INSIDE METALS

Wednesday, May 8, 2013

CHART OF THE DAY

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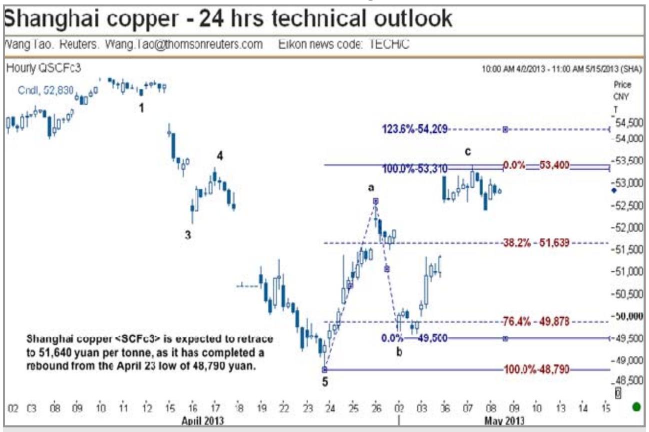

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- China trade data beats expectations, scepticism remains
- Hedge fund chief Paulson loses big on gold
- Retail gold buying soars in April after sharp selloff - survey

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- India's top copper smelter stays shut until at least May 14

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- Rio Tinto sees iron ore demand intact, sticks to expansion
- Brazil miner Vale wants part of U.S. steel recovery
- BHP exec sees iron ore seaborne supply accelerating, pressuring prices

FEATURE

COLUMN-Copper market's physical stabilisers kick in

Copper trading over the last few days has been a white-knuckle roller-coaster ride. Volatility has blown out and volumes have soared. On the London Metal Exchange (LME) three-month metal jumped more than 6 percent on Friday in a ferocious short-covering rally.

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

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TODAY'S MARKETS

BASE METALS: London copper futures edged higher trading close to a three-week high as strong Chinese data fuelled hopes that an improvement in the world's second biggest economy would spur demand.

"Look at the leading indicators, they are turning now," said Dominic Schnider, an analyst at UBS Wealth Management. "We see a pickup taking place, which makes it interesting to look at the May number."

PRECIOUS METALS: Gold edged up supported by demand from China and a tight physical market, but gains were capped by strong equities and a drop in bullion exchange-traded fund holdings to their lowest in four years. China's net gold imports from Hong Kong hit a record in March and the prospect of surging demand in the coming months may further support bullion prices, which have been hurt by continued ETF outflows after a historic price drop last month.

"There's continuous liquidation on the ETFs which keeps gold under pressure. Sentiment is not that good," said Ronald Leung, chief dealer at Lee Cheong Gold Dealers in Hong Kong.

FOREX: The Australian dollar pulled up from a two-month low and the yen eased briefly after better-than-expected Chinese trade numbers eased some concern about slowing growth in the world's second-largest economy. A big underperformer was the New Zealand dollar, which took a hit after the head of the country's central bank said it had intervened to try and restrain the strength of the currency. No details were given on when such action took place.

"The Australian dollar bounced a bit, as the bias had been completely toward the downside and there had been some accumulation of (short) positions," said Hiroshi Maeba, head of FX trading Japan for UBS in Tokyo, referring to the Aussie dollar's reaction to the Chinese trade data.

FEATURE

COLUMN-Copper market's physical stabilisers kick in

By Andy Home

LONDON, May 7 (Reuters) - Copper trading over the last few days has been a white-knuckle roller-coaster ride.

Volatility has blown out and volumes have soared.

On the London Metal Exchange (LME) three-month metal jumped more than 6 percent on Friday in a ferocious short-covering rally.

The bounce has extended to $7,374 per tonne this morning, a full 9 percent higher than last Thursday's low print of $6,780.

This is a direct reaction to copper's precipitous slide from over $8,000 in February to an 18-month low of $6,762.25 in April, a move which fed a massive build in short positions.

There will be more thrills and spills aplenty before some sort of equilibrium is re-established.

But far from the madding crowd of the futures markets, the price slide has caused two powerful, interconnected physical market stabilisers to kick in.

Scrap and Chinese buying.

THE SCRAP DIMENSION

Scrap is an opaque but vital part of every industrial metal's supply-demand dynamics.

Last year, for example, around 18 percent of global refined copper production was sourced from scrap, according to The International Copper Study Group (ICSG).

Scrap supply is also notoriously sensitive to price, particularly the sort of dramatic price change seen in copper over the last few weeks.

Scrap merchants simply stop selling, preferring to sit on material bought at higher prices rather than crystallise a financial loss.

This is a global phenomenon.

Researchers at Barclays Capital point out that in the U.S. the price of high-purity No.1 scrap is now trading at parity with refined metal for the first time since April 2009. ("Copper mine supply booming, but scrap tight", May 3, 2013).

This is not a new phenomenon. Take note, by the way, of that reference point.

Back in early 2009 the copper price was just starting to recover from its steepest-ever collapse, occasioned by the "Lehman Moment" in the third quarter of 2008.

CHINA HIT...

But then, as now, the biggest hit will be taken by China because of the sheer amount of copper smelting capacity in the country.

And the effects are already being felt.

Jiangxi Copper , the country's top producer of refined metal, shuttered a 100,000-tonne per year scrap-dependent facility over the weekend and is bringing forward scheduled maintenance at two other plants.

It is following hot on the heels of smaller operators such as Yantai Penghui and North Copper.

China's copper scrap imports were already falling even prior to the most recent price action.

Imports were down by 3 percent at 1.030 million tonnes (bulk weight) in the first quarter of this year.

That was largely due to a tightening of the customs screws, the latest skirmish in a long-running campaign by Chinese authorities to regulate the quality (and reporting) of flows of secondary material.

Shortfall is now fast becoming famine thanks to the recent copper price fall.

Local scrap input prices are currently higher than refined metal output prices, an impossible situation for a secondary smelter, according to Wu Yuneng, vice president of Jiangxi Copper.

...AND HIT AGAIN

Scrap shortage, though, generates a secondary, less obvious hit on the physical copper market.

That's because many copper fabricators also use scrap as an input, blending it with refined metal.

This is also a global phenomenon but again the most acute impact will be felt in China, simply because the country is the world's largest copper consumer.

Quantifying this particular materials flow is a tricky task but the ICSG has been chipping away at it.

The Group estimates that China last year used 3.02 million tonnes of copper in scrap ("ICSG Fabrication and Recycling Surveys in China and EU-27: 2012").

The lion's share of 62 percent was taken by the sort of secondary smelters now being shuttered by Jiangxi and other producers.

The balance, though, was used by brass mills (25 percent of the total) and wire rod plants (13 percent).

The tonnage equivalent was 1.15 million tonnes of copper content.

At times of scrap famine that tonnage has to be replaced with refined copper, overriding broader consumption trends.

BARGAIN BUYING

Which is where scrap interacts with the other great physical copper market stabiliser, Chinese bargain-hunting.

It was Chinese buying, led by government stockpile manager The State Reserves Bureau, that turned the copper price around back in the dark days of late 2008.

And Chinese physical buying is once again re-appearing in force as consumers take advantage of lower prices to restock.

FEATURE *(Continued)*

It's not obvious and it may not be for some time because rather than booking increasing amounts of import material, Chinese buyers are drawing down stocks from bonded warehouses in Shanghai.

The best indicator of this process is the level of physical premium for such metal.

At the end of April the premium for bonded copper was quoted at $120-135 per tonne over the LME cash price, up from just $70-90 in March.

There are no hard figures for how much copper is sitting in the Shanghai bonded zone but just about everyone agrees the trend is downwards.

That would certainly tally with a change of trend in visible Chinese stocks.

Those registered with the Shanghai Futures Exchange currently stand at 213,782 tonnes, down from a March peak of 247,591 tonnes.

The SHFE futures curve , or at least the front part of it, has moved into backwardation, another sign of local-market tightness.

THE ONLY WAY IS UP?

Does all this this mean that the copper price can't fall further?

No.

Exchange trading of copper exists in a broader financial universe where macro signals and investment flows dominate.

There will likely be no shortage of would-be sellers on any further copper price strength.

Nor will the building surplus of copper concentrates, the primary source of raw material in the copper market, miraculously disappear.

But, as was seen most dramatically in 2008-2009, physical drivers such as scrap supply and Chinese restocking will act as increasingly forceful brakes on any further price weakness.

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

GENERAL NEWS

China trade data beats expectations, scepticism remains

By Langi Chiang and Jonathan Standing

BEIJING, May 8 (Reuters) - China's exports and imports grew more than expected in April, offering the possibility of a better outlook for the world's second-largest economy, but the figures failed to put an end to scepticism that financial manoeuvring by exporters and speculative capital inflows are masking weakness in real demand.

China's exports rose 14.7 percent in April, while imports grew 16.8 percent, leaving the country with a trade surplus of $18.16 billion for the month, the Customs Administration said on Wednesday.

That compared with market expectations for a 10.3 percent rise in exports, a 13.9 percent increase in imports and a trade surplus of $15.1 billion.

From a month earlier, exports edged up 2.7 percent while imports fell 7.7 percent.

Chinese export data in recent months has seemed to signal to a gradual revival of external demand, though some analysts suspect exporters may have overstated their business to sneak funds into the country and avoid capital restrictions.

"I have no strong conviction whether the data reflects reality. We'll focus on next Monday's activities data," said Zhiwei Zhang, chief China economist at Nomura in Hong Kong.

"China's SAFE recently launched new rules to crack down against capital inflows disguised as trade payments. I'm suspicious about the trade data," Zhang said, referring to the State Administration of Foreign Exchange.

The regulator released new rules on Sunday to crack down on hot money inflows disguised as trade payments.

A Reuters estimate of hot money flows based on official data indicates that $181 billion in speculative cash entered China in the first quarter, fuelled in part by loose monetary policy from the United States and Europe.

SIGNS OF WEAKNESS

Adding to the scepticism over the trade data, a pair of PMI surveys last week showed growth in China's vast factory sector eased in April as new export orders shrank. However, in the trade figures, manufacturers were among the sectors reporting increases in exports in the month.

In addition, the customs figures showed a 57 percent jump in exports to Hong Kong and a 250 percent rise in exports to bonded areas, adding weight to theories that goods are not being exported to final destinations.

"In 1Q13, China's export data were heavily distorted due to over-reporting by exporters who might bring in hot money through fake exports and arbitrage the differential between CNH/USD and CNY/USD by moving goods in and out of HK," Bank of America Merrill Lynch economist Ting Lu wrote in a report on Wednesday's data, referring to offshore and onshore yuan currency rates.

GENERAL NEWS *(Continued)*

"The evidence includes the abnormally strong exports to bonded areas and Hong Kong."

Spot onshore yuan hit a fresh record high of 6.1424 per dollar on Wednesday, on strong corporate demand and expectations of further policy reforms to liberalise the exchange rate.

The latest export figures also don't chime with those from other regional economies. South Korea and Taiwan posted weaker-than-expected exports for April, showing the fragility of global demand.

Taiwan's government said on Wednesday it will cut this year's economic growth forecast due to sluggish export data.

Although the United States posted firm jobs numbers for April, they followed a series of weak data, while the recession-hit euro zone has record unemployment.

However, there were positives in the data. While China's exports to the United States fell 0.1 percent in April and those to the EU fell 6.4 percent, the rates of decline were much less than March's declines of 6.5 percent and 14 percent, respectively.

Exports to ASEAN countries rose 37.3 percent and those to South Korea were up 7.2 percent.

"I think the export growth must be supported to some extent by the real overseas demand, adding to signs of gradual revival in the world economy," said Shen Lan, economist at Standard Chartered in Shanghai.

"With Beijing tightening checks on hot money inflows disguised as trade transactions, I think the export figures in the coming months will more reflect the real underlying momentum of external demand."

China's economy unexpectedly stumbled in the first quarter, growing 7.7 percent from a year earlier versus a rise of 7.9 percent in the previous three months.

A Reuters poll in April had forecast second-quarter annual growth of 8.00 percent and most economists expect a steady and gentle economic recovery this year.

Hedge fund chief Paulson loses big on gold

By Katya Wachtel

NEW YORK, May 7 (Reuters) - Hedge fund billionaire John Paulson is emerging as one of the biggest losers in this year's gold rout, further tarnishing his once legendary status in the $2 trillion hedge fund industry.

Paulson's $700 million gold fund lost a whopping 27 percent in April, when the price of the metal plunged 17 percent over a two-week stretch, according to performance figures provided by a person familiar with the fund.

The jarring one-month decline in the Paulson gold fund brings the year-to-date loss for the fund to about 47 percent, the source said. The fund's losses were magnified by the fact that its bullish bet on gold is effectively a leveraged bet that uses derivatives tied to the price of gold to enhance returns.

The majority of the money invested in the Paulson gold fund is believed to be the billionaire's own.

Paulson rose to fame after he made $15 billion for his firm in 2007 by betting against subprime mortgages before the housing collapse. [http://tinyurl.com/3vvb3p5] Since then, however, he has struggled to duplicate that success, and several of his portfolios have lagged in recent years.

Assets under management at his Paulson & Co firm have dropped to $18 billion, down from $38 billion in early 2011, due to investor redemptions and poor performance.

To be fair, the April selloff in gold was particularly fierce and came as a surprise to many hedge fund managers who were long either gold bullion or the SPDR Gold Trust , the most popular gold exchange-traded fund.

Hedge fund manager David Einhorn said on a conference call on Tuesday, "We were somewhat surprised by the swift decline in the price of gold in April."

Paulson disclosed the gold fund loss to investors on Monday along with results for his other funds, the source said.

Over two weeks in April, the price of gold plunged 17 percent, from $1,603 per ounce to a low of $1,321 on April 16, before starting to rebound. As of Tuesday, the metal was trading near $1,446.

Regulatory filings show that at the end of last year Paulson's firm was the largest holder of the SPDR Gold ETF, with 21.8 million shares. Paulson has not yet disclosed its latest position in the gold ETF. Since the beginning of the year, the gold ETF has fallen about 14 percent.

Paulson's hedge funds also are large investors in shares of gold mining companies, which similarly have sold off this year.

Until this year, gold had been a solid investment. In the wake of the financial crisis, a number of hedge funds began buying gold as a hedge against inflation. But inflation has yet to materialize, despite the Federal Reserve's aggressive purchases of Treasuries and mortgage bonds to stoke the economy.

Paulson's more widely held Advantage fund declined 0.8 percent in April, largely because of its gold positions, the source said, and is up 2.5 percent for the year through April.

The Advantage fund and a leveraged version of it were once two of Paulson's most popular funds but now have less than $5 billion in assets.

The average hedge fund is up a little over 3 percent this year, while the Standard & Poor's 500 is up about 13 percent.

It's not been all bad news for Paulson. Two other funds managed by him are performing well this year and far outpacing the returns of the average hedge fund.

GENERAL NEWS *(Continued)*

His credit-focused fund, which invests in mortgage securities and bank debt, is up 11.9 percent for the year. The Paulson Recovery fund, which invests in some insurers and asset management firms, is up 21.8 percent. And a merger-focused fund is up 7.1 percent.

Paulson will be one of the featured speakers at this week's SALT Conference in Las Vegas, a popular event with wealthy investors. The conference, sponsored by Skybridge Capital, begins Tuesday night.

Retail gold buying soars in April after sharp selloff -survey

By Frank Tang

NEW YORK, May 7 (Reuters) - Physical gold buying among private investors surged in April as they took advantage of bargain prices after bullion's historic sell-off, a survey by BullionVault showed on Tuesday.

BullionVault is an online physical gold and silver market for more than 47,000 self-directed individual investors, it said.

The company said its Gold Investor Index rose to 58.6 in April, its highest level in 16 months. In March, the gauge fell for a third consecutive month to 53.3.

A number above 50 indicates more buyers than sellers.

While net buying by the firm's mostly buy-and-hold type customers is seen as bullish, net selling might suggest individual retail investors are exiting the gold trade.

"The difference between the fast money of speculators and self-directed investors couldn't be any more obvious," said Miguel Perez-Santalla, vice president of BullionVault.

"It is apparent that the private investor was waiting for the right opportunity to get in," he said.

Gold's historic sell-off last month has intensified a disconnect between funds that sold on dissatisfaction over bullion's underperformance and individual investors who could not get enough physical gold coins and bars at bargain prices.

BullionVault said its April gold trading volume, measured by weight, rose to its highest level since December 2011. In dollar terms, volume rose 57 percent in April versus March.

The price of bullion fell $225 per ounce between April 12 and 16 after the European Central Bank and the International Monetary Fund asked Cyprus to sell reserves as part of a bailout deal and some feared the Fed might withdraw its stimulus.

Since then, strong physical demand around the world has boosted gold prices and cut that drop by more than half.

Spot gold traded nearly flat at around $1,468 an ounce on Monday, nearly $150 above a two-year low of $1,321.35 an ounce on April 16.

MARKET NEWS

UAE's Emal plans further expansion to meet global aluminium demand - CEO

By Stanley Carvalho

ABU DHABI, May 7 (Reuters) - Emirates Aluminium (Emal), a joint venture between Abu Dhabi investment fund Mubadala and Dubai Aluminium, is planning a further smelter expansion around 2017, its CEO said.

The group is on track to complete its $4 billion phase two by the end of 2014, when it capacity will rise to 1.3 million tonnes from the current 800,000 tonnes a year, making it one of the largest single-site smelters in the world.

The global aluminium industry is already facing a massive stock overhang, which is growing each month as smelters produce more than the world economy needs.

Emal is still planning to build more capacity, however, as it expects demand for aluminium to rise from 46 million tonnes to 60 million tonnes by 2015, Emal Chief Executive Saeed al-Mazrooei told reporters during a visit on Tuesday to the smelter complex sited between Abu Dhabi and Dubai.

"The international market is growing for aluminium in many countries - China, India, Brazil, the United States. This demands us to grow," he said.

Asked if a third phase could be launched around 2017, Mazrooei said he hoped so, adding that the company's state-backed owners would unveil details later. He declined to elaborate on the investment outlay or production capacity.

Emal exports the majority of its production to the United States, Europe, southeast Asia and the Middle East. Only about 200,000 tonnes is consumed locally, he said.

Emal, which burns vast quantities of natural gas to make the electricity it needs to operate the energy-intensive aluminium industry, has secured supplies for phase one and two from Abu Dhabi National Oil Co (ADNOC), Mazrooei said.

Cheap gas supplied to state-linked industry has driven a boom of energy-intensive development in the United Arab Emirates over the last decade which, combined with rapid immigration, has turned the UAE from a gas exporter into a net gas importer.

Because there is not enough gas to go around, Dubai, which owns half of Emal, has to import increasing volumes of expensive liquefied natural gas (LNG) from around the world to meet demand for electricity.

MARKET NEWS *(Continued)*

China's April copper imports fall 7.4 pct to 22-mth low

By Polly Yam

HONG KONG, May 8 (Reuters) - China's copper arrivals fell 7.4 percent in April from a month ago to hit a 22-month low, hit by port strikes in Chile and delays to shipments after the closure of India's top smelter.

London Metal Exchange copper inched down after the data from the world's top consumer of the metal. By 0301 GMT, the price stood at $7,275 per tonne versus $7,296 traded at 0117 GMT.

China's arrivals of anode, refined copper, alloy and semi-finished copper products reached 295,799 tonnes in April, the lowest since June 2011, data from the General Administration of Customs showed on Wednesday.

The fall in April arrivals marks a reversal of a 7.2 percent gain in March and reflects the fact that plentiful stocks in China have covered demand.

Importers and end-users stepped up purchases of refined copper in April because of improved price differentials between the LME and Shanghai . But the purchases were mostly of metal in bonded warehouses in Shanghai.

"Copper imports fell in April because domestic production of refined copper remained strong, and end-users have used stocks already in China, reducing the need for imports," said Yang Xiaoguang, analyst at Jinrui Futures.

Port strikes in Chile delayed term shipments of refined coper, the most popular type in the international and Chinese markets. Shipments due to arrive in China in April are now expected to arrive in May and early June, traders said.

The closure of India's biggest smelter also cut shipments to China last month. Sterlite Industries shut its smelter on March 30.

Chinese importers of refined copper had rushed to buy the metal from bonded warehouses in Shanghai and the international market following a fall of nearly 6 percent in London Metal Exchange prices in mid-April, pushing spot premiums to 16-month highs.

Premiums paid by buyers rose to about $115 to $135 a tonne over the cash LME copper prices in April, from $65 to $85 in the beginning of March and the highest since late 2011.

Consumption of refined copper by fabricators which buy the metal to make semi-finished or finished products, such as rods and tubes, have increased in the past few weeks, which could boost the needs for imports in May.

"We expect imports to rise gradually from May, as domestic demand rises," Jinrui's Yang said. "Our understanding is that many fabricators have resumed normal production in the past few weeks and the government has brought forward investments in the power sector, from July-August in previous years."

India's top copper smelter stays shut until at least May 14

NEW DELHI, May 8 (Reuters) - India's top copper smelter will stay shut until at least May 14 when an environmental court meets again to review the case, a judge said on Wednesday, prolonging a six-week shutdown that has pushed up copper concentrate processing fees in Asia.

The Sterlite Industries plant, which meets half of India's copper demand, was closed on March 30 after residents complained of emissions that led to breathing problems.

Justice Swatenter Kumar of the National Green Tribunal, a special fast-track environmental court, said an expert panel's report had to be given to all parties and set the next hearing for May 14.

The smelter's closure has pushed about 3,000 tonnes per day of copper concentrates onto the market. The plant produces 30,000 tonnes of refined copper a month and nearly half of the output goes to China.

Rio Tinto sees iron ore demand intact, sticks to expansion

SINGAPORE, May 8 (Reuters) - Rio Tinto , the world's No. 2 iron ore miner, is keeping output expansion plans for the steel-making raw material intact, with global demand led by top market China likely to keep growing, albeit at a slower pace, a senior company official said.

The Anglo-Australian miner is boosting iron ore production by 70 million tonnes a year that will take output to 360 million tonnes annually by 2015.

"In this decade we, Rio Tinto, expect Chinese steel demand to continue to grow on average about 3 pct per annum," Alan Smith, head of iron ore marketing in Asia, told an industry conference in Singapore.

Smith also said the miner expects seaborne iron ore demand to grow by 800 million tonnes in the current decade, justifying Rio's plans to continue boosting output.

Rio Tinto, led by former iron ore head Sam Walsh who took over as chief executive this year, has vowed to cut more than $5 billion in costs by the end of 2014. So far, the company has slashed hundreds of jobs and marked copper, coal and aluminium assets for sale or closure.

Its optimism on iron ore, which contributed 46 percent to revenues for the latest half-year, seems warranted, at least for now.

China imported 67.15 million tonnes of iron ore in April, the third highest on record and up 4 percent from March, customs data showed on Wednesday.

BHP Billiton , which itself is on track to lift iron ore output by 5 percent to 183 million tonnes in the year ending June 2013, also said Chinese demand will remain the key driver for the steel-

MARKET NEWS *(Continued)*

making commodity, but like Rio, acknowledged that demand there for steel will eventually peak.

"Supply growth is and will keep accelerating in coming years," BHP General Manager Alan Chirgwin told the same conference, adding the onset of new supply will translate into lower iron ore prices.

Chirgwin said BHP expects Chinese steel demand to peak at 1.1 billion tonnes by the middle of the next decade.

Brazil miner Vale wants part of U.S. steel recovery

By Guillermo Parra-Bernal and Gustavo Bonato

SAO PAULO, May 7 (Reuters) - Vale SA , the world's biggest iron ore miner, hopes to boost sales to the U.S. steel industry, which has become more competitive as the country's shale gas boom has lowered costs, the Brazilian miner's CEO said on Tuesday.

Growth in the United States presents an opportunity for Vale to reduce its dependence on Chinese demand, Vale CEO Murilo Ferreira told a gathering of executives and government officials in Sao Paulo sponsored by a Brazilian magazine.

"Shale gas has made the U.S competitive again," he said. "And we feel that we want to be part of the resurgence of the steel industry in that country."

About 3 percent of Vale's sales went to the United States last year, less than a tenth of its sales to China, and some analysts question how eager the U.S. market will be for foreign iron ore.

Currently, the North American iron ore market is nearly self sufficient, with mines located close to rail and water links that can ship the ore cheaply and efficiently to mills.

DIRECT REDUCED IRON

Natural gas provides the greatest opportunities to operators of electric arc steel mills. Such mills have traditionally used scrap steel as a raw material and cost about $1.2 billion to build - around a quarter of the price of a traditional blast furnace that smelts steel directly from iron ore - said Michelle Applebaum, who publishes the Steel Market Intelligence newsletter.

Natural gas, though, can be used to cheaply convert iron ore into a raw material that can be used directly by electric furnaces through a process called direct reduced iron or DRI. As gas prices fall and scrap becomes scarce and expensive, DRI has offered a way to make electric mills operate competitively using iron ore directly, Applebaum said.

Nucor is building a $750 million DRI plant in St. James Parish, Louisiana and has a 20 year natural gas supply contract.

Applebaum, though, thinks Vale's market opportunities in the United States will be small.

"The U.S. is mostly self sufficient in iron ore and outside of the Nucor plant I don't see much demand right now."

She estimates that Vale, which produces more than 300 million tonnes of iron ore a year, might be able to sell an additional 5 million tonnes to the U.S. for DRI in the near future.

DRI in the U.S. could also reduce demand for Brazilian pig iron, another source of iron for electric steel mills. Vale supplies much of the iron ore used by Brazilian pig iron manufacturers, though some Brazilian pig iron producers have been criticized for using illegal lumber from Brazilian forests to make the charcoal used to smelt the pig iron.

BHP exec sees iron ore seaborne supply accelerating, pressuring prices

SINGAPORE, May 8 (Reuters) - BHP Billiton , the world's No. 3 iron ore miner, expects growth in iron ore seaborne supply to accelerate in the years ahead, leading to lower prices for the steelmaking raw material, a senior company official said on Wednesday.

"Supply growth is and will keep accelerating in the coming years. This new supply will also bear a lot of cost and will gradually displace higher-cost production," BHP General Manager Alan Chirgwin told an industry conference in Singapore, adding the onset of new supply will translate into lower iron ore prices.

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 rises as Chinese data fuels recovery hopes

By Naveen Thukral

SINGAPORE, May 8 (Reuters) - London copper futures edged higher trading close to a three-week high as strong Chinese data fuelled hopes that an improvement in the world's second biggest economy would spur demand.

China's better-than-expected trade numbers came after German industrial orders showed unexpected strength earlier this week and Friday's upbeat U.S. monthly nonfarm payrolls.

Investors in the metals market expect copper imports by China, the world's biggest importer, to rise from May, despite a decline in April purchases, which had been expected.

China's copper arrivals fell 7.4 percent in April from a month ago to hit a 22-month low, hurt by port strikes in Chile and delays to shipments after the closure of India's top smelter.

"Look at the leading indicators, they are turning now," said Dominic Schnider, an analyst at UBS Wealth Management. "We see a pickup taking place, which makes it interesting to look at the May number."

Three-month copper on the London Metal Exchange rose 0.2 percent to $7,278 a tonne by 0117 GMT, after touching a high of $7,315 a tonne. The metal rose to a three-week top of $7,374 on Tuesday, boosted by a strong U.S. employment report.

The most-traded September copper contract on the Shanghai Futures Exchange eased 0.2 percent to 52,580 yuan a tonne.

Copper has lost almost 13 percent since hitting $8,346 a tonne in early February. Last month, the metal hit its lowest in a year-and-a-half following weak growth data from China.

But consumption of refined copper by Chinese fabricators, which buy the metal to make semi-finished or finished products, such as rods and tubes, has increased in the past few weeks, which could boost the needs for imports in May.

"We expect imports to rise gradually from May, as domestic demand rises," said Yang Xiaoguang, analyst at Jinrui Futures.

"Our understanding is that many fabricators have resumed normal production in the past few weeks and the government has brought forward investments in the power sector, from July-August in previous years."

Some investors remain heartened by a decline in copper stocks in both Shanghai and on the LME.

Shanghai stocks have declined to 213,782 tonnes, their lowest since late February, while LME stocks are at 604,600, their lowest since early April, having hit their highest in nearly a decade in late April.

In other metals, aluminium edged higher to $1882.50 a tonne, while zinc gained 0.4 percent to $1,880.25 a tonne and tin added 0.6 percent to $20,316.

Nickel fell 0.3 percent to $15,152 a tonne.

PRECIOUS-Gold edges up on China demand; ETF holdings at 4-yr low

By Lewa Pardomuan

SINGAPORE, May 8 (Reuters) - Gold edged up supported by demand from China and a tight physical market, but gains were capped by strong equities and a drop in bullion exchange-traded fund holdings to their lowest in four years.

China's net gold imports from Hong Kong hit a record in March and the prospect of surging demand in the coming months may further support bullion prices, which have been hurt by continued ETF outflows after a historic price drop last month.

"There's continuous liquidation on the ETFs which keeps gold under pressure. Sentiment is not that good," said Ronald Leung, chief dealer at Lee Cheong Gold Dealers in Hong Kong.

Gold hit a low around $1,447 an ounce before bouncing to $1,454.21 by 0626 GMT, up $2.22.

Although gold started rising after China's trade data showed a steady recovery in the world's No.2 economy, dealers said the gains were due to bargain hunting and tight physical supply.

"Trading will be range bound," said Leung, who expects bullion to move between $1,435 to $1,485.

U.S. gold was at $1,453.60 an ounce, up $4.80.

SPDR Gold Trust , the world's largest gold-backed exchange-traded fund, said its holdings fell 0.42 percent to 1,057.79 tonnes on Tuesday. In terms of ounces, ETF holdings dropped to 34,008,852 ounces -- the weakest since early 2009. [GOL/ETF]

Cash gold has dropped more than 13 percent so far this year, after posting annual gains in the past 12 consecutive years as easy monetary policy prompted investors to buy bullion.

TIGHT PHYSICAL MARKET

The physical market remained tight given a recent surge in demand for gold bars, coins and nuggets after prices dropped to a more than two-year low in mid-April.

"There's still a shortage in the physical metal, which is why premiums are at very high levels. We can say premiums for gold bars are at $3.50 an ounce," said a dealer in Hong Kong.

The physical market in Singapore was less active on Tuesday, with consumers staying on the sidelines after a recent rush.

"Supply is indeed tight and I heard people in Hong Kong even quoted premiums at $4 to $4.50. Demand from Indonesia and Thailand has subsided, and in fact there's some selling today from their side," a dealer in Singapore said.

Gold also drew support from promising China data.

Net gold flows from Hong Kong to China, the world's No. 2 gold consumer after India, jumped to 223.52 tonnes in March from 97.11 tonnes in February, smashing a previous record of 114.37 tonnes in December.

MARKET REVIEW *(Continued)*

FOREX-Aussie dollar off lows on upbeat China data; kiwi falls

By Masayuki Kitano

SINGAPORE, May 8 (Reuters) - The Australian dollar pulled up from a two-month low and the yen eased briefly after better-than-expected Chinese trade numbers eased some concern about slowing growth in the world's second-largest economy.

A big underperformer was the New Zealand dollar, which took a hit after the head of the country's central bank said it had intervened to try and restrain the strength of the currency. No details were given on when such action took place.

Data showing that China's exports and imports grew more than expected in April from a year earlier helped support the Australian dollar and weighed on the yen, although doubts remained about the strength of real demand.

The Aussie dollar is sensitive to economic data out of China, Australia's biggest export destination.

The Australian dollar last fetched $1.0187 , steady on the day.

Still, that was up from a two-month low of $1.0155 set this week after the Reserve Bank of Australia reduced the cash rate by a quarter point to a record low 2.75 percent on Tuesday, and left the door open to more easing.

Against the yen, the Aussie dollar held steady at 100.80 yen , up from an intraday low of about 100.36 yen.

"The Australian dollar bounced a bit, as the bias had been completely toward the downside and there had been some accumulation of (short) positions," said Hiroshi Maeba, head of FX trading Japan for UBS in Tokyo, referring to the Aussie dollar's reaction to the Chinese trade data.

That helped lend support to cross/yen pairs and the U.S. dollar versus the yen as well, Maeba said.

There has also been some dollar buying by Japanese importers and traders taking fresh long positions in the greenback, but the dollar could also start to see some options-related offers on the top side, Maeba added.

The U.S. dollar was steady at 98.97 yen , having rebounded from an intraday low near 98.64 yen.

The greenback, which hit a four-year high of 99.95 yen in April after the Bank of Japan unveiled its drastic monetary stimulus, has met stiff resistance near the psychologically key 100 yen level.

The euro edged up 0.1 percent to $1.3093 , with the near-term focus on German industrial production data coming up later in the day.

NEW ZEALAND DOLLAR

The New Zealand dollar fell 0.8 percent to $0.8389 .

The kiwi dollar fell after the Reserve Bank of New Zealand said it had been selling the currency to limit its strength.

"There has been intervention," RBNZ Governor Graeme Wheeler told a parliamentary committee. No details were given on the timing of the currency market operations.

The RBNZ's latest balance sheet, which covers transactions through March, shows scant selling of New Zealand dollars from the bank's reserves during the first three months of the year, after it sold a net NZ$199 million in December.

The figures do not cover transactions in April, when the New Zealand dollar rose to a 20-month high of $0.8676.

Hamish Pepper, currency strategist for Barclays in Singapore, said any impact from RBNZ intervention or talk of such action is likely to be short-lived, especially when considering the outlook for monetary policy.

"They're approaching the beginning of a tightening cycle. Admittedly, we don't think it will actually start this year, we think it's more a story for 2014," Pepper said.

"To the extent that you're trying to lean against your currency at the same time you're approaching a tightening cycle, there's an inconsistency there," he said.

Pepper said the RBNZ was unlikely to conduct large-scale intervention. Even when they intervened on a large scale back in 2007, the impact had proved short-lived, he added.

A more crucial factor for the kiwi dollar is a likely improvement later this year in the U.S. economy, which may support U.S. yields and the U.S. dollar, Pepper said, adding that the kiwi dollar could fall to about $0.82 in the near-term.

(Inside Metals is compiled by Pradip Kakoti in Bangalore)