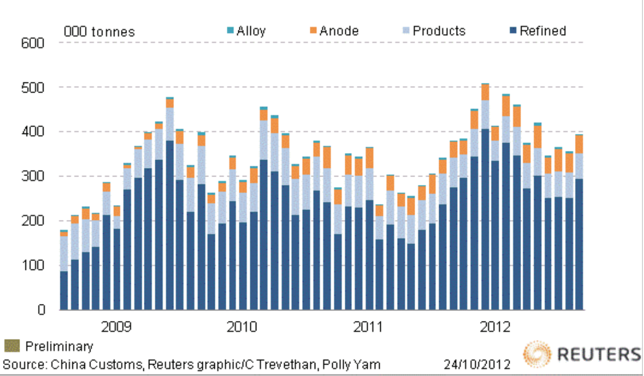
INSIDE METALS

Thursday, October 25, 2012

CHART OF THE DAY

Click on the chart for full-size image

Chinese copper imports



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- ArcelorMittal SAfrica ordered to stop some operations
- African Eagle sees Tanzania nickel production in 2016

FEATURE

COLUMN- The 'new normal' in the iron ore market

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

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TODAY'S MARKETS

BASE METALS: London copper rose snapping four sessions of losses, on encouraging manufacturing data from the United States and China and after the U.S. Federal Reserve's decision to leave its current stimulus policies unchanged. "The continuation of QE3 would mean that the dollar will stay under pressure, which is supportive of commodities prices," said China Futures Co analyst Yang Jun.

PRECIOUS METALS: Gold climbed on stronger equities but was still within sight of its weakest level in seven weeks as the U.S. Federal Reserve helped boost the U.S. dollar's safe-haven appeal by announcing its commitment to economic stimulus measures. "I think $1,700 is still quite a key support level. Generally gold has been falling due to the dollar strength. Recently, we also saw some stronger economic data coming from the U.S.," said Lynette Tan, senior investment analyst at Phillip Futures in Singapore.

FOREX: The dollar hit a four-month high versus the yen as expectations for more Bank of Japan monetary easing kept the yen under pressure"We have seen leveraged names buying dollar/yen all week," said Adam Gilmour, head of FX and derivative sales, Asia-Pacific, for Citigroup in Singapore.

FEATURE

COLUMN-The 'new normal' in the iron ore market

By Andy Home

LONDON, Oct 24 (Reuters) - Looking just at the latest Chinese import figures, you might be forgiven for wondering what all the recent doom-and-gloom in the iron ore sector is about. Crisis, what crisis?

China's appetite appears undiminished.

The country imported 65 million tonnes of the stuff in September.

That was the second-highest monthly total ever. The previous record of 69 million tonnes was in January 2011, a time of year when flows of many bulk commodities into China are distorted by the shifting Lunar New Year holidays. And, true enough, imports in the following month, February, slumped to 49 million tonnes.

Cumulative imports totalled 551 million tonnes over the first nine months of this year, up 8.5 percent on 2011 levels, a rate of growth that is close to last year's 11 percent.

Imports from Australia, where the commodities boom has officially been declared over, were up almost 20 percent in the January-September period.

If that's a crisis, it seems a curious sort of crisis.

STILL SHORT

Of course, it is the price rather than the volume of iron ore entering China that has occasioned the collective hand-wringing about the end of the commodities "supercycle".

Specifically the August collapse in spot iron ore prices to under $90 per tonne, a slump from which the market is only now showing tentative signs of recovery.

As the graphic below shows, though, China's import volumes are largely insensitive to price.

Graphic on China's ore imports:

http://link.reuters.com/nas53t

This is because China remains structurally short of the key metallic input for its leviathan steel-making sector.

It will continue to import just as much as it can to fill the gap. The main restraining influence on import volumes will continue to be availability rather than price.

Which is why major producers such as Vale , Rio Tinto and BHP Billiton are still heavily investing in new iron ore capacity.

The "Big Three" are partly insulated from what they call "volatility" and everyone else calls "lower prices" by their favourable positioning towards the bottom of the global cost curve.

The super margins of the "supercycle" may not come back and super-projects such as BHP Billiton's Outer Harbour may be pushed back, but the iron ore market is going to keep growing to feed China's demand.

As BHP Billiton chief Marius Kloppers observed in a speech last week, that growth, even if moderate relative to the boom years, is "still a very substantial opportunity" for those who "can supply competitively and at low cost".

HIDDEN STABILISER

If you're looking for a reaction to the recent price slump in Chinese import volumes, you're looking in the wrong place.

The place to look is China itself, the location of much of the world's highest-cost iron ore production.

Unfortunately, though, calibrating that supply response is no easy task.

The official iron ore production figures released monthly by the National Bureau of Statistics showed no discernible drop in September.

But these figures lack one key detail, the actual iron ore content of what is produced.

Since the Chinese iron ore sector is characterised by low grades relative to just about anywhere else, which is why it is high-cost in the first place, this is a crucial statistical gap.

Analysts such as those at Macquarie Bank use other metrics, pig iron production or estimates of domestic ore use in smaller mills, to assess what is happening in the domestic sector.

The bank suggests that on this basis there is evidence that use of domestic iron ore slumped around 35 percent between June and August.

Its conclusion is that although masked in the headline figures, Chinese high-cost supply has reacted in the way it was supposed to.

"Thus, rather than cause us concern that the cost structure of the industry has been misinterpreted as prices traded below $100/t, this has actually reinforced our view that Chinese domestic ore is flexible and reacts to price prompts, and at $120/t and below significant volumes are uneconomic."

It's a conclusion that appears to tally well with how the iron ore price has stabilised back above $100 per tonne over the course of October.

THE NEW NORMAL

Not that it shows any signs yet of punching back through that key $120 level.

But then this latest iron ore price rout was always about steel-making margins.

It was the collapse in Chinese steel prices that triggered the collapse in the iron ore price, leading to mills' margin compression which was then exacerbated by the requirement to finance rising stocks of unsold steel.

Both were symptoms of weakening end-use steel demand in China and both combined to trigger a major iron ore de-stock by Chinese mills.

FEATURE *(Continued)*

The end of that de-stock, possibly already happening, will help stabilise prices. But steel demand and steel prices must regain momentum for the iron ore price to move higher.

And right now the jury on whether that's going to happen is still decidedly out.

Chinese steel mills lifted run-rates in September, with national production rising back above the 700-million-tonne annualised level from August's 691 million tonnes.

They have done so in expectation that seasonal strength will be combined with more stimulus measures from Beijing over and above the somewhat vague $150-billion infrastructure package announced early September.

The same sense of optimism was reflected in the recovery from the lows of benchmark steel prices such as the rebar contract traded on the Shanghai Futures Exchange.

The recovery has now stalled, though, with steel prices currently doing no more than shuffling sideways, mirroring the price action this month in the spot iron ore market.

China's steel sector, like just about everyone else in the resources sector, seems undecided about whether Beijing will do more to stimulate its economy or is content with "just" 7-8 annualised growth as the economic way forward.

If it's the latter, then mills may have collectively jumped the gun in raising output so quickly, likely foreshadowing a new round of stocks build, falling prices and margin compression.

Welcome, in other words, to the "new normal" in the iron ore market.

It is one characterised by undiminished Chinese appetite for iron ore volumes, particularly from low-cost overseas suppliers, but one where price is beholden to the Chinese steel sector's ability to regulate output to match slower demand growth.

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

GENERAL NEWS

China factories eye stronger Q4, external risks remain

BEIJING, Oct 25 (Reuters) - China's factory output should grow faster in the last three months of 2012 than in the third quarter, though the recovery remains clouded by uncertainty in export markets, the Ministry of Industry and Information Technology said on Thursday.

Month-on-month improvements in output growth, an apparent turnaround signalled by a private sector survey of purchasing managers and an uptick in preliminary power generation data were all indications of a burgeoning recovery, the ministry spokesman and chief engineer, Zhu Hongren, told a news conference.

"The industry sector performance has shown signs of stabilisation and we can see an even clearer growing trend from the month-on-month figures in the third quarter," Zhu said.

"Therefore, we expect that industrial output growth in the fourth quarter would be faster than that in Q3, which will help the country to achieve its annual economic growth target of 7.5 percent," he added.

But a ministry statement issued before the news conference began was focused more on the risks of weak external demand, rising production costs, financing strains and squeezed profit margins across China's industrial complex.

"The stabilisation trend of China's industrial sector is not yet solid and we are still facing many challenges and difficulties to realise stable growth," the ministry's earlier statement said.

China HSBC Flash PMI graphic http://link.reuters.com/qaf92t

"Although export growth rebounded in September, it is still very difficult to see a stable growth in exports of industrial products in future due to shrinking external demand," the statement said.

A festering debt crisis in China's biggest foreign market, the European Union, has dented demand for goods coming off assembly lines in the vast factory sector and ultimately weighed on the domestic economy.

Exports were worth 31 percent of GDP in 2011, according to the World Bank, and supported an estimated 200 million Chinese jobs.

The written statement echoes that from Commerce Ministry spokesman, Shen Danyang, who said last week that one month's solid trade data was not sufficient evidence of a recovery trend given complications in the external sector.

A jump in annual export growth in September to 9.9 percent, roughly twice the rate expected by investors, has led some analysts to conclude that recovery in the external sector is gathering momentum.

The downturn in China's main markets has been the main cause of the rapidly cooling growth in the export-sensitive economy since 2011's 9.2 percent expansion.

Analysts polled by Reuters expect to China's economic growth to slow to 7.7 percent for the full year in 2012 - a 13 year low.

RECOVERY SIGNS TENTATIVE

Tentative signs of recovery in China's vast factory sector though came on Wednesday in the HSBC China Flash Purchasing Managers Index (PMI) for October, which showed new orders at their highest in six months and output at a three month peak.

GENERAL NEWS *(Continued)*

But while the headline PMI index rose to a three month high of 49.1, it was still below the 50-point mark that separates expanding from shrinking business activity.

In the world's second biggest economy where industrial output expanded at a 9.2 percent annual rate in September, it implies that while China's factories are growing, they are doing so more slowly than previously.

The PMI survey also found, however, that stocks of purchases were their strongest since July while stocks of finished goods were at their weakest since March, which implies an upturn in orders will be met by a rise in factory output.

China's annual industrial output growth was 10 percent in the first nine months of 2012, leaving it below the Ministry's 11 percent target for the year.

Premier Wen Jiabao said earlier this month that the economy is showing positive changes and the government is confident it can achieve its full-year economic growth target of 7.5 percent.

Beijing has been following a programme of pro-growth fine tuning of economic policies for a year and analysts broadly expect that to remain in place when a new leadership line-up of the ruling Communist Party is unveiled at a Congress next month.

The fine tuning includes two interest rate cuts, three reductions in the portion of deposits banks must keep as reserves (RRR) - freeing an estimated 1.2 trillion yuan ($190 billion) for lending.

There were also approvals in September for infrastructure projects worth about $157 billion, although Beijing has not said explicitly where the money to fund them is coming from.

China's overall economic growth accelerated to 2.2 percent quarter-on-quarter in the third quarter from an upwardly revised 2.0 percent rate in the second quarter, data showed last week, further reinforcing views of some analysts that a recovery is beginning to take hold.

Fed sticks to stimulus plan, says economy a bit firmer

WASHINGTON, Oct 24 (Reuters) - The Federal Reserve on Wednesday stuck to its plan to keep stimulating U.S. growth until the job market improves even as it acknowledged some parts of the economy were looking a bit better.

In a statement after a two-day meeting, the central bank repeated its vow to keep rates near zero until mid-2015 and its pledge to keep supporting growth while the recovery strengthens.

The Fed's policy-setting panel made no change in its plan to purchase $40 billion in mortgage-backed debt per month to push interest rates lower and spur a stronger recovery.

"The committee remains concerned that, without sufficient policy accommodation, economic growth might not be strong enough to generate sustained improvement in labor market conditions," the Fed said.

U.S. stocks edged lower after the announcement and the dollar extended gains against the euro, while Treasury bonds showed little reaction, closing the session lower.

The central bank's statement differed little from its announcement last month in which it launched its third round of bond-buying, or quantitative easing, known as QE3, and made clear officials still had concerns on the recovery's strength.

Analysts said December will likely be a more eventful meeting as the Fed decides what to do when its separate Operation Twist program, in which it is buying long-term Treasury debt with proceeds from short-term securities, expires at the end of the year.

"Officials will likely make a decision then on whether QE3 will be extended to include Treasuries purchases when Operation Twist ends at year-end," said Jim O'Sullivan, economist at High Frequency Economics. "We expect it will be."

U.S. gross domestic product grew at an annual rate of just 1.3 percent in the second quarter. Economists expect the pace of recovery quickened a bit in the third quarter but not by enough to put steady downward pressure on the jobless rate, which fell sharply in September but remains at an elevated 7.8 percent.

HOUSING STARTS, BUSINESS SLACKENS

The Fed noted the housing sector was continuing to gather its strength and said household spending had grown "a bit more quickly." However, it cautioned that business investment was softening.

It also nodded to a recent increase in inflation but said it was linked to higher energy prices, adding that inflation expectations have remained stable -- a sign officials think pressures will remain under wraps.

Richmond Federal Reserve Bank President Jeffrey Lacker dissented against the decision, as he has done at every meeting this year.

The central bank's announcement came just under two weeks before the U.S. presidential election. Economists said policymakers were likely to keep their heads down and avoid drawing any political fire.

The Fed, which has held rates close to zero since December 2008, had already bought $2.3 trillion in mortgage-related and government debt before it launched its latest round of stimulus.

Some analysts and many conservative politicians have expressed concern the Fed's policies could spark inflation, but prices increases have remained tame so far.

The problem is, growth has too. At the same time, a looming tightening of U.S. fiscal policy risks tossing the economy back into recession.

Europe's debt crisis, a key source of concern for the Fed, also remains unresolved, although it is not flaring up too wildly in financial markets, offering comfort that the U.S. economy will escape any contagion.

GENERAL NEWS *(Continued)*

TALKING THE TALK

Aside from their discussion over the stance of monetary policy, officials likely continued to debate fine-tuning their communications strategy by adopting numerical thresholds for economic variables that would guide the central bank's unconventional stimulus.

However, no new announcement was made. Analysts say to look to the Fed's next meetings in December or January for greater clarity on policymakers' goal posts.

Chicago Federal Reserve Bank President Charles Evans has advocated keeping rates near zero until the unemployment rate, currently at 7.8 percent, goes down to 7 percent, as long as inflation does not exceed 3 percent. The central bank formally targets 2 percent inflation.

Officials are also strongly considering the adoption of a consensus economic forecast for the central bank as a whole, as opposed to the quarterly individual projections for growth, employment, inflation and interest rates currently published.

Anglo Q3 volumes up, warns strike impact ahead

LONDON, Oct 25 (Reuters) - Anglo American PLC posted increased volumes in five of its seven key commodities including copper and iron ore in the third quarter, as it was cushion for now from the full impact of weeks of crippling South African strikes.

Anglo, however, indicated the stoppages would hit fourth quarter production of iron ore and platinum, and drive up costs.

Labour troubles across the South African mining sector spread to Anglo American Platinum , the world's top producer of the precious metal, last month, just before the end of the current reporting period. They later spread to Anglo's Kumba Iron Ore unit, further increasing pressure on the global miner's management.

Kumba's Sishen mine has since begun to ramp up operations, but Amplats workers have not yet returned to Amplats' Rustenburg, Union and Amandelbult mining operations.

Anglo said it had produced 157,300 tonnes of copper in the quarter, up 12 percent and broadly in line with analysts' expectations, helped by the ramp up of Los Bronces and despite a 40 percent drop in its share of production from Chile's Collahuasi mine, the world's third largest.

Iron ore production rose 14 percent, as the illegal strike at Kumba's Sishen mine began only at the start of October.

Platinum production was flat, again in line with forecasts, at 649,000 ounces, though the strike caused the loss of 42,000 ounces of equivalent refined platinum. Another 96,300 ounces were lost from disruption so far this month.

S.Africa's Harmony Gold says most striking workers back at Kusasalethu mine

JOHANNESBURG, Oct 25 (Reuters) - Harmony Gold Mining , South Africa's third-largest gold producer, on Thursday said most striking workers were back at work, a positive sign that the strike at its Kusasalethu mine was over.

Spokeswoman Marian van der Walt said while the company was still confirming the numbers, the turnout was positive.

Harmony had given workers until 0400 GMT to return to duty or face sacking. Van der Walt said those who did not show up would be immediately dismissed.

The 23-day strike at its Kusasalethu mine has cost the company about 13,000 ounces in lost production.

Harmony is the latest case where the hardball negotiating tactics have succeeded in getting substantial numbers of strikers back to work.

Gold Fields has ended strikes at its three mines after issuing an ultimatum. AngloGold Ashanti reported the return of at least half of the striking workforce at its South African mines.

Amplats loses 138,000 ounces of output to strikes

JOHANNESBURG, Oct 25 (Reuters) - Anglo American Platinum said on Thursday is has lost 138,000 ounces in output due to strikes at its South African operations, forcing it to reduce its full -year production target and capital expenditures.

The world's largest producer of the precious metal has cut its full-year production target from between 2.4 and 2.5 million platinum ounces to between 2.2 and 2.4 million ounces.

It also said its 2012 target would be reviewed if there are further strikes.

Amplats has been hit by wildcat strikes that have plagued the South African mining industry since August.

Its Rustenburg operations have been halted for almost six weeks due to strikes and it has sacked 12,000 workers who went on illegal walk-outs there. A further 20,500 remain on wildcat strikes at its Union and Amandelbult operations.

Strikes in the third quarter cost it 42,000 ounces of lost production and a further 96,000 ounces have been lost so far in October. Third quarter refined platinum production was flat year-on-year at 649,000 ounces. The platinum producer has also cut its capital expenditure for a second time this year to bring its 2012 spending target to 6.5 billion rand ($742 million).

Kumba Iron Ore , another unit of Anglo American , said in a statement it is battling to ramp up its production at its Sishen operations in the Northern Cape province after a two-week strike halted production this month.

Kumba said so far it has lost about 2.2 million tonnes of finished product at Sishen mine.

MARKET NEWS

Kazakhmys says on track to meet copper cathode production target

Oct 25 (Reuters) - Kazakhmys Plc , the world's 10th-largest copper miner, said it was on track to meet its full-year copper cathode production target, driven by an increase in output in the third quarter.

"The outlook for copper remains positive and our growth projects are moving ahead on schedule," Chief Executive Oleg Novachuk said. Copper cathode production is expected to be between 285,000 and 295,000 tonnes in 2012.

Total copper product sales volumes in the first nine months of 2012 were 17,000 tonnes, below the comparative period last year, due to a 13,000 tonnes decrease in cathode production and a build-up of finished goods awaiting delivery to customers, Kazakhmys said.

A further reduction in the finished goods inventory built up in the first half is expected over the rest of the year. Kazakhmys shares closed at 750 pence on Wednesday on the London Stock Exchange.

Vale puts $1.3 bln Simandou iron-ore mine in Guinea on hold

RIO DE JANEIRO, Oct 24 (Reuters) - Brazil's Vale , the world's No. 2 mining company, put its giant Simandou iron ore project in Guinea on hold as a recent plunge in iron ore price forces a revision of investments, the company said Wednesday.

Vale said in July that the $1.3 billion Zogota mine in the Simandou area was to have started output by the end of 2012. In a securities filing Wednesday it said that the mine's scope and timetable are now under review. It gave no date for a startup.

Vale is the world's largest producer of iron ore, the main ingredient in steel. Reuters reported on Sept. 26 that the company might suspend the project.

ArcelorMittal SAfrica ordered to stop some operations

JOHANNESBURG, Oct 24 (Reuters) - ArcelorMittal South Africa , a unit of the world's top steelmaker , said on Wednesday it has received a notice from local government to cease operation at some units at its Vanderbijlpark plant on environmental concerns.

"The Gauteng Department of Agriculture and Rural Development alleges that these units do not comply with certain conditions of the air emission licence for the Vanderbijlpark plant," the company said in a statement.

African Eagle sees Tanzania nickel production in 2016

ARUSHA, Tanzania, Oct 24 (Reuters) - African Eagle Resources Plc said on Wednesday it planned to start construction of a nickel mine in Tanzania in 2014, with first production of the metal expected to begin in 2016.

The company said its Dutwa project located around 100 km east of the gold-rich Mwanza region, has a resource of 110 million tonnes at 0.9 percent nickel.

"This represents around 1 million tonnes of nickel metal," Aidan Schoonbee, project director of African Eagle's Dutwa resource said in a presentation to an energy and mining conference in the northern Tanzanian town of Arusha.

"The anticipated life of mine is over 20 years."

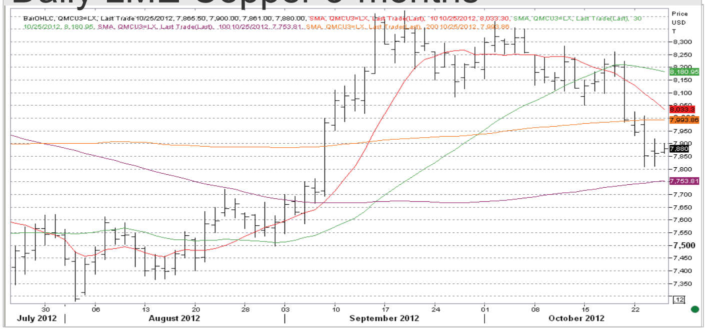
He said the company expected to apply for a mining license next year after conclusion of the environmental and social impact assessment of the project.

The AIM-listed exploration company says on its website it plans to build an open pit mine to produce around 27,000 tonnes per annum of nickel.

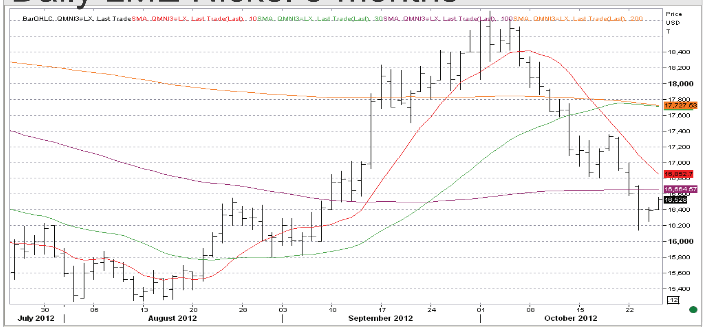
ANALYTIC CHARTS *(Click on the charts for full-size image)*

Daily LME Aluminium 3-months

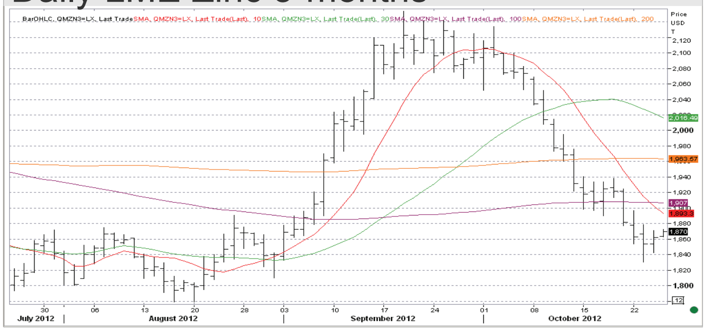
Daily LME Copper 3-months



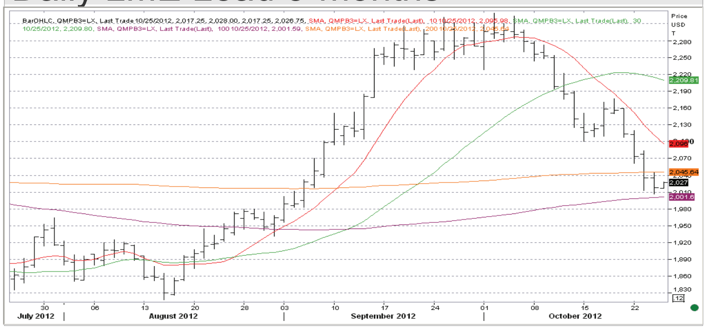
Daily LME Nickel 3-months



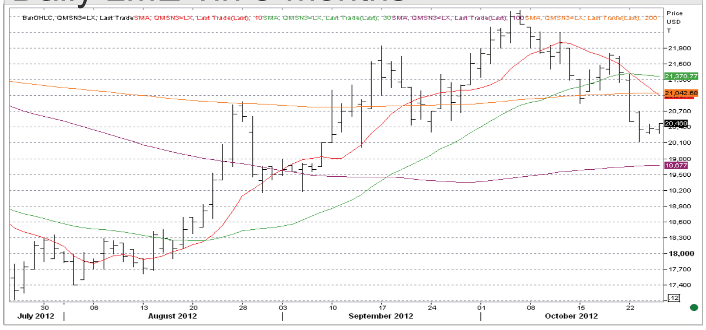
Daily LME Zinc 3-months



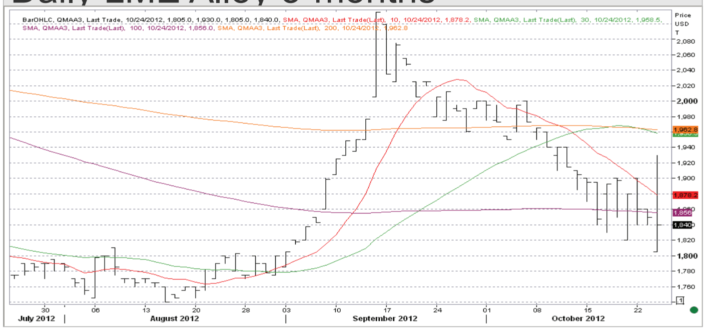
Daily LME Lead 3-months



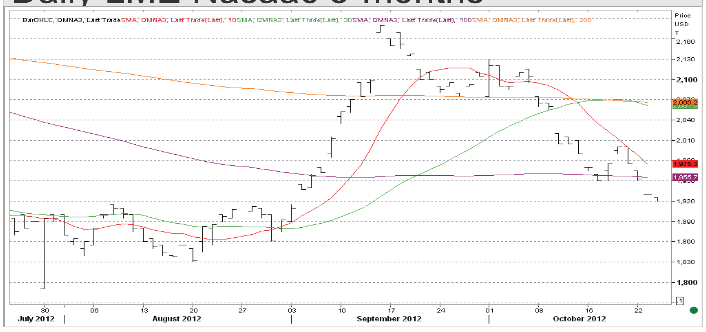
Daily LME Tin 3-months



Daily LME Alloy 3-months



Daily LME Nasaac 3-months



MARKET REVIEW

METALS-London copper firmer on Fed after 4 days of falls

SHANGHAI, Oct 25 (Reuters) - London copper rose, snapping four sessions of losses, on encouraging manufacturing data from the United States and China and after the U.S. Federal Reserve's decision to leave its current stimulus policies unchanged.

Three-month copper on the London Metal Exchange had climbed 0.6 percent to $7,864.75 per tonne by 0341 GMT, after four sessions of losses in which it had dropped nearly 5 percent.

But the most active January copper contract on the Shanghai Futures Exchange was down 0.5 percent at 57,200 yuan ($9,200) per tonne after rising earlier.

The Federal Reserve's policy-setting panel on Wednesday made no change in its plan to purchase $40 billion in mortgage-backed debt per month to push interest rates lower and spur a stronger recovery. "The continuation of QE3 would mean that the dollar will stay under pressure, which is supportive of commodities prices," said China Futures Co analyst Yang Jun.

"At the same time, with a lack of clear signals of improvement in major economies, prices lack the momentum to rise too much. Without any clear drivers to push base metals up or down, trading will stay directionless and rangebound for a while."

Data on Wednesday data showed conditions had improved slightly for U.S. and Chinese manufacturers, although euro zone businesses suffered another dismal month in October, suggesting the economy may be headed for a deeper recession than expected. China's Purchasing Managers Index in September pointed to the world's second-largest economy making a slow, steady recovery from its weakest period of growth in three years with new orders and output at their highest in months.

But analysts noted that the headline reading of 49.1 was still below the 50-point mark that separates expansion from contraction. "The Chinese economy looks set to improve slightly in the fourth quarter, which will also lift copper demand and put a floor on base metal prices. But for demand to rise significantly, we need to see a clear and sustained improvement in China's manufacturing PMI numbers above 50," Yang said.

INVENTORIES

Chinese spot copper demand remained lacklustre with prices still trading at a discount of up to 200 yuan to the ShFE front-month contract . Also, several traders described Chinese copper inventories as high. ShFE data on Friday showed copper stocks in warehouses it monitored had risen 8.4 percent on the week and more than 50 percent since mid-June.

"We estimate that Shanghai bonded warehouse stocks are at least around 650,000 tonnes now due to sluggish demand, the arrival of term shipments over the past few months, and high output," a Shanghai-based physical trader said.

Elsewhere, developments in the euro zone remain a concern for investors. Greece's finance minister said on Wednesday that his country had been given more time by its international lenders to implement austerity cuts, an assertion played down by leading European Union officials. Spain is ready to start funding itself for 2013, including the needs of its indebted regions, after having nearly completed its debt issuance plan for this year, the head of the Spanish Treasury said on Wednesday.

In industry news, Sumitomo Metal Mining Co and Mitsui & Co said on Thursday that their investment in Vale's New Caledonia nickel cobalt project will fall to a collective 14.5 percent from 21 percent on bigger-than-expected repair costs. Teck Resources Inc said on Wednesday it will defer C$1.5 billion ($1.51 billion) in capital spending planned through 2013 and cut costs as Canada's largest diversified miner feels the pinch of a global economic slowdown.

PRECIOUS-Gold rises on stronger equities, but still close to 7-wk low

SINGAPORE, Oct 25 (Reuters) - Gold climbed on stronger equities but was still within sight of its weakest level in seven weeks as the U.S. Federal Reserve helped boost the U.S. dollar's safe-haven appeal by announcing its commitment to economic stimulus measures.

Gold had rallied to an 11-month peak of $1,795.69 an ounce in early October following the Fed's latest programme of purchasing mortgage-backed debt, but has since drifted lower as the U.S. dollar strengthened and, more recently, after signs emerged of a slight improvement in the U.S. economy.

Gold had risen $8.27 to $1,710.20 an ounce by 0556 GMT. It fell to a 7-week low of around $1,698 on Wednesday soon after the Fed said it was sticking to its plan to keep stimulating growth until the job market improves.

"I think $1,700 is still quite a key support level. Generally gold has been falling due to the dollar strength. Recently, we also saw some stronger economic data coming from the U.S.," said Lynette Tan, senior investment analyst at Phillip Futures in Singapore. "I expect that around the $1,700 level, we could also see some bargain hunting," said Tan, adding that a firmer rupee could help boost demand from top consumer India during the festive season.

In a statement after a two-day meeting, the Fed repeated its vow to keep rates near zero until mid-2015 and its pledge to keep supporting growth while the recovery strengthens. Despite the absence of surprises, the outcome should give investors confidence to use the dollar as a funding currency for carry trades. The dollar index eased from a peak of 80.151 to 79.850, but was still above last week's trough of 78.935. U.S. gold for December delivery added $9.70 an ounce to $1,711.30. Spot silver , platinum and palladium bounced from lows.

MARKET REVIEW *(Continued)*

Asset returns in 2012: http://link.reuters.com/nyw85s

PMI-US, euro zone and China: http://link.reuters.com/qes53t

In other markets, shares in Asia inched up Thursday as signs of recovery in China and the United States eased fears of deteriorating global growth, though generally weak corporate earnings continued to make investors wary. A lack of activity in the physical sector suggested that some consumers expected gold prices to fall again. Gold has come under pressure this week from worries about the global economic slowdown after a trail of disappointing U.S. corporate earnings.

"We were surprised to see profit-taking from Indonesia yesterday. It's all quiet and the demand is not there. I spoke to a couple of clients and they told me the price should weaken again," said a physical dealer in Singapore.

"But India should come back to the market because Diwali is coming. We should be expecting a big volume of sales or a last minute rush before the celebration," said the dealer. The festive season in India will peak next month with Diwali. Weddings also take place during this period, with gold jewellery an essential part of the dowry Indian parents give to their daughters.

FOREX-Dollar hits 4-month high vs yen as BOJ easing eyed

SINGAPORE, Oct 25 (Reuters) - The dollar hit a four-month high versus the yen as expectations for more Bank of Japan monetary easing kept the yen under pressure. The dollar rose to as high as 80.14 yen on trading platform EBS, its highest level since late June, and last stood at 80.09 yen , up 0.3 percent from late U.S. trade on Wednesday.

The greenback gained a lift versus the yen early on due to dollar buying by hedge funds, said a trader for a European bank in Tokyo. "We have seen leveraged names buying dollar/yen all week," said Adam Gilmour, head of FX and derivative sales, Asia-Pacific, for Citigroup in Singapore.

"Japanese corporates are also expecting a higher dollar/yen and hence the offers in the market are drying up," he added.

The dollar has pushed higher against the yen this week, helped by growing expectations that the Bank of Japan will unveil further monetary stimulus at its policy meeting on Oct. 30 in a bid to help the export-focused economy through a global slowdown.

With expectations for BOJ easing already running high, the yen is unlikely to fall sharply even if the BOJ were to embark on more monetary stimulus next week, said Roy Teo, FX strategist for ABN AMRO Bank in Singapore.

"I think quite a bit has been priced in now, in terms of weakness in the yen," Teo said, adding that ABN AMRO's forecast was for the dollar to trade near 80 yen, roughly where it is now, at the end of the year. Still, the dollar's downside is likely to be limited since U.S.-Japan yield spreads have moved in the dollar's favour recently, Teo added. A series of upbeat U.S. economic indicators this month including data pointing to a strengthening recovery in the housing market, have helped lift U.S. Treasury yields and caused U.S.-Japan yield spreads to widen.

Later on Thursday, there will be more U.S. indicators for the market to digest, including data on initial jobless claims and durable goods orders. The U.S. Federal Reserve on Wednesday stuck to its plan to keep stimulating U.S. growth until the job market improves even as it acknowledged some parts of the economy were looking a bit better. The outcome was in line with market expectations and contained no surprises. Meantime, the euro rose 0.3 percent to $1.3007 .The single currency has lost steam since hitting $1.3140 on Oct. 17 as markets grew impatient waiting for Spain to request a bailout and activate the European Central Bank's bond-buying programme. But investors were also wary of becoming too bearish on the euro, given that Madrid could trigger the programme any time.

NEW ZEALAND DOLLAR

Elsewhere in the currency market, the kiwi dollar was boosted by less-dovish-than-expected comments from the New Zealand central bank. Investors warmed to the New Zealand dollar after new central bank governor, Graeme Wheeler, kept rates unchanged and reiterated expectations for inflation to head back towards the middle of its 1-3 percent target range.

Some had been wagering that low inflation would lead the bank to open the door for a possible easing. "The doves are left empty-handed as the brief communique was surprisingly balanced," said Annette Beacher, head of Asia-Pacific Research at TDSecurities. The kiwi dollar rose 0.5 percent to $0.8234 , pulling well away from a six-week low of $0.8100 plumbed earlier in the week.

(Inside Metals is compiled by Shruthi G in Bangalore)