation's potentially large copper, gold and silver reserves and diversify the economy away from its dependency on oil exports.

Yepez said the joint venture would allow Enami to benefit from Codelco's technology and experience. Mining could begin in 2017 at Llurimagua, he said, where the deposits are thought to extend for about 4,840 hectares (almost 12,000 acres).

In June, Ecuadorean lawmakers approved a mining law aimed at speeding the development of small and medium-size ventures, just days after Canada's Kinross canceled a massive $1.2 billion gold project in the country over a tax dispute.

In addition to Llurimagua, Enami hopes to explore two other copper projects, Telimbela and El Torneado, as well as iron and titanium reserves at the Tola Norte project.

Yepez said the recent legal changes, which included tax breaks and the cutting of some red tape, had drawn the interest of miners from countries including China, Australia and Qatar. "Ecuador is finally on the world mining map," he said.

Sundance sees troubled Africa iron ore project online by 2018

PERTH, Aug 30 (Reuters) - Australia's Sundance Resources expects to bring its $4.7 billion iron ore project in West Africa online by early 2018, despite the collapse of a takeover by China's Hanlong Group in April that many expected to doom the project.

Giulio Casello, chief executive of Sundance, told Reuters in an interview that the company is also aiming to finalise an equity partner for the project and have offtake secured by the end of the year. By early next year, Sundance expects to have selected a contractor for the development.

Investors saw little hope for the future of the project when the Hanlong deal fell through, but Sundance has said it was talking to potential partners and was to have concluded discussions with them by June. It remains upbeat about the prospects of the 35 million tonne a year Mbalam-Nabeba iron ore project on the border of Cameroon and the Republic of Congo.

"Late 2017, early 2018 is the time we would expect to see product out of this project," Casello said late on Thursday.

Before the Hanlong deal fell through, Sundance had been aiming for first shipments from Mbalam by late 2015.

Although the collapse of the Hanlong deal was a setback, Casello said the Chinese company's backing did help Sundance expedite permits and environmental approvals.

Sundance's share price, though, has yet to recover from the blow dealt by the Hanlong deal's collapse. Shares were around 8 Australian cents on Friday compared with more than 30 cents at the beginning of the year.

Casello forecast a period of iron ore oversupply in the short- to medium-term as Chinese growth slows, but saw the market turning around by the end of the decade.

"There will potentially be an oversupply. We might see the iron ore price drop down to $100 a tonne or even $80 a tonne over the next few years," he said.

"There will be shakeouts which will result, in 2018, the need for iron ore." With major producers such as Rio Tinto , Vale and BHP Billiton under pressure to slash costs as commodity prices decline and return money to their shareholders, companies that are proceeding with developments face less competition for resources, the CEO said.

MARKET NEWS *(Continued)*

CSN wants U.S. mill included in Thyssen deal -source

By Sabrina Lorenzi

RIO DE JANEIRO, Aug 29 (Reuters) - Brazilian steelmaker CSN may call off plans to buy ThyssenKrupp's money-losing CSA mill in Rio de Janeiro if the German steelmaker does not include a U.S. sister plant in the deal, a source with knowledge of the matter said.

Companhia Siderúrgica Nacional SA , as Brazil's No. 2 flat steel producer is known, is pushing ahead in negotiations to buy Steel Americas - comprised of the CSA slab mill in Rio and a processing plant in the U.S. state of Alabama - from ThyssenKrupp AG , said the source, who declined to be named because the talks are private.

ThyssenKrupp has struggled to sell its 73 percent stake in CSA, into which it poured more than $8 billion. The remainder of CSA is owned by Brazilian iron ore miner Vale SA .

"Without the Alabama plant, CSN is not interested in the deal," the source said.

Spokesmen for CSN and ThyssenKrupp declined to comment.

A purchase of ThyssenKrupp assets is seen as having negative implications for CSN, whose stock is down 35 percent since news of the bid emerged last September. Some analysts say the purchase would hurt CSN's earnings before interest, tax, depreciation and amortization, boost debt and distract management from undertaking more profitable projects.

According to a second source with knowledge of the situation, CSA could help CSN raise its steelmaking and port capacity, but such gains would make no sense without the Alabama plant. CSA has the capacity to produce up to 5 million tonnes of slab a year, part of which is sold to the Alabama mill for processing into flat products shipped mostly to carmakers.

Since the 1990s, when CSN's higher-value rolled steel products faced anti-dumping duties and tariffs in the United States and other countries, the company has sought to increase its capacity to process raw steel slabs outside Brazil.

In 2002 CSN bought a rolling mill in Terre Haute, Indiana. The mill receives slabs shipped from CSN's Presidente Vargas mill outside Rio and transforms the slabs into higher-value rolled products for the auto industry in the U.S. Midwest and South.

The CSA mill in Rio de Janeiro is also a slab mill. With the Alabama mill, it has sought to operate on a system similar to the Presidente Vargas-Terre Haute model.

While the first source said CSN expects to clinch a deal for the two plants by the end of September, the second source said talks have "cooled," though there are chances of progress in the future.

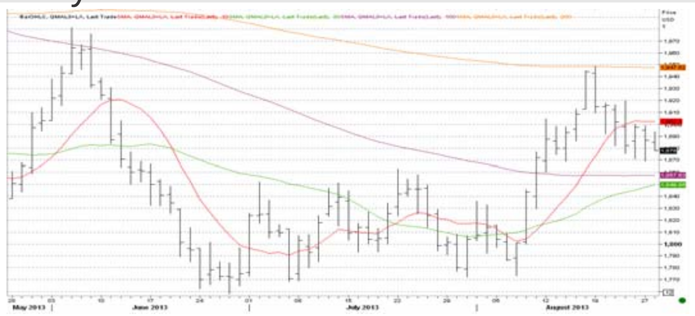
Vale wants ThyssenKrupp to partially reimburse it for some of the $550 million in extra costs that CSA has incurred over the past four years.

The sale of CSA to CSN hinges on a successful resolution of the Vale-ThyssenKrupp issues, the first source said.

CSA, whose construction cost $10 billion and which began operations in 2009, is Brazil's largest foreign investment project to date.

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

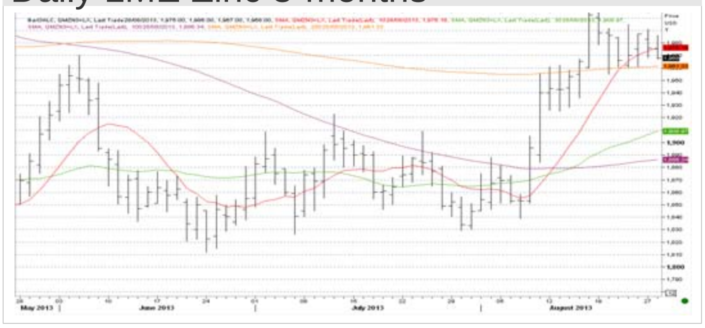
Daily LME Aluminium 3-months



Daily LME Copper 3-months

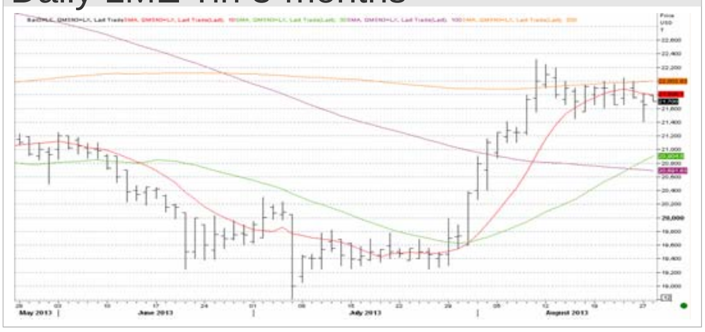
Daily LME Nickel 3-months

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-Copper prices on track for biggest monthly gain in 11 months

By Melanie Burton

SINGAPORE, Aug 30 (Reuters) - London copper was set to wrap up its biggest monthly gain in nearly a year on signs the global economy is edging towards recovery, although prices touched a three-week low on fresh strength in the dollar.

Copper has rebounded by more than four percent in August, adding to 2 percent gains in July as prices claw back ground from three-year lows near $6,600 a tonne touched in late June.

"Given the recent pick-up in prices, and the uncertainty in September over the impact of Fed tapering, markets could just be taking profits and cutting risk, which is why we have seen a bigger fall than usual at the end of the month," said commodity analyst Natalie Rampono of ANZ in Melbourne.

"Going into the fourth quarter we usually see a bit of restocking demand from China. We're not expecting a huge recovery in the copper market, but prices could come back up to $7,500," she added.

Three-month copper on the London Metal Exchange was up 0.54 percent at $7,191.75 a tonne by 0319 GMT, paring losses from the previous session when it fell by 1.9 percent.

Copper prices earlier edged down to $7,145 a tonne, the lowest since August 9, and are on track to close the week down more than two percent, the biggest weekly loss since mid-June.

The most-traded December copper contract on the Shanghai Futures Exchange fell 0.7 percent to 51,880 yuan ($8,500)a tonne.

The dollar was at its highest in nearly four weeks on Friday against a basket of major currencies, having posted a strong rally thanks to month-end demand and upbeat U.S. economic data. [USD/]

A stronger dollar weighs on commodities priced in the greenback because they become more expensive for holders of other currencies.

China's factory activity in August may have expanded at the fastest pace in three months, a Reuters poll showed, adding to evidence that the world's second-largest economy may be stabilising after slowing for more than two years.

The U.S. economy accelerated sharply in the second quarter thanks to a surge in exports, bolstering the case for the Federal Reserve to wind down a major economic stimulus program.

In news, Ecuador's state mining company Enami EP will create a joint venture with the world's top copper producer, Chile's Codelco, to explore the Llurimagua copper reserves in the North of Ecuador, the head of Enami said on Thursday.

PRECIOUS-Gold heads for 2nd monthly rise; but Syria, stimulus concerns linger

By A. Ananthalakshmi

SINGAPORE, Aug 30 (Reuters) - Gold held steady as the probability of an immediate military strike on Syria faded, and strong U.S. data rekindled fears of an imminent scale-back of the Federal Reserve's stimulus measures.

Spot gold was little changed at $1,406.99 an ounce by 0638 GMT, treading water after ending a five-day rally the previous day. Gold had risen to a 3-1/2 month high of $1,433.31 on Wednesday.

The metal is headed for its second straight monthly gain, helped largely by short-covering and technical buying that pushed it above the key $1,400 level this week.

"Looks like the market is running out of steam at these levels," said one Singapore-based gold trader. "If it cannot hold above $1,400 today, it will surely see a sharp drop."

"We have seen quite a sharp slowdown in physical buying."

Strong U.S. data also bolsters the case for the tapering of the Fed's massive stimulus that pushed gold to above $1,900 an ounce in 2011. U.S. gross domestic product grew at a 2.5 percent annual rate in the April-June period, more than double the pace clocked in the prior three months. The number of Americans filing new claims for jobless benefits fell last week, a potential sign of faster hiring in August.

Gold's safe-haven appeal was also dimmed after U.S. officials conceded on Thursday they lacked conclusive evidence that Syrian President Bashar al-Assad personally ordered last week's poison gas attack on civilians.

PHYSICAL SLOWDOWN

Gold prices have risen $1,400 for the first time in more than two months, deterring buyers had splurged on jewellery, bars and coins earlier this year.

In Hong Kong - the key gold supplier to China - gold kilo bar premiums declined to $2.50 an ounce from $5 two weeks ago. Tokyo premiums fell to 50 cents from $1.50, while those in Singapore dropped to $1.50. Dealers said there has been a lot of selling in the physical markets in Asia as consumers look to profit from the higher prices.

FOREX-Dollar index steady near 4-week high; yen inches up

By Masayuki Kitano

SINGAPORE, Aug 30 (Reuters) - The dollar held steady near a four-week high versus a basket of currencies on Friday after having rallied on upbeat U.S. economic data, while the yen was supported by month-end flows from Japanese exporters.

MARKET REVIEW *(Continued)*

The dollar eased 0.1 percent versus the yen to 98.26 yen , having backed off an intraday high of 98.48 yen.

Traders said dollar-selling by Japanese exporters at the month-end helped to cap the greenback's moves versus the yen.

The Japanese currency, which has been locked in an inverse correlation with Tokyo shares for months, also gained some support as the benchmark Nikkei share average sagged 0.6 percent.

The yen's rise was limited, however, as safe-haven bids ebbed as emerging Asian currencies such as the Indian rupee and Indonesian rupiah regained a bit of calm after a sell-off earlier in the week.

"Things have settled down compared to the situation we saw before, in which Asian currencies were sold off," said a trader for a Japanese bank in Singapore.

Given the relative calm in emerging Asian currencies and stock markets, sentiment was unlikely to tilt too strongly in the direction of yen buying, the trader added.

Jitters about Syria were also temporarily put aside after the British parliament rejected a motion supporting military action, a setback to Western governments looking to punish President Bashar al-Assad for what they believe was his use of chemical weapons against civilians.

Following the parliamentary vote, British Defence Secretary Philip Hammond confirmed Britain would not be involved in any action against Syria.

Moves among major currencies were subdued overall, with the dollar index holding steady at 81.955, having set a high of 82.067 on Thursday, its highest level since Aug. 5, or highest in nearly four weeks.

The dollar had risen broadly on Thursday, partly due to an upward revision to second-quarter U.S. economic growth, which bolstered the case for the Federal Reserve to begin winding down stimulus next month.

The euro held steady near $1.3243 , holding above Thursday's two-week low of $1.3219.

The euro has support at the Aug. 15 trough around $1.3205. A break there will pave the way for a retest of the Aug. 2 low of $1.3188.

Emerging market currencies were off their recent lows as authorities in the worst-hit centres were forced into action to defend them.

This week alone, India, Indonesia and Brazil acted to stem an outflow of funds from their markets, which have fallen on hard times as investors moved to position for a world with less easy money from major central banks.

On Thursday, Indonesia's central bank raised its main interest rates for a third time in four months after the rupiah currency slumped to its lowest level in more than four years earlier this week.

(Inside Metals is compiled by Pradip Kakoti in Bangalore)