INSIDE METALS

Friday, November 29, 2013

CHART OF THE DAY

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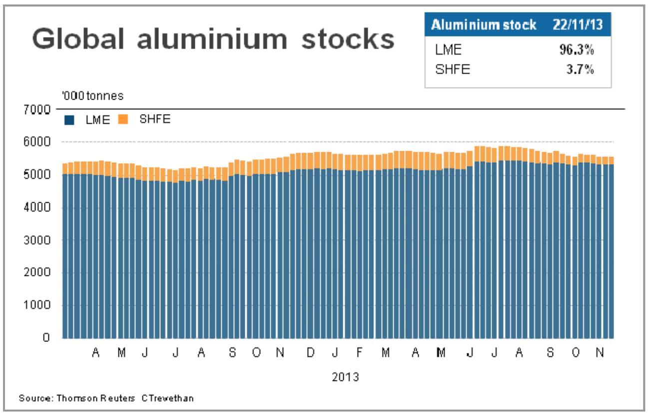

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Rio Tinto to save $3 bln with delayed iron ore expansion

Miner Rio Tinto has delayed the expansion of its iron ore operations in Australia to 2017, slowing growth and cutting costs with a revised plan which it says will save $3 billion by working existing mines harder instead of digging new ones.

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TODAY'S MARKETS

BASE METALS: London copper edged up after finishing unchanged in the previous session but was on track for its biggest monthly loss since June as slowing demand from top consumer China dragged on prices. "The weather is already very cold and impacting construction, but in the south projects are still ongoing," she said, adding that seasonal demand for power cables should help shore up the market towards year-end.

PRECIOUS METALS: Gold eased and was headed for its biggest monthly drop since June as a recovering U.S. economy prompted investors to shift money to rallying equities, amid expectations of an end to easy central bank money. "From a positioning standpoint, people have already exhausted on the downside. We could possibly end higher for the year from current levels."

FOREX: The yen slid to a six-month low against the dollar and a five-year trough against the euro as rising risk sentiment fanned speculation that more investors might borrow and sell the low-yielding yen to buy riskier assets. This trading strategy - called the yen-carry trade - comes as investors expect the Bank of Japan will keep or even enhance its ultra-easy policy, to help meet Prime Minister Shinzo Abe's goal of sustaining growth and conquering 15 years of deflation.

FEATURE

Rio Tinto to save $3 bln with delayed iron ore expansion

By James Regan and Clara Ferreira-Marques

PERTH/LONDON, Nov 28 (Reuters) - Miner Rio Tinto has delayed the expansion of its iron ore operations in Australia to 2017, slowing growth and cutting costs with a revised plan which it says will save $3 billion by working existing mines harder instead of digging new ones.

Rio, which makes the lion's share of its profits from iron ore, still plans to boost production, but more efficiently, at a time when heavyweight rivals BHP Billiton and Vale are doing the same.

Previously the company had been expected to increase its iron ore production capacity in Western Australia from around 260 million tonnes a year currently to 360 million tonnes by the end of the first half of 2015, but the plans were stalled after iron ore prices took a dive last year.

Under a new plan outlined on Thursday, management said its infrastructure could still be ready to handle an annual 360 million tonnes by 2015 but the full ramp-up in production would take longer as it has deferred development decisions on new mines in the region such as Silvergrass and Koodaideri, while lifting output from "brownfield" sites.

Ahead of two days of investor presentations, Rio said the newly approved plans will still increase production capacity by 20 percent by 2017 but much of the low-cost growth will come on-stream by 2015, when annual output is expected to reach over 330 million tonnes.

That compares with a production run rate of 290 million tonnes per year in the first half of next year.

However, some Rio shareholders have expressed misgivings about a production boost, fearing it would flood the market with iron ore and hit prices if demand fails to keep up.

Analysts at Liberum said the 40 million tonnes of extra capacity in 2015 amounted to 3 percent of the seaborne market, and more than half of expected incremental Chinese growth that year.

But investors welcomed the cost-cutting plan on Thursday, sending Rio's shares up almost 3 percent to 3,229.5 pence in London morning trade, outperforming a 0.1 percent rise in the FTSE 100 index

Like other major miners, Rio has come under pressure from investors to cut spending, slash debt and boost returns as commodity prices cool and has faced doubts over whether it should go ahead with riskier projects like its Simandou iron ore mine in Guinea, after facing hurdles in Mongolia.

"Whilst increased production could affect market dynamics, expanding existing facilities will be seen as far lower-risk capital expenditure compared to new greenfield adventures, such as the Guinea and Mongolian projects," said one of Rio's 10 largest investors.

'BAD NEWS FOR WEST AFRICA'

The Australian expansion will deliver more than 60 million tonnes of output a year by 2017 from a base of 290 million tonnes, but Rio will still face tough competition from rivals. Vale is targeting 480 million tonnes a year by 2018, up from 306 million this year.

"They've been able to take a leaf out of BHP's book and squeeze the lemon," said UBS analyst Glyn Lawcock, referring to moves by Rio Tinto rival BHP to maximise its production.

Under the new plan Rio has approved $400 million of spending on plant equipment and additional heavy machinery to support the work in Australia's Pilbara iron ore belt as it boosts productivity while saving on new mine developments.

"The market will say that's $3 billion less to spend. That means debt will come down quicker and you start thinking about potential for capital management a little bit sooner," said Lawcock, referring to a potential dividend or share buyback.

Des Kilalea at RBC Capital Markets in London said the plan was unlikely to surprise many Rio watchers, but was bad news for emerging iron ore players and projects like Rio's own in Guinea, one of the largest untapped deposits in the world.

"BHP has an expansion prgramme, Fortescue too, and Vale - with all these expansion plans there is not an awful lot of room for anyone else in the next three to five years to put material tonnes on the market, particularly West Africa," he said.

"Iron ore is basically about getting a return on a logistics system. Rio may not have the best mines in the industry, but they have a Rolls Royce logistics system (in Australia)."

Iron ore prices hit a low of around $80 a tonne in 2012, but currently sells for $136 a tonne giving Rio Tinto a cash profit margin of about $100 a tonne.

"By delivering these additional tonnes we will capture a greater share of demand and ensure we continue to enjoy the best returns in the industry," said Andrew Harding, Rio Tinto Iron Ore's chief executive.

Rio's chairman Jan du Plessis last week said the company held plans to mine iron ore in Australia until at least 2067 and expects to eventually become the world's biggest iron ore miner.

GENERAL NEWS

Zimbabwe dangles greater ownership if mines build platinum refinery

By MacDonald Dzirutwe

NGEZI, Zimbabwe, Nov 28 (Reuters) - Zimbabwe is willing to let foreign-owned platinum mining firms own majority shares in their local operations if they build a refinery in the country, the mines minister said on Thursday.

The southern African country has the world's second largest known platinum reserves but mining companies send the raw product to neighbouring South Africa for processing.

President Robert Mugabe has already forced the world's two largest platinum producers, Anglo American Platinum and Impala Platinum Holdings, to agree to sell 51 percent of shares in their local units to black investors.

New mines Minister Walter Chidhakwa said that if platinum producers came together and established a refinery, which the local mining chamber says will cost at least $2 billion to build, the government could allow the mines to own more shares.

Chidhakwa said there was room for negotiation with mines, pointing to a deal signed in 2010 that allowed the African unit of India's Essar Group to own 54 percent of Zimbabwe Iron and Steel Company (ZISCO) as an example of Harare's flexibility.

"The government is simply saying that the guiding principle is 51/49 percent but if the investment does something to this country that can convince us to graduate or move away from the 51/49 percent, we will do so," Chidhakwa told Reuters in an interview.

"And I think that in so far as in establishing a platinum refinery in Zimbabwe is concerned, yes, I think there is that flexibility," Chidhakwa said during a visit to mines owned by Implats unit Zimplats in Ngezi, 150 km southwest of Harare.

Chidhakwa's comments contrast those of new youth economic and empowerment minister Francis Nhema. He told Reuters last week that Zimbabwe was not softening its empowerment drive against foreign-owned mines, although it could be flexible with banks if they agreed to lend more.

The 89-year-old Mugabe, president since Zimbabwe's independence in 1980 and re-elected in July, has said the country may halt exports of raw platinum to South Africa to force mining companies to build a local refinery as a two-year deadline has expired.

Zimbabwe produced 350,000 ounces of refined platinum in 2012 - 6 percent of world production, according to the Chamber of Mines, the country's mining industry lobby group.

The Chamber has said Zimbabwe would need to raise platinum output to 500,000 ounces a year to justify a refinery.

Chidhakwa said the platinum refinery would be a national project that should be jointly build and owned by platinum mining companies as well as the government.

"Because we want it as a national project, we also have to think about ways of supporting it, facilitating it, whether in financial terms or in tax terms," said Chidhakwa.

Cutbacks by resource firms to spark disputes with governments -report

By Eric Onstad

LONDON, Nov 28 (Reuters) - Disputes between resource groups and governments are likely to keep increasing as commodity prices fall and companies slash spending on new projects, according to a report by London-based think-tank Chatham House.

The world's biggest mining group, BHP Billiton plans to cut capital spending in its current fiscal year by about a quarter to $16 billion.

"Things are tight, this is the reality... countries will need to increasingly compete for the funds and provide stability for investors," Nick Allen, vice president of compliance at BHP, told a panel discussion at Chatham House.

Over the first decade of this century, international arbitration cases between companies and governments in the oil and gas sector shot up tenfold compared with the previous decade, while those in mining increased nearly fourfold, the report said.

While many disputes are spurred by conflicts over how to split profits from mines and oil wells, popular discontent can rise when populations fail to see benefits of operations and are kept in the dark about the deals.

"We've been through the wringer, we've been to the gates of hell," Allen said, adding that BHP now has tough procedures to ensure it communicates with all stakeholders on new projects.

"We recognise, certainly because of our bitter experience, the importance of making sure people on the ground know what is going on."

Disputes increased during periods of high prices as many governments felt they were not getting a fair share of profits, but the current slump in commodity prices has not dampened the tension.

The price of copper is down by nearly a third since touching a record $10,045 a tonne in 2011 and gold has tumbled 35 percent since hitting a record $1,920 an ounce the same year.

Chilean copper producer Antofagasta and Canada's Barrick Gold have gone to international arbitration to demand compensation after abandoning hope of mining the Reko Diq copper and gold project in Pakistan's poorest region of Baluchistan, where the provincial government refused a licence for the venture.

In the energy sector, Argentina last year seized Repsol's majority stake in energy company YPF but the Spanish company is expected this week to accept what sources close to the board

GENERAL NEWS *(Continued)*

said was a preliminary $5 billion compensation offer from Argentina.

"Higher prices have brought more disputes but the converse may not be true - falling prices could add more fuel to the fire," Paul Stevens, distinguished fellow at Chatham House and lead author of the report, said in a statement.

Companies increasingly face "use-it-or-lose-it" ultimatums from governments if they seek to delay or scale back projects in uncertain markets, he said.

The report suggests that contracts between firms and governments should be more flexible with built-in mechanisms for changing market conditions, such as sliding royalty scales.

"The idea has been around for a long-time and some countries are already practising this, such as Chile, but if you take a global view, best practice in many countries is not being applied today," Jaakko Kooroshy, a research fellow at Chatham House and an author of the report, told Reuters.

"A lot of countries flip-flop between policies, which makes it very difficult for investors to know what they're getting themselves into."

While many countries need to increase their institutional capacity, the private sector is also lacking, said David Rice, former policy unit director at energy group BP Plc and senior associate at the University of Cambridge.

"Companies are often weaker than they realise -- in political awareness... in development skills, communication skills."

With gold scarce, Indian wedding buyers recycle jewellery

By Siddesh Mayenkar

MUMBAI, Nov 29 (Reuters) - Faced with high premiums to secure scarce supplies of gold, relatives and guests at Indian weddings are having their old heirlooms melted down to be reused as traditional presents.

Along the narrow lanes of Mumbai's historic Zaveri jewellery bazaar, many shops display placards saying "we buy old gold jewellery", tempting buyers who face a $125 an ounce premium over London prices as the government cracks down on surging imports.

"My brother is getting married next month, and we require jewellery for the bride," said 35-year-old Shazia Iqbal Ahmed, who brought in bulky bangles and a necklace to be recycled.

"The family thought it was better to make use of our old jewellery sets for the new bride. We will end up saving 50,000 rupees ($800) on just the premium. It's profitable for us at the end."

About 1 million couples are expected to marry in the current wedding season which has 71 auspicious wedding days and runs through to May. About 33,000 weddings took place on Nov. 19 alone, the most of any day this year.

Gold is always in demand, with a typical gift of a pendant, earings or a ring, weighing 5-10 grams depending on financial circumstances. Parents of the bride generally give heavier items like a necklace or bangles weighing 50 grams or more.

But a government clampdown on runaway gold imports that fuelled a blow-out in the current account deficit has led to new rules imposing higher duties, limiting imports and making it hard for jewellers to source supplies.

Jewellers say the move could help mobilise more of an estimated 20,000 tonnes of gold stored in Indian households, some 35 times the Reserve Bank of India's official reserves.

"In this wedding season, since there is no gold available in the market, people have started coming with recycled gold. They have started exchanging the old gold for new and pay the labour charges," said Kumar Jain, who owns a retail gold shop in the Zaveri Bazaar.

Jain expects about 400 tonnes of recycled gold to enter the market this fiscal year to March 2014, compared with normal rates of about 130 tonnes, according to Thomson Reuters GFMS data.

"Overall sentiment is weak, the import policy is not favourable, which has resulted in high premiums. Most consumers are looking to exchange old for new," said Haresh Soni, chairman of All India Gems and Jewellery Federation, which groups more than 300,000 jewellers.

The Indian government will welcome the increased recycling of gold as it tries to rein in the current account deficit to an acceptable range of 3.6 percent to 3.8 percent of GDP, from 4.9 percent in the June quarter, and is unlikely reverse its recent measures any time soon.

"I think (gold) strictures will be there for at least the next six to twelve months," said Naina Lal Kidwai, president of the Federation of Indian Chambers of Commerce and Industry.

Russian bank VTB starts gold, silver exports to India

LONDON, Nov 28 (Reuters) - Russian bank VTB said on Thursday it had begun to export gold and silver bullion to India to expand its business in the Asia-Pacific region.

The first deliveries, to New Delhi, Hyderabad, Jaipur and Agra, were made in batches over the past few weeks, the bank said.

Indian imports are under heavy pressure after New Delhi raised duties on the metal earlier this year to help reduce a fast-widening current account deficit.

India has historically been the world's biggest consumer of gold, but it is expected to be surpassed by China this year because of the import curbs.

VTB said it was looking at entering other emerging precious metals markets in Asia to take advantage of the move in physical gold flows towards price-sensitive Asian countries this year.

GENERAL NEWS *(Continued)*

Spot gold has lost 25 percent of its value in 2013 as an improving U.S. economy fuelled speculation that the Federal Reserve's quantitative easing programme could be set to end.

The price drop alarmed investors in Western countries, triggering a sharp liquidation of speculative and exchange-traded fund positions, but prompted strong physical demand from India, China and elsewhere in Asia.

Sumitomo Metal Mining says halts Naosi zone exploration in Alaska

TOKYO, Nov 29 (Reuters) - Sumitomo Metal Mining Co said on Friday it had decided to pause its exploration of a gold, silver and other minerals in the Naosi Zone of its Stone Boy project in Alaska because drilling tests failed to confirm whether it was economically viable.

Sumitomo Metal and partner Sumitomo Corp will instead focus on exploration in other zones in the Monte Cristo area and in other properties, Sumitomo Metal said in a statement.

MARKET NEWS

Rio Tinto to halt production at Gove alumina refinery

SYDNEY, Nov 29 (Reuters) - Miner Rio Tinto said on Friday it will stop alumina production at its Gove refinery in Australia, as the plant is no longer viable amid difficult market conditions.

Rio said it will start winding down production in the first quarter of 2014 and will continue the phase-out during the year. The process would take "some time", it said.

The announcement was expected after Rio said earlier this week it had decided not to convert the Gove plant to use gas-fired power. The refinery, which employs 1,400 workers, is part of the Pacific Aluminium business that Rio tried to sell, but then reintegrated into its business in August.

The decision comes a day after the mining giant unveiled plans to increase its iron ore capacity towards 360 million tonnes by 2017, cutting costs by $3 billion by not digging new mines and slowing the expansion by about two years.

Like other miners, Rio has come under pressure from investors to cut costs, reduce capital spending, slash debt and boost returns as commodity prices cool.

The company's shares rose 2.7 percent to A$66.15 in early trade, outperforming a 0.7 percent rise in the materials sector

Rio will continue to mine bauxite at Gove and said on Friday it will focus on establishing "long-term certainty" for the bauxite operation. Bauxite is refined to produce alumina, which is then processed to yield aluminium.

The company produced 1.6 million tonnes of alumina in the first nine months of this year at Gove, down 22 percent from the same period in 2012, and produced 5.8 million tonnes of bauxite, down only slightly from the same period last year.

Rio said the refinery had suffered substantial after-tax losses despite efforts to improve performance, and faced continuing low alumina prices and a high Australian dollar exchange rate.

Earlier this year, Rio Tinto had lined up a deal with the Australian and Northern Territory governments to secure gas supplies for the plant, to replace more expensive diesel, with the help of a state-subsidised pipeline.

However a new territory chief minister in July cut the amount of gas that was to be set aside for the plant, looking to ensure that Northern Territory taxpayers would not face potential energy shortages and higher power bills.

Rio said it would consult its 1,400 workers and the local community in the coming weeks. The refinery is the biggest employer on the Gove Peninsula, about 650 km (400 miles) east of Darwin.

"This is a very sad day for everyone associated with Gove," Rio Chief Executive Sam Walsh said in a statement. "There is no doubt a challenging path ahead."

Producers seek $255-256/T aluminium premium in Japan - sources

By Yuka Obayashi

TOKYO, Nov 28 (Reuters) - Some big aluminium firms have offered Japanese buyers a premium of $255-256 a tonne for January-March shipments, below the offer from top producer United Company Rusal last week but still around a record high, four sources involved in the talks said on Thursday.

Japan is Asia's biggest importer of the metal and the premiums for primary metal shipments it agrees to pay each quarter over the London Metal Exchange (LME) cash price set the benchmark for the region.

The latest quarterly pricing negotiations began late last week between Japanese buyers and miners including Rusal, Rio Tinto Ltd, Alcoa Inc and BHP Billiton. They are expected to continue into next month.

MARKET NEWS *(Continued)*

Rusal said last week it had offered January-March shipments of the metal to Japanese buyers at a premium of $270 per tonne.

"Another big producer offered $256 per tonne this week while another major producer proposed $255 per tonne," one end-user said.

The offers made this week are about 3-5 percent higher than the premiums paid by Japanese firms in the October-December quarter at $245-247 per tonne over the LME cash price. Rusal's offer represents an increase of about 10 percent.

If accepted, these offers would match or exceed the record $254-255 a tonne for the October-December quarter of 2012 when industrial consumers competed with investment demand for the metal as bottlenecks at warehouses monitored by the LME led to long queues for delivery.

"The miners' reasons for the hike are the recovery of spot premiums in Europe and the United States, supply disruption in Saudi Arabia and healthy demand in Japan," the end-user said.

Alcoa said in October that the massive smelter at Ma'aden, Saudi Arabia, had temporarily shut down one of two potlines due to problems during ramp-up.

Buyers see no justification for a rise in premiums.

One end-user said his company would argue that it did not get any benefit from the lower overseas premiums in the previous quarter. "In any case, Rusal's $270 is way too high," he said.

And one trader said: "There is no reason for the premium to rise. We don't expect supply to get tighter as many buyers have piled up inventories."

"Overall business sentiment has improved thanks to the 'Abenomics' stimulus programme, but actual demand has not picked up much," he added, referring to the expansionary economic programme of Japanese Prime Minister Shinzo Abe.

The LME, the world's biggest industrial metals marketplace, announced a tougher warehouse policy on Nov. 7 to cut queues for delivery to a maximum of 50 days from over a year in some cases, after complaints from metal buyers about the high premiums they had to pay.

But it may take several years for the queues to disappear, lending support to premiums.

Vietnam imports solve copper stocks mystery - Macquarie

SINGAPORE, Nov 29 (Reuters) - The riddle of the world's missing copper stocks may have been answered by a surge in imports to Vietnam, analysts at Macquarie said.

While most key indicators suggest the copper market has been in surplus this year, LME copper stocks have fallen by around 250,000 tonnes - some 37 percent from June's decade highs, mystifying market watchers.

"The one part of the puzzle that does not fit is visible stocks, which have continued to draw down... suggesting a market in deficit," Macquarie said in a research note.

Much of the world's copper output has been soaked up by restocking in China, the world's biggest consumer, and its demand for the metal to use in financing as credit conditions have tightened.

However, Chinese demand has not accounted for all of the stocks drawdown, leaving analysts wondering where the rest of the metal has gone.

Macquarie said an analysis of trade data showed Vietnam has has imported about 250,000 tonnes of copper this year, roughly triple its needs and equivalent to this year's global surplus.

"Essentially, the global copper surplus has turned up in Vietnam," it said.

Vietnam is not approved as an LME delivery point so stocks have not been visible in LME reports. Several LME warehouse operators have storage facilities in the country, including Glencore-owned Paccorini Metals, Steinweg and CWT Commodities.

Macquarie said trade statistics suggest some of the metal to Vietnam has most likely been shipped from LME locations in South Korea, rather than from Malaysia's Johor, which has seen the bulk of this year's draw from LME Asian stocks.

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-Copper up, but on track for 3 pct monthly drop

By Melanie Burton

SINGAPORE, Nov 29 (Reuters) - London copper edged up on Friday after finishing unchanged in the previous session but was on track for its biggest monthly loss since June as slowing demand from top consumer China dragged on prices.

China's manufacturing activity probably grew at a slower pace in November as demand weakened, a Reuters poll showed, reinforcing signs of a modest slowdown in the economy at the year-end as Beijing shifts its focus to market-based reforms.

China will release official manufacturing figures on Monday.

Cold winter weather is already having an impact on copper use in the north of China, said analyst Chunlan Li at consultancy CRU in Beijing.

"The weather is already very cold and impacting construction, but in the south projects are still ongoing," she said, adding that seasonal demand for power cables should help shore up the market towards year-end.

Further out, worries about an increase in supply in China arriving in the second half of next year are hanging over the market, she said.

Li sees copper supported at $6,800 in the first half of 2014.

On Friday, three-month copper on the London Metal Exchange rose 0.27 percent to $7,038.75 a tonne by 0250 GMT. LME copper has rebounded from three-month lows of $6,910 hit last week, but prices are still on track for a drop of nearly 3 percent this month.

The most traded February copper contract on the Shanghai Futures Exchange edged up 0.20 percent to 50,590 yuan ($8,300) a tonne.

Reflecting a tough market for aluminium prices, which have been dogged by a global surplus, miner Rio Tinto said it would stop alumina production at its Gove refinery in Australia as the plant is no longer viable.

LME aluminium hit four-year lows at $1,744 a tonne this week.

The biggest loser of the month was nickel , however. It has chalked up losses of more than 8 percent as global stocks swell to record highs amid declining use from stainless steel makers.

PRECIOUS-Gold set for biggest loss in 5 months on U.S. stimulus concerns

By A. Ananthalakshmi

SINGAPORE, Nov 29 (Reuters) - Gold eased on Friday and was headed for its biggest monthly drop since June as a recovering U.S. economy prompted investors to shift money to rallying equities, amid expectations of an end to easy central bank money.

Gold has shed 6 percent for the month and has lost more than a quarter of its value so far this year, which puts it on track to post its first annual loss in 13 years.

It has stayed below $1,300 for three weeks now and has been largely rangebound in the last few sessions due to thin trading around the U.S. Thanksgiving holiday.

"It's that time of the year when people are really reluctant to leave the sidelines. And there has been no catalyst to push prices either way," said a Hong Kong-based precious metals trader.

"From a positioning standpoint, people have already exhausted on the downside. We could possibly end higher for the year from current levels."

Spot gold had eased 0.1 percent to $1,241.90 an ounce by 0347 GMT. Silver, platinum and palladium were all trading higher.

The next big push for prices could be in early December when U.S. nonfarm payroll data is expected.

Economic data has become a significant driver of gold prices as the outlook for U.S. monetary stimulus depends on the strength of the recovery.

The $85 billion in monthly bond purchases by the U.S. Federal Reserve have burnished gold's appeal as an inflation hedge.

PHYSICAL SUPPORT

Buying from China, set to become the world's biggest consumer of gold this year, picked up this week as prices continued to be under pressure.

On Thursday, traded volumes of 99.99 percent purity gold on the Shanghai Gold Exchange hit their highest in seven weeks.

Volumes on Friday, however, were muted at about 3.6 tonnes as of 0347 GMT after averaging 16 tonnes in the last four sessions.

MARKET REVIEW *(Continued)*

FOREX-Yen under pressure from carry trades, hits 5-yr low vs euro

By Hideyuki Sano

TOKYO, Nov 29 (Reuters) - The yen slid to a six-month low against the dollar and a five-year trough against the euro on Friday as rising risk sentiment fanned speculation that more investors might borrow and sell the low-yielding yen to buy riskier assets.

This trading strategy - called the yen-carry trade - comes as investors expect the Bank of Japan will keep or even enhance its ultra-easy policy, to help meet Prime Minister Shinzo Abe's goal of sustaining growth and conquering 15 years of deflation.

"I think yen selling will continue until the U.S. payroll data next week to say the least," said a trader at a European bank, referring to the data due on Friday next week. "And if there's no surprise there, then it could have another leg to go."

The dollar rose as high as 102.61 yen, its highest level since late May, and last stood at 102.52 yen, up 0.2 percent from late European trade on Thursday. U.S. markets were closed on Thursday for Thanksgiving.

The euro shot up to 139.695 yen, surging past its 2009 peak of 139.26 yen and gaining more than 4.5 percent on the week.

Part of the latest selling of the yen, traders said, is driven by short-term players speculatively trying to trigger stop-loss yen selling at 140 yen in euro/yen.

While that points to the chance of a rebound in the yen after such loss-cutting is completed, many traders think the yen's weakness could persist after Japanese economic data bolstered the case for yen selling.

Japan's core consumer inflation accelerated to a five-year high of 0.9 percent in October, data released on Friday showed, adding to evidence that it is beating deflation.

Still, many analysts think Japan still has a long way to reach its inflation target of 2 percent and the BOJ may need to take more steps some time next year to achieve that goal.

By contrast, the U.S. Federal Reserve is looking to reduce its stimulus, although it has not done so yet even six months after Chairman Ben Bernanke signalled that possibility in May.

The lack of Fed tapering so far has helped boost risk assets worldwide, which in turn has prompted speculation of more yen-carry trades.

EURO ZONE DATA

Inflation data is also in focus in the euro zone later in the day, after surprisingly subdued euro zone inflation data last month sparked talk that the European Central Bank may need to act to prevent the euro zone from slipping into Japan-style deflation.

The euro got a lift on Thursday after German and Spanish inflation turned out higher than expected, which raised speculation that the euro zone November inflation data due at 1000 GMT could beat the market consensus of 0.8 percent and last month's 0.7 percent.

The euro hit a one-month high of $1.3622, though it was still below levels near $1.37 just before the October inflation surprised markets.

Sterling was again a notable outperformer, hitting a fresh 11-month high on the dollar after the Bank of England surprised by scaling back stimulus for the housing sector on Thursday.

Traders took the move as further confirmation of the BoE's confidence in the economic outlook and of their expectations that the BoE is moving closer to raising interest rates from the current record low of 0.5 percent.

The pound hit an 11-month high of $1.6375 and last stood at $1.6368, up slightly from late European levels, and just shy of this year's peak of $1.6380.

Sterling also held the upper hand against the euro, which stood at 83.26 pence, near its 10-month low of 83.00 hit earlier this month.

(Inside Metals is compiled by Pradip Kakoti in Bangalore)