INSIDE METALS

Tuesday, December 11, 2012

CHART OF THE DAY

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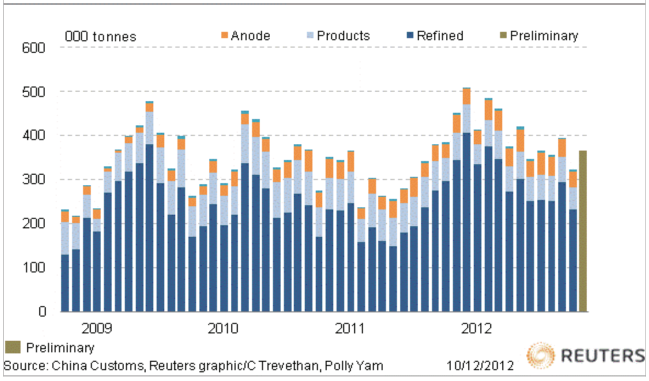
Chinese copper imports



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FEATURE

COLUMN- China's copper imports an ever murkier signal

Does the rate of monthly flow of refined copper into China tell us anything useful about the state of demand in the world's largest user of the red metal?

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

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TODAY'S MARKETS

BASE METALS: London copper eased as traders took profits after prices hit a near two-month top in the previous session, but signs of a revival in China's growth and hopes the United States would be able to avoid a fiscal disaster curbed losses.

"The most recent indications have been that the outlook for copper is picking up. Fabrication demand in China was still running just under double digits in the third quarter," said Matt Fusarelli, an analyst at Australia-based consultancy AME Group.

PRECIOUS METALS: Gold inched lower but sentiment was underpinned ahead of a U.S. Federal Reserve meeting where policy makers are expected to announce more stimulus measures, a move that would support gold's appeal as a hedge against inflation.

"People have realised that what the Fed has been doing is damaging to price stability," said Dominic Schnider, an analyst at UBS Wealth Management in Singapore, adding that recent jumps in U.S. gold coin sales showed investors' worries about the consequences of Fed's unconventional monetary policy.

FOREX: The euro hovered above two-week lows as nerves calmed over Italy's latest political turmoil for now and as prospects of more stimulus from the Federal Reserve pinned down the dollar.

"The euro's dip below $1.2900 proved to be short-lived," said Vassili Serebriakov, strategist at BNP Paribas. "FX markets are showing some notable resilience following news of Monti's imminent resignation."

FEATURE

COLUMN-China's copper imports an ever murkier signal

By Andy Home

LONDON, Dec 10 (Reuters) - Does the rate of monthly flow of refined copper into China tell us anything useful about the state of demand in the world's largest user of the red metal?

Logically, it should.

China is short copper, so the amount it imports "should" say something about its appetite for what is a key industrial input. That in turn "should" say something about the relative strength of the country's demand.

And since China is the world's largest user, that "should" signal something about the state of the global copper market.

The problem is that the signal is becoming ever murkier and is set to become even more clouded next year.

PROBLEMATIC SIGNAL

The monthly ebb and flow of Chinese copper imports has always been a problematic signal.

As is usually the case with monthly data series, the resulting signal can be distorted by calendar events such as the timing of Chinese holidays.

So, for example, the last couple of months' data have fluctuated sharply because of China's week-long National Day holiday in October. Headline imports of refined copper, alloy, anode and products slumped by 18.5 percent to 321,879 tonnes in October, only to stage a 13.5 percent bounce back to 365,331 tonnes in November.

The figures reflected the fact that term shipments, those booked under annual contracts, were pushed back a month by the holiday.

A bigger problem in interpreting the monthly import figures has been the country's stocks cycle, which tends to work counter-cyclically.

Chinese buyers lift purchases at times of lower prices and reduce intake at times of higher prices.

The result is clear to see in the following graphic. Note in particular the early 2009 import surge in the wake of the copper price collapse of late 2008 and then the multi-month dip in 2011, when the price was toying with record highs around $10,000 per tonne.

http://graphics.thomsonreuters.com/CN/CN_CPRIMP.gif

Still, these were relatively minor problems.

Month-on-month noise could be smoothed out by looking at the bigger import trend. Comparing that trend with other signals, such as Chinese fabricator output, actually helped identify the country's stocking-destocking cycle.

WHEN IS AN IMPORT NOT AN IMPORT?

All of which worked well enough until it dawned on the market that what was counted by China's customs department as an "import" sometimes only made it as far as a bonded warehouse in Shanghai.

It is now generally accepted that China's copper import figures reflect both manufacturing and financing demand.

Metal imported can either flow straight through to copper fabricators or get stuck in Shanghai to be used as collateral against loans.

This sort of financing activity has mushroomed over the past year or so, so it has become increasingly hard to reconcile headline import figures with fabricator activity.

China's imports of refined copper in the first 10 months of this year, for example, totalled 2.91 million tonnes.

That represented year-on-year growth of 40 percent as well as reaching an all-time record, eclipsing even the 2009 import surge.

Quite evidently, though, such import strength has been at odds with every other indicator of industrial activity in China.

Nor has it obviously reflected a major turn in the country's stocks cycle, since the copper price has blown neither too hot nor too cold this year.

So now the market has to interpret both monthly and trending flows of imported copper through the prism of secondary indicators - first and foremost the amount of metal held in Shanghai statistical limbo.

Everyone is broadly agreed that Shanghai bonded stocks have grown this year, although the extent of that growth is debatable, largely because there is no hard methodology of counting that inventory.

The increase has certainly been large enough to pose a serious question of the consensus view that the global refined copper market has been in statistical deficit over the course of 2012.

What this all means, though, is that the signalling power of the headline import figure is much diminished.

Or at least the figure for refined copper imports. Imports of scrap, up 3.7 percent in the January-October 2012 period, may prove to be a useful gauge of copper fabricator demand.

Scrap is not yet a financing tool and, although subject to the swings and fortunes of the London-Shanghai arbitrage, it is still a very useful secondary indicator of what is happening to the real economy in China.

WHEN IS AN EXPORT NOT AN EXPORT?

Such is the current state of affairs.

Things are going to get even more complicated next year, though.

It seems that after a change in the tax code covering tolling contracts some of China's biggest copper producers are going to become consistent exporters of metal.

It's worth stressing that China's default copper trade position has historically been one of importer.

FEATURE *(Continued)*

Occasional export surges, most recently in the second quarter of this year, have reflected distress deliveries to London Metal Exchange warehouses in South Korea against LME short positions.

The "normal" flow of metal out of the country is close to zero, not least because of a penal 15-percent export duty.

Exports of metal made under tolling contracts have always been exempt from that duty but were still rarely lucrative enough for the flow to be more than an occasional statistical blip in the overall trade picture. The July 1 tax change, however, has cut the duty on such exports by around 75 percent, enticing those smelters approved for tolling to look at lifting export volumes.

Now they are not only offering term export contracts for 2013 but are doing so at premium levels that undercut other major international suppliers.

Offered premiums range from $75 to $83 over LME cash prices compared with a range of $98 to $105 from Chilean state giant and "benchmark-setter" Codelco.

Evidently, if copper trade flows are indeed going to become consistently two-way next year, it will diminish further the signalling power traditionally accorded the import figure.

Much will depend on just how much is exported. Most commentators are expecting a fairly modest figure.

Researchers at Barclays Capital, for example, suggest exports could be around 10,000-15,000 tonnes per month next year, which would be a relatively minor statistical offset to what flows the other way.

However, the real problem will again be one of murkiness since it seems that an "export" from China may only go as far as, you guessed it, the Shanghai bonded warehouse zone.

This will enhance further the status of what is emerging as "The Shanghai Copper Exchange". But it won't help anyone trying to make sense of the monthly copper import figures.

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

GENERAL NEWS

U.S. 'fiscal cliff' talks picking up pace

WASHINGTON, Dec 10 (Reuters) - The White House and House of Representatives Speaker John Boehner's office held more negotiations on Monday on ways to break the stalemate over the "fiscal cliff," steep tax hikes and budget cuts set to start kicking in next month.

Neither side gave any public signs that they were ready to give ground. And a House Republican leadership aide said, "There is no deal or anything like it" on resolving fiscal cliff issues.

On Capitol Hill, however, there were indications that preparations were under way for quick legislative consideration of a deal if one is reached soon.

The most discussed scenario - which remains nothing more substantial than that - has Democrats getting the tax increases on high earners they favor in exchange for significant concessions that would help reduce the costs of Medicare, the government healthcare program for seniors.

Democrats and Republicans next year would also work together on comprehensive tax reform aimed at bringing in more revenues to the government, in part by eliminating some tax breaks.

As similar deficit reduction talks between Boehner and President Barack Obama in 2011 showed, negotiations that seem promising one day can fall apart the next.

And if Obama and Boehner were to tentatively agree on such a package, the two would have to sell the plan to Democratic and Republican lawmakers in the Senate and House.

According to one senior Democratic aide, the two sides also are talking about including an increase in U.S. borrowing authority, which Obama wants before Congress wraps up for the year.

Without such authority, the Treasury is likely to hit its $16.4 trillion borrowing limit by year's end and run out of creative steps to stave off default as soon as mid-February.

Another sign of potential progress was a conciliatory opinion article published late Monday in The Wall Street Journal by Republican Senator Rob Portman of Ohio.

Portman, a former top budget official in the administration of President George W. Bush, wrote that while he disagrees with Obama's desire to raise taxes on high earners, "negotiations require give and take."

Portman urged Obama to offer up proposals to cut entitlements such as Medicare and reform the tax code, suggesting that if he did, Republicans would be "eager to work with him" to avert the cliff.

Portman joins a growing chorus of Republicans, particularly in the Senate, who have signaled flexibility.

The talks gained urgency after Republican Boehner met at the White House with Obama on Sunday, raising hopes of progress in averting the cliff.

But while striking a more conciliatory tone, both sides kept to a familiar public script in the weeks-long standoff. Obama renewed his call for higher tax rates for the richest Americans, which most Republicans oppose, while Republican leaders urged Obama to submit a new offer with specific spending cuts he would back.

GENERAL NEWS *(Continued)*

Economists say going over the fiscal cliff could throw the U.S. economy back into a recession.

On a road trip to Michigan to drum up support for his stance, Obama said he was willing to compromise on some things but not on his demand that Republicans support an increase in tax rates for the wealthiest 2 percent of Americans.

"What you need is a package that keeps taxes where they are for middle-class families, we make some tough spending cuts on things that we don't need, and then we ask the wealthiest Americans to pay a slightly higher tax rate, and that's a principle I won't compromise on," Obama said during a visit to an auto plant in Redford, Michigan.

Early on Monday, Boehner spokesman Michael Steel said Republicans were still waiting for the president to make a new offer that identifies the spending cuts he will make in the deficit-reduction negotiations.

"The Republican offer made last week remains the Republican offer," Steel said, adding the two sides were holding staff-level talks on Monday.

Boehner and the House Republican leadership submitted their terms for a deal to the White House last week, after Obama presented his opening proposal. Both sides seek to cut budget deficits by more than $4 trillion over the next 10 years but differ drastically on how to get there.

Boehner and Republicans oppose letting any tax rates increase and prefer to find new revenues by closing loopholes and limiting deductions. Republicans also want deeper spending cuts than Obama has offered in entitlements like Medicare and Medicaid, the healthcare program for the poor and disabled.

Democrats have insisted that tax rates for the richest must be nailed down before negotiating further on how to proceed with tax reform efforts or new spending cuts in entitlement programs.

'A DEAL IS POSSIBLE'

"I can only say that the president believes that a deal is possible," White House spokesman Jay Carney told reporters on the flight to Michigan. "But it requires acceptance and acknowledgement in a concrete way by Republicans that the top 2 percent will see an increase in their rates."

Polling shows most Americans would blame Republicans if the country goes over the cliff, and pressure has been building from some Republicans for Boehner to get an agreement quickly, even if it means tax hikes on the wealthiest.

U.S. stocks edged higher on Monday but moves remained muted as investors looked for any signs of movement on the fiscal cliff front.

The S&P 500 index has nearly retraced the 5.3 percent slide it suffered in the first seven sessions after the Nov. 6 presidential election.

"The sentiment has definitely changed," said Andrew Wilkinson, chief economic strategist at Miller Tabak & Co in New York. "The market has become somewhat desensitized to headlines out of Washington because the fear of the economy hitting a wall in 2013 if we don't get a deal done has diminished."

Europe backs Monti reforms as Italy crisis hits markets

ROME, Dec 10 (Reuters) - European partners urged the next Italian government on Monday to stick to Prime Minister Mario Monti's reform agenda, after his decision to resign early and Silvio Berlusconi's return to frontline politics rattled financial markets.

Monti's surprise weekend announcement that he would quit because Berlusconi's People of Freedom (PDL) party had withdrawn its support for his technocrat government pushed up Italy's borrowing costs and prompted a stock market sell-off.

The campaign for an election expected in February is likely to be fought over Monti's reform agenda which Berlusconi, his predecessor as prime minister, said had condemned Italy to recession and forced him reluctantly to run for a fifth term.

By contrast European politicians and officials warned that Monti's policies must continue to prevent a return of the crisis which brought him to power a year ago, when he was charged with rescuing the euro zone's third biggest economy from the threat of a Greek-style collapse.

"Monti was a great prime minister of Italy and I hope that the policies he put in place will continue after the elections," European Council President Herman Van Rompuy said in Oslo, where he was part of a European Union delegation receiving the Nobel Peace Prize.

The comments echoed similar remarks in the past two days from policymakers ranging from French Foreign Minister Laurent Fabius to the head of the European bailout fund Klaus Regling and European Commission President Jose Manuel Barroso.

With Rome's European allies doing little to conceal dismay at the thought of Berlusconi's return - on a day when his trial on sex charges was also back in the headlines - the billionaire former premier called the EU sniping at him an insult to Italy.

Spanish Economy Minister Luis de Guindos warned that instability there could spill over and put Spain's fragile public finances at risk of further turmoil .

Attention is now focused on whether Monti will enter politics himself, either as a candidate or by endorsing one of the centrist forces that have backed his reforms and made more or less explicit pleas for him to run.

The daily La Repubblica quoted the 69-year-old former European Commissioner as saying that he had not yet made up his mind but was worried by the situation. "I don't know," he was quoted as saying. "If I had to ... describe my feelings today, I would say that I am very concerned."

GENERAL NEWS *(Continued)*

He has repeatedly warned of the danger posed by the rise of populist, anti-European forces in the region.

CENTRE-LEFT LEADS

Monti's decision to resign once the 2013 budget is approved, probably before Christmas, has brought forward to February an election that had already been expected in March or by the latest April.

Opinion polls suggest Berlusconi has little chance of re-election and he has struggled to reassert his previously undisputed domination of rival factions and courtiers in his deeply divided centre-right party.

The centre-left Democratic Party (PD) under Pier Luigi Bersani holds a strong lead and is likely to form the next government on a broadly pro-European platform, largely in line with Monti's agenda.

Bersani - who hopes that the former European Commissioner will stay on in some capacity, possibly as Italy's president - said on Monday that "precisely because Monti should still be able to be of service to this country, it would be better for him to stay out of the contest".

Berlusconi's strategy appears designed to ensure he retains influence in the next parliament with a substantial voting bloc that, among other things, can protect his business and personal interests.

After several weeks of calm, markets bridled at the prospect of Berlusconi's return to lead the centre-right, just over a year after a financial crisis drove the scandal-plagued billionaire from office to be replaced by Monti's technocrats.

"You can expect a sharpening in anti-austerity, anti-reform rhetoric...and this will probably translate into a higher risk premium on Italian assets," said Goldman Sachs analysts Silvia Ardagna and Francesco Garzarelli.

The main measure of investors' confidence, the spread between Italian 10-year government bonds and their lower risk German equivalent, widened to 362 basis points from 325 late on Friday , reflecting worries over a return to the political uncertainty which dogged Italy last year.

Milan's blue-chip share index dropped over 3 percent, with sharper falls in banking stocks that are seen as most vulnerable to a renewed debt crisis.

"IRRESPONSIBILITY"

Berlusconi's reappearance on the frontline and the prospect of a messy anti-Monti election campaign galvanised attention in Italy and abroad, reawakening memories of the financial and sexual scandals that plagued the media magnate's last government.

Rubbing in the point, the prosecutor in Berlusconi's trial on charges of having sex with a juvenile prostitute accused the 76-year-old of delaying tactics after the young woman failed to appear as a witness.

A barrage of comment from European leaders underlined the concern about Berlusconi's return and the Roman Catholic Church made outspoken and thinly veiled criticism of the former premier that may influence the PDL's conservative voting base.

"What leaves one astonished is the irresponsibility of those who think of arranging things for themselves while the house is still burning," the influential head of the Italian bishop's conference, Angelo Bagnasco, told the Corriere della Sera.

On Monday night, Belusconi issued a terse statement rejecting the negative comments from foreign politicians and media as an offensive interference in domestic affairs.

He said he had always been a "convinced supporter of Europe" and that the comments were "offensive not so much to me personally but to the free choice of the Italians."

With a new government likely to be formed in a few months, Italy's European partners have now started to look more closely at Bersani, the overwhelming victor in a centre-left primary election last month.

A no-frills former communist who is close to Italy's trade unions, Bersani has promised to stick to the promises on fiscal discipline the government has made and has said that Monti is likely to continue playing a role after the election.

While Italy's election laws are likely to give Bersani a strong majority in the lower house, the complicated rules may make it more difficult for him to take control of the Senate, posing a possible risk to the formation of a stable government.

Whoever wins will have to confront a severe recession, record unemployment and a ballooning public debt expected to surpass 126 percent of gross domestic product this year.

The depth of the crisis was underlined on Monday, with data showing GDP shrinking 2.4 percent in the third quarter and industrial production dropping 1.1 percent in October.

S.Korea's PPS to buy 127,266 T of base metals in 2013

LONDON, Dec 10 (Reuters) - South Korea's state-run procurement agency plans to buy 127,266 tonnes of industrial metals next year, spending almost $668 million on the purchases, 20 percent more than it spent this year, an official at the agency said on Monday.

The Public Procurement Service (PPS), which manages South Korea's strategic reserves of metals, will focus on buying aluminium, copper and tin, Soon-Jae Yoo, deputy director of PPS's commodity stockpile division, said at a seminar in London.

"PPS is planning to expand the stockpiling volume next year," Yoo said.

South Korea, the world's fourth-largest buyer of industrial metals, imports all of the aluminium it needs and 45 percent of its copper. Led by demand for aluminum for use in cars, the country's total demand for metals topped 3 million tonnes last year.

GENERAL NEWS *(Continued)*

South Korea is home to Hyundai Motors , the world's fifth-largest automaker with its affiliate Kia Motors . The firms sold 6.6 million vehicles in 2011, up 15 percent from the previous year.

Last year, South Korea's total demand for aluminium was nearly 1.3 million tonnes and for copper more than 755,000 tonnes, according to official data.

PPS plans next year to buy 74,000 tonnes of aluminium, 32,100 tonnes of copper, 2,274 tonnes of lead, 14,998 tonnes of zinc, 2,200 tonnes of tin and 1,694 tonnes of nickel, Yoo said. This year, it bought 123,200 tonnes of industrial metals at a cost of around around $555.2 million.

PPS's non-ferrous metal purchases account for less than 5 percent of South Korea's total demand in volume terms.

Yoo also said PPS would list a 1,100 tonne copper commodity exchange-traded fund worth around $10 million on South Korea's stock exchange on Dec. 17.

The EFT listing has been delayed twice this year. It was originally expected to launch in the first quarter of this year and then in July.

Yoo said the EFT would eventually expand to other metals including aluminium and tin.

Excellon rejects claim of irregularities at Mexico mine

Dec 10 (Reuters) - Silver miner Excellon Resources Inc rejected a non-governmental organization's claim that Mexican regulators have found environmental irregularities at its La Platosa mine, which has seen a number of protests over the last six months.

ProDESC, a non-governmental organization advising a group of communal land owners protesting against Excellon, said a delegation of Mexico's environmental protection agency found irregularities at the mine and the company's unit there could face sanctions.

The company said the agency found no "material or significant issues" at the mine after conducting a review on Nov. 27. "We contacted PROFEPA (the agency) this afternoon and were once again advised that all is in order," Excellon President Brendan Cahill told Reuters.

La Platosa, the company's only producing mine, has been facing protests from the local landowners known as Ejido La Sierrita over demands for a new water treatment plant and other concessions.

The mine, which produced 1.3 million ounces of silver in 2011, faced a two-month-long blockade earlier this year.

Excellon shares fell 2 percent to 52 Canadian cents on Monday afternoon on the Toronto Stock Exchange. The stock has lost 9 percent of its value in the last six months.

Governments must tackle sharp commodity price swings - think tank

LONDON, Dec 10 (Reuters) - Governments must cooperate to tackle increasingly sharp swings in prices of commodities such as food, metals and oil that threaten stability within and between countries, the Chatham House think tank said.

"Trade is becoming a frontline for conflicts over resources - at a time when the global economy is more dependent than ever on trade in resources," the London-based think tank said in a report on Monday.

"Higher prices and higher volatility have increased the stakes within and between countries," the report, "Resources Futures" said. It recommended the formation of a group of the top 30 resource producers and consumers to work together to iron out sharp price changes and reduce protectionism.

"We believe that confronting hard price volatility upfront is a major insurance policy for the global economy," Bernice Lee, the lead author of the report, said.

As only eight countries produce the majority of the world's commodities and demand keeps rising, prices are very prone to fluctuations and this, rather than outright scarcity, is set to be the major difficulty, the think-tank said.

The size of fluctuations in commodity prices has more than tripled since 2005 compared to the period from 1980, the report showed, based on International Monetary Fund data.

When this affects basic household goods there can be major consequences.

EXISTENTIAL THREAT TO SOME GOVERNMENTS

"If you look at what the initial reasons were for people hitting the streets in North Africa during the Arab Spring a lot of it started off with people being angry about the price of bread," Rob Bailey, another of the report's authors, told a briefing in London.

"It's almost an existential threat to some governments in some parts of the world, this issue of price volatility."

Unlike previous waves of volatility, the current period of fluctuating commodity prices is not driven by a fundamental crisis such as a world war or great depression, Bailey said.

"We don't have that kind of obvious crucial factor this time. It appears to be an actual structural change in the way the global economy has organised itself, which has led to this and that's why we think it's likely to last into the medium term," he said.

The report also listed water scarcity, climate change and energy constraints as among problems for output of resources.

For example mining projects in Chile and Mongolia have recently been delayed due to energy and water shortages, potentially affecting world prices, Lee said.

Nationalisation of commodity companies, the confiscation of foreign-owned assets, and windfall profit taxes are also more

MARKET NEWS

China refined copper production at record high in Nov

HONG KONG, Dec 11 (Reuters) - China's production of refined copper rose in November to a record high for the second straight month, as more domestic manufacturers turned to local smelters for supplies that traders said were cheaper than imports.

Smelters also continued to take advantage of higher treatment and refining charges (TC/RCs) for raw material copper concentrate, which was also in plentiful supply due to a rise in imports, analysts said.

Refined copper output rose 2.1 percent in November to 531,000 tonnes, up from the previous record of 520,000 tonnes in October, data from the National Bureau of Statistics showed on Tuesday.

Some large smelters have also increased exports of refined copper cathode in the past few months and plan to ship out even more next year, encouraging higher production, traders said.

China is the world's top consumer of industrial metals and also the biggest producer of most refined metals.

Demand for metals has weakened this year as China's economic growth slowed, creating record high stockpiles of copper and slowing the growth of imports of refined metals, alloys and semi-finished copper products in October to their lowest in 15 months.

"Most smelters have been doing alright this year even though consumption has slowed and their raw materials supplies have increased recently, encouraging them to produce more metal," said Yang Xiaoguang, analyst at Jinrui Futures, a subsidiary of top producer Jiangxi Copper.

"Capacity of semi-finished copper products has expanded this year, therefore the demand for refined copper has still increased," he said, adding that refined metal output is likely to stay strong in December.

Some analysts and traders had hoped Beijing's recent increase in infrastructure spending would boost copper demand in the fourth quarter of the year.

LEAD

Refined lead production fell 2.8 percent from a record 471,000 tonnes in October to 458,000 tonnes in November as demand weakened from the battery sector, the biggest user of the metal.

Some lead-acid batteries manufacturing plants built new capacity after the government closed outdated plants last year. The bulk of the capacity came on line in the first half of the year but demand has slowed, creating high inventories and forcing some factories to cut production.

"The sales of lead are still very bad. Battery plants have a lot of battery inventories, both for electric bicycles and automobiles," a sales manager at a large lead smelter said.

"We are pessimistic on demand for the next few months. Some lead smelters are certainly going to cut production."

ALUMINIUM, ZINC

Output of primary aluminium dropped 3.3 percent to 1.67 million tonnes in November, reversing a 2.8 percent rise in the previous month, even though a purchase by the State Reserves Bureau briefly supported domestic prices.

"There is so much aluminium in China, it is hard for prices to rise," said a manager at a large aluminium smelter.

Jinrui's Yang estimated more than 1.2 million tonnes of aluminium ingots were currently stored in private and public warehouses. These figures excluded state stocks.

"Some smelters have cut or shut production because of low prices. But the overall production is still higher than last year as new capacity came onstream," Yang said.

China's State Reserves Bureau kicked off a metals buying spree last month, taking 100,000 tonnes each of aluminium and zinc from domestic smelters in a move that is aimed to assist smelters that have been hurt by weak demand.

The state purchases encouraged zinc smelters to produce more refined metal in November. Output rose 7.4 percent from the previous month to 453,000 tonnes.

NICKEL

Refined nickel production rose 2.8 percent to 23,017 tonnes in November after falling 3.2 percent in October.

A source at a nickel pig iron production plant said many plants were still not running at full production as demand from stainless steel manufacturers remained modest.

"Many producers are not expecting demand to improve in the next few months," the source said.

China Nov daily steel output up 0.5 pct on month

SHANGHAI, Dec 11 (Reuters) - China's daily crude steel output rose to 1.916 million tonnes in November, up 0.5 percent from the previous month, government data showed on Tuesday, as steel mills boosted their runs on better profit margins.

Total output for November reached 57.471 million tonnes, bringing production for the first 11 months to 660 million tonnes, up 2.9 percent compared to the same period a year ago, according to data issued by the National Bureau of Statistics.

China produced 1.907 million tonnes of crude steel per day in October.

Chinese steel output normally slows in November and December as temperatures plunge and construction activities slow, but analysts said many mills actually stepped up production in November after an improvement in margins.

MARKET NEWS *(Continued)*

Big mills were able to make a profit of around 200 yuan ($32.03) per tonne in November, surging four-fold from 50 yuan in October, as prices of hot-rolled coil used for manufacturing rose 5 percent, according to data from Xiben New Line Co Ltd, a steel trading platform in Shanghai.

Data from the China Iron & Steel Association showed that the daily average crude steel output was 1.944 million tonnes in November and 1.960 million tonnes for Nov 21-30.

China produced a record high 2.02 million tonnes per day of crude steel in April, but has slowed down output since July.

Iron ore production reached 124.6 million tonnes in November, up 14.1 percent year on year, with January-November output at 1.2 billion tonnes, up 15.5 percent compared to the same period of 2011.

China's Baosteel raises main steel product prices for Jan

SHANGHAI, Dec 11 (Reuters) - China's Baoshan Iron & Steel , the country's biggest listed steelmaker, said on Tuesday it will raise the January booking prices for some of its steel products, a signal the company is increasingly optimistic about its prospects.

The company will raise hot-rolled coil prices by 80 yuan ($12.81) per tonne and cold-rolled coil by 60 yuan per tonne. Baosteel's pricing decisions usually set the tone for the rest of the market.

Baosteel provides about half of the domestic market supply of cold-rolled coil sheets used in carmaking.

Chinese vehicle sales rose 8.2 percent in November from a year earlier, with the pace of growth picking up from the previous month as Japanese car makers showed signs of recovering following a huge slump.

Hot-rolled coil prices also rose 5 percent in November, traders said, encouraging steel mills to raise prices to chase the rally.

Analysts expected little room for hot-rolled coil prices to fall in December due to lower steel output and higher steel mill prices.

Rising industrial output and retail sales in November at their fastest annual pace in eight months suggests that the growth in the world's second-largest economy is picking up after a long slide.

Baoshan Iron & Steel , China's biggest listed steelmaker raised prices for December by 100 yuan ($16) a tonne, after keeping them unchanged over October and November.

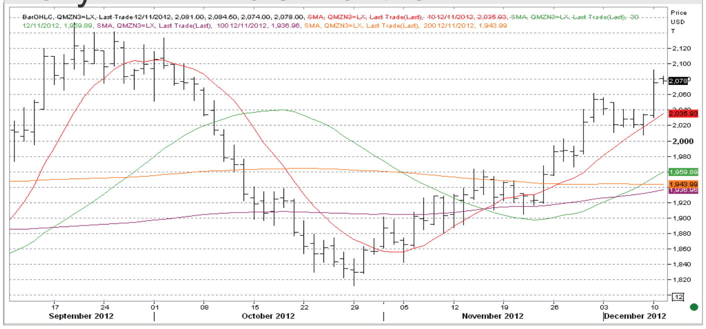
ANALYTIC CHARTS *(Click on the charts for full-size image)*

Daily LME Aluminium 3-months

Daily LME Copper 3-months

Daily LME Nickel 3-months

Daily LME Zinc 3-months

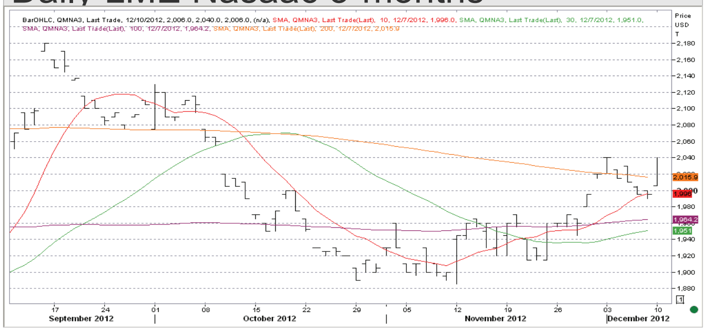


Daily LME Lead 3-months

Daily LME Tin 3-months

Daily LME Alloy 3-months

Daily LME Nasaac 3-months



THOMSON REUTERS

MARKET REVIEW

METALS-LME copper eases from near two-month high; U.S. eyed

SINGAPORE, Dec 11 (Reuters) - London copper eased as traders took profits after prices hit a near two-month top in the previous session, but signs of a revival in China's growth and hopes the United States would be able to avoid a fiscal disaster curbed losses. Copper prices have rallied more than 7 percent since mid November on prospects for renewed demand from China, while further easing measures from a U.S. Federal Reserve meeting expected this week may feed a more robust revival next year.

"The most recent indications have been that the outlook for copper is picking up. Fabrication demand in China was still running just under double digits in the third quarter," said Matt Fusarelli, an analyst at Australia-based consultancy AME Group. China's production of refined copper rose in November to a record high for the second straight month. China accounts for around 40 percent of the global refined copper demand.

Three-month copper on the London Metal Exchange slipped 0.39 percent to $8,108.25 a tonne by 0701 GMT, reversing gains from the previous session when it hit its highest since Oct. 19 at $8,159 a tonne. Most LME metals hit their highest in around two months on Monday except for outperformer tin, which jumped by six percent, striking its loftiest since April 5. Tin prices have been supported by producer hedging and momentum-based fund buying, a trader said.

The most-traded March copper contract on the Shanghai Futures Exchange edged down 0.14 percent to close at 57,900 yuan ($9,300) a tonne. Copper prices were held in check by profit taking and technical selling given "fresh concerns surrounding Greece and, more imminently, the Italian situation", commodity merchant Sucden said in a research note, referring to Italian Prime Minister Mario Monti's decision to resign early.

"It is difficult, after the recent price increases, to foresee another major uplift in prices from here. We would therefore envisage a period of consolidation in these new ranges pending fresh incentives," it said.

U.S. FISCAL HOPES

But the copper market is drawing support from hopes U.S. lawmakers will eventually find a fix for the "fiscal cliff", or $600 billion in spending cuts and tax hikes that kick in early next year and threaten to push the world's biggest economy into recession. The White House and House of Representatives Speaker John Boehner's office held more negotiations on Monday on ways to break the fiscal cliff stalemate, but neither side showed any public signs that they would give ground.

"In terms of the big concerns about the U.S., I think pragmatism will prevail," AME's Fusarelli said."Next year it will be much firmer footing than it has been for several years. In the meantime, the general consensus is that there will be more free money on the way which is supporting prices."

PRECIOUS-Gold inches lower; Fed expectations lend support

SINGAPORE, Dec 11 (Reuters) - Gold inched lower but sentiment was underpinned ahead of a U.S. Federal Reserve meeting where policy makers are expected to announce more stimulus measures, a move that would support gold's appeal as a hedge against inflation. Many economists expect the Fed to announce monthly bond purchases of $45 billion after its meeting on Tuesday and Wednesday. Gold benefits from an easy monetary policy as investors fear that rampant cash printing will damage the value of fiat currencies, prompting them to seek safety in hard assets such as bullion.

Gold has risen more than 9 percent so far this year amid monetary easing policies by the world's central banks, especially the Fed and European Central Bank. "People have realised that what the Fed has been doing is damaging to price stability," said Dominic Schnider, an analyst at UBS Wealth Management in Singapore, adding that recent jumps in U.S. gold coin sales showed investors' worries about the consequences of Fed's unconventional monetary policy. But Schnider also said he was disappointed at gold's recent performance, as neither the dragging U.S. budget talks nor a relatively soft dollar appeared to inspire gold buying. Bullion posted two straight months of losses in October and November. The dollar index came off its two-week high hit last week, while the euro steadied despite a political turmoil in Italy. Spot gold inched down 0.2 percent to $1,709.10 an ounce by 0719 GMT, after rising to a one-week high of $1,717.20 in the previous session. U.S. gold dropped 0.4 percent at $1,707.80.

GOLD ETF HOLDINGS SLIP FROM RECORD HIGH

Holdings of gold-backed exchange-traded funds edged down to 76.177 million ounces on Dec. 9, after hitting consecutive record highs since mid-November despite stagnant prices. By comparison, investors in U.S. gold futures and options slashed their net length by a quarter in the week ended Dec. 4, data from the U.S. Commodity Futures Trading Commission showed. Both platinum and palladium hit multimonth highs in the previous session, encouraged by strength in base metals and a bright outlook for the Chinese economy. The higher prices triggered some profit-taking selling interest, traders said.

"There has been some noticeable interest in physical PGM (platinum group metals) selling," said a Tokyo-based trader, adding that the overall trade flows will slow down towards the end of the year. Spot platinum was little changed at $1,617.99, off Monday's high of $1,625, its highest since mid-October. Spot palladium , which rose to a near three-month high of $702.5 in the previous session, traded down 0.3 percent to $694.80.

MARKET REVIEW *(Continued)*

FOREX-Euro hovers above 2-week low, Fed next focus

SYDNEY/TOKYO, Dec 11 (Reuters) - The euro hovered above two-week lows as nerves calmed over Italy's latest political turmoil for now and as prospects of more stimulus from the Federal Reserve pinned down the dollar. Expectations that the Fed will announce fresh easing steps on Wednesday also lifted high-yielding currencies against the dollar, boosting the Canadian dollar to a two-month high and the New Zealand dollar to a nine-month high.

The common currency stood at $1.2957 , up 0.15 percent from late U.S. levels and above a low of around $1.2880 plumbed on Monday. It has risen some 0.6 percent from Friday's two-week trough around $1.2876. Immediate resistance is seen at $1.2973, a level representing the 38.2 percent retracement of its Dec. 5-7 fall.

The euro found some support after Italian Prime Minister Mario Monti played down market fears over his decision to resign, saying there was no danger of a vacuum ahead of an election in the spring. "The euro's dip below $1.2900 proved to be short-lived," said Vassili Serebriakov, strategist at BNP Paribas. "FX markets are showing some notable resilience following news of Monti's imminent resignation."

Monti's move came after former prime minister Silvio Berlusconi abruptly withdrew support for Monti's technocrat government, accusing Monti's reform and austerity steps of dragging Italy "to the brink of a precipice." "There's no doubt Monti's resignation raised some concerns but it's not like Berlusconi has strong public support," said Katsunori Kitakura, associate general manager of market making at Sumitomo Mitsui Trust Bank.

Although Italian bond and shares were hit by the news, that did not lead to rise-averse sentiment in broader financial markets, partly on the view that debt buying programme by the European Central Bank could curb selling in Italian debt, should their yields keep rising. Another factor keeping the euro off its lows was a reluctance by investors to aggressively buy the dollar, given expectations the Fed will replace its expiring 'Operation Twist' programme with another Treasury bond-buying plan at its two-day policy meeting starting later in the day.

Many economists believe the U.S. central bank will announce monthly bond purchases of $45 billion, although some think it could surprise with a bigger amount to press borrowing costs lower. Such an outcome could see the greenback come under further pressure.

The dollar index slipped 0.1 percent to 80.23, retreating from at two-week high of 80.658 set on Monday.

The dollar was buying 82.37 yen , still not far from an eight-month peak of 82.84 set last month, though the currency pair has been stuck in a narrow trading band for the past couple of weeks after a sharp gain in mid-November.

The yen has been under pressure from expectations that opposition leader Shinzo Abe, a front-runner to become prime minister after an election on Sunday, will push the central bank to take more aggressive easing steps.

Japanese media survey showed conservative Liberal Democratic Party (LDP) and its smaller ally are heading for a resounding victory, winning more than 300 seats in parliament's 480-member lower house.

If they win more than 320 seats, or two-thirds of the total, they can push their policy more smoothly because they can overturn votes in the upper house, where they do not have control.

"The dollar is consolidating after rapid rise, with people looking at the Fed and the U.S. fiscal cliff. But the dollar could jump further if the LDP and its ally gains more than two-thirds of seats," said a trader at a Japanese bank.

The prospect of fresh stimulus from the Fed and growing expectations the Bank of Japan could expand its asset-buying and lending programme at a meeting next week kept high-yielding currencies well bid, despite worries that bullish positions were already stretched.

The Canadian dollar edged up slightly to a two-month high of C$0.9862 to the U.S. dollar while the New Zealand dollar rose about 0.2 percent to a nine-month high of $0.8358 .

The Aussie briefly dipped following a surprise plunge in Australia's business confidence but pared most losses to stand at $1.0482 , not far from an 11-week high of $1.0515 set last week.

(Inside Metals is compiled by Shruthi G in Bangalore)