INSIDE METALS

Monday, September 10, 2012

CHART OF THE DAY

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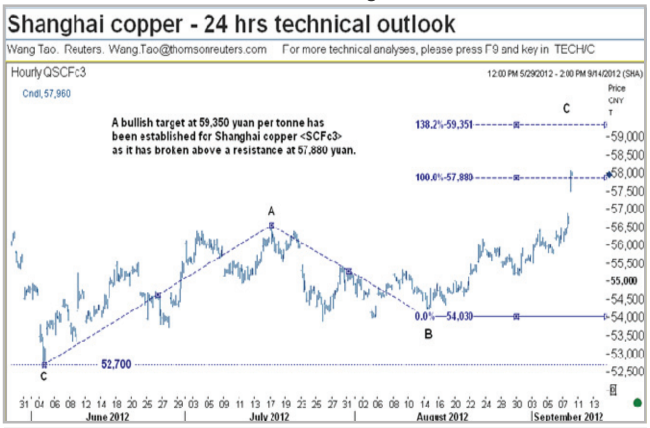

Click here for LME charts

TRADING PLACES

- Specs up gold, silver length to most bullish since March
- Shanghai steel posts biggest day gain on building drive

GENERAL NEWS

- Glencore set to detail $36 billion Xstrata bid-sources
- China approves $157-billion infrastructure spending
- Militant South Africa union tells Lonmin to pay up
- BHP, Xstrata attack coal costs in Australia; jobs to go
- U.S. steel, coal shares surge on China building plan

MARKET NEWS

ALUMINIUM:

- Alcoa says has no new potential buyers for Italian smelter
- Bomb scare at Alcoa Italy plant ramps up tensions over shutdown

COPPER:

- Pan Pacific buys 40 pct of large S. America copper mine
- China copper imports fall in August as demand slows

NICKEL/STEEL:

- China Aug iron ore imports up 7.9 pct as domestic output drops
- EU says may be regional fund help for Italian steel plant
- Indian iron ore exports fall over 40 pct in Apr-June
- Voestalpine calls for EU plan to shrink steel industry

TIN/MINORS:

- Indonesia's Aug refined tin exports down 32 pct on low prices

FEATURE

COLUMN- China commodity imports mixed, volatility to persist

The trick with China's commodity imports is working out whether the bottom has been reached or whether several more months of mixed signals are likely.

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

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COLUMN- Indonesian pain threshold found, what next for tin?

Indonesian tin exports slumped in August to 5,646 tonnes, the lowest monthly print since January. Cumulative exports of 61,259 tonnes in the first eight months of this year represented a 10-percent decline from the same period of 2011.

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

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TODAY'S MARKETS

BASE METALS: Shanghai copper and zinc hit their highest levels in four months on Monday as hopes that the United States and China will roll out more stimulus measures offset a slight decline in China's August copper imports.

"We are mostly looking forward to the Federal Reserve meeting for announcement of QEIII, which we think will boost commodities more than infrastructure-building programmes in China and more policy details from the euro zone," said a Shanghai-based trader with an international firm. "But if the Fed doesn't roll out a QEIII soon, base metals prices are expected to fall."

PRECIOUS METALS: Gold held steady near a 6-1/2-month high on Monday, buoyed by expectations for the Federal Reserve to take imminent easing action after the latest data painted a bleak picture of the U.S. job market.

Friday's data showed U.S. job growth slowed significantly in August, fanning hopes that the Fed will announce another round of quantitative easing, also known as QE3, at this week's policy meeting.

"The possibility of QE3 has definitely grown, but the risk is also climbing as if we were about to draw the last card at a poker game," said a Shanghai-based trader.

FOREX: The euro eased against the dollar on Monday but still held near a four-month high, after weak U.S. jobs data fanned speculation that the Federal Reserve would launch more monetary stimulus this week.

"The weak payrolls report has put QE3 firmly on the agenda for this week," said Annette Beacher, head of Asia-Pacific Research at TD Securities.

FEATURE

COLUMN-China commodity imports mixed, volatility to persist

By Clyde Russell

SINGAPORE, Sept 10 (Reuters) - The trick with China's commodity imports is working out whether the bottom has been reached or whether several more months of mixed signals are likely.

Certainly the August figures contained something to support virtually any argument you would care to make about the outlook for demand.

Looking at the major commodities, iron ore posted an impressive gain, copper was largely steady and crude was quite a bit weaker.

Overall, this fits with the picture of an economy that's more than likely bouncing along the bottom, a process likely to last for at least a couple of quarters.

China's $150-billion infrastructure package and the possibility of further monetary easing are certainly positives for the outlook for commodity demand, but the turnaround this time is likely to be far slower than after the 2008 global recession.

This is because the stimulus is much smaller and China also doesn't want to simply re-inflate the property bubble it has worked so hard to deflate for the past two years.

The external environment is also different, with Europe facing an extended period of recession or tepid growth and the United States battling to convert a slow economic recovery into something with more pace and strength.

In China's August commodity imports, the biggest surprise was the 7.9 percent increase in iron ore to 62.45 million tonnes from the previous month, leaving them 8.7 percent higher in year-to-date terms.

The gain stands in direct contrast to evidence of mounting inventories, not only of iron ore but also of finished steel products, creating an overhang that should, in theory, lead to lower imports in coming months.

But the loss of high-cost domestic iron ore output may well be enough to keep imports strong, especially if spot prices remain near three-year lows.

There is also the question of whether China's largely state-controlled steel mills will be forced to cut back production because of unsold inventories, since doing this would lead to job losses, something the authorities will be keen to avoid, especially with the likely once-a-decade political transition expected in October.

Graphic of China's trade: http://link.reuters.com/fut96s

Graphic of China's iron ore trade: http://link.reuters.com/faf52t

Unwrought copper imports slipped 2.9 percent to 355,856 tonnes in August, leaving them 37.3 percent higher in year-to-date terms.

Here there is evidence not only of softening demand, which is expected given the slowing growth in industrial production, but also of less use of the metal for financing purposes, given the easing of monetary conditions that has made it easer to access credit.

At first glance the weakest crude imports on a daily basis for 22 months sounds bearish for China's economic health, but a combination of factors was behind the decline, and not all of them will persist. Crude imports dropped to 18.4 million tonnes in August, equivalent to 4.33 million barrels a day, which was down 15.7 percent from July, leaving the year-to-date gain at 7.4 percent.

The weakness came after a strong first half in 2012, when China added to strategic and commercial storage amid concern about possible market disruption from the loss of Iranian supplies because of Western sanctions against Tehran's nuclear programme. In August, refinery runs did increase 1.5 percent from the same month last year, but this came after months of sluggish growth so it is likely the refiners were tapping crude inventories to increase runs. It is likely that runs will increase again in September, with higher fuel prices encouraging increased output as well as the commissioning of new units in the second half of 2012.

However, while it's one thing to be able to offer plausible explanations why China's commodity imports have moved in one direction or another, it's entirely another matter to say whether a turning point has been reached or not.

Look at the bigger picture and what is becoming increasingly clear is that the Chinese economy has lost momentum faster than the authorities would have expected, or wanted.

It's also clear that they have somewhat less room to manoeuvre than they did after the 2008 crisis and they are also likely to be distracted by the impending leadership transition.

It's also likely that the stimulus measures will be more modest and take longer to work this time around, especially if the external environment remains challenging. All this speaks to commodity demand remaining volatile over the next few months, and perhaps more sensitive to pricing than in previous years.

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

COLUMN-Indonesian pain threshold found, what next for tin?

By Andy Home

LONDON, Sept 7 (Reuters) - Indonesian tin exports slumped in August to 5,646 tonnes, the lowest monthly print since January. Cumulative exports of 61,259 tonnes in the first eight months of this year represented a 10-percent decline from the same period of 2011.

FEATURE *(Continued)*

This will come as no surprise to the tin market.

Indonesian producers have made it quite clear that they think the recent international price has been too low and have reacted accordingly.

The last month has seen PT Timah , the country's biggest and most established producer, suspend spot sales, albeit only briefly ,while the cluster of smaller operators in the Bangka-Belitung production hub collectively closed up shop at one stage.

The impact on the international market is hard to overstate. Indonesia is the world's largest exporter of the metal used for soldering and tinplate. It has exported between 90,000 and 100,000 tonnes over the last three years, equivalent to around 25 percent of total global consumption.

As such Indonesia is the key global swing supplier. So its production cost pain threshold is the most obvious floor price for the metal.

And some sort of floor price has been found, it seems.

But determining exactly where it is remains tricky. And what happens next is a trickier question still.

THE DOUBLE PAIN THRESHOLD

The Indonesian Tin Mining Association has very explicitly stated that the floor price should be around $23,000 per tonne.

But is this an aspirational floor price or the real deal?

The next graphic shows the relationship between the country's exports and the London Metal Exchange (LME) cash price: http://link.reuters.com/qem52t

It is clear that a breach of the $23,000 level almost exactly a year ago was the trigger for the national export ban, which lasted only a little longer than Timah's recent suspension of spot sales but long enough to reduce sharply exports over the September-November 2011 period.

The price needed to drop harder this time around to generate a similar reaction and looking back at the first half of 2010 the price was trading consistently below $20,000 per tonne with no discernible impact on Indonesian exports.

Sure, the change in trigger price may reflect no more than the cost inflation that has been running rampant in all the industrial metals.

But there is certainly good reason for thinking that there are in effect two Indonesian pain thresholds.

The first might be termed the political one, the point at which the fractious local producers start to warn about price and their intention to do something about it.

One of the differences between this year and 2011 is the failure of the national export ban to last much longer than it took the ink to dry on the agreement.

Political coherence was damaged and doesn't appear to have been fully repaired yet. Hence the lack of a national response to prices falling below $23,000 this time around.

The harder price floor is almost certainly below $20,000 per tonne, although it is sliding rather than fixed.

This is because Indonesia's tin sector is so disparate. At one end of the spectrum lie established producers such as Timah and Koba Tin, both of which probably have higher fixed costs than the "irregular" Bangka-Belitung producers operating at the other end of the spectrum.

These are dependent on local, smaller, lower-cost miners to supply them with feed and are themselves a highly amorphous group of operators.

But remember that the tin price fell close to $17,000 per tonne in late July and this seems to be much closer to the hard floor price needed to operate profitably, witness the collective closures in August.

THE DELUGE TO COME?

So what happens now?

The LME tin price has already had one short-lived but supercharged rally up to $21,000 at the end of August, largely in reaction to the stream of headlines out of Indonesia.

It is currently trading just shy of $20,000, a level that probably lies half-way between political and hard floor prices for Indonesia's producers.

The graphic above should serve as a warning as to what they will do in a rising price environment.

The drop in exports last year was followed by a December surge to over 15,000 tonnes as metal held back flooded out into the market.

Given the potential gap between talking about cutting production and actually doing so, there is a strong possibility that something similar may be on the cards over the next couple of months.

That may limit further price upside, particularly given that tin usage is not going to escape the drop in manufacturing activity just about everywhere, most pertinently in China, the world's largest consumer.

Indonesia might well have supported the price on the downside, again, but in all likelihood will not by itself have enough producer discipline to drive the price too much higher.

STOCKS STILL LOW, BUT HOW LOW?

But will any Indonesian export surge be enough to boost depleted LME stocks, which are the single most obvious bull factor in the market right now?

The monthly drop in Indonesian exports in August amounted to just 2,652 tonnes.

FEATURE *(Continued)*

Doesn't sound like much, does it? But it represents more than half the on-warrant tonnage held by LME warehouses.

At 4,675 tonnes on-warrant tonnage in the LME system is equivalent to just under five days' global usage, a desperately thin level of stocks cover.

There are 6,990 tonnes of metal sitting in the LME's cancelled warrant category. This "should" be a leading indicator of actual stock drawdowns in the period ahead.

Except that tin stocks aren't working that way any more.

With most of that inventory located in just one location, Johor in Malaysia, the relationship between cancelled stocks and actual drawdowns appears to have broken down.

There have been 6,665 tonnes of cancellations since the start of August. But only 380 tonnes have actually departed the system. The disparity is explained by the high level of "reverse cancellations" at Johor, where cancelled metal is put back onto warrant again.

There seems to be some sort of secondary market evolving in Johor warrants with Chinese arbitrage and warehouse arbitrage in the mix together.

In other words the LME market is tight but maybe not as tight as it might appear on a "normal" way of reading cancelled stocks.

That might explain why the nearby spreads are still only hovering either side of level rather than being in the sort of raging backwardation associated with such low headline stock levels.

In theory, the combination of underlying market deficit, painfully low stocks and accelerated imports by China over recent months should make for a compelling bull narrative.

In practice, each one of those components is uncertain.

Deficit has been highly elusive in this market for many months. "Normal" LME stocks patterns appear to be changing. And the flow of metal into China may only be going to invisible stocks build.

The only thing that is certain is that if the price starts heading south again, there will be a lot of headlines coming out of Indonesia...again.

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

GENERAL NEWS

Glencore set to detail $36 billion Xstrata bid-sources

LONDON/DUBAI, Sept 9 (Reuters) - Glencore hammered out a revised $36 billion bid for miner Xstrata in intense weekend negotiations and is set to detail its new offer to the market as early as Monday, days after proposing 11th-hour changes to save the deal.

Sources familiar with the deal said commodities trader Glencore, keen to clarify its own position but also under pressure from Xstrata and UK regulators, would publish details of the higher offer imminently.

Two sources said the new, firm, offer - with some concessions to win over recalcitrant Xstrata shareholders - was expected on Monday.

The firm offer will be studied by Xstrata's board and non-executive directors, who on Friday questioned Glencore's new proposal and said they required more details in order to decide on whether or not to recommend it. The Xstrata board will also discuss the proposal with top independent shareholders, one other source familiar with the deal said.

Glencore, the world's largest diversified commodities trader and Xstrata's largest shareholder with a stake of 34 percent, made a long-awaited takeover bid for the miner in February. But the offer ran into trouble in recent months and was expected to fail as shareholders prepared to vote on Friday, after number two shareholder Qatar and other investors opposed the terms of the deal, while Glencore refused to yield.

Living up to Chief Executive Ivan Glasenberg's reputation as an unpredictable negotiator, however, a higher proposal from Glencore was announced just minutes before the miner's shareholders met to cast their ballots on the existing offer.

Friday's fresh proposal, disclosed to the market by Xstrata, included an increase in the offer to 3.05 new shares for every Xstrata share held, up from 2.8. Conditions, however, also include the appointment of Glasenberg as chief executive of the combined group, at the expense of Xstrata boss Mick Davis.

Davis, who has shares in Xstrata worth some 25 million pounds ($40 million), will miss out on a bumper three-year retention package worth almost 30 million pounds if the deal spells the end of his decade-long stint at Xstrata.

But he could still be in line for a termination payment of at least 8 million pounds, sources familiar with the deal said.

Monday's announcement, however, will attempt to allay the concerns of some Xstrata shareholders fretting over the company's operations by retaining mining veteran Davis for an interim period and holding on to Xstrata chairman John Bond, as chairman of the merged group, one of the sources said.

A former chairman of Vodafone and HSBC , Bond is considered a steadier hand than Glencore chairman Simon Murray, but has also been criticised by some minority shareholders for recommending the initial Glencore offer.

GENERAL NEWS *(Continued)*

Glencore's proposal on Friday had allowed for the deal to be structured as a straightforward takeover, instead of the previous mechanism, which required approval from 75 percent of shareholders excluding Glencore - meaning investors representing just 16.5 percent of the total could block it. That had allowed Qatar's sovereign wealth fund, with 12 percent, to act as kingmaker.

In another effort to appease shareholders, Monday's announcement is expected to retain the 75 percent threshold, unless a change is approved by Xstrata's board, the source said.

Both Glencore and Xstrata declined to comment on Sunday.

LATE-NIGHT TALKS

Glencore broke a months-long impasse with Qatar's sovereign wealth fund in the early hours of Friday, after a night of last-ditch talks in London between Glasenberg, Qatari prime minister Sheikh Hamad bin Jassim al-Thani and advisers.

Qatar had in June demanded an offer of at least 3.25 new shares for every Xstrata share held, but in recent weeks had been said to have softened that stance.

Qatar, which sources familiar with the matter have said still opposes elements of the new proposal, is expected to study the final details on Monday before making its position public.

Other big shareholders are divided on the proposal, with many choosing to wait for the firm offer to form a view. Activist fund Knight Vinke, however, said on Sunday it rejected the proposed bid and called on Glencore to "pay an appropriate premium" for the change of control.

Thursday's late-night talks were held after a rapprochement facilitated by former British Prime Minister Tony Blair, brought in by Michael Klein, a former Citigroup banker acting for both Glasenberg and Davis, one source said.

The Sunday Times newspaper said Blair had made $1 million in fees for his efforts at the meetings in London's Claridges hotel, but sources familiar with the talks told Reuters his involvement was not central and fees would be lower.

China approves $157-billion infrastructure spending

SHANGHAI/BEIJING, Sept 7 (Reuters) - China has given the green light to 60 infrastructure projects worth more than $150 billion, as it looks to energise an economy mired in its worst slowdown in three years, fuelling hopes the world's growth engine may get a lift from the fourth quarter.

Prices of shares and steel futures contracts jumped on the plans to build highways, ports and airport runways, which are among the most ambitious unveiled in China this year.

The move signals the government's growing intent to bolster economic growth as the country's once-a-decade leadership change looms, analysts said.

China's powerful economic planning body, the National Development and Reform Commission, announced approvals for projects that analysts estimate total more than 1 trillion yuan ($157 billion), roughly a quarter of the total size of the massive stimulus package unleashed in response to the global financial crisis in 2008.

The announcement comes just before a deluge of Chinese economic data due on Sunday that could confirm investors' worst fears that a downswing in the world's second-biggest economy has stretched into a seventh straight quarter.

"Apart from the large sizes of the projects, the announcements for these new projects were all made in two days, which is very intense," said Zhang Zhiwei, an economist at Nomura in Hong Kong.

"It signals a change in policy stance, which is now much more proactive," he said.

China's economy may be boosted by the increased spending in the last quarter of 2012.

GRAPHIC-China's rail output and GDP:

http://link.reuters.com/saw38s

Crucially, the projects are endorsed by Beijing and are likely to proceed. This is in contrast to pledges from nearly a dozen local governments in the last two months to spend around 7 trillion yuan to pump prime the economy, plans that economists say will not materialise due to funding shortages.

China steel futures jumped and its stock market rallied by the most in eight months on the news.

Shanghai-listed Sany Heavy Industry , Shenzhen-listed Zoomlion and Taiyuan Heavy all surged 10 percent. Japanese construction equipment makers also got a boost, with shares of Komatsu Ltd rising 6.6 percent in Tokyo and Hitachi Construction Machinery Co Ltd up 4.7 percent.

In U.S. trading on Friday, shares of Caterpillar Inc , the world's largest heavy equipment maker, rose 4.1 percent, and shares of rivals Joy Global Inc and CNH Global NV were both up.

Otis Elevator Co, a subsidiary of United Technologies Corp , said it was pleased to hear about China's new infrastructure spending.

"We have a long history of providing our products and services to support China's infrastructure growth, and are sure this latest announcement will add to this," spokeswoman Michele Batty said.

U.S. steelmakers' shares surged, led by U.S. Steel and AK Steel and producers of metallurgical coal which is used in steelmaking, also got a boost.

"It's definitely China," analyst Michelle Applebaum of Steel Market Intelligence, said of the advance in steel stocks. "Any good global news matters, but especially in China."

Investment is a mainstay of China's economic prowess, accounting for 54.2 percent of the country's 9.3 percent expansion in its economy last year.

GENERAL NEWS *(Continued)*

FAST-TRACK SPENDING

To avert a prolonged recession, Beijing launched a 4 trillion yuan ($630 billion) stimulus in 2008/09. But the experience saddled the world's No. 2 economy with a pile of bad debt, forcing China to proceed with care on spending this time.

China has not unveiled any large-scale new government stimulus this year, despite mounting evidence the economy needs more prodding to regather momentum, as policymakers fret that a surge in prices could stoke social unrest at a politically sensitive time.

Instead, most spending increases are a result of fast-tracking infrastructure projects that are already in the pipeline.

Analysts have also urged caution. Ratings agency Standard & Poor's said last month that China could afford to deliver fiscal stimulus, but risked making bad investments.

Still, pressure is building on Beijing to do more. Analysts say China must act soon if it wishes to cut interest rates as inflation looks set to rebound on soaring global grain prices. Indeed, local pork prices have started rising, too.

Gathering price pressures come even as China's economic downturn deepens, forcing Beijing into a policy quandary: hold its fire on monetary policy and risk a sharper cooldown, or lower rates and risk an inflation spike.

Concentrating policymakers' minds, Sunday's data is expected to show that annual factory output growth was the weakest in more then three years in August, according to a Reuters poll, while consumer inflation quickened.

Analysts have steadily cut their 2012 GDP growth forecasts to converge with Beijing's target of 7.5 percent, which would be the worst in at least 13 years. Predictions for a recovery have also been pushed out from the first quarter to the fourth.

For 2012, Goldman Sachs reduced its GDP forecast to 7.6 percent from 7.9 percent. Its forecast for 2013 GDP growth was also trimmed to 8 percent from 8.5 percent earlier.

CONSTRUCTION BOOST

The last time China stepped up project approvals was in May, when the Chinese media reported Beijing as saying it may bring forward 2013 investments to support the economy.

The total size of investment brought forward in May was not available.

Although the latest approved projects were only announced Wednesday and Thursday, the commission's website showed approvals were made as early as May, and ran through to August. (http://www.ndrc.gov.cn/xmsphz/default.htm)

The size and location of projects also mean they likely overlap with spending plans announced by local governments in recent months. At more than 1 trillion yuan, the total cost represents around 2.1 percent of China's economy.

Among projects approved is an expansion of a 172-km (107 miles) rail track across three provinces between Gantang and Wuwei, in western China, for 3.77 billion yuan. The project got the go-ahead in June.

Analysts at Nomura estimated the average construction time for projects at around four years.

Details about how projects would be paid for were sketchy.

There would be a combination of private and corporate investment and government funding, although Ting Lu, an analyst at Bank of America-Merrill Lynch in Hong Kong, said the bulk of financing would come from loans from state-owned banks or bond sales.

But regardless of the sources of funding, the construction work will give distressed businesses some much needed respite.

Foreign and local machinery makers in China, the world's largest construction market, are struggling as the slowdown saps investment growth to 10-year lows. Falling profits have spurred firms to cut production or seek new clients.

Global leader Caterpillar has started exporting Chinese-made machinery to the Middle East and Africa.

Hitachi Construction Machinery, which earns about 16 percent of global sales revenues in China, has slashed production at its excavator-making plant in eastern China.

Shares in China heavyweight Sany Heavy Industry, whose second-quarter profit skidded 28 percent, are still down more than 20 percent this year despite surging 10 percent on Friday.

"People had underestimated the impact of the slowdown on certain sectors, particularly construction machinery," said Arthur Kroeber, managing director of GK Dragonomics in Beijing.

"If you are investing there it has been really painful, the bottom has fallen out."

Militant South Africa union tells Lonmin to pay up

JOHANNESBURG, Sept 7 (Reuters) - Striking workers at Lonmin's South African platinum mines where 44 died last month in labour strife will stay off the job until their demands for hefty pay hikes are met, a union leader said on Friday.

Workers are facing a Monday deadline to return to the Lonmin Plc mines paralysed by a four-week strike that has sent company shares plummeting, raised world platinum prices and stoked worries of labour unrest spreading through the mining sector of Africa's largest economy.

"When the employer is prepared to make an offer on the table, we shall make ourselves available," Joseph Mathunjwa, president at the militant Association of Mineworkers and Construction Union (AMCU), told a news conference.

On Friday, Lonmin said 2 percent of shift workers reported to their posts. Miners have said they have been threatened by striking miners with death if they go back into the shafts.

GENERAL NEWS *(Continued)*

The strike was sparked by a turf war between the established N ational Union of Mineworkers (NUM) and AMCU at the Marikana mine and has led to about 3,000 -- mostly rock drill operators -- of Lonmin's 28,000-strong South Africa workforce to walk out.

Strikers are demanding a monthly base pay of 12,500 rand ($1,500), which is double current wages and an amount analysts said the financially strapped company cannot afford.

Marikana accounts for the majority of the platinum output of Lonmin, which itself accounts for 12 percent of global supply of the precious metal used in jewellery and vehicles' catalytic converters.

Finance Minister Pravin Gordhan told reporters on Thursday he did not think the labour stand-off would affect growth in "any significant way", and reassured investors worried about the worst security incident since the end of apartheid in 1994.

"South Africa is still hard at work and most of it is highly productive and that it is still available for investment opportunities as well," he said.

POINTING FINGERS

Lonmin shares, which had lost 25 percent of their value since Aug. 16, have been on the rise since NUM and other unions signed a peace accord with Lonmin on Thursday to open up a path to a settlement, despite AMCU's holding out.

The violent rise of AMCU is also the most serious challenge to the unwritten pact at the heart of the post-apartheid settlement -- that unions aligned to the ruling ANC deliver modestly higher wages for workers, while ensuring labour stability for big business.

AMCU says it represents about 7,000 workers at the Lonmin operations. It has been around for more than a decade but has only made itself a force in the labour market in the last year or so.

It and other upstart unions have been drilling into a growing seam of discontent and poaching NUM members or picking up the unorganised at Lonmin, Aquarius and at the world's largest platinum mine run by Impala Platinum , which shut for 6 weeks early this year amid labour blood-letting.

President Jacob Zuma cut short a foreign visit in the immediate aftermath of the Marikana shootings, but his wooden performance and heavily staged-managed meetings with victims and miners has damaged his "man of the people" image.

He has ordered a government panel to look into the responsibility of the feuding unions, Lonmin and police for violence that included 34 miners being shot dead by police on Aug 16 in what has been dubbed the "Marikana Massacre."

A survivor of last month's police killing said officers shot fleeing and surrendering men beyond the eyes of the media.

Striking miners have said the NUM has paid far too much attention to keeping close ties with the ANC, at the expense of workers in the shafts.

Analysts have said the conflict has laid bare the problem of income disparity that has grown worse since the ANC took over and is now among the highest in the world. While mining wages have gone up, miners are often the sole bread winners for extended families mired in chronic poverty.

But the ANC, along with its governing alliance partners labour federation COSATU and the Communist Party, said mining companies are clearly to blame.

"It is therefore our considered view that employers have an interest in fanning this conflict to reverse the gains achieved by workers over a long period of time," they said in a statement.

BHP, Xstrata attack coal costs in Australia; jobs to go

MELBOURNE, Sept 10 (Reuters) - Top global miners BHP Billiton and Xstrata Plc announced they were cutting high-cost coal production in Australia as they battle weak coal prices, rising costs and a strong Australian dollar.

The moves will add to worries that Australia's mining boom, the engine that pulled the country through the global financial crisis to post 21 years of growth, is fading, with jobs and production being cut.

BHP said it was closing the loss-making Gregory open-cut mine and said it would look to redeploy workers to its other nines run under a BHP Billiton-Mitsubishi alliance.

"The decision follows a continuing operational review of the Gregory Crinum operations, which determined that the Gregory open-cut mine production was no longer profitable in the current economic environment of falling prices, high costs and a strong Australian dollar," it said in a statement.

The Gregory mine is the second coal mine to be shut by BHP, following the closure of the loss-making Norwich Park mine in April.

Xstrata, Australia's top thermal coal exporter, said separately it was cutting around 600 jobs, including permanent staff and contractors, and would focus on curbing high-cost production at some of its 12 Australian mines.

Xstrata, the subject of a takeover offer from its biggest shareholder, Glencore International Plc , said the cuts would not affect its production volumes materially nor affect its approved projects.

A spokesman was not immediately available to comment on what percentage of Xstrata Coal's staff were losing their jobs.

The moves by BHP and Xstrata come on the heels of no.3 iron ore miner Fortescue Metals Group's move to cut more than 1,000 jobs due to a tumble in iron ore prices, and follows BHP's decision to defer more than $40 billion in projects, including a coking coal expansion.

Xstrata said its Ravensworth North, Ulan West and Rolleston expansion projects were continuing and remained on budget and on schedule.

GENERAL NEWS *(Continued)*

Analysts have predicted Xstrata will delay its landmark Wandoan project, estimated at $6 billion and which would be Australia's biggest coal mine with a capacity of 22 million tonnes a year, due to the uncertain outlook for coal demand and rising capital costs.

"Feasibility studies into our Wandoan Project continue, to enable an investment decision once relevant approvals have been completed and market conditions permit," the company said.

U.S. steel, coal shares surge on China building plan

Sept 7 (Reuters) - China's approval of a $157 billion infrastructure building plan sent U.S. steel and coal company shares surging on Friday on the hopes it would stimulate the two sectors that have struggled to rebound from the recession.

The biggest gainer was coal miner Alpha Natural Resources , whose shares rose more than 16 percent on the New York Stock Exchange, while iron ore miner Cliffs Natural Resources added 14 percent and U.S. Steel gained 8 percent.

Michelle Applebaum, an analyst with Steel Market Intelligence in Chicago, said the jump in shares was clearly a reaction to the news out of China.

"Steel prices are determined globally, not domestically. What matters is what happens in China." She noted that 55 percent of global steel demand comes from China, compared with 8 percent from the United States.

Wall Street's positive sentiment was also buoyed by Thursday's European Central Bank (ECB) bond-buying program to resolve the euro zone debt crisis, she said.

"Any good global news matters, but especially in China."

Both the steel and coal sectors have been depressed in recent months as demand weakened, sending prices down. China's decision to greenlight 60 building, highway and railroad projects was clearly welcomed by investors who had deserted the sectors where share prices had plummeted.

William Burns, a coal industry analyst with Johnson Rice & Co in New Orleans, said the combination of the ECB move and China's roads and railways plan likely sent the stocks up.

"The Euro thing was an indication the economy will strengthen," he said. "And China's highways will require steel." Metallurgical coal, is a key ingredient in steelmaking.

"Chinese markets have been down recently and people have been very bearish," said Michael Dudas, of Sterne Agee.

He said the ECB action, and also hints that the U.S. Federal Reserve might make a move to stimulate the U.S. economy, were probably behind Wall Street's move back into coal and steel.

"There are stimulus hopes here and abroad, and China certainly does not hurt," said Dudas.

U.S. Steel shares closed the day up 8.74 percent at $20.89, AK Steel rose 7.6 percent to $5.78 and Nucor added 3.4 percent to $39.40. On the Nasdaq, Steel Dynamics closed 3 percent higher at $12.32.

Coal shares also rose. Alpha Natural Resources surged 16.75 percent to $6.90, and Peabody Energy gained 10.79 percent to $23.71. Arch Coal was 8.19 percent higher at $6.60 and Consol Energy jumped 6.9 percent to $31.21.

Cliffs Natural Resources whose iron ore is another ingredient in the steel-making process, gained 14.48 percent to close at $39.91.

TRADING PLACES

Specs up gold, silver length to most bullish since March

Sept 7 (Reuters) - Money managers, including hedge funds and other large speculators, raised their bullish bets in gold and silver to their largest holding since March on expectations of easing measures from major central banks.

Speculators in gold raised their net length by 13,088 contracts to 144,775 contracts during the week ended Sept. 4, data from the Commodity Futures Trading Commission (CFTC) showed on Friday.

This was the largest net long position the group has held since the week of March 11, when they were long on 145,997 contracts.

During the week covered by the data, the price of gold soared to a 5-1/2 month peak near $1,700 an ounce after lackluster manufacturing data from around the globe fanned speculation of monetary easing measures from major central banks.

On Thursday, the European Central Bank (ECB) unveiled a potentially unlimited bond-buying program in its latest effort to contain the region's debt crisis. In silver, the group added 2,626 contracts to bring their net long position to 28,153 contracts, the largest holding since the week of March 4, when they were long on 33,503 contracts.

After switching to a net long position in copper last week for the first time in 14 weeks, speculators dumped 2,586 contracts this week to hold a net long position of just 674 contracts.

Shanghai steel posts biggest day gain on building drive

SINGAPORE, Sept 7 (Reuters) - Shanghai steel futures rose 5 percent, their biggest percentage gain on record, and spot iron ore posted its biggest gain in 10 months on Friday after China approved infrastructure projects to revive its economy, raising prospects of higher steel demand.

TRADING PLACES *(Continued)*

China gave the go-ahead for 60 infrastructure projects this week which analysts estimate total more than 1 trillion yuan($158 billion), or 2.1 percent of China's economy.

The news lifted investor sentiment in a market hammered by weakening steel demand in top consumer China that has dragged down iron ore prices to three-year lows.

The most active rebar (reinforced bar) contract for January delivery on the Shanghai Futures Exchange moved up by 5 percent, its daily upside limit, to 3,406 yuan per tonne.

Benchmark iron ore with 62 percent iron content rose 2.3 percent to $89 a tonne, after falling to $86.70 on Wednesday, its lowest since October 2009, according to data provider Steel Index.

"This is boosting investor sentiment in a market that has been waiting for so long for the government to do something to revive steel demand," said Helen Lau, senior commodities analyst at UOB-Kay Hian in Hong Kong.

But Lau said the sentiment lift may be temporary pending details on how these projects would be financed, with the central government unlikely to shoulder the funding burden.

China's continued curbs on the property sector may also limit the impact of the infrastructure projects, said Lau, noting that property construction accounts for 30 percent of China's steel demand versus 20 percent for infrastructure.

Steel traders in Europe said it will take months for China to implement these infrastructure projects and they are unlikley to lift physical steel prices until next year, as the industry is still massively oversupplied.

Despite the steep gain, Shanghai rebar dropped a marginal 0.3 percent for the week, stretching its losing streak to a fourth week after prices hit a series of record lows over the past three days.

Steel prices, down 18 percent this year, have been pressured by waning demand in China that has forced mills to curb output and trapped iron ore prices at near three-year lows.

The price of steel billet in Tangshan in China's top steel producing province of Hebei fell another 50 yuan to 2,690 yuan per tonne on Thursday, dropping by 200 yuan since Monday.

China's average daily crude steel output fell 3 percent to 1.872 million tonnes between Aug. 21-31 from the preceding 10 days, data from the China Iron and Steel Association showed on Thursday, as steel mills trimmed output amid slumping prices.

Many however think that much bigger production cuts are needed to see any significant rebound in physical steel prices.

STILL CHALLENGED

Deals in the spot iron ore market pointed to more stable prices, although traders say it may be too early to determine whether a turnaround is on the way. "We still haven't heard better deals but the market was more stable than yesterday," said an iron ore trader in Shanghai.

Brazil's Vale , the world's biggest iron ore miner, is selling around 150,000 tonnes of 63.8-percent grade iron ore fines at a tender closing later on Friday, traders said. Vale sold a similar cargo of 64.16-percent grade material at $91.5 a tonne earlier this week, they added.

"We believe that support for iron ore prices could continue for the next several days, however we see the fundamentals for iron ore as remaining quite challenged, with excess steel evident within China as domestic steel mills remain reluctant to cut production sufficiently to re-balance the market," Deutsche Bank said in a note.

"Weakness in iron ore could re-appear failing discipline in the Chinese steel market or some government stimulus action .

MARKET NEWS

Alcoa says has no new potential buyers for Italian smelter

ROME, Sept 7 (Reuters) - Aluminum maker Alcoa Inc. said on Friday it had received no new expressions of interest for its Sardinian smelter, denying Italian government claims that two different groups were looking at saving the plant from closure.

"Since Aug. 1 we have not received any new and concrete expressions of interest by potential buyers," Alcoa said in a written statement.

Italy's industry ministry said on Aug. 31 that Swiss-based commodities and mining group Glencore was mulling taking over the smelter, and this week a government official said a U.S. multinational had sent a letter of interest.

Prime Minister Mario Monti's government is under intense pressure from labour unions to save the unprofitable factory.

The Alcoa factory on the Mediterranean island of Sardinia employs some 500 workers with a further 1,000 directly depending on the plant.

Three of the smelter's workers spent a third night camped on top of a 60-metre (197-fooot) water tower at the factory to protest against its gradual shutdown.

Closure of the plant, a major employer on Sardinia, would be a heavy blow for the island, already beset by 15 percent unemployment.

Alcoa said the shutdown, which started on Sept. 1, would continue, but that the smelter would be maintained for another year "ready to be restarted by another operator, if one comes forward," according to the statement on Friday.

Italian officials, labour unions and Alcoa are scheduled to meet in Rome on Monday to discuss the plant's closure, and any possible offers.

MARKET NEWS

Bomb scare at Alcoa Italy plant ramps up tensions over shutdown

ROME, Sept 8 (Reuters) - Italian bomb disposal experts safely exploded a device on Saturday left outside the Sardinian plant of Alcoa Inc. , in an escalation of tensions over the U.S. aluminium producer's plans to shut down the factory.

The controlled explosion of the device, made up of eight sticks of what initially appeared to be gelignite, was broadcast on Italian television.

Italian news agency ANSA said it was also equipped with a fuse that could have allowed it to be set off remotely.

But that was not confirmed by a local police source, who said the nature of the package was still unclear. "The experts are still working to establish whether it could have exploded," the official told Reuters.

Bomb disposal experts were called after an anonymous caller told ANSA the device had been left outside the smelter at Portovesme on the Mediterranean island of Sardinia.

Prime Minister Mario Monti's government is under intense pressure from labour unions to save the unprofitable smelter at Portovesme.

It employs some 500 workers with a further 1,000 directly depending on the plant. Its closure would be a heavy blow for an island already beset by 15 percent unemployment.

Three workers spent three nights this week camped on top of a 60-metre (197-foot) water tower at the factory to protest against its gradual shutdown.

Alcoa said the progressive shutdown, which started on Sept. 1, would continue, but that the smelter would be maintained for another year "ready to be restarted by another operator, if one comes forward," according to a statement on Friday.

The firm is scheduled to meet in Rome on Monday with Italian officials and labour unions to discuss the plant's closure and any possible offers.

Pan Pacific buys 40 pct of large S. America copper mine

TOKYO, Sept 10 (Reuters) - Pan Pacific Copper (PPC) , Japan's biggest copper smelter, bought 40 percent of a large South American copper mine from the Japanese government as the company aims to increase the volume of ore it refines that comes from its own mines.

Japanese copper smelters are stepping up acquisitions of upstream copper assets to hedge against any increase in ore prices.

Their profit margin on smelting has dwindled to less than 5 percent of copper prices quoted on the London Metal Exchange.

Pan Pacific, a unit of JX Holdings Inc, and the government corporation Japan Oil, Gas and Metals National Corp (JOGMEC) said on Monday Pan Pacific had bought for an undisclosed sum JOGMEC's 40 percent stake in the mine located in a region called Frontera that extends over Argentina and Chile.

Canadian miner Ngex Resources Inc continues to hold the remaining 60 percent stake.

The Nikkei business paper reported on Sunday the smelter bought the stake for several billions of yen.

A Pan Pacific spokesman, who asked not to be identified due to the company's policy, said the mine's potential output volume and production schedule had yet to be decided.

"We need to conduct an extensive feasibility study, but there is a possibility that the deposit is as big as our Caserones mine in Chile," he said.

Pan Pacific's 75 percent-owned Caserones mine in Chile will start producing 140,000 tonnes of copper in terms of copper content in 2014.

Pan Pacific, which produces 540,000 tonnes of copper a year, expects its ore self-sufficiency rate to rise to 50 percent of its total output in 2014 thanks to the Caserones output, helping it to reduce the reliance on large miners such as Freeport McMoRan Copper & Gold Inc and BHP Billiton .

China copper imports fall in August as demand slows

HONG KONG, Sept 10 (Reuters) - China's August copper imports fell 2.9 percent from the previous month, preliminary customs data showed on Monday, reversing July's uptrend as the economic slowdown in the world's top consumer of the metal cut demand.

The slight decline was in line with importers' expectations as most Chinese buyers did not place spot orders in August.

Arrivals of anode, refined metal, alloy and semi-finished copper products totalled 355,856 tonnes in August, the second-lowest this year. In July, the amount was 366,548 tonnes.

"The data was a slight fall and reflected that demand in China did not change much in July and August," Zhang Ao, analyst at Minmetals Futures said. "The small decline could be a result of shipment schedules."

August's copper imports are 4.5 percent higher than a year earlier, largely because importers had signed contracts for more term shipments this year than last year, Zhang said.

Demand, however, has not picked up so far as the economic slowdown, and a weak property sector, reduced purchases for home appliances such as air-conditioners that used copper tubes.

GRAPHIC: China copper imports:http://link.reuters.con/muq96s

MARKET NEWS *(Continued)*

"We received about the same amount of copper in August as July even though demand for our product was not good," said a purchaser for a large firm which uses refined copper, the most popular type in the Chinese and international markets.

Traders had hoped demand for copper wires and cables would get a boost from the government by the end of August as it expands infrastructure spending, but the amount of orders placed by the state has so far fallen below expectations.

In an indication of weaker demand in August, bonded refined copper stocks in Shanghai rose to about 650,000 tonnes in early September from about 620,000 tonnes a month earlier, traders estimated.

The stocks traded at premiums of $30 to $80 over the cash London Metal Exchange prices last week, down from $50 to$80 late in July, traders said.

China Aug iron ore imports up 7.9 pct as domestic output drops

BEIJING, Sept 10 (Reuters) - China's imports of iron ore in August rose 7.9 percent from the previous month to a three-month high with buyers turning to the international market as a collapse in prices forced domestic producers to slash output.

Total imports of the steelmaking raw material reached 62.45 million tonnes in August, defying expectations and a collapse in domestic steel demand to reach their highest level since May.

Analysts suggested a rapid price decline had forced high-cost local producers out of the market, while spot purchases increased as buyers deferred some costlier contract shipments.

"It's really all about domestic ore being too expensive, with mills switching to cheaper imported ore bought on spot," said Sebastian Lewis, head of analytics with Steel Business Briefing in Shanghai.

"Mills are cutting production a little, but it's likely that spot activity has picked up some of the slack with mills pushing back on contracts but buying on spot," he said.

Benchmark 62 percent iron ore prices shed a quarter of their value in August, dropping about $28 to $89.4 per tonne over the month, according to the Steel Index. Analysts are predicting further declines in the coming months.

The drop in iron ore prices triggered defaults and deferrals by China's steel mills on contract shipments of iron ore in August, with the additional volumes ending up on the spot market and depressing prices further.

Oversupply and a collapse in Chinese steel prices over the month had forced mills to live "hand-to-mouth" on cheaper port iron ore stockpiles instead of risking new bookings, the Steel Index said in a note to clients.

But despite the excess supply of steel in China and a weak demand outlook, mills continue to produce at near record rates of around 2 million tonnes a day.

Steel firms in China are wary about cutting production too much for fear of losing market share in a highly fragmented sector. Also, with the bulk of the country's major steel mills owned by the state, most steelmakers keep their furnaces burning to maintain employment.

The latest China Iron and Steel Association data showed a 3 percent fall in daily output over the Aug 21-31 period. Average daily runs fell to 1.872 million tonnes, the lowest level since late February.

EU says may be regional fund help for Italian steel plant

CERNOBBIO, Sept 9 (Reuters) - The European Commission is prepared to play its part in trying to save the giant ILVA steel mill in the southern Italian city of Taranto, with financial support potentially available through the EU regional fund, Industry Commissioner Antonio Tajani said.

"We are ready to do whatever we can. We are committed to keeping the steel industry in Europe," Tajani told Reuters at the margins of a conference in northern Italy at the weekend.

He said he would take part in a meeting with the Italian authorities next Friday in the regional capital Bari to discuss the future of the plant, which has been blamed for deadly leaks of cancer-causing chemicals.

In July Italian prosecutors appointed special administrators at the plant, the biggest of its kind in Europe, saying toxic emissions coming from the mill had caused an "environmental disaster" in Taranto and the surrounding region.

ILVA has until the end of September to come up with a plan to clean up the plant or risk a total shutdown, following a damning court ruling which accused operators of knowingly allowing the deadly pollution to continue.

The plant, which has around 12,000 workers with another 8,000 jobs dependent on it, is one of the few major industry employers in a recession-struck region of high unemployment.

Tajani said the regional government in Puglia could ask the EU Commission to allow resources already earmarked by the European Regional Development Fund (ERDF) but not yet spent by the region to be used for the ILVA plant.

"This would be the quickest and easiest way to find financial resources for the ILVA plant," Tajani said. "Money coming from the ERDF could be used for mitigating the environmentl impact caused by ILVA production," the Commissioner said.

He also called for the European Investment Bank to step in, to create a guarantee fund to support private investment for the ILVA plant's restructuring.

A government-appointed commission is currently studying what measures will be needed to get environmental approvals to be issued for the plant. Their recommendations are expected at the end of the month.

MARKET NEWS *(Continued)*

Indian iron ore exports fall over 40 pct in Apr-June

MUMBAI, Sept 8 (Reuters) - Exports of iron ore from India, once the world's third-biggest supplier, fell more than 40 percent in the April-June quarter, mainly because of a slowing China as well falling global prices.

A 30 percent export duty imposed by the government led to a further drop in overseas sales, making Indian ores less attractive compared with Brazil or Australia.

Iron ore exports fell to 12.11 million tonnes or worth 52.36 billion rupees in the first quarter of the fiscal year, a statement from ministry of mines said quoting data from the finance ministry.

India exported 57.35 million tonnes of iron ore in the last fiscal to March 2012, d own 42 percent from the year ago period, the statement said.

Indian miners have been selling iron ore at low profits or even loss as global iron ore prices declined 36 percent since early July.

On Monday, India's Supreme Court allowed 18 mines in the southern state of Karnataka to resume production, that could free about 5 million tonnes of output mainly for steel makers along with 1 million tonnes a month from NMDC , the country's biggest iron ore miner.

Voestalpine calls for EU plan to shrink steel industry

VIENNA, Sept 7 (Reuters) - Austrian steelmaker Voestalpine's chief executive called on Friday for European politicians to help come up with a plan to cut capacity in Europe's ailing steel industry in a controlled way, to avoid having to prop up the sector with government bailouts.

Wolfgang Eder, who is also president of the European steel association Eurofer, told Germany's Finanz und Wirtschaft newspaper that European steel production was unlikely to ever return to pre-crisis levels following a collapse in the building industry and dwindling demand from carmakers.

Steelmakers globally are struggling with falling demand in Europe and Japan and slowing growth in China, the world's largest producer and consumer, leading to massive overcapacity and price wars.

"The steel industry could fall back into the mistake of the 1980s, in which it would demand subsidies and keep obsolete plants running for social and political reasons," Eder was quoted as saying by the newspaper.

"The experience we made then was catastrophic." The steel industry employs about 400,000 people in the European Union.

"I would advocate using the self-correction powers of the market in a controlled way," Eder said. "That means we would need an industrial-political signal from Brussels that the steel industry should work on a plan to match capacity with current demand."

Indonesia's Aug refined tin exports down 32 pct on low prices

JAKARTA, Sept 7 (Reuters) - Shipments of refined tin from Indonesia fell 32 percent in August on the month, a trade ministry official said on Friday, as current low prices for the metal hold down supplies from the world's top exporter.

Indonesia's August tin exports fell to 5,645.87 tonnes from 8,298.47 tonnes in July, as low prices forced tin producers to close operations and hold back on spot market sales. Shipments in July had dropped 14 percent on the month. "Exports were down because the international market price for tin was still not conducive for exports," said Johan Murod, chief executive of Babel Tin Group.

August exports were also down 34 percent from the same period last year. Benchmark London tin prices slumped from record highs above $33,000 a tonne last year to $17,400 a tonne in mid-August, with demand and the outlook hit by the global economic slowdown and the euro zone debt crisis. Since then LME tin prices have recovered slightly, to stand at $20,024 a tonne on Friday. However, any rapid upward trend in tin prices was likely to be short-lived, analysts said. "News coming out of Indonesia was pretty positive, which is why tin outperformed the other base metals," said Barclays metals analyst Gayle Berry, adding that tin prices had gained around 10-12 percent over the past three weeks.

Berry attributed the rise to factors such as smelters' plans to cut production, an announcement by biggest tin miner PT Timah Tbk that it would halt spot sales, a massive increase in LME cancelled warrants and increasing imports into China. But that could change soon. "What's taken a shine off that is you've got Timah saying 'Ah, yes, now that prices have improved we're going to resume spot sales again'," Berry said.

Tin prices would need to climb above $23,000 a tonne to begin to push exports, Murod said, adding that at least five of the smelters in the main tin-producing region of Bangka-Belitung remained shut. But production would most probably resume before prices reached that level, said one metals analyst who declined to be identified.

"The market's come to view the periodic threats by the industry as hollow. The discipline on the producers' side tends to waver as soon as prices move in the direction the industry wants. This results in any rallies being snuffed out as soon as producers start sneaking material back into the market."

Indonesia's tin smelters have a history of disrupting supplies in efforts to boost prices, although analysts have been sceptical of such moves, given economic and investor sentiment. In an effort to push global prices above $23,000 a tonne, tin smelters in Bangka-Belitung imposed a brief ban on exporting ingots from October last year, but the embargo did not hold.

Total 2011 exports of tin, mainly used in soldering for electronics, rose almost 4 percent to 96,019.76 tonnes.

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

Daily LME Aluminium 3-months

Daily LME Copper 3-months

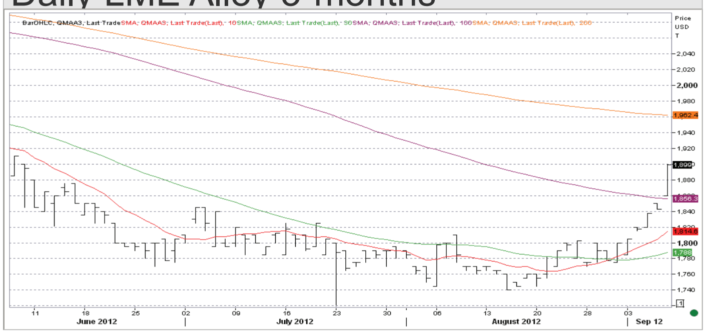
Daily LME Nickel 3-months

Daily LME Zinc 3-months

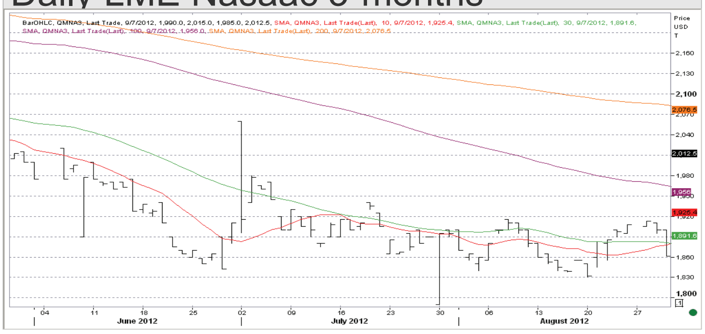
Daily LME Lead 3-months

Daily LME Tin 3-months

Daily LME Alloy 3-months



Daily LME Nasaac 3-months



MARKET REVIEW

METALS-Copper, zinc at 4-month highs on stimulus hopes

SHANGHAI, Sept 10 (Reuters) - Shanghai copper and zinc hit their highest levels in four months on Monday as hopes that the United States and China will roll out more stimulus measures offset a slight decline in China's August copper imports.

The Shanghai contracts were also catching up with gains in London on Friday, when base metals rallied on news of a $150-billion infrastructure building programme by Beijing and on hopes of easing by the Federal Reserve after disappointing U.S. jobs numbers.

The most active December copper contract on the Shanghai Futures Exchange shot up 2.6 percent to a session high of 58,130 yuan ($9,200) per tonne, the highest since early May, before edging down to 58,050 by 0407 GMT.

This was despite a 2.9 percent fall in Chinese copper imports in August from July, which Great Wall Futures analyst Li Rong attributed to China's still-sluggish downstream order books and lower financing demand due to easing credit conditions.

Market players said base metals were mostly bolstered in the session by expectations of the Fed embarking on another round of bond purchases, also known as QEIII, next week. The chances of this have jumped after disappointing August U.S. employment numbers released on Friday, according to a Reuters poll of economists.

"We are mostly looking forward to the Federal Reserve meeting for announcement of QEIII, which we think will boost commodities more than infrastructure-building programmes in China and more policy details from the euro zone," said a Shanghai-based trader with an international firm. "But if the Fed doesn't roll out a QEIII soon, base metals prices are expected to fall."

All eyes are also on Europe this week, where key events include a Sept. 12 ruling by Germany's constitutional court on the new euro zone bailout fund.

Madrid intends to discuss conditions attached to the ECB's bond -buying plan with euro zone finance ministers this week� while global lenders will return to Athens to assess Greece's austerity reforms before granting a bailout crucial to keeping the country afloat. A European Union finance ministers meeting is set for Sept. 14-15.

Three-month copper on the London Metal Exchange , which already hit a near-4 month high in the prior session, extended gains on Monday by 0.4 percent to $7,998 per tonne. It had earlier hit a session high of $8,026 - the first time it broke above $8,000 since May 14.

Shanghai zinc hit a session high of 15,460 yuan, the highest since early May.

Shanghai lead rose to a high of 15,910 yuan, the loftiest since March. Shanghai aluminium touched 15,785 yuan, the highest since mid-June.

Also helping to spur stimulus hopes was a media report on Sunday that China would provide subsidies worth $2.2 billion to buyers of energy-efficient computers and air-conditioners in the latest effort to encourage the use of environmentally friendly technology and to stimulate domestic demand, especially after recent weak economic data.

A longer term plan by Beijing to order its dominant electricity distributors to source up to 15 percent of their power from renewable energy including wind may also boost the construction of more energy facilities and boost metals demand.

But slow compliance with this order means it may be years before the country's struggling wind power developers benefit, industry executives say.

In industry news, trading in shares of Glencore International Plc was suspended on Monday, pending the release of information relating to its proposed all-share merger of equals with Xstrata Plc .

PRECIOUS-Gold hovers near 6-1/2-mth high on Fed stimulus hopes

SINGAPORE, Sept 10 (Reuters) - Gold held steady near a 6-1/2-month high on Monday, buoyed by expectations for the Federal Reserve to take imminent easing action after the latest data painted a bleak picture of the U.S. job market.

Friday's data showed U.S. job growth slowed significantly in August, fanning hopes that the Fed will announce another round of quantitative easing, also known as QE3, at this week's policy meeting.

Easing monetary policy leads to expectations of rising inflation and drives investors to bullion, seen as a good hedge against rising prices.

"The possibility of QE3 has definitely grown, but the risk is also climbing as if we were about to draw the last card at a poker game," said a Shanghai-based trader.

"If QE3 is announced, gold is very likely to break above $1,800. But before that we may see some fluctuation in prices."

Spot gold edged down 0.1 percent to $1,734.14 an ounce by 0640 GMT, after rising to $1,741.30 the session before, its highest since Feb. 29.

U.S. gold lost 0.2 percent to $1,736.80, paring some of its 3-percent gain from last week.

Technical analysis showed a bullish picture for spot gold, suggesting prices may rise towards $1,786 during the day, Reuters market analyst Wang Tao said.

Graphic: Spot gold 24-hour technical outlook

http://graphics.thomsonreuters.com/WT1/20121009092939.jpg

Graphic: Hong Kong-China gold trade

http://link.reuters.com/mes52t

MARKET REVIEW *(Continued)*

Graphic: CFTC commitment of traders

http://r.reuters.com/buv87r

After months of dull trading, the precious metals market sprang into life in August as central banks around the world, especially the Fed and European Central Bank, signalled that they would launch more stimulus to aid frail economies.

Spot gold has jumped 7 percent over the past three weeks, while cash silver soared 20 percent during the period.

"Gold has been in the overbought territory since last week, and we may see some profit-taking as the volatile investment demand has been the main factor behind the recent rally," said Lynette Tan, an analyst at Phillip Futures in Singapore.

Speculators raised net bullish bets on U.S. gold futures and options rose to a six-month high 144,775 contracts in the week ended Sept. 4, according to data from the U.S. Commodity Futures Trading Commission.

Investors piled into gold-backed exchange-traded funds as well. Holdings of gold ETFs rose to a fresh record high of 72.125 million ounces on Friday.

In other news, Hong Kong's July gold shipments to China nearly doubled on the year, while exports over the first seven months exceeded total 2011 volumes, suggesting China is well on its way to overtake India as the world's top gold consumer.

FOREX-Euro slips but cushioned by Fed stimulus hopes

SINGAPORE/SYDNEY, Sept 10 (Reuters) - The euro eased against the dollar on Monday but still held near a four-month high, after weak U.S. jobs data fanned speculation that the Federal Reserve would launch more monetary stimulus this week.

The heightened expectations for the Fed to announce another round of bond purchases, known as QE3, at a two-day policy meeting that ends on Thursday were likely to support the euro over the next few days, traders and analysts said.

The euro dipped 0.3 percent to $1.2786 , with traders citing profit-taking in the wake of its rally on Friday, when the euro climbed to $1.2818 on trading platform EBS, its strongest level in nearly four months.

"The weak payrolls report has put QE3 firmly on the agenda for this week," said Annette Beacher, head of Asia-Pacific Research at TD Securities.

Traders said the fact that the euro has climbed above its June high around $1.2750 was technically bullish for the euro.

The euro may add to its gains and start rising towards $1.30 if the Fed announces QE3 this week and Germany's constitutional court backs the euro zone's permanent bailout fund in a ruling due on Wednesday, said Satoshi Okagawa, senior global markets analyst for Sumitomo Mitsui Banking Corporation in Singapore.

That won't mean clear sailing ahead for the single currency, however, with investors likely to continue to focus on developments in Greece and Spain, Okagawa said.

"We may see a false dawn, so to speak, and a rise to around $1.30," he said. "But if you ask whether that will lead to a full-blown change in trend, I think that might be difficult," he said.

Position squaring ahead of the Fed's policy decision could weigh on the euro in the near term, and a drop below $1.2750 could cause selling pressure to strengthen. But the single currency is likely to find support at levels around $1.2600 to $1.2650, said a trader for a Japanese brokerage in Tokyo.

"The preferred operation will probably be to buy on dips rather than to sell," the trader said about the euro.

DOLLAR UNDER PRESSURE

The dollar index, which measures the dollar's value against a basket of currencies, stood at 80.288, stuck near a four-month low of 80.151 hit on Friday after data showed U.S. jobs growth slowed sharply in August.

In a Reuters poll conducted after the jobs numbers, economists saw a 60 percent chance of the Fed embarking on QE3 this week, compared with the 45 percent chance seen in a late August poll.

More stimulus from the Fed would make it attractive for investors to use the U.S. dollar as a funding currency to buy higher yielding assets in carry trades. The expectations of Fed easing helped lend support to the Australian dollar, which retreated moderately after hitting a two-week high just above $1.0400 on Friday.

The Australian dollar dipped 0.3 percent to $1.0358 , having come under a bit of pressure after data showed a surprising year-on-year drop in China's imports in August. The Aussie dollar tends to be sensitive to economic data from since China is Australia's single-biggest export market.

The U.S. dollar eased 0.1 percent versus the yen to 78.24 yen , hovering near a one-month low around 78.02 yen hit on Friday.

Japanese authorities may start stepping up their rhetoric against the yen's rise versus the dollar, if the dollar were to drop below 77.90 yen, a low hit in early August, said SMBC's Okagawa, adding that such jawboning may help to curb the dollar's drop versus the yen.

(Inside Metals is compiled by Shruthi G in Bangalore)

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