INSIDE METALS

Monday, September 9, 2013

CHART OF THE DAY

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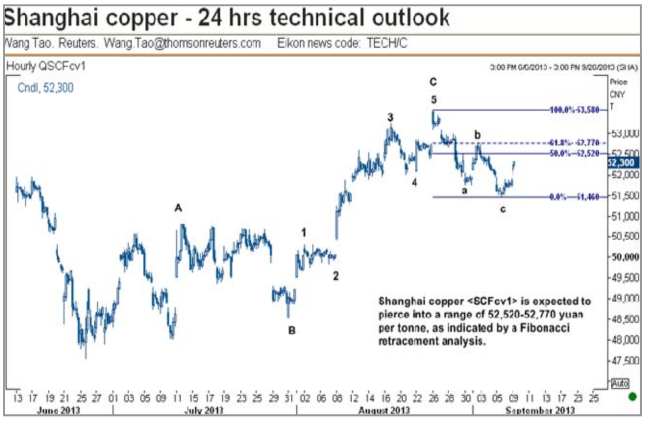

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- Chile's Escondida workers approve company offer, strike averted
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- China August copper imports at 387,564 tonnes

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- China to cap rare earth production at 93,800 T in 2013 - ministry

FEATURE

COLUMN-Indonesia yanks the tin supply chain (again)

The tin market was braced for a drop in exports from Indonesia, the world's largest supplier to the international market-place.

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

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TODAY'S MARKETS

BASE METALS: Copper rose in London and Shanghai after Chinese data pointed to a stabilising economy in the world's top consumer of the metal and on hopes the U.S. Federal Reserve would stick with its stimulus programme.

London copper has recovered around 9 percent after touching three-year lows in June, with the latest gains coming as Chinese numbers added to evidence that the world's second-largest economy may have avoided a sharp slowdown.

"Overall the Chinese economy is turning out to be stronger than expected and firm exports should support GDP growth," said Helen Lau, senior metals analyst at UOB-Kay Hian in Hong Kong, who believes the government is on track to meet its target of 7.5 percent growth in gross domestic product this year.

PRECIOUS METALS: Gold edged higher as possible delay in the U.S. Federal Reserve's decision to taper off its bond-buying programme boosted the metal's safe-haven appeal.

Bullion, which has benefited from central bank liquidity, reversed heavy losses last week and gained nearly 2 percent on Friday after weaker-than-expected U.S. nonfarm payrolls.

"Even as recently as last week, we heard diverging views on the tapering schedule from Fed governors themselves, making it hard to know what the central bank will ultimately decide to do," said Edward Meir, an analyst at INTL FC Stone.

FOREX: The yen fell against the dollar and euro staying on the defensive as Japanese equities rallied after Tokyo won a bid to host the 2020 Summer Olympics. The dollar last fetched 99.57 yen , up 0.4 percent from late U.S. trade on Friday, having risen to as high as 100.11 yen earlier on Monday. The euro rose 0.5 percent to about 131.21 yen .

"Although the majority of Japanese seemed to have thought Tokyo's victory was highly likely, such views seemed not to have been shared by foreign investors necessarily, partly due to the toxic water problem at the Fukushima nuclear plant. Therefore, the news could be seen as a positive surprise," analysts at JPMorgan wrote in a client note.

FEATURE

COLUMN-Indonesia yanks the tin supply chain (again)

By Andy Home

LONDON, Sept 6 (Reuters) - The tin market was braced for a drop in exports from Indonesia, the world's largest supplier to the international market-place.

Everyone knew that the new purity standards for exports, effective the start of July, were going to be a problem for many of the smaller producers clustered on the islands of Bangka and Belitung.

What the market wasn't expecting was a declaration of force majeure on supplies from PT Timah , the country's single biggest producer and the one player that certainly is capable of producing tin to the standards now required by the Indonesian authorities.

The ripple effects have been quick to reach the London Metal Exchange (LME) tin market, where a short-covering scramble has seen three-month metal spike up to a five-month high of $22,770 per tonne and the nearby spreads appreciably tighten.

Indeed, the benchmark cash-to-three-month period exploded out to $125 per tonne backwardation when the news first broke on Wednesday. It was valued at $77 backwardation at Thursday's close.

Such technical tightness hasn't been seen in the London tin market since September last year, a period that also coincided with low Indonesian exports, that time occasioned by price weakness.

This time, around, though, the solution for Indonesian producers may not be so one-dimensional. And the resulting squeeze on supply may not be so short-lived.

"CONFUSION DE CONFUSIONES"

The tin market has long been used to the vagaries of Indonesian tin supply, reflecting as it does a confusing political and economic tussle between national authorities, regional authorities and the fractured and fractious Bankga-Belitung association of smelters.

But at least the new purity standards on exports from July onwards had been well flagged.

What was less well flagged was another requirement that anyone wishing to export tin had to sell the metal via the Indonesia Commodity and Derivatives Exchange (ICDX).

That extra rule was thrown late into the mix almost as an afterthought.

The problem is that the ICDX contract has hardly traded and very few tin players are members.

PT Timah is a member but none of its international buyers are, meaning it quite literally had no-one to sell to.

Everyone assumes that some sort of compromise can be fudged, maybe a deferral of the new rule's implementation date.

But an extra layer of confusion derives from the stance of 18 of the smaller producers. They also want to use a domestic market to sell their product, just not the ICDX.

They are threatening to halt all shipments for three months until the government approves their request to sell through the Jakarta Futures Exchange.

Whether these smelters can produce tin to the new purity standards is itself open to question.

Joseph de la Vega's seminal analysis of financial market shenanigans, "Confusion de Confusiones", was written all the way back in 1688. But it's hard to think of a better description of Indonesia's current impact on the global tin supply chain.

LOWER EXPORTS, WIDER DEFICIT?

What is now almost certain is that Indonesian exports are going to fall over the coming months.

And probably by further than was implied by the July count, which at 6,466 tonnes was already the lowest monthly outflow since August last year, when Indonesian producers suspended sales due to low prices.

Timah has suggested that it accelerated its own deliveries ahead of the Aug 30 implementation of the new regulation about using the ICDX.

That may have helped keep exports flowing last month but with its shipments now suspended and at least part of the Bangka-Belitung association also holding off sales, exports seem set to slide sharply from this month onwards.

As tin association ITRI comments on its website, "it is still very unclear how this situation will be resolved without a significant supply disruption."

True, Indonesian export flow was very strong in the first half of this year, which should provide some cushioning.

True also, LME-registered stocks at 14,685 tonnes are still up on the start of the year and open tonnage of 10,970 tonnes is far from distress levels.

But this Indonesian disruption is coming just at the time that demand appears to be recovering.

Tin is used primarily in soldering, plating and chemicals.

Analysts at Macquarie Bank use semi-conductor shipments as a proxy for assessing the health of tin demand for soldering.

"Taking a three-month moving average as a better guide to the underlying trend in tin demand, the increase in semi-conductor shipments accelerated to 5% YoY in July, the fastest rate recorded since March 2011," they write, adding: "This upturn is especially significant as the market for solder alloys has been the softest of tin's main markets over the last couple of years." ("Commodities Comment: Tin on a Tightrope", Sept. 6, 2013).

FEATURE *(Continued)*

Tinplate output, meanwhile, is rising, according to Macquarie. This time last year it was falling. Demand in the market for tin chemicals is also reported to be "positive".

The Bank, like just about every other metals market analyst, believes that tin was on course to record an underlying production-usage deficit this year even before the latest developments in the world's largest exporter.

That deficit is only going to grow wider if Indonesian shipments slump over the coming period.

NO BUYERS, NO LENDERS

The irony is that while it is a lack of buyers on the ICDX that is behind this particular Indonesian supply twist, it is the lack of lenders that is the problem on the LME.

Coming into this week there were five short-position holders clustered on the September prime date (Sept. 18).

The latest report shows that the number has diminished but there are still three there and there are similar gangs of shorts in November and December as well.

LME tin is a low-liquidity contract. It can be difficult enough for one short position holder to cover a position. When there are multiple players trying to do the same thing, it tends to resemble a stampede in a very small room.

The current LME tin spread structure indicates there is short-covering happening all the way down the front part of the curve.

There is almost certainly more to come, meaning more potential for volatility in the spreads. A return to normality will require a consensus between Indonesia's authorities, producers and exchanges over how best to structure the country's tin exports.

Don't hold your breath. There will be plenty more confusion before that happens.

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

GENERAL NEWS

Unions call end to South Africa strikes

JOHANNESBURG, Sept 8 (Reuters) - Workers in South Africa's motor and gold industries will return to work this week after strikes that have crippled operations at some of the country's biggest producers were resolved on Sunday.

Prolonged labour disputes in the two key exporting industries had threatened to compound the woes of Africa's largest economy, still reeling from last year's violent strikes in mining and continuing problems in the platinum sector.

"We are calling off the strike so workers can return on Monday," the National Union of Metalworkers of South Africa's (NUMSA) deputy general secretary Karl Cloete said on Sunday.

The dispute over pay affected more than 30,000 assembly line workers at major carmakers in South Africa, including Toyota , Ford , General Motors and Nissan .

Cloete said the union recommended workers accept an increase of 11.5 percent for this year and 10 percent in each of the next two years.

Separately, Harmony Gold Mining said employees striking at its operations had agreed to an offer that would hopefully see them return to work as of Sunday night.

This brings to an end the gold industry strike which started on Tuesday night. Workers at other gold majors like AngloGold Ashanti and Sibanye Gold returned to work on Friday after accepting the industry offer of an increase of between 7.5 and 8 percent.

"Harmony increased its offer in respect of wages and benefits in line with other producers, in the interests of long-term industrial relations stability, safety and security in the sector, and on condition that employees returned to work," Harmony chief executive Graham Briggs said in a statement. But smaller strikes are still threatened. Petrol station and car dealership workers plan to stay away from work on Monday.

In the gold industry, the Association of Mineworkers and Construction Union (AMCU) decided on Sunday to press ahead with plans to halt several operations should bullion producers not give in to calls for a doubling of wages.

A strike by AMCU, while not as extensive as last week's strike called by its rival the National Union of Mineworkers (NUM), will hit some of country's biggest mines.

AMCU wants basic pay hiked by at least 150 percent to 12,500 rand ($1,200) while the NUM settled for increases of between 7.5 and 8 percent. The three-day strike called by the NUM last week was peaceful in contrast to the illegal stoppages in 2012, when a violent turf war between the NUM and AMCU erupted.

In the last 18 months more than 60 people have lost their lives in union clashes.

Australia's new government aims to re-boot mining boom

By James Grubel

CANBERRA, Sept 8 (Reuters) - Australia's incoming conservative government promised to re-boot a stalled mining boom and revive an appetite for investment on Sunday after leader Tony

GENERAL NEWS *(Continued)*

Abbott swept into office on a platform to scrap a mining tax and run a stable administration.

Abbott's Liberal-National Party coalition ended six years of often turbulent Labor Party rule and three years of minority government, winning a majority of more than 30 seats in the 150-seat parliament at Saturday's national elections. It was Labor's worst result since 1934.

Abbott, a former student boxer, Rhodes scholar and trainee priest, began his first day as prime minister elect with a dawn bike ride with friends around his home on Sydney's northern beaches, before meeting government and ministry officials.

"People expect the day after an election an incoming government will be getting down to business. That's what I'll be doing today," Abbott told reporters.

Abbott, who was backed by media owner Rupert Murdoch and his Australian newspapers, takes office as Australia's economy adjusts to the end of a mining investment boom, with slowing government revenues and rising unemployment.

But Abbott's finance spokesman Andrew Robb, who may become the trade minister in the new government, said Australia's economy and mining sector would receive a boost from the election result.

"As of today, the mining boom will be rebooted," Robb told Australian television, adding Australia had become uncompetitive under the Labor government. "We will restore an appetite for risk and investment."

POLICY PROBLEMS

Analysts said the victory for Abbott should give him at least two three-year terms in office.

"The only time we've ever had a one-term government is during the great depression. There is no real reason to expect they won't go beyond the three years," Monash University analyst Nick Economou told Reuters.

Despite his solid victory, Abbott's government will not have a majority in the upper house Senate, where he is likely to face a disparate range of minor parties and independents with the balance of power votes from July 2014. Labor and the Greens will control a Senate majority until next July.

Abbott will need Senate approval to scrap the carbon and mining taxes, and to implement his landmark paid parental leave scheme which has upset big business and many in his own party.

The influential Business Council of Australia, which represents the nation's biggest listed companies, urged the Senate to recognise the government's mandate, but continued to express concerns about the taxpayer-funded leave scheme.

Final Senate results could take several weeks to determine, due to the complex nature of the preferential voting system.

Abbott may be forced to deal with independent Nick Xenophon, Victoria's Motoring Enthusiast Party, and anti-immigration firebrand Pauline Hanson might also win a Senate seat and return to parliament after a 15-year absence.

Perhaps the biggest surprise of the election was the showing of start-up Palmer United Party, founded just five months ago by colourful mining entrepreneur Clive Palmer, who could win a seat in both the Senate and the lower house.

Palmer, who has interests in nickel, coal and iron ore, also plans to build a giant robot dinosaur park and a replica of the Titanic. His campaign was marked by 'twerking' on national radio and threats to sue both the Australian Electoral Commission (AEC) and News Corp's Rupert Murdoch, whose wife he accused of being a Chinese spy.

Chile's Escondida workers approve company offer, strike averted

SANTIAGO, Sept 6 (Reuters) - Workers at Chile's Escondida mine have approved a company offer for better conditions, putting an end to the threat of a new strike at the world's biggest copper deposit, a union leader said On Friday.

Last month, miners at the project controlled by BHP Billiton held a surprise 24-hour strike, demanding an annual bonus and improved working conditions.

Just over 60 percent had voted to approve the company's offer, union leader Marcelo Tapia told Reuters on Friday. He did not give further details about the offer.

The Escondida union rocked the copper market in 2011 when it staged a two-week stoppage, sending output at the mine tumbling. Escondida produced just over 1 million tonnes of copper last year.

Glencore to vaunt successes of $46 bln Xstrata deal one year on

By Clara Ferreira-Marques

LONDON, Sept 6 (Reuters) - Almost a year after winning the battle for Xstrata, Glencore is set to show investors evidence of early successes, with costs to come down more than targetted, asset sales in hand and key staff retained.

Glencore Xstrata, which has yet to shed a reputation for opacity, will bring its entire management team to London on Tuesday to outline progress after four months in control of Xstrata, following the $46 billion takeover that became the mining sector's largest to date.

In its first major presentation on the deal since it was completed, analysts expect the trading and mining conglomerate to impress with tougher cost cutting targets. These are likely to include a

GENERAL NEWS *(Continued)*

significant improvement on the $500 million per year synergy goal provided at the time of the acquisition.

That covered only marketing benefits - not costs to be squeezed out of Xstrata's mines - and Glencore has already said it expects a final number "materially in excess" of that.

Analysts at RBC Capital Markets said this week they expected marketing synergies of $600 million - as more Xstrata products go through the Glencore trading machine.

In addition they saw further savings from the group's industrial side that could exceed an annual $1.2 billion, mostly from Xstrata's largest divisions, copper and coal.

"Glencore has spoken much about the corporate overheads to come out of Xstrata, but we also think that the company has done as much as possible to strip out additional costs at every level of the old Xstrata operations," the RBC analysts said in a note.

SELLING LAS BAMBAS

Glencore is expected to update investors on its review of the Xstrata portfolio of mines and projects. The main project under construction, the $5-billion-plus Las Bambas copper mine in Peru, is already for sale - its disposal was a condition of the Xstrata deal set by China's antitrust regulators.

A handful of suitors, including at least three Chinese mining groups, are expected to submit initial bids for Las Bambas, along with the investment firm set up by former Barrick Gold boss Aaron Regent.

Selling Las Bambas will boost cash inflows, both from the sale and from lower spending, while Glencore is also expected to divest undeveloped projects.

"The consensus is they always intended to dispose of greenfield projects," analyst Nik Stanojevic at Brewin Dolphin.

"They don't like them and recent history shows them to be right - there is large execution risk, a high chance of time and cost overruns, regulatory risk."

Glencore, whose shares have underperformed a volatile UK mining sector by 7 percent since the merger completed, came under fire last month after it wrote $7.7 billion off the value of Xstrata's assets.

Although this was a paper hit, it raised questions over trading powerhouse Glencore's largest deal to date, sealed just as the commodity cycle turns.

Analysts say a strong performance on Tuesday could help perceptions of Glencore but the success or otherwise of the merger will take longer to determine.

It will depend on factors ranging from market prices to the ability to retain former Xstrata staff operating the mines.

"How do you prove it was a good deal? You prove it was a good deal by not only increasing the synergies, but delivering on them," said analyst Chris LaFemina at Jefferies.

"You prove it was a good deal by getting a better than expected price for whatever assets you are going to sell. You prove it was a good a deal over time by operating well."

Rio sees start of production from Simandou mine in 2018

HONG KONG, Sept 6 (Reuters) - Global mining company Rio Tinto , confirmed on Friday it expects to delay first production from the giant Simandou iron ore deposit in Guinea by at least three years to 2018.

Rio's Guinean ambitions date back to the height of the boom, when major miners looked to increasingly difficult geographies in search of growth. The government confiscated half of the Simandou project in 2008, accusing Rio of moving too slowly, but the two sides settled differences in 2011, with a deal that set a 2015 target for first production.

Yet, as Rio and the government continue to hammer out details including the final framework underpinning the project, industry analysts as well as Guinea's own mines minister have said that date is unrealistic and would be missed.

"The production date will come out to be what it will be, once the investment framework is concluded and the financing is in place," said Alan Davies, head of Rio's diamonds and minerals division, who is also responsible for Simandou.

"Our current estimate is that if everything goes extremely well and rapidly production would be around 2018."

Simandou is one of the world's largest untapped deposits of iron ore. The project's development - along with associated rail and port infrastructure - could cost $20 billion or more and is expected to galvanise the region and turn Guinea into a major exporter.

Rio is developing the southern half of Simandou, but said last month it could be interested in a larger area, including the remaining half held by rivals.

TRADING PLACES

Specs raise gold, silver bullish bets, cut copper longs-CFTC

Sept 6 (Reuters) - Hedge funds and money managers have boosted bullish bets in U.S. gold futures and options to their highest levels since January, as fears over U.S.-led military strikes on Syria triggered safe-haven buying, a report by the Commodity Futures Trading Commission showed on Friday.

Speculators also boosted bullish bets in futures and options of silver while cutting net longs in the copper market, according to the CFTC's Commitments of Traders for the week ended Sept. 3.

The group, known as Managed Money, raised its net longs in gold by 3,495 lots to 101,396, the highest level since the week of Jan. 27, CFTC data showed.

Gold prices gained more than 1 percent, breaking over the $1,400 an ounce mark, as U.S. President Barack Obama vowed to launch military strikes against Syria as a strong response to a chemical weapons attack last month.

Traders said specs now await next week's trade data as a lack of progress in discussions over U.S. military actions later weighed on gold prices, which ended the week down 0.5 percent.

Bullion prices, however, received a boost on Friday after weaker-than-expected U.S. nonfarm payrolls increased confusion over when the Federal Reserve will start paring back its massive bond-buying stimulus.

Specs raised net longs in silver by 2,906 contracts to 19,375, but slashed net long positions in copper futures and options by 4,832 lots to 8,211, according to the CFTC.

Among platinum group metals, specs raised platinum futures and options net longs by 444 to 34,708 contracts, while they cut bullish bets in palladium longs by 1,757 to 22,719 lots.

MARKET NEWS

Pan Pacific aims to hike 2014 copper TC/RCs by over 35 pct

TOKYO, Sept 9 (Reuters) - Japan's biggest copper smelter, Pan Pacific Copper, aims to raise 2014 concentrate treatment and refining charges (TC/RCs) by more than 35 percent, a senior executive said on Monday.

The company is aiming for 2014 TC/RCs of $95 per tonne or 9.5 cents per pound, up from around $70 and 7 cents for 2013, Shigeru Oi, senior executive officer, told a news conference. Pan Pacific expects to start negotiations with miners in October.

Global miners pay TC/RCs to smelters to convert concentrate into refined metal, with the charges deducted from the sale price, based on LME copper prices. Higher charges are typically seen when concentrate supply rises or when smelter capacity thins.

Pan Pacific, a unit of Japan's JX Holdings Inc , may also seek a higher premium of $130 per tonne for copper term shipments to China in 2014, up from $85 in 2013, another senior executive officer Yoshihiro Nishiyama said. It plans to begin negotiations with Chinese buyers later this month.

China August copper imports at 387,564 tonnes

BEIJING, Sept 8 (Reuters) - China's imports of copper fell 5.6 percent to 387,564 tonnes in August from 410,680 tonnes in the previous month, data from the General Administration of Customs showed.

Copper imports to China, the world's leading copper and aluminium consumer, include anode, refined, alloy and semi-finished copper products.

The country imported 86,209 tonnes of unwrought aluminium, including primary, alloy and semi-finished aluminium products, in August, up from July's 72,368 tonnes.

China's daily steel output unchanged in late Aug from mid-Aug

SHANGHAI, Sept 9 (Reuters) - China's average daily crude steel output stood almost unchanged at 2.119 million tonnes between Aug. 21-31, compared with 2.118 million tonnes between Aug. 11-20, data from the China Iron & Steel Association showed on Monday.

CISA estimated the country's total production based on its members, including more than 80 large steel mills that account for about 80 percent of China's total steel output.

CISA members produced 1.740 million tonnes of crude steel on an average daily basis during the same period, little changed from 1.739 million tonnes in the preceding period, data showed.

China boosts tin ore imports from Myanmar as Indonesian supply dries up

By Melanie Burton

SINGAPORE, Sept 9 (Reuters) - China's tin industry is turning to Myanmar to help plug a gap in the supply of raw materials after new trading rules in the world's top exporter Indonesia squeezed its major source of refined tin.

China, the world's top metals consumer, has more than doubled its imports of tin ore and concentrates from Myanmar this year,

MARKET NEWS *(Continued)*

shoring up an alternative source of the metal used mainly for solder in its vast electronics industry.

Pulling in more ore from Myanmar -- still a relatively small player -- will add to China's efforts to source tin from Bolivia, Japan, Malaysia and LME stockpiles, and could crimp sales by Indonesia in the long-term, said industry experts.[ID:nL4N0GT134]

"Myanmar isn't going to solve China's problems - Indonesia is the dominant exporter in the world," said Stephen Briggs of BNP Paribas in London. "But China is clearly trying to diversify its sources, whether it's tin or anything else. It certainly isn't a great thing for Indonesia."

China has relied on Indonesia for the bulk of its tin imports, taking more than 15,000 tonnes last year, but sales have slumped since the Southeast Asian nation ruled that producers could only sell ingots of the highest purity, a move aimed at boosting the value of its exports.

The Indonesian market has been further muddied by government attempts to ensure all of its tin is traded through a local exchange, a move which has yet to gain traction with customers, and its biggest exporter has halted shipments.

China's imports from Indonesia fell 72 percent in July from a year earlier to just 484 tonnes of refined tin.

By contrast, tin ore shipped from Myanmar across the border for processing in Yunnan, China's key tin producing province, more than tripled in July to 8,392 tonnes, China trade data shows. Imports for the first seven months of the year are already more than total for the whole of 2012.

The Myanmar figures are for tin ore and concentrate and do not specify tin content, so it is not possible to work out how much tin would be produced from the increased exports.

Traders put Myanmar's total production at the "low single-digit thousands" of tonnes, compared with 100,000 tonnes for Indonesia.

China also produces about 100,000 tonnes of tin a year, but faces a shortfall of 50,000-60,000 tonnes, which it meets through recycling and through imports of unrefined ore and refined tin, said Peter Kettle of global industry group ITRI.

Chinese buying could help speed development of Myanmar's fragmented industry as political changes lead to increased investment.

"We could see Myanmar emerging in the long run as quite an important tin producer," said Kettle.

"There is quite a bit of interest in the long-term with the changes in the political regime and encouragement of international investment," he said.

Traders are also eyeing the country but say China is likely to be the dominant buyer for the near future.

"We make some efforts to get into that country but it's not easy," said a source at an international trading house.

"There is a lot of artisanal mining there. You need to be prepared to go into the country and pay people in cash and arrange logistics yourself, and I'm sure the Chinese are able to do that," he said.

China to cap rare earth production at 93,800 T in 2013 - ministry

BEIJING, Sept 6 (Reuters) - China will cap rare earth production at 93,800 tonnes over the whole of 2013 as part of efforts to rein in unlicensed production in the sector, the country's land and resources ministry said on Friday.

The figure is the same as 2011. China did not announce a national production cap for 2012, but instead imposed limits on a province-by-province basis.

China produces more than 90 percent of global rare earth supplies, making it a key exporter of a series of 17 metals with a range of applications in sectors such as defence, telecommunications and renewable energy.

Since 2010, Beijing has been trying to exert more control over the sector, where unauthorised production, environmental pollution and smuggling have been rife. It launched another campaign in early August aimed at cracking down on illegal activities.

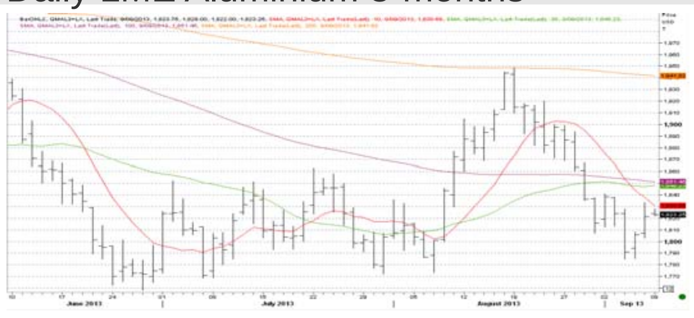
Its efforts to cut output and impose strict export quotas have been criticised by foreign governments concerned about China's chokehold over supplies.

The United States, Japan and the European Union have complained to the World Trade Organization about Beijing's efforts to control the sector, saying China is trying to use its stranglehold over supplies to drive up prices and gain a competitive advantage.

But China has repeatedly said rampant overmining has caused untold ecological damage and that it no longer wants to pay the environmental costs of supplying the vast bulk of the world's rare earths.

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

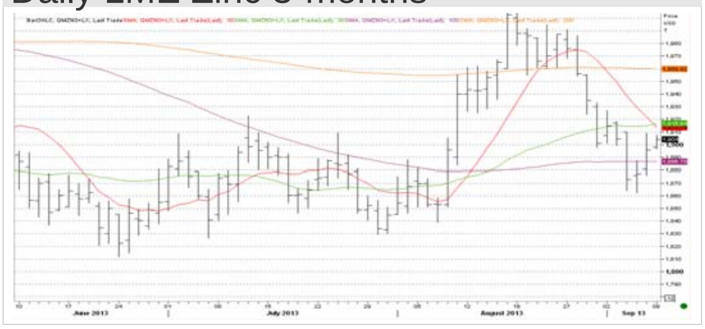
Daily LME Aluminium 3-months



Daily LME Copper 3-months

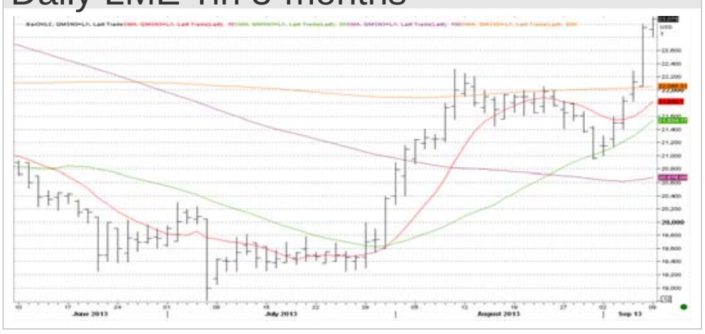
Daily LME Nickel 3-months

Daily LME Zinc 3-months



Daily LME Lead 3-months

Daily LME Tin 3-months



Daily LME Alloy 3-months

Daily LME Nasaac 3-months

THOMSON REUTERS

MARKET REVIEW

METALS-Copper gains on China data, Fed hopes

By Manolo Serapio Jr

SINGAPORE, Sept 9 (Reuters) - Copper rose in London and Shanghai after Chinese data pointed to a stabilising economy in the world's top consumer of the metal and on hopes the U.S. Federal Reserve would stick with its stimulus programme.

London copper has recovered around 9 percent after touching three-year lows in June, with the latest gains coming as Chinese numbers added to evidence that the world's second-largest economy may have avoided a sharp slowdown.

Data on Sunday showed China's exports rose by a forecast-beating 7.2 percent in August from a year earlier, while in-line inflation figures on Monday reflected tame consumer prices.

Three-month copper on the London Metal Exchange had risen 0.8 percent to $7,219.75 a tonne by 0311 GMT, extending gains into a second session.

The most-traded December copper contract on the Shanghai Futures Exchange climbed 1 percent to 52,280 yuan ($8,500) a tonne.

"Overall the Chinese economy is turning out to be stronger than expected and firm exports should support GDP growth," said Helen Lau, senior metals analyst at UOB-Kay Hian in Hong Kong, who believes the government is on track to meet its target of 7.5 percent growth in gross domestic product this year.

"But more probably needs to be done to see stronger demand recovery in China."

China's copper imports fell to 387,564 tonnes in August from a 14-month high of 410,680 tonnes in the previous month, customs data showed.

The decline surprised some analysts as it came despite a sustained drop in copper stockpiles in Shanghai. Inventories of the metal monitored by the Shanghai Futures Exchange stood at 151,700 tonnes last week, near the 11-month low of 151,148 tonnes reached in early August.

China's imports of other commodities including crude oil and iron ore similarly eased last month, but some analysts see a recovery.

"Imports will likely be supported by healthy demand as industrial activity picks up for the peak export and investment season into the fourth quarter," Barclays analyst Sijin Cheng said in a note.

More Chinese data is due on Tuesday, including industrial output and retail sales figures.

Weaker-than-forecast jobs creation in the United States last month also buoyed copper prices as it spurred expectations the Federal Reserve would continue with its massive monetary stimulus.

PRECIOUS-Gold edged higher on euro, Fed uncertainty helped

By Lewa Pardomuan

SINGAPORE, Sept 9 (Reuters) - Gold edged higher as possible delay in the U.S. Federal Reserve's decision to taper off its bond-buying programme boosted the metal's safe-haven appeal.

Bullion, which has benefited from central bank liquidity, reversed heavy losses last week and gained nearly 2 percent on Friday after weaker-than-expected U.S. nonfarm payrolls.

"Even as recently as last week, we heard diverging views on the tapering schedule from Fed governors themselves, making it hard to know what the central bank will ultimately decide to do," said Edward Meir, an analyst at INTL FC Stone.

"This confusion will likely prevent gold from weakening substantially over the course of this week, but we suspect that the selling should intensify after the Fed meeting is out of the way and assuming we do indeed get a modest amount of tapering."

The disappointing U.S. jobs report, which initially weighed on the dollar, raised speculation the Fed may minimise the size of a likely reduction in stimulus many investors expect later this month. The euro dropped 0.1 percent to $1.3175 on Monday.

The U.S. jobless rate hit a 4-1/2-year low as Americans gave up the search for work, complicating the Fed's decision on whether to scale back its monetary stimulus this month.

"We still see that gold should probably test $1,400," said Brian Lan, managing director of GoldSilver Central Pte Ltd in Singapore. "We are still seeing some demand. There are more inquiries from India for both gold and silver."

Jewellers in main gold consumer India expect a surge in imports this week after the government clarified overseas buying rules. Most of the jewellers are sustaining on stocks shipped from April to May, which totalled more than 300 tonnes.

Gold is one of the biggest items in a record current account deficit that has helped push the rupee to an all-time low. The government has raised the import duty on gold to an all-time high of 10 percent.

FOREX-Yen slips broadly after Tokyo Olympics win

By Masayuki Kitano and Ian Chua

SINGAPORE/SYDNEY, Sept 9 (Reuters) - The yen fell against the dollar and euro staying on the defensive as Japanese equities rallied after Tokyo won a bid to host the 2020 Summer Olympics.

The dollar last fetched 99.57 yen , up 0.4 percent from late U.S. trade on Friday, having risen to as high as 100.11 yen earlier on Monday. The euro rose 0.5 percent to about 131.21 yen .

MARKET REVIEW *(Continued)*

Tokyo's win could mean a noticeable bump for the economy as it gears up for the Games. The Tokyo bid committee reckons hosting the Olympics would boost the economy - from construction and higher prices - by 3 trillion yen ($30.14 billion) over the coming seven years.

The yen fell initially as traders positioned for a bullish start for the Nikkei and sold the yen, given that the yen and Tokyo shares have been inversely correlated in recent months. Japan's Nikkei share average rose 1.9 percent.

"Although the majority of Japanese seemed to have thought Tokyo's victory was highly likely, such views seemed not to have been shared by foreign investors necessarily, partly due to the toxic water problem at the Fukushima nuclear plant. Therefore, the news could be seen as a positive surprise," analysts at JPMorgan wrote in a client note.

Dollar-selling by Japanese exporters as well as some squaring of long dollar positions later supported the yen, and helped temper the greenback's gains against the Japanese currency, market players said.

Traders said there was little direct impact on the yen from an upward revision to Japan's second-quarter economic growth, which matched the market's expectations.

Against the yen, the dollar recovered to levels seen before Friday's disappointing U.S. jobs numbers, which raised questions about whether the Federal Reserve will actually begin to scale back its massive stimulus programme next week.

But comments from two Federal Reserve officials suggested the tapering plan is still on track. Esther George, the Kansas City Fed's consistently hawkish leader, said she favoured trimming the bond-buying programme. Chicago Fed President Charles Evans said he could be swayed towards a pullback.

That should give investors the confidence to buy the dollar on any dips, traders said. The euro eased 0.1 percent to about $1.3175 , taking a breather after Friday's 0.5 percent gain.

"If the decision comes out in favour of tapering, then it will be a pretty strong boost to the U.S. dollar," said Gareth Berry, Singapore-based G10 FX strategist for UBS, referring to the Fed's policy meeting on Sept. 17-18.

While the majority view among economists seems to be that the Fed will decide next week to start tapering its monetary stimulus, the greenback could still gain a lift if that happens as there is some uncertainty, Berry said.

"The key thing, though, is that they would probably try some further rhetorical innovation when it comes to convincing the market that a rate hike will not follow quickly after tapering ends... That will take some of the wind out of the U.S. dollar's advance once the tapering decision is made," Berry added.

The Australian dollar touched a three-week high around $0.9222 , further benefiting from Chinese trade data that added to evidence that the world's second-biggest economy may have avoided a sharp slowdown. China is Australia's single biggest export market.

The Australian dollar last stood at $0.9205, up 0.2 percent from late U.S. trade on Friday.

Data on Monday added to evidence of stabilisation in China's economy, with China's consumer inflation holding steady in August while producer price deflation continued to ease.

Investors barely reacted to the outcome of Australia's national election, which as expected, saw the conservative Liberal-National Party coalition swept into power as investors overwhelmingly voted out the Labor Party.

Still, some analysts expect business confidence could bounce now that the election is out of the way and with the coalition tending to be seen as more pro-business.

"The removal of election uncertainty and the decisiveness of the win by the Coalition are factors likely to boost confidence," said Craig James, chief economist at CommSec.

(Inside Metals is compiled by Pradip Kakoti in Bangalore)