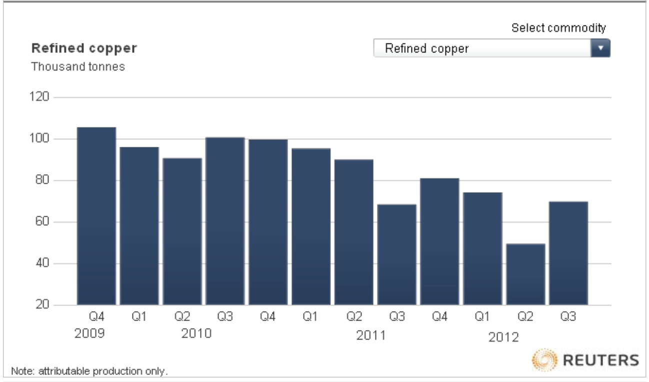
INSIDE METALS

Thursday, October 18, 2012

CHART OF THE DAY

Click on the chart for full-size image

Rio Tinto production report



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- Manila vows mining reform law, delay seen to mega Xstrata project
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FEATURE

COLUMN- China GDP points to steadier commodity demand

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Clyde Russell is a Reuters columnist. The opinions expressed are his own

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You're fired" - or maybe not, S.Africa's mines say

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TODAY'S MARKETS

BASE METALS: London copper rose for a third session , boosted by data that showed China's economy stabilising and a recovery gathering pace in the U.S. housing sector. China should hit or beat the government's growth target this year and a mild economic recovery is likely in the fourth quarter, the country's statistics bureau said, after a slew of better-than-expected data offset a seventh straight quarter of GDP slowdown in July-September.

"Base metals are up on today's economic data, which, coupled with the premier's optimism over the economy, signalled that China's economy has mostly likely bottomed out in the third quarter. The U.S. economy also seems to be improving," said Orient Futures derivatives director Andy Du.

PRECIOUS METALS: Gold traded flat , retaining gains from the previous two days, as investors looked for fresh leads from a European Union summit after shrugging off data showing China's economy slowed for a seventh quarter as expected. European leaders will gather for a two-day meeting amid talk that Spain will seek a bailout next month, as the bloc continues to struggle with its debt crisis.

"In the short term, the $1,730 support level will continue to feel a lot of pressure as investors focus on the euro zone summit," said Chen Min, an analyst at Jinrui Futures in the southern Chinese city of Shenzhen.

FOREX: The euro held near a one-month high against the dollar as a fall in Spanish bond yields, strong U.S. housing data and hopes for a year-end rebound in China boosted optimism on the global economy.

"Some of the China numbers were pretty strong so financial markets may welcome these numbers," Ayako Sera, market economist at Sumitomo Trust Bank.

FEATURE

COLUMN-China GDP points to steadier commodity demand

By Clyde Russell

LAUNCESTON, Australia, Oct 18 (Reuters) - It's probably not going to be too hard to find bearish analysis of China's economic growth data, but much of this will miss the point.

While the 7.4 percent expansion in gross domestic product in the third quarter from a year earlier was lowest since the first quarter of 2009, all this tells us is what we already knew.

The Chinese economy has slowed more than had been hoped for by the rest of the world and by more than the authorities would have wanted.

But it's also important to point out that a 7.4 percent GDP outcome is far from a collapse, and still not quite the proof of a hard landing that many fear.

It's also not an outcome that supports the doom and gloom that has crept into much of the commentary about commodity demand from the world's biggest buyer.

The easing in China's growth certainly justified some of the pullback in prices for iron ore, coal and some other commodities, but maybe not to the extent that happened.

For example the price action in spot iron ore, which declined 22 percent in the third quarter, would seem to suggest that the outlook now is worse than it was in the aftermath of the 2008 global financial crisis and recession.

While iron ore has recovered in recent weeks to trade around $115 a tonne, it's worth noting that the price since around the beginning of August has been hovering around three-year lows.

So, are things in China as bad now as they were in the aftermath of the 2008 crisis, and is the outlook for recovery worse?

Even though the September quarter GDP numbers are largely an exercise in understanding what is now history, they do provide some interesting perspectives.

GDP growth fell steeply in China from 10.8 percent in the second quarter of 2008 to 6.6 percent in the first quarter of 2009.

It then rebounded rapidly to 12.1 percent by the first quarter of 2010, after which the slide to the current level has been more gentle.

It may be the case that GDP will slip further in the fourth quarter as it's likely the government's stimulus programme will take time to work through the economy.

Assuming the stimulus works, GDP growth should once again start rising by the first quarter of 2013 at the latest, but this time the rebound is likely to less pronounced than in 2009, as the spending measures are smaller and the decline in growth wasn't as bad in the first place.

Graphic of China GDP/exports: http://link.reuters.com/zeq95s

Graphic of BHP's production: http://link.reuters.com/myg43t

Graphic of Rio Tinto's production:

http://link.reuters.com/rub43t

And there are some tentative signs that the Chinese economy was bottoming out in the third quarter.

Industrial production, retail sales and fixed-asset investment all accelerated, and beat consensus forecasts to boot.

Industrial output was up 9.2 percent, beating August's 8.9 percent and the forecast for 9.0 percent growth, while retail sales grew 14.2 percent, up from August's 13.2 percent.

January to September fixed-asset investment rose 20.5 percent, beating the 20.2 percent consensus, which was the same as achieved in the year to August.

So, where does this place the outlook for commodity demand in China?

Is the scenario sketched by big miners like BHP Billiton and Rio Tinto of a gradual recovery in demand growth more likely than the alternative of extended ongoing weakness?

Both BHP, the world's biggest mining company, and Rio, the world's number two iron ore producer, reported September quarter production figures this week that were probably most noteworthy for showing steady to moderately higher output.

In other words, there was nothing in the production reports that spoke to a dramatic drop in demand, or even a looming slump.

Obviously BHP and Rio will suffer revenue losses given the decline in prices for iron ore, copper and coal during the quarter.

While the decline in prices prompted both BHP and Rio, and other resource companies, to shelve some projects, delay others and cut costs by trimming jobs, in general the mining bosses have maintained upbeat longer-term assessments.

"Markets remain volatile, but our business is resilient and our operations are performing strongly," Rio Chief Executive Tom Albanese said in Tuesday's quarterly activities report.

His BHP counterpart, Marius Kloppers, said he expects China's growth rate to stabilise around 7-8 percent over the next 10 years, still enough to boost demand for iron ore by 650 million tonnes this decade, down from 850 million tonnes in the prior 10 years.

The "demand shock" that drove commodity prices last decade is over and the price boom is over, Kloppers said in notes for speech on Wednesday in Brisbane.

This means the focus is on costs and capacity, he said.

In effect, what Kloppers and other mining executives appear to be saying is that the company with the lowest costs is going to be the winner, and that investors and traders are going to have to learn to live in an environment where prices don't rise (and presumably fall) as rapidly as they have in recent years.

This is pointing to a more "steady as she goes" world for Chinese commodity demand growth and the performance of the resource companies geared to supplying that demand.

--Clyde Russell is a Reuters market analyst. The views expressed are his own.--

FEATURE

You're fired" - or maybe not, S.Africa's mines say

By Ed Cropley

JOHANNESBURG, Oct 17 (Reuters) - According to his "final ultimatum" to wildcat strikers, Gold Fields chief executive Nick Holland is hours away from firing 23,000 miners. In the poisonous atmosphere of the worst industrial unrest in South Africa since the end of apartheid, everything points to him making good on his threat on Thursday, adding to the 15,000 men already sacked by platinum mines in the last two weeks.

The numbers are dramatic, and have political implications for President Jacob Zuma and his African National Congress (ANC), since each miner probably supports up to 10 dependents. The reality, however, is that the mass dismissals are just another tactic - albeit a hard-ball one - in the long standoff between management and workers over pay and conditions. When a deal is finally reached, most will get their jobs back.

Re-hiring thousands of miners may be a logistical nightmare for the likes of Gold Fields, the world's fourth largest bullion producer, but the bosses know - as do the workers - that the company has few other options if it is to restart production.

"It's very common that the employer uses mass dismissal as a way of changing the nature of the dispute," said one labour lawyer. He asked not to be named because he is involved in talks to resolve the strikes, which have hit growth and confidence in Africa's biggest economy.

"It's largely a tactical move," he said. "They don't expect to be able to run a mine with a completely new labour force." AngloGold Ashanti , the world's No. 3 bullion producer, said on Wednesday it would decide next week whether to follow Gold Fields in its dismissal ultimatum, which falls due at 2 p.m. (1200 GMT) on Thursday. Despite the fighting talk from chief executive Mark Cutifani in an interview with Reuters in London, the mood among strikers at AngloGold's mine in Carletonville, 40 km (25 miles) west of Johannesburg, was one of defiance and disdain.

"Come on, fire us," one man, among a group of hundreds of strikers on a hill near the mine, told Reuters Television as his friends joked and capered around him, pulling 10 rand notes from their wallets to wave at the camera. "What are you going to do then?" he asked. "We know you're going to have to rehire us in two weeks."

WORST SINCE 1987

The strikes that erupted in early August at platinum miner Lonmin have pushed South African labour relations to their lowest ebb since a mass uprising in 1987 that successfully brought the white-controlled economy to its knees. Some of the blame can be traced back to the police killing of 34 strikers at Lonmin's Marikana mine on Aug. 16, the worst security incident since apartheid ended in 1994 - and to the hefty pay hike that eventually got miners back on the job.

However, it is also a consequence of the stress under which much of the industry, in particular platinum, finds itself, as well as grassroots disillusionment with the sluggish pace of economic change under nearly two decades of ANC rule.

The unrest first flared in January, with a six-week walkout at Impala Platinum , the world's No. 2 producer of the precious metal, as a result of a turf war between the National Union of Mineworkers (NUM) and the upstart Association of Mineworkers and Construction Union (AMCU). NUM, whose close relationship with the ANC was forged in decades of struggle against white rule, was accused of being out of touch with workers and enjoying too cosy a relationship with management and the government.

Revelations that NUM leader Frans Baleni earns more than 1 million rand ($116,000) a year only reinforced the point, and helped fuel walkouts at Gold Fields by workers fed up primarily with NUM shop stewards they saw as self-serving.

Zuma made a point this week of standing shoulder to shoulder with its old friend in a bid to restore the NUM-led "collective bargaining" that has ensured relative labour stability in the mines over the last two decades. But this misses the point that NUM are part of the problem, and may not necessarily part of the solution. "The NUM can't come to us. They say they are scared of us," said Evans Ramokga, a representative for striking workers at an Anglo American Platinum (Amplats) mine near Rustenburg, 120 km (70 miles) northwest of Johannesburg.

"RESTRUCTURING"

Amplats announced the dismissal of 12,000 strikers on Oct. 5, causing a sharp fall in the rand due to fears it would inflame unrest in which more than 50 people have been killed, including several NUM officials shot or hacked to death.

But Ramokga - as with his gold mining colleagues - appears unperturbed, secure in the knowledge that the world's largest platinum producer will eventually have to come "We're waiting patiently," he told Reuters. "That's why you don't see us going to the management. We're just waiting for them."

His confidence might be misplaced. Analysts believe half of South Africa's platinum mines are making a loss because of a fall in the price of the metal this year, and Amplats parent company Anglo American has already placed its four Rustenburg mines "under review" - management-speak for working out whether to close them. Gold Fields' Holland has also said that "restructuring" - again, managerial shorthand for closing shafts and laying off miners - "may become inevitable" as labour costs rise and South Africa's gold mines head ever deeper underground.

The lessons from Impala are telling: having fired 17,200 miners in the depths of its January dispute, the company rehired only 15,000 when it restarted operations in March. "Unquestionably, when it comes to re-hiring, there will be fewer jobs," the labour expert said. "And this will be one of the points of negotiation."

GENERAL NEWS

China Q3 GDP growth 7.4 pct y/y, below official target

BEIJING, Oct 18 (Reuters) - China's economy slowed for a seventh straight quarter in July-September, missing the government's target for the first time since the depths of the global financial crisis. The National Bureau of Statistics said GDP grew 7.4 percent in the third quarter from a year earlier - in line with forecasts from economists polled by Reuters - the first miss of the official target since 6.5 percent growth in the first quarter of 2009.

"This is within expectations, the economy is showing signs of stabilising, that is good news," said Dong Tao, an economist at Credit Suisse in Hong Kong. "We think that with rebounding property markets, stabilising export orders, resuming consumption, we probably have seen the bottom of the economy. The economy can bounce back quickly."

While GDP growth at 7.4 percent would be cause for joy in recession-stalked developed economies, it represents a sharp slowdown for China, where GDP grew 9.2 percent in 2011 and has averaged an annual rate near 10 percent for three decades.

GRAPHIC: China GDP/exports http://r.reuters.com/zeq95s

GRAPHIC: Industrial output/PMI http://r.reuters.com/qaf92t

GRAPHIC: China trade http://r.reuters.com/ked55s

GRAPHIC: China data suite http://r.reuters.com/fut96s

The government targets growth of 7.5 percent for the full year - reduced in 2012 from the previous 8 percent target - and the consensus forecast of economists polled by Reuters is that it will deliver on it, with an expansion of 7.7 percent.

Indeed, Premier Wen Jiabao was quoted by local media as saying on Wednesday that the economic situation in the third quarter was relatively good, and the government was confident of achieving its goal.

But the remorseless slowdown has confounded forecasters repeatedly this year, with the initial consensus call for growth to bottom in the first quarter being persistently beaten back to its present position of a trough in the third quarter followed by a mild uptick in the fourth quarter.

Some analysts cite electricity usage growth running at roughly half the average rate of the last five years as a manifest sign of economic malaise. Others disagree. They say there is clear evidence that the financial system's liquidity taps have been opened wide and that fine-tuning policies - Beijing's mantra for a year now - are gaining traction.

The fine tuning includes two interest rate cuts, three cuts to the proportion of deposits banks must keep as reserves - freeing an estimated 1.2 trillion yuan ($190 billion) for lending - and approvals in the last month for infrastructure projects worth about $157 billion, although Beijing has not said explicitly where the money to fund them is coming from.

U.S. housing starts surge in positive sign for economy

WASHINGTON, Oct 17 (Reuters) - Groundbreaking on new U.S. homes surged in September to its fastest pace in more than four years, a sign the housing sector's budding recovery is gaining traction and supporting the wider economic recovery.

Housing starts increased 15 percent last month to a seasonally adjusted annual rate of 872,000 units, b eating even the most optimistic forecasts on Wall Street, C ommerce Department data showed on Wednesday.

It was the quickest pace of groundbreaking since July 2008, though data on starts is volatile and subject to substantial revisions.

America's economy has shown signs of faster growth in recent months as the jobless rate has fallen and retail sales data has pointed to stronger consumer spending.

Wednesday's data showed that housing, which was battered by the 2007-09 recession, is increasingly one of the brighter spots in the economy.

"One of the big headwinds for the economy has been the weak housing market and this indicates that headwind has dissipated," said Gary Thayer, an economic strategist at Wells Fargo Advisors in St. Louis, Missouri.

Home building could add to growth this year for the first time since 2005 and the brighter economic signal is likely to be welcomed at the White House, where a sluggish economy is weighing on President Barack Obama's chances of re-election next month.

Economists estimate that for every new house built, at least three new jobs are created.

Graphic - Housing starts: http://link.reuters.com/dam43t
Graphic - Mortgage data: http://link.reuters.com/guv37s

Housing market in graphics - http://r.reuters.com/pum86s

Groundbreaking on new homes rose across much of the country, and was up 20.1 percent in western states. It fell 5.1 percent in the Northeast, however.

Yields on U.S. government debt rose as investors bet the data pointed to a stronger economy.

On the U.S. stock market, the PHLX Housing Index of leading home b uilders climbed 4 percent as D.R. Horton advanced 5 percent. Home improvement retailers Home Depot and Lowe's were also higher.

NOT YET NORMAL

Housing remains hampered by a glut of unsold homes, and the housing starts rate is still about 60 percent below its January 2006 peak.

GENERAL NEWS *(Continued)*

Home building now makes up just over 2 percent of the e conomy, so it is unlikely to fuel a big acceleration in the recovery anytime soon. The European debt crisis looms heavily over the economic outlook, as does the possibility Washington could hike taxes and cut spending next year.

But every little bit helps, and more home building could partially compensate for recent weakness in factory output, which has been hit by sluggish export demand and cooling investment in capital goods.

"Things are lining up for housing," said John Canally, an economist at LPL Financial in Boston. "It's another step in the right direction, but you still have a long, long way to get back to 'normal' in housing."

September groundbreaking for single-family homes, the largest segment of the market, rose 11 percent to a 603,000-unit pace - the highest level since August 2008. Starts for multi-family homes climbed 25.1 percent.

Building permits grew 11.6 percent to a 894,000-unit pace in September, beating economists' forecasts.

U.S. home sales have been creeping up and the steep decline in prices since 2006 appears to have bottomed. That has helped home-builder sentiment, which this month rose to a fresh six-year high.

In a bid to help the economy by encouraging people to buy homes, the Fed said last month it would buy $40 billion in mortgage-backed securities every month until the jobs outlook improves substantially.

The Fed's efforts to lower borrowing costs have pushed interest rates on 30-year mortgages to all-time lows. Last week, fixed 30-year mortgage rates rose 1 basis point to average 3.57 percent, the Mortgage Bankers Association said.

Applications for U.S. home mortgages fell last week, but demand for purchase loans, a leading indicator of home sales, reached the highest level since June, the association said.

"It seems as though low interest rates and stable prices are starting to stir the interest of potential buyers," said Michael Moran, an economist at Daiwa Securities America in New York.

Manila vows mining reform law, delay seen to mega Xstrata project

MANILA, Oct 17 (Reuters) - Global miner Xstrata Plc's plans to start a $5.9 billion copper-gold project in the southern Philippines by 2016 faces a delay of at least 12 months after the country's president demanded on Wednesday the passage of a mining reform bill first.

The southern Mindanao region is bracing for a possible investment boom after the government and the country's largest Muslim separatist group signed a peace deal this week, ending more than four decades of conflict.

Foreign interests are eyeing projects in power, manufacturing, agriculture and mining.

But the largest prospective foreign direct investment in Mindanao, as well as in the Philippines, is likely to be delayed as the government wants to first pass legislation that seeks to raise state revenues from the mining sector and ensure environmental safeguards.

"That seems to be the more prudent way," Aquino told foreign journalists when asked if Manila would delay its decision to approve Sagittarius Mines Inc's application for environmental clearance for Southeast Asia's largest gold and copper prospect.

"I don't have that confidence at this point in time that existing laws do adequately protect our environment," Aquino said on Wednesday.

It could take more than a year before the mining bill is passed into law, as the current Congress effectively has only about one working month left, taking out holiday breaks, before it adjourns ahead of mid-term elections in May. The next Congress will start its sessions in July.

Video on Mindanao: http://link.reuters.com/myt33t

GRAPHIC of region: http://link.reuters.com/can23t

Xstrata has said it may delay its planned 2016 start of production at the Tampakan mine in South Cotabato province, estimated to contain 15 million tonnes of copper and almost 18 million ounces of gold, with construction alone to take 2 to 3 years to be completed.

Sagittarius, a unit of Xstrata and part-owned by Australian miner Indophil Resources NL , has asked Aquino to reverse the Environment Department's decision not to issue the clearance for the project until a provincial government ban on open-pit mining is lifted.

TAMPAKAN DELAYED

Aquino will next week visit Australia where mining issues such as the Tampakan project are expected to be discussed.

Sagittarius said in an email reply to Reuters that mine construction would hinge on government approvals, as well as a decision by shareholders on whether or not to push through with the planned $5.9 billion investment in the Philippines.

"Issuance of the mine ECC (environment compliance certificate) would provide tangible evidence of the Philippine government's commitment to the project and willingness to abide by the terms and conditions of Sagittarius Mines' FTAA (Financial and Technical AssiStance Agreement) contract," Sagittarius said, referring to the mining permit issued for large-scale projects with capital of at least $50 million.

GENERAL NEWS *(Continued)*

Environment and Natural Resources Secretary Ramon Paje said mine waste leaks in August at the open-pit gold-copper project of top miner Philex Mining Corp in the northern Philippines has convinced the government it should not rush approval of mining projects.

But he says the government remains committed to the Tampakan project.

Apart from Tampakan, there are other foreign investors considering mining projects in Mindanao, which holds a third of the Philippines' estimated $850 billion worth of mineral wealth.

That interest is expected to build after Manila signed a peace deal with Muslim rebels, said Gregory Domingo, trade secretary.

"Upon the announcement of this peace agreement, a lot of people approached us. I've seen several ambassadors already, they said 'Tell us what we need to do, we'd like to help Mindanao'," Domingo said.

"There are many who want to help in terms of aid as well as investments."

Ambassadors from India, Australia, France were among those he met with in recent days, Domingo said, adding Japan had also expressed interest prior to the peace deal.

"It's going to be in the hundreds of millions of dollars already in the pipeline," Domingo said when asked for the amount of investments in the works, adding new projects were likely to come within the next 12 to 18 months in the Mindanao region.

The government and Muslim rebels want to finish negotiations on details of the framework agreement by the end of the year, while a transition committee that will implement the deal has until 2015 to come up with a law on the new Bangsamoro entity in the Muslim-dominated areas in the country's south.

Aquino said he would issue an order soon to create the transition committee but he declined to provide details on issues to be taken up when talks resume in Kuala Lumpur next month, saying the two sides have reached a "broad consensus" on percentages in the sharing of revenues from natural resources.

Ivanplats shares rise; IPO values miner at C$2.5 bln

TORONTO, Oct 17 (Reuters) - Shares of Ivanplats Ltd , an Africa-focused miner, rose 6.3 percent on the Toronto Stock Exchange on Wednesday after an initial public offering pegged the value of the company at more than C$2.5 billion ($2.55 billion).

Ivanplats, a venture backed by Robert Friedland - one of the best-known project promoters in the mining industry - announced its long-awaited plan to list in Toronto last month.

Chicago-born Friedland is known across the mining industry for his showmanship and flamboyance, almost as much as for his talent in spotting the potential of some of the world's biggest deposits, among them the Voisey's Bay nickel deposit in Eastern Canada and the Oyu Tolgoi copper and gold deposit in Mongolia.

Ivanplats, his latest venture, owns the high-grade Kamoa copper deposit in the Democratic Republic of Congo, along with the massive Platreef platinum, gold and copper project in South Africa. It also owns the Kipushi zinc and copper asset in Congo, as well as other assets spread across Congo, South Africa, Gabon and Australia.

Ivanplats priced its offering this week at C$4.75 a share, slightly above the bottom of a range of C$4.50 to C$5.40 a share that the company had been seeking. The offering, officially expected to close next week, will see the company sell 63.3 million shares for proceeds of C$300.8 million. The shares sold in the IPO represent about 12 percent of Ivanplats' outstanding shares, before accounting for options, warrants and an over-allotment option granted to underwriters of the deal.

Ivanplats shares began trading on the Toronto Stock Exchange on Wednesday on an "if, as and when issued" basis. Shares rose as high as C$5.20 in early trading and were up about 6.3 percent at C$5.05 at 3 p.m. EDT (1900 GMT).

The exchange said all trades in the stock will be settled on or after Oct. 23, the official closing date of the offering. If the prospectus offering does not close, all current trades will be canceled, no securities will be delivered and no money will be owed by purchasers to sellers.

LATEST VENTURE

The 63.3 million share offering was underpinned by one large investor, who has subscribed for about a third of the shares on offer. Ivanplats did not disclose the identity of the investor, but said the investor has agreed to a six-month lock-up period, during which the investor cannot sell the shares.

Friedland, Ivanplats' executive chairman, will retain 135.3 million shares, or a 25.7 percent stake in the company. He still owns a roughly 10 percent interest in his last venture, Ivanhoe Mines, which is now known as Turquoise Hill and is majority owned by mining giant Rio Tinto . The financier resigned in April as an officer of Ivanhoe, which controls the Oyu Tolgoi project. At the time, many expected him to turn his attention to promoting Ivanplats.

In addition to the total offering, Ivanplats has also given an over-allotment option of 9.5 million shares to the deal's underwriters, which stand to make more than C$15 million in fees from the IPO. The firms underwriting the deal include Bank of Montreal, Morgan Stanley, Macquarie Capital, Royal Bank of Canada, Canadian Imperial Bank of Commerce, Citigroup, Renaissance Securities and UBS Securities.

As part of the transaction, Ivanplats said roughly $165 million of debt will be converted into about 40.6 million shares at the offering price. In addition, the company has more than 22 million options outstanding - owned by Ivanplats' officials and others - that are all in the money at this time. Ivanplats said those converting both the pre IPO debt and options are subject to a six-month lock-up period.

TRADING PLACES

CME Europe targets interest rate products before energy, metals

LONDON, Oct 17 (Reuters) - CME Group may launch European interest rate trading products as early as next year and is eyeing energy and metals futures after that in a bid to shake-up the region's futures market by challenging its dominant exchanges.

London-based CME Europe is set to open for business by trading currency futures early in 2013, but the nascent exchange plans to expand quickly into other asset classes.

"We hope to launch foreign exchange (FX) futures by around the end of the second quarter, FX options by the third quarter and perhaps interest rate derivative products by the end of next year," Robert Ray, Chief Executive of CME Europe, told Reuters.

A CME Europe interest rate future would put the European offshoot of the U.S. exchange on a collision course with European incumbents NYSE Euronext and Deutsche Boerse, as well as Nasdaq OMX , which is also planning to launch rates futures trading next year.

"It makes sense for the CME to start in Europe with a lower profile product set, so they can test the platform, before launching rates, which will be higher profile," said Peter Lenardos, an analyst at RBC Capital Markets .

But the CME is already looking past next year, at further launches in 2014 and beyond that would take it up against commodities markets such as the IntercontinentalExchange and the London Metal Exchange (LME).

"Longer term, we see a lot of interest in energy, while commodities such as metals and grains are an under served asset classes especially as we look toward eastern Europe and Asia," said Ray.

The prospect of true competition in these products is welcomed by traders who see new entrants like the CME putting pressure on prices and potentially forcing down trading fees for themselves and their clients.

But Ray, himself a former futures trader, knows Europe's banks and brokers will only switch their allegiance if CME Europe is different, something he is keen to demonstrate with its first launch.

"The market doesn't want another 'me too' product. CME Europe will take a new approach to FX futures, with the pricing conventions and product specifications looking more like OTC products than futures," the Chief of CME Europe said.

Last Friday Britain's competition watchdog started a public consultation on the proposed launch of CME Europe as part of the group's bid to become a regulated exchange.

The Office of Fair Trading asked for feedback on the CME's plan to offer futures based on 30 of the most popular currency pairs such as British pound/U.S. dollar and euro/U.S. dollar.

Ray hopes to hear back on its application to the Financial Services Authority (FSA) by mid-March, given the regulator normally takes six months for these reviews. Assuming it gets clearance it will launch CME Europe in April or early May.

CLEARING IN FOCUS

According to analysts, the greatest challenge for the CME, or any new European exchange, is finding a cost-efficient way for clients to trade the new products without having to make massive collateral contributions.

Exchanges require their trading firms to give up billions of dollars of collateral to a clearing house that holds the cash in case it is needed to refund any firm left out of pocket by a member default, like that of Lehman Brothers in 2008.

This presents a major challenge for exchanges looking to move into new markets, particularly when banks are cash-strapped.

"If the CME chooses to compete directly against the incumbents, a hurdle is that potential clients will have to find extra collateral to stump up to the CME clearing house and this is something they are reluctant to do at the moment," said Richard Perrott, an analyst at Berenberg Bank.

But the CME's move is timed to benefit from European Commission plans to change how collateral can be used by clearing houses, to ensure that new entrants such as CME Europe and Nasdaq can compete more effectively with incumbents.

NYSE Euronext's Liffe and Deutsche Boerse's Eurex currently dominate European rates trading at the opposite ends of the timeline. In commodities, London-based ICE Futures Europe is the largest energy futures exchange in the region.

The LME, the historic British market set to be sold to Hong Kong Exchanges and Clearing for 1.4 billion pounds by the year end, controls metals futures trading globally.

MARKET NEWS

Aluminium seen $1,950/T on average in 2013-Chinalco exec

LONDON, Oct 17 (Reuters) - Abundant stocks of aluminium and lukewarm demand in the global market may cap prices on the London Metal Exchange at about $1,950 per tonne on average next year from just above $2,000 expected this year, a senior Chinalco official said.

Yang Xiaowu, director of futures department at Aluminum Corporation of China (Chinalco), the top aluminium producer in China, said prices of the metal may continue to move within a narrow range in coming months and that would reduce trading interests from investors and speculators on the contracts both on the LME and the Shanghai Futures Exchange.

"The market may go back to the fundamentals next year,' Yang told Reuters on the sidelines of China Metal Seminar in London on Wednesday. "Aluminium prices for 2013 are not as optimistic as copper."

High inventories typically are considered a bearish factor for prices when fundamentals are the focus. Aluminium stocks monitored by the LME stood at 5.058 million tonnes on Wednesday, versus a record of of 5.126 million tonnes seen in February this year.

Consumption of aluminium in developed countries next year may be similar to this year, Yang said. For China, the world's top consumer and producer of aluminium, he expects the country's consumption to rise 8 to 9 percent in 2013 from 7 to 8 percent estimated for this year. He did not provide the consumption amounts.

Demand from investments in infrastructure, transport projects, power cables and wires and packaging would support higher consumption growth next year, Yang said.

Although the Chinese demand next year could be better than this year, domestic production would also rise, adding to a surplus in the domestic market, he said.

China recently approved 60 infrastructure projects worth more than $150 billion, fuelling investor hopes that the world's second -largest economy may get a lift in the fourth quarter of this year and beyond. State-backed research firm Antaike had forecast growth in real aluminium consumption this year at 8.2 percent to 21.7 million tonnes, compared with 14.6 percent growth in 2011 and a rise of 26.7 percent in 2010.

Rusal expects floating aluminium premiums

LONDON, Oct 17 (Reuters) - Russia's Rusal expects to shift all its aluminium supply contracts for 2013 to floating premiums, an unprecedented move that could overhaul decades-old industry pricing practices. The world's largest primary aluminium producer is the first in the industry to switch its term supply contracts to a floating premium, the price paid on top of the London Metal Exchange price for physical delivery of metal.

Producers and consumers have traditionally agreed fixed terms for annual supply contracts.

"Moving into next year, we will be moving towards 100 percent float," Steve Hodgson, head of international sales, said in an interview.

With as much as 40 percent of the 47-million-tonne industry making a loss at current LME prices, producers want more exposure to spot premiums, which are double the levels agreed in many fixed-term 2012 contracts and show no signs of easing off record highs.

"We would prefer to see premiums on a shorter term basis that tend to reflect the conditions in the market. A year is a long time in this industry, a lot can happen in a year," Hodgson said.

It is not clear if other producers will follow in the Russian company's footsteps, but a successful switch could set a precedent for the industry.

"It's better for everyone if the price that people pay for their metal is linked to the conditions of the day," Hodgson said.

His comments come a month after contract negotiations got underway and are the most concrete sign yet that customers have agreed to the change.

Several years ago, the alumina industry adopted a shorter-term pricing mechanism, ditching annual fixed-price contracts that were based on the LME aluminium price in favour of index prices. Alumina is the key raw material in aluminium production.

The world's biggest mining house, BHP Billiton , two years ago led a shift in sales to steelmakers of coking coal and iron ore to a quarterly spot-averaged price.

SOARING PREMIUMS

Global premiums have soared to all-time highs this year even as the market continues to struggle with a glut of metal.

North American aluminium buyers are paying as much as 11.5 cents per lb, equating to just over $250 per tonne, because warehouses owned by JPMorgan and Goldman Sachs are offering financial incentives and financing deals to store metal in their facilities - forcing end-users to bid up prices to secure the metal for their own needs.

Hodgson said premiums do not have much room to rise further now that Asian and European levels have caught up with the soaring North American market.

Even so, they are helping some higher-cost producers offset the pain of low LME prices. Between 2.5 million and 4 million tonnes of capacity outside of China would have closed if premiums were at lower, more historically average premiums.

"The premium is probably supporting an additional 10-15 percent of the industry being profitable compared to what it would otherwise be at a more regular level of premium," he said.

The global market is closer to balance than it appears, he said. Excluding the estimated 10 million tonnes of aluminium stockpiled, the surplus is about 300,000-400,000 tonnes, Hodgson said. Calls have increased for producers to make additional output cuts to remove some of the large excess that has weighed on prices and offset lacklustre overall demand. In August, Rusal said it would cut output by 3 percent by the end of this year.

But Hodgson advised caution, noting that Chinese producers, which benefit from government financial support, could fill any gap left by Western cutbacks. "I do have a concern that perhaps prematurely shutting Western capacity could potentially lead to greater exports from China," he said.

China daily crude steel output rises 2 pct in Sept

SHANGHAI, Oct 18 (Reuters) - China's average daily crude steel output rose to 1.932 million tonnes in September, up 2 percent from 1.894 million tonnes in August, government data showed on Thursday, as a rebound in prices encouraged mills to boost production. On a full-month basis, total crude steel production stood at 57.95 million tonnes in September, down one percent from August, to mark the lowest output since February, data from the National Bureau of Statistics showed.

A slowdown in economic growth in China, the world's top steel producer, has hit demand for steel products -- widely used in construction, manufacturing, household appliances and car making. Domestic prices hit a three-year low in early September. However, a seasonal pick-up in demand on the back of increased construction activity has helped rebar prices on the Shanghai Futures Exchange rebound by more than 10 percent since early September.

"I think steelmakers will continue to raise output in October, maybe to between 1.95-2 million tonnes per day. There's still demand out there, but its not exciting so we won't see the run-rate exceeding this year's high," said Henry Liu, head of commodity research at Mirae Asset Securities in Hong Kong.

Average daily steel output reached a record high above 2 million tonnes in April. China's average daily crude steel output rose to 1.916 million tonnes between Oct. 1-10, up 4 percent from Sept. 21-30, industry data showed.

China's economy slowed for a seventh straight quarter in July-September, growing just 7.4 percent, buffeted by weak demand at home and abroad in its weakest showing since the depths of the global financial crisis - but in line with market expectations.

Some analysts believe that stronger data including a rebounding property market and stabilising export orders show the economy is bottoming out, although any tick-up going forward may be modest.

Total January-September crude steel output stood at 542.3 million tonnes, up 1.7 percent from a year earlier, the data showed.

For most of last year, year-on-year growth for monthly steel production hovered between 7-17 percent before before slowing sharply from October 2011, when growth rates fell to below 5 percent.

Vale 3rd-qtr iron ore output down as China demand drops

RIO DE JANEIRO, Oct 17 (Reuters) - Brazilian mining company Vale SA said on Wednesday that its iron ore output fell 4.5 percent in the third quarter compared with a year earlier as demand and prices fell in China, its largest market.

Vale , the world's second-largest mining company, said that compared with the second quarter iron output rose 4.2 percent.

The price of iron ore, the main ingredient in steel, fell to three-year lows in the quarter as the Chinese economy slowed, steel production slumped, and steelmakers used existing iron ore stock without replacing stock.

China is the biggest producer of steel. After oil, the iron ore market is the world's second-biggest commodity market by value.

On Wednesday, Iron ore in the Chinese spot market rose 2.5 percent to $115.40 a tonne, its first gain in five days, according to Steel Intelligence. Vale also said production of nickel, used to make steel rust resistant, fell 15.7 percent in the quarter to 49,000 tonnes from a year earlier. Nickel output was 19.8 percent lower than in the previous quarter.

Vale expects to become the world's largest producer of nickel this year. Output of metallurgical coal, used in the steelmaking process, rose 106.4 percent in the third quarter from a year ago, while thermal coal, used to generate electricity, rose 63.3 percent. Output of copper, a reddish metal used for electrical and electronic equipment and in construction fell 20 percent in the third quarter.

Australia's Atlas takes on debt as weak iron ore price hurts

MELBOURNE, Oct 18 (Reuters) - Weak iron ore prices have slammed Australia's smaller iron ore miners, forcing one of the stronger juniors to take on debt for the first time, while another slashed jobs and cut back mining operations to reduce costs.

Atlas Iron , Australia's no.4 iron ore miner, said it had lined up a fully underwritten term loan of $325 million, tapping its first major debt facility to ensure it can fund its expansion at a time when cash flows have been crunched.

"This facility will give Atlas the luxury of being able to develop additional production capacity with confidence and funding flexibility," Atlas Managing Director Ken Brinsden said in a statement. Atlas also said it was cutting 27 jobs, mostly in exploration and evaluation, to help cut costs, while another 23 roles have been moved to other parts of the business.

It said its cash operating costs would be $1-2 less than earlier flagged, at $46-50 a tonne free-on-board, partly as a result of the cuts. Atlas tweaked up its forecast for exports by 200,000 tonnes to 7.2-7.7 million tonnes for the year to June 2013, saying it would sell some product that it had originally planned to stockpile.

MARKET NEWS *(Continued)*

"While iron ore prices have been volatile, Atlas continues to receive strong demand for its standard product from a range of customers both inside and outside China," Brinsden said. Atlas had been viewed by investors as being in a relatively strong position with no debt, relative to Fortescue Metals Group , which last month slammed the brakes on its expansion plans, slashed jobs and scrambled to refinance debt following a sharp and prolonged slide in iron ore prices.

VOLATILE PRICES

Iron ore prices slid to a three-year low of $87 a tonne last month but have since rebounded to $115. They remain well below a high of $149 earlier this year, with iron ore producers warning they expect prices to remain volatile in the near term. The price slide has hit everyone, but the mega miners -- Vale , Rio Tinto and BHP Billiton -- with the lowest-cost mines, can still make a profit and are going ahead with expansions, while smaller, higher cost producers are under pressure to cut costs and hold up new projects. Funding is key for Atlas to achieve its target of doubling capacity to 12 million tonnes a year by December 2013. The company has ambitious plans to expand output to 46 million tonnes a year by 2017. Atlas transports its ore to port by truck, but will eventually need a rail line, which it is studying in partnership with Australia's top coal-freight operator, QR National and Brockman Resources.

Atlas shares were suspended from trading, pending the announcement. They last traded up 5.3 percent on Thursday at A$1.58 on a strong day for iron ore miners, partly on the back of data from China that suggested the slowdown in the world's biggest iron ore consuming economy had bottomed. Rival Mount Gibson Iron soared 17 percent on Thursday after announcing it was slashing 270 jobs and slowing mine operations to cut or defer about A$120 million to A$150 million in capital and operating costs. However, Mount Gibson stuck to its sales target of 8-8.5 million tonnes for the year to June 2013, saying it would ship ore from its stockpiles.

It was also a strong day for Gindalbie Metals Group , which jumped as much as 16 percent after loading the first shipment from its A$2.57 billion Karara iron ore project, in the mid-west region of Western Australia. Investors were relieved that the cost of the project, which is targeting 8 million tonnes a year of magnetite or and 2 million tonnes a year of hematite, had not increased any further, averting the need to raise capital. The magnetite iron ore project is co-owned by Angang Steel , the listed arm of China's second-largest steel producer, Anshan Iron and Steel Group.

Steel Dynamics' profit plunges

Oct 17 (Reuters) - Steel producer and metals recycler Steel Dynamics Inc's third-quarter profit plunged 77 percent as global economic uncertainty cut into steel shipments.

Profit fell more than 50 percent for the third straight quarter.

Steel prices have been depressed in recent months due to the lack of a strong recovery in steel demand in China -- the world's largest producer and consumer of steel -- along with a persistently oversupplied market.

The benchmark 62-percent grade iron ore index fell 22 percent in the June to September period. Although prices have recovered from a three-year low of below $87 last month, they are still 25 percent below this year's high of $149.40.

"We believe volumes could continue to be challenged in the fourth quarter, as fluctuations in immediate customer needs and hesitancy for customers to carry inventory persists," Chief Executive Mark Millett said in statement.

Global demand for steel will slow next year because of weaker consumption growth in China and uncertainties from the European debt crisis, according to the World Steel Association.

World Steel expects steel consumption to grow 2.1 percent this year versus 6.2 percent reported last year.

Net earnings were $12.8 million, or 6 cents per share, down from $43.3 million, or 19 cents per share, in the same quarter a year earlier. Excluding items, it earned 15 cents per share.

Revenue fell 17 percent to $1.69 billion.

Analysts on average expected a profit of 13 cents per share on revenue of $1.78 billion for the third quarter, according to Thomson Reuters I/B/E/S. Shares of Fort Wayne, Indiana-based Steel Dynamics, which has a market value of $2.77 billion, closed at $12.62 on Wednesday on the Nasdaq. They have fallen nearly 20 percent so far this year, while the S&P Steel sub-industry Index has risen 14 percent.

Severstal says Liberia iron ore deposit estimates up

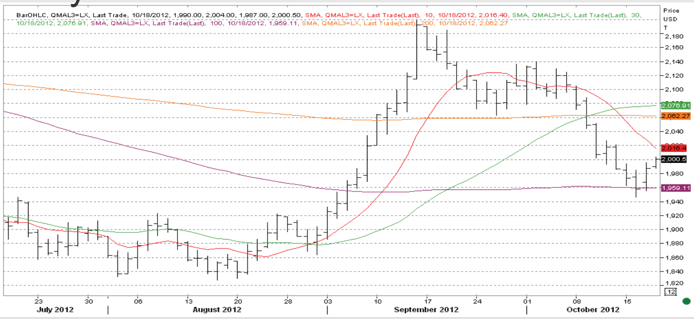
MOSCOW, Oct 17 (Reuters) - Russia's steelmaker Severstal reported an increase in the estimate of iron ore resources at its West African Putu deposit in Liberia by 38 percent to 4.4 billion tonnes, it said on Wednesday, citing an independent engineering study.

The updated estimate of iron ore at the Putu deposit, a 13 kilometre-long iron ridge, was carried out by SRK Consulting based on the South-African SAMREC reporting code, it said. "This represents a marked increase from one year ago when an independent report estimated Putu to have iron ore resources of up to 3.2 billion tonnes," the statement said.

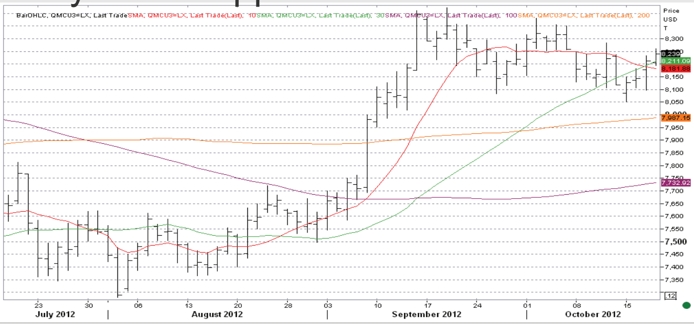
Severstal, controlled by billionaire Alexei Mordashov, is one of several Russian steel firms seeking to increase its iron ore mining operations in order to secure supplies and hedge against rising prices. The steel major, with assets in Russia, the U.S., Ukraine, Latvia, Poland, Italy, Liberia and Brazil, indirectly holds 100 percent interest in Putu Iron Ore Mining. The company estimates total capital expenditures in Putu at between $2.5-3.5 billion with production scheduled to begin in 2017-2018.

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

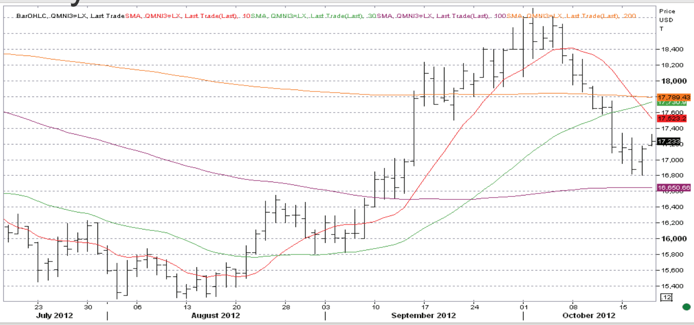
Daily LME Aluminium 3-months



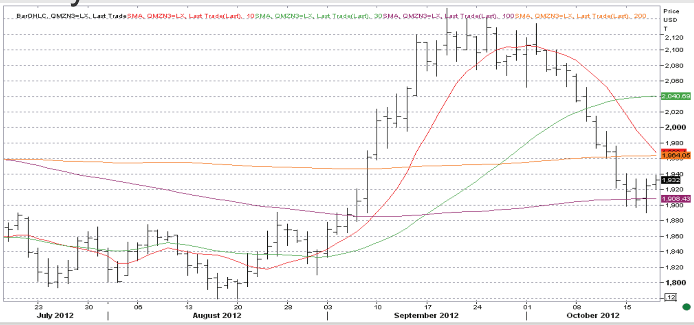
Daily LME Copper 3-months



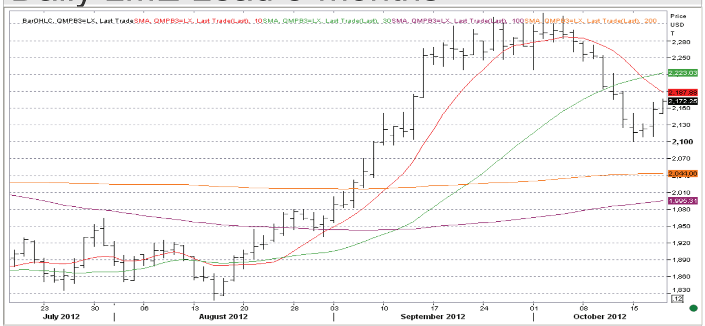
Daily LME Nickel 3-months



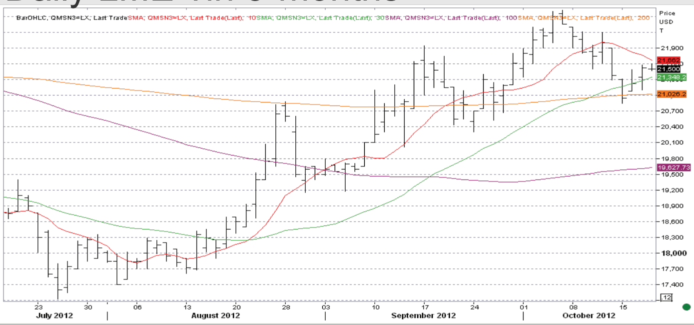
Daily LME Zinc 3-months



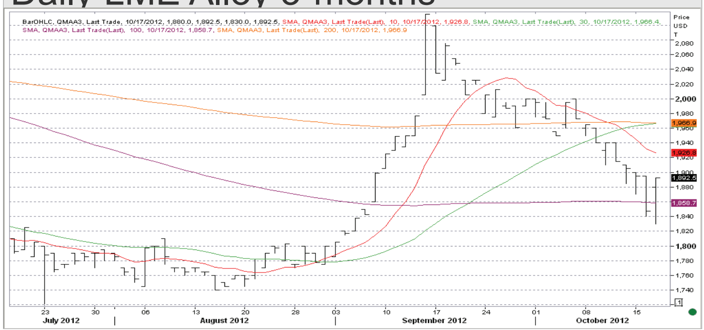
Daily LME Lead 3-months



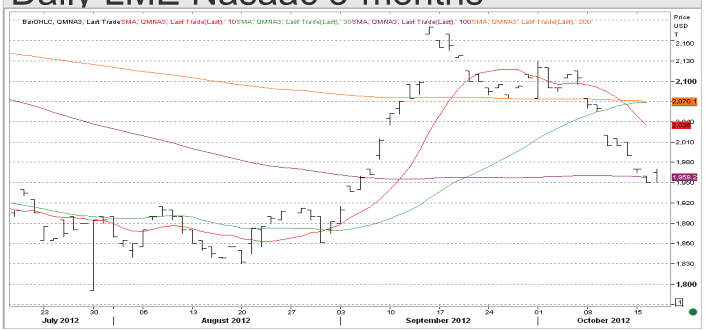
Daily LME Tin 3-months



Daily LME Alloy 3-months



Daily LME Nasaac 3-months



MARKET REVIEW

METALS-London copper edges up for 3rd day; focus on China data

SHANGHAI, Oct 18 (Reuters) - London copper rose for a third session on Thursday, boosted by data that showed China's economy stabilising and a recovery gathering pace in the U.S. housing sector. China should hit or beat the government's growth target this year and a mild economic recovery is likely in the fourth quarter, the country's statistics bureau said, after a slew of better-than-expected data offset a seventh straight quarter of GDP slowdown in July-September.

Groundbreaking on new U.S. homes surged in September to its fastest pace in more than four years, a sign the housing sector's recovery is gaining traction and supporting the wider economic recovery.

"Base metals are up on today's economic data, which, coupled with the premier's optimism over the economy, signalled that China's economy has mostly likely bottomed out in the third quarter. The U.S. economy also seems to be improving," said Orient Futures derivatives director Andy Du. Chinese Premier Wen Jiabao was quoted by local media as saying on Wednesday that the economic situation in the third quarter was relatively good, and the government was confident of achieving its goal.

Three-month copper on the London Metal Exchange had risen 0.1 percent to $8,231.25 per tonne by 0701 GMT, following a rise of 1.2 percent on Wednesday. The most active January copper contract on the Shanghai Futures Exchange rose 0.8 percent to close the session at 59,130 yuan ($9,500) per tonne, catching up with London's previous gains.

China GDP/exports: http://link.reuters.com/zeq95s

China industrial output/PMI:http://link.reuters.com/qaf92t

But gains in the session are likely to be capped by a stronger dollar, which bounced off a one-month low in the prior session, and by lingering concerns over the euro zone economy. Beyond the short term, base metals prices will increasingly take trading direction from demand and supply factors, especially in top consumer China, as fears over the global economy recede, traders said. "Base metals are not out of the woods yet, despite easing fears over the global economy," Du warned. "Investors will now focus more on the metals' fundamentals and how copper prices fare in the fourth quarter will depend on whether downstream demand in top consumer China improves." But traders said there was still no significant pick-up in Chinese copper demand, as seen in the ShFE front-to-forward-month curve switching to a slight contango on Thursday. "Investors are pricing forward contracts higher as they feel copper's outlook for the rest of the year has improved, based on recent global economic data," said a trader based in Shanghai. "But we have not seen a meaningful pick-up in spot demand yet." The spot-to-front-month discount stayed at the same level as the day before, at as high as 200 yuan, indicating sluggish spot demand.

"Among the downstream industries, there has been a slight pick-up in the power cable industry. But order books for the rest are still weak," said a Shanghai-based physical trader.

In the euro zone, while the markets cheered as Spain moved closer to a bailout, there were signs the region's crisis will finally hit the German economy, which is seen growing at 1 percent next year, two years after expanding at its fastest rate since reunification.

PRECIOUS-Gold steady after China data, euro zone summit eyed

SINGAPORE, Oct 18 (Reuters) - Gold traded flat on Thursday, retaining gains from the previous two days, as investors looked for fresh leads from a European Union summit after shrugging off data showing China's economy slowed for a seventh quarter as expected. European leaders will gather for a two-day meeting amid talk that Spain will seek a bailout next month, as the bloc continues to struggle with its debt crisis.

Gold has closely followed moves in the currency market, with improving sentiment around the euro zone giving support to the euro and weighing on the dollar, making dollar-priced commodities more attractive for buyers holding other currencies.

China's economy slid into its seventh straight quarter of slowdown in the July-September quarter, growing at 7.4 percent on the year as expected, and Beijing said the country would be able to beat or exceed the annual growth target of 7.5 percent.

Investors expect more policy clarity from Beijing after the leadership transition next month amid speculation that China will launch more stimulus measures to help boost growth.

Prices of bullion dipped to below $1,730 earlier in the week under the pressure of uncertainty over Spain's bailout plan and improvement in U.S. economic data which triggered concerns about the extent of the latest stimulus measures.

"In the short term, the $1,730 support level will continue to feel a lot of pressure as investors focus on the euro zone summit," said Chen Min, an analyst at Jinrui Futures in the southern Chinese city of Shenzhen.

"But beyond that, gold's outlook is still bullish thanks to support from the easing measures by central banks." Spot gold was trading nearly flat at $1,750.09 an ounce by 0629 GMT. U.S. gold was also little changed at $1,751.70.

"Some buyers are coming back, thinking the sell-off is over," said a Hong Kong-based trader. "But we may see another correction since positioning in gold is still very high." Net length in U.S. gold hit a 14-month high of 198,194 contracts last week, more than double this year's trough in late-July.

Holdings of gold-backed exchange-traded funds stood at 74.804 million ounces, not far off a record of 75.03 million ounces hit last week, suggesting strong investment demand in gold.

MARKET REVIEW *(Continued)*

FOREX-Euro near 1-month high on optimism over Spain, global economy

TOKYO/SYDNEY, Oct 18 (Reuters) - The euro held near a one-month high against the dollar as a fall in Spanish bond yields, strong U.S. housing data and hopes for a year-end rebound in China boosted optimism on the global economy. Rising risk sentiment and a subsequent jump in U.S. bond yields also helped to push the dollar to a one-month high against the yen, which has been also under pressure from expectations the Bank of Japan will make new stimulus moves.

In Asian trade on Thursday, the euro eased slightly to $1.3095 , after having risen about 0.5 percent on Wednesday to as far as $1.3140 -- a high not seen since mid-September. Against the yen, the euro rose to a one-month high of 103.850 yen , almost matching a four-month peak of 103.858 hit in September, though a failure to break above that level at its first attempt prompted a bit of profit-taking.

Groundbreaking on new U.S. homes surged in September to its fastest pace in more than four years, data showed on Wednesday, in a sign the housing sector's budding recovery was gaining traction. In Europe, Spanish bond yields fell to seven-month lows, auguring well for Thursday's bond sale by Spain, which is looking to raise up to 4.5 billion euros in the debt market.

A two-day summit of euro zone leaders starting on Thursday will be closely watched, though market expectations for any major announcements on Spain are low as officials are expected to debate steps towards a single banking supervisor and proposals for closer euro zone integration. A series of data from China published on Thursday were either in line with or better than expectations, keeping investor risk appetite intact. Growth in the third quarter was 7.4 percent from a year earlier, right in line with forecasts in a Reuters poll. "Some of the China numbers were pretty strong so financial markets may welcome these numbers," Ayako Sera, market economist at Sumitomo Trust Bank.

A DOUBLE-TOP?

The euro could test its Sept. 17 peak around $1.3173, as the currency draws support from hopes that Spain will seek financial aid to lower its borrowing costs in the not so distant future.

But some warn of a risk the single currency will peak there, forming a double top formation and entering a fresh bear trend given the euro zone's weak economic fundamentals and lack of a scenario in which growth is spurred in crisis-hit countries.

"From now on, there's risk we will see more political backlash against austerity steps," said Koichi Takamatsu, forex manager at Nomura Securities. After the euro's recent advance, the dollar index was near a one-month trough of 78.935 hit on Wednesday, standing at 79.15.

It is now within striking distance of the Sept. 14 low of 78.601. A break there would take the index back to lows not seen since February. Against the yen, though, the dollar rose to a one-month high of 79.22 yen . Traders said a sharp rise in U.S. Treasury yields on the back of the upbeat housing data helped make the dollar more attractive versus the yen.

U.S. 10-year bond yields shot up to a one-month high above 1.80 percent on Wednesday. Another reason often cited for the yen's fall was expectations the Bank of Japan will ease policy at the end of this month. But Osamu Takashima, chief FX strategist at Citibank in Tokyo, said the yen's weakness is more to do with concerns that Japan's exports may suffer due to a sharp fall in sales in China after a territorial row between the two countries.

"The BOJ's easing has been viewed as a done deal and it's not clear whether its easing will have any impact. Rather I think the market is pricing in a possible fall in Japan's exports," he said.

The dollar has extended its rally against the yen into a sixth day, for a total gain of 1.2 percent, and in a major bullish sign, it has broken above its Ichimoku cloud top. Still, traders said the U.S. currency is likely to face an uphill battle above 79 yen, where Japanese exporters have some dollars to sell. Investors also snapped up the Australian dollar , driving the commodity currency to a 2-1/2-week high of $1.0397. It last stood at $1.0380, up 0.1 percent on the day. After the Aussie survived a fall to a three-month low of $1.0149 earlier this month, the recent rally had it tackling resistance at $1.0387, a 50 percent retracement of its decline from a mid-September peak of $1.0625. A clear break there could see the Aussie retest $1.0443, a 61.8 percent retracement of the same fall.

(Inside Metals is compiled by Shruthi G in Bangalore)