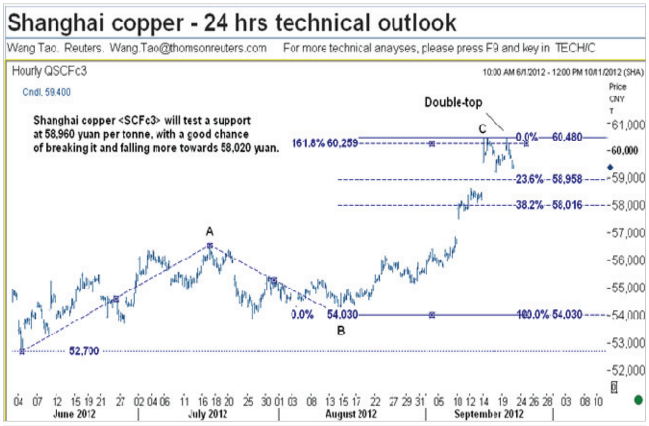
INSIDE METALS

CHART OF THE DAY

Click on the chart for full-size image



Click here for LME charts

TRADING PLACES

- Shorts scramble in tin squeeze on London Metal Exchange

GENERAL NEWS

- China manufacturing shrinks for 11th month-HSBC survey
- Australia's Fortescue reaches $715 mln debt deal with Leucadia
- Lonmin deal stirs more South Africa mine strife
- B2Gold enters Philippines with C$1.1 bln CGA Mining buy
- Sudan opens first gold refinery to boost exports
- BHP shelves $3 bln Australian coal mine plans - report
- Goldcorp eyes Mexico mining partnership with Fresnillo

MARKET NEWS

COPPER:

- Japan Aug copper cable shipments rise 3.3 pct yr/yr
- INTERVIEW-Glencore's Philippine copper unit plans $600m expansion

NICKEL/STEEL:

- IABr may cut Brazil's steel output estimates for this year
- EU imposes duties on imports of Chinese organic-coated steel

FEATURE

ANALYSIS-Rare earth prices to erode on fresh supply, China

Prices of rare earth elements, which tumbled after a speculative bubble burst last year, are likely to erode further as new supplies hit the market and exports edge higher from dominant producer China due to weak demand at home.

Click here to read more..

TODAY'S MARKETS

BASE METALS: London copper slipped after data from top consumer China showed manufacturing activity steadying, but not improving, while enthusiasm waned over Japan's easing steps that pushed prices to a 4-1/2 month high in the prior session.

Manufacturing activity in China stabilised in September after hitting a nine-month low in August, even though output dipped to its lowest level in 10 months, a survey of factory managers showed on Thursday.

"We do see some things getting better from September as orders filter down into the market. The macro environment is improving and so are orders for cement, steel and copper," Singapore-based analyst Bonnie Liu of Macquarie said.

PRECIOUS METALS: Gold slipped as the dollar strengthened, giving investors room to book recent gains after prices rose by 16 percent from this year's lows on measures by global central banks to support flagging economies.

The bond purchases, actual and planned, by central banks from the United States to Japan had fuelled a rush for bullion as investors braced for higher inflation, sending gold prices to their highest since February on Wednesday.

"It's not a very great improvement. It's still contracting so I still expect some more stimulus from China which could help gold," said Lynette Tan, analyst at Phillip Futures.

FOREX: The yen pushed higher against the dollar , staying on a firm footing after staging a surprise bounce the previous day as an initial sell-off in reaction to the Bank of Japan's monetary easing fizzled.

The Aussie dollar retreated following a lacklustre reading on Chinese manufacturing activity, and the yen's rise gradually picked up steam after that, with stop-loss position unwinding adding to its momentum.

"Technically, yesterday was a bit of a surprise. The reversal now suggests that we are back where we were ... So I think we will see a bit more of the range trading," said Andrew Robinson, FX analyst for Saxo Capital Markets in Singapore.

FEATURE

ANALYSIS-Rare earth prices to erode on fresh supply, China

By Eric Onstad

LONDON, Sept 19 (Reuters) - Prices of rare earth elements, which tumbled after a speculative bubble burst last year, are likely to erode further as new supplies hit the market and exports edge higher from dominant producer China due to weak demand at home.

Prices of the 17 elements used in technologies such as smartphones and hybrid cars soared last year by hundreds of percent after China clamped down on exports. Hot money flowed into an illiquid sector but later departed, causing a crash.

Lanthanum, used in rechargeable batteries for hybrid autos and in night-vision goggles, rocketed 26-fold from $5.15 a kg in January 2010 to a peak of $140 in June 2011. Although it has slid to $20.50, the price is still well above earlier lows.

The market has steadied in recent months, but new output from U.S. Molycorp and Australia's Lynas Corp is likely to pressure prices, especially those of "light" rare earths which are not as scarce as their "heavy" cousins.

Weaker economic growth in China is also weighing on the market since the world's second largest economy not only produces over 90 percent of global rare earths, but is the biggest consumer of the materials.

"Prices will continue to drop so long as Chinese GDP continues to face downward pressures on the manufacturing side," said Michael Silver, chief executive of American Elements, which buys rare earths from China.

China's slowdown - rather than a trade complaint filed by Western nations - is expected to prompt some relaxation of Beijing's tough export controls, Silver added.

In August, China announced new export quotas on rare earth elements (REE), which increased the yearly figure by 2.7 percent.

"This is the first time in five years that the REE quota has increased and is the highest in three years, which is seen as a slight negative as excess supply would put pressure on prices," analyst Carolyn Dennis of Toronto-based Dundee Capital Markets said in a note to clients.

Graphic rare earth prices: http://link.reuters.com/dat62t

Graphic rare earth overview: http://link.reuters.com/fuj72t

Graphic rare earths interactive: http://link.reuters.com/duj72t

NEW MINES

The spike in prices prompted a flurry of new mining projects and the two most advanced are due to come on stream this year, boosting global supplies of rare earths.

Molycorp, the biggest rare earth producer outside China, has reopened the Mountain Pass mine in California and is due to boost output to 19,050 tonnes a year in the fourth quarter from 3,516 tonnes last year.

Lynas is also due to fire up an $800 million rare earths plant in Malaysia as early as October after receiving a temporary operating licence. The plant would supply about 11,000 tonnes in its first year, eventually rising to 22,000 tonnes.

"We remain very concerned about what will happen to rare earth prices as ramping supplies from Molycorp and Lynas hit up against a rest of world demand profile that has shown little growth over the past five years," said JP Morgan analyst Michael Gambardella in a recent note.

Light rare earths such as cerium and lanthanum will be hit hardest by the new production because they are not rare at all; they are estimated to be more plentiful than copper and lead.

Rare earths got the name mainly due to the difficulty in extracting, processing and separating the minerals, typically found clustered together in deposits, with higher proportions of light than heavy elements.

When miners target heavy element dysprosium, for example, they often end up producing more cerium than dysprosium, used in nuclear reactors, ships' sonar systems and computer hard discs.

"With rare earths, you can't think of them as one entity," said analyst Kieron Hodgson at Charles Stanley Securities in London. "I'd be relatively bullish on prices for the heavies particularly, certainly more than the lights."

When China clamped down on exports, availability tightened and all rare earth prices soared. Cerium oxide, FOB China, soared more than 35-fold from $4.15 per kg in Jan. 2010 to $150.55 a kg in July 2011.

Since then, prices have fallen back to $21.50 per kg and Morgan Stanley, noting that half of Molycorp's expanded output would be cerium, said it was using a conservative average realised cerium price of $1/kg to reflect oversupply risks.

Analyst Edward Otto at Cormark Securities forecasts the long-term price of cerium oxide to settle eventually at 50 cents a kg and lanthanum oxide at $1.00 per kg, down from $20.50/kg currently.

HEAVIES

The price outlook is stronger for so-called heavy rare earths, which are scarcer and expected to see rising demand in applications such as high performance magnets and energy efficient lighting.

Terbium oxide , mainly used in phosphors for compact fluorescent and LED lighting, has shed slightly over half its value since the peak to $1,750 a kg, FOB China, and Otto expects the long-term price to dip slightly to $1,500/kg.

FEATURE *(Continued)*

More volatility is expected as developments could buffet the sector, such as any breakthrough in efforts by industrial consumers such as Toyota Motor Corp to find substitutes for rare earths.

If recent tensions between China and Japan escalate and Beijing retaliates by cutting off rare earth supply to Tokyo, prices could spike again.

Another wild card is the outcome of a World Trade Organization complaint filed in March by the European Union, the United States and Japan, saying China was unfairly choking off exports of rare earth metals.

"It isn't a pretty or happy place at the moment," said a London trader who specialises in exotic metals. "There's no blind panic out there, either to buy or sell, but people are very uncertain about what the future will hold and rightly so."

GENERAL NEWS

China manufacturing shrinks for 11th month-HSBC survey

BEIJING, Sept 20 (Reuters) - Manufacturing in China contracted for the 11th month in a row in September, according to a private sector survey of factory managers that indicated the world's second largest economy remains on track for a seventh quarter of slowing growth.

The HSBC Flash China manufacturing purchasing managers' index (PMI) showed activity stabilized in September after hitting a nine-month low in August, with the headline reading ticking up to 47.8 from 47.6 last month.

But while the economy may not have worsened, there were few signs of a fast turnaround. Rather, the PMI, which provides the first glimpse of September's conditions for Chinese industry, pointed to a month in which a slide was halted but not reversed.

There was a broad steadying across the sub-indexes in the survey, released on Thursday, with the exception of output, which dipped to its lowest level in 10 months.

An index reading below 50 represents contraction and above that level expansion.

"China's manufacturing growth is still slowing, but the pace of slowdown is stabilising. Manufacturing activities remain lacklustre, thanks to weak new business flows and a longer than expected destocking process," Qu Hongbin, chief economist for China at HSBC, said in a statement accompanying the survey.

"This is adding more pressure to the labour market and has prompted Beijing to step up easing over the past weeks. The recent easing measures should be working to lead to a modest improvement from Q4 onwards."

GRAPHIC: http://link.reuters.com/hej72t

China unveiled a series of measures last week to help stabilise export growth, including faster payment of export tax rebates and boosting loans to exporters.

That was on top of a series of approvals for infrastructure projects worth more than $150 billion, two earlier cuts to interest rates, the easing of bank reserve requirements that freed about 1.2 trillion yuan ($190 billion) for lending and a steady series of liquidity injections into money markets.

Still, purchasing managers in the survey had little cause for premature cheer. A sub-index that measures output fell to 47.0, its lowest level since November 2011.

After spending several months bumping just beneath the crucial 50 mark, the overall PMI index is now at a level rarely seen since the 2008-2009 global financial crisis.

MARKETS DIP

Asian share markets extended losses after the data. Shanghai stocks ended the morning session down 1 percent, while Australia's big mining stocks - which tend to react to growth expectations in China, their main market - fell more than 1.5 percent.

The flash, or preliminary, survey offers an early peek at data for September, and suggests economic growth in China is still slack despite what many see as an improvement in the important property sector.

"The good news is it hasn't got any worse, the bad news is it's no better really," said Shane Oliver, head of investment strategy at AMP Capital Investment.

"It's telling us Chinese growth is not losing further momentum but recovery remains elusive."

China's home prices showed a modest increase for a second consecutive month in August, rising 0.1 percent from July, signalling a gentle recovery in the property market.

Steel prices hit their highest point in a month on Wednesday, as signs of a pick-up in demand prompted mills to restock.

Nevertheless, China appears on track for a seventh quarter of slowing growth in the third quarter this year, despite a number of measures designed to encourage private investment and infrastructure construction while avoiding a further pile-up in local government debt.

So far the stimulus measures have not fed through to the broader economy, although inflation began to revive in August, led by higher food prices, after hitting a 30-month low in July .

Many economists lowered their forecasts for the world's second largest economy after weak July and August data, reflecting both external headwinds and domestic weakness. They now expect the third quarter to be the nadir, with full year growth dropping below 8 percent for the first time since 1999.

GENERAL NEWS *(Continued)*

"Overall, there is not enough in the latest data to be confident the economy has turned the corner, though momentum does at least appear stable," Capital Economics' China economist Qinwei Wang wrote before the PMI release, referring to a number of indicators his firm tracks.

"The main risk factors are as they were a year ago: the uncertain outlook for property and the ailing global economy."

He noted that the growth rate is steadying on a monthly and quarterly basis, although weakness in property and trade means it is still slowing on an annual basis.

SIGNS OF HOPE

There were some green shoots in September that could support the idea of a late-year rebound.

After several dismal months, HSBC's sub-index tracking new export orders stabilised. Other brighter signs included rises in sub-indexes measuring total new orders, employment and backlogs of work, although both new orders and employment are still below the 50-point that denotes contraction.

The tick higher in the new export orders index comes after hitting its lowest point since March 2009 the month before.

Still, the Ministry of Commerce warned on Wednesday that exports could weaken through the end of the year, with ministry spokesman Shen Danyang calling the outlook grim.

China cut interest rates in June and July and has been injecting cash into money markets to ease credit conditions to support an economy that notched a sixth straight quarter of slower annual growth, at 7.6 percent, in the April-June period.

Most analysts expect at least one more interest rate and two more cuts in banks' required reserve ratios before the end of the year, to ease conditions and support growth.

But some believe those measures could be held back until after the ruling Communist Party's congress at some point before the end of this year in which a new generation of party leaders will be named.

That will give the incoming team a boost by improving the economy and the national confidence, they argue.

Australia's Fortescue reaches $715 mln debt deal with Leucadia

SYDNEY, Sept 20 (Reuters) - Australia's Fortescue Metals Group has reached a $715 million deal with U.S. investment firm Leucadia National Corp to repay a loan, the latest move by the world's No.4 iron ore producer to restructure its $11.7 billion debt load.

Hammered by a slump in iron ore prices, Fortescue earlier this week lined up $4.5 billion to restructure part of its debt and said it was in talks to sell stakes in some of its assets.

Leucadia purchased $100 million of unsecured notes in 2006. The notes were to pay Leucadia 4 percent of the revenue from two of Fortescue's mines until maturity in August 2019 and were valued in Fortescue's book at $897 million, Fortescue said.

"This agreement significantly reduces the overall cost of debt for the company," Fortescue CEO Nev Power said in a statement on Thursday.

Leucadia was one of the first big backers of Fortescue -- one-third owned by billionaire founder Andrew "Twiggy" Forrest -- as it embarked on an ambitious plan to build a series of new mines, a railway and port facilities to take on iron ore giants BHP Billiton and Rio Tinto in Western Australia's Pilbara district.

But Leucadia sued Fortescue and Forrest in 2010, saying it needed to protect the $100 million subordinated note from potential dilution. Leucadia said the deal on Thursday would settle all legal action without any further payment.

Leucadia sold its equity stake in Fortescue between 2011 and July 2012, reaping a profit of more than $1 billion on its $444 million investment.

Shares in Fortescue were little changed at A$3.68 on Thursday, having rallied from a three-year low of A$2.81 earlier this month.

The stock had been hammered after the company unexpectedly wound back expansion plans and slashed spending just days after reassuring investors on its plans and prospects. News it was seeking some relief from lenders about banking covenants further weighed on the stock.

Including bonds, notes and undrawn facilities, Fortescue's total debt before this latest deal was about $11.7 billion, mostly in unsecured U.S. "junk" bonds.

The company's credit rating remains under review from all three main ratings agencies.

Lonmin deal stirs more South Africa mine strife

MARIKANA, South Africa, Sept 19 (Reuters) - South African police fired tear gas and rubber bullets on Wednesday to disperse protesters near a mine run by the world's biggest platinum producer Anglo American Platinum , as unrest spread after strikers at rival Lonmin won big pay rises.

Within hours of Lonmin agreeing wage increases of up to 22 percent, workers at nearby mines called for similar raises, spelling more trouble after six weeks of industrial action that has claimed more than 40 lives and rocked Africa's largest economy.

"We want management to meet us as well now," an organiser for the militant Association of Mineworkers and Construction Union (AMCU) at Impala Platinum , the second biggest platinum producer, told Reuters.

GENERAL NEWS *(Continued)*

"We want 9,000 rand ($1,100) a month as a basic wage instead of the roughly 5,000 rand we are getting," said the organiser, who declined to be named fearing recriminations from the firm.

The death toll from the unrest rose to 46 when a woman died several days after being struck by a rubber bullet, a clergyman who has been counselling striking miners, told Reuters.

Jubilant workers at Lonmin's Marikana mine, 100 km (60 miles) northwest of Johannesburg, painted the wage deal as a victory for AMCU over the dominant National Union of Mineworkers (NUM), an ally of the ruling African National Congress.

President Jacob Zuma expressed relief at the pay deal after intense criticism from the opposition and media of the government's handling of the crisis - not least in the aftermath of the police killing of 34 Marikana miners on Aug. 16.

The shootings, the bloodiest security incident in democratic South Africa's 18-year history, boosted an "Anyone but Zuma" campaign dividing the ANC, although he remains favourite to win an internal leadership election in December.

The violence rekindled memories of apartheid-era clashes when police representing white-minority rulers fired on masses of blacks seeking freedom. This time it was the ANC government's police, black and white, who shot the workers, all black.

REALITY OF EXTRA COSTS

Lonmin shares rose more than 9 percent on news of the pay deal, but gave up most of those gains during the day as the reality of the extra costs to a company struggling with a shaky balance sheet and unprofitable mine shafts sank in.

The wage deal could add 13 percent to the group's recurrent costs, plus an additional $10 million for a one-off back-to-work bonus, Nomura said in a note.

The end of the strike will give Lonmin a stronger hand in its refinancing talks with lenders, say analysts, who believe it can withstand higher wages despite its stretched balance sheet.

Acting Chief Executive Simon Scott said Lonmin would be able to manage the hit to its finances: "I am not sure we've bought peace and I'm not sure we've put a band-aid on here," he told Talk Radio 702 in South Africa. "I would like to think that what we've done is something more sustainable."

While Lonmin had relative peace, police fired tear gas and stun grenades to disperse a crowd of men carrying traditional weapons, including spears, in a township at a nearby Anglo American Platinum (Amplats) mine outside the city of Rustenburg.

A labour activist said workers who had stayed off the job at Amplats, which accounts for 40 percent of global supplies of the metal used for catalytic converters in cars and jewellery, were inspired by Lonmin and would press on with their demands.

Platinum prices rose a little on Wednesday after falling 2.6 percent a day earlier on news of the Lonmin deal.

At Marikana, strikers celebrated the deal as a triumph for AMCU, which exploded onto the labour scene in January when its turf war with the NUM led to a six-week closure of the world's largest platinum mine, run by Implats.

Thousands of workers and their families gathered at a soccer pitch near the mine to sing victory songs and denounce the NUM.

"I am happy now," said 42-year-old rock-driller Simphiwe Booi. "Now we can eat."

MAKING ENDS MEET

The 100-year-old ANC was born out of South Africa's fight against white rule, and rejected the exploitation of poor black miners toiling in the country's fabled gold reefs and other mineral deposits.

Led by Nelson Mandela, the ANC promised a better life for all when it took power on the end of apartheid in 1994.

But despite billions of dollars spent on infrastructure, housing, healthcare and education, income disparity and unemployment have increased while chronic joblessness has helped entrench a massive underclass.

While mineworkers have seen their wages steadily increase over the years and mining firms have built schools, hospitals and roads to help communities around their shafts, many of the 500,000 people in the industry still struggle to make ends meet.

Economists said Lonmin may have set a precedent for wage settlements that could spread through an economy already saddled with globally uncompetitive costs.

"The outcome of the negotiation at Marikana will likely set a new benchmark for mining more generally and wage costs are set to rise substantially," JP Morgan said in a research note.

Should wage hikes take root, they would also be likely to stoke wider inflation and curb the central bank's ability to cut interest rates to boost anaemic economic growth.

The gold sector has also not been spared, with 15,000 miners at the KDC West operation of Gold Fields , the world's fourth largest bullion producer, on an illegal strike.

Amplats shares were unchanged while Implats closed 1.1 percent lower.

B2Gold enters Philippines with C$1.1 bln CGA Mining buy

Sept 19 (Reuters) - Canadian miner B2Gold Corp will buy CGA Mining Ltd for C$1.1 billion ($1.13 billion) to gain access to one of the largest gold mines in the Philippines.

The South East Asian country sits over $850 billion reserves of gold, silver and other metals, based on government estimates.

CGA expects its flagship mine on the island of Masbate to produce 200,000 ounces of gold in the year ending June 30, 2013.

GENERAL NEWS *(Continued)*

B2Gold, which operates two mines in Nicaragua, expects the deal to ramp up total production to 350,000 ounces this year. It had earlier forecast production of 185,000 ounces in 2013 and 200,000 ounces in 2014.

The deal will add to reserves, production, cash flow and earnings, B2Gold CEO Clive Johnson told Reuters.

"It becomes accretive to us as we get into the first quarter of next year on earnings basis," Johnson said.

The combined company will have proven and probable reserves of 3.9 million ounces, B2Gold said. The Masbate project has reserves of 3 million ounces, according to CGA website.

Johnson said there may be some tax increases in the Philippines.

The International Monetary Fund has recommended Manila scrap all mining incentives, including a five-year tax holiday. Mining regulations http://link.reuters.com/xyw62t

"From the homework we have done and talking to CGA ... any increase in tax will be reasonable and we have built in all that," Johnson said.

GOLD PRICE SPURS GROWTH

The price of gold has risen more than five-fold in the last decade, from about $300 an ounce in 2002 to about $1,720 an ounce, a stratospheric rise that has pushed gold miners to seek growth at any cost.

B2Gold, with cash and cash equivalents of $77.3 million at the end of the second quarter, has made an offer of C$3.18 per share, representing a premium of 20 percent to CGA's Tuesday closing price on the Toronto Stock Exchange.

CGA shareholders will receive 0.74 shares of B2Gold for each share they hold, the companies said.

Genuity Canaccord Corp advised B2Gold while BMO Capital Markets and Haywood Securities Inc advised CGA.

The CGA board recommended a vote in favor of the proposed deal, in the absence of a superior proposal. The deal agreement also includes no-shop and no-talk provisions.

The deal is expected to close by the end of this year, B2Gold CEO said.

Shares of CGA, which had a market value of about C$879 million before the deal, rose more than 11 percent to C$2.95 on Wednesday on the Toronto Stock Exchange. Shares of Vancouver-based B2Gold fell more than 9 percent to C$3.96.

Sudan opens first gold refinery to boost exports

KHARTOUM, Sept 19 (Reuters) - Sudan opened its first gold refinery on Wednesday as it seeks to improve the quality of its rising gold exports and offset the economic damage inflicted by the loss of most of its oil revenues.

The country is increasing its gold production after losing three quarters of its oil output when South Sudan became independent in July last year.

The government hopes the new refinery in the capital Khartoum will help it to produce gold to international standards and reduce the amount of gold smuggling to overseas markets such as Dubai. Producers would receive more money for the higher-quality gold, thereby reducing the incentive to smuggle.

The refinery will have a daily production capacity of 900kg of gold and 200kg of silver, its head Mohamed Osman al-Zubeir said at the opening ceremony. This more than doubles the previous forecast for the refinery's annual gold capacity, to 328 tonnes from 150 tonnes

Sudan hopes to sell gold worth up to $3 billion this year, double last year's gold revenue. Central bank governor Mohamed Kheir al-Zubeir told said on Wednesday that had sold 58 tonnes of gold worth $2.6 billion over the past 16 months.

Though Sudan has great mining potential, it is hard to verify overall production figures because unofficial gold seekers account for a large part of the country's gold industry.

BHP shelves $3 bln Australian coal mine plans - report'

SYDNEY, Sept 20 (Reuters) - BHP Billiton has shelved plans to build a $3 billion coking coal mine in Queensland as part of the spending cuts announced by the world's largest miner last month, the Australian newspaper reported on Thursday.

Studies had ceased on the Red Hill underground coking coal mine and the Saraji East underground mine projects, which would have each produced up to 14 million tonnes per year, the paper said, without citing sources.

Tumbling prices for coal, iron ore and other resources due mainly to a slowdown in top consumer China have prompted miners across the market to reconsider expansion plans and in some cases cut back production.

In August, BHP shelved its planned $20 billion-plus Olympic Dam copper mine expansion plan and said no major projects would be approved in the year to June 2013.

Goldcorp eyes Mexico mining partnership with Fresnillo

PENASQUITO, Mexico, Sept 19 (Reuters) - Canadian miner Goldcorp, one of the world's largest gold producers, is considering teaming up with Mexico's Fresnillo to develop a new precious metals venture in the central Mexican state of Zacatecas.

Goldcorp Mexico's business development director, Federico Villasenor, told Reuters that Goldcorp and Fresnillo are looking to jointly develop th e C anadian miner's Ca mino Rojo gol d and silver deposits, adding that a feasibility study is expected to be completed by early next year.

GENERAL NEWS *(Continued)*

Villasenor said both companies had already worked together on geological exploration of the property, but he declined to quantify reserves or expected production.

Camino Rojo is just 31 miles (50 km) southeast of Goldcorp's massive open pit mine at Penasquito.

"As neighbors, it's possible that we can create a synergy between the two companies," said Villasenor.

In addition to gold and silver deposits, Camino Rojo is believed to contain significant deposits of lead and zinc.

Fresnillo is the world's largest primary producer of silver, and is controlled by Mexican mining company Industrias Penoles . Fresnillo is also Mexico's second-largest gold producer.

Villasenor added that the Camino Rojo property is believed to feature a geological profile similar to that of Penasquito, expected to be Goldcorp's top gold-producing mine in Mexico this year.

GOLD PROSPECTING UP

Sustained high gold prices and relatively low Mexican labor costs have propelled increased production as well as added exploration investments over the past 10 years.

"Mexico's exploration expenditures have risen significantly over the last decade, reaching a record high of almost $1 billion in 2011," said analyst Ben Moore of Metals Economics Group.

He added that since 2003, exploration spending in Mexico has grown faster than the world average, boosting the country's global ranking to fourth from eighth.

Goldcorp expects to produce 380,000 ounces of gold from Penasquito this year, down 10.6 percent from the company's previous output forecast of 425,000 ounces.

The company says the downward revision is mainly due to a local water shortage caused by severe drought conditions that began last year.

Last year, Penasquito produced 254,100 ounces of gold.

Gold hit a 6-1/2 month high at $1,779.10 per ounce on Wednesday, before easing off.

"The rise (in prices) over the last few years has been so positive that there's still a fairly large margin" between extraction costs and attractive returns, said Villasenor.

The Penasquito property is currently the world's 35th-largest gold producing mine, and Mexico's second-largest gold mine after Fresnillo's Herradura property in the northwest state of Sonora, according to data compiled by Thomson Reuters GFMS.

Goldcorp also operates the El Sauzal mine, in the northern state of Chihuahua, as well as the Los Filos mine in southern Mexico's Guerrero state.

The company's three existing gold producing-properties contributed a quarter of Goldcorp's international gold production in 2011, or about 2.5 million ounces.

This year, Goldcorp expects to produce between 2.35 million and 2.45 million ounces of gold.

TRADING PLACES

Shorts scramble in tin squeeze on London Metal Exchange

LONDON, Sept 19 (Reuters) - Holders of short positions in tin on the London Metal Exchange (LME) scrambled to cover on Wednesday, facing off against a party holding up to 80 percent of combined nearby futures and stocks amid tight availability that may bring further squeezes.

It was unclear who was holding the large position. The LME declines to identify clients and several traders said they did not know either.

The cost to roll over a short position in the metal, mainly used for solder in the electronics industry, soared to levels not seen since February.

"The tin market is a tight one and this (dominant) long has been building for some time," said a London tin trader. "The market remains tight fundamentally and people are taking a view on that."

The big long holder may be a party combining a natural long position to supply metal with speculative futures, traders said.

The "tom/next" spread , which represents the cost of rolling over an expiring position to the following day, spiked as high as $25, the most expensive in six months and compared with zero at the end of the day on Tuesday.

One party had amassed a combined position of stocks, cash and tomorrow positions totalling 50-80 percent of total inventories , LME data showed.

The exchange imposes restrictions when a position surpasses 50 percent and is classifed as "dominant" by capping the level the long-holder can charge shorts to roll over positions. Prices are still far below levels where the exchange would intervene.

Other data showed several parties made substantial bets on lower prices - four shorts in September futures held positions each accounting for 5-9 percent of the total and one short had a large position of 10-19 percent.

While the tightness in nearby spreads is due to dissipate as the September contract expires, there is potential for tightness to reappear.

"This is not a time to be short of either tin outright or tin spreads in case it boils up again," a second trader said.

TRADING PLACES *(Continued)*

"There are significant long positions in the market for October and November and we don't know to what extent consumers are running short on supplies given the lack of availability of LME unencumbered warrants."

LOW STOCKS

Inventories of tin registered by the London Metal Exchange have nearly halved over the past year to 11,955 tonnes .

The amount of metal available for consumers, however, is much lower because much of the stocks have already been cancelled or earmarked for delivery.

The amount of stocks due to be taken out of warehouses is 56 percent of the total, leaving only 5,245 tonnes.

Nearly all the tin inventories are in Johor, Malaysia, where there is a bottleneck so consumers have to wait for months to get deliveries of metal.

The underlying tightness is among the most severe of the LME base metals.

Tin and copper are the only LME metals with forecast market deficits this year and tin is the only one of the six main industrial metals on the LME with a forecast deficit for 2013.

According to a poll of analysts by Reuters, the tin market is due to have a deficit 4,636 tonnes this year, with the shortfall trimmed slightly to 4,091 tonnes in 2013.

"If you look at its available supply, it is very little, the stockpiles are low, cancelled warrants are high," said Nic Brown, head of commodities research at Natixis in London.

Warrants are ownership documents for inventories.

Benchmark three-month tin prices on the LME have shed slightly more than a third since touching a record peak of $33,600 a tonne in April last year and was trading at $21,350 on Wednesday afternoon.

"If you get a boost in Chinese economic growth, then tin prices can go up quite sharply. And we wouldn't be at all surprised to see them starting with a three rather than a two in the not too distant future," Brown said.

Implied tin demand in top metals consumer China is up 8 percent for the first seven months of the year .

Any price rise in three-month futures may be capped by Indonesian producers stepping up sales at higher prices, traders said.

Indonesia smelters temporarily halted production last month in an effort to boost weak prices, but last week had resumed operations.

Shipments of refined tin from Indonesia in August fell to 5,645.87 tonnes, down 32 percent compared with July.

"There will be producer activity above $25,000 so I'm not anticipating that the price is going to run away," the second trader said.

MARKET NEWS

Japan Aug copper cable shipments rise 3.3 pct yr/yr

TOKYO, Sept 20 (Reuters) - Japanese copper wire and cable shipments rose in August from a year ago for the fourth straight month, as demand from the construction sector climbed after last year's massive earthquake and as automakers increased orders.

Output in August gained 3.3 percent from a year ago to an estimated 55,700 tonnes, the Japanese Electric Wire and Cable Makers' Association said on Thursday.

The body forecasts that production will be 695,000 tonnes for the year to March 2013, compared to 800,000 tonnes before the global financial crisis that began in 2008.

Demand from the construction sector, which accounts for more than 40 percent of the total, rose 9.3 percent to 25,700 tonnes in August, following a 14.4 percent jump in July.

Shipments for automakers, who use copper wire in car wiring, increased by 2.5 percent to 5,600 tonnes. Vehicle output in Japan rose last month.

Overseas purchases remained weak due to a slowdown in the global economy, however, with exports falling 10.8 percent to 1,400 tonnes.

Demand from electric power companies dropped for the 13th straight month to 4,900 tonnes, down 1.7 percent. Utilities are cutting back on capital spending following the Fukushima nuclear disaster, sparked by last year's quake and the subsequent tsunami, forced them to turn off most reactors and rely heavily on costly fossil fuel.

In the year ended March 2012, orders from utilities plunged 13 percent to 61,400 tonnes, the lowest since 1963.

INTERVIEW-Glencore's Philippine copper unit plans $600m expansion

MANILA, Sept 20 (Reuters) - Commodities trader Glencore International is close to concluding technical and financial studies for its $600-million plan to double capacity at the Philippines' only copper smelter and refinery, a top official of the smelter said on Thursday.

Work on enlarging operations at the refinery in the central Philippine province of Leyte could start as soon as next May, once the plan has been approved and finalised by the end of this year or early in 2013, Angel Veloso Jr., chairman of the Philippine Associated Smelting and Refining Corp (PASAR), told Reuters.

"In June, we announced investment of up to about $600 million," Veloso told Reuters. "The expansion plan is to increase capacity

MARKET NEWS *(Continued)*

to a maximum of 1.2 million tonnes of copper concentrate." The plant now processes 720,000 tonnes of copper concentrates annually and refines 215,000 tonnes of cathodes.

Technical studies should be completed by October and financial studies by December, Veloso said, adding that the project would take two to three years to complete. Regarding the investment plan, Trade Undersecretary Cristino Panlilio said: "They are committed to that."

PASAR, which is 78-percent owned by Glencore, the world's largest diversified commodities trader, also wants to build a 200-MW coal-fired power plant to lower its energy cost, and may sell extra power to users at an industrial estate it plans to build near its refinery, Panlilio added.

"They have already informed us of their intention to file for (tax) incentives for the project," he said. PASAR resumed operations at the refinery last month after it was shut in January by a fire.

The company, which has been producing copper cathodes for export since 1976, was acquired from the Philippine government by Glencore in 1999.

PASAR buys and refines copper concentrates from mines in Australia, Canada, Southeast Asia, Papua New Guinea and South America. PASAR is one of only a handful of companies involved in downstream metals processing in the Southeast Asian country.

Philippine President Benigno Aquino wants the mining industry to shift to more value-added output by setting up processing plants and moving away from direct shipments of ores, so as to help the country raise more revenue from its largely untapped mineral resources, estimated to be worth $850 billion.

IABr may cut Brazil's steel output estimates for this year

SAO PAULO, Sept 19 (Reuters) - Brazil's largest steel industry lobbying group is considering slashing the estimate for raw steel production this year, signaling that mills are struggling with high raw materials costs, weak demand and falling global prices for the commodity. Instituto Aço Brasil, as the Rio de Janeiro-based group is known, is analyzing numbers after August data disappointed, its president, Marco Polo de Mello Lopes, told Reuters on Wednesday. IABr forecasts raw steel production of 36 million tonnes for this year.

Output of raw steel slipped 3.3 percent in the first eight months, to 23.19 million tonnes. A flagging global economy, a surge in the cost of iron ore and coal and competitive pressures have weighed on Brazil's largest mills since early 2011.

"We will possibly have to revise down some of the numbers," Lopes said. "We may do that by November." Output of raw steel in Brazil fell 6.3 percent in August to 2.837 million tonnes from a year earlier, IABr said earlier in the day. Production slipped 5.5 percent from July in an indication that woes afflicting mills still linger. Shares in steelmakers were mixed on Wednesday. CSN shed 0.4 percent to 12.95 reais and Gerdau fell 0.5 percent to 20.30 reais. Usiminas gained 0.4 percent to 11.54 reais.

EU imposes duties on imports of Chinese organic-coated steel

BRUSSELS, Sept 19 (Reuters) - The European Union said it would impose anti-dumping duties on organic-coated steel from China on Wednesday after it found Chinese firms were exporting the product at below-market prices.

An investigation into a complaint by EU steel producers' group Eurofer found evidence of Chinese dumping in the multi-billion euro market. As a result the bloc set duties from 13.2 to 57.8 percent of the prices of the imported products, it said in an announcement in the European Union's Official Journal. Eurofer's complaint to the European Commission last November said state subsidies to Chinese steel producers gave them an unfair advantage and damaged EU industry sales.

Such complaints are an increasingly regular feature of trade relations between the European Union and China, whose leaders will hold a summit in Brussels on Thursday. The trade group represents more than 70 percent of organic-coated steel production in the European Union, by companies including ArcelorMittal and ThyssenKrupp . Organic-coated steel sheet, made up of a metal and organic portion stuck together for added strength and durability, is used in construction and home appliances. The European Commission, which represents EU member states in trade policy, found EU consumption of such steel decreased by 9 percent during the period under investigation while the volume of imports from China rose 49 percent. China's market share also rose to 13.6 percent in 2011 from 8.3 percent in 2008.

ADVANTAGE

Chinese producers including Union Steel China and Zhangjiagang Panhua Steel had argued that prices they paid for raw steel did not give them an advantage, but the European Commission investigators found these input costs were significantly below international market rates. Union Steel China is a subsidiary of Korean Dongkuk Steel's Union Steel. The Commission also rejected an argument by Chinese authorities it was violating a judgment by the highest EU court that firms cannot be penalised as operating under non-market economy conditions simply because the state is a shareholder. Under EU trade law, assessing the normal value for a product - and thus determining if duties should be imposed - depends on whether a company operates in a market or non-market economy. But the Commission said that court ruling covered state influence in corporate decision-making, while the main reason to deny market economy status to Chinese organic steel producers was that their raw material prices did not reflect market values.

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

Daily LME Aluminium 3-months

Daily LME Copper 3-months

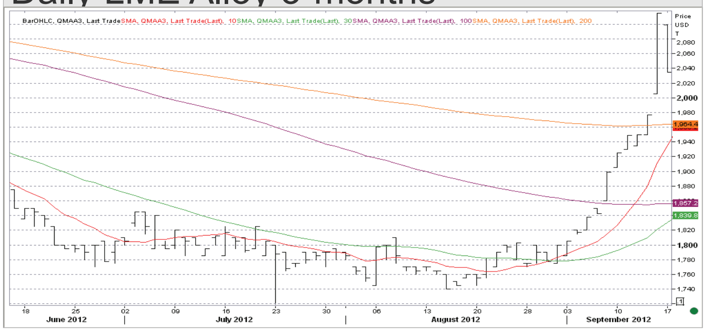
Daily LME Nickel 3-months

Daily LME Zinc 3-months

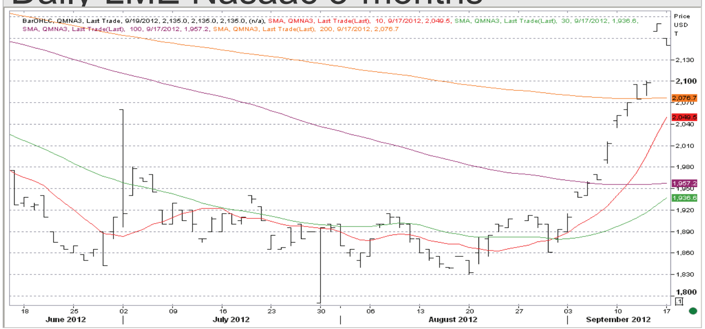
Daily LME Lead 3-months

Daily LME Tin 3-months

Daily LME Alloy 3-months



Daily LME Nasaac 3-months



MARKET REVIEW

METALS-Copper slips after China factory data

SINGAPORE, Sept 20 (Reuters) - London copper slipped on Thursday after data from top consumer China showed manufacturing activity steadying, but not improving, while enthusiasm waned over Japan's easing steps that pushed prices to a 4-1/2 month high in the prior session.

Manufacturing activity in China stabilised in September after hitting a nine-month low in August, even though output dipped to its lowest level in 10 months, a survey of factory managers showed on Thursday.

The HSBC Flash China manufacturing purchasing managers' index (PMI) ticked up to 47.8, from 47.6 in August. The PMI number, which provides the first glimpse of September's conditions for Chinese industry, seems to point to a month in which a slide was halted, but not reversed.

"We do see some things getting better from September as orders filter down into the market. The macro environment is improving and so are orders for cement, steel and copper," Singapore-based analyst Bonnie Liu of Macquarie said.

"The market has been too bearish on China over summer. Now they realise it's not that bad so you see some upside momentum. Still prices are not going to move up much because that demand is not that strong ... it's only a seasonal pick up for the fourth quarter."

Three-month copper on the London Metal Exchange fell by 0.69 percent to $8,292.25 a tonne by 0308 GMT. Copper hit its highest since May 2 at $8,422 a tonne in the previous session.

Prices came under pressure as some participants took profits after the China data failed to show more concrete recovery, a trader in Singapore said.

Copper prices were mired in a negative territory for most of the year until the European Central Bank said it would buy back bonds on Sept. 6, which was followed by a round of easing by the United States and then by Japan on Wednesday.

LME copper prices have since rallied almost 10 percent.

The most-traded January copper contract on the Shanghai Futures Exchange slipped 1.19 percent to 59,800 yuan ($9,500) a tonne.

However, a nascent recovery in the U.S. housing market helped keep a floor under copper prices.

U.S. home resales rose in August to their highest in more than two years and groundbreaking on new homes also climbed, signs that a budding housing market recovery is gaining traction.

Markets are awaiting a slew of manufacturing sector reports from Europe for more trading cues.

"Should numbers disappoint, we could see another wave of selling activity before markets stabilize," Credit Suisse said in a note.

Traders reported improved consumer buying below $8,350 a tonne on copper, suggesting some parties were unconvinced prices would fall sharply in the near term.

"Stimulus looks set to be the name of the game and we'd expect to see higher prices as governments seek to restore growth," RBC Capital said in a note.

"Inflation, slowing growth in China and Europe's credit woes all remain a concern, but we think the market will ignore these thoughts for now and that risk will remain to the upside in the short to medium term."

PRECIOUS-Gold slips from 6-1/2-month top, waiting for China action

SINGAPORE, Sept 20 (Reuters) - Gold slipped on Thursday as the dollar strengthened, giving investors room to book recent gains after prices rose by 16 percent from this year's lows on measures by global central banks to support flagging economies.

The bond purchases, actual and planned, by central banks from the United States to Japan had fuelled a rush for bullion as investors braced for higher inflation, sending gold prices to their highest since February on Wednesday.

Investors are hoping China will be the next to take action after data on Thursday showed activity in its vast manufacturing sector contracted for an 11th consecutive month in September.

The HSBC Flash China manufacturing purchasing managers' index stood at 47.8 in September from a nine-month low of 47.6 in August, staying below the 50 mark that divides expansion from contraction. A measure of output dipped to its lowest level in 10 months. [

"It's not a very great improvement. It's still contracting so I still expect some more stimulus from China which could help gold," said Lynette Tan, analyst at Phillip Futures.

Spot gold dropped 0.4 percent to $1,762.30 an ounce by 0609 GMT, after hitting a session high of $1,771.89. Gold peaked at $1,779.10 on Wednesday, its highest since Feb. 29.

The dollar rose versus the euro and a basket of currencies, weighing on gold and other dollar-denominated commodities such as oil and base metals.

GRAPHIC-How gold fared in previous U.S. quantitative easing:

http://link.reuters.com/pym62t

TECHNICALS-Gold rally looks exhausted:

http://graphics.thomsonreuters.com/WT1/20122009094248.jpg

China unveiled a series of measures last week to help stabilise export growth, including faster payment of export tax rebates and more loans to exporters.

MARKET REVIEW *(Continued)*

That was on top of a series of approvals for infrastructure projects worth more than $150 billion, two interest rate cuts, reduction in bank reserve requirements that freed about 1.2 trillion yuan ($190 billion) for lending and a steady series of liquidity injections into money markets.

STILL EYEING $1,800

Another round of economic stimulus measures from other central banks, including China's, could still help gold break through this year's high of around $1,790, although prices may only go up to $1,800, said Tan.

The last time gold prices hit $1,800 was in November 2011.

"After the next round of stimulus we probably wouldn't see much of an action towards the end of the year so prices are likely to hold steady. There's no catalyst for gold to move higher after that," she said.

U.S. gold futures for December delivery were down 0.4 percent at $1,764.70 an ounce.

"With investment demand gradually increasing and technical momentum positive, we think it is only a matter of time before gold prices make a first breakthrough attempt at $1,800," Credit Suisse said in a note.

Physical gold demand could pick up over the next two months during the wedding season in top consumer India, said Tan from Phillip Futures.

Elsewhere, spot silver eased 0.8 percent to $34.31 an ounce, after hitting a 6-1/2-month high of $35.02 on Tuesday.

Spot platinum fell 1.1 percent to $1,613.99 an ounce, after striking miners at major South African platinum producer Lonmin said earlier this week they would return to work after six weeks of labour unrest during which 45 were killed.

But violence continued in South Africa where police fired tear gas and rubber bullets on Wednesday to disperse protesters near a mine run by the world's biggest platinum producer Anglo American Platinum , as unrest spread after strikers at rival Lonmin won big pay rises.

FOREX-Yen rebounds after sell-off, Aussie dollar falls

SINGAPORE/SYDNEY, Sept 20 (Reuters) - The yen pushed higher against the dollar on Thursday, staying on a firm footing after staging a surprise bounce the previous day as an initial sell-off in reaction to the Bank of Japan's monetary easing fizzled.

The Aussie dollar retreated following a lacklustre reading on Chinese manufacturing activity, and the yen's rise gradually picked up steam after that, with stop-loss position unwinding adding to its momentum.

The U.S. dollar fell 0.4 percent to 78.09 yen , pulling away from a one-month high of 79.23 yen set on Wednesday after the BOJ boosted its asset-buying programme to help fuel the country's economic recovery.

"Technically, yesterday was a bit of a surprise. The reversal now suggests that we are back where we were ... So I think we will see a bit more of the range trading," said Andrew Robinson, FX analyst for Saxo Capital Markets in Singapore.

Rather than pushing on towards 80 yen, the dollar seems likely to trade in a range of roughly 77 yen to 79 yen over the next week or two, Robinson said. The yen rose broadly, with the Australian dollar sliding 1.2 percent to 81.05 yen and the euro tumbling 0.8 percent to 101.41 yen .

There was talk of hedge fund selling in euro/yen, and traders said the greenback's drop against the yen gained steam due to loss-cut dollar selling.

The dollar's rise on Wednesday had stopped short of technical resistance near 79.27 yen on the daily Ichimoku chart, a popular technical analysis tool, and also below the 200-day moving average near 79.32 yen.

While the dollar's failure to clear such technical resistance could bode ill for its outlook, its downside may be limited as well, said a trader for a European bank in Tokyo.

"With regard to dollar/yen, I don't think there is much reason to sell the dollar on the downside, since there is wariness toward the potential for intervention," he said.

Jitters about the potential for yen-selling intervention by Japanese authorities had increased after the dollar hit a seven-month low of 77.13 yen on trading platform EBS last week, pressured by the U.S. Federal Reserve's announcement of aggressive monetary stimulus.

SENSITIVE TO CHINA

The Aussie dollar slid 0.8 percent to $1.0388 , coming under pressure after a survey of factory managers showed that China's factory activity remained sluggish. An initial survey of manufacturing activity only ticked up in September from a nine-month low hit in August.

The Aussie dollar is sensitive to Chinese data as China is Australia's single largest export market.

Earlier, the New Zealand dollar gained a boost from data showing New Zealand grew at a healthy 0.6 percent in the second quarter, double the expected pace.

The kiwi hit an intraday high of $0.8303 after the data, but later pared its gains and was last down 0.3 percent at $0.8237 . The euro fell 0.5 percent to $1.2987 , pulling away from a four-month peak near $1.3173 reached on Monday.

Investors are waiting to see if Spain will seek a bailout and activate the European Central Bank's bond-buying programme, and a near-term focal point is an auction of Spanish bonds coming up later on Thursday.

(Inside Metals is compiled by Shruthi G in Bangalore)

For questions and comments on Inside Metals click here

Your subscription:
To find out more and register for our free commodities newsletters, click here

Privacy statement:
To find out more about how we may collect, use and share your personal information please read our privacy statement here

To unsubscribe to this newsletter click here

For more information:

Learn more about our products and services for commodities professionals, click here

Send us a sales enquiry, click here

Contact your local Thomson Reuters office, click here