INSIDE METALS

Wednesday, November 6, 2013

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- New oil, metal trader Clearsource sees growth in tough market
- China's Oct commodities imports to rise on yr on better economy
- Vale Q3 profit seen doubling as iron ore output rises
- Guinea calls BSGR to December hearing on mining contracts

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FEATURE

Gold body mulls working with exchange on rate benchmark

The London Bullion Market Association is considering whether to partner with an exchange to produce its gold-lending reference rate to ensure it can meet tighter rules coming on financial benchmarks, its new head said.

The Gold Forward Offered Rate (GOFO), the equivalent of LIBOR for the gold market, is used as a benchmark for dealers, central banks and others to swap gold for U.S. dollars with miners who may need gold to meet contracts or investors for short-selling and other purposes.

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TODAY'S MARKETS

BASE METALS: London copper edged up in low volume, with traders reluctant to take positions ahead of a labour report from the United States and a major policy meeting in China. "Commodity prices in general improved last month, which seems to be related to expectations for (delayed) tapering. We are expecting tapering to begin in March," said Alexandra Knight at National Australia Bank in Melbourne.

PRECIOUS METALS: Gold struggled to shake off its longest losing streak in nearly six months as doubts persisted over when the U.S. Federal Reserve would begin scaling back its stimulus measures. "The overall sentiment is that the economic recovery is steady but it has lost some steam," said Mark To, head of research at Hong Kong's Wing Fung Financial Group.

FOREX: The euro edged higher versus the yen as a rise in Tokyo shares bolstered risk sentiment and helped knock the Japanese currency lower, while the New Zealand dollar rose following strong local jobs data." It seems to be a risk-on move," said a trader for a Japanese bank in Singapore.

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FEATURE

INTERVIEW-Gold body mulls working with exchange on rate benchmark

LONDON, Nov 5(Reuters) - The London Bullion Market Association is considering whether to partner with an exchange to produce its gold-lending reference rate to ensure it can meet tighter rules coming on financial benchmarks, its new head said.

The Gold Forward Offered Rate (GOFO), the equivalent of LIBOR for the gold market, is used as a benchmark for dealers, central banks and others to swap gold for U.S. dollars with miners who may need gold to meet contracts or investors for short-selling and other purposes.

LBMA Chairman David Gornall told Reuters last month that the 150-member trade body could charge its members more or even stop providing GOFO if stiffer new regulation makes it too expensive to run.

"We are still in deliberation. It's one of the options, but ... we have been approached by a few exchanges, and it's definitely something that the board will be considering in terms of which direction we take now that we have come to a crossroads on the benchmark," incoming Chief Executive Ruth Crowell told Reuters in her first interview since being appointed last week.

Crowell is currently deputy CEO of the LBMA, the trade body for the wholesale over the counter (OTC) market for gold and silver bullion, and will succeed Stuart Murray as the new CEO at the end of December.

Regulators are pushing for new rules on commodity benchmarks after the LIBOR (London Interbank Offered Rate) was entangled in a manipulation scandal last year.

The LBMA has found itself at a turning point as it needs to decide whether to remain a trade association or become an organised trading platform, given that regulation is likely to discourage opaque bilateral trades, which currently dominate the wholesale gold market.

REGULATION BY 2014

Madrid-based IOSCO (International Organisation of Securities Commissions) has been looking at how to oversee market benchmarks since 2012, and GOFO is likely to come under scrutiny soon.

"We will get a little more clarity next year, but basically for the next three years there is going to be a lot of back and forth", before the rules are settled, Crowell said.

British watchdog Financial Conduct Authority said earlier this year it could start to regulate physical commodity benchmarks from 2014.

The LBMA currenlty sets GOFO each day by polling its eight major bank dealers on the rates at which they are prepared to lend gold. It also publishes the gold forward curve, used for valuing end-of-day positions.

The association already has links with the London Metal Exchange (LME), which together with LCH.Clearnet launched the Synapse clearing system for OTC gold forward trades in December 2010 using the LBMA forward rate curve.

The LME declined to comment on whether it has offered to manage GOFO for the LBMA.

The Synapse service has recorded only modest activity, however. Only 930,000 gold ounces were matched and cleared year-to-date, compared with 208.5 million ounces transferred in London bilateral trade.

Activity could pick up if regulation demands it, however, Crowell said.

"The current cleared product is a bit of a chicken-and-egg situation. Everyone is waiting to know whether forwards will have to be cleared in the EU on a mandatory basis," she said.

"Until that is known, it is difficult for the members to decide whether to change the existing way of trading."

MORE DATA

Regulation is the most immediate challenge for the future of the LBMA, Crowell said. One of her aims is to make more trade data available to the market.

"One of the things I have always been pushing for is for us to have ... turnover data that can be seen by the market, not only for regulators but also for investors wanting to know the size and the liquidity of the market," she said.

Further engagement in Asia, as the gold market moves eastwards, is another focus, she added.

"We wouldn't rule out opening an office in Asia, but more important in the future is making sure that we maintain and enhance the links that we already have, particularly in terms of getting more Asian members."

As well as GOFO, the trade body also sets standards for ethical gold mining and for refining and assaying gold and silver bars.

GENERAL NEWS

U.S. service sector growth quickens in Oct-ISM

NEW YORK, Nov 5 (Reuters) - U.S. service-sector business activity picked up in October and firms took on workers despite a partial government shutdown, but new order growth slowed for a second straight month, an industry report on Tuesday showed.

The Institute for Supply Management said its services index rose a point to 55.4 last month. Economists had expected it to slip to 54.0. A reading above 50 indicates expansion

While last month's reading was below the near eight-year high of 58.6 reached in August, it was notable for having climbed despite a political standoff in Washington that forced a partial government shutdown for the first 16 days of October.

The employment index rose to 56.2, bringing it closer to the six-month peak hit in August. It slipped to 52.7 in September.

But the forward-looking new orders component fell for a second month running, checking in at 56.8 in October from 59.6 the prior month.

The data comes days after the ISM's national factory index showed U.S. manufacturing grew at its fastest pace last month in 2-1/2 years.

Overall, however, recent U.S. economic data has been mixed, and growth is expected to have slowed to a 1.9 percent rate in the third quarter from 2.5 percent between April and June.

The Federal Reserve has said the timing of a decision to begin scaling back support for the U.S. economy will depend on the way the economy evolves.

INTERVIEW-New oil, metal trader Clearsource sees growth in tough market

SINGAPORE, Nov 6 (Reuters) - Start-up oil and metals trader Clearsource sees opportunities in shipping crude and oil products to Asia, sending gasoil from Asia to Europe and metal storage, as it targets rapid growth in turnover.

Clearsource Pte Ltd is one of several new Singapore-based commodities trading firms set up by veteran traders aiming to tap cheap financing and low taxes in the city state as it services rising energy demand in Asia.

Chief executive Mike Scott, a former managing director at trading giant Trafigura Singapore and now one of a five-strong trading team at his new firm, said there were pockets of profitable trading despite a difficult overall market.

"There's been a lot of comments on the back of people complaining about the market not being good this year, but that hasn't been true in every segment of the oil market," he told Reuters in an interview.

Clearsource joins another recent Singapore start-up - Kairos Energy Trading - headed by former Shell trader Michael Ng. Several commodities firms such as the Gerald Group, Lynx Energy Trading and MRI Trading have also set up offices in Singapore in the past two years.

The new firm, which started trading in March, made a turnover of $50 million in the six months to end-September and aims to boost full-year turnover this year to $500 million, Scott said.

He saw good business in gasoil, where exports from some Asian countries are heading to Europe as free-trade agreements have made them more competitive than those produced at big refineries between the two regions.

The shale oil boom in the United States is also changing global trade flows, creating an increase in crude and oil product supplies in Africa and Europe that will eventually flow to demand centres in Asia.

In metals, the firm is capitalising on strong demand from China for copper ahead of expected tighter credit conditions towards year end, as local Chinese traders seek out metal to resell into the domestic market to raise cash, he said.

Clearsource has also moved into financing deals, where traders obtain fixed credit facilities from banks and buy physical metal, storing it in a warehouse while selling it forward at a profit.

This is currently profitable for metals such as zinc, lead and aluminum, which have been trading consistently in contango - a market structure where future prices are higher than spot.

Scott said Clearsource plans to add a few more traders in the next 12 months, as it sets up a base in London and beefs up its desk in Singapore.

PREVIEW-China's Oct commodities imports to rise on yr on better economy

SHANGHAI, Nov 6 (Reuters) - China's main commodities imports likely eased from record levels last month due to a week-long holiday in October, but shipments of crude oil, copper and iron ore are still expected to post strong annual growth as economic recovery gathers pace.

Import demand for crude oil, copper and soybeans is seen staying elevated through the rest of the year, as an invigorated manufacturing sector boosts consumption by refineries, smelters and crushers, traders and analysts said.

The world's top commodity buyer is showing signs of a stabilising economy after growth had slowed for nine of the past 10 quarters. Two surveys this month showed manufacturing was on a stronger footing and expanding at its fastest rate in at least seven months.

Preliminary trade data is due out on Friday between 0200 and 0300 GMT.

China's headline exports are forecast to have rebounded in October after a surprise fall in September, reinforcing the government's view that the economy has regained some momentum

GENERAL NEWS *(Continued)*

as its prepares to unveil plans for an economic overhaul at the third plenary session on Nov. 9-12.

CRUDE OIL

Crude oil imports from China, which overtook the United States to be the world's top net importer in September, likely fell in October after hitting a record high of 6.25 million barrels per day in September, traders said.

Stockpiling may have eased in October after China's commercial crude oil inventories jumped more than 10 percent in the previous two months.

Traders said it was hard to tell if refinery run rates would recover in October, after falling 1.2 percent on a year ago in the preceeding month, as two major refineries had began maintenance work just as a few other plants returned onstream.

Sinopec's 500,000-bpd Maoming refinery in the southern province of Guangdong and 240,000-bpd Fujian refinery in south-eastern Fujian province both shut down from mid-October for 50-55 days maintenance.

Month	Sept	Aug	July	June
Volume (mln T)	25.68	21.43	26.11	22.17
Volume (bpd)	6.25	5.05	6.15	5.39

IRON ORE

China's iron ore imports in October are expected to ease from a record high in September, when shipments jumped 15 percent on a year earlier to 74.58 million tonnes.

Buying interest from China, the world's top steelmaker, has slowed after the week-long National Day holiday due to tepid steel demand and weak prices.

Still, shipments are expected to stay at elevated levels due to the arrival of earlier booked cargoes, traders said. Compared to a year ago, miners have also boosted shipments from their newly expanded mines.

Iron ore exports to China from Australia's Port Hedland, which handles about a fifth of the global seaborne market, rose 10 percent to 25.2 million tonnes in October from September, setting a record.

On a monthly basis, traders expect iron ore shipments to decline through the rest of this year as steel mills have begun curbing production and have been running down iron ore inventories at the ports.

Month	Sept	Aug	July	June
Volume (mln T)	74.58	69.01	73.14	62.30

COPPER

Copper imports in October are expected to hover near an 18-month high posted in September thanks to strong financing demand, trading sources said.

Growing demand from firms to use copper as collateral for short-term loans, plus easier lending rules at banks, were encouraging some importers to book higher term volumes.

Some local banks, eager to expand their loan business, have started to allow Chinese firms to use copper stored in LME warehouses as collateral for loans. Others only allow copper in short-term storage in bonded warehouses, traders said

Month	Sept	Aug	July	June
Volume (tonnes)	457,847	387,564	410,680	379,951

SOY

China, the world's top soybean buyer, will see soy arrivals in October at 4.27 mln tonnes, down from 4.7 mln tonnes in September, think-tank CNGOIC predicted.

Imports fell in September on lower supplies from key overseas markets but are set to climb again this month, with with arrivals due in November forecast at 6.5 million tonnes, CNGOIC said in a report on Wednesday.

Imports are due to surge after crushers sought to replenish supplies and profit from cheap beans from overseas.

"The Chinese market was tight and there were no soybeans on the market so they were pursuing more shipments," said an official at the think-tank.

CNGOIC sees December arrivals at 6 million tonnes, and imports for the whole year of 2013 at 62.5 million tonnes.

Month	Sept	Aug	July	June
Volume (mln T)	4.70	6.37	7.20	6.93

PREVIEW-Vale Q3 profit seen doubling as iron ore output rises

RIO DE JANEIRO, Nov 5 (Reuters) - Third quarter profit at Brazilian global miner Vale SA VALE5.SA is expected to nearly double compared with a year earlier as a result of higher iron ore prices and sales volumes.

Profit, or net income, is also expected to rise as a result of sharp cuts in the company's expansion programs and the weakening of Brazil's real against the U.S. dollar, analysts said.

Net income for the three months ending Sept 30 is expected to rise 98 percent to $3.3 billion, compared with 1.67 billion in the same period a year earlier, according to the average estimate of seven analysts surveyed by Reuters.

"We hope that this will be a stronger quarter based on higher volumes and average prices," the São Paulo office of Portugal's Banco Espírito Santo wrote in a report to investors.

Iron ore prices averaged about a fifth higher in the third quarter of 2013 than they did in the same quarter of 2012, according to Thomson Reuters prices.

Vale plans to release its financial and production results on Wednesday after markets close in Brazil.

GENERAL NEWS *(Continued)*

The rate of Vale's profit growth is likely to outstrip an expected 15 percent increase in net sales, or sales minus sales taxes, to $12.5 billion, according to the Reuters survey.

Efforts to slash costs and refocus company efforts on its core iron ore business are expected to be reflected in a 50 percent jump in earnings before interest, taxes, depreciation and amortization (EBITDA) to $5.71 billion.

EBITDA is a measure of a company's ability to generate cash profits from operations.

"The cost-cutting policies should continue to show results and that, allied with the weaker real during the period, should push the company's mrgins," Brazilian brokerage Ativa Corretora said in a report to investors.

Brazil's real was about 10 percent weaker in the third quarter of 2013 than it was a year earlier, meaning the dollar cost of each 100 reais of Brazilian expenses cost $5.16 dollars less in the quarter this year than last year.

Nearly all of Vale's sales are in dollars, most of its expenses are in reais.

VALE SA	Q3 estimate	Q3 2012	% change
Net Sales	12.54	10.96	13.4%
EBITDA	5.71	3.74	52.8%
Net Income	3.30	1.67	97.5%

Values in billions of U.S. dollars except for percent change.

Guinea calls BSGR to December hearing on mining contracts

NEW YORK/LONDON, Nov 5 (Reuters) - A committee charged with reviewing mining deals in Guinea has given BSG Resources a month to respond further to a string of allegations including that it paid bribes to secure contracts, setting a hearing date of Dec. 10.

BSGR, mining arm of Israeli billionaire Beny Steinmetz's business empire, is battling for the right to develop half of the Simandou deposit in Guinea's south, one of the world's richest undeveloped deposits of iron ore.

The current Guinean government accuses BSGR of bribing officials to win its Simandou concession in 2008. BSGR has denied the allegations, and has accused the government of using the review of mining contracts to confiscate its licences.

The December hearing is unlikely to be definitive, but it will bring closer a long-awaited decision on the future of BSGR in Guinea, and on the future of Simandou.

A BSGR spokesman confirmed on Tuesday the company had received a letter from the Guinean committee requesting more information, but said there was no change to answers already provided to existing graft allegations.

"This is their latest attempt to damage our reputation in an effort to illegally seize our private property," he said.

In a letter, dated Nov. 1 and seen by Reuters, the independent technical committee reviewing mining deals said responses it had received so far from BSGR had not been enough to dismiss the accusations levelled against the group.

The letter outlined 25 allegations, which included offering entertainment and meals to high-ranking officials, and gifts including cash, telephones and perfumes. The committee said in the letter that BSG's responses to the allegations, many of them first detailed a year ago, had so far been either "incomplete, inaccurate or irrelevant". It also said evidence obtained during a separate U.S. investigation into mining corruption in Guinea raised questions over some of BSGR's responses.

Earlier this year, FBI agents arrested BSGR representative Frederic Cilins in Florida, on charges of obstructing a criminal investigation, tampering with a witness and destruction of records. That trial is expected next year.

MARKET NEWS

China's MMG sees copper price steady, zinc market balanced

MELBOURNE, Nov 6 (Reuters) - Chinese metals producer MMG Ltd expects copper prices to hold around current levels in the medium term, with the market supported by solid growth in demand and new mines ramping up more slowly than projected.

In contrast, MMG expects zinc prices to rise as demand growth is set to outpace supply as several older mines outside China shut down and miners struggle to develop new supply sources.

MMG Chief Executive Andrew Michelmore said he sees copper prices holding in the low $7,000 a tonne range, which is around the current LME 3-month copper price of $7,172 a tonne, or $3.25 a pound.

"I don't see the basis for any wild swing up or down," he said in an interview for the Reuters Global Commodities Summit. "You had people talking $8,500, $10,000, $12,000. I think that heat has come out of it."

MMG, listed in Hong Kong and headquartered in Melbourne, is an arm of China Minmetals Corp that has been anointed to drive the company's western expansion in base metals. It produces copper and zinc, with mines in Australia, Laos and the Democratic Republic of Congo. Its Century zinc mine in Australia is the world's third-largest.

Copper prices are being driven down by traders shorting the market on the view that too much supply will be coming on, such as from Rio Tinto's Oyu Tolgoi mine and scrap metal supplies in China, Michelmore said, adding that view would probably be proven wrong.

"So I think the market's probably overestimating the rate at which supply's going to come on, and that will create uncertainty in the market."

He does not see African and Asian copper mines, other than Oyu Tolgoi, having much impact on global supply in the medium term, but said MMG is still interested in expanding in both Africa and South America.

"The South American belt is the interesting one in terms of significant volumes of metal that could come on," he said, pointing to the Las Bambas, Constancia and Toromocho projects in Peru and the Disputada project in Chile, among others.

Sources have said MMG is leading one of two Chinese consortiums bidding for the Las Bambas mine that Glencore Xstrata has put up for sale.

Michelmore declined to comment on the Las Bambas auction.

On the demand side, he saw Chinese appetite for copper picking up in 2014.

"It's not going to be the high growth that we've seen before. I think it's going to take another six to 12 months to pick up. But certainly confidence is improving with the new government," Michelmore said.

China is the world's largest consumer of most commodities, including copper and zinc.

SHRINKING ZINC OVERSUPPLY

Michelmore said zinc prices are likely to increase as he sees the oversupply in the market shrinking sharply this year to around 50,000 tonnes or less. That's less than half the surplus forecast by The International Lead and Zinc Study Group.

"My view would be that when the numbers come out, I wouldn't be surprised if there were no surplus at the end of the year in 2013. So in 2014, you're going to start seeing it getting tighter," he said.

He said demand growth is good, but the key questions are on the supply side, in China and in the west, where about 1 million tonnes of supply will come out of the market as several older mines shut over the next few years, including MMG's Century mine in Australia.

In China, moves to improve air quality and limit heavy metals run-off into farmland are likely to affect zinc concentrate producers and smelters.

"Our view is that China could, at a certain price, be able to produce from their own mines and new mines the zinc that's needed (in China). Will they? It depends on the environmental restrictions that go on it. That might hold it back," he said.

MMG's Dugald River zinc project in Australia, while delayed due to a reworking of the mine plan, will fill some of the gap.

Beyond that, few new deposits have been identified, and where they have been, such as in Iran and South Africa, little work has been done toward developing mines, which means supply growth will lag demand growth until prices move sharply higher.

"Most of these projects need well over $1 per pound to justify any new project," Michelmore said, declining to comment on what price MMG was basing its Dugald River approval on.

Zinc is currently around 87 cents a pound.

Kumba, ArcelorMittal South Africa reach supply agreement

JOHANNESBURG, Nov 5 (Reuters) - Steel maker ArcelorMittal South Africa and Kumba Iron Ore said on Tuesday they had reached a supply agreement deal, replacing one suspended during a lengthy dispute and raising the price the former will have to pay for raw material.

ArcelorMittal will now pay costs plus 20 percent for iron ore sourced from Kumba, up from the previous deal under which it paid a discounted price of costs plus three percent.

The companies also agreed that for the first two years, Kumba will supply ArceloMittal between 1.6 million tonnes and 2 million tonnes of iron ore at an agreed floor price.

The agreement comes into effect from Jan. 12014.

MARKET NEWS *(Continued)*

ArcelorMittal's share price closed 3.70 percent lower while Kumba, a unit of Anglo American, added over two percent on the news.

Lead market to see output shortfall in 2014, prices underpinned

LONDON, Nov 5 (Reuters) - Lead prices are poised for gains in 2014 after this year's lacklustre showing as a shortage of scrap and weak refined output outside China is expected to push the market into a deficit and drive up costs to obtain physical metal.

Having tumbled 20 percent between January and May, three-month lead prices have recouped some losses to trade just 8 percent lower for this year, with analysts in a recent Reuters poll expecting the metal to rise next year by 6 percent from current cash prices .

Lead's upbeat outlook stems from a view that output will fall short of demand by 26,000 tonnes next year, from a surplus of 15,500 this year, one of only two base metals expected to be in a deficit market in 2014.

"It marks quite a change from market balances for other metals which have pretty decent surpluses," said Gayle Berry, analyst at Barclays. "If lead prices pull back, there will be decent buying appetite on those pullbacks because people have become more constructive towards the metal from a fundamental perspective."

Higher premiums are already being paid in the physical market to obtain metal as weak lead prices earlier in the year caused less scrap to be released into the market, resulting in tightening production of secondary lead, a major source of lead supply.

About 70 percent of the 9.4 million tonnes of lead produced annually is made by recycling scrap batteries, usually from cars.

Premiums for standard London Metal Exchange (LME)-grade secondary lead paid over the lead cash price were quoted as high as $100 a tonne, steady since May, while higher grade 99.985 percent purity material is being quoted as high as $170 a tonne.

Traders said that although scrap supply has already been tight in Europe for a few months, they see an improvement in demand ahead of the looming cold season which will result in secondary smelters having to buy scrap at high prices and charge greater premiums to customers.

Cold weather during the winter season in the northern hemisphere tends to cause more car battery failures, boosting demand for replacement batteries.

"Now the demand is getting better and battery makers are going into peak season and have to produce heavily in the next few months," a Europe-based trader said.

"Scrap stock in Europe is limited and the secondary smelters can't get hold of scrap at a good price."

OUTPUT TIGHTENS

Reflecting tightening refined production, data from the International Lead and Zinc Study Group (ILZSG) showed refined output growth outside China was under 1 percent for the first eight months of the year.

ILZSG data also showed the lead market moved into a deficit of 16,000 in the January-to-March period, with that deficit growing steadily to 58,000 tonnes during January-to-August.

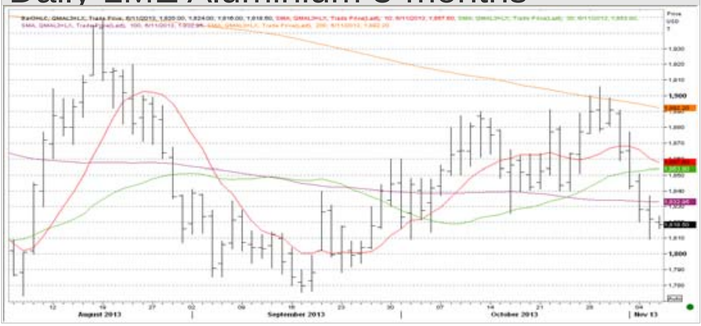
At the end of the year, Doe Run's Herculaneum smelter, the last primary smelter in the United States, will be shut down. Analysts said the loss of output will only be partly offset by growth in output at other smelters such as Italy's Portovesme and La Oroya in Peru.

"We expect that ex-China production growth of 2.2 percent over 2013 and 2014 will struggle to keep pace with expected average ex-China demand growth of 3.8 percent..., leading to a tightening Western world market going forward," analysts at Thomson Reuters GFMS said in a note.

"This is likely to add upward momentum to prices, as well as physical premiums," they said, adding that refined output in China has largely kept up pace with domestic demand.

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

Copper edges up ahead of US payrolls, Chinese policy meeting

SINGAPORE, Nov 6 (Reuters) - London copper edged up in low volume, with traders reluctant to take positions ahead of a labour report from the United States and a major policy meeting in China.

Copper has held to a $7,000 to $7,420 a tonne range since early August, supported by steady demand from top consumer China and cheap liquidity in the United States, with the U.S. Federal Reserve not reducing, or "tapering", its bond-buying programme.

"Commodity prices in general improved last month, which seems to be related to expectations for (delayed) tapering. We are expecting tapering to begin in March," said Alexandra Knight at National Australia Bank in Melbourne.

"There might be some upside risk for non-farm payrolls on Friday ... but metals are a bit directionless for now."

The U.S. will release its October labour market report at the end of the week. A sustained recovery in the job market is a precondition for the Fed to begin hauling back its commodity-friendly stimulus.

Three-month copper on the London Metal Exchange was little changed at $7,176 a tonne at 0706 GMT after a small gain in the previous session.

The most traded January copper contract on the Shanghai Futures Exchange finished flat at 51,590 yuan ($8,500) a tonne, heaving earlier touched a one-week low.

Shanghai aluminium plumbed the lowest in around three weeks at 14,285 yuan a tonne before cutting its losses, tracking LME prices, which on Tuesday sank to a one-month trough.

Chinese trade data is due on Friday. Imports of the main commodities probably eased from record levels last month due to a week-long holiday in October, but shipments of crude oil, copper and iron ore are still expected to post strong annual growth as economic recovery gathers pace.

Markets are also watching for any news from a closed-door meeting of the central committee of China's ruling Communist Party from Nov. 9-12, which is expected to set out the country's economic agenda for the next decade.

COPPER SHORT SQUEEZE

Copper prices could find near-by support if a large short position in November is forced to cover, traders said. Cash copper climbed to a $5 premium against the November contract from a $12 discount in mid-October.

Reuters calculations based on LME data show that November's short position could be to hedge as much as 145,000-220,000 tonnes of metal that is not in the LME warehousing system.

This figure tallies with a drop in LME copper stocks and may suggest metal leaving warehouses is going into storage rather than for consumption. LME stocks have dropped by around 210,000 tonnes, or by one-third, from mid-June to around 470,000 tonnes, the most recent data shows.

Chinese metals producer MMG Ltd expects copper prices to hold around current levels in the medium term, with the market supported by solid growth in demand and new mines ramping up output more slowly than projected.

In contrast, MMG expects zinc prices to rise as growth in demand is set to outpace supply as several older mines outside China shut down and miners struggle to develop new supply sources.

Gold treads water after 7-day losing streak on stimulus doubts

By A. Ananthalakshmi

SINGAPORE, Nov 6 (Reuters) - Gold struggled to shake off its longest losing streak in nearly six months as doubts persisted over when the U.S. Federal Reserve would begin scaling back its stimulus measures.

The metal has lost about 3 percent since Oct. 28, logging its longest losing run since mid-May, when it dropped 8 percent in seven days. Analysts believe gold could break below the $1,300 mark ahead of the U.S. nonfarm payrolls report on Friday.

The timing of any tapering of the Fed's $85 billion in monthly bond purchases has been a key factor driving gold prices this year. Gold has lost a fifth of its value so far this year as an improving economy has prompted investors to move to stocks and the Fed to think about cutting back its stimulus.

Recent mixed economic data has cast doubts over the exact timing of any move by the bank, leaving markets to speculate whether the Fed would act before year-end.

"The overall sentiment is that the economic recovery is steady but it has lost some steam," said Mark To, head of research at Hong Kong's Wing Fung Financial Group.

"Investors are cautious, so I think gold will move towards $1,300 and stay around that for consolidation," To said, adding that tapering would not be implemented anytime soon as unemployment rates were still high.

Spot gold was nearly flat at $1,311.59 an ounce by 0728 GMT on Wednesday.

Trading volumes on Comex gold futures have been very low this week as markets wait for the U.S. nonfarm payroll report on Friday.

Investors are closely watching data as the Fed has tied any stimulus tapering to a strong economic recovery and improvements in the labour market.

MARKET REVIEW *(Continued)*

"We expect U.S. economic data to continue to have an outsized impact on gold for the near term," HSBC analysts said in a note. "Given the recent string of better-than-expected U.S. economic data, gold may test the $1,300 level ahead of the payrolls report."

On the physical side, demand has failed to pick up robustly despite prices drifting towards the crucial $1,300 mark.

Gold premiums in India halved on Tuesday from last week because of unusually muted demand during the festival season and as supply was set to improve after some importing agencies began purchasing for domestic use.

Yen slips as rise in Tokyo shares boosts risk sentiment

SINGAPORE, Nov 6 (Reuters) - The euro edged higher versus the yen as a rise in Tokyo shares bolstered risk sentiment and helped knock the Japanese currency lower, while the New Zealand dollar rose following strong local jobs data.

Currency traders said the yen fell on the crosses as Japanese equities pushed higher after Japan's public broadcaster NHK said Toyota Motor Corp would lift its earnings guidance.

"It seems to be a risk-on move," said a trader for a Japanese bank in Singapore.

The euro rose 0.5 percent to about 133.41 yen, edging away from a one-month low near 132.37 yen set on Tuesday.

The yen slipped broadly, with the dollar rising 0.2 percent to about 98.72 yen.

The euro also regained some footing against the dollar, rising 0.3 percent to $1.3518 pulling away from a seven-week low of $1.3442 set on Monday.

The dollar index, which measures the greenback's value against a basket of currencies, slipped 0.3 percent to 80.516 , down from a seven-week high of 80.930 set on Monday.

The dollar index gave back the gains it made on Tuesday, when an upbeat U.S. report kept alive some expectations the Federal Reserve might scale back stimulus as soon as next month.

An industry report on Tuesday showed U.S. service-sector business activity picked up in October and firms took on workers, an encouraging outcome in a month that saw a political standoff force a partial government shutdown for 16 days.

In contrast, speculation the European Central Bank (ECB) could cut interest rates at Thursday's policy meeting, or at least sound dovish, has weighed on the euro.

After data last week showed a worrying drop in inflation, some analysts suspect the ECB might be forced to add more stimulus soon in order to protect growth.

"We expect the ECB to soon make clear its intentions regarding arresting deflation concerns," analysts at Barclays Capital wrote in a note to clients.

"We anticipate a looser monetary stance to be adopted at the December meeting, but the ECB's intentions to be aired ahead of it. We remain short EUR via a put spread."

Sterling stayed firm after data showed the UK services sector expanded at its fastest pace in 16 years.

Sterling rose 0.3 percent to $1.6094, adding to its 0.5 percent gain on Tuesday.

Investors also warmed to the New Zealand dollar after strong local jobs data strengthened the case for the central bank to start raising interest rates next year.

"All in all, it's a good set of numbers and certainly supportive of the market's expectations for the RBNZ to commence hiking rates in early 2014," said Tom Kennedy, economist at JPMorgan.

The kiwi dollar rose 0.4 percent to $0.8399 and set a two-week high.

(Inside Metals is compiled by Vikas Vasudeva in Bangalore)