INSIDE METALS

Monday, March 18, 2013

CHART OF THE DAY

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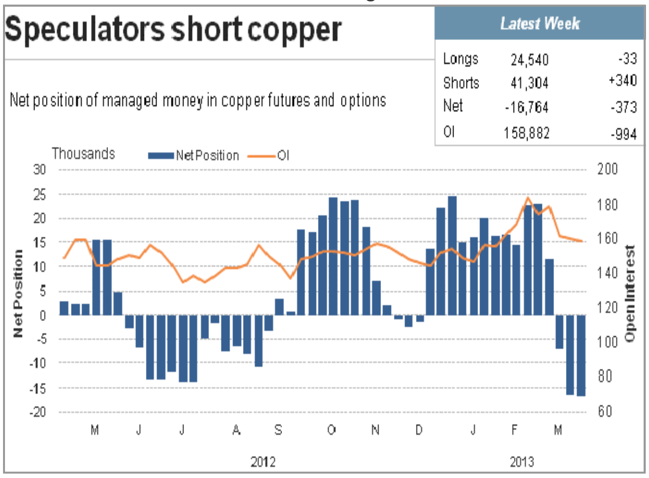

TRADING PLACES

- Speculators raise copper shorts, add to gold long -CFTC

GENERAL NEWS

- China state stockpiler buys aluminium, zinc at tenders - sources
- Struggling tungsten signals poor prognosis for EU industry

MARKET NEWS

ALUMINIUM:

- India raises $116 mln from aluminium stake sale
- RUSAL to halt Nigerian smelter over gas supplies

COPPER:

- Codelco workers threaten 24-hour strike within month

NICKEL/STEEL:

- U.S. steelmakers had tough year start, hope for a pickup
- ArcelorMittal targets $3 bln savings to help margins

ZINC/LEAD:

- Bulgaria's KCM sees 2013 zinc, lead output flat

FEATURE

Canada aboriginal movement poses new threat to miners

An aboriginal protest movement that's often compared with Occupy Wall Street has the potential to disrupt mining projects across Canada, threatening to undermine the country's coveted reputation for low-risk resource development.

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TODAY'S MARKETS

BASE METALS: London copper slid to a four-month low, after an unusual bailout proposal for Cyprus reignited fears of a euro zone crisis, pummelling the euro and spurring investors to shed risky assets.

Worries about the euro zone tipping back into crisis may have sparked the sell-off, but prices will soon find a floor as industry in top consumer China heads into the second quarter, which is seasonally the strongest, Singapore-based analyst Bonnie Liu of Macquarie said. "I don't see any fundamental drivers from China -- I wonder how long the sell-off can continue," she said.

PRECIOUS METALS: Gold rose above $1,600 for the first time in more than two weeks as a radical bailout package for Cyprus threatened to trigger fresh turmoil in the euro zone, driving investors to seek safety in gold. But a firm dollar and general perception of an economic recovery quickly snuffed out the rally, sending gold below the key resistance level of $1,600.

"The Cyprus crisis is bearish euro and bullish dollar, which is mathematically negative for gold," said Jeremy Friesen, commodity strategist at Societe Generale in Hong Kong.

FOREX: The euro dived and traders squeezed the yen higher in Asian trade as news that Cyprus' bailout plan involves a tax on depositors was taken as a dangerous precedent that could ultimately trigger bank runs elsewhere in the euro zone.

"It was a big shock to hear that they will tax savings, and the worry is that this could impact larger countries like Spain or Italy. It remains to be seen how European and U.S. markets will react," said Kenichi Asada, manager of forex at Trust & Custody Services Bank.

Click here for LME charts

FEATURE

FEATURE-Canada aboriginal movement poses new threat to miners

By Julie Gordon and Allison Martell

TORONTO, March 17 (Reuters) - An aboriginal protest movement that's often compared with Occupy Wall Street has the potential to disrupt mining projects across Canada, threatening to undermine the country's coveted reputation for low-risk resource development.

Idle No More, a grass-roots movement with little centralized leadership, swept across Canada late last year with the help social media. Protesters blocked roads and rail lines, and staged big rallies in the country's largest cities to press a sweeping human rights and economic development agenda.

Mining companies are also in the movement's sights as aboriginal bands seek to renegotiate old agreements and seize more control over mining developments, whether they are on lands designated as native reserves or not.

"We've existed in this territory for millennia. We don't have a land claim - it's beyond that, actually. Our rights exist throughout all of our territories," Arlen Dumas, chief of the Mathias Colomb Cree Nation, said about the northern Manitoba land where HudBay Minerals Inc , a Toronto-based mid-tier miner, is building its Lalor project.

Protesters cut off access to the gold-copper-zinc mine for several hours in early March, demanding talks with the company on an ownership stake in the C$794 million ($773.84 million) project, which has started limited production.

HudBay, which has mined in northern Manitoba for nearly 85 years, made it clear it prefers not to negotiate directly with the community, which is about 125 km (78 miles) away from Lalor and is one of many First Nations bands in the region.

Instead, the company is participating in an inter-governmental mining committee, which deals with such things as how benefits are split among parties.

"We're kind of in the crossfire of that," said HudBay Chief Executive David Garofalo. "At the end of the day it's important that those governments talk to each other and establish a revenue-sharing model that sustains both governments - both the Canadian governments and the First Nation governments."

MINING COUNTRY

Canada is the world's top potash producer and the No. 2 uranium producer, and boasts large reserves of base and precious metals. A large percentage of the mineral deposits are in remote areas in the north of the country, where living conditions for aboriginal bands are often poor.

The Canadian protests - groups also blockaded a diamond mine in northern Ontario in a push for jobs and cash - are a far cry from actions taken by countries such as Venezuela and Kyrgyzstan to claw back stakes in projects being developed by foreign miners.

Even so, Canada is feeling the heat. For the first time in six years, Canadian provinces failed to top the list of the best mining jurisdictions in the world in a 2012/13 survey. Companies that participated in the survey said they were concerned about land claims.

"I would say one of the big things that is weighing on mining investment in Canada right now is First Nations issues," said Ewan Downie, chief executive of Premier Gold Mines , which owns numerous projects in northern Ontario.

Current rules oblige mining companies to consult with aboriginal communities as part of the permitting process and, in many cases, agree on compensation if a development infringes on native rights. Carrots can include profit-sharing, promises of training and compensation funds designed to improve living standards and create much-needed jobs.

But Idle No More, energized by a corps of young, educated and media-savvy activists, appears much less willing to accommodate the mining industry than native leaders have been in the past.

"This movement was about educating First Nations to say no, that's not what happens when you're an owner of the resources. An owner of the resources gets resource sharing," said Pamela Palmater, a professor of politics and public administration at Ryerson University in Toronto.

First Nation opposition has already slowed or derailed at least a half dozen energy and mining projects in British Columbia, and environmentalists are increasingly partnering with aboriginal people in an effort to halt projects.

"It's the project killer, the investment killer," said Clayton Thomas-Muller, an aboriginal activist with the Indigenous Tar Sands campaign, which wants to stop further expansion of the Alberta oil sands.

WANTED: A BETTER DEAL

It's not just new developments that are at risk as the Idle No More movement gains traction.

With isolated communities increasingly turning to social media to share information with others, even companies that already have agreements with local aboriginals could find themselves facing demands for better deals.

"Not all aboriginal communities have been able to enter into the same quality or types of arrangement," said Blake Langill, Toronto mining leader at global accounting firm Ernst & Young.

"So that sharing of the information will be very powerful," he said. "It will give them some food for thought as they engage in discussion with the mining companies."

The blockade of a northern Ontario diamond mine is an example of just that, as protesters from the Attawapiskat First Nation twice in February barred access to an ice road leading to De Beers' Victor mine, disrupting a winter supply program.

Residents of the reserve, some 90 km (55 miles) east of the mine, were angry over issues ranging from a lack of jobs and

FEATURE *(Continued)*

training to compensation for the loss of trap lines. They set up the blockade even though an investment deal was signed with De Beers in 2005.

The two sides failed to come to terms on compensation and De Beers, a subsidiary of Anglo American Plc , eventually won an injunction to remove the blockade.

"It's a constant relationship in progress," said De Beers Canada spokesman Tom Ormsby, noting the company has been in talks with the community for months over a litany of issues.

Ormsby said De Beers makes payments to a compensation fund and the community must then determine how that money is distributed to individuals.

Compensation is a sticky issue for many communities, and aboriginal law specialist Pierre-Christian Labeau expects demands for better benefits to lead to the renegotiation of some of the older deals, perhaps to add profit-sharing clauses like those seen in more recent agreements.

"For the mining industry, maybe they should be prepared to renegotiate some elements of these agreements, because the reality shows that what we negotiated 10 years ago or five years ago doesn't work," said Labeau, chair of aboriginal law at Norton Rose in Montreal.

WORKING TOGETHER

But it's not all gloom and doom when miners and First Nations meet. For every project where there is conflict, there are also aboriginal bands that have used mining investment to create economic opportunity for their communities.

At Goldcorp Inc's Musselwhite gold mine in northern Ontario, five First Nation communities have banded together to create a catering company serving the mine, along with a distribution company that delivers goods across the region.

While development of the mine has forever changed the way of life for the remote community, it has also provided jobs and business opportunities for the reserve's young people, said Frank McKay, president of Windigo Ventures General Partner.

"The community is aware that eventually the mine will close," said McKay, a member of the Sachigo Lake First Nation. "If the mine is gone, we still get the revenue from our businesses ... and we have workforce that can be easily moved to other mining operations."

GENERAL NEWS

China state stockpiler buys aluminium, zinc at tenders - sources

By Polly Yam

HONG KONG, March 15 (Reuters) - China's state stockpiler bought 300,000 tonnes of aluminium and 45,000 tonnes of zinc in two closed-door tenders on Friday, smelter sources said, although the move is not expected to lift domestic prices of the metals dramatically.

China is the world's top consumer and producer of aluminium, whose domestic prices hover at nearly three-year lows, and zinc, whose prices at home stand near their lowest in four months.

But Friday's purchase is not expected to turn around China's aluminium market, which is currently oversupplied.

"We see aluminium prices staying relatively low after this purchase," said Yao Xizhi, an analyst at state-backed research firm Antaike. "The purchase would help ease financial pressure on large state-owned smelters but it will not change the fundamentals of the aluminium market."

Warehouse stocks in four cities were at a record 1.23 million tonnes last week and stocks at warehouses monitored by the Shanghai Futures Exchange also hit a record this week. The State Reserves Bureau paid about 15,137 yuan ($2,400) per tonne for its primary aluminium purchases, said two sources at aluminium smelters, who have direct knowledge of the matter.

"Six smelters sold a total of 300,000 tonnes today," said a source who attended the award of the tender. The price paid was 3.8 percent higher than the 14,580 yuan per tonne at which the front-month March contract was trading on the Shanghai Futures Exchange just after the tender ended around 0300 GMT. The contract price rose 40 yuan in the next 30 minutes, to stand up 0.2 percent at 14,620 yuan by the session's close.

The front-month aluminium contract had dropped as low as 14,355 yuan on March 4, its lowest since mid-2010.

The state body paid a similar premium of 4 percent to the front-month contract when it bought 100,000 tonnes of aluminium last November at around 15,730 yuan to 15,760 yuan per tonne.

The purchases were aimed at helping the domestic economy, the source who attended the tender award said, since the sellers were large aluminium producers, typically large tax payers to regional governments. "They are working on another purchase. It is not certain, for now, whether they will buy more or not," said the source, who declined to be named because of the sensitivity of the sale.

Another source at a large aluminium producer had also said a second purchase tender for aluminium could be held after Friday's event, but maybe not for the same amount. The state body also bought 45,000 tonnes of refined zinc from 3 smelters, less than the 50,000 tonnes planned, because distant delivery points made the price unattractive, said two sources at zinc smelters that participated in the tender. The state body paid about 15,820 to 15,880 yuan per tonne for the zinc, or about 5.2

percent to 5.6 percent over the 15,040 yuan price of the front-month March zinc contract just after the tender ended around 0700 GMT. In November, the state body paid a higher premium of 7.7 percent over the front-month contract, when it bought 100,000 tonnes of zinc for around 15,980 to 16,010 yuan per tonne.

Struggling tungsten signals poor prognosis for EU industry

By Natalie Huet

LONDON, March 15 (Reuters) - Prices for ferro-tungsten, a hard metal used in tool steels and light bulbs, have fallen to a more than two-year low in Europe, with traders blaming the continent's ailing steel industry and muted manufacturing activity.

At around $39-$40 per kg, prices for ferro-tungsten are down nearly 10 percent since the beginning of the year and at their lowest since November 2010.

Prized for its high strength and resistance to heat, ferro-tungsten is commonly used as a steel alloy in industrial tools and heavy machinery used for working other metals, such as moulds and cutting tools. It is also used in filaments, electrodes, wires and other electrical and electronic components.

Metals traders said supplies were abundant, inquiries for ferro-tungsten were rare and trade volumes very thin, leaving them scrambling to secure orders at ever lower prices.

"There's very little appetite for it (ferro-tungsten) in Europe from the steel mills and a lot of people have a lot of material on hand," said a UK-based trader.

Traders said prices were also weakening for other steel alloys such as ferro-molybdenum and ferro-vanadium , reflecting the woes of European steel firms, which have suffered heavy losses in recent years on the back of falling steel demand.

Steel demand is likely to slide further this year in Europe before a mild rebound takes hold in 2014, though it will remain well below pre-crisis levels, steel industry body Eurofer said last month.

The fall in tungsten prices also reflects the wider struggle of manufacturing activity in Europe, said Robert Baylis, managing director at consultancy firm Roskill.

"You've got to remember that quite a lot of tungsten is used for automotive-related use and the European car manufacturing industry has been on a bit of a nosedive recently," he said.

Contrasting with the optimism that has lately lifted stock markets to multi-year highs, sagging physical demand and low confidence in Europe's chances of economic recovery are pressuring tungsten prices in a downward spiral, traders said.

"Normally first quarters are very good quarters. But people are not confident, the economy is not as good as people expected," said a metals trader based in Germany.

"My feeling is Germany is reasonably OK but in Italy, France, Spain, there's no demand."

ENGINE ROOM OF THE ECONOMY

Traded on the spot market, tungsten is not listed on the London Metal Exchange and is largely spared the speculation and stockpiling affecting metals such as aluminium and copper.

This means that price drops generally simply reflect a slump in real demand, noted Anthony Lipmann, owner of Lipmann Walton & Co, a British firm specialised in minor metals trading.

"Tungsten is at the base of all manufacturing... you can relate it to the very engine room of our economies," he said.

"The fact that prices are falling shows there's not a lot of confidence and people are quite worried about the sustainability of demand in the base materials behind our economies."

On the supply side, further pressuring prices, Vietnam has increased tungsten output in recent years, taking advantage of a retreat of leading player China, where a 20 percent export duty since 2008 gives producers little incentive to sell abroad.

Prices for ferro-tungsten, however, are still higher than they were during the 2008 financial crisis, when they hovered around $25-27 per kg. They rebounded in late 2010 and hit an all-time high of $54 per kg in the first quarter of 2012.

While reliance on Asian exports is likely to underpin prices in the long run, traders said negative sentiment was likely to push prices further down in the short term, though none would say by how much.

"It's very difficult to say. If I knew, I wouldn't be that frustrated," said the German trader.

Lipmann noted that twenty years ago tungsten was worth about $4 a kg: "It's still 10 times higher and frankly I don't think we're a 10 times stronger world. So actually there's a long, long way that all these metals can fall."

TRADING PLACES

Speculators raise copper shorts, add to gold long -CFTC

NEW YORK, March 15 (Reuters) - Hedge funds and money managers raised their net short position in copper to a fresh four -year high and added to their bullish bets in gold in the week to March 12, Commodity Futures Trading Commission data showed on Friday. Speculators cut their net long in silver futures and options for a fifth straight week, making their most bearish bets in seven months.

Betting on weaker prices for a third week, they built on their net short in copper, adding just 373 contracts to take the total to 16,764. That is its highest since early March 2009.

Data showed the net long in gold rose by 3,564 contracts to 43,195 contracts, while the silver net long fell by 1,078 lots to 5,040, its lowest since August last year.

MARKET NEWS

India raises $116 mln from aluminium stake sale

MUMBAI, March 15 (Reuters) - India raised $116 million by selling shares in state-run National Aluminium Co Ltd (NALCO) on Friday, taking the government closer to its fundraising target to reduce the budget deficit.

The single-day NALCO auction received bids for a total of 156.94 million shares, at a weighted average price of 40.05 rupees, stock exchange data showed. The government's holding in the company will come down to 81 percent.

New Delhi was selling 128.86 million shares or a 5 percent stake, with an option to sell 5 percent more, at a minimum offer price of 40 rupees a share.

The share sale is part of the government's divestment drive to help restrict the fiscal deficit to 5.2 percent in the year ending March 31, to avoid becoming the first of the BRIC economies to have its credit rating downgraded.

Including the NALCO issue, the government has raised nearly $4.1 billion through the sale of shares in state-owned companies so far this fiscal year.

It expects to launch this month a 10.82 percent stake sale in steelmaker Steel Authority of India Ltd that could raise about $550 million, taking it close to its divestment target of $4.4 billion for the fiscal year.

NALCO, India's third-largest producer of aluminium, operates an alumina refinery, smelter plant and bauxite mines in the mineral-rich eastern state of Odisha.

Shares in the company, valued at about $2 billion, ended down 8.5 percent on Friday at 40.35 rupees, in a weak Mumbai market index.

RUSAL to halt Nigerian smelter over gas supplies

MOSCOW, March 15 (Reuters) - UC RUSAL , the world's largest primary aluminium producer, decided to suspend operations at its Alscon smelter in Nigeria because of concerns about gas supplies, it said on Friday.

The Russian firm said the smelter would be suspended from the end of April, having produced 22,000 tonnes of aluminium in 2012, around 88 percent less than its maximum annual capacity.

"Today, despite all measures undertaken by the company, ALSCON does not have a reliable and continuous gas supply," RUSAL said in a statement.

"Aluminium production at the plant is deeply loss-making, which renders it impossible to fully utilize the existing capacities."

The company owns 85 percent of Alscon, one of its key African assets, while the remaining stake belongs to the Nigerian government which challenged RUSAL's ownership in 2012.

A spokesman for RUSAL told Reuters the legal dispute with the Nigerian authorities was ongoing.

Codelco workers threaten 24-hour strike within month

By Alexandra Ulmer

SANTIAGO, March 15 (Reuters) - Codelco's unionized workers threatened on Friday to stage a 24-hour work stoppage at all units of the world's top copper miner within 30 days to demand greater job security and pensions.

Workers will start deciding what actions to launch next Friday, with the aim of eventually building up to a nationwide stoppage, union leader Ariel Rivero told Reuters.

"We've taken a very firm resolution, ... we're not backtracking on the work stoppage," Raimundo Espinoza, head of the powerful Federation of Copper Workers umbrella union group, said to the cheers of boisterous workers. The group represents some 15,000 Codelco workers. Espinoza is also a member of Codelco's board.

State-owned Codelco, which owns around 11 percent of the world's copper reserves, is seeking to propel its annual copper output from around 1.7 million tonnes to over 2 million tonnes by 2021, but is battling ageing mines, soaring costs and labor strife.

Union leaders say they fear restructuring of Codelco's tired mines could lead to benefit cuts, layoffs and the sale of world-class red metal deposits that are key to the state's finances.

MARKET NEWS

In mid-2011, thousands of Codelco workers held their first national strike in nearly two decades, downing their tools for a day in what is an ongoing feud over the future of the company.

While the specter of strikes in Chile, the world's top copper producer, has spooked investors, copper prices fell on Friday after the release of mixed U.S. economic data.

Codelco was not immediately available for comment.

WORKER-MANAGEMENT TENSIONS

Several union leaders say they fear the conservative government of Sebastian Pinera is seeking to privatize the copper miner. They're also upset about an increase in contract workers, a trend they see undermining stable employment.

Tensions between workers and Codelco's management, led by CEO Thomas Keller, a former executive at retailer Cencosud, and Chairman Gerardo Jofre, seen as close to billionaire Pinera, have sometimes run high.

Earlier this week, Jofre said "it's bad to launch work stoppages as sport," drawing rebuke from unions.

U.S. steelmakers had tough year start, hope for a pickup

By Silvia Antonioli

NEW YORK, March 15 (Reuters) - U.S. steel producers have had a difficult start in 2013, with demand weaker than in the past two years, but expect an improvement soon, the chief executive of the American division of Swedish steelmaker SSAB said on Friday.

"It is clear that we began the year at a much lower level than in the last two years," CEO Chuck Schmitt said in a phone interview.

"While we were hoping for an uptick in demand in early 2013, similar to what we experienced in 2012 and 2011, the markets are still rather slow.

"Rising imports and reduced inventories are among other factors contributing to the slowdown, and government budget talks and the fiscal cliff uncertainty didn't help in terms of stability in the marketplace," Schmitt said.

Steel demand has been stronger in the United States in the last couple of years than in Europe, but consumption and prices have been declining in the region since the second half of 2012.

The picture has not improved in the first quarter, which is generally a strong period, and domestic producers responded with a 7 percent output cut in the first five weeks of this year, compared with the same period of 2012, according to data from an industry body.

Schmitt said the picture might brighten soon.

"We are seeing some positive indicators now. Prices are a bit more stable and some of the lead times are increasing indicating that things might be picking up for the industry," he said.

"I think the underlying demand for a few key market segments, namely energy and automotive, are still fairly strong, which should carry out through 2013."

FIGHTING FOR A RISE

SSAB Americas, which produces steel heavy plate and strip at its two steelworks at Mobile, Alabama, and Montpelier, Iowa, has announced price increases of about $30 per tonne for March and $30 for April, in line with other steelmakers.

"The increase is partially tied to an improved outlook for demand in the short term, slightly longer lead times and a pickup in our order book. In addition, scrap prices have increased sharply, also contributing to our pricing decision," Schmitt said.

He said that while he was confident the $30 March increase would stick, whether an increase announced for April can be achieved "remains to be seen."

SSAB Americas accounted for 41 percent of the company's global sales and 75 percent of its earnings before interest, taxes, depreciation and amortization in 2012.

The division managed to post a profit for 2012, although lower than in 2011, even as the European business slumped into a $144 million operating loss, hit by shrinking consumption in economic stagnant Europe.

Steel traders said most steel makers have found it difficult to effectively push through the average $50 increase they have recently announced.

While steel consumption in the transport and the energy markets seemed robust, demand from service centers, the largest demand segment for SSAB Americas, was uncertain. Service centers buy large volumes of steel from the mills and sell it into smaller batches to end users, at times after processing it.

"There is some uncertainty right now regarding the sustained destocking phase at the distribution service centers that are being impacted by price instability and questionable long term demand," Schmitt said.

Demand from the mining sector has also come off after a couple of very strong years, as many mining firms are cutting new projects investment to reduce costs as they enter a cooler phase for the sector.

But the U.S. economic outlook and political decisions remained the primary concern for SSAB.

"All the uncertainty around government spending and tax reform can get in the way of investment planning," Schmitt said.

"The fear is that this might interrupt the positive momentum that I see beginning to build. As a result some investment activity and infrastructure development, which are necessary for a prolonged period of economic growth, might be put on hold."

MARKET NEWS *(Continued)*

ArcelorMittal targets $3 bln savings to help margins

By Philip Blenkinsop

BRUSSELS, March 15 (Reuters) - ArcelorMittal , the world's largest steelmaker, set out a new $3 billion savings plan to restore steel margins to levels unmatched since the crisis struck in 2008.

The new plan is the latest step in its aggressive response to steel sector problems that include a nine percent slide in demand in the European Union last year.

The Luxembourg-based company has already sold assets, launched a rights issue, cut its dividend and closed some production since Standard & Poor's cut its credit rating to junk status last August.

ArcelorMittal, more than double the size of its nearest rival, said on Friday it wanted to make savings of $3 billion by the end of 2015 by improving the reliability, productivity and energy efficiency of its blast furnaces and mills and shifting to low-cost U.S. gas.

The new plan supplements $4.8 billion of savings in sales and administrative expenses and other costs achieved by the end of September 2012 and the idling and closing of facilities in Europe set to yield $1 billion per year.

The aim is to increase core profit per tonne of steel produced to $150. It dropped to $85 per tonne last year from $118 in 2011, the peak level of the past four years. In 2008, the figure was $241, driven by the commodity boom.

Chief Financial Officer Aditya Mittal said the improvement was realistic with a 15 percent market expansion and global shipments rising to around 95 million tonnes.

ArcelorMittal's steel shipments were above 100 million tonnes in 2007 and 2008, but have been below 90 million since.

The company has raised $4 billion by selling shares and convertible bonds and assets including the $1.1 billion sale of a 15 percent stake in its Canadian mining business to POSCO and China Steel Corp .

The first $810 million part of the sale was concluded on Friday. The rest is set to be completed in the second quarter.

The $500 billion a year steel industry registered only modest 2 percent growth last year as slowing Chinese growth compounded weak demand in austerity-hit Europe.

In a presentation to investors, the group said it saw global steel consumption between 3 and 3.5 percent higher this year than last, slightly above the 3 percent it forecast in February.

Steel demand in Europe would hit a low, falling by around 1 percent this year, the group said.

Over the next five years, it envisages 20 million tonnes of demand recovery in North America and the EU, representing 3 percent average annual growth in the latter from 2012.

ArcelorMittal reiterated its financial guidance that this year's core profit would be higher than in 2012 and repeated that it was on track to reduce net debt to $17 billion by the middle of 2013, with a medium-term goal of $15 billion.

The steelmaker also said it was on course to have iron ore mining capacity of 84 million tonnes by 2015, with the expansion of operations in Canada and Liberia.

Bulgaria's KCM sees 2013 zinc, lead output flat

SOFIA, March 15 (Reuters) - Bulgaria's largest zinc and lead smelter, KCM, will keep its metals output target unchanged in 2013 or even exceed it slightly as it anticipates little disruption to production from maintenance, a senior official said on Friday.

Rumen Tsonev, executive director of the holding company controlling the smelter, said KCM expects to meet its target and to produce 72,800 tonnes of zinc and around 65,000 tonnes of lead this year, the same as in 2012.

"We worked at full capacity last year. For this year, we are keeping our targets, and may produce even slightly more as we would not have any long-term stops for installation maintenance," Tsonev told Reuters.

Tsonev said the smelter, near the city of Plovdiv, some 130 kilometres east of the capital Sofia, was not facing any problems with deliveries of ore concentrates or sales.

"We are very encouraged by the results in the first two months," he said.

The smelter, which exports about 85 percent of its production, plans to finalise an upgrade of its zinc facility by the end of the month.

He said the firm would open a new lead smelter in the beginning of 2014, which will replace ageing plant and boost overall lead capacity modestly to 72,000 tonnes.

The upgrades which started in 2011, will cost KCM a total of 223,500 million levs ($148.33 million) with 89 million levs to be invested this year, Tsonev said.

Bulgaria's other zinc and lead smelter, OTZK, has been idle for over a year. Its new owners, Bulgarian company Harmony 2012, has said it was looking into ways to restart zinc production.

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 slides to 4-month low as Cyprus plan roils mkts

By Melanie Burton

SINGAPORE, March 18 (Reuters) - London copper slid to a four-month low, after an unusual bailout proposal for Cyprus reignited fears of a euro zone crisis, pummelling the euro and spurring investors to shed risky assets.

Three-month copper on the London Metal Exchange fell more than two percent to $7,583.50 a tonne by 0723 GMT, adding to losses from the previous session.

LME copper earlier fell to its lowest since Nov. 9 at $7,545.75 a tonne, while the most-traded July copper contract on the Shanghai Futures Exchange hit a seven-month trough before cutting losses to trade at 55,190 yuan ($8,900) a tonne, down 3.2 percent. Losses in copper sparked selling in LME and ShFE zinc, also contracts popular with speculators and algorithm-based funds. LME zinc fell to an almost four-month low while ShFE zinc tumbled to its lowest in four years.

Other LME metals contracts, such as lead and aluminium, were mired near four-month lows, as selling pressure began to mount. Worries about the euro zone tipping back into crisis may have sparked the sell-off, but prices will soon find a floor as industry in top consumer China heads into the second quarter, which is seasonally the strongest, Singapore-based analyst Bonnie Liu of Macquarie said.

"I don't see any fundamental drivers from China -- I wonder how long the sell-off can continue," she said.

"China's new premier didn't say anything to indicate he was worried about China's property market at his speech on the weekend, so that is neutral for prices," Liu added.

Some Chinese speculators use commodity imports such as copper to dodge strict domestic currency rules, as a way to fund property investments, so any pullback in property prices tends to trim copper demand.

Cyprus was working on a last-minute proposal to soften the impact of a bank deposit levy on smaller savers after a parliamentary vote on the key bailout measure was postponed until Monday, a government source said.

European stock index futures pointed to a sharply lower open on Monday on concerns that Cyprus' plan to tax depositors could set a precedent for future euro zone bailouts while the euro plunged. Chinese Premier Li Keqiang said on Sunday ensuring economic growth was his government's top priority, pledging to fight graft, tackle vested interests and calling for an end to a cyber-hacking row with the United States.

Elswhere, demand outlook for metals was recovering. U.S. manufacturing output bounced back in February in the latest signal of strength in an economy that is showing clear momentum despite the headwind from government austerity.

FINDING A FLOOR

Muted buying interest was seen from traders in China following heavy price losses, a trader based in Shanghai said, adding that the market was at risk of a short-covering rally.

"They will come back to buy on the cheap when the market stabilises tomorrow, assuming that is around the $7,600 level," the trader said.

"Another few days' selloff might indicate a bottom, but the market is way too short right now," he added.

Hedge funds and money managers raised their net short position in copper to a fresh four-year high and added to their bullish bets in gold in the week to March 12, Commodity Futures Trading Commission data showed on Friday.

PRECIOUS-Gold hits 2-1/2-week high on Cyprus bailout worries

By Rujun Shen

SINGAPORE, March 18 (Reuters) - Gold rose above $1,600 for the first time in more than two weeks as a radical bailout package for Cyprus threatened to trigger fresh turmoil in the euro zone, driving investors to seek safety in gold.

But a firm dollar and general perception of an economic recovery quickly snuffed out the rally, sending gold below the key resistance level of $1,600.

The euro zone agreed on Saturday to hand Cyprus a bailout worth 10 billion euros ($13 billion), but forced the country's depositors to pay up to 10 percent on their savings, triggering fears that it could set off bank runs in other countries.

This came after the euro zone had enjoyed a few months of relative calm, investors had grown more confident in the economic recovery and banks had started paying back the crisis loans handed out by the European Central Bank.

"The Cyprus crisis is bearish euro and bullish dollar, which is mathematically negative for gold," said Jeremy Friesen, commodity strategist at Societe Generale in Hong Kong.

"But it does raise the question how the ECB is going to continue to allow tightening of credit, which has been happening as a result of LTRO repayment."

The ECB pumped over a trillion euros into money markets in two long-term refinancing loans (LTROs), in December 2011 and February 2012, to provide liquidity for banks.

Friesen said if the ECB could turn on the tap again and help its economy by pumping more cash into the system, that would help gold, which thrives on ultra-loose monetary policies.

Spot gold rose to a 2-1/2-week high of $1,608.30 an ounce earlier in the day, before easing to $1,597.76 by 0650 GMT, up 0.4 percent from the previous close.

U.S. gold also hit a 2-1/2-week high, at $1,607.6 an ounce, before paring gains to trade at $1,596.60.

Technical analysis suggested that spot gold faces resistance at $1,611 an ounce and may retrace to $1,586, Reuters market analyst Wang Tao said.

Physical buying in Asia slowed as prices climbed, dealers in Singapore and Hong Kong said.

"People are waiting for price dip to buy in, while scrap flow is very limited," said Dick Poon, general manager at Heraeus Metals Hong Kong Limited.

Investors will closely watch a U.S. Federal Reserve policy meeting on Tuesday and Wednesday to assess the central bank's attitude towards aggressive monetary stimulus. Economists expected the Fed to keep buying bonds for the rest of the year to aid the still frail economic recovery.

Interest in exchange-traded gold funds remained lukewarm on Friday. Holdings of SPDR Gold Trust , the world's biggest gold ETF, resumed the decline after a two-day pause, down 3.311 tonnes to 1,232.996 tonnes, the lowest since October 2011.

Speculators raised net long positions in U.S. gold in the week to March 12 from a more than five-year low of 39,631 contracts to 43,195 contracts, but also increased short bets on gold, data from U.S. Commodity Futures Trading Commission showed.

"There is a chance that gold was oversold and reflected too hawkish a view on policy and too optimistic a few on growth in the near term," said Friesen.

MARKET REVIEW *(Continued)*

FOREX-Euro skids, yen reaches higher on Cyprus deal

By Sophie Knight and Lisa Twaronite

TOKYO, March 18 (Reuters) - The euro dived and traders squeezed the yen higher in Asian trade on Monday as news that Cyprus' bailout plan involves a tax on depositors was taken as a dangerous precedent that could ultimately trigger bank runs elsewhere in the euro zone.

Breaking with previous EU protocol that citizens' savings are sacrosanct, euro zone finance ministers demanded on Sunday that Cypriots pay up to 9.9 percent of their deposits in exchange for a 10 billion euro ($13 billion) bailout, prompting a run on cash.

"It was a big shock to hear that they will tax savings, and the worry is that this could impact larger countries like Spain or Italy. It remains to be seen how European and U.S. markets will react," said Kenichi Asada, manager of forex at Trust & Custody Services Bank.

The common currency sank as low as $1.2888 in early Asian trade, its lowest since Dec. 10, before steadying around $1.2903, or 1.3 percent below late levels in North America on Friday.

Against the yen, the euro tumbled 2.1 percent, briefly breaking through support at 121.681, its 55-day moving average, which analysts said could herald a deeper correction. It last bought 121.860 yen.

The common currency also lost ground on the Swiss franc to 1.2186 francs, from around 1.2275 .

"People were already cutting their exposure to riskier assets and this has been a further catalyst for those who are long to cut back on them," said Takumi Nomura, senior trader at the Bank of Tokyo-Mitsubishi UFJ.

The yen shot higher across the board as speculative sellers were caught badly short of the currency, and had to quickly unwind carry trade positions.

Borrowing in the Japanese currency to buy higher yielding assets has been a heavily-favoured trade in recent weeks on expectations of more aggressive easing steps from the Bank of Japan.

The dollar was shoved as low as 93.450 yen in volatile trading before dawn in Tokyo, marking its lowest since March 6 and moving away from a 3-1/2 year peak of 96.71 struck on March 12. Later on Monday, it firmed to 94.470 yen.

Market participants said it would not be unusual for the yen to firm as far as 90 against the dollar. Last week, the price of yen puts, bets that the yen will weaken, suddenly fell relative to yen calls, bets that the currency will gain. Asada of Trust & Custody Services said there was a cluster of such options around 93 yen to the dollar.

The U.S. dollar was up 0.6 percent on late Friday levels against a basket of currencies at 82.733 on Monday.

An improving U.S. economy has underpinned the greenback in recent weeks. The country's manufacturing sector was shown to be growing by data released on Friday, although consumer sentiment faltered to its weakest in over a year and inflation picked up.

Turbulent early trade shook the Australian dollar down by almost two full yen to a low of 97.74 yen, its lowest since March 8, before it firmed slightly to 97.83 .

'SPECIAL CASE'

Euro zone leaders and Cyprus agreed on the weekend that depositors should be taxed up to 10 percent - 6.7 percent on amounts below 100,000 euros and 9.9 percent on savings above that - to raise 5.8 billion euros so the island country could be eligible for an international bailout.

Cyprus postponed a parliamentary vote on the measure to Monday as the country was discussing with lenders the possibility of changing the levy to 3.0 percent for deposits below 100,000 euros, and to 12.5 percent for those above that, sources said.

Taxing depositors would be a radical change from usual practice, and would give depositors in other debt-ridden countries an incentive to shift their money to banks in EU countries with lower financial system risks, such as Germany.

Some strategists expected limited fallout from the move in the longer term, but nonetheless recognised it as a clear short-term signal to sell the euro.

"It's short-term negative for risk, the euro and dollar-yen but we think it shouldn't last too long... The broad trend for yen weakness is still intact despite the near-term upside," said Bill Diviney, currency strategist at Barclays in Tokyo.

"Our view is that ultimately the backstops are in place to prevent any more contagion. The ECB's policies and also banks are in a much better position than they were last year," he added.

Analysts said signs of contagion could be signalled by widening in bond spreads of peripheral European countries.

(Inside Metals is compiled by Pradip Kakoti in Bangalore)