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BREAKINGVIEWS-Brazil's new-look resource nationalism still hurts

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TODAY'S MARKETS

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PRECIOUS METALS: Gold fell for a fourth straight session to its lowest level since a 15 percent plunge in mid-April, after the U.S. Federal Reserve signalled it would slow the pace of bond purchases later this year.

"I wouldn't be in a rush to say it's the end of gold," said Amber MacKinnon, an analyst at Nomura Securities in Sydney.

FOREX: The U.S. dollar rose broadly on Thursday as global asset markets underwent sharp adjustments in the wake of confirmation by the Federal Reserve that it would begin to dial down stimulus this year as the economic outlook improves.

"Some people had hoped that Bernanke might strike a dovish tone given nervous market sentiment of late, so it was a bit of a surprise," said Koichi Takamatsu, executive director of FX trading at Nomura Securities.

FEATURE

BREAKINGVIEWS-Brazil's new-look resource nationalism still hurts

By Kevin Allison

LONDON, June 19 (Reuters Breakingviews) - Brazil's latest version of resource nationalism may still hurt. The new mining bill unveiled by President Dilma Rousseff on Tuesday is a mixed bag.

There was no mention of a windfall profit tax, but royalty rates may double. The market expected worse, but a levy on mine revenue rather than profit will still make future projects less viable. The new law could dent investment - and Vale .

The 2 percent jump in the shares of the world's biggest producer of iron ore after the law was unveiled suggests otherwise.

But that response may simply reflect investor relief that the new rules, first proposed four years ago during a headier time for miners, didn't turn out more onerous.

The absence of a windfall tax should please miners grappling with big hikes in the levies exacted by heavily resource-reliant governments such as Australia's. And while the top Brazilian royalty rate will double to 4 percent, the old rate was relatively low and the increase is smaller than some observers feared last year.

Such restraint is, however, only realistic. Rousseff, a former Marxist guerrilla with a record of meddling in the resources industry, knows there are limits to what the government can take without scaring off investment.

As softer Chinese demand hits commodity prices and miners pare back spending plans, policymakers need to step carefully.

Still, the market's apparent relief about the proposed law doesn't mean it's good policy. Higher royalties, which will target gross revenue after tax rather than profit, will help the government raise more cash sooner. Murilo Ferreira, Vale's boss, thinks Brasilia's royalty revenue could rise from $1.7 billion reais to $4.2 billion reais ($1.9 billion). That means new mines will take longer to become profitable, potentially crimping investment.

Vale is already under pressure due to a tax dispute with the Brazilian government and uncertain Chinese iron ore demand. The company will also now pay royalties before deducting transport expenses, not after. That will make it harder to compete against Australia-focused rivals which enjoy a cost advantage shipping ore to Asia.

The fact things could have been worse makes Vale investors' relief understandable. But it may also be short-lived.

CONTEXT NEWS

- Brazil unveiled a long-awaited new mining law on June 18, proposing a doubling of the country's top royalty rate and stricter rules for opening new mines. The provisions of the bill, which made no mention of a windfall profit tax for miners, were less onerous than the industry had feared. Vale's shares rose 2.3 percent.

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

GENERAL NEWS

Intrepid Mines board survives coup over lost Indonesia mine

MELBOURNE, June 20 (Reuters) - Shareholders of Intrepid Mines backed their board and its attempt to reclaim rights to a $5 billion copper and gold project in Indonesia, defeating a plan by a private equity investor to oust the board on Thursday.

At stake is the Tujuh Bukit mine, where Intrepid was kicked off site last July after its Indonesian partners transferred the leases for the project to a new company, now controlled by Indonesian tycoon Edwin Soeryadjaya.

A new shareholder, Hong Kong-based private equity investor Quantum Pacific, led a push to take over the Intrepid board and pursue a plan to negotiate with Soeryadjaya to win back a stake in Tujuh Bukit within nine months.

A majority of shareholders rejected that plan in Thursday's vote, supporting the board and the battle to win back rights to Tujuh Bukit, which may hold 19 billion pounds of copper and 30 million ounces of gold.

That strategy involves pressing for fraud and embezzlement charges against its former Indonesian partners. Intrepid has also launched a case against the local government of Banyuwangi for allowing the transfer of Tujuh Bukit leases to another company.

"In our opinion, the Board's legal strategy reflects an inexperienced and highly naive view of conducting business in Indonesia and puts any chance of project recovery at significant and unnecessary risk," Quantum Pacific said in a statement.

"All precedent cases have favoured the Indonesian party," it said after the vote.

Intrepid Managing Director Brad Gordon said on Thursday the company has been talking to Soeryadjaya, chairman of Indonesian coal miner PT Adaro Energy . Gordon declined to put any timeframe on reaching a commercial resolution with him.

Intrepid's shares fell 8.7 percent to a three-month low of A$0.21 after the vote, valuing the company at A$117 million, down from more than A$1 billion in 2011.

GENERAL NEWS *(Continued)*

In the weeks leading up to the shareholders' poll, more than 20 percent of the company's shares were bought by people from Indonesia, Singapore and Hong Kong, where Intrepid has previously had few investors, Intrepid Chairman Ian McMaster said on Thursday.

The company has been unable to find out if the new investors have ties to the new owners of Tujuh Bukit. Gordon said the issue may be raised in talks with Soeryadjaya.

"All we're doing is highlighting that a large percentage of our register is now sitting with some Southeast Asian shareholders who won't disclose who they are, and we'll continue to try to get to the bottom of it," Gordon told Reuters.

Following the vote, Quantum Pacific said it would review its position as a shareholder in Intrepid.

Fortescue says needs more time to reach infrastructure sale

SYDNEY, June 20 (Reuters) - Fortescue Metals Group said the proposed sale of a stake in its rail and port assets in Australia's iron ore belt that could net around A$4 billion ($3.8 billion) was on track, but would be delayed by some months.

Australia's third-biggest iron ore miner has been scrambling to shore up its debt-laden balance sheet amid volatility in the iron ore market and as it ramps up production of the steel making raw material.

Fortescue unveiled plans in December last year to offload a minority stake in its coveted infrastructure assets which it calls The Pilbara Infrastructure, or TPI. Only two other companies, BHP Billiton and Rio Tinto , own rail lines in Western Australia's remote Pilbara region and both have refused to share them with other producers.

Fortescue had aimed to sell a stake in TPI by the end of June but said on Thursday it now expects to announce a deal, if one is reached, in the September 2013 quarter.

"The level of interest generated has necessitated a longer period of evaluation than previously contemplated," Fortescue said in an update on its operations.

Fortescue, which expects to have net debt of about $10 billion by June 30, said it was not under pressure to sell an interest in TPI.

The company has shortlisted potential investors, but hasn't named them. Sources say potential buyers include infrastructure investor Brookfield Infrastructure Partners, which already has a rail arm in Western Australia. Neither Brookfield nor Global Infrastructure Partners, which is also considered a contender, were immediately available to comment.

TPI assets include 280 km (175 miles) of rail lines and access to Port Hedland, the word's largest iron ore export terminal, which is also used by BHP Billiton.

A key factor reckoned by analysts to be weighing on the deal is that the company wants to sell only about 40 percent in TPI, leaving potential buyers with a lack of control over the asset.

Fortescue is also under pressure from junior rivals such as Brockman Mining Ltd to cede access to infrastructure.

News of a delay in clinching a deal before the end of the financial year weighed on Fortescue stock, which was already down in step with other miners on global growth concerns. Fortescue shares were last down 6.6 percent at A$3.14 in an overall market down about 2.5 percent.

India unlikely to ban gold imports or hike gold import duty

NEW DELHI, June 20 (Reuters) - India is unlikely to ban gold imports or increase import taxes on the metal further, as that may lead more gold smuggling, a senior finance ministry official said on Thursday.

The official added that the government has limited options to stall a record fall in the rupee.

The rupee has fallen to 59.9350 to the dollar, a day after U.S. Federal Reserve Chairman Ben Bernanke confrimed the Fed would begin winding down its stimulus spending later this year, and data showed China's factory activity weakened to a nine-month low in June.

MARKET NEWS

Manufacturers feel pinch as more LME aluminium is stuck in Detroit

By Maytaal Angel

LONDON, June 19 (Reuters) - Makers of products such as cans and packaging foils face record high aluminium surcharges in the U.S. Midwest as more of the metal gets sucked into backlogged warehouses in Detroit that are registered by the London Metal Exchange (LME).

According to data from the exchange, stocks in Detroit have risen by 183,000 tonnes in the last three days to total 1.477 million tonnes, their highest since December 2012. The leap has pushed global LME stocks to a record 5.414 million tonnes.

While aluminium supplies are plentiful on paper, two separate sources told Reuters surcharges or 'premiums' paid over the LME cash price to cover physical delivery costs are at a record of around 12 cents per lb in the U.S. Midwest.

This is because the lion's share of spare metal supplies have been sucked into LME warehouses in Detroit, where anyone wishing to withdraw them faces a long and costly wait of more than a year.

"The queues in Detroit are set to rise and premia will remain high. On the basis of history - why take these stocks in if they aren't going to be booked for delivery and form the queue," said Macquarie analyst Colin Hamilton.

The LME has come under strong criticism over the past year for not doing more to tackle warehouse companies who, industry sources say, pay incentives to attract metal to their backlogged sheds in a bid to bump up rental revenues.

The exchange was sold to Hong Kong Exchanges and Clearing last year for $2.2 billion, though HKEx chief executive Charles Li said shortly after that the issue of warehouse backlogs almost derailed the deal.

The backlogged warehouses in the LME network are typically run by companies owned by big banks and trade houses like Goldman Sachs and Glencore Xstrata .

In April, sources with knowledge of the matter said Goldman had explored the sale of its metals warehousing business Metro International - which owns nearly all the sheds in Detroit - though no final decision had yet been made.

Rio Tinto to start exporting Oyu Tolgoi copper on June 21 - sources

ULAN BATOR, June 20 (Reuters) - Rio Tinto plans to start exporting copper from the $6.2 billion Oyu Tolgoi mine in Mongolia on Friday, a week later than first planned, according to a new invitation received by Reuters.

Journalists have been invited to attend a ceremony at the mine on Friday to mark the first shipment.

Rio Tinto, operator of the mine, declined to comment on the event. Its subsidiary Turquoise Hill Resources Ltd owns a 66 percent stake in the mine, with the Mongolian government owning the remainder.

Cliffs could halt Bloom Lake expansion if iron price falls

By Allison Martell

NEW YORK, June 19 (Reuters) - Cliffs Natural Resources Inc said on Wednesday that if iron ore prices fell further, it could scrap a key expansion at its Bloom Lake mine in Canada's iron-rich Labrador Trough region.

The company already delayed the expansion, which will double production capacity to 16 million tonnes a year, after benchmark iron ore prices plunged from a peak of over $190 per tonne in 2011 to below $90 in 2012.

The price has since recovered to around $120 per tonne.

"At $90 the project doesn't go, which is consensus right now," Chief Executive Joseph Carrabba told Reuters. "At $110, $120, the project goes. And believe me, the line is that fine when it comes down to the criticality of that project."

Carrabba, speaking at the Steel Success Strategies conference in New York, added that the Cleveland-based company expects to make a final decision on the development this year, with construction set for 2014.

A further expansion targeted for 2016 could take production capacity up to 24 million tonnes a year.

Bloom Lake, acquired through Cliffs $4 billion takeover of Consolidated Thompson in 2011, is considered by analysts to be a key future growth driver.

The company bought its majority stake in the project with the intention of expanding capacity to fuel growing hunger for iron ore from China, which was booming on rapid urbanization.

But demand and prices have since fallen, prompting the late 2012 delay. Many top global mining companies have slowed their iron ore units on softening demand for the steelmaking material.

Shares of Cliffs were up slightly at $18.62 on Wednesday afternoon in New York. The stock has fallen more than 50 percent so far this year, dragged down by a writedown, volatile commodity prices and declining profit.

Nickel price to weaken further as pig iron sector cuts costs

By Melanie Burton and Eric Onstad

SINGAPORE/LONDON, June 19 (Reuters) - China's nickel pig iron producers are turning in droves to a new technology that allows them to survive at lower prices, a move that suggests nickel prices, already mired at four-year lows, could fall further.

MARKET NEWS *(Continued)*

As nickel prices near $14,000 a tonne, however, output cuts by loss-making producers with higher costs could steady the market, analysts said.

Nickel, mainly used to make stainless steel, is down 17 percent this year. It is the worst performer of a industrial metals complex hit hard by China's slowing growth.

Fed by a commodity boom, prices peaked above $50,000 a tonne in 2007.

Production of nickel pig iron in China, a cheaper substitute for pure nickel used as feedstock by stainless steel mills, has more than quadrupled to an estimated 400,000 tonnes this year from 89,000 tonnes in 2008, according to Macquarie.

At the same time, technical innovations have slashed costs, which has in turn lowered the floor for nickel prices.

The break-even cost for nickel pig iron produced by rotary kiln electric furnace (RKEF) technology is now as low as $12,500 a tonne and its market share has soared, said Dennis Zamora, senior vice president for marketing and strategic planning at Nickel Asia Corp .

RKEF technology uses about a third less power than conventional production methods.

"At the moment, around 30 percent of the whole supply in China is made out of RKEF and that figure is growing so that next year you'll have 50 percent," Zamora said in an interview.

The Philippine company is one of the world's lowest-cost producers of nickel laterite ore, the low-nickel-content material used in nickel pig iron, 60 percent of which it ships to China.

PRODUCTION CUTBACKS?

The rise of nickel pig iron, and RKEF plants in particular, has won market share from refined nickel.

Combined with a global nickel surplus, this has helped send benchmark nickel on the London Metal Exchange (LME) spiralling lower to near $14,000 a tonne this week, its weakest level since 2009.

Current low prices are hurting producers using older, higher-cost technology, who are expected to cut output.

"There's no magic line that will prevent the price from sliding below $14,000, but at that level I think we will start to see some response from the nickel pig iron producers in China," said analyst Gayle Berry at Barclays in London.

"We did see that last year when prices hit $15,000. There were some quite substantial cuts."

Prices could linger at lower levels because news of output cuts in China are often slow to emerge, said analyst Stephen Briggs at BNP Paribas.

"The trouble with cutbacks among the NPI plants, is that it's extremely hard to monitor what's happening and the news only filters out secondhand," he said.

Data this week from the International Nickel Study Group was the latest evidence of a market also burdened by overproduction outside of China.

The nickel market recorded a surplus of 32,900 tonnes during the first four months of the year. In April, the INSG forecast an annual surplus of 90,000 tonnes this year.

"Fundamentally it's pretty grim, it's just a question of whether the price is low enough for the market to feel that the producers will have to address this now chronic surplus," Briggs said.

Processing of nickel laterite ore, through high pressure acid leach projects, such as Ramu in Papua New Guinea and Ambatovy in Madagascar, have in general been very successful, providing more supply for pig iron producers, said Joel Crane of Morgan Stanley in Melbourne.

Of the three nickel pig iron production methods, RKEF has enjoyed the most popularity due to lower costs and to its higher quality. It can be used in popular 300 series stainless steel for a fraction of the cost of refined nickel.

Outokumpu says has not sought ThyssenKrupp loan waiver

HELSINKI/FRANKFURT, June 19 (Reuters) - Finnish stainless steel maker Outokumpu on Wednesday said it had not sought a partial waiver on a 1.25 billion euro ($1.67 billion) loan note to German steelmaker ThyssenKrupp .

German monthly Manager Magazin reported that Outokumpu asked ThyssenKrupp to cancel some of this debt, which was part of a deal for Outokumpu to acquire ThyssenKrupp's stainless steel unit, Inoxum.

"The article is purely speculative and uninformed," said spokeswoman Saara Tahvanainen. "Outokupu has not asked for any waiver regarding the loan note."

ThyssenKrupp declined to comment on Wednesday.

The acquisition of Inoxum, which closed late last year, was worth 2.72 billion euros, comprising 1 billion in cash and 491 million in shares in addition to the loan note.

The magazine report, without citing sources, said ThyssenKrupp might have to write down the value of this loan.

ThyssenKrupp said in its last annual report that the financial receivable outstanding, or Outokumpu's payment obligation under the deal, had a current value of around 1.2 billion euros.

It also said the value of the payment could be adjusted by up to 200 million euros depending on conditions imposed under merger control law.

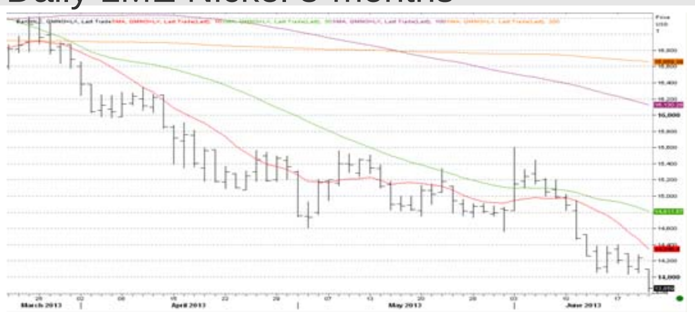
Outokumpu agreed to sell the Terni steel mill in Italy, one of Europe's most modern, to appease regulators' anti-trust concerns. Earlier this month, it said bids for the mill so far had been unsatisfactory.

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

Daily LME Aluminium 3-months

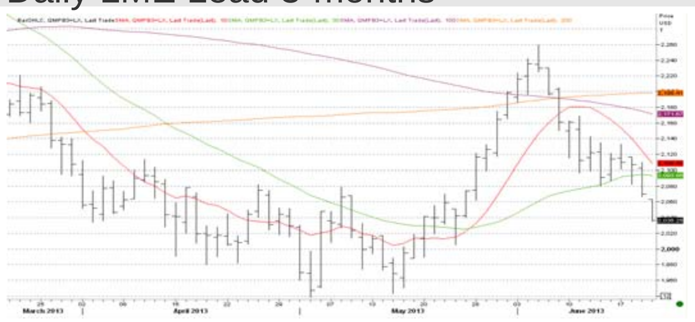
Daily LME Copper 3-months

Daily LME Nickel 3-months

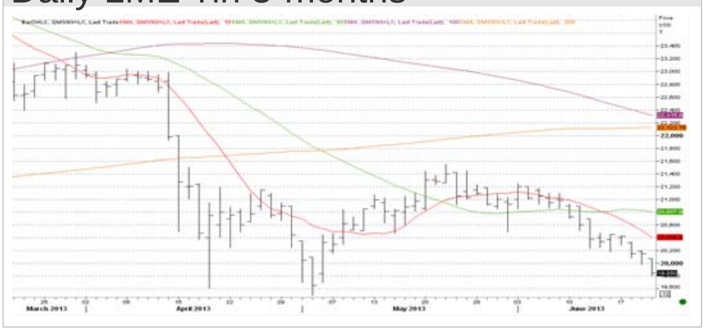


Daily LME Zinc 3-months

Daily LME Lead 3-months



Daily LME Tin 3-months



Daily LME Alloy 3-months

Daily LME Nasaac 3-months

MARKET REVIEW

METALS-London copper hits near 7-week low on Fed policy, China data

By Naveen Thukral

SINGAPORE, June 20 (Reuters) - London copper slid to an almost seven-week low dragged down by the U.S. Federal Reserve's plan to start reducing its stimulus measures later this year and further evidence of slowing growth in China.

Commodities came under pressure and Asian shares deepened losses after Fed Chairman Ben Bernanke said the central bank may reduce its bond-buying program with the goal of ending it in mid-2014 -- giving markets a more explicit timeline for the roll-back than they had expected.

Three-month copper on the London Metal Exchange stretched its losses into a fourth session, dropping 0.9 percent to $6,895 a tonne by 0234 GMT -- its lowest since May 3.

The most-traded copper contract on the Shanghai Futures Exchange lost 1.6 percent to 49,950 yuan a tonne, also a near 7-week low.

"Every year we were using some kind of stimulus to kick start the economy and it looks like this year we will not get it," said analyst Dominic Schnider of UBS Wealth Management in Singapore. "There is still room for a 10 percent fall in base metals if we are not going to see any acceleration or demand growth stabilising."

The Fed's bond buying has largely supported commodities by lowering the value of the U.S. dollar and making assets priced in the greenback cheaper for holders of other currencies. But following the latest Fed comments, the dollar has firmed.

Adding more pressure on metal prices was weak data from China, the world's top copper consumer.

Activity in China's vast manufacturing sector weakened in June to a 9-month low as new orders faltered, a preliminary survey of purchasing managers showed, reinforcing signs of tepid economic growth in the second quarter.

The flash HSBC Purchasing Managers' Index fell to 48.3 in June from May's final reading of 49.2, drifting further away from the 50-point level demarcating expansion from contraction.

"China's slow down is more pronounced than everybody thought," said Schnider. "The surplus that we have of up to 3 percent in most of the metals will continue and prices will get hammered."

But, some fundamental issues are supporting copper prices.

The world's second-largest copper mine, Freeport McMoRan Copper and Gold Inc's Grasberg in Indonesia, remains closed five weeks after a training tunnel collapse killed 28 workers.

In China, a shortage of cash is boosting imports of copper as a financing tool, pushing up premiums for spot refined metal supplies from overseas to near four-year highs.

But inventories of copper in warehouses monitored by the LME have been climbing, which has contributed to the metal's almost 13 percent fall so far this year.

Aluminium inventories in LME-monitored warehouses have also surged this week, with data on Wednesday showing Detroit accepting almost 60,000 tonnes of the metal, setting a new record high for total stocks at 5.4 million tonnes.

PRECIOUS-Gold falls to 2-month lows on stimulus outlook

By A. Ananthalakshmi

SINGAPORE, June 20 (Reuters) - Gold fell for a fourth straight session to its lowest level since a 15 percent plunge in mid-April, after the U.S. Federal Reserve signalled it would slow the pace of bond purchases later this year.

A scale-back of the $85 billion monthly asset purchases is likely to weaken support for gold prices, already down about 20 percent this year due to rapid outflows from exchange-traded funds and slowing demand in top consumers, India and China.

"I wouldn't be in a rush to say it's the end of gold," said Amber MacKinnon, an analyst at Nomura Securities in Sydney. "This is definitely a big turning point. But though we have seen some reasonable amount of stability in the U.S. economy, there is still a long way to run."

"Early next year will be pretty telling in terms of economic data. We'll have to see how unemployment reacts to any scale-back in bond purchases."

Fed Chairman Ben Bernanke said on Wednesday the central bank will continue to reduce the pace of purchases in measured steps through the first half of next year, ending purchases around mid-year if the U.S. economy continued to show strength.

Until recently, gold - seen as a hedge against inflation - had gained as the global economy took a hit and central banks acted to boost their economies. Gold touched an all-time high of $1,920.30 in 2011.

Spot gold fell 0.3 percent to $1,346.61 an ounce by 0340 GMT, down more than 3 percent for the week. It touched $1,338.84 earlier in the session - not far off the lows in mid-April when gold fell the most in 30 years.

U.S. gold fell over 2 percent, or $28, to $1345.8.

Holdings of SPDR Gold Trust , the world's largest gold-backed exchange-traded fund, fell below 1,000 tonnes on Wednesday for the first time in 4 years.

"With the negative sentiment that we have in gold currently, we really do need to see a significant amount of physical buying in order to stabilize the market - which we are not seeing," said Mark Keenan, cross-commodity research strategist at Societe Generale in Singapore.

MARKET REVIEW *(Continued)*

SocGen lowered its forecast for gold earlier this week, saying prices will fall to $1,200 an ounce by the end of the year, mainly due to the Fed's expected pullback in bond buying.

Demand in India has fallen off since the government hiked the import duty on bullion. China demand has slowed from peak levels seen earlier in the year.

China's factory activity weakened to a 9-month low in June as demand faltered, a preliminary survey showed, heightening risks that a second quarter slowdown could be sharper than expected.

FOREX-Dollar stands tall as Fed prepares ground to trim stimulus

By Hideyuki Sano

TOKYO, June 20 (Reuters) - The U.S. dollar rose broadly on Thursday as global asset markets underwent sharp adjustments in the wake of confirmation by the Federal Reserve that it would begin to dial down stimulus this year as the economic outlook improves.

The Australian dollar and emerging Asian currencies slumped as traders speculated that higher U.S. bond yields down the road would prompt investors to shift some of their funds back to the United States from high-yielding currencies.

The U.S. dollar also held firm against the yen, breaking away from the pattern in the past few weeks in which the greenback often fell in tandem with Tokyo share prices.

"Some people had hoped that Bernanke might strike a dovish tone given nervous market sentiment of late, so it was a bit of a surprise," said Koichi Takamatsu, executive director of FX trading at Nomura Securities.

The dollar index, which tracks the greenback's performance against a basket of major currencies, rose 0.3 percent to 81.627 , its highest level since June 11.

Against the yen, the dollar gained 0.6 percent to 97.04 yen , touching a one-week high of 97.185 yen briefly despite falls in U.S. and global shares after the Fed's policy meeting.

The euro also swiftly retreated from a four-month high around $1.3418 to last stand at $1.3272 , down about 0.3 percent on Thursday following an 0.8 percent fall on Wednesday.

Fed Chairman Ben Bernanke said that tapering of its bond buying depends on economic data and that a decline in U.S. unemployment to 6.5 percent is a threshold, rather than a trigger, for rate hikes.

Nonetheless, market players tried to look beyond, as U.S. bond yields rose sharply.

"About two years from now, the Fed is going to raise rates. At the end of the day, currencies with low funding costs are likely to be sold. This may lead to a shift from dollar-carried trade to yen-carried trade," said a trader at a Japanese bank.

Bernanke's comments sent U.S. stocks and bond prices sharply lower, pushing benchmark Treasury yields to a 15-month high. The 10-year yield jumped to 2.380 percent, approaching its March 2012 peak of 2.399 percent and the October 2011 high of 2.420 percent.

The Fed's statements put it ahead of the world's other big central banks in signaling a reduction of its stimulus.

The Bank of Japan is just two months into its two-year stimulus while a sluggish euro zone economy is seen as keeping the European Central Bank's easy policy bias.

SHRINKING YIELD ADVANTAGE

Analysts expect global markets, which have been bouyed by the Fed's easy money policies, will continue to adjust to the prospect of the U.S. economy standing on its own strength.

High-yielding currencies were among the hardest hit on Thursday, with the Australian dollar slumping to a fresh 33-month trough of $0.9232 . On Wednesday, it fell 2.1 percent, its biggest daily drop in a year and a half.

The Australian dollar also hit its lowest level in almost three years against the euro, which rose to as high as A$1.4357 .

"A move towards the end of quantitative easing in the U.S. will further reverse the upward pressure seen on the Australian dollar since 2009," said Shane Oliver, head of investment strategy at AMP Capital.

(Inside Metals is compiled by Pradip Kakoti in Bangalore)