INSIDE METALS

Wednesday, September 12, 2012

CHART OF THE DAY

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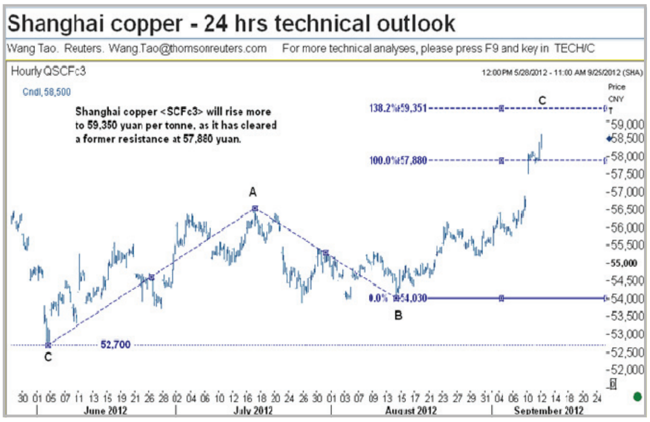

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TODAY'S MARKETS

BASE METALS: London copper snapped three sessions of gains to inch lower as some investors took profit on concerns that the contract had risen too quickly, but hopes of more economic stimulus kept prices hovering near a four-month high.

Losses are expected to be capped by bets that a German court ruling on the euro zone's rescue fund will be passed, while many investors are also hopeful that the U.S. Federal Reserve might announce another round of quantitative easing at a meeting this week.

"Despite recent optimism over stimulus programmes by major economies, investors are getting a little panicky at these high copper prices. Copper demand by downstream industries in China is still weak after all," said CIFCO Futures analyst Zhou Jie.

PRECIOUS METALS: Gold hovered near a six-month high as investors stayed put ahead of a German court ruling on the euro zone's rescue fund and the Federal Reserve's policy meeting, while a weaker dollar lent support.

The Fed is expected to launch another round of quantitative easing (QE3) at a two-day policy meeting starting on Wednesday that would provide a further lift for gold, which has climbed 7 percent over the past month on growing hopes for more stimulus measures.

The dollar dropped to a four-month low against a basket of currencies with the QE3 anticipation, and after Moody's warned about a possible U.S. credit rating downgrade. A weaker dollar boosts the appeal of commodities priced in the greenback for buyers holding other currencies.

"The market has fully priced in a positive outcome from the German court," said Nick Trevethan, senior commodity strategist at ANZ in Singapore. "It has also priced in fairly substantial expectations for QE."

FOREX: The U.S. dollar hovered near four-month lows against a basket of major currencies after Moody's warned it could cut the credit rating of the United States and on expectations of more stimulus measures from the U.S. Federal Reserve.

The euro was on hold after having rallied to four-month high against the dollar on Tuesday, though it could gain further if Germany's Constitutional Court approves the country's participation in the euro zone's bailout fund. The ruling is due at 0800 GMT.

"Although everyone has been aware of the potential risks in the U.S. fiscal situation, a warning at this time was a bit of surprise and triggered fresh selling," said Teppei Ino, currency analyst at the Bank of Tokyo-Mitsubishi UFJ.

GENERAL NEWS

Qatar keeps Glencore guessing on Xstrata bid

LONDON, Sept 11 (Reuters) - Qatar, Xstrata's second-largest investor, has held back immediate support for Glencore's raised bid for the miner, despite an apparent rapprochement last week, saying in a rare statement on Tuesday it was still considering its position.

The tiny, gas-rich Gulf state has become an unexpected kingmaker in commodity trader Glencore's now $36 billion bid for Xstrata, the world's fourth largest diversified miner, and its efforts to create a mining and trading powerhouse.

Through aggressive buying in the market since the proposed takeover was announced in February, Qatar's sovereign wealth fund has built up a stake of more than 12 percent in Xstrata - a key position in a deal structure that allows just 16.5 percent of Xstrata shareholders to block any bid.

"Qatar Holding wishes to make clear that it has made no decision yet as to whether or not it would accept the revised proposal," it said in a brief statement, its first since Glencore's revised final bid was released on Monday.

"QH will make its decision in due course after giving careful consideration to the implications of the proposed management changes, the other elements of the revised proposal and the views of Xstrata's board."

Qatar's surprise announcement in June that it would not support the initial offer from Glencore, which owns 34 percent of Xstrata, eventually forced the commodities trader to back down at the last minute last week and raise its all-share bid, though not to the ratio initially demanded by the Gulf state.

Until Tuesday, Qatar had been silent on the revised offer.

Sources familiar with the matter have said Qatar, irked by the assumption that it would automatically back any higher Glencore offer, feels little pressure to decide on its position immediately and could even wait beyond a statement from Xstrata's board, due by Sept. 24, and hold out until closer to a vote, which could be in over a month's time.

Other institutional shareholders, in the process of being consulted by Xstrata's board as it considers its recommendation, indicated on Monday they thought the deal could get done, though not all were pleased with changes, including plans to make Glencore's Ivan Glasenberg chief executive of the combined group instead of Xstrata's Mick Davis.

Glencore confirmed on Monday that it was raising its bid to 3.05 new shares for every Xstrata share held, up from 2.8, which Qatar had said was not enough.

Qatar had said in June that it saw the appropriate ratio as 3.25, but in recent days had indicated it could yield a little.

The revised offer represents a 27 percent premium to the ratio at which Glencore and Xstrata were trading last week, when the market believed the deal would collapse.

It was released after a weekend of intense negotiations and has been seen by those close to the deal as more conciliatory and less aggressive than proposals presented to Xstrata's board on Friday, just minutes before the miner's shareholders were due to vote on Glencore's original bid.

ANC rebel calls for national mine strike in S.Africa

CARLETONVILLE, South Africa, Sept 11 (Reuters) - ANC renegade Julius Malema called on Tuesday for a national strike in South Africa's mining sector, stirring fear of an escalation in the labour unrest already buffeting the platinum and gold industries in the continent's largest economy.

The flagship sector has been hit by a walkout that culminated in mid-August in violence between striking miners and police that killed 44 people. Of these, 34 were miners shot in a single day by police at the Marikana mine of Lonmin , the world's No. 3 platinum producer.

The so-called "Marikana massacre" has brewed a political storm for President Jacob Zuma and his African National Congress (ANC) government. Detractors accuse them of neglecting the working masses who fought and shed blood to help achieve the end of white-minority apartheid rule in 1994.

The industrial trouble rocking the platinum belt has spread to gold, with a second illegal strike in as many weeks at a mine run by world No. 4 bullion producer Gold Fields , where 15,000 workers downed their tools on Sunday night.

"There must be a national strike in all the mines," Malema, who has previously led calls for the nationalisation of South Africa's mines, told Gold Fields strikers on Tuesday at a stadium in Carletonville west of Johannesburg.

Malema is the disgraced former head of the ANC's youth wing who was expelled from the party earlier this year for indiscipline. A skilful political operator with a populist touch, he and other opponents of Zuma have been trying to use the mine unrest to pressure the president ahead of an ANC leadership conference in December.

The labour upheaval is damaging the ruling ANC's claim to be a champion of worker interests, even as it tries to promote stable growth in the world's top platinum-producing state.

There was no end in sight to the month-long strike that has paralysed Lonmin after thousands of protesters armed with sticks and machetes marched in a show of force on Monday, vowing to hunt and kill strike-breakers.

In a sobering reminder of the violence in the area, police said they found a male body on Tuesday that had been hacked to death but would not speculate as to reason for the killing.

The few workers who wanted to report for duty at Lonmin's Karee mine on Tuesday were asked to stay away for their own safety as strikers gathered nearby, said Gideon du Plessis, deputy secretary general of the trade union Solidarity.

GENERAL NEWS *(Continued)*

"The strikers started intimidating people very early this morning and so the area around the Karee mine was declared unsafe," he told Reuters.

Planned talks for Tuesday did not get off the ground with government arbitrators saying they have not given up hope on brokering a deal to end the impasse.

A precondition for wage negotiations is for workers to return to their posts. If the mediator pulls out, Lonmin will have to deal directly with the workers, who have promised not to return until their demand is met for a more than doubling of their basic monthly wage to 12,500 rand ($1,500).

The platinum sector has been shaken by a violent turf war between the dominant National Union of Mineworkers (NUM), a longtime political ally of the governing ANC, and the militant Association of Mineworkers and Construction Union (AMCU).

"POLITICAL FOOTBALL"

The labour troubles stem in large part from rank and file discontent over NUM's leadership, which is regarded as out of touch and too close to management and the ANC.

The Gold Fields strikers are demanding the removal of their NUM branch leaders. Malema told them that the national bosses including NUM General Secretary Frans Baleni must also step down.

COSATU, the mother union federation to which NUM belongs and partner to the ANC in South Africa's governing alliance, condemned Malema's call for a national mine strike.

"He is playing a dangerous game, exploiting the emotions of angry workers. This can only inflame tensions within the mining industry, flames which he is quite incapable of quenching," the federation said in a statement.

It added: "COSATU urges workers not to allow themselves to be used as a political football, to remain united and strong and to focus their anger on their real enemy, the mining bosses."

Gold Fields last week resolved an illegal strike by 12,000 workers at another mine who voiced similar anti-NUM grievances.

The world's largest platinum mine, run by Impala Platinum , was shut for six weeks earlier this year because of the AMCU/NUM turf war. On Tuesday, Implats said the latest wage demand from its work force was for another 8-10 percent hike on top of one conceded in April.

South Africa's mining industry is being sucked into a vicious circle as labour unrest spreads with steep wage demands that employers can ill afford.Glaring income disparities have also driven the worker militancy.

But many platinum shafts are unprofitable and soaring costs mean gold mines will also start losing money in just a few years' time if the precious metal's bull run is not maintained.

BNP Paribas cuts 2012 base metals demand growth outlook

Sept 11 (Reuters) - Global banker BNP Paribas lowered its world base metals demand growth forecast to 3 to 4 percent from 4 to 5 percent in 2012, and expects growth to accelerate modestly to about 5 percent in 2013.

"For all the talk of the slowdown, both cyclical and structural, in China, base metals demand there is still growing; it is just growing more slowly than hitherto," analyst Stephen Briggs said in a note to clients.

The analyst sees Chinese base metals demand rising about 6 percent on average in 2012 and by 7 to 8 percent in 2013, down from over 15 percent in 2010.

"Base metals demand continues to grow elsewhere too, except in Europe, which now accounts for less than 20 percent of first-use demand (compared with China at over 40 percent)," Briggs added.

Aluminum is expected to outperform, while copper is seen to be a laggard in terms of demand. Also, 2012 is proving a particularly weak year for nickel and tin.

BNP sees base metals rallying over the balance of 2012, as it expects the U.S. Fed to announce more quantitative easing and China to take further stimulus measures, along with physically tighter copper market in the coming months.

Philippines govt may fine Philex for mine leaks - minister

MANILA, Sept 11 (Reuters) - The government may fine the Philippine's biggest miner Philex Mining Corp at least 1 billion pesos ($24 million) for leaks out of its now shut Padcal gold and copper mine, the environment minister said on Tuesday.

Water and sediment from the mine are flowing to a river supplying water to a major power plant on the main Luzon island and the company, the country's top gold and copper miner, is struggling to contain the leaks which began last month, said Environment and Natural Resources Secretary Ramon Paje.

"We will not compromise the environment. They have to give us an assurance that the leaks have been stopped," Paje told a news briefing. "The (mine) closure is indefinite for now."

Philex spokesman Michael Toledo said the company had yet to receive formal notice from the government about the fines, and called the figures mentioned by Paje "questionable".

Philex first discovered leaks in the tailings pond at its Padcal mine in northern Benguet province in early August after two weeks of heavy rains.

Paje said Philex must also pay the government 200,000 pesos a day until all the leaks have been plugged.

GENERAL NEWS *(Continued)*

Last month Philex Chairman Manuel Pangilinan said the company's gold and copper exports would be suspended from September as a result of Padcal's closure.

Philex, controlled by Hong Kong-listed conglomerate First Pacific Co Ltd , earns more than 1 billion pesos a month from gold and copper exports.

It sells about 60 percent of Padcal's output to Japan's biggest copper smelter, Pan Pacific Copper, and the rest to smelters in South Korea and China.

Shares in Philex rose 1.8 percent on Tuesday, rebounding from heavy losses in recent days, as the broader market was flat. The stock has lost nearly 30 percent since it closed the Padcal mine on Aug. 1.

Australian mining magnate Rinehart battles kids in court

SYDNEY, Sept 12 (Reuters) - Gina Rinehart heads to an Australian court on Wednesday to do battle with her children over a multi-billion-dollar family trust, an unwelcome distraction for Asia's richest woman as she scrambles to secure funding for a $10 billion iron ore mine.

The case will also bring more unwanted public scrutiny to the iron ore heiress who has become more vocal on policy matters but prefers keeps her personal life under wraps and fought unsuccessfully to have the family dispute heard behind closed doors.

Some details of the case, which begins in the New South Wales Supreme Court on Wednesday, are likely to be surpressed. A ruling is not expected for some time.

The dispute has already caused a delay at Rinehart's flagship Roy Hill iron ore mine, rail and port project in Western Australia, which is now running into some stiff headwinds from slowing China demand and soaring costs.

A halving in iron ore prices over the past year has dented both investor appetite for such projects and the the 58-year-old widow's fortune, estimated by Forbes in February at around $18 billion.

Rinehart has been putting some of her vast wealth to work with purchases of media companies Fairfax Media and Ten Network Holdings in the past year, causing some consternation among the chattering classes.

Her opposition to taxes and calls for miners to be allowed exemptions from laws restricting the use of foreign labour have also put her on a collision course with government and unions.

Recently, Rinehart warned Australia was becoming too expensive for mining firms which she said could hire workers for under $2 a day in Africa.

Graphic on Rinehart's assets http://link.reuters.com/ryb39s

FAMILY TIES

Rinehart, known as the Pilbara Princess, has a long history of controversy and has played out much of her life in the media spotlight.

She is the only child of legendary Australian mining pioneer Lang Hancock, a larger-than-life character credited with discovering the world's largest deposit of iron ore in Pilbara, Western Australia.

Rinehart learned the business at her father's knee and, after a prolonged battle with his third wife following Hancock's death in 1992, cemented control of his company, Hancock Prospecting Pty Ltd.

Rinehart owns three-quarters of Hancock Prospecting and is the sole trustee of the family trust which holds a further 24 percent of Hancock Prospecting for the benefit of her four children.

Last year, just days before the trust was due to vest, Rinehart changed the vesting date to 2068, prompting her three eldest children -- Hope Rinehart Welker, Bianca Rinehart and John Hancock -- to fight to have her removed as trustee.

The youngest, London-based Ginia Rinehart, has sided with her mother in the dispute.

E-mails made public as part of the fight to keep the case private showed Rinehart told the children the vesting of the trust would likely trigger crippling capital gains tax liabilities for them. She also described the elder trio of children as being lazy and spoilt, and warned that their security would be at risk if they persisted with the action.

Robert Richards, a specialist in tax and trust law for high net worth individuals, said the plaintiffs would need to show that Rinehart did not act in the interests of the trust and was not impartial.

"You don't go and use the trust documents to penalise people and you certainly don't use it to benefit yourself," he said.

The early skirmishes in the family feud delayed the sale of equity stakes in Roy Hill, Rinehart has previously said.

South Korean steel giant POSCO , Japanese trading company Marubeni , South Korea's STX Corp , and Taiwan's China Steel Corp hold a collective 30 percent stake in the project, with Hancock Prospecting holding the remainder.

It is not clear what impact, if any, the removal of Rinehart as trustee of the family trust would have on Hancock Prospecting and its iron ore, coal and media empire. Shares in the company can only be held by Rinehart and her direct descendants and cannot be pledged as collateral.

MARKET NEWS

Japan end-Aug aluminium stocks up 11 pct m/m -Marubeni

TOKYO, Sept 11 (Reuters) - Aluminium stocks held at three major Japanese ports stood at 261,000 tonnes at the end of August, up 11 percent from 235,100 tonnes a month earlier, trading house Marubeni Corp said on Tuesday.

The stocks at the end of August were up 8.2 percent from 241,200 tonnes in the same month in 2011.

Marubeni collects data from the key ports of Yokohama, Nagoya and Osaka.

Japan, which has to import nearly all the metal it needs, consumes about 2 million tonnes of aluminium annually, or 5 percent of global demand.

The metal is widely used in products ranging from housing materials, planes and electronics to the food sector.

Ormet to cut output at Burnside alumina refinery

SINGAPORE, Sept 12 (Reuters) - U.S. aluminum producer Ormet Corp said it was cutting back operations at its Burnside alumina refinery in Louisiana, due to high power costs and low global prices that have also forced it to shutter part of its aluminium production.

A small producer on the global scale, Ormet joins industry heavyweights Rusal , Alcoa and Norsk Hydro to cut output as a growing production base in China's north west, fuelled by power subsidies, forces the closure of higher cost operations in the West.

"The dramatic increase of the cost of electricity in Ohio over the past several years, in addition to the current aluminum market, have forced Ormet to significantly downsize its operations while exploring strategic alternatives," the company said in a statement late on Tuesday.

Ormet has warned its 250 Burnside employees they may face job losses. The plant has production capacity of around 540,000 metric tons of alumina a year.

Alumina is a key ingredient for making aluminium. In late August, Ormet said it was paring operations at its Hannibal smelter, which has an annual capacity of 271,000 metric tons of aluminium, to four potlines.

As recently as March, Ormet reopened its Burnside alumina refinery which was closed for five years due to low alumina prices.

In May, it formed a joint venture with Trafigura to buy bauxite, alumina and aluminum projects as the Swiss trading house looked to bulk up its aluminium business.

Aluminium prices hit three-year lows below $1,830 last month, but have since rebounded 13 percent on expectations of monetary easing around the world.

Alcoa receives third offer for Sardinia smelter-report

MILAN, Sept 12 (Reuters) - A Turin-based renewable energy group has come forward with a third offer to buy aluminum-maker Alcoa's Sardinian smelter, Italian daily Il Sole-24 Ore reported on Wednesday.

Workers at the plant, which is slated to close if no buyer is found, have staged demonstrations that have turned the smelter into a national symbol of Italy's recession.

The Turin company, called KiteGen Research, makes wind power which it says can fuel the energy-sucking aluminum smelter for a fraction of the current cost.

High energy costs is one of the reasons Alcoa's Sardinian plant has found it difficult to compete.

Swiss industrial group Klesh and Glencore have both expressed interest.

GFMS-Copper miners to keep wary eye on labour talks-Karen Norton

LONDON, Sept 11 (Reuters) - (Karen Norton is a Thomson Reuters GFMS analyst. The views expressed are her own.) Global economic slowdown means the focus in the copper market in recent months has been on weak demand growth. But it's probably time to take a look at the supply side of the equation, specifically in Chile, Canada and Peru - historical hotbeds of unrest - where crucial labour contracts are due to be renegotiated in the next year or so.

Labour disputes in the copper industry have been sporadic and short lived so far this year, providing a stark contrast to precious metals, where strike action continues to plague top platinum producer South Africa.

But industrial action is difficult to predict and memories linger of the three-month-long strike that began about a year ago at Freeport McMoRan Copper & Gold's mine in Indonesia.

The disruption at Freeport's Grasberg, one of the world's biggest copper mines, was largely responsible for a 210,000-tonne drop in output at the operation last year. Although this figure is small compared to global mine supply of 16.0 million tonnes, timing magnified the impact.

The strike reinforced perceptions of tight mine supply in the final quarter of 2011 and helped to limit declines in the copper price to not far below $7,000 a tonne.

Thomson Reuters GFMS estimates global output losses from labour disputes last year amounted to 306,000 tonnes of copper, or just over half of total unexpected mine output losses, which also encompass technical and weather-related disruptions.

Some significant copper labour contracts come up for renewal in the next few months, most notably in top producer Chile, at state-owned giant Codelco.

MARKET NEWS *(Continued)*

Events there will indicate whether the lull in unrest is only temporary. GRAPHIC on copper mine production outlook:

http://link.reuters.com/juc62t

For a market where supply growth is still sluggish due to factors including falling ore grades and project delays, any further threat to output levels inevitably would be of concern, even while demand is subdued.

Global mine output growth last year was pegged back to a marginal 0.6 percent, which took it to a total of 16.021 million tonnes. A modest 2.2 percent rise is predicted this year, which leaves little room for manoeuvre in a market tending towards deficit.

Strike-related shortfalls admittedly look set to be more muted this year. But several contracts due for re-negotiation in the next few months and into 2013 require attention and may point to a busier, more disrupted period.

CLEAR BATTLE LINES

Workers will want to benefit from what they consider still historically high copper prices.

Mining firms under the watchful eye of shareholders and faced with falling profits in some key parts of their business will want to keep a lid on wage costs. They will not want hard-to-reverse rising wage bills to eat into already shrinking profits.

Talks at Codelco's Andina mine in Chile, where the present deal runs out on Dec. 1, is first on the agenda. They are expected to set the tone for other pay negotiations, most notably at the firm's flagship Chuquicamata complex where the present deal expires next February. It has experienced its fair share of industrial disputes over the years.

The contract-talks merry-go-round then moves on to an expiry next May at Xstrata's CCR refinery in Canada, and in June at BHP Billiton's majority-owned Escondida, the world's biggest copper mine.

Disgruntled workers there went on strike outside normal contract talks last year, although the company played hard ball and its original offer was accepted after a two-week strike.

Copper workers are in a better bargaining position than many miners. Earlier this year workers at First Quantum's Kansanshi mine in Zambia secured a 15 percent pay increase after strike action in January and March.

The union at the Antamina mine in Peru, where talks have continued after the late July expiry, reportedly is seeking a 10 percent pay rise and, interestingly, a contract lasting one year rather than the usual three.

Companies may be cutting jobs in iron ore and coal, and BHP Billiton may have shelved its Olympic Dam copper-uranium expansion plans in Australia because of escalating costs, but copper projects in general are still desperately needed on top of existing production to feed still strong future demand projections.

Against this backdrop, labour negotiations will remain a fine balancing act at copper operations at least for the next couple of years, tipped slightly in favour of workers.

Beyond that, while there will still be flashpoints, the anticipated easing of mine supply towards the middle of the decade is likely to erode some of the unions' remaining bargaining power.

Barrick cuts copper output forecast due to Saudi Arabia delays

Sept 11 (Reuters) - Barrick Gold Corp has cut its forecast for copper production next year due to delays at its Jabal Sayid project in Saudi Arabia, Chief Executive Jamie Sokalsky said on Tuesday.

Sokalsky said Barrick, the world's biggest gold miner, now expects its total 2013 copper output to be in the range of about 500 million to 550 million pounds, down from a previous forecast of 600 million pounds.

The company acquired Jabal Sayid as part of its C$7.3 billion ($7.5 billion) acquisition of Equinox Minerals in 2011.

"The safety and security standards of the mine were originally designed by Equinox to Western Australian standards, which differ to Saudi Arabia's standards," Sokalsky told the Denver Gold Forum, adding that the company was recently notified of the discrepancy by the Saudi government.

Because the mine does not comply with Saudi standards for safety and security, the company is restricted in its use of explosives and that will hinder its ability to mine the deposit, Sokalsky said.

"We expect to be in full compliance by 2014, but are working hard to achieve this earlier," he said.

By 2015, Barrick's copper output will be at about 650 million pounds, Sokalsky said.

He also reaffirmed the company's plans to shelve, sell or defer development of any assets that don't generate returns that meet the company's expectations. He said Barrick is still conducting a thorough review of its portfolio as part of this process.

"We've already identified some projects that don't meet the criteria of further investment. One of those is African Barrick Gold," said Sokalsky, who was Barrick's chief financial officer for years before recently moving into the CEO role.

Last month, Barrick said it was in talks to sell all or a part of an interest in subsidiary African Barrick Gold to China National Gold Group.

Sokalsky stressed on Tuesday that the talks regarding a sale of the stake are at a very early stage.

The company has also decided to shelve two of its largest development projects - Donlin Gold in Alaska and Cerro Casale in Chile.

MARKET NEWS *(Continued)*

India's Goa halts iron ore mining; Sesa, Sterlite shares hit

MUMBAI, Sept 11 (Reuters) - India's Goa state temporarily halted iron ore mining from Tuesday to check if operations were legal, a move that is expected to further dent exports from the country and support flagging global prices.

Shares in miners, such as Sesa Goa Ltd and Sterlite Industries , fell more than 5 percent on worries over cuts to output and exports by India - the world's former No. 3 supplier of the steelmaking ingredient.

India's iron ore exports, which mainly head to China, have already halved because of government taxes aimed at keeping output for the domestic steel industry and efforts to stop illegal mining. Tumbling global prices, down a third since July and now near levels last seen in 2009, have also deterred exports.

The move by Goa to suspend mining activities came after an expert panel formed by the federal government found "serious illegalities and irregularities" in mining operations.

State officials in Goa, India's second-biggest iron ore producer which normally supplies about 50 million tonnes a year, said the inquiry could take several weeks while industry sources suggested it might be months.

"We are trying to do it with priority and we will expedite everything," said Prasanna Acharya, director of mines and geology in Goa's mines department, declining to give a time frame for the checking process.

The state will set up a committee to review mining before giving approval to resume operations. Iron ore already produced or stored at ports can be moved, the government said in a order late on Monday.

"Our contacts in India say they expect this to last not more than one to two months," said Graeme Train, commodities analyst at Macquarie in Shanghai. "As soon as the mines show that they have all the permits then they can just start producing again."

Indian iron ore exports since 2000/01:

http://link.reuters.com/nan29s

MINING SHARES DROP

Sesa Goa, which gets most of its iron ore from Goa, said business would suffer but it hoped the halt would be short-lived. Its shares fell as much as 7 percent on Tuesday.

"There will be a delay in operations. We are hopeful this impasse will end fast. It is monsoon and not much production happens at this time, but there will be a slight impact in the near term. We hope to make up in the rest of the year," Sesa spokesman R Krishnagopal said.

Shares of non-ferrous metals producer Sterlite, which is set to merge with Sesa Goa to create Sesa Sterlite -- the eventual umbrella unit for other subsidiaries of the Vedanta Group, were 4.6 percent lower at 94 rupees.

Margins for miners in Goa have been hit hard as a 30 percent export tax, high freight rates and low global iron ore prices have made shipments unviable.

Also, operations usually slow during the June-to-September monsoon season as rains hamper mining and transportation.

"The suspension ... albeit temporary, is likely to exacerbate the decline in Indian iron ore exports and provide an upside trigger to spot iron ore prices," Deutsche bank analysts said in a research note. Exports from neighbouring Karnataka, which together with Goa sells about 75 million tonnes a year overseas, remain stalled as it has failed to comply with a Supreme Court order to lift a ban on shipments, introduced to curb illegal mining in the state.

Shares of JSW Steel, which uses iron ore in steel making, fell as much as 2.4 percent on worries the Goa halt would further dent domestic supplies. Steel makers in India have been operating below capacity due to lack of raw materials.

In the seven months to July, India remained the third biggest exporter of iron ore to top market China, but volume dropped by 44 percent to 30 million tonnes. But in July alone, South Africa edged out India in terms of exports to China, with shipments of over 4 million tonnes versus India's 2.5 million tonnes.

"Overall the impact (of the Goa halt) looks like it's going to be quite limited. It doesn't look like this is shaping up to be another Karnataka," Train said.

India's steel imports to rise in 2012/13 as local supplies stall

NEW DELHI, Sept 11 (Reuters) - India's finished steel imports could rise to around 8 million tonnes in 2012/13, a top industry executive said, up about 18 percent, as a lack of domestic supplies means India bucks a global trend of weak demand for the construction material.

Imports have already soared 53 percent in April to July as local steelmakers, scrambling for raw materials like iron ore due to environmental and legal delays, run below capacity and are unable to meet demand in Asia's third-largest economy.

India's Goa state temporarily halted iron ore mining from Tuesday to check if operations were legal, a move that could further dent domestic supplies.

India's appetite is in sharp contrast to economies from Europe to China, which are reeling from weak demand due to slower economic activity. China's largest listed steelmaker Baosteel has cut prices three months in a row before holding them steady for October.

"This (fiscal) year, I think we are looking at around 8 million tonnes of imports into India, which is about 10 percent of our (India's) demand," Sajjan Jindal, chairman and managing director of JSW Steel Ltd , India's third-largest steelmaker, told Reuters.

MARKET NEWS *(Continued)*

In the financial year ending March 31, 2012, India imported 6.8 million tonnes of finished steel, marginally higher than 6.7 million tonnes in the previous year.

China is the top exporter of steel to India followed by South Korea and Japan.

Traders expect shipments from the latter two to rise at faster rates due to advantageous trade arrangements.

Steel shipments from China attract 7.5 percent duty whereas for Japan and Korea it is o nly about 4 percent.

"There is a more than 300 percent increase in imports (from Japan and South Korea). So, the government has to sit back and take a look at it," said Jindal from JSW Steel.

Iron ore miner Cliffs' stock rises on price jump

Sept 11 (Reuters) - Shares in Cliffs Natural Resources , the largest North American iron ore pellet producer, rose over 6 percent on Tuesday on a jump in the spot price for iron ore.

After losing more than 35 percent of its value in the last two months, the Steel Index's benchmark 62 percent-grade iron ore index rose 5.5 percent to $100.20 per tonne, up $5.2 from Monday and the highest level since Aug. 22.

Analysts said the jump in the price of the key steelmaking ingredient was based on hopes that China's recent plan to invest more than $150 billion in infrastructure projects will revive steel demand. In morning trading on the New York Stock Exchange, Cleveland-based Cliffs' shares were 6.6 percent higher at $41.78.

Stock in U.S. coal companies that produce steelmaking metallurgical coal also rose. Alpha Natural Resources was 4.6 percent higher at $7.24 and Peabody Energy rose 2.7 percent to $24.35.

China's iron ore miners cut output as prices fall

SINGAPORE/SHANGHAI, Sept 11 (Reuters) - A slide in iron ore prices to three-year lows is forcing many high-cost miners in top consumer China to curb output, industry sources say, in a move that could reduce the surplus in a market weighed down by near record Chinese stocks.

China produces about 1 billion tonnes a year of iron ore and buys 60 percent of the steelmaking raw material traded globally. But a slowdown in its economic growth has undermined demand assumptions and hit prices hard: iron ore fell last week to $86.70 a tonne, a level unseen since October 2009.

Traders and major miners have been waiting for evidence that China is cutting output to help rebalance supply with the slowdown in demand from steel mills.

Chinese ore has a lower iron content compared with many other countries so producers spend more to extract the mineral compared with global miners such as Vale , Rio Tinto and BHP Billiton . That means they feel the pinch sooner when prices fall.

State-run, mid-sized firm Minmetals Luzhong Mining has cut production to around 4,500 tonnes a day from around 5,000-6,000 tonnes, said a company official who declined to be named because he was not authorised to speak to media.

"There is a growing number of domestic mines cutting production, as steel mills are just not purchasing," the official said. "We find it difficult to sell."

The official said many miners with an annual capacity of 200,000 to 300,000 tonnes in northeastern China, a major iron ore mining region, have stopped production. Some in top steel producing northern Hebei province have also halted mining, the official said.

Chinese industry consultancy Umetal showed in a recent survey that 38 percent of 50 mines with an annual capacity of below 300,000 tonnes and processing plants polled had halted production, most of them in Hebei province and in northeastern China.

Around 60-70 percent of private iron ore processing plants in eastern Shandong and Hebei provinces have also stopped operations, in dustry sources said.

"There is no market at all, except for our long-term customers. We are also slowing down our processing rates now," said an official at a mine in Shandong that has an annual iron ore output of 600,000 tonnes.

Iron ore and Shanghai rebar prices:

http://link.reuters.com/guh32t

China iron ore imports and stockpiles:

http://link.reuters.com/faf52t

SLOWING DOWN

Raw iron ore in China has about 15 percent iron co ntent on average compared to around 60 percent for material found in Australia and Brazil.

That makes China's production cost between $110 and $140 per tonne compared to about $40-$50 a tonne in the world's top two exporting countries.

Iron ore with 62 percent iron content, the industry benchmark, bounced back from last week's lows to $95 a tonne on Monday, but it is still down by nearly a third from early July.

China's iron ore output dropped by 10 million tonnes to 115 million tonnes in July from June, b efore rising by a modest 1 million tonnes in August.

Production cuts may take time to have an impact on the market because iron ore stocks are relatively high in China.

Inventories of imported iron ore at major ports are around 97 million tonnes , near a record high of 101 million tonnes in February and equivalent to about 1-1/2 months of imports.

Globally, the market is likely to be in surplus supply of around 4 million tonnes this year, said Jiro Iokibe, senior analyst at Daiwa Capital Markets in Tokyo.

Iokibe expects the surplus to rise to 28 million tonnes in 2013 and to 53 million tonnes in 2014 due to growing capacity in Australia and Brazil, planned on the basis of China's once-voracious appetite.

"People have been investing in iron ore mines as almost an essential thing, so we've got capacity available now based on an assumption that China would keep growing at this rapid rate," said Peter Fish, managing director at British steel consultancy MEPS. "I think that was a misjudgment."

So far, Vale, Rio Tinto and BHP Billiton have not curbed output, although fourth-biggest miner Fortescue Metals Group has said it would slash capital spending by a quarter and scale back a planned increase in near-term output to 115 million tonnes from 150 million tonnes.

"The market requires some larger producers to pull back in order to restore profitability," said Fairfax I.S. analyst John Meyer.

Baosteel keeps main steel product prices steady in October

BEIJING/SHANGHAI, Sept 11 (Reuters) - Baoshan Iron and Steel , China's largest listed steelmaker, will roll over its September steel prices to October after three straight months of cuts, a move some analysts said was aimed at stabilising a market hit by weak demand.

Baosteel's pricing decisions usually set the tone for the rest of the market, and its cuts last month were matched by most other big steelmakers which have been hit by the slowdown in the world's second largest economy.

The company, known as Baosteel, said on Tuesday it would keep prices for hot-rolled coil and cold-rolled coil unchanged for October from September.

Wuhan Iron & Steel preceded Baosteel by telling clients on Monday that it was keeping product prices steady in October, traders said.

"Wuhan Steel was the first to make the move this time, in a desperate move to stabilise the market and hope other mills will follow," said Cheng Xubao, analyst with industry consultancy Custeel.com in Beijing.

"But prices are still up to demand and the overall economic environment."

Baosteel said during an online briefing to shareholders in late August that the third quarter was likely to be the "most difficult" of the year as a result of tepid demand and falling domestic steel product prices.

China Metallurgical News, an industry journal affiliated with the China Iron and Steel Association (CISA), warned last week of the impact of a "vicious price war" on China's already fragile steel sector.

The paper said in an editorial that no steel firm appears willing to make the production cuts necessary to shore up prices, preferring instead to try to undercut their rivals by slashing prices, waiving freight costs or even allowing traders to pay in installments.

According to the latest CISA data, daily Chinese steel production stood at 1.872 million tonnes over the Aug. 21-31 period, down 3 percent compared to the previous 10 days.

Many traders hope that the worst is now over for the steel sector, particularly after the government announced that it would spend more than $150 billion on a new round of infrastructure projects.

News of the stimulus has driven Shanghai steel rebar futures out of the doldrums temporarily, and the most-traded October contract has lost 1 percent on Tuesday after surging 7 percent in the past two sessions. Prices remain 20 percent lower than their 2012 peak set in April.

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-LME copper snaps gains; German ruling, U.S. Fed eyed

SHANGHAI, Sept 12 (Reuters) - London copper snapped three sessions of gains to inch lower on Wednesday as some investors took profit on concerns that the contract had risen too quickly, but hopes of more economic stimulus kept prices hovering near a four-month high.

Losses are expected to be capped by bets that a German court ruling on the euro zone's rescue fund will be passed, while many investors are also hopeful that the U.S. Federal Reserve might announce another round of quantitative easing at a meeting this week.

Three-month copper on the London Metal Exchange slipped 0.12 percent to $8,080 per tonne by 0425 GMT, after rising 0.3 percent on Tuesday.

The most active December copper contract on the Shanghai Futures Exchange edged down 0.03 percent to 58,340 yuan ($9,200) per tonne.

"Despite recent optimism over stimulus programmes by major economies, investors are getting a little panicky at these high copper prices. Copper demand by downstream industries in China is still weak after all," said CIFCO Futures analyst Zhou Jie.

LME copper prices has already risen 6.4 percent so far this month, chalking most of the gains on Friday after China, the world's top copper consumer, approved some $150 billion worth of infrastructure projects.

Traders also attributed a price fall in the session on profit taking by large investors, which they said were also responsible for the large volatility in the ShFE October copper contract over the past couple of days.

"Today's price fall in copper seems like the result of cross-contracts arbitrage trading by a few large investors. They were probably the ones who pushed the ShFE October copper contract to its daily limit up yesterday," said a Shanghai-based trader.

"Prices of the ShFE December and LME copper contracts probably fell after they exited their positions there."

ShFE October copper rose over 5 percent by its midday close. The contract ended down 4.3 percent on Tuesday after trading was briefly halted because prices had reached their limit-up.

In Europe, legal experts polled by Reuters unanimously expect Germany's top court to approve the euro zone's new bailout fund and budget rules next week, but they also believe the court will impose tough conditions limiting Berlin's flexibility on future rescues.

With the Fed starting a two-day policy meeting later in the session, some investors are hopeful that the U.S. central bank will launch more easing policies this week, although others are less optimistic.

Overall risk appetite was also supported by comments from China Premier Wen Jiabao that China is on track to meet this year's target for economic growth and, if needed, the government could utilise a 100 billion yuan fiscal stability fund to boost growth.

PRECIOUS-Gold steady before euro zone fund ruling, Fed meeting

SINGAPORE, Sept 12 (Reuters) - Gold hovered near a six-month high on Wednesday as investors stayed put ahead of a German court ruling on the euro zone's rescue fund and the Federal Reserve's policy meeting, while a weaker dollar lent support.

The Fed is expected to launch another round of quantitative easing (QE3) at a two-day policy meeting starting on Wednesday that would provide a further lift for gold, which has climbed 7 percent over the past month on growing hopes for more stimulus measures.

The dollar dropped to a four-month low against a basket of currencies with the QE3 anticipation, and after Moody's warned about a possible U.S. credit rating downgrade.

A weaker dollar boosts the appeal of commodities priced in the greenback for buyers holding other currencies.

Investors are also eyeing a ruling by Germany's constitutional court on the euro zone's new rescue fund. Legal experts polled by Reuters expect the court to rule in favour of the fund.

"The market has fully priced in a positive outcome from the German court," said Nick Trevethan, senior commodity strategist at ANZ in Singapore. "It has also priced in fairly substantial expectations for QE."

If the Fed announces an open-ended, non-sterilised bond purchase plan, gold could rally past the $1,765-$1,768 resistance level, Trevethan said. A disappointing outcome could knock gold down towards $1,700, he added.

A Reuters poll of economists said there was a 60 percent chance the Fed would launch another round of quantitative easing at the conclusion of this week's meeting.

Spot gold inched up 0.3 percent to $1,736.20 per ounce by 0647 GMT. It hit $1,741.30 last Friday, the highest since Feb. 29.

U.S. gold gained 0.2 percent to $1,738.80.

Spot gold 24-hour technical outlook:

http://graphics.thomsonreuters.com/WT1/20121209090604.jpg

Participants in Asia's physical market are also waiting for any signs of quantitative easing after the recent price rally encouraged sizable scrap selling, weighing on gold bar premiums in the region.

MARKET REVIEW *(Continued)*

"The storm has calmed and now we are seeing ripples, which will last until the next wave comes," said a Singapore-based dealer.

Holdings of SPDR Gold Trust , the world's largest gold ETF, remained at a near six-month high of 1,293.138 tonnes by Sept. 11, up nearly 3 percent over the past month.

Spot platinum rose to a five-month high of $1,610, supported by ongoing labour unrest in the platinum and gold industries in South Africa, the world's biggest producer of the metal.

FOREX-Dollar near 4-mth lows after Moody's U.S. warning

TOKYO, Sept 12 (Reuters) - The U.S. dollar hovered near four-month lows against a basket of major currencies on Wednesday after Moody's warned it could cut the credit rating of the United States and on expectations of more stimulus measures from the U.S. Federal Reserve.

The euro was on hold after having rallied to four-month high against the dollar on Tuesday, though it could gain further if Germany's Constitutional Court approves the country's participation in the euro zone's bailout fund. The ruling is due at 0800 GMT.

The dollar index fell to 79.794 on Tuesday, extending its fall after Moody's said the United States could lose its triple-A debt rating if next year's government budget talks do not produce policies that gradually cut the country's debt. The index last stood at 79.87.

"Although everyone has been aware of the potential risks in the U.S. fiscal situation, a warning at this time was a bit of surprise and triggered fresh selling," said Teppei Ino, currency analyst at the Bank of Tokyo-Mitsubishi UFJ.

John Boehner, the top Republican in the U.S. Congress, said he had no confidence a divided Washington could avoid a "fiscal cliff" that threatens to push the nation into a recession.

Expectations that the Fed may embark on further stimulus measures at its policy meeting ending on Thursday are likely to keep the dollar under pressure for now.

"I feel that the market is getting a bit too excited about the chance of QE. Still those who have bought the dollar and sold the euro are now getting nervous ahead of the Fed meeting and being forced to cut their positions," said Katsunori Kitakura, associate general manager of market making at Sumitomo Mitsui Trust Bank.

YEN NEAR DANGER ZONE?

The dollar index is testing an important support at 79.75, which is the 38.2 percent retracement of the rise from its 2011 low to two-year high hit in July. A break of that support would strengthen the case that its long-term uptrend since last year is over.

But the index might stage a rebound given some technical signals that it is oversold. Its 14-day relative strength index has fallen below 30, which suggests there is considerable chance of a corrective rebound in the near future.

Although chances are slim that Germany's top court will signal that Germany must change its constitution or hold a referendum before it can take part in any further integration of the European Union, such a ruling would drive the dollar higher.

The euro stood at $1.2862 , near a four-month high of $1.2872 hit on Tuesday.

Another potential source of disruption for the euro is a general election in the Netherlands on Thursday, though latest polls indicate radical anti-euro parties have lost the momentum they had just a month ago.

But given that two mainstream parties are too small to win outright majority, coalition talk is likely to take some time, making the election less likely to be a market moving event, said Junya Tanase, chief FX strategist at JPMorgan, noting it took four months to form a government last time.

The Japanese yen held near 3-1/2 month high against a broadly weak U.S. dollar, trading at 77.86 yen per dollar , near Tuesday's high of 77.70 per dollar.

On charts, the dollar now looks extremely bearish against the yen after having broken below its trading range in the past few months, market players said.

"We think the Fed will announce QE3 this week and that the dollar will continue to fall after the Fed meeting, possibly to around 77 yen within a few weeks," said JPMorgan's Tanase.

Curbing the yen's gains are expectations that, should the Fed announce large scale monetary easing, the Bank of Japan is also likely to take additional easing measures next week, market players said.

Still, a fall below June 1 low of 77.652, the dollar's next major support level, could open the way for a test of this year's low around 76 yen, though wariness about Japan's yen intervention would also grow as well at those levels.

The Canadian dollar also stood near one-year high hit on Tuesday. The Canadian unit traded at C$0.9730 per U.S. dollar , near Tuesday's high of C$0.9713.

The Australian dollar recovered to three-week high of $1.0458 , as weakness in the U.S. dollar overwhelmed the recent pessimism on the Aussie stemming from worries about slowdown in China, Australia's biggest export market.

(Inside Metals is compiled by Shruthi G in Bangalore)

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