# INSIDE METALS

Tuesday, January 29, 2013

## CHART OF THE DAY

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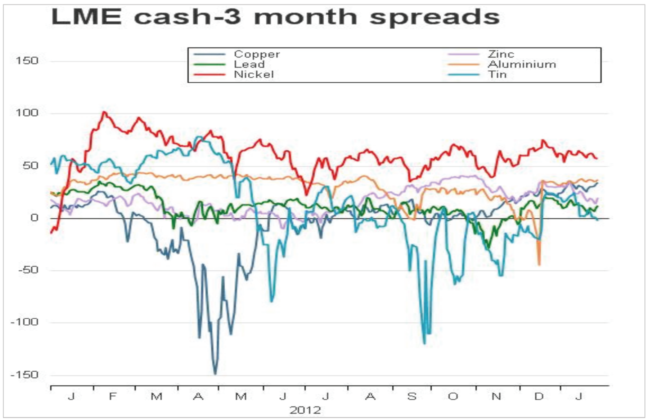


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- Russia's Severstal Q4 steel output down 5 pct q/q

## TODAY'S MARKETS

**BASE METALS**: London copper rose after a business spending survey suggested a recovery in the United States was taking root, but gains were capped amid caution ahead of a Federal Reserve policy meeting and a raft of U.S and China data this week.

Copper prices on the London Metal Exchange have been largely confined in a $7,920-$8,250 range so far this month and market participants do not expect this to change until new year holidays in top consumer China wind up in mid February.

"A positive data point is more likely to provide additional confidence to market players in economic recovery but for any changes to be sustained there has to be significant movements in the physical markets - imports, premiums or stockpiles," said Barclays commodity analyst Sijin Cheng in Singapore.

**PRECIOUS METALS:** Gold rebounded snapping a four-day losing streak as bargain hunters picked up deals after prices fell to their lowest in more than two weeks in the previous session, but caution ahead of a Federal Reserve meeting limited gains.

Investors are waiting to see if the Fed will make any pronouncements about its monetary policy following their two-day meeting that will kick off later in the day, after recent data showed signs of a stabilising recovery in the world's biggest economy.

"We are seeing a technical rebound following a few days of price decline," said a Shanghai-based trader, adding that recent upbeat U.S. data spooked investors and led to a sell-off in gold on speculation that the Fed will cut short its quantitative easing.

**FOREX:**The dollar inched lower versus the yen but hovered within sight of a 2-1/2 year high hit a day earlier, while the Australian dollar rose on data showing a rebound in Australian business confidence.

The dollar slipped 0.2 percent to 90.71 yen , but was not very far from the previous day's high of 91.26 yen, the greenback's strongest level versus the Japanese currency since June 2010.

"I still think dollar/yen will head higher," said a trader for a European bank in Tokyo. "In the near term, I think the dollar will trade between 90 yen to 92 yen," he said.

# GENERAL NEWS

### Gauge of U.S. business spending plans edges higher

WASHINGTON, Jan 28 (Reuters) - A gauge of U.S. business investment plans improved in December, a sign companies were betting the economy will pick up despite fears over tighter fiscal policy.

The Commerce Department said on Monday that non-defense capital goods orders excluding aircraft, a closely watched proxy for investment plans, edged up 0.2 percent last month.

Many economists expected businesses to invest more timidly late last year because of uncertainty over government spending cuts and tax increases, which had been scheduled to kick in this month. Congress ultimately struck a last-minute deal to avoid or postpone most of the austerity measures.

Despite the uncertainty, Monday's data pointed to growing economic momentum as companies sensed improved consumer demand.

"It certainly seems to us that companies are slowly but surely expanding," said Tim Ghriskey, chief investment officer at Solaris Group in Bedford Hills, New York.

In a further sign of business confidence, the November reading on capital spending plans was revised higher to show a 3 percent gain, up from the 2.6 percent rise reported a month ago.

A second report showed a measure of upcoming home resales took a breather in December, declining 4.3 percent. Still, the housing sector posted a rebound last year and economists expect it will add to growth again in 2013. Graphic - Durable goods orders: http://link.reuters.com/huq55t Graphic - Pending home sales: http://link.reuters.com/tax34t

The business spending data pushed down prices for U.S. government debt, though stock prices also fell.

New orders for overall durable goods - long lasting factory goods from toasters to automobiles - jumped 4.6 percent in December, beating economists expectations of a 1.8 percent gain.

The gains were broad based, with orders for machinery, cars and primary metals all increasing.

"There's a lot more confidence," said Wayne Kaufman, an analyst at John Thomas Financial in New York.

Orders for civilian aircraft surged 10.1 percent. However, they could come under pressure in coming months as Boeing deals with battery problems in its new flagship passenger plane.

The manufacturer continues to make the 787 Dreamliner jet but stopped delivering them this month.

The planes list for about $200 million each and Boeing ships about five per month, so a sustained pause in deliveries could be a slight drag on overall shipments of durable goods, which last month totaled $230.6 billion. Lost shipments could also weigh on U.S. exports.

In December, core shipments of capital goods, which factor out aircraft and defense, rose 0.3 percent.

Despite the stronger-than-expected demand at the nation's factories, economists think economic growth cooled in the fourth quarter as companies slowed the pace at which they re-stocked their shelves.

Analysts polled by Reuters expect a report on gross domestic product due on Wednesday will show the economy expanded at a mere 1.1 percent annual rate in the fourth quarter, down from a 3.1 percent rate in the previous three months.

However, Monday's report on new orders for long-lasting factory goods suggested businesses are feeling stronger demand from consumers, and are responding by buying more machines to meet that demand. TD Securities economist Millan Mulraine said capital investment likely added to economic growth in the fourth quarter.

### SAfrica govt, Amplats, unions agree to postpone job cuts

JOHANNESBURG, Jan 28 (Reuters) - South Africa, Anglo American Platinum and labour unions have agreed to postpone a restructuring exercise that could lead to 14,000 job cuts to allow for more talks, the minerals department said.

"The parties resolved to postpone the continuation of the ... process ... to allow for a detailed consultation process to take place," the department said on Monday, adding this should take no more than 60 days from Jan. 30.

"The tripartite members recommitted to engage constructively for the benefit of all stakeholders and will communicate progress updates as and when appropriate," it said.

Mining minister Susan Shabangu said the world's biggest producer of platinum betrayed government trust earlier this month by announcing a plan to mothball shafts and lay off workers under a restructuring by parent company Anglo American .

Last week, President Jacob Zuma said the government needed to engage with gold and platinum mining firms about proposed shaft closures and lay-offs, and was not threatening them with licence reviews.

South Africa boasts 80 percent of the world's platinum deposits. Producers have been hit by rising input costs, falling prices, safety stoppages and violent labour unrest.

### Tranquil base metals to diverge after China holiday

LONDON, Jan 28 (Reuters) - Becalmed, well-supplied base metals markets are due to perk up after the Chinese New Year next month when demand is expected to pick up in the world's biggest metals consumer.

But only tin and possibly lead and copper are likely to spring to life in coming months and perhaps cause a flip in market structures, analysts said.

## GENERAL NEWS *(Continued)*

Each one of the six major industrial metals traded on the London Metals Exchange (LME) shows the same "contango" market structure of rising prices in the forward curve that usually indicates plentiful supply.

Plans by miners to ramp up a succession of major new mines in coming years could mean this becomes the norm, analysts said.

This is a sharp contrast to previous years when mine output failed to keep pace with heavy demand from China and shortages often sparked soaring nearby prices.

"In recent years physical tightness, leading in many cases to market squeezes, has become almost endemic on the LME, and backwardations have become a normal, rather than a rare occurrence," said Wiktor Bielski, head of commodities research at VTB Capital.

For much of last year, one or more metals were in "backwardation", when nearby prices are stronger than forward ones, but all of them have been in contango since Dec. 19 based on the benchmark spread between cash and three-month prices.

"That contango structure does indicate that markets are looking better supplied," said David Wilson at Citigroup in London.

"To see any of these markets moving back into backwardation, one would have to see a combination of factors," he added. The factors could include an upturn in demand due to stronger economic growth or mine disruptions.

While Chinese economic data has improved, physical metals demand has largely remained lacklustre ahead of the closure of Chinese markets Feb. 11-15 for the Lunar New Year holiday.

Most metals prices have been trapped in ranges and open interest volumes have also been muted.

"We're seeing contangos at the front end for all metals, which we've not seen recently, but I suspect it's more seasonal and therefore more temporary," said Robin Bhar at Societe Generale in London.

"Those front ends of the curve could tighten (in some metals) as seasonal demand comes through over the coming weeks and months."

Graphic on LME cash-three month futures spreads:

http://link.reuters.com/beq55t

Graphic on Reuters base metal poll results:

http://link.reuters.com/vem45t

TIN TIGHTEST MARKET

Supply-demand fundamentals vary widely throughout the metals, with aluminium, zinc and nickel burdened with oversupply and almost certain not to move into backwardation in the benchmark spread.

Tin has the tightest supply-demand fundamentals and is most likely to move into backwardation. A deficit of 6,625 tonnes is forecast this year, according to a Reuters poll.

That showed up in a very slim contango of $1 on Monday in tin cash-three month futures , compared with the widest for nickel at $57 , which is forecast to have a surplus of 26,466.4 tonnes this year.

Market squeezes and export halts in major suppliers Indonesia and Malaysia can quickly hit the illiquid tin market.

In September, a backwardation flared to as much as $120 a tonne as holders of short tin positions scrambled to cover, facing off against a party holding up to 80 percent of nearby futures and stocks.

But a backwardation may not occur quickly even in tin as domestic producers in China may ramp up output after prices have soared by a quarter since the start of November, hitting a peak recently over $25,000 a tonne, Wilson said.

TIME RUNNING OUT FOR LEAD

Lead, the only other metal expected to show a market deficit this year, is also a candidate for a backwardation with a narrow contango of $9.75 a tonne. The material used for making batteries is expected to have a supply shortage of 2,916.7 tonnes against demand.

"Lead could do (a backwardation), but time's running out because the seasonality will argue against lead as we move into Q2," Bhar said.

Lead demand peaks in the northern hemisphere winter when cold winters spark battery replacements due to failures.

A rise in lead stocks on the Shanghai Futures Exchange to a record last week indicated a well supplied market, analysts said.

COPPER CONTANGO WIDEST SINCE 2010

Copper, beset by mine disruptions and labour troubles, has traded in backwardation more often than in contango over the last 10-15 years, Bielski said.

Tight supply pushed copper into a backwardation of $155 a tonne last April after Glencore International accumulated a dominant long position, trade sources said.

Even after that squeeze largely dissipated, a weaker backwardation persisted until November when a contango appeared.

But this month copper's cash-three-month contango moved to $35 a tonne, the widest since May 2010, as off-exchange inventories were reported to climb to over 1 million tonnes in China and as new mines prepared to ramp up.

The stocks-to-consumption ratio at 3.5 weeks, up from 2.5 weeks in May last year, is supporting the copper contango, which is now "well priced", Barclays analyst Nicholas Snowdon said in a note.

Wilson at Citigroup said: "Looking at copper, we're more likely to see it remaining in contango through this year."

## GENERAL NEWS *(Continued)*

**Anglo American takes $4 bln hit on Minas-Rio**

LONDON, Jan 29 (Reuters) - Anglo American will take a $4 billion writedown on its Minas-Rio iron ore project in Brazil after delays and cost overruns forced the mining group to increase expenditure on the project.

The company said on Thursday that it expects capital expenditure for the project to increase to $8.8 billion.

"We are clearly disappointed that the diversity of challenges that our Minas-Rio project has faced has contributed to a significant increase in capital expenditure," outgoing Chief Executive Cynthia Carroll said.

"Despite the difficulties, we continue to be confident of the medium and long-term attractiveness and strategic positioning of Minas-Rio and we remain committed to the project."

Minas-Rio, a leading iron ore project in Brazil, is one of Anglo's most significant capital allocation failures of recent years and was largely responsible for Carroll's fall from grace.

Anglo bought its first stake in Minas-Rio in 2007, taking control in 2008 with a $5.5 billion deal with Brazilian billionaire Eike Batista's MMX - right at its peak.

The project was intended to help to diversify a company that was still dependent on South Africa for the bulk of its revenue, but has instead been a bruising top-of-the-market deal.

Anglo spent $4.8 billion buying Minas Rio - excluding the value of the Amapa mine, bought as part of the original deal but which Anglo has agreed to sell. It has spent $5 billion on developing it so far and said last year that total development costs could exceed $8 billion - more than three times original estimates.

Development costs in Brazil have been driven higher by issues such as the Olympics and the soccer World Cup, which have increased demand for labour.

Anglo is not the only company to have met with permitting hiccups in Brazil, with even Vale, the world's largest iron ore producer, being hit and ENRC's project there.

The company said it is still targeting first ore on ship by the end of 2014 despite the challenges facing Minas-Rio.

## TRADING PLACES

**Snapshot of Chinese steel centre stirs recovery hopes**

WUXI, China, Jan 29 (Reuters) - In one of China's biggest steel trading centres, there are signs of a pick up of activity, at a time when investors in commodity markets are trying to weigh up whether a recovery in Chinese demand can be sustained this year.

During a recent visit, lines of trucks were awaiting to unload material into vast warehouses spanning an area of seven football pitches, the steel potentially destined to be used to build anything from new apartments to rail lines.

Evidence of a rebound in steel demand in the world's biggest consumer has helped drive up iron ore with the price of the steel -making raw material climbing by nearly a third since December, although there have been recent wobbles.

Iron ore hit a 15-month top of $158.50 a tonne on Jan. 8 in a swift rally that quickened last month as Chinese mills rebuilt stockpiles. The price then fell more than 8 percent before regaining some ground last week.

In a major steel warehousing zone in Wuxi, 120 km (75 miles) northwest of Shanghai, store managers and traders noted restocking taking place.

At the Shangzhuanxian warehouse, which has a storage area of 38,000 sq metres (410,000 sq feet), cranes were loading and unloading steel stocks, with trucks waiting their turn.

"Business is good these days. We can see about 2,000 tonnes of steel products coming in everyday as traders are building up stocks ahead of the holiday. Stocks of similar volume flow out to end users too," said an official at the warehouse, adding that restocking volumes had hovered at just a few hundred tonnes several weeks before.

Steel traders typically re-stock ahead of the Lunar New Year holiday in mid-February as manufacturing and construction activities tend to pick up after the holiday.

"Stockpiles have risen several thousand tonnes over the past two months as traders' sentiment has improved and they are prepared to rebuild stocks. Unlike in September and October 2012, when traders were desperate to de-stock," said the warehouse official.

Stronger orders from traders and end-users have helped steel product inventories at large Chinese steel mills drop 17 percent since September to near an 11-month low of 10 million tonnes in early January, data from China Iron and Steel Association showed.

Helped by a rebound in demand from railway and other infrastructure projects, analysts said mills would be able to reap better margins as domestic steel prices rise -- in turn spurring them to raise output and consume more ore.

The rush to restock, along with slow production increases at home and abroad, will likely keep iron ore prices supported in the first half, before new mine supplies tip the market into a surplus later this year. Benchmark iron ore prices are forecast to average $125 a tonne this year, according to a Reuters poll of 17 analysts. That is slightly lower than the 2012 average of $128, as analysts see prices peaking in January.

BETTER PROFIT MARGINS

Some analysts expect low inventory levels will spark a stronger-than-expected rise in steel prices. Spot prices of hot-rolled coil,

## TRADING PLACES *(Continued)*

used in manufacturing, have risen about 20 percent since early September. The price of rebar, mainly used in construction, climbed only 6 percent since early September, according to Xiben New Line Co Ltd, a spot steel trading platform in Shanghai.

"The market should brace for a round of steel price gains after the Lunar New Year as end users rebuild inventories," said a trader in Wuxi, who sells steel from a big state-owned mill.

Annualised steel output from China is expected to rise 5.7 percent from now to reach 740 million tonnes by mid-February, Macquarie said in a note, adding that gains will accelerate in the second quarter as construction activity peaks.

At another smaller warehouse in Wuxi, re-stocking was also expected soon after a trader said inventories of medium plates, commonly used in shipbuilding, had fallen from a high of over 30,000 tonnes in July to around 8,000 tonnes.

"Most traders have missed the opportunity to re-stock before prices jumped past few months, so overall inventories are at relatively low levels and once end users restock after the new year prices will spike," said Du Hui, an analyst with Qilu Securities in Shanghai.

**Trafigura maintains record commodities trade volumes**

GENEVA, Jan 28 (Reuters) - Swiss-based trading house Trafigura maintained record levels of around 138 million tonnes of its traded volumes of commodities in 2012, its website showed on Monday.

Slender trading margins for top merchant traders like Trafigura has pushed firms to ramp up volumes in order to safeguard profits. The firm earlier this month reported revenues of $120 billion in 2012, near a record high.

Trafigura's data showed the share of non-ferrous and bulk commodities such as coal and metals grew slightly last year at the expense of oil and now represent a quarter of total sales.

In 2011, non-ferrous and bulk commodities accounted for a fifth of the total volumes.

Trafigura reported a slight dip in oil volumes to 102.8 million tonnes from 110.7 million tonnes in 2011 despite winning tenders to buy oil from OPEC members Libya and Nigeria.

Top oil trader Vitol has yet to release its 2012 traded volumes and the previous year reported record revenues of $297 billion.

## MARKET NEWS

**Global unwrought aluminium stocks at 1.26 mln T in Dec '12 - IAI**

LONDON, Jan 28 (Reuters) - World unwrought aluminium stocks were at 1.26 million tonnes in December last year versus 1.241 million in November, International Aluminium Institute (IAI) data showed on Monday.

Unwrought stocks in December 2011 stood at 1.404 million tonnes, IAI said.

Total aluminium, or unwrought aluminium plus unprocessed scrap, metal in process and finished semi-fabricated products, was at 2.275 million tonnes in December. That was up from a revised figure of 2.253 million in November and down from 2.391 million a year earlier.

**Tajik aluminium smelter cuts 2012 output to 272,500 T**

DUSHANBE, Jan 29 (Reuters) - Tajikistan Aluminium Company (TALCO) cut output by 1.8 percent to 272,500 tonnes last year after Central Asia's largest aluminium smelter was hit by a temporary halt of natural gas supplies from neighbouring Uzbekistan.

"We should give the plant's management their due. They managed to keep aluminium output steady. They had no gas, but they found alternative fuel. Well done," Tajik Economy Minister Sharif Rakhimzoda told a news conference on Tuesday.

Uzbekistan, the only supplier of gas to Tajikistan, cut shipments for 15 days last April, causing a 4.6 percent month-on-month decline in output.

To avoid this in the future, TALCO last summer bought in China and assembled an installation allowing to process locally produced coal into methane. Uzbekistan, which has strained relations with its much poorer Central Asian neighbour, completely cut natural gas supplies to Tajikistan on Jan. 1, 2013.

"TALCO has no plans to lower output in the current year," said Rakhimzoda, who declined to give figures for planned production. Aluminium exports remain vital for Tajikistan, a Muslim nation of 7.5 million which borders China and Afghanistan.

The metal accounts for more than 40 percent of all Tajik export revenues, official data show.

**Top producer Chile sees copper output up 3 pct this year**

SANTIAGO, Jan 28 (Reuters) - Chile is seen producing 5.596 million tonnes of copper this year, up 3 percent from 2012 levels, as heavy investment in mines in the world's No. 1 producer pays off, the country's state copper commission, Cochilco, said on Monday.

Cochilco said a pick-up at state copper producer Codelco's century-old Chuquicamata deposit and the launch of its Ministro Hales mine at the end of the year will help lift output of the metal, which is used in construction and power generation and transmission.

## MARKET NEWS *(Continued)*

But analysts have warned that several factors - deteriorating ore grades, delays to key energy and mining projects, and operational woes - threaten forecast production jumps.

Cochilco expects output in Chile, which mines roughly a third of the world's copper, will rise to 5.754 million tonnes in 2014 from an estimated at 5.433 million tonnes last year, which was an 3.2 percent increase from the year before.

"This is fairly positive news because international estimates said Chile couldn't reach predicted output and Chile's production rose 3.2 percent," Mining Minister Hernan de Solminihac said.

Cochilco had estimated 2012 copper output at 5.45 million tonnes in November, and de Solminihac had said in April that production would reach a whopping 5.7 million tonnes. Many analysts at the time had called his forecast too ambitious.

If Chile meets its production forecast, the higher copper supply could "slightly weigh on prices," said George Gero, precious metals strategist at RBC Capital Markets Global Futures.

Copper edged higher on Monday after better-than-expected U.S. economic data, but uneasiness about the growth of supply kept prices in check .The Andean country will attract $100 billion in mining investment in the next 10 to 12 years, a slightly longer time frame than previously forecast, as regulatory uncertainty and energy woes loom as key risks, the Sonami mining association said earlier this month.

Industry experts say Chile is failing to take a firm hand in regulating its mining and energy industries, leaving billions of dollars worth of projects exposed to the risk of lawsuits by local communities.

EXPANSION OF TIRED MINES

The forecast for climbing output from Chile comes as some global miners are scaling back investment plans as operating costs soar and the world's economic outlook remains volatile.

But many miners in the Andean country have major plans to revamp aging mines. World No. 1 copper miner Codelco has an ambitious investment plan worth roughly $27 billion to maintain and ultimately lift production at its copper mines to more than 2 million tonnes.

In addition, BHP Billiton and Rio Tinto have approved plans for a $4.5 billion expansion of Escondida, already the world's biggest copper mine. The world's third-biggest copper mine, Collahuasi, hopes to have a good year and turn the corner to produce more than it did in 2012, its CEO told Reuters on Friday.

Anglo American's major growth project, Los Bronces, helped increase the company's copper production in 2012, a relative bright spot for the global miner.

COCHILCO MARKET VIEW

Cochilco sees copper prices averaging $3.57 per pound this year, unchanged from its previous estimate, before dropping to around $3.32 per pound in 2014.

Globally, it sees copper output growing 3.3 percent this year, outpacing demand growth, which is seen up 1.5 percent. It expects a 56,000 tonne copper surplus in the market in 2013.

### Chile Escondida workers OK new contract proposal- union

SANTIAGO, Jan 28 (Reuters) - Workers at Chile's Escondida have voted to approve a new contract proposal, the union told Reuters on Monday, calming fears of labor unrest in the world's largest copper deposit.

Controller BHP Billiton said this month the mine was on track to increase its copper output by 20 percent in the 2013 financial year. The deposit's output in the January-to-September period of last year was 787,000 tonnes, up 31.6 percent from 2011 levels.

"With 59.9 percent of votes in favor, Escondida mine's proposal was accepted," the union posted later on its web site.

The wage offer entailed a 5 percent raise in salaries, as well as bonuses and benefits for a total of roughly 23 million pesos (around US$48,665) per worker, union leaders said earlier this month.

"This will place an enormous additional burden on the company," Commerzbank said earlier this month of the contract proposal. "Thus the trend towards rising production costs - and in this case wage costs in particular - continues, and will have to be cushioned by higher prices."

The mine is seen as setting a benchmark in terms of collective negotiations in the Andean country's mining sector.

BHP was not immediately available to comment.

Escondida's union stunned the copper market in 2011 by staging a two-week strike, sending the mine's output tumbling and raising the specter of an increase in labor action.

Workers at the giant Chuquicamata mine, owned by Chile's state-run copper firm Codelco said in December they had accepted a wage offer, soothing fears of labor unrest. Chile is the world's leading copper producer.

BHP and Rio Tinto , which owns 30 percent of Escondida, have approved plans for a $4.5 billion expansion of the mine to boost output.

### Norilsk petitions Kremlin for $500 mln tax break

MOSCOW, Jan 28 (Reuters) - Russia's Norilsk Nickel has asked the Kremlin for a tax break worth $500 million a year, a newspaper said on Monday, in a move that drew scepticism from analysts who said the world's top nickel and palladium miner did not need the cash.

Kommersant daily said that Vladimir Potanin, chief executive at Norilsk since an ownership restructuring in December, had written to President Vladimir Putin asking for export duties on met-

## MARKET NEWS *(Continued)*

als to be scrapped. Norilsk would not confirm sending such a letter yet, but said it was looking at requesting the measure.

The government-backed deal to end a boardroom feud brought in billionaire Roman Abramovich as a peace enforcer for the Kremlin, reducing the influence of Norilsk's main shareholders, Potanin and his rival, aluminium tycoon Oleg Deripaska.

Sweetening the deal for Potanin and Deripaska, who had been battling for control at Norilsk since 2008, is an agreement to pay $9 billion in dividends over three years, equivalent to half the company's forecast core earnings.

Norilsk spokeswoman Alisa Fialko declined to confirm a letter was send but said: "The question of export tariff cancellation is being considered due to the weak metals market."

Putin's spokesman, Dmitry Peskov, said the Kremlin had not yet received a letter from Norilsk. He declined further comment.

Analysts doubted that special pleading from some of Russia's richest men would be looked on favourably by Putin, but said that the public finances - with a balanced budget and low debts - would nonetheless be able to take any possible hit.

Norilsk benefited from a previous duty holiday in 2009.

"This plea looks a bit greedy and is unlikely to win much support from the government," said Sergey Donskoy, a metals and mining analyst at Societe Generale in Moscow.

"Norilsk is generating steady cash flow and is fully capable of financing itself. It looks like an attempt to boost its financial performance to increase its dividend payouts. It's not likely the government will be willing to hand over any money."

Norilsk shares ticked lower in Moscow after rallying by more than 30 percent since first news leaked out in November that a resolution to the boardroom battle could be in sight. Its equity value now stands at $38 billion.

PRIZE ASSET

Potanin, Russia's fourth richest man worth $14.5 billion according to Forbes magazine, built his fortune through his control over the vast cashflows thrown out by Norilsk, the Arctic miner whose privatisation he orchestrated in the 1990s.

But he is widely seen as having overplayed his hands in the four-year dispute that followed the entry by Deripaska into the business in 2008 in a deal that quickly turned sour as financial markets crashed and Russia's economy slumped.

Potanin's move to the executive suite, say insiders, was a face-saving exercise leaving Abramovich - himself worth $12.1 billion - as the arbiter of relations with Deripaska, worth $8.8 billion as of last March, according to Forbes.

Nikolay Sosnovskiy, a sector analyst at VTB, said industry conditions were better today than they were in 2009, the last time Norilsk was freed from the obligation to pay duties on its metals exports.

"Norilsk are being a bit cheeky and effectively asking the state for money to pay high dividends, but the likelihood of the state paying out is not very high," Sosnovskiy said.

Nickel  was the only one of six base metals to lose value last year, its price falling 8 percent due to a sharp drop in demand for stainless steel, particularly in Europe. The metal traded at $17,460 per tonne on Monday at 1121 GMT.

Norilsk, which gets about 90 percent of its revenue from European, Asian and North American markets, paid $779 million in export duties in 2011, its financial results show.

The current export tariff for Russian nickel is 5 percent. For copper it is 10 percent and platinum group metals 6.5 percent.

Once the restructuring is completed, Chelsea soccer club owner Abramovich will own 5.87 percent of Norilsk Nickel, Potanin's holding company Interros 30.3 percent and Deripaska's aluminium firm RUSAL  27.8 percent.

To ensure Abramovich's role as enforcer of the peace, the other two billionaires will give him voting power over some of their shares, bringing his effective voting stake to 20 percent.

**Russia's Severstal Q4 steel output down 5 pct q/q**

MOSCOW, Jan 29 (Reuters) - Severstal , one of Russia's largest steel producers, said on Tuesday its fourth-quarter crude steel output stood at 3.58 million tonnes, down 5 percent quarter-on-quarter due to seasonal weakness.

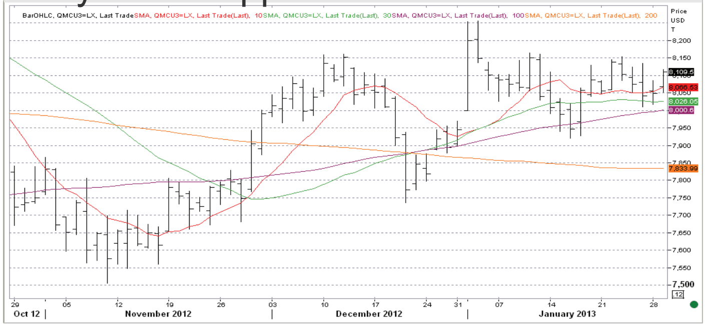
Sales of steel products fell 14 percent quarter-on-quarter to 3.27 million tonnes due to "a decrease in shipments, stockbuilding for seasonal demand...(and) tougher logistics in connection with frozen ports," a spokesman for the steelmaker told Reuters.

The company also said output fell 1 percent in the whole of 2012 to stand at 15.14 million tonnes compared to 15.29 million tonnes in 2011.

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

## Daily LME Aluminium 3-months

## Daily LME Copper 3-months



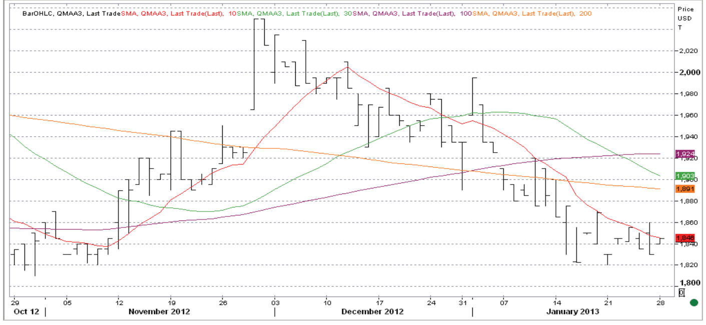
## Daily LME Nickel 3-months

## Daily LME Zinc 3-months

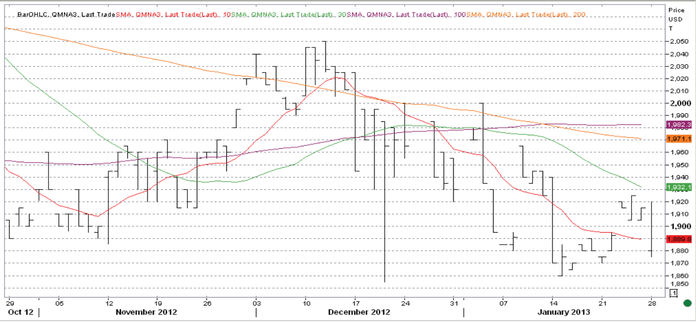
## Daily LME Lead 3-months

## Daily LME Tin 3-months

## Daily LME Alloy 3-months



## Daily LME Nasaac 3-months



# MARKET REVIEW

**METALS-LME copper climbs after promising US data; eyes Fed**

SINGAPORE, Jan 29 (Reuters) - London copper rose after a business spending survey suggested a recovery in the United States was taking root, but gains were capped amid caution ahead of a Federal Reserve policy meeting and a raft of U.S and China data this week. Copper prices on the London Metal Exchange have been largely confined in a $7,920-$8,250 range so far this month and market participants do not expect this to change until new year holidays in top consumer China wind up in mid February.

"A positive data point is more likely to provide additional confidence to market players in economic recovery but for any changes to be sustained there has to be significant movements in the physical markets - imports, premiums or stockpiles," said Barclays commodity analyst Sijin Cheng in Singapore.

"But we haven't seen that yet and we're not likely to until after Lunar New Year," she added. Three-month LME copper climbed 0.57 percent to $8,096 a tonne by 0718 GMT, adding to small gains seen in the previous session. The most-traded May copper contract on the Shanghai Futures Exchange hit its highest since Oct. 19 at 58,950 yuan ($9,500) a tonne before paring gains to close at 58,850 yuan a tonne, up 0.44 percent.

Riskier assets, including metals, oil and equities, mostly gained as a rise in a gauge of planned U.S. business spending in December added to a recent run of positive global economic data.

More solid U.S. growth indicators would, however, fuel speculation the Fed may mull pulling back on aggressive easing stimulus. Traders are now waiting for the outcome of the Fed policy meeting and Friday's string of figures including indicators on China's manufacturing sector and a key U.S. jobs report for further cues.

The Fed, whose policy-setting Federal Open Market Committee concludes a two-day meeting on Wednesday, said just last month that it expects to keep short-term interest rates exceptionally low until the U.S. unemployment rate falls to 6.5 percent, inflation permitting. But figures on Friday are likely to show that the jobless rate was unchanged in January at 7.8 percent, while the economy created 155,000 jobs, the same as in December. "We would have thought rising equity markets in China or settlement of the U.S. fiscal cliff would have been enough to get things going, but clearly the market is looking for some other form of inspiration," said RBC Capital in a note.

"What form that inspiration will take is yet to be seen, so it looks as if the markets will dance in tune with the dollar until further notice," it added. Against the dollar, the euro fell 0.1 percent to $1.3438 , inching away from an 11-month high of $1.3480 set on Friday on trading platform EBS. A weaker dollar makes commodities priced in the greenback cheaper for holders of other currencies.

MARKETS NEWS

The copper market could draw some support from news that China's top think tank had lifted its economic growth forecast for 2013 to 8.4 percent from 8.2 percent, with faster expansion seen in the first half of the year.

A Reuters poll earlier this month pegged China's annual economic growth at 8.1 percent for this year.

China is the world's top consumer of copper, accounting for roughly 40 percent of refined demand.

The HSBC Flash Purchasing Managers' Index (PMI) last week showed growth in the country's factory sector accelerated to a two-year high in January, as manufacturers received more local and foreign orders.

**PRECIOUS-Gold off 2-1/2 week low but Fed meeting weighs**

SINGAPORE, Jan 29 (Reuters) - Gold rebounded snapping a four-day losing streak as bargain hunters picked up deals after prices fell to their lowest in more than two weeks in the previous session, but caution ahead of a Federal Reserve meeting limited gains.

Investors are waiting to see if the Fed will make any pronouncements about its monetary policy following their two-day meeting that will kick off later in the day, after recent data showed signs of a stabilising recovery in the world's biggest economy.

Most economists do not expect the Fed to curtail its bond-buying programme any time soon, but any hint that the central bank is considering it would further depress gold.

"We are seeing a technical rebound following a few days of price decline," said a Shanghai-based trader, adding that recent upbeat U.S. data spooked investors and led to a sell-off in gold on speculation that the Fed will cut short its quantitative easing.

"In the short run, gold is still going to drift without much conviction, though over the longer term it is still facing very heavy pressure on the upside."

Physical buyers in Asia returned to the market when prices fell to $1,650 level, giving some support to prices, the trader added.

Loose monetary policy helped gold stage a twelfth year of higher prices in 2012, as investors worried about currency debasement as a result of rampant cash printing by central banks.

Spot gold rose half a percent to $1,662.85 an ounce by 0739 GMT, recovering from Monday's intra-day low of $1,651.93, its lowest since Jan. 9. U.S. gold was up 0.6 percent to $1,662.30.

Technical analysis suggested that spot gold could rebound to $1,669 an ounce during the day, as it did not break a strong support at $1,652, said Reuters market analyst Wang Tao.

Graphic: Spot gold 24-hour technical outlook

http://graphics.thomsonreuters.com/WT1/20132901093527.jpg

Equities and other riskier assets have attracted investors over the past week or so, while gold lost some of its shine, as upbeat

## MARKET REVIEW *(Continued)*

data from the world's key economies signalled that the economic recovery is gaining traction.

Some analysts, though, said the optimism might have gone ahead of itself.

"The situation in the U.S. has not changed too much and we need some time to really have confidence in the U.S. economy," said Yuichi Ikemizu, head of commodity trading, Japan, at Standard Bank, adding that Friday's U.S. employment data could shed light on the health of the economy.

The Fed has vowed to keep its rock-bottom interest rates until unemployment rate falls to at least 6.5 percent. In December, the unemployment rate held steady at 7.8 percent.

Anglo American Platinum , South Africa and labour unions have agreed to postpone a restructuring exercise that could lead to 14,000 job cuts to allow for more talks. The news sent spot platinum down 1.9 percent on Monday, its sharpest daily decline in more than a month.

The metal rebounded 0.9 percent to $1,673.50 on Tuesday.

**FOREX-Yen hovers near 2-1/2 year low; Aussie dollar firmer**

SINGAPORE, Jan 29 (Reuters) - The dollar inched lower versus the yen but hovered within sight of a 2-1/2 year high hit a day earlier, while the Australian dollar rose on data showing a rebound in Australian business confidence.

The dollar slipped 0.2 percent to 90.71 yen , but was not very far from the previous day's high of 91.26 yen, the greenback's strongest level versus the Japanese currency since June 2010.

The greenback fell as low as 90.40 yen earlier, pressured by dollar-selling, possibly from Japanese exporters, ahead of the 0100 GMT Tokyo fixing. Traders also cited dollar offers from options players.

The dollar however, later gained some support versus the yen as Tokyo shares bounced, traders said. Upbeat sentiment toward risky assets can weigh on the yen, especially against higher-yielding currencies. "I still think dollar/yen will head higher," said a trader for a European bank in Tokyo. "In the near term, I think the dollar will trade between 90 yen to 92 yen," he said.

Selling the yen has been a one-way trade since mid-November, based on expectations that Japanese Prime Minister Shinzo Abe would push the Bank of Japan into more forceful monetary easing to beat deflation.

"Everyone is only thinking about where to buy (the dollar) on dips," said a trader for a Japanese bank in Bangkok, referring to the dollar versus the yen.

The Australian dollar rose 0.3 percent to $1.0448 , boosted by a survey showing Australian business confidence rebounded sharply in December.

The euro slipped 0.2 percent against the yen to 121.92 yen , staying below Monday's high near 122.90 yen, the euro's strongest level against the Japanese currency since April 2011.

Against the dollar, the single currency fell 0.1 percent to $1.3438 , inching away from an 11-month high of $1.3480 set on Friday on trading platform EBS.

The euro had gained a boost late last week on news about euro zone banks' early repayments of three-year loans to the European Central Bank, which suggested that parts of the euro zone banking system may be on the mend.

The euro, however, faces a series of major resistance levels near $1.35, including its 2012 high of $1.34869, the 50 percent retracement of its May 2011 to July 2012 drop near $1.3491, and the psychologically important $1.3500 level.

Sterling held steady at $1.5700 , having hit a five-month low near $1.5675 on Monday.

Sterling has been weighed down by worries about a weak UK economy. Recent comments from incoming Bank of England Governor Mark Carney that there was still scope for monetary policy to do more in the developed world, have also dented the pound.

Carney, who now heads the Bank of Canada, takes up his post at the Bank of England later this year.

"The prospect of more activist monetary policy is not exactly an encouraging one for GBP, certainly not as it comes on top of a host of other negative developments - an economy that is triple-dipping, a government that is struggling to cut its deficit, and soul-searching about the UK's role within the EU," wrote analysts at JPMorgan in a note.

(Inside Metals is compiled by Shruthi G in Bangalore)