INSIDE METALS

Tuesday, August 6, 2013

CHART OF THE DAY

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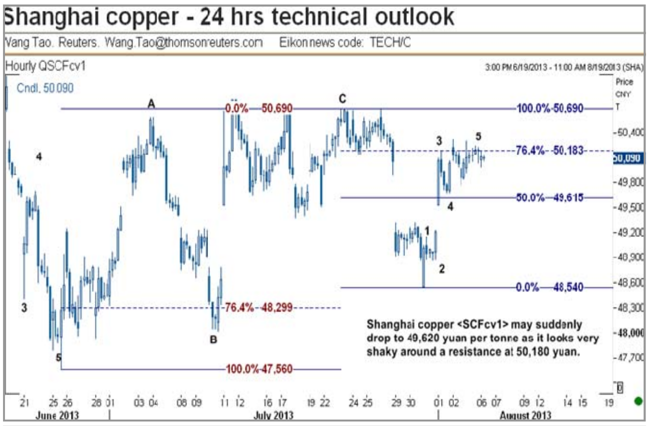

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COLUMN-Despite gloom, prices for commodities China consumes are up

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Clyde Russell is a Reuters columnist. The opinions expressed are his own

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TODAY'S MARKETS

BASE METALS: London copper was trapped in a tight range with muted summer-season demand from China keeping volumes low, while investors eye the release of key trade and industrial output numbers from the top consumer later this week for direction.

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FOREX: The Australian dollar pushed higher after Australia's central bank cut interest rates as expected and refrained from offering a clear hint that it may ease monetary policy further.

"Previously they'd said the inflation outlook could provide some scope to ease policy further should that be required to support demand. Now that sentence is still there, but they refer to it in past tense," Pepper said.

FEATURE

COLUMN-Despite gloom, prices for commodities China consumes are up

By Clyde Russell

LAUNCESTON, Australia, Aug 6 (Reuters) - It's not hard to find bearish commentary on the outlook for China's commodity demand, but every so often a little bit of information contrarian to the prevailing market views comes along.

Such a snippet is the latest China Commodity Index compiled by ANZ Banking Group, which shows the weighted average price for a basket of commodities imported by China rose to a three-month high last week.

The index gained 0.6 percent in the week ended Aug. 2, with only industrial metals detracting from the increase. It's 0.4 percent higher than three months ago, but 2.7 percent below the level a year earlier.

Although it doesn't have a long history, the ANZ index is useful as it tracks 22 major commodities and is weighted to reflect China's consumption.

The idea that prices of commodities most commonly used in the world's largest consumer are at a three-month high appears at odds with other recent evidence that economic growth is stalling.

The rise in the official Purchasing Managers' Index to 50.3 in July from 50.1 in June has been about the only significant recent Chinese economic data that has surprised on the upside.

It was also in contrast to the HSBC manufacturing PMI, which fell to an 11-month low of 47.7 in July, well below the 50-level that separates expansion from contraction on a monthly basis.

The concern over weakness in manufacturing and the impact of the authorities' efforts to restructure the economy has led to questions as to whether China will achieve its 2013 target for 7.5 percent growth in gross domestic product.

Worries over China have permeated to commodity-producing countries like Australia, with fears rising that the boom in natural resources is over and the country is now left with the hangover of over-investment in mines.

But as the ANZ index reminds us, sometimes the actual data doesn't quite tally with the prevailing sentiment.

However, it's worth looking at the index in detail, as the softness in China's economic growth has sharpened differences between the performance of different types of commodities.

Since the index is at a three-month high, a good place to start is to look at the sector which has been the best performer and that is agricultural commodities by some margin.

AGRICULTURE WINS

The agricultural sub-index, which has a weighting of 25 percent and contains pork, corn, rice, wheat, soybeans, cotton, palm oil and sugar, has gained 7.6 percent in the past three months.

The only other sub-index with a positive return was the 1.6 percent gain for energy, which carries a 39 percent weighting and is made up of Brent oil, thermal coal and natural gas.

Bulks, with a 21 percent weighting and consisting of iron ore and coking coal, declined 3.2 percent.

Industrials, made up of copper, aluminium, rubber, lead, zinc and nickel, declined 4.9 percent, while precious metals, weighted a 3 percent and consisting of gold, silver and platinum, slumped 11.4 percent.

The breakdown of returns does highlight that the manufacturing sector has been the one doing it tough in China.

The performance for energy would have been stronger if it weren't for thermal coal, with spot prices at Newcastle Port declining almost 11 percent since the end of April, and by 16 percent since the start of the year.

Coking coal, used in steel-making, is mostly to blame for dragging down bulks, as spot iron ore prices have dropped by only 3 percent since the end of April.

However, it should be pointed out that iron ore hasn't been steady over the past three months, first slumping to its 2013 low of $110.40 a tonne on May 31 and then rallying 18 percent to close on Monday at $130.20.

Iron ore has gained on hopes that steel demand will increase as China ramps up infrastructure spending, mainly on high-speed railways.

If the ANZ index is to continue to post gains, it's likely that the drivers will rotate, with industrials picking up as manufacturing benefits from some domestic stimulus and a brighter outlook for exports as the U.S. economy recovers.

Meanwhile the agricultural sub-index may struggle to replicate its performance, given weakness in global prices for soybeans, rice, palm oil and natural rubber.

Overall, the ANZ index serves as a reminder that too much of the focus when looking at China's commodity demand is placed on industrial metals and the manufacturing outlook.

While China's export-orientated factories have been the driver of the nation's spectacular growth over the past two decades, their relative importance to the economy is starting to diminish, and so to will the influence of the commodities they consume.

--Clyde Russell is a Reuters market analyst. The views expressed are his own.--

GENERAL NEWS

Chile expects to see mining investments of $112 bln to 2021

SANTIAGO, Aug 5 (Reuters) - Chile's government forecast on Monday that the world's No. 1 copper producer will attract more mining investments of some $112 billion in the next eight years.

The estimate, which is higher than the previous forecast in November of $104 billion in investments, "is due to the incorporation of nine new projects for a total of $3.6 billion and another 20 initiatives (projects) that have updated their investment budgets," Mining Minister Hernan de Solminihac said.

In January, the Sonami mining association said it expected Chile to get $100 billion in mining investment over the next 10 to 12 years, a slightly longer timeframe than previously forecast, as regulatory uncertainty and energy woes are key risks.

Chile's annual production capacity will increase to 8.1 million tonnes of refined copper in 2021 considering the current investment portfolio, from 5.9 million tonnes last year, Solminihac said.

But actual copper output in the coming years may be lower than capacity due to "contingencies in the sector," he added.

Though the Andean nation is seeking to boost output at its giant, ageing mines, a mix of sliding grades, soaring costs, labor unrest, energy woes and legal setbacks to mining projects could curb its ambitious plans.

In 2012, Chile boosted its copper production by 3 percent to 5.455 million tonnes.

Among companies helping to boost the overall investment estimate, state miner Codelco, the globe's biggest copper miner, expects to boost its annual investment to an all-time high of more than $5 billion this year, from about $4 billion in 2012.

Codelco [CODEL.UL] is aiming to produce more than 2 million tonnes of the red metal by 2021, a big leap from less than 1.7 million tonnes last year, and to do so it has launched an ambitious long-term investment plan of about $28 billion.

Mining sector dynamism helped economic activity in Chile to beat forecasts and expand 4.2 percent in June from the same month a year ago, data showed earlier on Monday. Copper accounts for over half of all Chilean exports.

Brazil's BTG hires metals warehousing exec in commodities push

By Josephine Mason

LONDON Aug 5 (Reuters) - Brazil's Grupo BTG Pactual SA has hired Shon Loth, a metals warehousing expert, an official said on Monday, as Latin America's largest independent investment bank continues to build its physical commodity trading business.

Loth, who previously ran Noble Group Ltd's warehouse company Worldwide Warehouse Solutions (WWS), started at the bank's London office on Monday, the official said. His job title is not known.

Loth's appointment is the strongest sign yet that the bank's ambitions to expand into physical commodity trading include metals and warehousing.

His arrival follows more than a dozen other hires by the privately owned bank in everything from energy to grains since former Noble chief executive Ricardo Leiman joined to pursue a $300 million-plus expansion plan to create a physical commodity operation.

Logistics and warehousing, major problems for soy, coffee and sugar producers in Brazil, are an area of interest, industry sources have told Reuters previously.

A spokesman for the bank did not return call for further comment.

The bank is expanding at the same time as U.S. rivals retreat as regulatory and political scrutiny of Wall Street banks' ownership of physical commodity assets increases.

Bankers and industry sources have said BTG may be interested in some of JPMorgan Chase & Co's physical commodity assets, which were put up for sale last month.

Those operations include Henry Bath, a metals warehousing operation, as well as power plants and oil and gas storage.

Loth joined Noble, a Hong Kong-based commodity merchant, to run its warehousing business in March 2011, according to his LinkedIn profile. He left in May, according to the UK business register.

Noble bought WWS, a small U.S. warehousing company, in 2010 which it has since expanded to 13 LME warehouses, including in Singapore and the Netherlands.

JPM's Henry Bath warehouse company has 72 facilities from Baltimore to Johor, Malaysia.

Kenya acts to get a bigger share of mineral resources

NAIROBI, Aug 5 (Reuters) - Kenya has unexpectedly increased royalties on minerals produced in the east African country and revoked certain mining licenses to get a bigger share of earnings from its mining sector.

The new measures, which came as a surprise to mining companies in the country, followed a sector-wide review and was aimed at ensuring east Africa's biggest economy got a more favourable deal, Mining Secretary Najib Balala said.

Kenya has proven deposits of titanium, gold and coal. But the country's mining sector is a relatively small contributor to national output although its revenues are expected to grow as new mines come onstream.

GENERAL NEWS *(Continued)*

Kenya's action follows measures in Tanzania, Africa's fourth-largest gold producer, which passed new mining legislation in 2010 to raise royalty payments on gold exports to 4 percent of gross value from 3 percent of netback value.

The Tanzanian government has also said it would consider windfall taxes on mining companies if they reap huge profits from the commodities.

In Kenya, in addition to royalty increases, the government has revoked all mining licenses issued in the months before and after March's elections.

Balala said he was cancelling prospecting and mining permits issued from Jan 14 to May 15 this year, a transition period when some ministers from the old government quit their positions and parliament was dissolved.

"We didn't see that one coming," said a senior official at Cortec Mining Kenya, a subsidiary of Canada-based minerals and metals firm Pacific Wildcat Resources , which is scouring the coastal region for niobium reserves.

The official, speaking on condition of anonymity as the company was still digesting the announcement, said Cortec had not received official word from the new government that its licenses were revoked.

"We followed all the legally required procedures that culminated in our being given these licenses," he said. "I am confident whatever the reasons for the revocations, we are clean." He said if his company's license were revoked it could be recovered "without much struggle."

Niobium is used to make alloys for jet engines and to strengthen steel.

Royalties on gold, of which Kenya is a relatively small producer, would increase to 5 percent of gross sales value from 2.5-3 percent, Balala said.

For rare earth, niobium and titanium ores, royalties would rise to 10 percent of gross sales value for from 3 percent previously. Royalty rates for other extracted minerals would vary between 1 percent and 12 percent.

Drilling charges have also been hiked by at least tenfold, a government document detailing new mining charges showed.

"We want to ensure the country gains from the mineral potential," Balala told a news conference.

The Kenya Chamber of Mines said industry players had not been consulted before the declaration and the body was examining the regulations governing the sector.

Australia's Base Resources , which owns a titanium mine that will be Kenya's biggest when it starts production before the end of this year, declined to comment immediately.

Kenya has more than 300 local and foreign firms prospecting for minerals or producing on a small scale, up from less than 30 two years ago, according to the Chamber of Mines.

The new measures do not affect the oil and gas sector, where a number of discoveries have led to a scramble by oil firms keen for a piece of the action. London-listed Tullow Oil last week said a new drilling success confirmed the commercial value of Kenyan fields.

Vale profit seen down on lower metals prices, weak demand

By Jeb Blount and Sabrina Lorenzi

RIO DE JANEIRO, Aug 5 (Reuters) - Profit at Brazilian miner Vale SA likely fell in the second quarter due to a decline in the price of iron ore, the company's main product, and an economic slowdown in China, its principal market.

Net income in the three months ended June 30 likely fell 7.63 percent from a year earlier to $2.46 billion, according to the average estimate of 18 analysts surveyed by Reuters. Vale plans to announce its second-quarter results on Aug. 7 after markets close in New York and Sao Paulo.

Even if profit declines, a result near or better than expectations is likely to be seen as a sign that efforts to slash costs and boost productivity are working. The price of iron ore, responsible for about 90 percent of company profit and 80 percent of revenue, was down 12 percent in the quarter compared with a year earlier.

A 38 percent drop in nickel prices and an 8.2 percent slide in copper also hurt, increasing the urgency of revamping money-losing base-metal mines. Vale is the world's largest miner of iron ore, the main steel ingredient, the No. 2 nickel producer and a major producer of copper and fertilizers.

"We expect Vale to continue the cost-reduction effort and improvement in base metals," Rodolfo Angele and other JPMorgan metals and mining analysts wrote in a recent report. "That said, sentiment has been very negative, which raises the potential of a surprise from management action."

Vale preferred stock, its most traded class of shares, has fallen 17 percent in the last year and stands nearly 33 percent below its 52-week high.

Angele and his colleagues expect net profit of $980 million in the second quarter, the second-lowest forecast among the analysts surveyed. They also recommended "marginal buying" of Vale stock ahead of the company's earnings announcement.

The analysts surveyed expect second-quarter revenue to fall 2.62 percent from a year ago to $11.58 billion, and earnings before interest, taxes, depreciation and amortization to rise 3.16 percent to $5.28 billion. Profit, compared with the first quarter, is expected to rise 5.92 percent.

In addition to cost-cutting, profit is likely to be bolstered by larger sales volumes and a sharp decline in the value of Brazil's currency, the real, against the U.S. dollar.

GENERAL NEWS *(Continued)*

"Lower iron ore prices may be partially offset by higher volumes," Rodrigo Garcilazo C. and Mariana de Barros Bertone, metals and mining company analysts with Grupo Bursátil Mexico (GBM), wrote in a recent report. "We expect the appreciation of the U.S. dollar to facilitate improvements in operating margins."

Bertone and Garcilazo were joined by Deutsche Bank analysts Leandro Cappa and Jorge Beristain in expecting selling, general and administrative (SG&A) costs to be down by nearly a third. Write-offs of money-losing nickel projects are not expected until the third quarter, GBM said.

Iron ore sales volumes are expected to rise 22 percent to 77.3 million tonnes compared with a year ago, H. Fraser Phillips, Steve Bristo and Thomas Klein, mining analysts with RBC Dominion Securities Inc in Toronto, said in a report.

SHARES COULD RISE

While nearly all of Vale's sales are in dollars, most of its operations are in Brazil, where it pays for salaries, fuel, electricity and other goods and services in reais.

With the real worth 5.31 percent less in the second quarter of 2013 compared with the second quarter of 2012, each dollar of iron ore sales bought 5.61 percent more Brazilian goods and services than a year earlier.

Vale, Brazil's largest consumer of diesel fuel, also benefited from fuel subsidies that the government forces Petroleo Brasileiro SA, or Petrobras , Brazil's state-controlled oil company, to give Brazilian consumers.

While the government has allowed several fuel price increases in the past year, local prices have never reached world levels, and the price hikes have been wiped out by the stronger dollar, helping Vale control its rail network costs.

If cost-cutting succeeds, some analysts expect Vale shares to continue gains that began after the stock sank to nearly four-year lows in July.

Lower costs, plus higher iron ore prices and China's efforts to keep its economy from slowing, could help Vale's U.S.-traded common shares rise more than 20 percent to $17 by the end of the year, according to Phillips, Bristo and Klein at RBC.

MARKET NEWS

Chinese copper demand could catch short-sellers by surprise

By Eric Onstad

LONDON, Aug 5 (Reuters) - Gloom over weaker economic growth in China has led some investors to miss signs of robust underlying copper demand, which may wrong-foot those betting on a further slide in prices.

Benchmark prices in copper, viewed by many investors as a proxy for global economic health, hit the lowest levels in nearly three years at $6,602 a tonne in late June.

The price on the London Metal Exchange (LME) slid 21 percent from a peak this year in February, mainly due to worries about China, which accounts for 40 percent of copper demand. It has since rebounded modestly to trade just under $7,000 a tonne.

Despite China's weak factory data and a credit crunch, spending on the power grid and other areas has meant copper consumption is fairly buoyant in the world's biggest metals consuming nation.

China's apparent copper demand, after adjusting for changes in stocks, surged over 20 percent in the second quarter, Barclays analyst Gayle Berry said.

"From a Chinese demand perspective, things are quite positive. Going into the third quarter. I think we're going to get some strong numbers coming through for apparent consumption," she said.

The latest U.S. data on Friday showed hedge funds and money managers nearly doubled their net shorts in copper futures and options in the week to July 30, the biggest increase in bearish bets since late February.

Wiktor Bielski, head of commodities research at VTB Capital in London, agrees. "I suspect that people have become too bearish because of this long dreary period when things have been drip, dripping weaker, and they're missing that there's been slow but steady change to a more positive outlook."

Firm demand is translating into a steady decline in copper inventories, while logjams at warehouses could crimp availability if consumption picked up further.

Stocks at the Shanghai Futures Exchange have slid by a third since April, while LME stocks have declined 11 percent since late June.

SHORT SELLING

Investors have been amassing record short positions in copper this year, analysts say, although the positions have fluctuated as some fund managers have locked in profits.

The LME does not provide a breakdown of short and long position holders like U.S. regulators do, but analysts say a surge of open interest and lower prices indicated a large short position built up in the first half.

"We are talking about some very, very large short positions. My guess is that we've had all-time high short positions built up in the first half of this year," Bielski said.

MARKET NEWS *(Continued)*

He estimated combined positions equivalent to more than 4 million tonnes of copper worth $28 billion at current prices had built up on the LME and smaller U.S. Comex contract.

Some of those have been liquidated, but that still leaves a very heavy short position, Bielski added.

If Chinese copper demand gathers steam and surprises the market by its strength, that could spark strong short-covering.

"Open interest nevertheless remains elevated, suggesting that there is potential for a more sustained short-covering rally if a trigger, perhaps spread tightness, does emerge," analyst Leon Westgate at Standard Bank said in a note.

TIGHTER SPREADS

Signs of tighter availability have been emerging from the forward curve on futures exchanges.

The Shanghai Futures Exchange is in backwardation, with nearby contracts at a premium to forward ones, indicating stronger demand for spot material. On the LME, copper briefly went into backwardation in early July for the first time in eight months.

Traders say many of the positions are concentrated in contracts for September and October expiry, when a potential squeeze could occur as investors seek to roll over positions.

The bears are counting on additional supply to pressure the market as new mines ramp up and existing operations boost output. Copper output jumped 28 percent at Escondida, the world's biggest copper mine, in the 2013 fiscal year to end-June, majority owner BHP Billiton said .

"There has clearly been an improvement in mine supply ... but it may take a little bit longer than people are expecting before that leads to a market that is in oversupply," said Nic Brown, head of commodities research at Natixis.

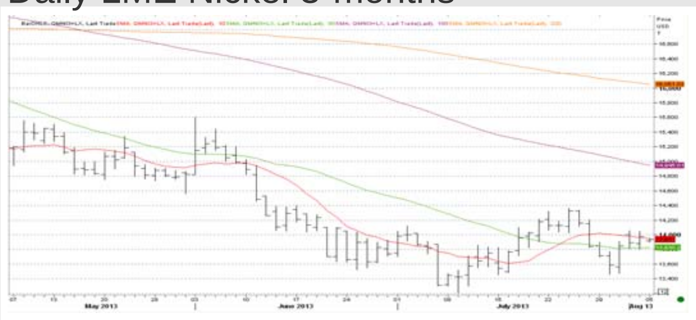
Berry said any surge in copper prices would not last for long as higher private domestic stocks in China and more supply from mines weigh on the market later in the year.

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

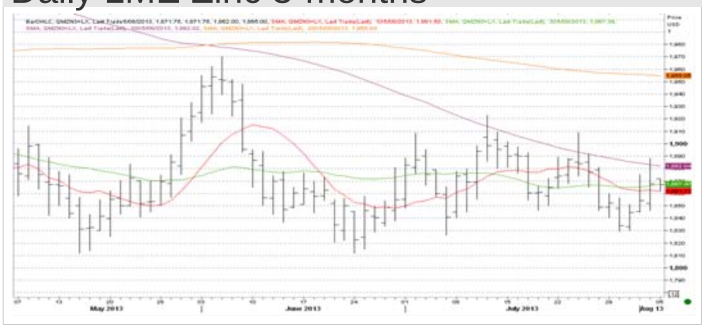
Daily LME Aluminium 3-months

Daily LME Copper 3-months

Daily LME Nickel 3-months

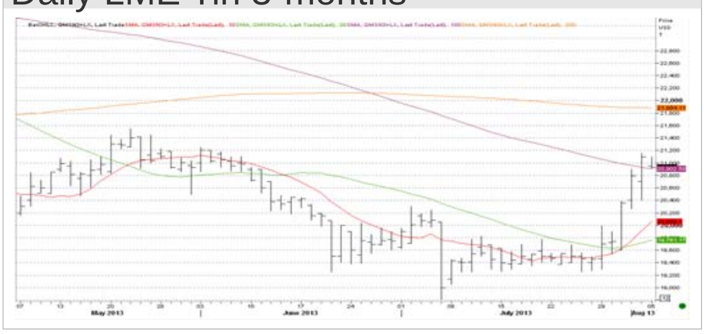


Daily LME Zinc 3-months

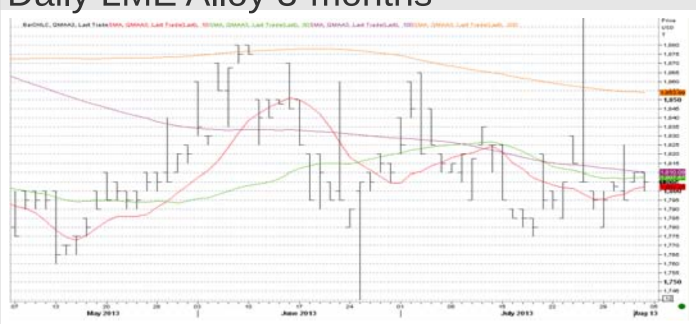


Daily LME Lead 3-months

Daily LME Tin 3-months



Daily LME Alloy 3-months



Daily LME Nasaac 3-months

MARKET REVIEW

METALS-Copper marks time on weak China demand, data eyed

By Melanie Burton

SINGAPORE, Aug 6 (Reuters) - London copper was trapped in a tight range with muted summer-season demand from China keeping volumes low, while investors eye the release of key trade and industrial output numbers from the top consumer later this week for direction.

Copper prices have found a floor around the $6,700 a tonne level with consistent buying emerging on dips, despite the sluggish demand that is not expected to pick up until the fourth quarter, traders and analysts said.

"July to early September is traditionally a slack season for demand in China. Traditionally speaking, producers of copper electrical wire will start preparing for orders around Christmas and Chinese New Year and that will then give support," said Chunlan Li of consultancy CRU in Beijing.

Three-month copper on the London Metal Exchange traded little changed at $6,965 a tonne by 0319 GMT.

Copper finished last week up around 2 percent for its first weekly gain in three, but is down 12 percent for the year.

The most-traded November copper contract on the Shanghai Futures Exchange drifted down 0.16 percent to 50,050 yuan ($8,200) a tonne.

Market participants are now waiting to scour China trade data -- due on Thursday -- and inflation, urban investment, industrial output and retail sales -- due on Friday -- for hints on the country's demand for commodities.

For now, copper prices are drawing some support from lower availability of scrap metal in China, traders said. Copper scrap is used as a feedstock by producers of the refined metal.

Premiums for copper in China's bonded zone are near four-year highs of $210, and trading in a wide $185-$225 range according to Chinese price provider Shmet.

In other metals, immediate demand for tin has surged in the past month, pushing up LME cash prices to a $28 premium over three-month prices, the highest since November last year, from a $67 discount a month ago.

Indonesia's overhaul of tin trading rules that raises minimum purity levels are expected to slash shipments from the world's top refined tin exporter for a few months, potentially pushing up prices for the metal.

Also potentially affecting metals, the U.S. Federal Reserve should reverse its policy of allowing investment banks to own metals warehouses and commodity infrastructure assets, a top U.S. derivatives regulator said on Monday.

PRECIOUS-Gold falls below $1,300 as strong economic data hurts

By A. Ananthalakshmi

SINGAPORE, Aug 6 (Reuters) - Gold erased early gains struggling to stay above $1,300, as strong global economic data dented its safe-haven appeal and physical buying in top consumers India and China remained subdued.

The metal rose early in Asian trading on a weaker dollar but failed to find support amid lacklustre demand in China, the second biggest gold buyer. Losses were exacerbated by technical selling once the price fell below $1,300.

Spot gold was down 0.6 percent at $1,295.91 an ounce by 0251 GMT, hovering near a two-week low.

"Once we break below $1,300 and then $1,295, it could go all the way to $1,280," said one precious metals trader in Hong Kong. "There is nothing much to hold it up today as we have seen strong data, and physical demand is quiet."

Growth in the U.S. services sector rebounded from a three-year low, data showed on Monday, while British businesses boomed and activity at euro zone companies expanded, albeit modestly, in July for the first time in 18 months.

Gold has lost close to a quarter of its value this year on fears the U.S. Federal Reserve will curb its commodities-friendly bond purchases on signs of economic recovery.

The Fed is nearer to dialling back its massive bond-buying programme after the unemployment rate dropped last month, Dallas Fed President Richard Fisher said on Monday.

Gold hit a two-week low of $1,282.69 on Friday on strong U.S. economic growth and robust factory activity. However, it rebounded after a weak jobs report.

"There is not much technical support further down until $1,284," ANZ analysts said in a note on Tuesday.

PHYSICAL DEMAND SLOW

Gold importers in top bullion consumer India stayed on the sidelines for a third straight week due to policy uncertainty on shipments and supporting premiums.

In China, demand has fallen off in recent weeks, dealers say, as indicated by falling premiums. Gold prices on the Shanghai Gold Exchange fell about 1 percent.

Premiums to London spot prices in Hong Kong - a key supplier to China - have fallen to about $3-$4 an ounce, dealers said, from $5 two weeks ago.

Holdings in SPDR Gold Trust , the world's largest gold-backed exchange-traded fund, fell 0.2 percent to 917.14 tonnes on Monday.

MARKET REVIEW *(Continued)*

FOREX-Aussie up as RBA offers no clear hints on more easing

By Masayuki Kitano

SINGAPORE, Aug 6 (Reuters) - The Australian dollar pushed higher after Australia's central bank cut interest rates as expected and refrained from offering a clear hint that it may ease monetary policy further.

Moves in other major currencies were relatively subdued, with the euro easing 0.1 percent to $1.3247 , while the U.S. dollar edged up 0.3 percent versus the yen to 98.53 yen .

The big mover on the day was the Australian dollar, which gained 0.6 percent to $0.8982 , pulling away from a three-year low of $0.8848 set on Monday.

The Reserve Bank of Australia cut its main cash rate by a quarter point to a record low of 2.5 percent on Tuesday as it tries to prepare the economy for life after the mining boom.

The Aussie dollar rose as there had been some speculation about the possibility of a 50 basis point rate cut, and also because the RBA's statement suggested that it may be shifting from an easing bias to a more neutral policy stance, said Hamish Pepper, currency strategist at Barclays in Singapore.

"Previously they'd said the inflation outlook could provide some scope to ease policy further should that be required to support demand. Now that sentence is still there, but they refer to it in past tense," Pepper said.

The change has "captured the market's attention and potentially it suggests that the RBA might be moving to a more neutral policy stance," he said.

While the Aussie dollar is likely to continue to be pressured by slowing growth in China as well as a strengthening U.S. economy and rising U.S. yields, it may gain some support in the near-term, Pepper said.

"Positioning is extremely short. Most of the market, it seems, has been selling Aussie dollars up to this point, so perhaps this is a good juncture to take profit on those trades," Pepper said.

The Australian dollar pushed higher against the yen as well, gaining 0.8 percent on the day to 88.48 yen .

The U.S. dollar gained some respite versus the yen, having retreated earlier after data on Friday showed that U.S. employers slowed their pace of hiring in July.

That outcome had strengthened the view that the Fed could wait until late in the year before scaling back its bond-buying programme, rather than start its tapering in September.

The dollar had slipped versus the yen earlier in the day, partly due to stop-loss dollar selling, but regained ground as Japan's benchmark Nikkei share average pared losses and turned higher, market players said.

Increases in Tokyo shares can be seen as positive for investor risk appetites and spur selling of the yen, a traditional safe haven currency that tends to rise in times of market stress.

(Inside Metals is compiled by Pradip Kakoti in Bangalore)