INSIDE METALS

Friday, November 2, 2012

CHART OF THE DAY

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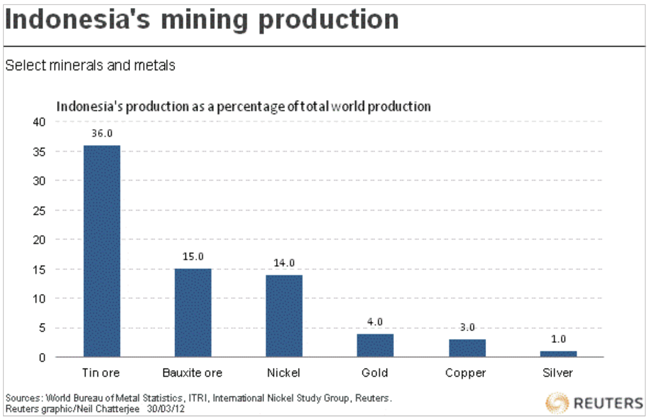

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TODAY'S MARKETS

BASE METALS: London copper fell snapping three days of gains, on caution ahead of the release of U.S. jobs data and uncertainty about Chinese copper demand despite encouraging manufacturing data. The London base metals complex edged down 0.3 percent on a weighted average basis by 0418 GMT, with market players concerned about sluggish demand in China's physical metal markets as the country's base metal spot prices have been trading at a discount to front-month futures prices.

"Overall, investors are bearish about copper due to the weak physical demand in China, which many thought should have improved by now," said a Shanghai-based trader.

PRECIOUS METALS: Gold edged down towards $1,700 an ounce after a fall through an important support level triggered some stop-loss selling as investors anxiously await a key U.S. labour market report.

"If the nonfarm payrolls data is very good, it will be bearish for gold, as it will cut expectations for any additional quantitative easing, and it will be fairly positive for the dollar as well," said Nick Trevethan, a senior commodity strategist at ANZ in Singapore.

FOREX: The yen sagged to near a four month-low while commodity currencies held firm as investors bet on an upbeat U.S. payrolls report after private employers added jobs at the fastest pace in eight months. The euro was under pressure after a Greek court ruled the pension reform demanded by foreign lenders may be unconstitutional, raising concerns about Athens's ability to implement the austerity measures needed to secure bailout money.

"The Japanese electronics industry is collapsing. Auto exports to China will be falling sharply. So Japanese exporters' dollar selling will be dwindling... There's no reason to be bullish on the yen," said a trader at a Japanese brokerage.

GENERAL NEWS

U.S. data points to slow healing in labor market

WASHINGTON, Nov 1 (Reuters) - U.S. companies added jobs in October at the fastest pace in eight months, a sign of modest healing in the labor market just days before a presidential election that could hinge on the economy.

Other data on Thursday showed a drop in new claims for jobless benefits, a sharp improvement in consumer confidence, while there were mixed signals regarding the health of U.S. manufacturing.

Private employers added 158,000 workers last month, the biggest gain since February, payrolls processor Automatic Data Processing said.

"There is some evidence of labor market improvement," said David Sloan, an economist at 4Cast in New York. "It is not totally convincing yet but overall the message is positive."

The data added to a string of better news on the health of the economy. Consumers have been spending more freely while home construction is picking up.

Still, Europe's debt crisis looms over the U.S. recovery, as does the possibility of sharp tax hikes and government spending cuts that are due in January.

Indeed, the ADP reading did not change the view that the U.S. labor market still faces a long road back to health. And it was unclear whether it augured a big increase in the government's more comprehensive jobs report due on Friday.

The ADP report was the first with a newly expanded survey of businesses. "We're just going to have to learn over the coming months how accurate this new survey is," said Nigel Gault, an economist at IHS Global Insight in Lexington, Massachusetts. Graphic - U.S. jobless claims: http://link.reuters.com/quh73t

Friday's jobs report from the U.S. Labor Department is expected to show non-farm employers added just 125,000 jobs last month - not enough to prevent the jobless rate from rising a tenth of a point to 7.9 percent.

The unemployment rate fell to a near four-year low in September, but remains well above pre-recession levels.

The lack of jobs for millions of Americans has been at the center of the presidential election campaign. President Barack Obama and Republican challenger Mitt Romney are tied in polls ahead of Tuesday's election.

SPLIT PERSONALITY

Investors bet Thursday's data pointed to stronger economic growth, and U.S. stock prices rose while prices for U.S. government debt slipped.

However, the numbers also pointed to a split that appears to be taking hold in the U.S. economy, with households spending more on homes and consumer goods even as factories struggle and companies cut back on investment.

U.S. consumer confidence rose last month to its highest level since February 2008, the Conference Board said, while Commerce Department data pointed to solid gains in home construction.

"Consumers seem oblivious about possible tax increases," said Christopher Low, an economist at FTN Financial in New York.

In the factory sector, Europe's debt crisis and uncertainty over the direction of U.S. fiscal policy appear to be biting more.

One measure of U.S. manufacturing in October from financial information firm Markit showed the slowest pace of growth in more than three years, suggesting the sector is dragging on economic growth even though it is still expanding.

Another report from the Institute for Supply Management was more upbeat, showing the pace of growth in factory activity picked up modestly as new orders improved, though a measure of employment moved lower.

"Manufacturing in the U.S. is recovering but the pace is not enough to provide improvement to the job market," Joseph Trevisani, a strategist at Worldwide Markets in Woodcliff Lake, New Jersey.

Car purchases have also provided support for the economy, although the storm in the U.S. Northeast this week caused auto sales to fall short of expectations in October.

Small firms are also under pressure. Lending to small U.S. businesses plunged in September to the lowest level in 14 months, according to Thomson Reuters/PayNet Small Business Lending Index.

In a sign that businesses may not be poised to ramp up hiring significantly, growth in U.S. nonfarm productivity held steady at a 1.9 percent annual rate in the third quarter, data from the Labor Department showed.

The report also showed unit labor costs, a measure of the labor costs for producing any given measure of output, fell 0.1 percent as growth in hourly pay braked sharply. It was the first decline since the fourth quarter of 2011.

While the outlook for job creation has been muted, there have been some signs employers are backing off on layoffs. Initial claims for state unemployment benefits dropped 9,000 to a seasonally adjusted 363,000 last week, the Labor Department said.

Still, the number of planned layoffs by U.S. firms jumped 41.1 percent in October to the highest level in five months, according to consultants Challenger, Gray & Christmas, Inc. That increase included a round of layoffs planned by U.S. firms in Europe.

Codelco sells Anglo Sur stake to Mitsui, refinances loan

SANTIAGO, Nov 1 (Reuters) - Chilean state mining company Codelco has agreed to sell a part of its Anglo American Sur holdings to Japan's Mitsui & Co as part of a loan refinancing deal, Codelco said in a statement on Thursday.

GENERAL NEWS *(Continued)*

Codelco the world's No. 1 copper producer, told Chilean regulators that it will sell the equivalent of 4.5 percent of its Anglo Sur shares to the Japanese trading and investment company.

The shares are worth $998 million and the remaining amount of debt to be refinanced is $875 million, Codelco said.

"One of the company's main reasons for accepting (Mitsui's) refinancing offer was the significant difference in interest rate when compared with the original loan, which will imply an additional benefit to Codelco of approximately $300 million," Codelco said in a statement.

Codelco and Anglo American spent 10 months in court wrangling over Anglo Sur until they reached a deal in late August allowing Codelco and its financing partner, Mitsui, to buy a 29.5 percent stake in the properties.

To finance this deal, Mitsui lent Codelco $1.87 billion at a variable annual interest rate of Libor plus 2.5 percentage points for a period of 7.5 years. This deal required that the dividends gleaned from Anglo Sur go toward the loan's repayment.

Under the new agreement, Mitsui is lending Codelco $875 million over a 20-year period at a fixed annual interest rate of 3.25 percent. Also, Codelco will be able to use some of the Anglo Sur dividends to invest in its own projects.

"This opens a new channel of financing for our investment plan, which demands about $25 billion in the coming years," Codelco Chief Executive Thomas Keller said in the statement.

S.Africa mine unrest to lead to job losses - Amplats

JOHANNESBURG, Nov 1 (Reuters) - South Africa's platinum industry is in "severe financial distress" and high wage settlements to get wildcat strikers back to work will lead to job cuts, Anglo American Platinum said.

The world's top platinum producer said it was losing production averaging 3,694 ounces of platinum per day due to a strike at its South African operations that is in its seventh week. To date 141,640 ounces of the precious metal have been lost.

"This is completely the wrong time to be offering unsustainable wage increases that the moment people are back at work you just have to (lay off) a whole lot of people," the firm's chief executive Chris Griffith told Talk Radio 702 On Thursday.

"There will be implications for jobs," he said adding that Amplats could not "negotiate in a climate of anarchy".

Amplats parent company Anglo American has already placed its four Rustenburg mines "under review" - management-speak for their possible closure.

Layoffs in the mining industry were a prime factor behind a rise in unemployment in the third quarter that left more than one in four of the labour force out of work.

Months of unrest in the mines have hit platinum and gold output, threatened growth in Africa's biggest economy and drawn criticism of President Jacob Zuma for his handling of the most damaging strikes since the end of apartheid in 1994.

But the number of strikes has dropped in the last two weeks amid management threats of mass dismissals and some payment sweeteners.

Amplats said last week it had reached a deal with several unions and would be offering incentives such as one-off hardship payments of 2,000 rand ($230) to end the strike that has crippled production.

But the workers turned down the offer saying Amplats should match a salary increase of up to 22 percent offered by rival Lonmin , after a violent wildcat walkout at its nearby Marikana platinum mine in August.

The Lonmin offer came after the police killing of 34 miners on Aug. 16, the bloodiest security incident since apartheid.

Lonmin, the world's third largest platinum producer, is scrambling to get back on its feet after the violent six-week strike that crippled production and led it to ask shareholders for $800 million in a rights issue on Tuesday.

The company also gave unions notice of a restructuring, with proposed job losses in its 25,000-strong work force expected to be implemented in early 2013.

Striking workers at gold firms including AngloGold Ashanti and Gold Fields returned to work last week after threats of mass dismissals and an offer of a small pay increase.

For mining strikes graphic: http://link.reuters.com/beb73t

Glencore's "strong" trading helps offset mine setbacks

LONDON, Nov 1 (Reuters) - Glencore said its closely watched trading operations performed "strongly" in the third quarter, against a more uneven picture for its mines, where strikes and Congo power cuts dampened growth.

Glencore, in the throes of a $33 billion takeover of miner Xstrata , said in a trading update that its overall performance was "good" in the three months to the end of September, despite weaker commodity prices and tough global economic conditions it said would not improve any time soon.

"(The third quarter) saw a healthy improvement," Glencore said of its marketing - or trading - operations, which accounted for just over a third of profit last year, but are seen as a bellwether and less easily forecast by the market than the industrial arm, made up of mines, farms and oil fields.

"Glencore's outlook for the remainder of the year in marketing remains positive."

Glencore's industrial operations provide the larger share of profit and volume growth was more uneven.

GENERAL NEWS *(Continued)*

The most significant improvements were in its nascent oil division, gold and coal - the latter boosted by acquisitions over the past year which helped offset the impact of strikes in Colombia.

Analysts said the numbers and positive commentary on marketing were broadly in line with expectations, lifting shares in Glencore just 0.5 percent at 0920 GMT, marginally outperforming a flat UK mining sector .

CONGO POWER

Among trouble spots in Glencore's industrial arm was the Katanga operation in the Democratic Republic of Congo, hit by power outages which cost the group 49 days of production over the first nine months of the year.

Power cuts are a huge hurdle for miners operating in the African country, devastated by years of war and under-investment, and have clouded Congo's aspirations of returning to production levels on a par with neighbouring Zambia.

A new power converter, which should help sustain more regular power supplies to Katanga, has been delayed after transport strikes in South Africa and a separate strike last month on the border between Congo and Zambia.

Copper production there was up 3 percent over the period, but rose over 9 percent over the third quarter.

Copper production rose at other major operations, including Mutanda, also in Congo, and Mopani, in Zambia.

At Kazakh producer Kazzinc, where Glencore increased its stake to just under 70 percent last month, the group saw gold production increase 18 percent over the nine months and 30 percent over the quarter, as the precious metal was prioritised over the production of other metals, including lead.

Coal production more than doubled over the nine months, thanks to the inclusion of recently acquired South African producers Umcebo and Optimum, which helped offset weakness at Colombia's Prodeco, hit by a strike at its La Jagua mine.

Oil from its Equatorial Guinea operation was ahead of schedule. Glencore's Alen field is on target for first production in the second half of 2013.

Xstrata fires 400 strikers at S. Africa chrome mine

JOHANNESBURG, Nov 2 (Reuters) - Global diversified mining firm Xstrata has dismissed 400 workers involved in an illegal strike at its Kroondal chrome mine in South Africa, the company said on Friday.

The mine employs a total of 619 workers. The sacked miners have until 1300 GMT on Friday to appeal their dismissals.

"Most of production at Kroondal is down as we are operating with a minimal percentage of our staff," said Christopher Tsatsawane, spokesman at Xstrata's alloys unit.

AngloGold suspends ops at S.Africa mine due to sit-in

JOHANNESBURG, Nov 2 (Reuters) - AngloGold Ashanti , the world's third largest gold producer, has suspended operations at its TauTona mine in South Africa due to a worker sit-in protest over a bonus payment, the company said on Friday.

"There are about 300 people doing a sit-in underground. Management is talking to them," company spokesman Alan Fine said.

Another sit-in at AngloGold's Mponeng mine ended on Thursday, but operations there are only expected to resume on Sunday night as some repairs need to be done, Fine added.

TRADING PLACES

Armajaro to start brokering iron ore swaps

LONDON, Nov 1 (Reuters) - Armajaro Securities, the financial services subsidiary of commodity conglomerate Armajaro Holdings, said it would set up an iron ore brokerage desk to take advantage of growing interest in steel derivatives.

Kenny Groth, who previously worked at iron ore swaps brokerage London Commodity Brokers, will head Armajaro's new iron ore desk. "We believe there is scope for continued growth prospects in this exciting market place," Armajaro Securities Chief Executive Terry Manning said in a statement on Thursday.

Growing liquidity and volatility in the four-year old iron ore derivatives market have recently attracted more trading houses and hedge funds, who see the steel-making raw material as a leading indicator of economic growth in China.

Trading volumes of iron ore swaps on the Singapore Exchange (SGX), the leading clearer in this market, hit record levels of 17.7 million tonnes in September after a summer of violent price swings.

UK-based Armajaro Securities already offers commodity futures and options and has an energy desk, which executes deals ranging from biomass and bio-fuels to uranium and carbon products.

Other subsidiaries of Armajaro Holdings are physical commodity trading house Armajaro Trading, commodity funds manager Armajaro Asset Management and South African wine farm Vondeling Wines.

MARKET NEWS

Vietnam's first alumina plant delayed again -media

HANOI, Nov 2 (Reuters) - Vietnam's first alumina plant will begin operating in late November or early next month after missing a target to start on Thursday, a state-run newspaper reported.

The latest delay to the Tan Rai bauxite plant came after test-runs revealed parts of the facility were not operating as they should, reported the Tin Tuc daily, which is run by the official Vietnam News Agency.

Workers have mined around 1 million tonnes of raw bauxite ore and the ore processing section has turned out 100,000 tonnes of refined ore ready for alumina production, the daily said on Friday.

The $460-million alumina plant, in the central highland province of Lam Dong and run by state mining group Vinacomin, has faced a series of delays.

It had initially been slated to start production in the last quarter of 2011, but behind-schedule construction and incomplete administrative procedures slowed the funding process.

In May, Vinacomin said the facility was expected to run at its full capacity of 630,000 tonnes a year in January 2013.

The Tan Rai plant has been built by China Aluminum International Engineering Co (Chalieco), a subsidiary of state-owned Aluminum Corp of China, or Chinalco, the country's top aluminium producer.

Alumina is a white powder made from bauxite ore that is used to produce aluminium.

ArcelorMittal S.Africa shuts furnaces, cuts output

JOHANNESBURG, Nov 1 (Reuters) - ArcelorMittal South Africa , a unit of the world's top steelmaker , said it had shut indefinitely three electric arc furnaces at its Vanderbijlpark plant in South Africa, reducing annual output by around 1 million tonnes.

The steelmaker, Africa's biggest, was given until Oct. 16 to deal with emissions from the furnaces and decided it was cheaper to shut the units rather than complete a project on a dust-extraction system that would capture the emissions.

Current weak demand for steel also justified the decision to shut the units, Chief Executive Nonkululeko Nyembezi-Heita said at the company's results presentation.

"If that proves to be insufficient we would be looking for further capacity shuts," she said.

She added that the whole ArcelorMittal group was undergoing a similar review and any decision to shut additional capacity would be announced in the new year.

Indonesia's first nickel pig iron smelter starts output

JAKARTA, Nov 1 (Reuters) - Indonesia's first nickel pig iron smelter has begun initial production of about 1,000 tonnes of ingots a day, kicking off a wave of new metal processing plants planned in the next few years.

Indonesia, the world's top exporter of nickel ore, slapped an export tax this year on raw mineral exports ahead of a total ban from 2014, prompting firms to announce numerous new smelter projects and billions in investment to meet the rules.

MARKET NEWS *(Continued)*

The Indoferro smelter, the first of its kind outside China, aims to produce more than 250,000 tonnes of nickel pig iron (NPI) in 2013, Indoferro business development manager Jonatan Handojo said.

The firm is starting exports to Taiwan, India and South Korea as it aims to tap regional demand to make stainless steel. Nickel pig iron, which typically has low nickel content but is high in iron, is a feedstock for stainless steel mills in China.

"This is a big opportunity," said Handojo. "We adopted the technology from China," he said at the plant, which took Chinese workers three years to build at a cost of $150 million.

Indonesia is the top supplier of nickel laterite ore to China, but its new rules on processing in May have curbed exports since, sending hundreds of small miners out of business and driving some Chinese buyers to look to the Philippines instead.

Before the Indoferro smelter, Indonesia, one of the world's top metal ore producers, only had one copper and one aluminium smelter. That is set to change with Chinese, Indian, Middle Eastern, Russian and local firms planning smelters.

GRAPHIC: Indonesia's mining output

http://link.reuters.com/xej47s

The Indonesian government wants to push miners to process raw ores domestically to export higher-value finished metals, as it seeks to become a top ten world economy.

The nickel pig iron produced at the Indoferro plant, in the coastal city of Cilegon in the west of Java island, has a nickel content of around 2.4 percent, Handojo said, meaning output next year will reach 6,000 tonnes of nickel contained in the NPI.

This compares to around 275,000 tonnes of nickel contained in NPI from top producer China in 2011, according to Macquarie.

Indoferro aims to increase the nickel content to 3.2 percent. It also plans to increase NPI production to 500,000 tonnes by building a second blast furnace in 2014 at the plant, a giant structure of steel and pipes where signs are in Mandarin as well as English.

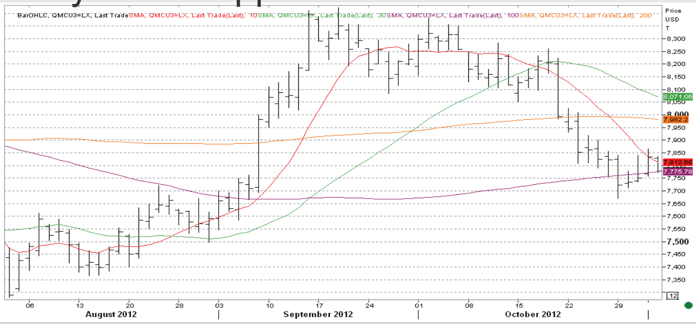
Indoferro had hoped Germany would also be a key customer, but European stainless steel producers have shown weak demand, driving down nickel prices 13 percent this year. Nickel has been the worst performer among base and precious metals.

"We are in a good position here. The global price of nickel has dropped but the raw material I buy from miners has also dropped so we don't have a problem," Handoko said.

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

Daily LME Aluminium 3-months

Daily LME Copper 3-months

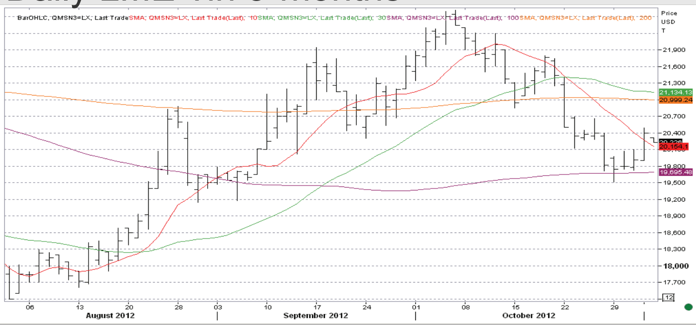


Daily LME Nickel 3-months

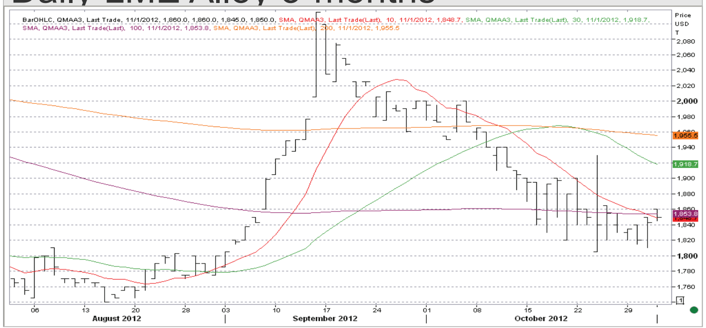
Daily LME Zinc 3-months

Daily LME Lead 3-months

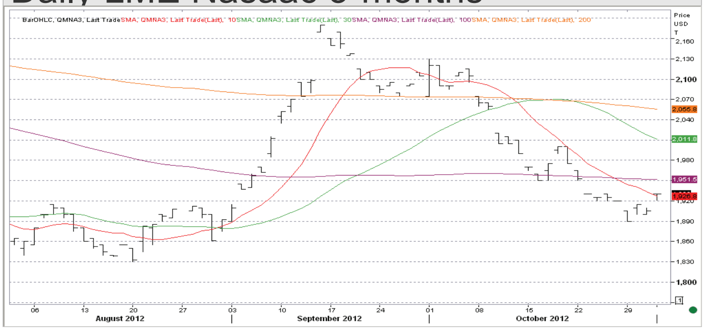
Daily LME Tin 3-months



Daily LME Alloy 3-months



Daily LME Nasaac 3-months



MARKET REVIEW

METALS-LME copper edges down; U.S. jobs data eyed

SHANGHAI, Nov 2 (Reuters) - London copper fell snapping three days of gains, on caution ahead of the release of U.S. jobs data and uncertainty about Chinese copper demand despite encouraging manufacturing data.

The London base metals complex edged down 0.3 percent on a weighted average basis by 0418 GMT, with market players concerned about sluggish demand in China's physical metal markets as the country's base metal spot prices have been trading at a discount to front-month futures prices.

"Overall, investors are bearish about copper due to the weak physical demand in China, which many thought should have improved by now," said a Shanghai-based trader.

"While we may see prices inch down gradually in the near term, I doubt we will see a deep plunge this year since the economic data out of China and the U.S. have been encouraging."

Survey on Thursday showed Asia's large economies started to pick up steam last month after a year of slower growth and U.S. manufacturing improved modestly.

Also lending cheer was data showing U.S. companies added jobs at the fastest pace in eight months in October.

Although this was a sign of modest healing in the labour market of the world's largest economy, investors will likely stay cautious ahead of the more important nonfarm payrolls numbers due at 1230 GMT.

Three-month copper on the London Metal Exchange ticked down 0.4 percent to $7,796 per tonne, but is heading for a 0.3 percent weekly fall, its fourth week of losses.

The most active February copper contract on the Shanghai Futures Exchange lost 0.6 percent to 56,760 yuan ($9,100) per tonne by its midday close, but is also on track to close the week 0.3 percent lower, its sixth week of losses.

The contract's net daily open interest rose by 3,496 lots, which together with a price fall, indicated the entry of fresh shorts and overall bearish sentiments.

Investors will also be eyeing this weekend's Group of 20 summit of world finance chiefs for more trading cues. Among the issues in focus are the fiscal problems faced by the U.S. and the euro zone.

In industry news, Japan Pan Pacific Copper sold 120,000 tonnes of copper to China under a 2013 term contract at $85 premium, sources said.

Glencore said its closely watched trading operations performed "strongly" in the third quarter, against a more uneven picture for its mines, where strikes and Congo power cuts dampened growth.

PRECIOUS-Gold slips lower on technical selling ahead of U.S. jobs data

SINGAPORE, Nov 2 (Reuters) - Gold edged down towards $1,700 an ounce after a fall through an important support level triggered some stop-loss selling as investors anxiously await a key U.S. labour market report. Gold fell as low as $1,705.79, heading for a fourth straight week of losses ahead of the U.S. nonfarm payrolls data, which is expected to show a pickup in jobs growth, though the unemployment rate may still tick up from a near four-year low in September.

The numbers will follow data on Thursday showing increasing private employment, a drop in jobless claims, a sharp improvement in consumer confidence and mixed signals from the manufacturing sector. "If the nonfarm payrolls data is very good, it will be bearish for gold, as it will cut expectations for any additional quantitative easing, and it will be fairly positive for the dollar as well," said Nick Trevethan, a senior commodity strategist at ANZ in Singapore.

Chart analysis suggested that gold could test this year's low of $1,527 hit in mid-May during the next three months, but the price needed to pierce through strong support above $1,600, he added. Short-term technical analysis also painted a gloomy picture. Spot gold could fall to the Oct. 24 low of $1,698.39 an ounce as a rebound from this level is complete, Reuters market analyst Wang Tao said. Spot gold fell 0.4 percent to $1,708.11 an ounce by 0611 GMT, on course for a minor drop from a week earlier. U.S. gold also inched down 0.4 percent, to $1,708.70.

The break below a key support level at $1,710-$1,712 triggered some stop-loss selling in gold, which moved very little in the first hours of trading. "Length in gold is still very high, and much of it is speculation-driven," said a Hong Kong-based trader. "We've seen plenty of re-loading by speculators in the past few days and these positions are under pressure before the payrolls data, after the decent ADP report."

Spot gold 24-hour technical outlook:

http://graphics.thomsonreuters.com/WT1/20120211093126.jpg

The dollar was poised to rise for a second day against a basket of currencies, putting pressure on commodities priced in the greenback as they become more expensive for buyers holding other currencies. In industry news, the world's top gold producer, Barrick Gold Corp , reported a sharp drop in third-quarter profit, nudged back the production date for its massive Pascua-Lama gold and silver mine and increased its estimate on costs.

Newmont Mining Corp , the world's second-largest gold producer, reported a drop of 26 percent in quarterly profit as production at its giant Indonesian copper and gold mine plummeted and costs rose. Platinum and palladium were both headed for their first weekly gains after three weeks of straight falls, although spot platinum lost half a percent to $1,556 and spot palladium fell 0.7 percent to $606.47.

MARKET REVIEW *(Continued)*

FOREX-Yen droops to near 4-month low, Aussie hits 1-month high

TOKYO/SYDNEY, Nov 2 (Reuters) - The yen sagged to near a four month-low while commodity currencies held firm as investors bet on an upbeat U.S. payrolls report after private employers added jobs at the fastest pace in eight months.

The euro was under pressure after a Greek court ruled the pension reform demanded by foreign lenders may be unconstitutional, raising concerns about Athens's ability to implement the austerity measures needed to secure bailout money.

U.S. payrolls processor Automatic Data Processing said private employers added 158,000 workers last month, bolstering hopes that a closely-watched nonfarm payrolls report due at 1230 GMT would also surprise on the upside.

That saw the yen come under broad pressure, and lit a fire under commodity currencies like the New Zealand dollar.

The greenback bought 80.25 yen , up about 0.2 percent from late U.S. levels, having powered to a high of 80.295, just shy of last week's four-month high of 80.38.

A break of major resistance at 80.60-65, triple top marked between May and June as well as a 50 percent retracement of its decline from March to September, would be seen as a major bullish signal on charts.

The yen has its own grief as well because recent Japanese data and most corporate earnings have been soft, and third-quarter gross domestic product, with data due on Nov. 11, is also likely to have contracted.

"The Japanese electronics industry is collapsing. Auto exports to China will be falling sharply. So Japanese exporters' dollar selling will be dwindling... There's no reason to be bullish on the yen," said a trader at a Japanese brokerage.

The market's near-term focus is firmly on U.S. jobs. A Reuters poll showed analysts expect a rise of 125,000 U.S. nonfarm payrolls in October. The unemployment rate is seen ticking up to 7.9 percent.

"More important will be the unemployment rate we think, and whether the sharp fall in September, from 8.1 percent to 7.8 percent, is reversed," said Kiran Kowshik, strategist at BNP Paribas.

"A print of 8.0 percent or above could weigh on USDJPY."

Still, Kowshik said market reaction to the jobs data will probably lack conviction given the proximity of the Nov. 6 U.S. Presidential election and the Nov. 8 Chinese Congress that will usher in a new generation of leaders.

END OF CHINA SLOWDOWN?

Commodity currencies were big winners, with the Australian dollar hitting five-week high of $1.0420 before giving up gains to stand at $1.0383 . Against the yen, it matched its August peak of 83.55 yen .

The currency was helped by improvement in Chinese manufacturing data on Thursday, which raised hopes the worst may be over in China, Australia's biggest export customer.

Other U.S. data out on Thursday, including a drop in new claims for jobless benefits and a sharp improvement in consumer confidence, also underpinned risk appetite, which helped U.S. stocks rise more than 1 percent. Left out of the risk rally was the euro, which was undermined by fresh worries about Greece.

The Court of Auditors in Greece, which vets Greek laws before they are submitted to parliament, said measures such as increasing the retirement age by two years to 67 and cutting pensions by between 5 and 10 percent could be against the constitution.

The single currency slipped 0.4 percent in Asia to $1.2893 , as traders sold the currency with aim of triggering an option barrier at 1.2880. Still it remained well within the $1.2800-3200 range seen since September as the European Central Bank's pledge to buy Spanish bonds if the country applies for aid kept bears at bay.

"Those who needed to reduce euro assets have already done so by now, so the currency is likely to stick to its range," said the Japanese brokerage trader.

In a sign of fading concerns over a catastrophic crisis in the euro zone, implied volatility on one-month euro/dollar options fell to fresh five-year lows around 7.50 percent .

(Inside Metals is compiled by Shruthi G in Bangalore)