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Monday, December 9, 2013

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COLUMN- China iron ore imports as good they get, for now

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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 edged down with concerns about the United States curbing its commodity-friendly stimulus as soon as this month overshadowing stronger demand signals from a step-up in monthly imports by top consumer China. "Taper timing is probably the most important thing in the very near term," said Joel Crane, analyst at Morgan Stanley in Melbourne, adding prices were likely to stay range-bound ahead of any decision.

PRECIOUS METALS: Gold was trading in a tight range as markets fretted over when the U.S. Federal Reserve would start to taper its economic stimulus and as stronger equities dented the metal's safe-haven appeal. "We could expect a short-term recovery in gold prices as, in our view, the mood of the market is exaggerated regarding the macroeconomic situation in the U.S.," said Alexis Garatti, an economist at Haitong International Research in Hong Kong.

FOREX: The euro raced to a near six-week high against the dollar and scaled a fresh five-year peak versus the yen on Monday after strong U.S. payrolls data boosted risk appetite despite threats of a possible reduction in the U.S. monetary stimulus. "The financial markets interpreted the data as suggesting there's no need to be pessimistic about the global economy, leading to risk-on trades," said Minori Uchida, chief currency analyst at the Bank of Tokyo-Mitsubishi UFJ.

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FEATURE

China iron ore imports as good they get, for now

By Clyde Russell

LAUNCESTON, Australia, Dec 9 (Reuters) - China's record imports of iron ore in November may be as good as they get for a while as a series of factors points to a moderation in the next few months.

Imports surged 18.3 percent from a year earlier to reach 77.84 million tonnes in November, surpassing the prior record of 74.58 million tonnes in September.

For the year to date, imports stand at 746.1 million tonnes, up 10.9 percent over the same period in 2012, making iron ore one of the most imported among China's purchases of major commodities.

Crude oil imports are up only 3.2 percent in the first 11 months of 2013, soybeans have gained 6.6 percent and unwrought copper is down by 4.8 percent.

But iron ore imports may show more moderate growth in coming months amid the winter lull in demand for steel, higher spot prices, rising freight rates and a steepening in the backwardation of the swaps curve.

Iron ore imports show some seasonality, usually peaking between November and January, before tailing off in the first quarter.

While this doesn't preclude the possibility of a gain in imports in December, this year may be similar to the winter of 2011-12 when imports peaked in November, rather than 2012-13 when they topped out in December, or 2010-11 when January was the high.

The reason imports of the steelmaking ingredient may not peak in December or January is that rising prices have in the past acted as a dampener on demand.

Spot iron ore in Asia closed at $139.20 a tonne on Dec. 6, near the $139.70 on Dec. 4, which was the highest price in almost four months.

The gains in both prices and volumes have been driven in recent months by a re-stocking in inventories in China, and an improving outlook for steel demand amid signs of stronger infrastructure and other construction spending.

However, inventories of iron ore at Chinese ports have continued to rise, reaching 87.4 million tonnes in the week to Dec. 1, according to data from Mysteel, an industry information service.

This is up from just under 80 million tonnes in mid-November and traders report that mills have been building inventories in recent weeks.

But once iron ore stocks reach comfortable levels, and at the current level of more than a month's imports they are probably there, it's likely mills will buy only as much as they consume.

SPOT PRICES GAINING

Rising spot prices have in the past also seen the rate of import demand growth slow, and iron ore has gained more than 6 percent in the past six weeks.

While this isn't a sharp enough increase to spark demand destruction, it's likely to give buyers pause for thought, especially with freight rates soaring in recent weeks.

The Baltic Dry Index had jumped 46.7 percent since hitting a two-month low of 1,483 on Nov. 22.

The rising cost of shipping, coupled with higher spot prices, will reduce the appeal of importing iron ore, and also serve to make domestic supplies more attractive.

However, prices may not have much further to rise in the short term as the Singapore iron ore swaps curve is pointing to an easing, with the backwardation increasing in recent weeks.

So far this year, an increase in backwardation has been followed by a decrease in prices, while a narrowing has resulted in gains.

In February this year, just as iron ore reached its high for the year of $158.90 a tonne, the front-month swap was 12.7 percent higher than the six-month.

Prices then slumped to $110.40 a tonne by the end of May, and by the start of June the front-month swap was just 1.9 percent above the six-month. At that time the curve went into contango from eighth to tenth months.

From the low at the end of May, prices have climbed to current levels, but the backwardation has recently steepened, indicating prices may decline in the next few weeks.

In morning trade on Dec. 9 the front-month swap was at $137.83 a tonne, a premium of 8.7 percent to the six-month, while a month ago the premium was 8.3 percent and three months ago it was 6.6 percent.

So while current high prices and freight rates may curb some import appetite, this may only be temporary as iron ore demand is expected to continue its strong growth in 2014.

Imports may rise to 850 million tonnes in 2014, a gain of 6.3 percent over 2013's forecast 800 million, the China Metallurgical Industry Planning and Research Institute, an industry group that provides consultancy for government policies, said on Dec. 6.

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

GENERAL NEWS

China November exports beat forecasts in further stabilisation sign

BEIJING, Dec 8 (Reuters) - China's exports handily beat forecasts in November, adding to recent evidence of a stabilisation in the world's second-largest economy as its leaders embark on an ambitious restructuring plan.

Exports rose 12.7 percent from a year earlier, the Customs Administration said on Sunday, against a median forecast in a Reuters poll of a 7.1 percent rise.

Imports rose 5.3 percent, below a forecast of 7.2 percent, leaving a trade surplus of $33.8 billion against forecasts for $21.7 billion.

"There are signs that the global activity and trade cycle is gaining momentum, driven by the recovery in high income countries, and China's exporters are benefiting from that," Louis Kuijs, economist at RBS, said in a note.

The strong export figure comes as a boost after exports have been a drag on the economy so far this year, subtracting 1.7 percent from growth in the first three quarters.

Weak global demand, a stronger yuan currency and rising labour costs have taken their toll on sales of Chinese goods abroad. But there are hopes of a sustained pick-up in global demand.

Exports directly create about 30 million jobs and add another 100 million in related industries, according to official estimates.

Some economists noted, however, that the figures may have been influenced by hot money inflows disguised as trade deals, a problem that had distorted trade figures earlier in the year.

"As China's economic fundamentals stabilise and reform pushes on, the better prospects are attracting massive hot money back," said Li Huiyong, analyst at Shenyin Wanguo Securities.

"Generally, hot money flows are seen through lower imports and higher exports, and the less than expected imports in November and higher than expected exports precisely illustrate this point."

On Saturday, the official Xinhua news agency reported that regulators would clamp down on banks' and companies' use of foreign currency for trade finance by ensuring that trade deals are authentic.

RESTRUCTURING

China's leaders want the traditional growth drivers of heavy investment and brisk export sales to make way for a more sustainable expansion in consumption and have unveiled the boldest economic and social reforms in nearly three decades to pursue that goal.

Recent data has shown a stability in the economy, creating the base needed for the reforms to go ahead. Four separate purchasing managers' indices (PMIs) last week had pointed to growth in the factory and services sectors, with export orders showing resilience.

The picture was more mixed on domestic demand in the PMIs, however, and the import data for November may also indicate that domestic demand is yet to really take off.

Attention is now on inflation and economic activity figures due on Monday and Tuesday, which will give a fuller picture of the overall health of the economy in November.

Factory output growth is seen slipping to a four-month low of 10.1 percent in November, according to a Reuters poll. Inflation is seen unchanged from October's eight-month high of 3.2 percent and below the central bank's 3.5 percent target for 2013.

The government is expected to decide its 2014 economic growth target at this month's Central Economic Work Conference, the date of which has not been announced. Some experts have called for it to be cut from this year's 7.5 percent

Indian 2014 gold imports seen at 500-550 T - trade body

MUMBAI/LONDON, Dec 6 (Reuters) - Indian gold imports may fall 70 percent in the final quarter of 2013 from 255 tonnes in the year-ago period and are expected to be half usual levels at 500-550 tonnes next year if new import rules are maintained, a top trade body official said on Friday.

To curb a record trade deficit, India imposed an import duty of 10 percent on gold, and tied imports for domestic consumption to exports, creating scarce supply of the yellow metal and boosting premiums to a record.

As a result, Indians have depended heavily on old heirlooms and smuggled yellow metal to meet wedding demand.

"Year 2014 seems to be a difficult one for the Indian gem and jewellery industry so far as gold imports are concerned," Bachhraj Bamalwa, director at the All India Gems and Jewellery Trade Federation (GJF), said in an interview at the Reuters Global Gold Forum.

India, which may import a lower-than-usual 700-750 tonnes in 2013, is unlikely to ease its import policy or the customs duty until the trade deficit is under control, Bamalwa added.

"Demand (for) jewellery has not yet picked up, so the industry is not yet in panic, but I am not (very) sure about the future - say, after 30 days," said Bamalwa.

The World Gold Council (WGC) cut its forecast for Indian gold demand earlier this month, predicting the country could also lose its crown as the world's biggest consumer of bullion to China.

The WGC said Indian demand could be 900 tonnes in 2013, from its previous forecast of 1,000 tonnes.

Fourth-quarter demand is expected to be low because consumers brought forward wedding purchases to April and May, when gold prices fell drastically, Bamalwa said.

GENERAL NEWS *(Continued)*

Premiums for gold in India climbed to a record $160 an ounce above spot prices this week. By the end of the quarter, they may have risen as high as $200 an ounce, Bamalwa said.

SPOTLIGHT ON EXPORTS

Under the Indian government's new rules, gold importers must export 20 percent of their total imports. Importing agencies such as banks and state-run companies can bring in a maximum of two consignments of metal before having to furnish proof of exports, he said.

Jewellers are trying to increase exports but the global economic situation is "not very encouraging", Bamalwa said.

Jewellery exports, on which domestic imports are dependent under the new rule, have slid nearly 55 percent to $3.95 billion so far this fiscal year, from April to October.

Falling exports will have a knock-on effect on future imports because of the ties between the two, which in turn will hurt domestic jewellers who should be seeing surging demand as the wedding season gets into full swing.

The trade body plans to approach the government to provide low-cost finance to jewellery exporters, against a 12-13 percent funding cost now. Its global competitors get financing at 2-3 percent.

"We will be approaching the government for some incentives, but since the country is going for general elections next year, the incentives may not come before the next government comes to power," Bamalwa said. Elections are due in May in India, the world's second-most populous country.

Bamalwa said the government was "in no mood" to relax its new import duty rules, or its gold export requirements, until the current account deficit had been reined in.

Peru miner Buenaventura reports strike at big silver mine

LIMA, Dec 6 (Reuters) - A strike by workers at Peruvian mining company Buenaventura's largest silver mine has paralyzed production, a company executive said on Friday.

Workers at the Uchucchacua mine have been on strike since Wednesday demanding the restitution of 12 workers who were fired by Buenaventura for "serious misconduct of labor law," the company said in a statement.

"Workers have forced machinery to shut down, they have blocked access to the plant and the mine is totally paralyzed," said Carlos Galvez, Buenaventura's vice president of finances and administration.

TRADING PLACES

Speculators boost gold shorts near 7-1/2 year high -CFTC

Dec 6 (Reuters) - Hedge funds and money managers raised their bearish bets in U.S. gold futures and options close to a 7-1/2 year high, data by the Commodity Futures Trading Commission showed on Friday, a sign that short covering could boost bullion prices, analysts said.

In the week up to Dec. 3, the U.S. derivatives regulator said speculators cut their bullish bets in gold, and they turned silver into a net short position for the first time since late June. In addition, they trimmed their net shorts in the copper market.

Managed money increased their total shorts by 4,667 to 79,631 lots, slightly below a 7-1/2 year high of 80,147 set in the week of July 9, CFTC data showed.

In addition, the data showed managed money largely held their bullish bets steady, as total longs only eased 294 lots to 106,405.

On a net basis, the group reduced its net longs in gold for a fifth consecutive week, down by 4,961 lots to 26,774, its lowest level since July 2007, CFTC's Commitments of Traders (COT) report showed.

"Gold is at a critical inflection point right now - either it holds this year's lows and gold rebounds, or it could have a further pullback," said Adam Sarhan, chief executive at New York-based Sarhan Capital.

On Friday, gold edged up 0.3 percent to $1,228 an ounce, which put it in a striking distance to a three-year low of $1,180 an ounce reached in late June.

Speculators also turned silver futures and options into a net shorts of 5,386 lots, after cutting 6,096 lots of long position. It marks the first time silver was in a net short since the week of June 23.

On copper, they trimmed the market's shorts by 422 contracts to a net short of 19,316.

Traders said they now look forward to next week's CFTC data, which will show funds' positioning after this week better-than expected nonfarm payrolls report and the GDP data.

Among platinum group metals, speculators trimmed platinum's net length by 3,290 to 16,249 contracts, and they decreased palladium by 610 to a net long of 20,658 lots.

MARKET NEWS

ThyssenKrupp says keeping its European steel unit

FRANKFURT, Dec 7 (Reuters) - Germany's ThyssenKrupp is holding on to its Steel Europe business, a company spokesman said on Saturday, responding to speculation that a sale could help its current restructuring efforts.

"We've always said that we want to keep the steel business," the spokesman said.

German magazine Focus, citing no sources, reported that ThyssenKrupp Chief Executive Heinrich Hiesinger had told an internal leadership meeting it was wrong to believe that a sale of the European business could support the company.

According to the report, he added that a divestment would not yield a reasonable price in the current economic environment.

Hiesinger in August dismissed any speculation on a possible sale of Steel Europe as "nonsense", but such talk has resurfaced due to the conglomerate's weakening finances.

ThyssenKrupp, which has suffered three straight years of losses and racked up debts, is trying to move away from a bulk steel market, hit by weak demand and overcapacity, to more profitable products such as elevators and factory components.

In February, ThyssenKrupp said it wanted to cut 500 million euros ($684.2 million) in costs over the next three years at its Steel Europe operations, which could lead to about 14 percent of the division's workforce leaving the company.

China's Nov commodities imports rebound, iron ore hits record

BEIJING, Dec 8 (Reuters) - China's iron ore imports rebounded in November from the previous month to a fresh record, customs data showed on Sunday, as steel mills purchased more on improving steel demand driven by a more promising economic outlook.

Crude oil imports also rebounded from a 13-month low in October to 5.73 million barrels per day (bpd) in November, the fourth highest daily imports this year, as refineries restarted following maintenance.

Soybean imports surged 44 percent from October to more than 6.0 million tonnes last month, driven by good crushing margins and healthy demand.

China's total exports handily beat forecasts in November, adding to recent evidence of a stabilisation in the world's second-largest economy as its leaders embark on an ambitious restructuring plan.

IRON ORE

China, the world's top consumer of iron ore, imported a record 77.84 million tonnes in November, up 14.8 percent from October and up 18.3 percent from a year earlier, the data showed.

The strong buying appetite has encouraged top miners like Vale, Rio Tinto and BHP Billiton to push ahead with their expansion plans next year.

Imports stood at 67.83 million tonnes in October, down 9 percent from the September record of 74.58 million tonnes.

Iron ore imports rose 10.9 percent to 746.1 million tonnes in the January-November period, the data showed.

Chinese steel futures rose nearly 1 percent in November. Strong restocking demand has driven spot iron ore prices up 3.4 percent during the month.

Iron ore exports to China from Australia's Port Hedland, which handles about a fifth of the global seaborne market, rose 38 percent to 22.3 million tonnes in November from the same month last year, in another sign of solid demand.

China's imports are expected to rise further in December as mills restock ahead of winter when some domestic iron ore production shuts temporarily.

OIL

Crude oil imports in the world's largest energy consumer rose to 23.56 million tonnes in November, or 5.73 million bpd, up 0.8 percent from a year ago, customs data showed.

November imports rose 19.1 percent from October's 4.81 million bpd, although they were still lower than a record 6.25 million bpd in September.

Analysts have attributed the gain to higher crude throughput after two large refineries restarted after maintenance.

Sinopec's 400,000-bpd Maoming refinery in the southern province of Guangdong and 240,000-bpd Fujian refinery in south-eastern Fujian province gradually restarted since mid-November after more than a month of maintenance.

"We saw crude destocking in October, so the actual demand was higher than implied demand. Refineries are raising their crude runs in the wake of improving demand," said a Beijing-based oil analyst. In the January-November period, China imported 255.18 million tonnes of crude, up 3.2 percent from a year ago, the data showed.

COPPER

Copper imports in China, the world's top consumer of the metal, reached 435,613 tonnes in November, up 7.1 percent from October and up 19.2 percent from a year earlier.

Imports include anode, refined copper, alloy and semi-finished copper products. Traders have said the rebound was because investors imported refined copper as collateral for short-term loans increasing their spot purchases around September and contracted metal arriving in November.

Total imports of copper in the first 11 months fell 4.8 percent on year to 4.1 million tonnes, the data showed.

MARKET NEWS *(Continued)*

SOYBEANS

China, the world's top buyer of soybean, imported 6.03 million tonnes in November, up 44 percent from October and 45 percent from a year earlier. Analysts attributed the increase to good crushing margins and healthy demand ahead of the Lunar New Year, which falls at the end of January. December imports are expected to rise further to nearly 7 million tonnes. Soybean imports in the first 11 months have risen 6.6 percent on the year to 55.97 million tonnes, customs data showed.

Indonesia refined tin exports up 28 pct in Nov - Trade Min

JAKARTA, Dec 9 (Reuters) - Refined tin shipments from top exporter Indonesia rose to 5,192.86 tonnes in November, up 28 percent from 4,069.77 tonnes in October, a trade ministry official said on Monday.

Of this amount, Indonesia exported 3,649.35 tonnes of tin ingots and 1,543.51 tonnes of solder in November, the official told Reuters. However, refined tin exports from Southeast Asia's top economy fell 35 percent from the corresponding month a year ago.

Anglo American boss to flesh out miner's recovery plan

LONDON, Dec 6 (Reuters) - Four months after branding Anglo American's performance "unacceptably poor", Chief Executive Mark Cutifani is to tell investors on Thursday how he plans to improve the miner's operations and hit ambitious 2016 performance targets.

Anglo, the smallest of the leading diversified miners, has long lagged behind its peers. In the past two years alone it has been hit by labour troubles in South Africa, operational hiccups at key copper mines and multibillion-dollar cost overruns in Brazil.

Expectations have been high for Australian mine engineer Cutifani, who was credited with significant changes, operational nous and political acumen during his time in charge of South African bullion miner AngloGold. At the end of July, less than four months after taking the helm, he said Anglo American would target a return on capital employed (ROCE) - a measure of the value a company gets out of its assets - of more than 15 percent by 2016. Analysts say that could be a tough target after ROCE fell to 11 percent in the first half of the year, leaving it needing an extra $3.5 billion a year to hit target.

Cutifani said in July that the shortfall would be covered by cost savings, a reduced project pipeline, better performance and possibly asset sales, but he offered little detail. That will come on Thursday, when he is expected to focus on operational improvements rather than dramatic change.

The meeting was scheduled for Tuesday, but the company moved it to avoid a clash with the planned memorial service for Nelson Mandela due to take place in Johannesburg.

Over the past decade, Anglo has underperformed its peers by more than 50 percent. Since April, even with optimism over the new management team, Anglo has traded at a discount to the broader sector and its shares have fallen by more than a fifth.

But the road to recovery will be steep for a company that has more than doubled total capital employed since 2007 but seen its rate of return on that capital more than halved.

"Anglo has lost some support from investors over the past few years. You have to give (a CEO) at least a couple of years," Investec analyst Albert Minassian said.

PRKEY MINES

Investors will be particularly keen to hear on major projects such as the $8.8 billion Minas Rio iron ore operation in Brazil, which has suffered dramatic delays and cost overruns. Spending plans have increased more than threefold.

Minas Rio is now due to begin production at the end of 2014, a date analysts and some investors feel is still too optimistic. Anglo should take the opportunity to revise, rather than disappoint, they argue.

"At the end of the day, what can Anglo control? They can't control prices, they can't control politics. What is in their control? How they structure their business, but also what the market expects," Jefferies analyst Chris LaFemina said.

Cutifani's update is expected to outline improvement plans for Anglo's five key mines - Sishen (iron ore), Los Bronces and Collahuasi (copper), Jwaneng (diamonds) and Mogalakwena (platinum) - under the watchful eye of Tony O'Neill, a new appointee brought in from AngloGold.

Deutsche Bank analysts estimate that a turnaround for existing "problem mines" could contribute at least 40 percent of the targeted $3.5 billion boost to operating profit.

Anglo will also need to present a plan for its Kumba Iron Ore business. A big profit contributor for the past four years, Kumba's volumes have shrunk of late, while rivals Rio and BHP Billiton have boosted output.

Only after these operational problems are addressed can Anglo move on to more radical measures, such as a much-debated exit from Anglo American Platinum.

Though some investors have argued for its disposal, Anglo could rue such a move a few years down the line. "We could be looking at Anglo having got rid of this business at the absolute bottom of the cycle," said LaFemina at Jefferies.

Anglo is also expected to detail further plans to cut back its pipeline of undeveloped projects, such as Peruvian copper project Quellaveco.

Analysts at Deutsche Bank said that unapproved projects, which also include the Jacare and Morro Sem Bone nickel deposits in Brazil, thermal coal deposit Elders in South Africa and diamond project Gahcho Kue in Canada, could be deferred, cancelled or sold.

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

London copper slips; Fed tapering concerns outweigh China demand

SINGAPORE, Dec 9 (Reuters) - London copper edged down with concerns about the United States curbing its commodity-friendly stimulus as soon as this month overshadowing stronger demand signals from a step-up in monthly imports by top consumer China.

A reining in of cheap money would curb liquidity available to commodities investors as well as to industry for next year. That has prevented copper from rallying above $7,420 since June, while steady consumer appetite has lent a floor to prices at $6,900 a tonne.

"Taper timing is probably the most important thing in the very near term," said Joel Crane, analyst at Morgan Stanley in Melbourne, adding prices were likely to stay rangebound ahead of any decision.

The U.S. Federal Reserve will host its key policy meeting next week.

"Inventory of finished goods in the key copper consuming areas continues to fall while imports showed a sixth consecutive month of year-on-year increases, which confirms the restocking phase underway," said Crane, referring to China's trade data released at the weekend.

Three-month copper on the London Metal Exchange had slipped 0.4 percent to $7,094 a tonne by 0712 GMT, partially reversing the 0.8 percent gain of the previous session.

Copper prices hit $7,140.50 a tonne on Friday, the highest in almost four weeks.

The most-traded February copper contract on the Shanghai Futures Exchange edged up 0.2 percent to close at 50,870 yuan ($8,400)a tonne, having earlier hit 51,090, its loftiest since Nov. 12.

U.S. employers hired more workers than expected in November and the jobless rate hit a five-year low of 7.0 percent, raising the chances the Fed would start ratcheting back its bond-buying stimulus as soon as this month.

Further signs of economic stabilisation emerged from China at the weekend.

China's exports handily beat forecasts in November, adding to recent evidence of a stabilisation in the world's second-largest economy as its leaders embark on an ambitious restructuring plan.

China's imports of copper rose 7.1 percent to 435,613 tonnes in November from 406,708 tonnes in the previous month, data from the General Administration of Customs showed.

Still, potentially denting demand for copper imports, Chinese regulators will clamp down on banks' and companies' use of foreign currency for trade finance by ensuring that trade deals are authentic and by monitoring for unusual cross-border cash flows, state media reported.

Investors remain bearish on copper, but have started to close out positions ahead of the year-end.

Hedge funds and money managers trimmed the market's short position in copper by 422 contracts to a net short of 19,316, data by the Commodity Futures Trading Commission showed on Friday.

In other metals, refined tin shipments from top exporter Indonesia rose to 5,192.86 tonnes in November, up 28 percent from 4,069.77 tonnes in October, a trade ministry official said on Monday.

Gold clouded by US stimulus doubts; short-covering cushions losses

SINGAPORE, Dec 9 (Reuters) - Gold was trading in a tight range as markets fretted over when the U.S. Federal Reserve would start to taper its economic stimulus and as stronger equities dented the metal's safe-haven appeal.

But gold's success in holding its ground on Friday despite strong U.S. nonfarm payroll data shows expectations of a December tapering may have already been priced in. Short covering could also offer some support in the near-term as investors re-adjust their expectations.

Data from the Commodity Futures Trading Commission showed that hedge funds and money managers raised their bearish bets in U.S. gold futures and options close to a 7-1/2 year high in the week to Dec. 3, another reason that short-covering rallies could emerge.

"We could expect a short-term recovery in gold prices as, in our view, the mood of the market is exaggerated regarding the macroeconomic situation in the U.S.," said Alexis Garatti, an economist at Haitong International Research in Hong Kong.

Garatti said he does not expect the Fed to begin tapering its $85 billion bond purchases this month.

Spot gold was up 0.2 percent at $1,230.52 an ounce by 0734 GMT. Most Asian share markets rose, energised by a potent cocktail of upbeat Chinese trade data, a weaker yen and a firm finish on Wall Street.

Gold prices have fallen about 27 percent this year amid a shift in investor money to equities, and improving U.S. economy.

Markets are in data-watch mode to figure out how soon the Fed could begin cutting back its stimulus measures, which have supported bullion in its role as a hedge against inflation.

Haitong's Garatti, who expects a tapering only in 2014, said gold prices would trade in a wide $1,200-$1,400 range next year, with fluctuations caused by data flow.

Holdings in SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, fell 3 tonnes to 835.71 tonnes on Friday - the fund's lowest since early 2009.

MARKET REVIEW *(Continued)*

Euro in favour as brisk U.S. jobs data lifts risk appetite

TOKYO/SYDNEY, Dec 9 (Reuters) - The euro raced to a near six-week high against the dollar and scaled a fresh five-year peak versus the yen on Monday after strong U.S. payrolls data boosted risk appetite despite threats of a possible reduction in the U.S. monetary stimulus.

The closely watched U.S. payrolls report on Friday showed employers hired more workers than expected in November, driving the jobless rate to a five-year low of 7.0 percent.

"The financial markets interpreted the data as suggesting there's no need to be pessimistic about the global economy, leading to risk-on trades," said Minori Uchida, chief currency analyst at the Bank of Tokyo-Mitsubishi UFJ.

The dollar initially rose on the data, which added to speculation that the Federal Reserve could start scaling back stimulus this month. Tighter U.S. monetary policy means less dollars to go around in markets, and is seen positive for the dollar.

But sharp gains in stocks led currency traders to quickly switch their positions to bet on higher risk appetite, which tends to depress the dollar -- and the yen even more.

The euro rose to as high as $1.3748 from $1.3701 late in New York on Friday, spurred by a wave of stop-loss buying after $1.3710 was breached in very thin early trade. It later recoiled to $1.3711.

Against the yen, the euro climbed to 141.54, reaching highs not see since October 2008.

"It seems like markets have finally braced themselves for tapering of the Fed's stimulus. Maybe they are getting used to the idea after having done fire drills earlier," said Katsunori Kitakura, associate general manager of market making at Sumitomo Mitsui Trust Bank.

Global equity markets tumbled in May when Federal Reserve Chairman Ben Bernanke flagged the possibility that the Fed will shrink its bond buying scheme.

A Reuters poll showed Wall Street firms expects the Fed to start reducing its massive bond-buying program no later than March, with a handful of them expecting action as early as next week following a second straight month of robust jobs gains.

A few Fed policymakers will be speaking later in the day, likely attracting attention of traders desperate to know when the tapering will happen.

The euro was further underpinned by a growing view that the European Central Bank (ECB) is in no hurry to provide additional stimulus.

At the Dec. 5 policy meeting, the ECB chose not to follow through on November's surprise cut and said it has yet to come up with a detailed plan of which policy tools to use and when.

"All told, the ECB seems to be slipping back into its old ways, characterized by a reactive and unaggressive approach to monetary policy," analysts at Nomura wrote in a note to clients.

"In relation to the euro, this means that the upward trend in the euro TWI, which has been observed since April could be sustained for a bit longer," they said, referring to the euro's trade weighted index (TWI).

Strength in the euro saw the dollar index stuck near six-week low of 80.223.

The dollar also underperformed commodity currencies, with the Australian dollar climbing to $0.9145, pulling away from a three-month trough of $0.8989 plumbed Friday.

Further supporting the Aussie, data on Sunday showed China's exports handily beat forecasts in November, adding to recent evidence of a stabilisation in the world's second-largest economy. China's imports of Australian goods hit a record high.

The Chinese yuan also hit a new post-revaluation high, breaking out of its narrow trading range in a possible sign of more economic confidence in Beijing.

Against the low-yielding yen, the greenback held firm at 102.98 yen following Friday's 1.1 percent rally, not far from six-month peak of 103.38 yen hit on Tuesday.

The yen continues to be the underdog thanks to the Bank of Japan's ultra-loose monetary policy. Data on Monday showed Japan's current account balance unexpectedly fell into the red in October, underpinning the dollar against the yen.

(Inside Metals is compiled by Vikas Vasudeva in Bangalore)