# INSIDE METALS

Thursday, October 4, 2012

## CHART OF THE DAY

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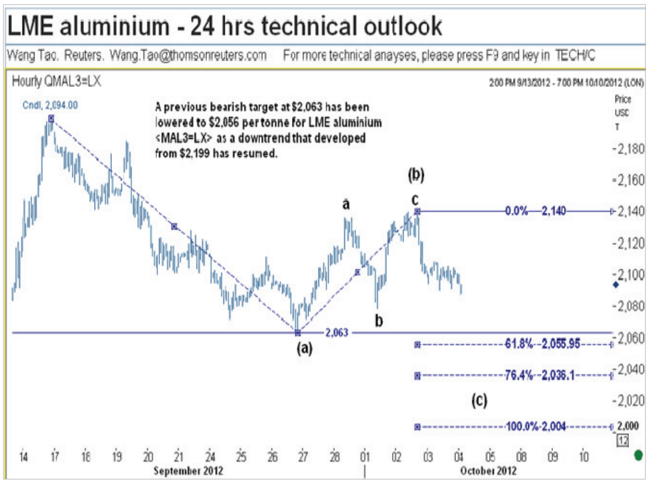


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- South Africa wildcat strikes spread to more mines
- Newmont trims staff at Indonesian copper mine
- EU to decide on Glencore-Xstrata deal by Nov 8

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## TODAY'S MARKETS

**BASE METALS**: Copper rose , as investor's appetite for risk increased on prospects the European Central Bank will offer fresh measures to support Spain, but volumes remained low with China still on holiday. Signals that a economic recovery could be taking hold in the United States kept losses in check ahead of Friday's key non-farm payrolls report, while lingering worries over Europe's economy and slowing growth in China equally capped gains.

"The market is in a tug of war between macro signals -- quantitative easing in the West, developments in the euro zone -- and the physical market which is going to carry on disappointing," said James Luke, a Hong Kong-based commodities analyst at China International Capital Corporation (CICC).

**PRECIOUS METALS:** Gold inched up , extending gains for a fourth day as investors awaited cues from central banks on plans to shore up the frail global economy, while a key U.S. employment report due this week was also in focus.

Gold managed to squeeze out slim gains in the previous session, shrugging off tumbling oil prices on disappointing data from the euro zone and China, as the belief that bullion would benefit from more stimulus measures from around the world continued to support sentiment.

"There is little interest right now as people focus on the nonfarm payrolls data," said Peter Fung, head of dealing at Wing Fung Precious Metals in Hong Kong, adding that gold was stuck in a narrow range of $1,775 to $1,780 an ounce.

**FOREX:** The yen slid to a two-week lows against the dollar after upbeat U.S. data and as speculators grew wary in case the Bank of Japan surprises this week by easing policy.

The euro held firm against the dollar as investors expected the European Central Bank to keep rates on hold, though uncertainty over Spain kept the currency hemmed in a familiar range.

"It may take a while before the BOJ will actually do something. Still, market players are speculating about more easing and you have to consider which side of position you should take under such conditions," said Katsunori Kitakura, associate general manager of market making at Sumitomo Mitsui Trust Bank.

THOMSON REUTERS

# GENERAL NEWS

**Chinese private equity offers $850 mln for Discovery Metals**

MELBOURNE/HONG KONG, Oct 4 (Reuters) - A private equity firm founded by Chinese billionaire Yu Yong and a fund backed by state-owned China Development Bank have offered to buy Australian-listed copper explorer Discovery Metals Ltd , valung the company at about $850 million.

The takeover offer for Discovery is the latest in a series of small-to-mid-sized metals and mining deals to hit Asia in the wake of sliding commodity prices. The fall in metal prices is making it hard for smaller producers and explorers to secure funding for their projects, which is expected to spark a series of asset sales, bankers have told Reuters.

It's rare for private equity firms to buy into mining companies as the cyclical nature of the business makes it hard to predict the outcome of such investments.

But Yu's Cathay Fortune Corp. (CFC) already owns a 13.7 percent stake in Discovery Metals, which is focused on the emerging Kalahari Copper belt in northwest Bostwana.

Yu, the largest shareholder in CFC, has a net worth of $1.4 billion according to Forbes. CFC also owns 35.5 percent of Hong Kong listed China Molybdenum , the largest molybdenum producer in China and the fourth largest in the world.

Chinese investment into Australia's mining sector has come under intense scrutiny, but Australia has never outright rejected any Chinese acquisition.

CFC's deal has already been approved by Australia's Foreign Investment Review Board, CFC said in a statement on Thursday. The deal is still conditional on securing regulatory approvals in China.

The all-cash deal was backed by a $600 million loan from China Development Bank, China's policy bank, the statement said. The proposal is for a joint venture that would be 75 percent owned by CFC and 25 percent owned by China-Africa Development Fund (CAD).

The cash offer of A$1.70 a share is at a 16.4 percent premium to Discovery's last traded price of A$1.46. Discovery Metals was placed on a trading halt on Thursday morning.

"CFC and CAD Fund value the high quality of Discovery Metals' senior management team, and are enthusiastic about the opportunity to work with them to develop and provide funding certainty to the Boseto Copper Project," Yu said in a statement emailed to Reuters.

Citigroup is advising CFC, the statement added.

CHINESE ON THE PROWL

China, which accounts for nearly 40 percent of global copper consumption, has been on the prowl for mining investments in Africa, South America and central Asia as it looks to feed ever expanding domestic demand for key commodities.

Earlier this year, China-Africa Development Fund and China Guangdong Nuclear Power Corp (CGNPC) agreed to buy Kalahari Minerals and Extract Resources for about $2.3 billion, giving them control of the Husab uranium project in Namibia.

State-owned China National Gold is also considering a bid for the African unit of Barrick Gold , the world's No. 1 producer.

Of late, China has seen switching away from Australia and Canada as asset prices became more expensive.

Long project approval processes have also put off some Chinese investors, spurring the search for assets in emerging markets instead.

**South Africa wildcat strikes spread to more mines**

JOHANNESBURG, Oct 3 (Reuters) - A series of wildcat miners' strikes spread to South Africa's iron ore sector on Wednesday and hit another gold firm in an escalation of the labour unrest that is testing President Jacob Zuma's leadership.

The country's mining industry body has agreed to re-open wage talks in the coal and gold mining sectors, the National Union of Mineworkers said, a sign that more companies may be forced to make costly concessions to end the crippling strikes.

The industrial action at Kumba Iron Ore , a unit of global miner Anglo American and among the world's top 10 producers, further dented investor confidence in the continent's wealthiest economy.

Workers at the Kusasalethu gold mine near Johannesburg, operated by South Africa's No. 3 bullion producer Harmony Gold , also downed tools in what management called an "unlawful" action launched outside the normal channels.

Zuma is under fire for failing to address and contain the rolling workers' protests demanding higher wages, which in mid-August led to the killing by police of 34 strikers at the Marikana platinum mine run by Lonmin .

The so-called "Marikana massacre" jogged painful memories of apartheid-era killings by the security forces and has kindled heated debate over glaring wealth inequalities persisting in South Africa since the end of white minority rule in 1994.

"President Zuma can see all of this. He is ignoring it as our president. Does he want us to die like the people in Marikana before he can act?" asked Sandile Diko, a miner at Gold Fields KDC West mine, west of Johannesburg, where 15,000 workers downed tools last month.

After seven weeks of labour unrest, as many as 75,000 miners, or 15 percent of the mining sector workforce, are already out on strike, while a national truckers' stoppage is squeezing fuel suppliers. If it drags on, some petrol stations could run dry, and some banks' ATMs could run out of cash.

The rand fell 1 percent against the dollar on Wednesday, partly due to the escalation of the mines conflict.

## GENERAL NEWS *(Continued)*

CHALLENGE TO ZUMA

Kumba said the wildcat strike at its giant Sishen Mine in the Northern Cape involved only 300 employees and one area in the open cast mine, leaving most of the facility unaffected.

Kumba's share price closed down nearly 5 percent, while shares of Harmony Gold slid 2.8 percent in Johannesburg.

The recent weeks of labour strife, in which around 50 people have been killed, have stirred up criticism of the ruling African National Congress and the presidency of Zuma, who faces a challenge from ANC rivals ahead of a party leadership conference in December.

Zuma is nevertheless expected to be re-elected head of the ANC in the vote - teeing him up to win a second five-year term as South African president in 2014 - though he could face a serious challenge from Deputy President Kgalema Motlanthe.

In another illegal strike over wages by contractors at mining company Petmin , a security guard was hacked to death this week by knife-wielding assailants at the Somkhele mine in KwaZulu-Natal, local media quoted police as saying.

There are fears the strike "contagion" could spread to the coal mining sector and so threaten supplies to power utility Eskom, which is struggling to prevent a repeat of a 2008 crisis when the power grid nearly collapsed amid rolling blackouts.

Some 85 percent of the country's electricity is generated by coal -fired plants.

"NO TURNING BACK"

The NUM said South Africa's Chamber of Mines had agreed to dicsuss wage agreements which were settled last year in the coal and gold sectors and were due to run until next year. Issues included increases for entry level workers, pay adjustments for rock drill operators and a "social labour" package, it said.

Asked to comment, Elize Strydom, a chamber official, said: "We have agreed to look at those issues and treat it as a matter of great urgency and in fact we are meeting again on Tuesday."

Kumba had been thought safe from the strikes because in December rank-and-file employees there who had worked for at least five years were given a lump sum of about 345,000 rand ($41,200) each after taxes as part of a share scheme.

This represented a fortune to workers earning as little as 7,000 rand a month. It was not immediately clear if any of the strikers were among the 6,200 who had benefited from the plan.

Kumba produced 41.3 million tonnes of ore in 2011.

World No. 1 platinum producer Anglo American Platinum is grappling to resolve a strike at its Rustenburg operations in the country's "platinum belt" about 120 km (75 miles) northwest of Johannesburg.

Worker attendance at Amplats' Rustenburg mines has fallen to below 20 percent. Some 21,000 Amplats workers are striking.

Bosses at the world's fourth-biggest bullion producer, Gold Fields, where a three-week-old stoppage at the KDC West mine has hit production, have refused to negotiate with strikers over their wage demands.

"All we want is money," one of the striking miners, Sibusiso Ntjima, told Reuters. "We want it, and no turning back."

The spreading unrest has raised fears of a repeat of the Marikana violence and deaths, South Africa's bloodiest security incident since the end of apartheid.

An official enquiry into the killings began this week but adjourned its hearings on Wednesday until Oct. 22 to give lawyers more time to prepare and collect forensic and witness reports and post mortem information on the victims.

### Newmont trims staff at Indonesian copper mine

JAKARTA, Oct 3 (Reuters) - Newmont Mining Corp , the world's no.2 gold miner, plans to lay off 100 people from a workforce of 4,000 at its giant Indonesian copper and gold mine, to reduce operating costs at a time of low output, it said in a statement on Wednesday.

Newmont issued the statement on job cuts at the Batu Hijau mine on Sumbawa island to quell local media reports of larger layoffs, after Reuters reported last week that the mine planned jobs cuts as it was losing $1 million a day.

"This is the final step that we carry out with a heavy heart because previous efficiency measures we have carried out have not been enough to guarantee the ongoing operation of the Batu Hijau mine," said Martiono Hadianto, the chief of Newmont's Indonesian unit.

The miner has revised down 2012 target production figures for Batu Hijau to 71,000 ounces of gold, from an earlier forecast of 114,000 ounces, and to 170.6 million pounds of copper from 192 million previously. It expects output to be similar in 2013 as it exports low grade ore from stocks.

The cost constraints may be a problem when Newmont starts wage talks in November and meant there was a potential for industrial action, the mine's manager told Reuters.

The job cuts come as thousands of industrial workers, including metal workers, demonstrated around the capital Jakarta on Wednesday to call for better conditions, part of a greater labour assertiveness in the past year.

### EU to decide on Glencore-Xstrata deal by Nov 8

BRUSSELS/LONDON, Oct 3 (Reuters) - EU antitrust regulators have set a Nov. 8 deadline to decide on whether to allow trader Glencore's $33 billion takeover of miner Xstrata, after months of talks which the companies hope will help avoid forced sales or a lengthier, in-depth probe.

## GENERAL NEWS *(Continued)*

The European Commission said on its website on Wednesday that it had received the notification from Glencore, filed on Tuesday, setting the clock ticking for the regulator. Brussels officials now have just over a month to decide whether to approve, reject or begin a longer, "phase 2", probe into one of the largest mining takeover deals to date.

Glencore, the world's largest diversified commodities trader, bid in February for the roughly 66 percent of Xstrata it does not already own, raising its offer last month after opposition to the terms from rival shareholder Qatar.

EU regulators are expected to focus on the combined market power of what will be the world's fourth-largest diversified mining group.

Together, the mining and trading powerhouse would be the world's largest thermal coal exporter, the top producer of both zinc and ferrochrome and the third largest copper miner.

Antitrust regulators could receive further representation from bodies including Europe's influential steelmakers, worried over market dominance in some commodities. They are, however, expected to focus on zinc, where analysts estimate that Glencore and Xstrata combined would hold roughly 50 percent of the European market.

This could prompt concessions in the form of asset sales, analysts and legal sources said, with speculation centering on Xstrata's San Juan de Nieva refinery in Spain, the world's largest zinc production unit, or its much smaller Nordenham refinery in Germany.

The sale of San Juan alone would virtually halve the new company's European market share, Jefferies analysts estimated earlier this year.

"There is an element of who blinks first. They (Glencore and Xstrata) will want to project confidence in an unconditional, phase 1 clearance... but they will have a plan B in place," said a London-based competition lawyer, who declined to be named.

"They may be the market leader, but is it enough to lead to grave doubts and a phase 2 probe? There does at least appear to be a potential complainant out there, in the form of Eurofer."

Eurofer, the European steel producers association, said on Tuesday it would consider the details of the notification before deciding whether to call for a further probe.

The European Union is one of three regulatory hoops that Glencore has left to clear, the others being China and South Africa. China, the world's largest consumer of commodities, has one of the youngest and least predictable of global regulators.

China's Ministry of Commerce (MOFCOM) is one of few regulators to impose behavioural - and not structural - conditions on deals, meaning it has made demands around sales procedures or prices, for example, rather than asset sales.

If remedial sales, or concessions are offered within the first month, the EU Commission could extend its initial November deadline by 10 days.

## MARKET NEWS

**Alcoa plant gets EU boost on Italy power prices**

MILAN, Oct 3 (Reuters) - The troubled Italian smelter of aluminium group Alcoa  will be able to continue using special contracts allowing it to buy electricity at lower prices until 2015 following a decision on Wednesday by the European Commission.

The Commission ruled that the so-called interruptibility power contracts on the islands of Sardinia and Sicily did not constitute state aid, giving a green light to the schemes being used by heavy-energy users there for the next three years.

Alcoa has decided to shut its aluminium smelter in Sardinia, blaming high power prices for undermining its competitiveness.

"This is good news for the government though the extension is only for three years and that might deter potential buyers of the Alcoa plant," an industry source said.

The Italian government is looking for a possible buyer for the plant to avoid job losses on an island that already has a 15 percent unemployment rate.

"It is not a final solution but it is part of a mosaic we need to piece together to give a future to the workers," the president of the Sardinia Region Ugo Cappellacci said.

Swiss commodities trader Glencore  recently suspended talks over a possible offer for Alcoa after Italy rejected its request for sharply discounted power prices.

Glencore is one of a series of companies eyeing the Alcoa smelter.

"Other companies that have expressed an interest are (Swiss company) Klesch, two foreign groups and Turin-based Kite Gen. But I wouldn't totally rule Glencore out quite yet," a source close to the situation said on Wednesday.

On Tuesday, Cappellacci also said the region had not lost hope in Glencore.

A newspaper report in La Repubblica on Saturday said German investment company Bavaria Industriekapital was interested.

Bavaria Industriekapital, a Germany-based holding company specializing in manufacturing and service industry investments, did not reply to an email sent by Reuters on Tuesday.

CRIPPLING POWER

Italy has some of the highest electricity prices in Europe with a price of around 70 euros/Mwh and some Italian companies have threatened to relocate to find cheaper energy costs.

The situation is particularly critical on the islands of Sicily and Sardinia because of the less developed power connections compared to the mainland.

Glencore had asked for a power price at the plant of no more than 25 euros per megawatt hour for 10 years compared to a price of 35 euros/MWh proposed by the government.

"At this point we need to use these 3 years to complete the interconnections with abroad and press ahead with an industrial policy that keeps steel, aluminium, cement, glass, paper and ceramics businesses in Italy," member of parliament and former industry junior minister Stefano Saglia said On Wednesday.

Under interruptibility contracts, big companies accept that their power supplies can be halted by the grid operator if needed to re-balance the electricity network or avoid blackouts.

In return the companies are offered discounts on the price they pay for power.

**Russia's Rusal to invest $100 million in Jamaica operations**

KINGSTON, Oct 3 (Reuters) - Russia's Rusal, the world's largest aluminium producer, will invest $100 million in a coal-fired electricity generating plant in Jamaica, hoping to reduce power costs at its operations in the Caribbean country.

Jamaica's Energy and Mining Minister Phillip Paulwell announced the company's plan during an appearance before parliament on Tuesday.

Rusal  controls 65 percent of Jamaica's alumina production capacity and operates three of the island's four alumina refineries.

Jamaica is rich in bauxite, the raw material that makes alumina, which is used to produce aluminium.

It also suffers from high production costs because of its dependence on imported oil.

A fall in the global price of alumina and rising production costs have idled two of Rusal's plants in Jamaica.

The new power plant will be built near the Ewarton plant, which is still operating. Construction of the plant is scheduled to begin next year and be completed by 2015, Paulwell said.

In July, Rusal denied reports it planned to shut down Ewarton.

Rusal, which has been operating in Jamaica since 2007, owns a 93 percent stake in Ewarton, and the Jamaican government owns the remaining amount, which it intends to put up for sale.

Rusal accounted for approximately 9 percent of global production of aluminium and alumina and sells it products primarily in European, North American and Asian markets, according to the company.

**Pan Pacific cuts 2013 China copper premium by 15 pct - source**

TOKYO, Oct 4 (Reuters) - Japan's biggest copper smelter, Pan Pacific Copper Co , is offering a term premium of $85 per tonne to clients in China for 2013 shipments, down 15 percent from last year, a source familiar with the matter said.

The cut is at the high end of expectations, reflecting the eagerness of suppliers in Japan, the world's third-biggest producer of refined copper after Chile and China, to sell the metal.

## MARKET NEWS *(Continued)*

A Chinese buyer of Japanese copper said last week he expected Japanese suppliers to cut premiums by $10 to $15 a tonne. A Chinese executive said firms were reluctant to buy from Japan because of tensions between the two countries over a territorial dispute.

A Japanese trader said the decline in premium and the delay in talks were due to uncertainty over demand in China.

"Chinese buyers are taking time to read the market outlook. Some expect the government will take additional stimulus measures to prop up the economy, raising copper demand later this year," said the source, who declined to be identified because the talks were not public.

Pan Pacific Copper sold refined copper at a premium of $100 a tonnes over the cash London Metal Exchange copper price to Chinese buyers for term shipments this year.

Pan Pacific is a joint venture between JX Nippon Mining & Metals Corp and Mitsui Mining and Smelting.

**Poor EU steel demand hits recyclers's margins**

LONDON, Oct 3 (Reuters) - Low steel consumption in Europe is eating into ferrous recyclers' margins, an EU industry body said on Wednesday.

"The general situation of the EU steel industry remains worrying; steel demand is 25 percent below its 2007 level and with a current 25-30 percent overcapacity," the European Ferrous Recovery and Recycling Federation (EFR) said in a statement.

"...Scrap prices dropped, thereby discouraging scrap collection and processing because of little, or sometimes even no margins at all."

Among the largest metals scrap recycling groups operating in Europe are Australia's Sims Metal Management , EMR, a privately-owned British company whose turnover was around 1-3 billion pounds ($1.61 billion-$4.84 billion)in the last few years, and Germany's TSR.

Closures of some steelworks and mergers reduced demand for steel scrap in Europe, EFR said, while high energy costs and strict CO2 emission regulations make EU mills less competitive and likely to move crude steel production abroad.

"The short-term market outlook is certainly not very positive for EU steel producers and recyclers," the association said.

**Morgan Stanley downgrades India's SAIL to 'underweight'**

MUMBAI, Oct 4 (Reuters) - Morgan Stanley cut its rating on Steel Authority of India Ltd to 'underweight' from 'equalweight' and lowered target prices on other Indian steel stocks, citing raw material costs, sluggish volume growth and declining return-on-equity.

Morgan Stanley also cut SAIL's price target to 72 rupees from 95 rupees. It also cut its price targets on Tata Steel , JSW Steel and Jindal Steel & Power .

The investment bank added it did like Tata Steel, calling it "the only company for which we project structural gains in return and profitability ratios."

**Malaysia court keeps Lynas operating licence on hold**

KUALA LUMPUR, Oct 4 (Reuters) - A Malaysian court kept on hold the licence granted to Lynas Corp Ltd's controversial rare earth plant by delaying until Oct. 10 a decision on whether it will consider judicial reviews to permanently block production.

The Australian company said that the Kuantan High Court's decision leaves the temporary operating licence suspended until Oct. 10, extending a one-week halt that expired on Thursday.

The rare earth plant - the biggest outside China - has been ready to fire up since early May, but the company has been embroiled in environmental and safety disputes with local residents since construction began two years ago.

The plant is considered important to breaking China's grip on the processing of rare earths, which are used in products ranging from smartphones to hybrid cars.

Graphic on rare earths, Lynas plant location:

http://link.reuters.com/hux92t

Activists linked to the environmental group Save Malaysia Stop Lynas, who had asked for the postponement, want the court to suspend the temporary license until two judicial review cases challenging the government's decision allowing the plant to operate are heard.

Shares in the firm fell 3.5 percent from the previous close to $0.825 at 0639 GMT, down 8 percent from where they stood before the court decision.

"We're staying optimistic," Tan Bun Teet, a spokesman for the group, told Reuters after the court decision.

"The court has set an early hearing for Oct. 10 and it looks like they want to resolve it quickly," he added.

The group's previous attempts to stop the plant had failed.

Lynas received a temporary operating license for the long-delayed $800 million rare earth plant early in September, enabling it to start production as early as October.

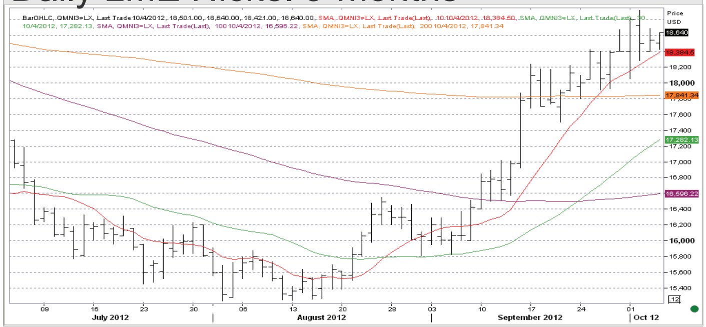
Protests over possible radioactive residue have drawn thousands of people and the project has become a hot topic ahead of an election that must be held by early next year.

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

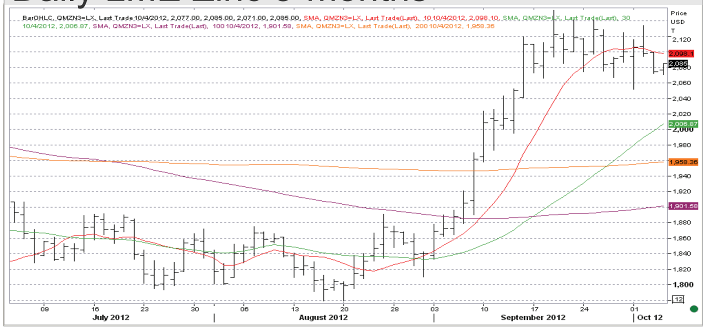
## Daily LME Aluminium 3-months

## Daily LME Copper 3-months

## Daily LME Nickel 3-months



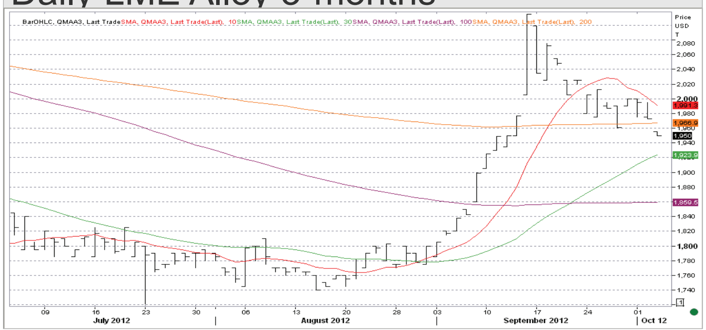
## Daily LME Zinc 3-months



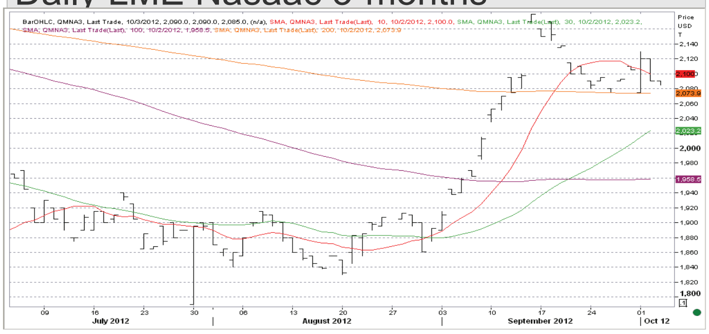
## Daily LME Lead 3-months

## Daily LME Tin 3-months

## Daily LME Alloy 3-months



## Daily LME Nasaac 3-months



THOMSON REUTERS

# MARKET REVIEW

**METALS-Copper rises on Spain support prospects; US data eyed**

SINGAPORE, Oct 4 (Reuters) - Copper rose on Thursday, as investor's appetite for risk increased on prospects the European Central Bank will offer fresh measures to support Spain, but volumes remained low with China still on holiday.

Signals that a economic recovery could be taking hold in the United States kept losses in check ahead of Friday's key non-farm payrolls report, while lingering worries over Europe's economy and slowing growth in China equally capped gains.

"The market is in a tug of war between macro signals -- quantitative easing in the West, developments in the euro zone -- and the physical market which is going to carry on disappointing," said James Luke, a Hong Kong-based commodities analyst at China International Capital Corporation (CICC).

"Overall we expect Q4 prices to continue to take cues from the macro rather than the physical market. Prices will be well supported but I don't expect physical demand to surprise on the upside and that should limit prices relative to other more purely investor-driven metals such as gold."

Three-month copper on the London Metal Exchange  climbed to $8,345 a tonne by 0713 GMT, up 0.66 percent from the previous session when it slipped nearly half a percent to snap four sessions of gains.

Prices rallied nearly 8 percent last month, reaching a 4-1/2 month high of $8,422 a tonne on Sept 19.

Shanghai Futures Exchange markets are shut this week due to the holiday in China.

European shares rose in early trade on Thursday, mirroring gains in the United States and Asia, with investors positioning for more soothing data and some clarity on Spain's likely aid request during a European Central Bank press conference after its rate verdict.

The ECB is expected to hold interest rates when it meets on Thursday to allow time for new details on the health of the euro zone economy and for Spain to ask for aid.

Still, growth worries continue to muddy the demand outlook for metals.

The euro zone's economic woes accelerated last month and China's slowdown looked likely to extend to a seventh quarter, surveys showed on Wednesday, while the United States provided a bright spot with better-than-expected news on services and jobs.

U.S. companies added more jobs than expected in September, while activity in the vast services sector picked up, suggesting the economy remained on track for modest growth ahead of September's jobs figures on Friday.

"We think the slant of the market after the payroll numbers on Friday will really be the action one should pay attention to. For now look at continued back and forth as the market consolidates terrific gains made since August," RBC Capital said in a note.

In Asia, the safe-haven dollar eased after the positive U.S. data, easing pressure on metals. A stronger dollar makes commodities more expensive for holders of other currencies.

LOWER PREMIUM

Pan Pacific Copper Co  Japan's biggest copper smelter, is offering a term copper premium of $85 per tonne for clients in China for 2013 shipments, down from $100 in 2012, a source familiar with the matter said.

The lower premiums reflect slowing demand growth in the world's top consumer of metals.

In industry news, private equity firm founded by Chinese billionaire Yu Yong and a fund backed by state-owned China Development Bank have offered to buy Australian-listed copper explorer Discovery Metals Ltd , valuing the company at about $850 million.

The takeover offer for Discovery is the latest in a series of small-to-mid-sized metals and mining deals to hit Asia in the wake of sliding commodity prices, flagging a series of asset sales and sector consolidation.

**PRECIOUS-Gold rises for 4th day; eyes on central banks, US data**

SINGAPORE, Oct 4 (Reuters) - Gold inched up on Thursday, extending gains for a fourth day as investors awaited cues from central banks on plans to shore up the frail global economy, while a key U.S. employment report due this week was also in focus.

Gold managed to squeeze out slim gains in the previous session, shrugging off tumbling oil prices on disappointing data from the euro zone and China, as the belief that bullion would benefit from more stimulus measures from around the world continued to support sentiment.

Trading interest was thin as China, a key market player in the region, is still on a public holiday. Investors are also watching the European Central Bank and Bank of England for their rate decisions later in the day.

Traders are likely to stay cautious ahead of the release of the all-important U.S. employment report on Friday, after data on Wednesday showed a surprise jump in private employment in the world's largest economy.

"There is little interest right now as people focus on the nonfarm payrolls data," said Peter Fung, head of dealing at Wing Fung Precious Metals in Hong Kong, adding that gold was stuck in a narrow range of $1,775 to $1,780 an ounce.

## MARKET REVIEW *(Continued)*

Spot gold inched up 0.3 percent to $1,782.99 an ounce by 0646 GMT, but was off an 11-month high above $1,791 hit earlier in the week.

U.S. gold also gained 0.3 percent to $1,785.50.

The technical outlook suggested gold would make a brisk move if it could break out of the range of $1,760 to $1,785, Reuters market analyst Wang Tao said.

Spot gold 24-hour technical outlook:

http://graphics.thomsonreuters.com/WT1/20120410095041.jpg

INVESTOR INTEREST BUOYED

Investor interest in gold remained buoyed, as holdings of gold-backed exchange-traded funds had inched up to 74.152 million ounces by Oct. 2, just off a record high of 74.288 million ounces hit in late September.

"Gold is well supported as new money keeps entering the market in the new quarter," said a Tokyo-based trader.

Spot platinum hit a 2-1/2-week high of $1,691.74 an ounce, in the eighth straight session of gains, supported by spreading labour strife in South Africa that has already forced a halt in production at top producer Anglo American Platinum's Rustenburg mines, and also affected some gold mines.

"We think that all these markets (including gold) will likely head south if the sell-off we had in energy morphs into a broader retrenchment over the days ahead," Ed Meir, an analyst at INTL FCStone, said in a research note.

Brent crude dropped 3 percent and U.S. crude gave up 4 percent on Wednesday as fears of a delayed recovery in China and a recession in the euro zone muddied the outlook for oil demand.

Though traditionally gold is viewed as a safe haven asset, sharp falls in other markets could spill over and drag bullion down as investors sell the metal to cover losses elsewhere, as seen at the onset of the global financial crisis in late 2008.

**FOREX-Yen hits 2-week low ahead of BOJ, euro stuck in range**

TOKYO, Oct 4 (Reuters) - The yen slid to a two-week lows against the dollar on Thursday after upbeat U.S. data and as speculators grew wary in case the Bank of Japan surprises this week by easing policy.

The euro held firm against the dollar as investors expected the European Central Bank to keep rates on hold, though uncertainty over Spain kept the currency hemmed in a familiar range.

The dollar rose as high as 78.72 yen , a level last seen on Sept. 19, when the BOJ unveiled an increase in its asset purchase programme. It last stood at 78.57 yen, up 0.1 percent from late U.S. levels.

The euro also rose to two-week high of 101.78 yen before easing to 101.61 yen, still a gain of 0.4 percent and tackling its 200-day moving average at 101.74 yen.

The BOJ, which only last month boosted its asset-buying programme, has been under intense political pressure to offer more stimulus to spur growth and weaken the yen.

Analysts generally expect the BOJ to stand pat at the Oct. 4-5 meeting to gauge the effects of its latest easing, but pressure is expected to stay on ahead of its next policy meeting on Oct 30 when it will also have an economic review.

Economy Minister Seiji Maehara said on Wednesday he would like to talk to the BOJ to push the central bank to achieve its de facto inflation target, noting he is entitled to attend the BOJ's policy meeting if he wants to.

A source told Reuters that Maehara indeed plans to attend the meeting this week, where as a government representative he can comment on policy though he cannot vote on it.

"It may take a while before the BOJ will actually do something. Still, market players are speculating about more easing and you have to consider which side of position you should take under such conditions," said Katsunori Kitakura, associate general manager of market making at Sumitomo Mitsui Trust Bank.

The U.S. currency was also helped by fairly upbeat U.S. economic data on Wednesday, including larger-than-expected increase in private-sector jobs and improvement in the service sector.

The dollar's index against a basket of currencies held at 79.82, flat on the day but not far from three-week high of 80.147 hit on Monday.

The next major focus of the market for the dollar will be Friday's U.S. payroll data.

But investors will also look to the minutes of the Fed's last policy meeting, where it decided on new mortgage bond buying scheme, for any hint of the Fed's next moves, as its Operation Twist is due to expire by the year-end.

REAL MOVER IN MADRID

Against the greenback, the euro ticked up 0.2 percent to $1.2929 , though it remained stuck in a $1.2800/3000 range as investors look to when Spain will seek a bailout and trigger the ECB's recently announced bond-buying programme.

Gain in the euro and other risk currencies coincided with rise in U.S. stock futures, which some traders said was sparked after Republican presidential candidate Mitt Romney he went beyond expectations in policy debate.

A victory by Romney is perceived to be positive for stocks because the Republicans are seen more friendly to Wall Street.

## MARKET REVIEW *(Continued)*

With the Republican's grip of U.S. House of Representatives seen intact after the election, deadlock over U.S "fiscal cliff" is likely to persist if President Barack Obama is re-elected.

Looking ahead, The European Central Bank is expected to hold interest rates when it meets on Thursday to allow time for new details on the health of the euro zone economy and for Spain to ask for aid.

"With very little expected for this ECB meeting, the real market mover for the euro may be the Spanish bond auctions," said Mary Nicola, a strategist at BNP Paribas.

"Today's Spanish bond auctions will provide a litmus test for the market's perception on Spain."

Madrid is looking to raise up to 4 billion euros ($5.2 billion) by selling three bonds maturing 2014, 2015 and 2017.

The euro hit a fresh 3 1/2-month high against the Australian dollar, which also slipped near last month's trough against the U.S. dollar.

The Aussie last stood at $1.0230 , up 0.1 percent but it dropped earlier to a fresh one-month low of $1.0182 after data showed Australian retail sales edged up only marginally in August, although it was not far from market expectations.

Mounting signs of slowdown in China, Australia's main trade partner, prompted Australia's central bank to cut interest rates this week and leave the door ajar for more.

(Inside Metals is compiled by Shruthi G in Bangalore)

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