INSIDE METALS

Tuesday, September 24, 2013

CHART OF THE DAY

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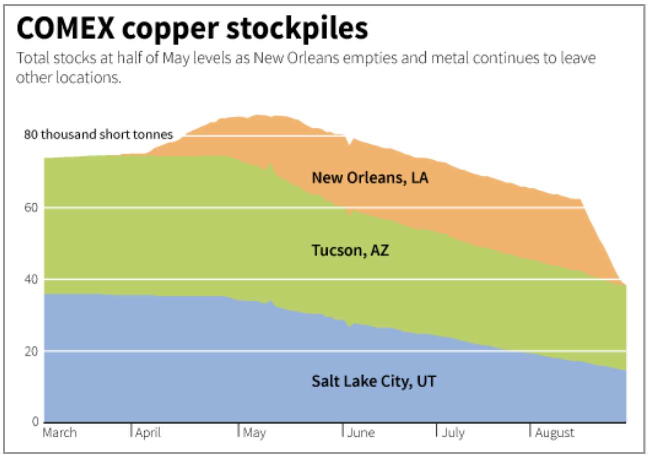

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FEATURE

U.S. lawmakers to seek action on Wall St commodity bets -sources

U.S. lawmakers critical of Wall Street's sway over physical commodity markets will push financial regulators to take action at a hearing next month, two industry sources said. Officials from the U.S. Federal Reserve and the Commodity Futures Trading Commission (CFTC) are expected to testify on Oct. 8 before a Senate Banking Committee panel led by Senator Sherrod Brown, a vocal critic of large banks. It is the second such hearing by the committee, and follows months of unprecedented public and political scrutiny.

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TODAY'S MARKETS

BASE METALS: London copper edged down as the prospect of rising supply overshadowed a brightening outlook for demand, with data this week showing a flurry of European and Chinese manufacturing orders in September. "The Chinese PMI data was quite positive but commodity prices were mostly lower overnight," said analyst Tim Radford of Sydney-based adviser Rivkin.

PRECIOUS METALS: Gold edged up after dropping for three sessions, but gains were limited as uncertainty over when the U.S. Federal Reserve will begin tapering its stimulus dented bullion's appeal as a hedge against inflation. "As long as this backdrop remains, we can expect gold prices to remain volatile," said OCBC Investment Research's Lim Siyi, who tracks exchange-traded funds.

FOREX: The euro nursed modest losses after the European Central Bank said it stood ready to do more to keep market rates down, while dovish comments from an influential Federal Reserve official kept the dollar on a leash. "The market is getting nervous about the U.S. debt deal. It's not clear whether they can reach a deal easily," said Minori Uchida, chief fx strategist at the Bank of Tokyo-Mitsubishi UFJ in Tokyo.

Click here for LME charts

FEATURE

U.S. lawmakers to seek action on Wall St commodity bets - sources

By Patrick Rucker and Douwe Miedema

WASHINGTON, Sept 23 (Reuters) - U.S. lawmakers critical of Wall Street's sway over physical commodity markets will push financial regulators to take action at a hearing next month, two industry sources said.

Officials from the U.S. Federal Reserve and the Commodity Futures Trading Commission (CFTC) are expected to testify on Oct. 8 before a Senate Banking Committee panel led by Senator Sherrod Brown, a vocal critic of large banks. It is the second such hearing by the committee, and follows months of unprecedented public and political scrutiny.

The meeting comes as the Fed, the country's top financial regulator, reconsiders exemptions given to banks since the early 2000s that allowed them to engage in the previously banned trading of physical commodities. It is also due to make a decision about whether Goldman Sachs Group Inc and Morgan Stanley will be allowed to own trading assets such as oil terminals.

The Fed will be represented by Michael Gibson, a director of the central bank's Division of Banking Supervision and Regulation, who represents the Fed abroad, for instance on the Basel Committee on Banking Supervision, the sources said.

CFTC Commissioner Bart Chilton, a Democrat who has made no secret of his mistrust of large banks involved in commodity markets, is also expected to testify, one source said.

The date of the meeting, as well as the list of participants, has not yet been finalized, both sources said.

The fact that neither Gibson nor Chilton are decision makers makes it unlikely the hearing will be the stage for big policy announcements, the industry sources said, but will rather be largely informative in nature.

Some market sources expected the Fed to make clear its position on physical commodity trading ahead of the hearing, which has been tentatively planned for months, although details have only recently firmed up.

At a similar hearing before the Senate committee in July, lawmakers listened to complaints from commodity buyers that banks had pushed up prices, and criticized the Fed for allowing banks to expand their commodity activities.

In July, the Fed said it was reviewing a decade-old decision that cleared the way for bank holding companies to take possession of the physical raw materials that underpin derivative markets, such as cargoes of gasoline and pallets of copper. But Fed watchers are unsure exactly which policies and which banks will come under the strongest review.

This weekend, a five-year exemption allowing Goldman and Morgan Stanley to hold physical commodity assets, a privilege that goes back to their origins as unregulated investment banks in the 1990s, expired without a word from the Fed, which has been talking about the matter to the duo for years.

The Fed has also allowed other banks such as JP Morgan Chase & Co and Citigroup Inc to enter the lucrative commodity business from the early 2000s, and JPMorgan said in July that it was exiting the physical commodities business.

The CFTC, which regulates futures and swaps for commodity and other markets, sent out subpoenas in July to metals warehousing firms as part of a broader inquiry into complaints about inflated metals prices.

GENERAL NEWS

Fed to push hard with stimulus now; can step back later this year -Dudley

By Jonathan Spicer, Luciana Lopez and Ann Saphir

NEW YORK/SAN ANTONIO, Sept 23 (Reuters) - The Federal Reserve must for now continue to push hard against threats to the U.S. recovery, but should still be able to reduce its support for the economy later this year, an influential central bank policy-maker said on Monday.

In a strong defense of the Fed's shock decision last week to keep buying bonds unabated, New York Fed President William Dudley warned in a speech that fiscal uncertainties "loom very large" as Congress prepares to hash out a deal to avoid a government shutdown and raise the nation's debt ceiling.

At a separate New York event, Atlanta Fed President Dennis Lockhart likewise warned that America risked "losing its economic mojo" unless lawmakers worked to reverse declines in labor productivity and new job creation.

In San Antonio, the hawkish chief of the Dallas Fed, Richard Fisher, told reporters that he had pushed for the Fed to reduce its monthly purchases by $10 billion, and warned that by standing pat the Fed had hurt its credibility.

Last week, investors were stunned when the Fed decided not to reduce its asset purchases from the current $85-billion monthly pace, sparking a global stock rally. The decision prompted criticism that policymakers got cold feet despite improving employment and economic growth, and that they misled investors.

But Dudley, a close ally of Fed Chairman Ben Bernanke, highlighted drags from the sharp recent rise in longer-term interest rates, higher taxes and lower public spending adopted earlier this year, as well as growing questions over the debt limit and government funding.

"We must push against these headwinds forcefully to best achieve our objectives," Dudley, a consistent policy dove and a permanent voting member of the central bank's monetary policy committee, said at Fordham University.

Stocks and bonds surged and the U.S. dollar dropped last week after the Fed's policy decision.

Many economists wondered whether Bernanke had backpedaled from a plan that he articulated in June in which the Fed aimed to reduce the purchases later this year and to halt the quantitative easing (QE) program altogether by mid-2014, as long as the U.S. economy keeps improving.

Dudley said on Monday that framework "is still very much intact." He noted that, back in June, Bernanke did not specify the first reduction to QE would come in September, and that it would be dependent on economic data.

Any reduction in QE must be based on the most recent measures of economic health, Dudley said, arguing that two requirements have not yet been met: evidence the labor market has improved and confidence that those gains will continue.

"I'd like to see economic news that makes me more confident that we will see continued improvement in the labor market," Dudley said. "Then I would feel comfortable that the time had come to cut the pace of asset purchases."

Michael Feroli, an economist at JPMorgan, said Dudley's speech hinted at "new QE goalposts" that focus somewhat more on gross domestic product growth.

At the least, Dudley appeared ready to wait until after Democrats and Republicans in Congress worked through budget questions that threatened to shut down government on Oct. 1. The politicians began debate on this Monday.

Investors keyed in on Dudley's remarks but for different reasons on Monday. Stocks fell after Dudley suggested the pace of QE could be reduced later this year, and they stayed lower through the day. But bond prices rose as that market focused in part on his strong support for battling economic headwinds.

LABOR MARKET STILL THE FOCUS

The U.S. jobless rate has fallen to 7.3 percent as of last month from 8.1 percent a year earlier. But Dudley said that drop masks much more modest improvement in hiring, job openings, quitting rates and the vacancy-to-unemployment ratio.

Changes to the asset-purchases "need to be anchored in an assessment of how the economy is actually performing, how financial conditions are evolving, and how this affects the longer-term outlook and the risks around it," he said.

Dudley's dovish speech appeared to push back on those, including some within the Fed, who point to broader economic progress since the third round of quantitative easing was launched a year ago, rather than sometimes poor monthly data.

Dallas Fed's Fisher, a longtime opponent of the bond-buying program, is one of those inside the Fed who disagreed with the decision.

"Doing nothing at this meeting would increase uncertainty about the future conduct of policy and call the credibility of our communications into question," Fisher said he told his colleagues at the Fed's policy-setting meeting last week.

"I believe that is exactly what has occurred, though I take no pleasure in saying so," Fisher said.

Fisher, who does not vote on the Fed's policy-setting panel this year, said the vote of 11 to 1 to continue to buy $45 billion in Treasuries and $40 billion in mortgage-backed securities did not reflect the "close and tough" decision he and his colleagues made.

He said he supported a reduction to the Fed's purchases of Treasuries but not those of mortgage-backed securities because he has been seeing some "tenderness" in housing. While purchases of Treasuries, he said, have not encouraged businesses to hire, MBS purchases have helped the housing market, he said.

Fisher saved some of his harshest criticism for the White House, which is in the process of picking a successor to Ber-

GENERAL NEWS *(Continued)*

nanke and whose top pick, former Treasury Secretary Lawrence Summers, withdrew from consideration for Fed chair after the very possibility of his nomination drew tremendous opposition from within President Barack Obama's own Democratic Party.

"The White House has mishandled this terribly," Fisher said. "This should not be a public debate."

Lockhart, a centrist who also does not vote on the Fed's policy committee this year, said the nation's labor market had still not recovered.

"We've made a lot of progress, but there's a way to go before the Fed can claim that the maximum employment objective has been achieved," he said, referring to the central bank's dual mandate from Congress, which also includes price stability.

Lockhart did not comment specifically on last week's policy decision. But he said monetary policy could aid economic dynamism by fostering favorable interest rates, provided that was "in a context of low and stable inflation."

But he made clear that the central bank could only do so much, and the rest would be up to other public officials to come up with ways to improve the economic climate.

"Is America losing its economic mojo?" Lockhart asked. "There is some evidence to the affirmative."

Indian gold importers await uncleared stocks at customs

MUMBAI, Sept 23 (Reuters) - Gold importers in India are hoping their old stocks lying at airports would get customs clearance by Tuesday, following a meeting with government officials last week, before they ship more for exporters ahead of the peak Christmas season.

Gold shipments into India, the world's biggest buyer of the metal, came to a virtual halt after the Reserve Bank of India told importers on July 22 that a fifth of their purchases would have to be turned around for export and 80 percent would be available for domestic use.

The rule had created confusion among most government agencies over its implementation and as a result about a tonne of gold meant for exporters was stuck at the airports, prompting a high-level meeting of officials from the commerce and finance ministries, importing banks and the Gems and Jewellery Export Promotion Council.

"We have approached Bombay customs to get our old shipments cleared. Hopefully they should get cleared by today or tomorrow... The Bombay customs is waiting for instructions from Delhi," said an official from a Mumbai-based private importing bank, who did not wish to be quoted as he was not authorised to speak to the media.

"We have lots of orders. Unless our shipments are getting cleared, we won't import more," said the official.

Once the imports resume, exporters who have been facing cancellations of orders could start shipments again, after which domestic traders would also receive supplies under the new rule.

Another bank official, who was part of Friday's meeting, said the customs department has been asked to "ensure speedy turnaround time" for imports meant for exports.

On the Multi Commodity Exchange (MCX), gold for October delivery was 0.68 percent lower at 29,709 rupees per 10 grams, extending losses for the third straight session. The contract has shed about 15 percent from its record of 35,074 hit on Aug. 28.

Silver for December also fell 0.78 percent to 48,922 rupees per kg.

Dubai gold trade hurt by new Indian import tariffs

By Clara Denina

LONDON, Sept 23 (Reuters) - Indian measures to discourage gold imports is shutting the door on top exporter Dubai, where trade activity has fallen by as much as 60 percent over the past two months, dealers said.

With gold the most expensive non-essential item on India's import bill, the country's government, in moves to curb a bulging current account deficit, hiked the duty on gold bullion imports three times this year to a record 10 percent, while increasing the import duty on gold jewellery to 15 percent.

Pakistan also suspended a duty-free gold import arrangement in August after purchases soared in the first half and topped $514 million in July alone, citing smuggling into India. The ban was lifted in September, but trade has remained subdued.

"Overall, Dubai gold trade is down by 60 percent as a result of the Indian move and a swathe of paperwork and laws introduced by Pakistan recently, which make it very difficult to ship gold there," said Abid Riaz, chief accountant at wholesalers ACM Gold in Dubai's Gold Souk.

More than 25 percent of the world's physical gold passed through the emirate in 2012, with the value of gold traded reaching $70 billion.

India, the world's biggest gold market, is Dubai's top trading partner for gold, accounting for around 50 percent of its total gold exports. In the first half of the year, Dubai's exports of gold and jewellery to India stood at $21 billion, some 10 percent above last year's figure.

On Sept. 20, the Indian government and banks agreed how new rules on imports should work, but shipments into the country are unlikely to match the levels seen in the first half of the year, traders said.

"Even once imports have re-started, we will not see the same kind of volumes that we used to see earlier," a Dubai-based source at an international trading house said.

GENERAL NEWS *(Continued)*

"For now, there is a new imports model, which is quite complicated, and nobody still has a clear understanding on how to execute that," he added.

SCRAP SALES

A sharp rise in Indian gold prices, which reached an all-time high above 35,000 rupees per 10 grams in August, also attracted a lot of scrap jewellery selling from the domestic market, which would have curbed imports from traditional suppliers Dubai and Switzerland.

"Even if there was no imports control, there wouldn't have been much in terms of exports into India as you had a lot of old jewellery being resold within the country," Emirates NBD head of commodities Gerry Schubert said.

But a higher gold rupee price compared to the cost of jewellery in the United Arab Emirates (UAE) is seen by some to be to Dubai's advantage, as it could increase demand from Indian expats living in the Gulf, who would usually buy gold in India.

"With a 15 percent import duty on jewellery, gold in Dubai becomes much cheaper, and traders think that should be positive for Dubai's jewellery demand, but Dubai is not a huge consumption market," Gautam Sashittal, COO at the Dubai Multi Commodity Centre, said.

India's measures are however unlikely to dampen local consumers' appetite for the metal in the upcoming wedding and festival season and are conversely seen creating a big incentive for smuggling, which could help Dubai's trade.

"Ultimately (in the next 6-12 months) a lot of Dubai-based Indian companies will manage the gold imports here and then bring the gold from here directly into India through whichever means necessary," Emirates NBD's Schubert said.

The World Gold Council says smuggled gold via neighbouring countries would hit 200 tonnes this year, up 50 percent on 2012.

Goldcorp not ruling out deals, big capital projects

By Allison Martell

DENVER, Sept 23 (Reuters) - Goldcorp Inc is not ruling out new takeovers and might even take a look at the big, capital-intensive gold-mining projects most likely to alarm investors, Chief Executive Chuck Jeannes told Reuters on Monday, outlining a stance that puts the company at odds with many of its competitors.

A drop in precious metal prices and a spike in costs is weighing on cash flow at Goldcorp, as with other gold producers, but the company has largely avoided the excesses of the last round of mining deals, maintaining a relatively strong balance sheet.

"Growth isn't a dirty word - a lot of the peer companies are acting like it is," Jeannes said. He said Goldcorp's primary focus is on building three existing projects that will boost gold production over the next five years, but added that the company is also looking for new opportunities.

"Perhaps if our peers are not looking at things, that gives us a better opportunity," he said. Barrick Gold Corp , the world's biggest gold producer, has said unequivocally that given the tough market, it has no plans to build new mines. Some investors are still angry about deals Barrick closed during the commodities boom, especially its C$7.3 billion ($7.1 billion) takeover of Africa-focused copper miner Equinox in 2011, as well as the big cost increases at its Pascua-Lama project on the border between Chile and Argentina.

Goldcorp has had some operational problems at its Peñasquito mine in Mexico, and in 2012 permitting issues forced it to suspend its El Morro project in Chile. But the Vancouver-based company has surpassed Barrick's market capitalization, even though it produces less gold.

Jeannes acknowledged that investors are wary of projects with big capital requirements, but he said Goldcorp is looking for quality assets that offer good returns, and it considers cost, size, mine life and location in its assessments.

"If all that happens, and it's still a big capital number, but we're confident in all the other criteria, then that's not a factor that's going to stop us from going forward," he said.

MARKET NEWS

Southern Copper, Anglo American could partner on Peru mine

By Teresa Cespedes

LIMA, Sept 23 (Reuters) - Two of the world's top copper producers, Anglo American and Southern Copper , are talking about teaming up to develop Anglo's $3.3 billion Quellaveco mega mine in Peru, Southern Copper's chief executive said on Monday.

Southern Copper CEO Oscar Gonzalez said in a telephone interview that rising costs that have hit the global mining industry led the UK-based Anglo American to reach out to Southern Copper about a potential partnership.

Quellaveco is expected to start producing 225,000 tons of copper per year once it becomes operational, as early as 2016.

The environmental impact study for Quellaveco has already been approved and Anglo American, which controls nearly 82 percent of Quellaveco, finalized an agreement with local communities last year.

Southern Copper, a unit of Grupo Mexico , operates two copper mines near Quellaveco, in the southern Moquegua region, which could help save money.

"We've been working in that area for 50 years. We have a railroad there and machinery that would help cut costs," Gonzalez said.

Gonzalez said that local press reports that Southern Copper wants to buy the mine are wrong.

"There is no possibility of buying Quellaveco," he said.

Anglo American has been scrutinizing expenses at Quellaveco for at least the past year, and Southern Copper first expressed interest in helping operate the mine three or four years ago, Gonzalez said.

"Now they are revising their projects and are interested in talking with us about a joint venture to develop the Quellaveco project together," Gonzalez said.

In 2012 Anglo American boosted output by 10 percent to produce 660,000 tons of copper, and Southern Copper's output was similar, at 650,000 tones.

Southern Copper said last week it expects slightly higher output this year because of boosted production from its Buenavista mine in Mexico.

REUTERS SUMMIT-Poland to keep KGHM stake, Lotos control -minister

By Agnieszka Barteczko and Adrian Krajewski

WARSAW, Sept 23 (Reuters) - Poland will not sell any of its stake in KGHM, Europe's No.2 copper producer, and will retain a controlling share in oil refiner Lotos because they are strategic assets, Deputy Treasury Minister Pawel Tamborski said on Monday.

Markets had expected that the Polish government, under pressure to plug a large gap in this year's budget, would sell stakes in both Lotos and KGHM , among the most valuable stocks in its portfolio.

"We do not plan to sell more shares in KGHM in the foreseeable future. Lotos will remain under the treasury's control in the foreseeable future too," Tamborski said at a Reuters Investment Summit.

Poland owns 32 percent of KGHM and 53 percent of Lotos, its second-biggest refiner.

Tamborski said both firms belonged to a category of Polish companies that the government treats as strategically important for the economy and over which the state should retain control.

In the past, the government applied the "strategic" label to firms in which investors from neighbouring Russia - viewed with suspicion by Warsaw - wanted to take a large share.

Tamborski said that even with the limits on selling KGHM and Lotos shares, Poland would meet its target, set out in the 2014 budget, of raising 3.7 billion zlotys ($1.2 billion) in revenue from the sale of state-owned shares.

PIPELINE NEARLY EMPTY

Poland plans an initial public offering of Energa, a power producer, this year. Tamborski said the treasury may kick off the IPO of trader Weglokoks in 2014.

Those listings apart, Tamborski said the focus will be on selling stakes in companies that are already listed, since it has almost run out of attractive firms to float.

Tamborski said that realising a plan to sell shares in utility Enea would be difficult in 2014, because debate over a new energy law has created a degree of uncertainty for investors in the energy sector.

He said his ministry expected to sell its remaining stake in real estate holding PHN this year.

Poland's government values all its stakes in listed companies at around 100 billion zlotys and its stakes that could potentially be sold at 19 billion, Tamborski said.

Some analysts fear that a planned overhaul of the pension system, which will limit the role of the private pension funds that are major players on the local capital market, will make the privatisation process difficult.

"The capital market does not like uncertainty. Once there is specific information concerning the pension funds, the uncertainty will disappear," Tamborski said.

The government is drafting a law on pension reform, which will be submitted to parliament before the end of the year.

The treasury ministry oversees PIR, a new state-controlled fund designed to invest in large infrastructure projects.

MARKET NEWS *(Continued)*

Tamborski said the ministry was looking into the possibility that the fund could become a minority investor in a project to build Poland's largest coal-fired power station at Opole in the south.

He said PIR could, if the deal went ahead, make a contribution to cover more than 6 percent of the project's cost of 11.6 billion zloty.

But Tamborski added: "The chances that PIR will get involved are not big."

(For other news from Reuters Russian and Eastern Europe Investment Summit, click on http://www.reuters.com/finance/summits)

Iron ore firm, but gains at risk on cautious China steel market

By Manolo Serapio Jr

SINGAPORE, Sept 24 (Reuters) - Spot iron ore prices edged higher as some Chinese mills replenished stocks but interest from the biggest importer of the commodity was slow, reflecting a subdued steel market.

Supply of iron ore has outpaced demand this month, dragging down spot prices by almost 4 percent after gaining from June to August. Analysts expect the downward pressure from increased supply to persist for the rest of the year.

"I don't think there's too much buying interest on the ground. Even iron ore cargoes at the ports are not selling that fast," said an iron ore trader in Shanghai.

"While the Chinese economy is getting better, which means demand will continue ... if there's too much supply, you could see prices correcting to $120-$125 in October."

Ore with 62 percent iron content, the industry benchmark, rose half a percent to $132.40 a tonne on Monday, based on the latest available data from compiler Steel Index. The price is not far above the six-week low of $131.10 reached on Sept. 17.

A similar price gauge by Platts was unchanged at $131.50 on Monday, traders said. Activity in the physical market was also limited with most traders attending an industry conference in Qingdao, China, that kicks off on Wednesday.

Citi said in a note it sees iron ore slipping to $115 in the fourth quarter due to weaker than expected Chinese steel demand and more iron ore supply coming through.

Combined output from Australia's top three miners - Rio Tinto , BHP Billiton and Fortescue Metals Group - is forecast to increase by a record 34 million tonnes in the fourth quarter from a year earlier, and by 12 million tonnes from July-September, according to the investment bank.

Rio Tinto, the world's No. 2 iron ore producer, loaded the first shipment of iron ore from its expanded annual capacity in Australia of 290 million tonnes earlier this month. It is looking to lift output to 265 million tonnes this year from around 200 million tonnes in 2012.

"Strong Chinese steel production and iron ore imports in recent months have masked weaker fundamentals," Citi said.

"Excess steel production has been pushed onto international markets, while iron ore inventories have been rebuilt at lower prices. Pricing and supply dynamics have shifted in recent weeks and we expect weaker steel production and softer demand for imported ore in the fourth quarter."

Chinese steel demand typically picks up pace in September and October along with construction activity, but high product stockpiles suggest otherwise.

Inventories of rebar, a steel product used in construction, rose to 6.0809 million tonnes last week from 5.9704 million tonnes the previous week, based on data compiled by Chinese consultancy Mysteel.

The most actively traded rebar contract for January delivery on the Shanghai Futures Exchange was up 0.2 percent at 3,643 yuan ($600) a tonne by the midday break, having hit a 2-1/2-month low of 3,612 yuan on Monday.

Anglo American says Brazil 2013 nickel output 20,000 to 25,000 T.

BELO HORIZONTE, Sept 23 (Reuters) - Global miner Anglo American Plc expects to produce 20,000 to 25,000 tonnes of nickel in Brazil in 2013, the executive president of the company's Brazilian nickel unit told reporters in Belo Horizonte, Brazil.

The company expects its Barro Alto nickel project to have a capacity of 36,000 tonnes a year of nickel by mid 2016, the executive, Walter De Simoni, told reporters at a mining conference.

Anglo American plans to reconstruct its furnaces at Barro Alto, which are part of its ferro-nickel production process, in 2014 and 2015, De Simoni said.

Indonesia's Timah sees recovery in tin exports from October

By Michael Taylor

PANGKALPINANG, Indonesia, Sept 24 (Reuters) - Shipments by Indonesia's biggest tin exporter are likely to fall about 10 percent this year due to new rules on domestic trading, the head of state-run PT Timah said, though deliveries are expected to begin returning to normal from next month.

The firm, which has a huge mining concession in the tin-producing region of Bangka-Belitung, slashed shipments from Aug. 30 after declaring force majeure because of disruption

MARKET NEWS *(Continued)*

from the rules aimed at establishing a benchmark price in Indonesia.

PT Timah's tin ingot exports were 28,000 tonnes last year and could slip to 25,000 tonnes in 2013, President Director Sukrisno said in an interview. September's shipments were forecast at 1,500 tonnes from 2,340 tonnes in August.

"We are still producing," said Sukrisno, who uses one name like many Indonesians. The firm has a stock capacity of more than 5,000 tonnes and inventories were likely to hit 3,500 tonnes by the end of September, he said.

Timah declared force majeure because customers had not registered to trade tin on the Indonesia Commodity and Derivatives Exchange (ICDX), the only approved exchange for physical tin trade.

Other producers have also halted exports and lawmakers could face pressure to revamp the rules forcing producers to trade on a local exchange, particularly given lower mineral sales could put pile more pressure on a rupiah currency trading at more than four-year lows.

Sukrisno declined to say when force majeure could be lifted, but said the situation should improve from next month.

"I hope from October, ICDX can help increase sales."

The disruption in shipments by the world's biggest export has helped support tin prices, which have gained more than 20 percent since early July.

Benchmark London tin prices , currently at $22,975 a tonne, could rise to up to $25,000 a tonne this year with an average at between $23,000-$24,000 a tonne, said Sukrisno.

Last week, a regulatory official said Indonesia was targeting up to a 25 percent jump in its tin prices from current levels.

GRAPHIC-Tin exports: http://link.reuters.com/waq82v

PRODUCERS MUST TRADE LOCALLY

PT Timah which employs 4,500 people, accounts for about 30 percent of Indonesia's total refined tin exports, which rose almost 3 percent in 2012 to 98,817 tonnes.

Under the new trading rule, 47 registered tin ingot exporters must trade on a local exchange before shipping material.

Adding to the trading confusion, a second group of 18 smelters from the Bangka-Belitung region have refused to register with the ICDX, and instead want to trade on the unapproved Jakarta Futures Exchange (JFX).

Government officials have urged the ICDX and JFX to merge their tin contracts to create a single Indonesian benchmark price, which they hope will lead to higher prices.

"If all the production sells in a domestic exchange, the prices will increase," Sukrisno said.

Indonesia's producers are already grappling with a ban on the export of tin ingots of less than 99.9 percent purity that was introduced in July. Sukrisno said PT Timah was already producing at these levels of purity.

As well as seeking to curb tin price speculation, the new exchange and purity rules aim to boost consolidation with smaller producers being urged to sign smelting agreements or sell ore direct to PT Timah.

Other local tin producers had yet to approach PT Timah despite a sales formula being devised, Sukrisno said, adding that Timah's annual smelting capacity was 70,000 tonnes.

TAPPING MYANMAR

Refined tin shipments from Indonesia fell to an 11-month low in July, even before the new trading rules, and main importer China has started to look elsewhere for supplies, including in countries such as Myanmar.

PT Timah has an exploration agreement for 10,000 hectares in Myanmar, Sukrisno said, with work due to start at the end of 2013 and then set to increase by 180,000 hectares next year.

The company has a concession of 520,000 hectares in Bangka-Belitung and expects, in a joint-venture with three state-owned firms, to be handed the 40,000-hectare concession of Malaysia's Koba Tin this month, Sukrisno said. PT Timah holds a 25 percent stake in Koba Tin.

Koba Tin's Malaysian parent company, Malaysia Smelting Corp Bhd , last week said it would seek international arbitration if it did not get a contract extension.

Indonesian officials have justified the possible non-renewal of the permit by saying Koba Tin was not contributing enough revenue to the nation's economy.

Mohammad Ajib Anuar, chief executive of Malaysia Smelting Corp, has said uncertainty over the permit and rampant illegal mining on the concession had sent output plunging by 70 percent last year to 1,901 tonnes, with unlisted Koba Tin incurring $40 million in losses.

Sukrisno pledged to return Koba Tin to profitability.

"There is something wrong ... We can make it profitable."

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

Daily LME Aluminium 3-months

Daily LME Copper 3-months

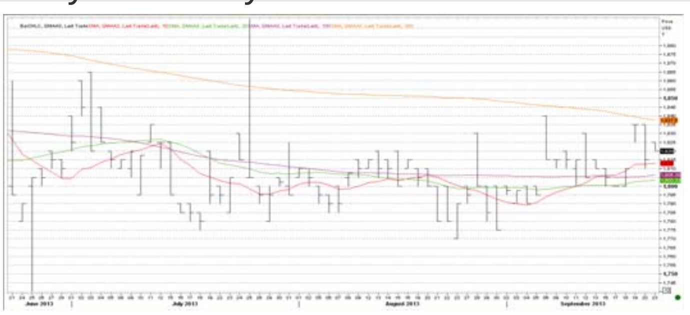
Daily LME Nickel 3-months

Daily LME Zinc 3-months

Daily LME Lead 3-months

Daily LME Tin 3-months

Daily LME Alloy 3-months



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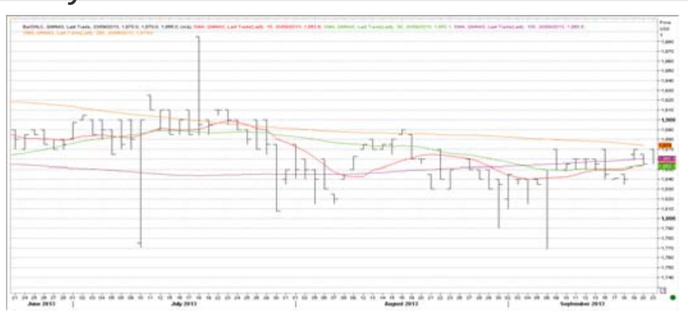

MARKET REVIEW

METALS-London copper slips on prospect of swell in supply

By Melanie Burton

SINGAPORE, Sept 24 (Reuters) - London copper edged down as the prospect of rising supply overshadowed a brightening outlook for demand, with data this week showing a flurry of European and Chinese manufacturing orders in September.

Three-month copper on the London Metal Exchange had slipped 0.38 percent to $7,217.25 a tonne by 0315 GMT, extending losses of less than half a percent from the previous session.

Copper hit its highest in almost a month on Friday at $7,368 a tonne, but will need a new catalyst to break out of the range of $7,000 to $7,500 it has stayed in since early August.

"The Chinese PMI data was quite positive but commodity prices were mostly lower overnight," said analyst Tim Radford of Sydney-based adviser Rivkin.

Radford said growing supply of copper was overhanging the market, while the end of the commodity supercycle flagged lower demand growth for commodities, and potentially lower prices.

"(Still) copper has been supported by brightening China data... and the trend may continue into the end of the year."

A flood of new orders gave a boost to European and Chinese firms in September although weakness in U.S. factory activity tempered evidence of a healing global economy.

The Federal Reserve must for now continue to battle threats to the U.S. recovery, but should still be able to reduce its support for the economy later this year, a central bank policymaker said.

Reflecting still steady physical demand for copper, premiums for metal held in China's bonded areas held static at $170 to $200 a tonne on Tuesday, China price provider Shmet said.(http://www.shmet.com/)

The most-traded December copper contract on the Shanghai Futures Exchange climbed 0.31 percent to 52,040 yuan ($8,500) a tonne.

Two of the world's top copper producers, Anglo-American and Southern Copper , are talking about teaming up to develop Anglo's $3.3 billion Quellaveco mega mine in Peru, Southern Copper's chief executive said.

The move comes against the backdrop of rising supply into the end of the year and beyond. The global market for refined copper is expected to swing into a 153,000-tonne surplus this year more than doubling into 2014, a Reuters poll showed. .

Elsewhere, Anglo American expects to produce 20,000 to 25,000 tonnes of nickel in Brazil in 2013, the executive president of its Brazilian nickel unit said.

LME nickel has been by far the worst performer of the LME contract this year, as supply grows and stainless steel producers turn to a cheaper substitute.

Prices are down more than 18 percent so far this year, compared to aluminium, the second worst performer, with losses of less than 13 percent year to date.

PRECIOUS-Gold firms after 3-day drop, Fed uncertainty persists

By A. Ananthalakshmi

SINGAPORE, Sept 24 (Reuters) - Gold edged up after dropping for three sessions, but gains were limited as uncertainty over when the U.S. Federal Reserve will begin tapering its stimulus dented bullion's appeal as a hedge against inflation.

The Fed shocked markets last week by sticking with its $85 billion in monthly asset purchases, confounding expectations for a $10-billion cut from September.

But New York Fed President William Dudley said on Monday that the central bank should still be able to reduce its support for the economy later this year, while St. Louis Fed President James Bullard earlier said that stimulus could be scaled back in October depending on economic data.

"As long as this backdrop remains, we can expect gold prices to remain volatile," said OCBC Investment Research's Lim Siyi, who tracks exchange-traded funds.

"Most investors have a wait and see attitude right now because it is very hard to predict the upside, especially with all the speculative positions."

Spot gold had risen 0.2 percent to $1,324.50 an ounce by 0617 GMT. The metal shed 3.2 percent in the past three sessions.

Worries that central banks printing money to buy assets will stoke inflation have been a key driver in boosting gold, which rallied to an 11-month high last October after the Fed announced its third round of aggressive economic stimulus.

Speculators slashed bullish bets in futures and options of U.S. gold and silver markets, a weekly report by the Commodity Futures Trading Commission showed on Friday.

LACKLUSTRE PHYSICAL DEMAND

Gold premiums across Asia remained weak due to lacklustre physical demand ahead of what is typically a strong buying period for top consumers India and China, which are headed into a wedding and festival season.

But the Fed uncertainty and India's attempt to cut gold imports as it wrestles with its ballooning current account deficit are keeping buyers at bay.

"Physical demand is not strong enough to support prices," Lim said.

Gold importers in India are hoping stocks lying at airports will get customs clearance by Tuesday, following a meeting with

MARKET REVIEW *(Continued)*

government officials last week, before they ship more for exporters ahead of the Christmas season.

Holdings of SPDR Gold Trust , the world's largest gold-backed exchange-traded fund, have been falling again after a brief burst of inflows in August.

FOREX-Dovish central banks keep euro and dollar pinned down

By Ian Chua and Hideyuki Sano

SYDNEY/TOKYO, Sept 24 (Reuters) - The euro nursed modest losses after the European Central Bank said it stood ready to do more to keep market rates down, while dovish comments from an influential Federal Reserve official kept the dollar on a leash.

Traders were also wary about U.S. fiscal policy amid a political showdown in Washington that could see the government shut down, or at the very extreme, default on its debt.

"The market is getting nervous about the U.S. debt deal. It's not clear whether they can reach a deal easily," said Minori Uchida, chief fx strategist at the Bank of Tokyo-Mitsubishi UFJ in Tokyo.

The euro traded at $1.3494 , having slipped 0.2 percent on Monday after ECB President Mario Draghi said the bank was prepared to inject more liquidity to keep money-market rates from rising to levels that could hurt the economy.

Draghi's remarks came even after closely watched surveys showed business activity in the euro zone grew faster than expected this month thanks to stronger new orders, latest evidence that the economy is healing.

Some market players believe Draghi, aware that many of the euro zone economies are still fragile, is ready to talk down the euro if the currency rallies hard, especially beyond $1.35.

Central banks on both sides of the Atlantic are at pains to ensure the pace of economic recovery continues, a point made loud and clear by the Federal Reserve.

Last week, the Fed stunned markets by leaving its massive stimulus in place, despite having allowed talk of taper to flourish in the months leading up to the Sept. 17-18 meeting.

New York Fed President William Dudley, a well known dove and close ally of Fed Chairman Ben Bernanke, justified the action saying on Monday the central bank must for now continue to push hard against threats to the economy.

Dudley cited fiscal uncertainties as Congress prepares to hash out a deal to avoid a government shutdown and raise the nation's debt ceiling.

His comments kept the U.S. dollar pinned down against many currencies, leaving the dollar index hovering near a seven-month trough plumbed last week.

Against the yen, the dollar dipped to 98.76 , pulling away from Monday's high around 99.36, while the euro eased to 133.26 yen from Monday's peak of 134.56.

David Rodriguez, strategist at DailyFX, expect the dollar to stay in a range given there is no clear commitment from the Fed and no timetable on when it would start to scale back stimulus.

"The fact is that Fed officials remain as data-dependent a sever; if we see big surprises out of U.S. nonfarm payrolls data and/or inflation reports, expect big dollar moves. In the meantime, we think it's unlikely that the dollar breaks to fresh lows," he wrote in a note.

Weakness in the euro and greenback benefited higher-yielding currencies such as the Australian dollar. It rose nearly a full U.S. cent to $0.9426 overnight and also gained ground on the euro, which retreated as far as A$1.4267 from a three-week peak of A$1.4485. It last stood at $0.9408.

The Aussie was further underpinned by growing optimism that China, Australia's single biggest export market, has pulled out of a slowdown.

A measure of China's manufacturing activity on Monday grew at its fastest pace in six months in September, offering more evidence that the world's second-largest economy was regaining momentum.

Trading is likely to be light on Tuesday with no major economic data in Asia. In Europe, a survey of German business sentiment from the Ifo think-tank will be closely watched.

(Inside Metals is compiled by Pradip Kakoti in Bangalore)

THOMSON REUTERS