

Metals Week

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WTO panel ruling on China metals hailed, but outcome doubted

COMMODITIES

Singapore—While the US and European governments praised a ruling last week by a World Trade Organization panel that China's export restrictions on certain metals are not justified, industry sources were skeptical that China will ultimately open up its export trade. Within China, the government defended its policies and sources noted that there is still an option for an appeal.

The WTO panel on July 5 ruled that China's export taxes, quotas and minimum export prices on certain raw materials — bauxite, coking coal, fluorspar, magnesium, manganese, silicon metal, silicon carbide, yellow phosphorous and zinc — were incompatible with WTO rules, preventing fair access to raw materials. "The panel, therefore, recommends that the Dispute Settlement Body request China to bring its measures into conformity with its WTO obligations," the ruling said.

The European Union and the US filed complaints with the WTO in June 2009. In August of that year a third WTO member, Mexico, requested consultations with China. In December 2009, a single WTO panel was established to examine the three complaints. Argentina, Brazil, Canada, Chile, Colombia, Ecuador, India, Japan, Korea, Norway, Saudi Arabia, Chinese Taipei and Turkey joined as third parties in the dispute. The export restraints challenged in the dispute include export quotas and export duties, as well as related minimum export prices, export licensing and export quota administration requirements.

The complainants pointed out that in its accession to the WTO, China had agreed to remove all export duties except for a few products. but even for these limited products Beijing

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Magnesium merger ties Australian investors to established player

LIGHT METALS

Washington—The merger of Australian magnesium producer Advanced Magnesium Ltd. with Germany-based Magontec enables Australian investors who have long sought a stable magnesium wellspring to find a home with an established magnesium market player, according to industry sources commenting on the news last week.

Australia's AML said last week that it would acquire alloy and anode producer Magontec from Straits Mine Management for A\$5.595 million (\$6 million). AML bought all the shares of Varomet Holdings, the holding company of the Magontec Group, to become Magontec's only stakeholder effective July 4. AML, as

a result of the acquisition, will have a combined manufacturing capacity of 60,000 mt/year of magnesium globally.

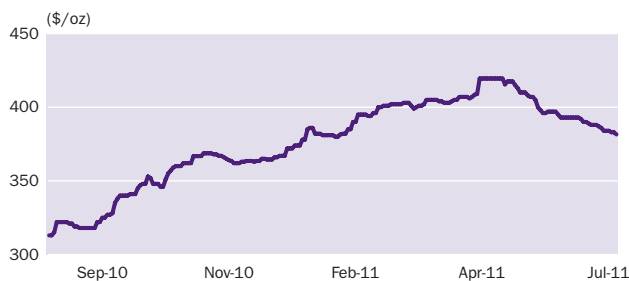
Magontec was founded in 1953 in Germany as Magnesiumgesellschaft. In 2007 Straits Resources acquired the company from Norsk Hydro. Magontec currently operates two former-Hydro magnesium alloy and anode manufacturing plants at Bottrop, Germany (12,000 mt/year of alloy and 1,000 mt/year of anode), and Xian, China (20,000 mt/year of alloy and 1,500 mt/year of alloy), as well as a plant in Suzhou, China (7,000 mt/year of recycled alloy).

Magontec is also in the middle of constructing a plant in Santana, Romania, due to come on stream in 2012 with 6,000 mt/year of alloy capacity and 2,000 mt/year of anode capacity.

On the Australian side, for decades, Australian-backed companies have tried to build or invest in a magnesium plant, turning from large-scale projects in Australia to other outlets in China, Egypt and elsewhere. AML evolved from Australian

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Alumina prices ease but tight supply seen ahead



Platts' alumina price assessment closed July 8 at \$381.50/mt FOB Western Australia, shedding \$1.50/mt from the previous day. The market is down by \$2.50/mt over the course of the week. Sources expect tight supplies because of delays to BHP's refinery expansion in Worsley. Last month, BHP said that first production from Worsley's 1.1 million mt/year alumina refinery expansion would be delayed to the first quarter of 2012. This could tighten supplies, according to market sources.

Data Source: Platts

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COPPER

Japan unlikely to destock excess copper; demand upturn seen

Tokyo—Japan has excess copper supply resulting from demand decreases following the March 11 earthquake, but destocking is unlikely as demand is expected to rise in the fourth quarter, local market sources said last week.

Japan imported 33,737 mt of copper cathode in May, and 25,130 mt in April, to cover for output losses from two copper production facilities — the 260,000 mt/year Onahama smelter and the 130,000-140,000 mt/year Hitachi refinery — that stopped running after the earthquake. Japan's copper cathode imports for April-May last year were 6,593 mt. In addition, demand for copper cables and bars from the construction sector fell due to the slow take-off of reconstruction work in the earthquake-hit areas. Japan's copper demand in April was 102,054 mt, down from February's 117,645 mt before the earthquake, according to Japan Mining Industry Association data.

Automotive output cuts of 40-70% in the second quarter

also affected consumption of copper coil and wires. Japan's current copper surplus stands roughly at 5,000-15,000 mt, trade and smelter sources estimated. And they agreed that the surplus will increase by several thousand tonnes or more by September. The Onahama smelter restarted last week, and will possibly add a few thousand tons of supply in a month if the plant runs smoothly. Meanwhile, the sluggishness in the construction sector is seen as likely to linger, since the Japanese government has not yet drawn up reconstruction plans for the earthquake-damaged cities, sources said.

"Before, an enormous reconstruction demand for copper cables, electric circuit-related equipment, housing components was expected. But construction work has slowed in the areas near the stricken Fukushima Daiichi nuclear power plant, and some areas are still in the process of removing debris," said one smelter source. But Japanese consumers and traders will hold onto their inventories rather than exporting them, although spot premiums for exports to China have been heard at \$110-120/mt plus London Metal Exchange cash CFR Shanghai.

Due to the absence of import interest, Japanese copper import premiums are seen to be lower than the Chinese levels as Japanese buyers have rejected the 110/mt premium offer, traders said. One Japanese trader said Japanese automotive output is expected to surge in the fourth quarter as automakers ramp up output to make up for losses in the second quarter.

The launch of government-led reconstruction projects is not expected until 2012, but the copper industry is pinning its hopes on the private sector's reconstruction efforts increasing copper demand. "Japanese consumers tend to keep low inventories of less than a month, but I've observed recently that they tended to hold onto their stocks and feel

Metals Week price index

	Week Jul 7	Month Ago	Year Ago	Year ago
MW Base Metals	443.7	429.6	429.2	337.8
MW Precious Metals	461.6	447.3	475.6	308.8
MW Nonferrous Composite	450.9	436.7	447.8	326.2

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apprehensive about not having enough when demand returns,” said one Tokyo trader.

Also, Sumitomo Metal Mining plans to close its 450,000 mt/year Toyo smelter in the second half of the year for a month-long turnaround, which may cause supply to tighten, added a smelter source.

— *Mayumi Watanabe*

Codelco copper unions sticking to July 11 strike plan

Santiago—Unionized workers and supervisors across all five divisions of Chile’s Codelco, the world’s largest producer of copper, are going ahead with a 24-hour strike despite pleading from executives and government ministers to call off the protest.

“We are going on strike,” Raimundo Espinoza, president of the Copper Workers Federation, told journalists at a press conference in Santiago on July 7, turning down an offer of weekend negotiations ahead of the July 11 walkout.

In a letter to the union leadership earlier in the week, Codelco CEO Diego Hernandez asked that workers to keep working if they are interested in protecting the company. “The way to defend a state company is the way we are doing in our strategic plan: increasing production, making it profitable, developing Codelco’s potential not for our benefit but for that of all its owners, the Chilean people,” he said.

The strike coincides with the 40th anniversary of the opening of the mines that form the backbone of Codelco, which produces 1.8 million mt/year of copper.

Espinoza, whose organization represents around 18,000 blue-collar Codelco employees, said workers were concerned about possible job losses as the company begins a \$17 billion overhaul of its aging mine operations, and alleged government plans to privatize parts of the state-owned mining giant.

In particular, the administration is looking to transfer ownership of the company’s Gabriela Mistral deposit from Codelco to a subsidiary firm which exploits it, said Espinoza, who sits on Codelco’s board of directors. But Mining and Energy Minister Laurence Golborne and Hernandez have both denied any plans to sell off the company.

In response to the protest, Codelco said it had called off an event to mark the 40th anniversary. “We do not want this event, which recalls a moment of consensus, to be used for any type of division,” Hernandez said in a statement.

— *Tom Azzopardi*

Elsewhere in copper...

Chilean H1 exports up in value: Chile exported \$22.13 billion worth of copper during the first six months of this year, up 22% from \$18.07 billion in the same period of 2010, according to figures released last week by the country’s central bank. Exports in June totaled \$3.49 billion, up 19%

from \$2.939 billion in June 2010. The value of exports has been boosted in recent months by higher prices, largely above \$4/lb since late last year. Chile is the world’s largest producer of copper, producing 5.4 million mt last year.

Jinchuan offers \$1.36 billion for Metorex:

South African copper and cobalt company Metorex has received a firm offer from China’s nickel Jinchuan Group to buy the company for \$1.36 billion, Metorex said in a statement late last week. Jinchuan offered Rand 8.90/share (\$1.32/share) for Metorex, 21% more than Brazilian miner Vale’s bid of Rand 7.35/share on April 8. Vale has until July 15 to match or beat Jinchuan’s offer. The majority of Metorex’s assets are located near two of Vale’s central African copper projects — Konkola North, under development in Zambia, and Kalumines, under feasibility study in the Democratic Republic of Congo, the company added. The two projects are being developed as part of a joint venture with African Rainbow Minerals. Headquartered in Jinchang city, in Gansu province, Jinchuan is China’s largest producer of nickel, cobalt and platinum group metals, as well as one of the top three producers of refined copper. Globally, Jinchuan is currently the fourth-largest producer of nickel and the second largest producer of cobalt. If the Jinchuan offer is implemented, Jinchuan plans to establish Metorex as its integrated platform for the acquisition, exploration, development and operation of copper and cobalt projects in Africa, Metorex said.

Workers strike at Grasberg mine: Workers at the Indonesian unit of US gold and copper company Freeport-McMoRan went on strike last week over the lack of progress in hammering out a new work contract, a company official said. The strike, which began July 4, has so far not affected the delivery of concentrates from the mine, the official said. The company said it tried to start negotiations for a new two-year contract that would go into effect in October. But Ramdani Sirait, a spokesman for Freeport-McMoRan Indonesia, said in a statement that no meetings were held due to confusion that developed after a change in union boards. Sirait said the company was urging employees to return to work while a settlement is negotiated. A source who declined to be identified said “thousands” of workers were on strike, but did not provide a definitive count. Copper production from Freeport-McMoRan Indonesia rose to 284 million lb in the three months ended March 31, from 279 million lb a year earlier.

FQM sees Q2 production fall 24%: Vancouver-based First Quantum Minerals’ second-quarter copper production fell nearly 24% on the year due to maintenance and the processing of low-grade ores, the company said last week. Second-quarter copper production from the company’s four producing assets in Africa fell to 64,500 mt from 85,402 mt in Q2 2010, it said. For the first half of the year, First Quantum’s copper production fell over 18% to 139,400 mt from 170,464 mt in H1 2010.

STEEL & FERROALLOYS

US ferroalloys suppliers confident over H2 2011 consumption

New York—US ferroalloys suppliers appear to be confident about ongoing steady consumption of key alloys in the second half of the year by the steel industry, but say it could also mean a prolonged period of relatively stable raw materials prices.

Spot trade in key US bulk ferroalloys has been quiet this year, as consumers forecast more accurately their annual needs and bought a greater percentage of their requirements on long-term contracts in a combination of fixed-price and formula deals compared with recent years, according to suppliers and raw materials buyers. This has helped keep prices in narrow ranges, according to market sources, and, barring major unforeseen events, they say that more of the same is predicted in the second half of the year.

After a surge in crude steel output in the last full week of June, which saw capacity utilization by the mills rise to 76.5% from 76% a week earlier, ferroalloys traders expect the first two weeks after the July 4 holiday to show a dip in capacity utilization as mills take planned maintenance shutdowns, followed by a recovery in production. In the week to July 2, capacity utilization in US steel mills eased back 75.8%, according to the latest data from the American Iron and Steel Institute.

In the first 25 weeks of the year, capacity utilization averaged about 74.1%, according to AISI data. Traders expect the third quarter — often the weakest seasonally — to average a utilization rate of around 73%, due to strong demand for sheet steel in the automotive market.

“I would still say that for the [third] quarter it will probably come in at around 73% average utilization. ... It’s all the flat-rolled segment driving it, because of automotive,” said a ferrosilicon and ferrochrome importer. “The only reason it could go lower would be because of some major [furnace] breakdowns.” The importer said that if the third quarter saw carbon steel capacity utilization running at around 73%, “you could see the fourth quarter get back up to 75% or above.” But he said it may not run much higher in Q4, because of the ongoing slowness in structural and long-products steels.

Last month, General Motors said it would run nine of its 11 assembly plants in the US through the summer, with most of the facilities foregoing traditional shutdowns to help meet buoyant consumer demand. Several ferroalloys traders said that the GM announcement, combined with what appeared to be a recovery in production by the Japanese manufacturers operating in the US, was what gave them confidence of steady demand for raw materials in the second half of the year. “Any fallout from the Japanese situation is temporary, and I think even the Japanese transplants here are beginning to see the auto parts flow again and their production levels recovering,” said a trader.

Given the relative lack of spot market purchases of bulk ferroalloys by US steel mills so far this year, and the expectation of more of the same in the second half, volatility may stay away. “I would agree that we are probably in for a prolonged period of price stability, where the producers can make a margin and where the consumers have a comfort level not in the prices themselves, but in the stability of pricing,” said the trader.

The US Defense Logistics Agency sold 6,000 st of high-carbon ferromanganese from the national stockpile worth about \$6.56 million to three buyers during the month of June, the agency said last week. The three buyers were listed as Minerais, Glencore and BHP Billiton Marketing, but the agency did not give a breakdown of how much tonnage went to each buyer.

The average price paid was \$1,224.53/lb or \$1,093.33/st. High-carbon ferromanganese is typically priced in the US market by the long ton.

Buyers of DLA material are responsible for removing material from DLA storage locations, cleaning it and processing it into a condition where it can be sold to steel mills and moving it to their own warehouses at their own cost, which several sources estimate at about \$100/lb.

The amount of ferromanganese sold in June was twice the volume the agency sold in May. At the time the material was offered, some traders thought the volume was too high for the market, moving toward the traditionally slack third quarter, although others thought the material would be highly sought after. Last month a DLA spokesman told Platts that the amount offered was about the most it would offer under its basic ordering agreement program. A larger offering would more than likely be done through a long-term solicitation, with a sale agreed to on a formula pricing basis, the spokesman said.

A second trader said that the ferromanganese sold by the DLA in June had been “priced at the margin, to squeeze other traders out of the market.” A second trader agreed. “I think it’s quite well known that many of us got out of ferromanganese earlier this year with little intention of replacing it in a hurry,” he said. “The sort of price this material got pretty much guarantees I wouldn’t be looking to buy it right now.”

Consumers prefer price stability

A buyer at a carbon steelmaker said that while alloy prices were stable, they were still at fairly high levels. “But the stability is pretty good for budgeting purposes. I think that it might contribute to a good order book, because when people buy steel, they actually have a pretty good idea of what they’ll pay for it,” the buyer said. But the purchasing agent said he wished the cost of iron units “was as stable as, say, ferromanganese or ferrosilicon. ... It would certainly make life a lot easier for all steelmakers.”

Another raw materials buyer who buys on a quarterly, fixed-price, basis, said that purchasing was much less stressful this year. “A few years ago, you would go out for quarterly quotes and be horrified at the price increases from the previous

quarter. We began thinking annual contracts might be the way to go; then it all crashed, so we became very cautious,” the buyer said. “As it turned out, we probably could have done annual contracts last year, but it was a tough decision coming out of such a hard year in 2009 and we didn’t get a huge surge in alloy prices back to pre-crash levels. This year, prices hardly seem to move from one quarter to the next, so I’m quite relaxed as a buyer. “

High-carbon ferromanganese has traded in a range of about \$100/lb so far this year. The Platts assessment for high-carbon ferromanganese (76-78% Mn) started the year at \$1,300-1,350/lb, basis FOB Pittsburgh/Chicago warehouses, and fell to a trough of \$1,250-1,300 at the end of April. Last week, the Platts assessment was \$1,320-1,340, unchanged from the previous week.

Ferrosilicon has also traded in a narrow range of around 8¢/lb in the first half of the year. The Platts assessment for 75% Si ferrosilicon started the year at \$1.06-1.10/lb FOB Pittsburgh/Chicago warehouses, easing to a trough of \$1.02-1.04 in mid-April on the lack of spot market activity. Last week, the market was assessed at \$1.04-1.05/lb, down slightly from \$1.04-1.06/lb a week earlier.

Silicomanganese has seen more volatility, but within a tight range. The Platts assessment for 65% Mn, 2% C silicomanganese was 59-62¢/lb, FOB Pittsburgh/Chicago warehouses at the beginning of the year, fell to a trough of 57-59¢/lb by late January then saw a peak of 65-67¢/lb in mid-February. Last week, the Platts assessment eased to 62-63¢/lb from 62-64¢.

— Anthony Poole

Japan’s H2 outlook for moly improves on auto sector recovery

Tokyo—Japan’s outlook for molybdenum demand in the second half of this year has improved strongly thanks to the recovery in the automotive sector, industry sources said last week

The outlook, clouded by the nationwide power shortage that could possibly restrain steel production, improved as orders for long and flat steel products for automobiles started to flow from late last month. The automakers say they plan to make more cars in the fourth quarter — more than they did in Q4 last year.

Car sales in Japan’s two most important export markets — the US and China — are down, but molybdenum traders are setting such concerns aside for now. Last week, they received requests for spot cargoes from specialty steelmakers, who were enticed into buying due to moly prices plunging below \$15/lb CIF Japan. Bearing and chrome-molybdenum steel (SCM) output remains robust. Notably, steel with high moly content of up to 10% is also high in demand, as this steel is used by automakers, said traders.

SUS400 series stainless steel demand has also been

positive, thanks to the automotive demand, while demand for SUS200-300 series has slowed in Japan, said one nickel producer official.

Outside the automotive sector, which accounts for more than half of Japan’s molybdenum oxide consumption, oil pipelines and other energy-related applications, which use relatively more ferromoly than moly oxide, are holding steady. “Energy is not a fancy area but has been [capturing a] steady stream of orders from overseas, recording zero output reduction,” said one mill source. A second source agreed: “The pipe output is not exactly up to full capacity, but at a good level.”

The sectors undergoing demand declines are SUS316 moly-bearing stainless steel as a major infrastructure project has been completed recently, and demand for pressure vessels used for nuclear reactors has waned, trade and mill sources said.

Japanese steelmakers have supplies secured on annual or other types of long-term contracts, and active spot trades are not likely to continue after prices rise above \$15.80-16/lb CIF, the prices most mills are paying for their July contract supplies, sources also said. Mills last week appeared to have bought for July-September deliveries, but some may be for consumption in the fourth quarter, suggesting that they may not be buying spot for the rest of the year.

But still, there was something else to look forward to, said one trader. “Integrated carbon steelmakers are not in the market yet. ... There is a possibility of them seeking spot ferromoly rather than moly oxide, as their oxide requirement has been satisfied by annual contracts that provide rights to increase monthly volumes,” said the trader.

The apparent optimistic outlook for moly oxide demand in Japan was not enough to stop prices falling further on international markets. Moly oxide prices in Europe moved another notch lower last week, though the downward momentum appeared to have slackened, prompting some market participants to express the view that prices could be nearing a floor. “If we’re not at the bottom, we’re not far from it,” said one European trader.

Oxide briquettes were sold to an end user in Europe at \$14.75/lb last week for July delivery, while a substantial tonnage of producer-trader oxide powder business was reported at prices down to \$14.45/lb, prompt, in-warehouse Rotterdam. The Platts dealer moly oxide price was assessed July 7 at \$14.50-14.80/lb, down from \$14.85-15.25/lb a week earlier, with the oxide transaction price at \$14.45-14.80/lb, down from \$14.80-15.30/lb.

The upturn in trade buying interest caused mixed reactions. “It doesn’t make sense to build a position. You can do back-to-back deals with a small margin, but that’s it. I don’t see any trend,” said a second European trader. Having said that, he added, “it’s not wrong to buy here as a long-term investment,” suggesting that a price of \$14.50-14.70/lb would be a reasonable purchase level provided the buyer was willing to hold the material for two or three months.

Another possible explanation for the trade buying interest is a more favorable climate for ferromoly conversion, as the former negative margins have been whittled away, sources said. "Ferromoly has plateaued this week. Oxide has fallen harder and come back into line with the conversion premium," said a third trader. Oxide at \$14.50/lb equates to ferromoly in "the mid-\$35s," he said, adding that with the inclusion of freight and financing that would give a ferromoly price close to \$36/kg.

While one European buyer was said to have booked ferromoly below \$36/kg this week, a number of other deals were reported up to \$36.50/kg, depending on quantity and delivery, with small-tonnage 3-5 mt lots booked at prices closer to \$37. The Platts European duty-paid ferromoly price was assessed at \$36.10-36.60/kg, down from \$36.60-37.10/kg the previous week.

— *Mayumi Watanabe*

Chinese ferrosilicon prices slide further on weak demand

Singapore—Chinese spot prices for ferrosilicon slipped for the third consecutive week amid a drop in demand from foreign buyers, market sources said last week.

Platts assessed spot ferrosilicon (75% silicon) at \$1,510-1,530/mt FOB China, down from \$1,520-1,540/mt FOB China a week earlier.

Producers in Inner Mongolia were heard selling their ferrosilicon cargoes at \$1,510-1,530/mt FOB China. "Buying interest from Japanese buyers is especially scant this week. Many Japanese buyers have secured sufficient supplies for Q3, and those who still need the ferrosilicon know the price will drop further as many Chinese factories are producing at full capacity and will churn out more supplies in the coming weeks," said an Inner Mongolia producer source.

Another major ferrosilicon producer in Inner Mongolia echoed a similar sentiment, but said he expected demand to improve by the end of the third quarter. "Demand for spot ferrosilicon is usually weaker around this time of the year when the weather is hotter as steel mills are cutting down on production to conserve power for household consumption, and some European traders are already gone for summer holidays," said the source. "But buying interest will usually pick up again near October when the weather gets cooler."

In Japan traders are perplexed by a recent increase in ferrosilicon imports from countries that do not produce the alloy, trade sources said. Japanese customs data showed the country imported 688 mt of ferrosilicon from Vietnam in May. Vietnam has no ferrosilicon production. Japan also imported 259 mt from South Korea in May, which also has no ferrosilicon production.

The first ferrosilicon imports from Vietnam to Japan were recorded in October 2010, and totaled 199 mt. The amount rose to 380 mt in January 2011 and then to 688 mt in May, the highest to date.

On paper, the costs of importing from non-producing countries should be higher than those from producing countries, as extra freight, storage and processing costs are added on, traders said. But the Japanese customs data showed the import costs from non-producing countries were lower than those from producing countries such as China.

Prices of imports from Vietnam averaged at Yen 123,213/mt (\$1,502/mt) in May, and those from South Korea at Yen 120,308/mt. May import costs from China, the world's largest producer, averaged at Yen 128,862. While the reasons are unclear, Japanese and South Korean traders said it may be due to Chinese-origin ferrosilicon having been smuggled into neighboring countries.

The total amount of imports from non-producing countries is negligible, as Japan imports over 30,000 mt/month of ferrosilicon. But Japanese traders said they were still concerned because, if the material were to be used for steelmakers' purchase tenders, it could put downward pressure on the market.

— *Melvin Yeo, with Mayumi Watanabe in Tokyo*

Elsewhere in steel & ferroalloys...

Q3 world stainless output seen stable: French manganese miner and nickel producer Eramet sees global stainless steel production in the current quarter as staying unchanged from the second quarter at around 8.1 million to 8.2 million mt, a company official said last week. Bernard Madelin, the director for Eramet's nickel division, told reporters in Tokyo that global stainless steel production in the second quarter had fallen by around 3% from the first quarter, which saw a record 8.39 million mt produced. "The production has decreased in the second quarter, but we are sure it will be the second-highest quarterly production on record," Madelin said. He rejected views in the market that the stainless steel sector faces a period of decline after posting the record high Q1 output, due to a possible slowdown in China in the face of power constraints. China accounts for over 35% of the global stainless steel output, he said. Madelin said continued urbanization in China was generating construction projects, which was positive for stainless steel demand. "A little recovery is seen in the fourth quarter ... 2011 is likely to be another record year, higher than last year," Madelin added. In 2010, global stainless steel production was 31.09 million mt, according to International Stainless Steel Forum data.

Murrin Murrin nickel output still halted: Production at Minara Resources' Murrin Murrin nickel-cobalt mine in the state of Western Australia remained halted last week, as an acid plant was also offline after being hit by a heat exchanger failure at the end of June, the company said. "Metal production is now on standby awaiting resumption of acid supply," the company said in its latest statement. "The failed heat exchanger unit requires replacement. An alternate heat exchanger unit has been sourced and tie-in planning is un-

derway,” said Minara. The statement made no mention of how long the production disruption is expected to last. “The impact of the heat exchanger failure on the company’s 2011 production guidance is being assessed,” Minara said. In April, Minara had said it was targeting an output of 33,000-37,000 mt of packaged nickel for 2011. The Murrin Murrin operation produced 7,468 mt of packaged nickel and 488 mt of packaged cobalt in the three months to March 31. Minara, which is 71% owned by commodities trader Glencore, is operator and 60% owner of the Murrin Murrin facility, which produced 28,378 mt of nickel and 1,976 mt of cobalt in 2010. Glencore holds the remaining 40% in Murrin Murrin. Production at Murrin Murrin was hit by flooding in February, with the company resuming normal operations in early March after two weeks of disruption that resulted in lost output of approximately 900 mt of nickel.

DLA sells 480 st of low-carbon FeCr: The US Defense Logistics Agency sold 480 st of low-carbon ferrochrome in June, worth around \$1.31 million, to two buyers, the agency said last week. It listed the buyers as Medima and David J. Joseph & Co. The DLA returned to selling materials from the national stockpile in May, marking the first sales in fiscal 2011, which ends September 30. This came after a lengthy delay in obtaining congressional approval for the Annual Materials Plan for fiscal 2011 because of a review of strategic materials by the US Defense Department.

Eramet eyes 3.7 million mt Mn ore: French manganese ore producer Eramet said last week it was on track to produce 3.6 million to 3.7 million mt of manganese ore and sinter at its Gabon facility this year. Patrick Buffet, the company CEO, told reporters in Tokyo that production would rise to 4 million mt in 2012. Output in 2010 was 3.2 million mt. Eramet sells manganese ore to China, Japan, South Korea and Europe, and the largest sales growth has come from China, said another senior Eramet official. “One-third of our manganese ore production is for our own consumption,” the official added.

PRECIOUS METALS

South Africa’s NUM threatens ‘massive strike’ in gold dispute

London—South Africa’s National Union of Mineworkers last week threatened “massive strike action” after pay talks with the country’s gold miners foundered.

At the latest round of pay talks July 5, the Chamber of Mines, representing South Africa’s gold miners, said it had increased its wage offer to 5% for the lowest-paid employees and 4.5% for the rest from the 4% offer made on June 20. The NUM had originally put forward a wage demand of 14% plus a package of improved benefits that the Chamber says will increase overall costs by 24%.

The NUM “emerged from the gold talks with the Chamber of Mines bruised from the Chamber’s inconsistencies and reluctance to budge,” the union said in a statement July 6, adding that it was preparing for “a serious ground war in the form of a massive strike action.”

“We are now ready for action. There has not been progress and clearly progress will not be coming and we have no option [but] to opt for a push,” said Frans Baleni, the NUM’s general secretary, who is also its chief negotiator with the Chamber of Mines.

The industry would face a strike action by over 140,000 gold mineworkers if members vote for it, the NUM said. “There is no question about not having a strike. The strike is here, feel it,” said Baleni in the statement.

The Solidarity union, which has pushed for a 12% pay rise in the gold and coal sectors, also expressed its “dismay” over the revised offer. “The wage offer of 4.5% is unacceptable, since it does not even meet the inflation rate,” the union said in a statement. “Employees’ biggest expenses such as electricity, medical, training and fuel increased much more than the inflation rate over the past year.”

The specter of possible strike action spread to the country’s platinum industry later in the week, as on July 7 the NUM rejected platinum miner Anglo Platinum’s offer of a 4.6% pay rise. “The NUM took a decision not to continue with talks with the company tomorrow [July 8] and to proceed with consultation with members to ask for a mandate to a strike action,” the union said in a statement.

The NUM said it was “highly disappointed” by the company’s reaction and had appealed to its members to consider “serious action” against the company.

“We no longer want to talk to a company that has no good intentions, a company that is not prepared to make movements,” said Oupa Komane, the NUM’s deputy general secretary and chief negotiator at Anglo Platinum, in the statement.

— Andy Blamey

Analysts reiterate cautionary outlook on long-term gold prices

Washington—Several investment banks reiterated their cautionary note for gold last week, saying that while low interest rates will remain supportive, prices could come under pressure as monetary policy tightens in key industrial and emerging nations.

“Although gold has resumed its upward trend, the metal has faced increased fundamental headwinds, for instance, through a gradual removal of monetary expansion in many nations,” Bank of America Merrill Lynch said in a report late last week.

As a result, rallies in gold prices were likely to remain limited in the coming weeks as the US Federal Reserve’s quantitative easing policy ends, BoA ML said. Moreover, a

decision on the US debt ceiling may, in the short-term, be also positive for the dollar and remove some gold price support.

“As some of these factors become less prominent, we see further upside to gold later this year, with prices potentially rising to \$1,650/oz in Q4 2011,” BoA ML said. “Looking further out, we maintain a positive view on gold prices as many problems in the global economy have still not been resolved.”

For instance, debt and fiscal issues in developed countries are unlikely to find a short-term fix. “Given global challenges of managing government finances, we believe that nominal interest rates are unlikely to increase substantially. This also means that real interest rates, which have been important gold price drivers, should remain low especially in developed economies.” BoA ML analysts added.

Analysts with US investment bank Goldman Sachs largely agreed, but said gold prices were likely to begin declining next year. As for now, gold remains under-bought relative to US interest rates, and that should motivate more speculative buying, Goldman Sachs said in a report. The bank reiterated its three-, six- and 12-month targets for gold at \$1,565/oz, \$1,635/oz, and \$1,730/oz, respectively.

In addition to persistently low real interest rates in the US, physical and monetary demand is also likely to be a key driver of prices, according to Goldman analysts.

Though physical holdings by gold exchange-traded funds have remained flat during the past few months, Goldman Sachs analysts also see continued demand from emerging market central banks.

Physical holdings by emerging market banks rose 3.4 million oz in March, significantly more than the average 500,000 oz monthly increase since May 2009, analysts noted.

“While higher inflation or monetary demand would present upside risk to our bullish gold price forecasts over the next 12 months, we continue to expect gold prices to peak in 2012 as US real interest rates rise with the ongoing economic recovery, and the potential for US real interest rates to rise more quickly than we anticipate presents a downside risk to gold prices,” Goldman Sachs said. “We continue to believe that gold at current price levels is a compelling trade, not a long-term investment,” it added.

— Nick Jonson

Elsewhere in precious metals...

Price adjustments: Platts has made the following adjustments to its NY dealer PGM prices: platinum, \$1,700-1,745/oz; palladium, \$750-785/oz; and rhodium, \$1,900- 2,000/oz.

United Silver halts Crescent operations:

Operators of the recently reopened Crescent silver mine halted operations last week, saying they needed to re-evaluate their financial situation. The action idled about 90 miners and a development crew at the historic silver producer near Kellogg, Idaho. Earlier in the week, Canada’s United Silver Corp. said it

had temporarily halted pre-production mine operations at Crescent as it reviewed financial proposals, including bridge equity and non-equity financing options from a group of interested parties. A source familiar with the Crescent project said: “They couldn’t raise the money to keep things going at the pace they were at. Basically, they had bigger plans than the money they could raise.” But in a statement, United Silver said that “based on market analysis and independent reports, the board and management ... believe the fundamentals of the silver market remain supportive for near-term development opportunities, such as the Crescent silver mine.” Prior to its closure by Bunker Hill at the end of 1981, Crescent had produced 25 million oz of silver at an average grade of 27.3 oz/mt during its 30-year operating life.

Gold Fields output up 5% from Q1: Gold Fields’ attributable group production for the June quarter is expected to be around 872,000 gold equivalent oz, up 5% from 830,000 gold equivalent oz in Q1, the South African miner said last week. During Q2, production from the country’s South Africa region was affected by six public holidays as well as two significant seismic-related accidents at the Kloof Driefontein Complex mine, which resulted in production stoppages due to safety interventions, the company said. In the Australasia region, production was affected by a week-long, unplanned mill outage at the St. Ives mine. Remedial actions in respect of the seismic-related accidents and the unplanned mill outage were satisfactorily completed during the latter part of Q2, Gold Fields said. Total cash costs and notional cash expenditure for the quarter are expected to be around \$815/oz (Rand 175,000/kg) and \$1,185/oz (Rand 260,000/kg), respectively, the company said.

ALUMINUM

Rains ease China’s power woes allowing high aluminum output

Sydney—Weeks of heavy rainfall in China have helped ease electricity shortages across the country, enabling high output of aluminum to continue despite an earlier anticipation of curtailed production rates, a number of local aluminum and alumina industry sources said.

Exceptionally dry conditions in the past two months resulted in low power generation from hydro facilities, but recent torrential rains have boosted hydropower supplies, sources said.

Deutsche Bank said in a commodities report in June that 16% of China’s power capacity is hydro-based, although the official Xinhua news agency has put the proportion at about 10%. Some market sources said recent floods in parts of southern and eastern China also had damaged numerous plants outside of the metals industry, which have helped to

reduce power consumption in the regions.

Other industry sources suggested that recent electricity price hikes may have given utility providers more incentive to increase production. "Electricity should have been tight in the summer months, but there's been no mention of [metal production] curtailments," a Shanghai-based metal trader source said last week. There were earlier cases of electricity rationing at office buildings and shopping malls.

Local market participants were of the view that as a large number of primary aluminum producers in Henan and Shandong provinces have their own captive power plants, they would not have been forced to pare down operations had authorities rationed supplies to industry. A Chinese trader estimated that fewer than 10% of smelters in Henan were reliant on supplies from the grid. Other experts have suggested that it was the extruders and rolling mills which tended to be more dependent on the grid and would have been more vulnerable to power rationing although they are less energy-intensive, sources said.

Several smelter sources in Henan said they have seen slight power rationing measures to date, but nothing significant enough to affect production. "We have seen some power cuts [among consumers downstream], but they are very minor, and our production remains normal for now. But the peak power consumption is around end-July to August, so whether the power cuts will worsen remains to be seen," a Henan smelter source said.

A South China smelter source added: "With aluminium prices strong now, no smelter would want to cut output. They will hold out as long as they can." The LME high-grade aluminum cash settlement price was \$2,545.50/mt as of July 8, which is up from a low of \$2,360 in late January, but down from highs over \$2,700 in late May.

Meanwhile, Deutsche Bank said July 5 in its *Commodities Quarterly* report that Chinese production is a more significant factor for aluminum's supply-side picture than metal-financing deals and warehouse load-out rates. "We believe aluminum has been supported by low actual physical accessibility, elevated energy prices and limited energy availability in China," Deutsche said. "As inflationary pressure in China is expected to ease in H2, we believe physical demand could improve after mid-Q3."

While aluminum inventory appears high — London Metal Exchange stocks currently stand at 4.5 million mt — the true availability of the metal remains constrained by financing deals, and LME load-out regulations which require that a minimum volume of 1,500 mt/day of metal must be shipped out of a warehouse, the report said.

Nevertheless, "we would argue that the future of Chinese aluminium production, which seems to increasingly depend on energy availability, is a far more important determinant of physical availability than load-out or financing," the Deutsche report said.

Structural factors such as financial difficulties faced by the generators and energy efficiency targets are emerging as

a potent force, Deutsche said, adding that it believes power cuts and/or shortages could remain a recurring theme in China. "The power shortage this year so far has resulted in no production shutdown in the aluminium industry; however new capacity additions have not been utilized this year due to power constraints," the bank said.

Furthermore, it added, "our channel checks suggest that smelter production reduction due to energy efficiency targets in Q4 2010 still has some lasting effect this year."

UK consultancy Brook Hunt estimates that around 4.7 million mt of additional production will come online in China in 2012, Deutsche said, but added: "We don't expect all of these will materialize as energy availability remains a constraint."

In the long term, the bank forecasts a strategic shift of capacity from the China's east coast to the central and northwest region, including Inner Mongolia, Xinjiang, Gansu and Ningxia provinces due to their proximity to energy resources. "However, we believe this is unlikely to result in meaningful production increases in the short term. In addition, we believe government policy about limiting aluminium industry capacity could keep production growth at a modest rate," the report said.

Deutsche expects China to remain a net importer of aluminum this year and next year, albeit at less significant levels than were seen in 2009 — 200,000 mt versus 1.2 million mt.

—Joanna Lim, with Yuencheng Mok in Singapore and Andy Blamey in London.

Rising power rates may jeopardize Kentucky smelters' future

Louisville, Kentucky—Warning a proposed Big Rivers Electric power rate increase could threaten the future of western Kentucky aluminum smelters owned by Rio Tinto Alcan and Century Aluminum, an industrial consultant is calling for a "statewide solution" to address the thorny issue.

Alcan's 180,000 mt/year smelter in Sebree and Century's 244,000 mt/year smelter in Hawesville have seen their power costs rise in the past couple of years. Electricity is one of a smelter's biggest expenses, accounting for about a third of total operating costs.

In 2009, prior to Big Rivers' "unwind" of a long-term power plant lease with a former E.ON US subsidiary, the Sebree smelter was paying \$32.40/MWh. Following the unwind, its average price of power shot to \$43.60/MWh.

Under the co-op's pending rate case, the price would climb to \$47.85/MWh, according to Henry Fayne, a former American Electric Power executive who now works as a private consultant. Fayne is serving as an expert witness for the Kentucky Industrial Utility Customers, a trade organization, in the Big Rivers case before the state Public Service Commission.

In testimony filed with the PSC, Fayne said the Sebree

smelter “had negative margins from operations” in 2009 when aluminum prices on the London Metal Exchange hovered just over \$1,300/mt. Aluminum prices are currently around \$2,500/mt on the LME and forecast to average between \$2,400/mt and \$2,600/mt in 2012.

According to Fayne’s testimony, several aluminum smelters in the US have shut in the past decade primarily due to high power costs. “It’s possible Sebree and Hawesville could join them,” he said, unless something is done to rein in rising power costs.

In the Big Rivers case, he said, those costs most likely will continue to increase. That is because the Henderson, Kentucky-based co-op relies almost totally on coal-fired generation and faces a plethora of new and proposed US Environmental Protection Agency rules in the next few years that could drive up electricity prices for its about 120,000 customers, including its two biggest — Sebree and Hawesville.

“That is why a statewide solution is being sought,” Fayne said. Although it is not currently possible to determine what legal authority would be required to implement such a scenario “since that solution has not yet been determined, KIUC believes that it is likely that such a solution will require legislative involvement,” he said.

KIUC wants the PSC to become “an active participant in and advocate for the development of a statewide solution,” although it added that the agency would not be able to unilaterally develop and implement such a solution.

—Bob Matyi

Elsewhere in aluminum...

Japan’s ADC12 weaker despite demand:

Sentiment for ADC12 secondary aluminum alloy produced in Japan weakened last week, despite improvements in demand, due to a decline in London Metal Exchange aluminum prices, market sources said July 5. Some Japanese suppliers peg their alloy prices to the LME, and they said prices for the first half of July based on three-month futures were down 2-4% from the second half of June, when ADC12 prices ranged from Yen 205-220/kg (\$2.50-2.70/kg) ex-plant. Demand for ADC12 has picked up in recent weeks due to automotive makers ramping up output and aiming for full recovery over the July-December period. Japan’s two largest automakers issued tenders to buy ADC12 the last week of June, with suppliers submitting price formulas for August-September deliveries. As a result of lower domestic ADC12 prices, alloy import trading turned lackluster, traders said. “Domestic alloy at Yen 205-210/kg ex-plant is \$2,380-2,390/mt CIF Japan [on the basis of the US dollar at Yen 82],” one Tokyo trader said. But Chinese producers are paying \$2,400/mt CFR China or higher for zorba-grade scrap with 3% copper content, which they import from the US, the trader added. Other Japanese traders concurred that while there were no buyers for alloys priced above \$2,400/mt CIF Japan, there were also no overseas suppliers willing to sell at less than \$2,400/mt CIF Japan, so import trades were at a

standstill. This was largely the result of rising domestic prices in China, which rebounded last week on higher aluminum ingot and scrap prices despite the weak demand, industry sources said. The largest Chinese producer, Sigma Metals, raised its offers to Yuan 18,700/mt (\$2,891/mt) ex-works on July 5 from Yuan 18,600/mt the previous week. Other offers were heard at Yuan 17,900-18,500/mt, up from Yuan 17,900-18,300/mt the previous week. Platts raised its weekly China domestic ADC12 assessment to Yuan 18,100-18,500/mt ex-works from Yuan 18,000-18,300/mt. The spot export price was maintained at \$2,390-2,410/mt FOB China.

Alcasa still waiting to import aluminum:

Venezuela’s CVG-Alcasa is still waiting for approval from the country’s Ministry of Basic Industry and Mining, or Mibam, to import 60,000 mt of primary aluminum to stave off a cash flow crisis after seven months, the company said late July 6. “We are still expecting Mibam to approve the proposal that we presented in December 2010 to import 60,000 mt of primary aluminum,” Alcasa president Elio Sayago said in a statement. “This would allow us to transform the metal into aluminum billet for sale in order to obtain a monthly income,” he added. Sayago said the approval would enable Alcasa’s 170,000 mt/year smelter in Puerto Ordaz to purchase raw materials on a more consistent basis in order to raise primary aluminum production above 7,000 mt/month and repay longstanding debts to its workforce. The input shortage has meant Alcasa has been unable to properly maintain its cells at the smelter. Only 170 out of the 398 cells at potlines 3 and 4 were functioning in June, Platts reported earlier.

Sleepy July pulls P1020 to 8.4¢: The US aluminum market saw a slight weakening last week as sleepy July market conditions took over, with the Platts premium inching down to 8.4¢/lb plus LME cash on July 7 from 8.5¢ previously. A mill consumer resold excess inventory at well below 8¢, and other buyers were bidding at 8-8.5¢. “We’re long,” said the mill official. “We dropped all July volumes to contractual minimums.” He added, “There is a clear softness across the board. Scrap is readily available, and that should also put downward pressure on premiums since it will displace some prime in an already weakening demand market.” A producer buyer agreed: “It’s deader than a doornail. We are in the middle of the summer doldrums. And when things get quiet, there is the temptation [for sellers] to sell cheaper.” A producer buyer agreed: “It’s deader than a doornail. We are in the middle of the summer doldrums. And when things get quiet, there is the temptation [for sellers] to sell cheaper.” He said as premiums begin to weaken in Europe, Mexico and Brazil, “this is putting pressure here.” He said, “I can buy better than 8.5¢,” but admitted to not doing it yet. Added a trader: “It is slow. We’ve had no offers. We are not doing anything. Nobody is looking for anything.” Another trader said, “I don’t think the premium should fall. If for some reason the spreads tighten more, that could be a catalyst for people wanting to sell cheaper, but with nothing going on, the contango is the key to the premium direction. As long as people can finance; as long as the spreads finance their inventories for them, then the premium’s not going to go

lower.” The LME cash to three-months contango was just over \$30/mt as of July 7. However, if LME warehouse incentives decline, this could spur a more drastic move in the premium, sources said. Further out, a trader said some customers have indicated that Q3-Q4 needs are “out there, so it’s just a matter of waiting for them to come into the market again.” A billet remelter, who paid 8.5¢, said as metal prices climbed, consumers overbought, but now, “I think people are rightsizing their inventories.”

S. Korea extends tax break on aluminum:

South Korea has extended to December 31 a waiver of a 1% import tax on aluminum ingot that was previously set to expire on June 30, Korean traders said July 7. The waiver on shipments from all origins first became effective in March, and was a move to ease inflationary pressure, sources said. The temporary tax break has led to a marked decline in aluminum imports from India in favor of metal from Australia, a trader noted. As India and South Korea have a free trade agreement, aluminum imported from India has been tax free since 2009. South Korea’s ministry of strategy and finance also lifted temporarily from July 1 import taxes on ferrosilichromium, titanium slab and manganese.

Australian alumina trades at \$380/mt: Platts’ alumina price assessment closed July 8 at \$381.50/mt FOB Australia, shedding \$1.50/mt from the previous day. The market declined by \$2.50/mt over the course of last week. Japan’s Itochu and Sojitz on July 8 awarded a sell tender at around \$383/mt FOB for a 25,000 mt cargo from Worsley for shipment between August 10-19 from Bunbury port in Western Australia, a source said. The tender closed July 7 with bids valid until July 8. The rate was a shade higher than another 30,000 mt alumina spot trade done July 7 at \$380/mt FOB Western Australia, for which the laydays were expected to be in the second half of August. Prior to news of the Worsley tender result, a number of smelter, producer and trader sources said they perceived the market to be around \$380/mt FOB Australia. “I suspect that Worsley may be better bid, to \$380 or a few dollars more, as I feel the loss of production and delay in the expansion has left it a little tight, and a number of people will pay a premium for it,” a producer said before the tender’s result was known. BHP announced in June that first production from Worsley’s 1.1 million mt/year alumina refinery expansion would be delayed to the first quarter of 2012. Platts reported in January that its startup had been deferred to September from June. BHP said its share of the project’s cost had blown out by 58% to \$2.995 billion, compared with its estimate from 2008. Platts’ China domestic assessment was stable at Yuan 2,730/mt (\$422/mt) ex-works Henan, July 8, unchanged from the previous day, but up Yuan 10/mt from a week prior.

European 226 alloy edges up: Secondary aluminum alloy prices in Europe edged up slightly last week as sellers pushed for higher numbers after weeks of downward pressure,

market sources said. After months of weak pricing, sellers are keen to achieve higher numbers for August/September as the Japanese market comes back online after the March tsunami and earthquake and demand from the European car market stays strong. German car makers have reduced their summer shutdowns because of high demand, said a German alloy producer. “This is very important information for us so we can plan our production,” said a second producer, who added that demand had remained extremely positive during the first half of this year. The price of 226 aluminum alloy inched up for the first time since April and the majority of market sources agreed that the market had finally stabilized. “We’re seeing much more activity from Asia, and Japan seems to be back in the market,” said one German producer. Competitively priced Russian ingot was redirected from Japan into Europe after the earthquake and seriously disrupted the north European market. The bulk of business last week was understood to have been done at Eur1,780-1,830/mt (\$2,537-2,608) delivered Germany, up Eur10/mt from the previous week. One German seller said that he had sold 200 mt for August delivery at Eur1,830/mt, delivered Germany, while another producer said he expected prices to move higher because of lower production in southern Europe in August. Producers from Italy and Spain, who have suffered lower demand for alloy because of weaker domestic car markets, were still understood to be offering July/August tonnage at Eur1,800/mt delivered Germany or below. A German consumer said that he had purchased 1,700 mt of 226 for August delivery at Eur1,780-1,800/mt delivered German plant.

COMMODITIES

Doubts over WTO ruling

...from page 1

had committed to not apply any export quotas. Arbitrators backed these points, saying that China failed to keep to its accession commitments.

“This is a clear verdict for open trade and fair access to raw materials. It sends a strong signal to refrain from imposing unfair restrictions to trade and takes us one step closer to a level playing field for raw materials,” said EU Trade Commissioner Karel De Gucht in a statement.

Said US Trade Representative Ron Kirk: “Today’s panel report represents a significant victory for manufacturers and workers in the United States and the rest of the world.” China’s extensive use of export restraints for protectionist economic gain is deeply troubling. China’s policies provide substantial competitive advantages for downstream Chinese industries at the expense of non-Chinese users of these materials.”

EU expects China’s export regime to reform

Concluded the EU’s De Gucht: “I expect that China will now bring its export regime in line with international rules.

Furthermore, in the light of this result China should ensure free and fair access to rare earth supplies.”

But metals industry sources said they thought the ruling was unlikely to have a major impact given that China can use other measures to achieve the same objectives. The Chinese government also has export restrictions on indium, antimony, tungsten, ferrosilicon, manganese-alloys and other metals not mentioned in the WTO complaint.

Arnaud Tissidre, commercial director for Eramet Comilog Manganese, told reporters in Tokyo July 6 that the WTO ruling would have a limited impact on Chinese trade policies, as China still has a long-term goal to curb energy-intensive industries. “China could possibly implement other forms of limitations, such as power quotas, to limit production of power-intensive manganese alloys and protect the environment,” he said. “The raw material initiatives by the US and Europe are to secure key strategic materials ... manganese alloy exports from China are not critical to the European supply of steel raw materials, so there must be some kind of misunderstanding.”

Eramet supplies manganese ore to Chinese manganese alloy producers, and China is the company’s largest market. The Chinese government raised the export tax on manganese metal to 20% from January 1, 2008, from the previous 10%, in line with the country’s goal of resource protection.

A Japanese trader pointed out that the Chinese government’s proposal to build up a national indium stockpile could also restrict exports even if the tax and quota system were eliminated. “So, if China imposed other restrictions not directly touching export policies, the WTO ruling would have little effect,” the trader added.

For its part, the Chinese government said that measures it has taken to manage the export of certain resources were in line with WTO rules, the official Xinhua news agency reported, quoting the Chinese Preferment Mission to the WTO. “China feels regret that the panel finds that China’s relevant measures regarding export duties and export quotas are inconsistent with China’s obligations under its Accession Protocol and the WTO covered agreements,” the statement said. The Chinese Mission said the Chinese government in recent years had reinforced its administration of “high-pollution, high-energy-consuming and resource-dependent” products in order to protect the environment and exhaustible natural resources.

The USTR said China had argued that its export quotas and duties were needed, in the case of bauxite, to prevent a critical shortage and to conserve an exhaustible natural resource, while for coke, manganese, magnesium, silicon carbide and zinc, the restrictions were environmental protection measures. But the WTO panel found that China’s actions were not justified as conservation measures, environmental protection measures or short supply measures, the USTR said. The WTO panel’s findings do not question a country’s right to set environmental standards or to conserve their natural resources, the EU noted, but the panel is

convinced that export restrictions are not effective to ensure environmental protection because the production of these materials is not similarly restricted.

The Chinese Mission said China was evaluating the panel report, and would properly follow up under WTO rules. According to the WTO dispute settlement rules, both sides of the dispute have the right to appeal to the Appellate Body within 60 days from the distribution of the panel report.

“This is just a preliminary ruling and China is given the chance to appeal,” said a north China-based magnesium analyst at a state-owned think tank. “But this is not something new. The US has been filing complaints against China over magnesium alloy and ingot in the past.” China imposed a 10% export tax on its unwrought magnesium and magnesium alloy exports in early 2008.

At the same time, according to a north China-based commodity analyst “China hasn’t exported a large amount of its own zinc ingot due to its big domestic zinc consumption, so we don’t think the government will trim the export tax.” (See related story, *Lead & Zinc* section)

China sees its silicon as competitive with tax

In the case of silicon, “I do not think that there are strong grounds for the lowering of export taxes, as China still has a price competitiveness in producing silicon metal; we are still able to export this [metal],” said a southwest China-based silicon metal producer.

Currently China imposes export taxes ranging from 5-15% on its refined zinc ingot and 20% on silicon metal.

A south central China-based manganese producer said that it might a good time for China to review at its export taxes as they had been hindering export trade. “It is very difficult to sell to foreign spot buyers given the prevailing high export taxes. Some manganese producers are evading the taxes by smuggling their cargoes through ports of neighboring countries and that is hampering our foreign spot sales,” the manganese producer added.

— Alvin Yee and Melvin Yeo, with Mayumi Watanabe in Tokyo and Joshua Leung in Hong Kong

LEAD & ZINC

China unlikely to kill zinc export tax soon despite WTO censure

Hong Kong—The Chinese government is unlikely to lower or remove export taxes imposed on its refined zinc in the near term, despite a ruling last week from the World Trade Organization suggesting that China’s restrictions on exports of zinc and eight other industrial raw materials have breached international trade rules, Chinese sources said. (See related story, *Commodities* section.)

"The government will be pressured by WTO's accusation, but we don't think it will lower or scrap the export taxes on refined zinc ingot in the near term," a source with a central China-based zinc producer said. "In the long run, whether China will trim or end the export taxes on zinc will depend mainly on China's future overall trade gap with other countries," she said. "If there's a very wide gap, China may then need to change its zinc export policy to narrow it."

In Beijing, a commodity analyst with a UK-funded securities company said: "China hasn't exported a large amount of its own zinc ingot due to its big domestic zinc consumption, so we don't think the government will trim the export tax." The Beijing analyst deemed WTO's accusation against China's raw material exports restriction unfair, "as, after all, the US and Europe also have protectionist measures such as export subsidies for their own industries."

Said a zinc producer source in South China: "Last year, the US reported a higher trade deficit with China, so it lodged complaints against China's raw material export restrictions. Since [the Chinese zinc sector] doesn't rely a lot on exports because of its strong zinc consumption, so we see a thin chance that the state would abolish or lower the export taxes on zinc."

Explained a zinc analyst with China Securities in Sichuan, "The state's raw materials export restriction policy is understandable, as this is in line with its macro goal of building a green economy by saving energy consumption and lowering pollutant emissions, so we don't think the state will trim or end the export tax on zinc. Other countries, such as Indonesia, also have their own export taxes [on metals], so we don't see anything wrong with China's raw materials export restriction policy."

Industry analysts in China said that, to ensure sufficient raw materials for the downstream metal-processing sector in China, the state is expected to loosen its metals import policies and tighten export policies in the coming years.

But, said a zinc producer in Sichuan province: "As for imported zinc ingot, China just trimmed the import tax, so we don't think there will be much change in import tax policy in the next few years, although the country may be pressured to adjust its zinc export tax policy if there's a big trade imbalance in future."

China reduced the import tax for refined zinc to 1%, effective July 1, from the previous 3%. China exported 29,800 mt of refined zinc in the first five months of this year, up 1% on the year, customs figures showed. Refined zinc imports by China in January-May of this year were 141,955 mt, up 15% year on year. Currently, China imposes export taxes ranging from 5-15% on its refined zinc ingot.

A UK-based zinc market analyst also doubted there would be any short-term market impact from the WTO decision. "I suspect there'll be some sort of appeal process, and I don't think there'll be an immediate change to what the Chinese do," Andrew Thomas, a market analyst with Brook Hunt, told Platts. According to Thomas, China currently imposes a

roughly 17% valued-added tax on exports of high-grade zinc — of which he said the country produces a relatively small amount — and, in some cases, an additional 5% export duty. He said China also imposes a VAT of about 17% on exports of special high-grade zinc.

Thomas said he thinks the Chinese government applies the export taxes on zinc in particular because the country's ultimate goal is to keep Chinese zinc metal output within its own marketplace. "For the past several years, the Chinese authorities have made it abundantly clear that they don't want to become the world's smelter," he said. "I think what they want is China's production of zinc metal for China, in an ideal world."

— *Joshua Leung, with Laura Gilcrest in Washington*

Elsewhere in lead & zinc...

Tibet Summit to finalize Tajikistan buy:

Chinese zinc-lead miner Tibet Summit Industry will finalize its acquisition of Tazhong Mining in six months after a share swap, to secure concentrate for future zinc smelting operations, the Shanghai-listed producer said last week. Tibet Summit plans to issue a total 342.7 million shares at Yuan 4.5 billion (\$695 million) for the deal, said the Lhasa City-based company. "The acquisition will help ensure more adequate feedstocks for our zinc smelting operations in the coming years," said a Tibet Summit source. "We may consider boosting our zinc smelting capacity in future, depending on our mining conditions." With a smelting capacity of 40,000 mt/year, Tibet Summit produced 35,120 mt of electrolytic zinc ingot in 2010, beating its target by 120 mt. "For this year, our zinc output will depend on the availability of zinc concentrate and market fundamentals," the source said. "About 90% of our zinc output will be for domestic sales, with a small amount for exports," she added. Tazhong Mining, a 92:8 venture between Tacheng Xinjiang International Resources and China Global New Technology owns 3.7 million mt of zinc resources in western Tajikistan.

Korea Zinc buys 20% of Selwyn: South Korean zinc smelter Korean Zinc has acquired nearly 20% of Selwyn Resources through the exercise of warrants through KZ's Pan-Pacific Metal Mining subsidiary, Selwyn Resources said last week. Selwyn said Pan Pacific acquired 15,000,000 of Selwyn's common shares in two equal tranches on June 3 and July 6, for which Selwyn got proceeds of roughly C\$2.3 million (\$2.09 million). As a result of the transaction, KZ, through Pan-Pacific and another subsidiary, Colwell Kennedy Australia, owns a total of 5,713,000 Selwyn shares, giving it a 19.52% stake in the Vancouver-based miner. Selwyn said KZ has been a shareholder since June 2009. Selwyn said it is focused on the development of the Selwyn zinc-lead project in Canada's Yukon Territories, which it said has the potential for "large scale production." Selwyn added it could realize production revenue from its newly acquired

ScoZinc by 2012. Selwyn said in early May it bought SkoZinc — which owns the Scotia zinc-lead mine in Nova Scotia — from Acadian Mining for C\$10 million.

Anhui Tongguan eyes July zinc plant start:

China's Anhui Tongguan Nonferrous Metals (Chizhou) expects to begin commercial operations at its 100,000 mt/year electrolytic refined zinc plant in Chizhou, Anhui province, by the end of the July, a company source said last week. Construction of the Yuan 1 billion (\$154.7 million) plant began in August 2009 and trial runs started in May, he said. "Our plant will mainly produce the 99.995% refined zinc ingot," he said. The source said that all the output will be for the domestic market, declining to reveal the company's production target for this year. Tongguan plans to invest a further Yuan 1.9 billion (\$294 million) to lift the plant's capacity by 200,000 mt/year to 300,000 mt/year. But he did not provide a timeline for the expansion.

Sino-South African JV lifts zinc capacity: A

Sino-South African zinc joint-venture company, Chifeng NFC Kumba Hongye Zinc, completed its 100,000 mt/year new zinc line in late June at Chifeng city in China's Inner Mongolia Autonomous Region, lifting its refined zinc capacity to 210,000 mt/year from the previous 110,000 mt/year, the producer said last week. The 100,000 mt/year zinc project, which cost a total of Yuan 220 million (\$16 million), started up in August 2008. "Last year, we produced 110,000 mt of zinc. This year, we haven't set an output target as it will depend on whether the new production line can run smoothly in the coming months," a CNKH official said. "As our new production line has been completed in the middle of the year, we will be unable to reach our maximum capacity this year," he said. About 90% of its refined zinc output this year will be electrolytic zinc, and 10% will be zinc alloy, the company source added. The company's ultimate goal is to lift its total refined zinc production capacity to 300,000 mt/year in the next few years, although it has not set a definite time line for this. A second company source said: "Our zinc capacity could be raised further by improving the efficiency of our existing facilities, and not necessarily through the addition of new lines."

LIGHT METALS

Magnesium merger

...from page 1

Magnesium Corp., which started up in 1983 and changed its name in 2005. Back in 1997, AMC envisioned a 90,000 mt/year magnesium plant in Australia backed by Ford Motor. When it evolved into AML, it focused on development of magnesium alloys through Chinese partners, commissioning a 53%-owned joint venture with Henan Keweier Alloy Materials in

Henan Province in China in 2009.

That joint venture, called HNKWE, is increasing capacity at its Chang Ge plant to 35,000 mt/year this year, from a current level of 15,000 mt/year, AML said in its statement. AML said construction had begun on the third and fourth furnaces, which will each have a capacity of 10,000 mt/year. HNKWE expects these modules to come on stream by October 1, building up to full capacity by the end of January 2012. "HNKWE is now developing a marketing strategy to grow domestic and international sales and will announce this to the market in the coming months," AML said.

As a result, by the end of 2011, AML's annual capacity of generic magnesium alloys will exceed 90,000 mt/year, HNKWE said on its website. The companies said that after the acquisition, the wholly owned businesses of AML will operate under the Magontec brand, and much of the same management for both companies will remain in place. Günter Franke remains CEO of Magontec Group and is the newly appointed managing director of AML.

"We see great opportunities for this new corporate entity," Franke said in a Magontec statement. "As a listed company, the new group will be able to seek support from existing and new shareholders for our growth strategy. Our customers can expect to see a continuation of the reliability and stability that has been a hallmark of Magontec service of its almost 60-year history. Together with AML we expect to be able to further improve our customer offering, and no current contracts will be affected by this transaction."

"We bring the established market presence; we're continuing to be Magontec, and the same management remains in the picture. The direction we're going to take would be consistent with what Magontec was already doing," explained Lisabeth Riopelle, North American market representative for Magontec. "Magontec has a leading, recognized brand name. They've [AML] had capacity, but it's kind of like buying the generic at the grocery store."

AML also cited the advantage of acquiring a "well-recognized industry leading magnesium alloy brand name," and the opportunity to leverage it with AML's existing magnesium technology portfolio to accelerate the development of a proprietary alloy business.

Despite the references to developing technology, industry players agreed that the core AZ91D, AM50 and AM60 remain the most commonly used alloys, particularly for the high-volume automotive sector, and are all out of patent. From that perspective, "It's a non-event," said Cam Tissington, vice president of sales for US Magnesium Co., the largest primary producer outside of China. "Magontec is an established supplier, and they don't gain any technology from a merger with this latest Australian reinvention."

Riopelle acknowledged that both companies had developed high-magnesium, high-castability and high-surface-finish alloys for the computer, cell phone and camera industries, the so called 3C industries, but that "the usage of those is still in its infancy."

Riopelle said the merger is unlikely to bring any changes to the way Magontec markets and sells to the North American market, which is the smaller of the markets in the company's global profile. Magontec can only supply the US from its German plant due to antidumping duties on Chinese magnesium. As to whether magnesium from the HNKWE plant could supplant magnesium from the Bottrop plant in Europe to enable more for the US, that opportunity is limited by the fact that Bottrop buys scrap and tolls scrap from Europe, and many European diecasters like to have local sourcing, Riopelle explained.

In fact, Magontec's building of the new Romanian plant is in response to Europe's regional focus. "In Europe, the recycling tends to be a very regional business, and with diecasting moving more to the East, Romania is a logistically advantaged location relative to Germany based on a lot of the new diecasters," Riopelle said. "Logistics costs in Europe can be a differentiator for recyclers."

In its statement, AML said that the Romanian facility "has been established to provide recycling services to a specialist magnesium diecasting company located nearby and to boost Magontec global anode production capacity to supply new markets in Europe and North America." AML said that over the coming months its board and management would outline a new business plan detailing the group's production, technology and geographic diversification ambitions.

"In addition to growing alloy and anode manufacturing and alloy recycling capacity, the new group has also examined investments in upstream activities in China and elsewhere in the world," AML said. "The group is well advanced in these discussions and expects to make further announcements on these initiatives in the near future."

Australian commodity research firm Clark & Marron forecasts a 62.5% increase in primary magnesium consumption over 2011-2018, and the market outlook is extremely positive, the company said. Straits, prior to this divestiture, said in its first-quarter report that "the automotive industry in Europe and especially in Germany is recovering very well, and German car producers are announcing new records. Total alloy sales of the Magontec Group increased by 12.6%, and anodes sales decreased by 3% compared to the previous quarter. The Chinese alloy market is running on a stable level while we expect a decreasing demand in the coming months for the Japanese market as a consequence of the devastating earthquake and tsunami."

The Straits report had further noted that because of the strong euro, "it will be difficult to export more alloys from

Europe to the US, and thus we expect more direct scrap sales from Europe to North America." Riopelle also cited the exchange rate as often hampering sales of alloy to the US.

Straits, for its part, last week said the sale of Magontec continued to simplify the Straits structure, allowing the company to focus on its copper and gold assets, as well as removing about \$16 million of debt as of June 30.

For Magontec/AML, "Our growth strategy is well advanced, focusing on upstream activities and a strengthening of our market position," Franke said in the Magontec statement. "Our aim is to sit at the forefront of the global magnesium industry and to continue to serve our customers in a uniquely stable and proactive way."

— Karen McBeth

China's Tianjin ferroalloys exchange starts magnesium trading

Hong Kong—China's Tianjin Ferroalloy Exchange launched electronic trade in magnesium on July 6, the China Magnesium Association said. "Much discussion has gone on among some [Chinese magnesium] enterprises and local governments regarding the setting up of an electronic trade platform in China in the past, and it finally materialized yesterday," a CMA source said the day after the launch.

She said that the opening of a magnesium trading platform will provide a means for buyers and sellers to eliminate trade risk and lower their operating costs, while making prices more transparent.

Some magnesium suppliers in China welcomed the move. "We joined yesterday's inauguration ceremony," said a producer source in Shaanxi Province. "We will have our own magnesium ingot traded on the new platform."

Another source with a magnesium trading company in Zhejiang said: "We sure will be interested in buying and selling magnesium through the new platform, as well as taking into consideration its prices as our trade reference prices in future."

Chinese magnesium industry analysts see any impact on domestic and international magnesium prices taking time to be felt. The success of the platform "will be a process. If in future, if it can attract a large number of participants, it may have some stabilizing effect on prices," the Shaanxi producer said.

"We don't think the platform will have any immediate significant impact on domestic and international magnesium prices as it will take some time for the market to accept it," said the CMA source. "Some enterprises have got used to the traditional trading approach. It will take about one to three years for the platform to mature and exert a significant impact on the market."

The Tianjin Ferroalloy Exchange offers 99.90% magnesium metal for trade, with a minimum transaction volume of 1 mt, and minimum price change of Yuan 1/mt (\$0.1546/mt). Set up in November 2009, Tianjin Ferroalloy Exchange also trades ferrosilicon, silicomanganese and manganese ores.

— Joshua Leung

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Daily prices

	Units	04 Jul 11	05 Jul 11	06 Jul 11	07 Jul 11	08 Jul 11	Week avg
Alumina							
PAX FOB Australia	\$/mt	384.000	384.000	383.000	383.000	381.500	383.100
PAX CFR China	\$/mt	404.000	404.000	403.000	403.000	401.500	403.100
PAX China Ex-works	\$/mt	420.660	420.730	421.850	421.740	421.910	421.378
DBF Aus-China Handysize	\$/mt	24.750	24.750	24.750	24.500	24.500	24.650
Aluminum							
LME HG Cash	\$/mt	2460.000/2460.500	2485.000/2485.500	2516.000/2517.000	2528.500/2529.000	2545.000/2545.500	2507.200
LME HG 3-Month	\$/mt	2489.000/2490.000	2517.000/2517.500	2554.000/2554.500	2559.500/2560.000	2575.500/2576.000	2539.300
LME HG 15-Month	\$/mt	2565.000/2570.000	2593.000/2598.000	2627.000/2632.000	2633.000/2638.000	2648.000/2653.000	2615.700
LME HG 27-Month	\$/mt	2623.000/2628.000	2653.000/2658.000	2687.000/2692.000	2692.000/2697.000	2708.000/2713.000	2675.100
LME HG Settlement	\$/mt	2460.500	2485.500	2517.000	2529.000	2545.500	2507.500
LME Alloy Cash	\$/mt	2270.000/2271.000	2280.000/2285.000	2310.000/2315.000	2300.000/2310.000	2320.000/2340.000	2300.100
LME Alloy 3-Month	\$/mt	2260.000/2280.000	2290.000/2300.000	2320.000/2330.000	2310.000/2320.000	2330.000/2350.000	2309.000
LME Alloy 15-Month	\$/mt	2295.000/2305.000	2315.000/2325.000	2345.000/2355.000	2345.000/2355.000	2355.000/2365.000	2336.000
LME Alloy 27-MO	\$/mt	2300.000/2310.000	2320.000/2330.000	2350.000/2360.000	2350.000/2360.000	2355.000/2365.000	2340.000
LME Alloy Settlement	\$/mt	2271.000	2285.000	2315.000	2310.000	2340.000	2304.200
LME NA Alloy Cash	\$/mt	2411.500/2412.000	2420.000/2420.500	2466.000/2467.000	2467.000/2468.000	2480.000/2490.000	2450.200
LME NA Alloy 3-MO	\$/mt	2455.000/2456.000	2445.000/2455.000	2500.000/2515.000	2500.000/2520.000	2520.000/2530.000	2489.600
LME NA Alloy 15-MO	\$/mt	2520.000/2530.000	2515.000/2525.000	2570.000/2580.000	2605.000/2615.000	2620.000/2630.000	2571.000
LME NA Alloy 27-MO	\$/mt	2580.000/2590.000	2575.000/2585.000	2630.000/2640.000	2660.000/2670.000	2685.000/2695.000	2631.000
LME NA Alloy Settlement	\$/mt	2412.000	2420.500	2467.000	2468.000	2490.000	2451.500
LME HG inventories	mt	4465125	4458800	4449175	4440225	NA	—
LME Alloy inventories	mt	121180	121180	121840	121840	NA	—
LME NA Alloy inventories	mt	147420	147420	147460	147140	NA	—
MW US Transaction	cts/lb	120.107	121.241	122.669	123.114	123.862	122.199
MW US Trans premium	cts/lb	8.500	8.500	8.500	8.400	8.400	8.460
MW US Net-Cash Prem	cts/lb	8.000	8.000	8.000	7.900	7.900	7.960
MW US A-380 Alloy	cts/lb	NA/NA	119.000/120.000	NA/NA	119.500/122.000	NA/NA	120.125
MW US 319	cts/lb	NA/NA	126.000/128.000	NA/NA	126.000/128.000	NA/NA	127.000
MW US Sec 356	cts/lb	NA/NA	128.000/130.000	NA/NA	128.000/130.000	NA/NA	129.000
MW US F132	cts/lb	NA/NA	127.000/129.000	NA/NA	127.000/129.000	NA/NA	128.000
MW A413	cts/lb	NA/NA	128.000/129.000	NA/NA	128.000/130.000	NA/NA	128.750
US Old Cast	cts/lb	NA/NA	79.000/81.000	NA/NA	79.000/81.000	NA/NA	80.000
US Old Sheet	cts/lb	NA/NA	77.500/80.000	NA/NA	76.000/78.000	NA/NA	77.875
US Mill-grade MLCCs	cts/lb	NA/NA	91.500/93.500	NA/NA	95.000/97.000	NA/NA	94.250
US Smelter-grade MLCCs	cts/lb	NA/NA	83.000/85.000	NA/NA	82.000/84.000	NA/NA	83.500
US HG Auto Shreds	cts/lb	NA/NA	87.000/89.000	NA/NA	89.000/91.000	NA/NA	89.000
US LG Auto Shreds	cts/lb	NA/NA	80.500/82.500	NA/NA	80.500/82.500	NA/NA	81.500
US Turnings	cts/lb	NA/NA	76.000/78.000	NA/NA	77.000/79.000	NA/NA	77.500
C&F China spot	\$/mt	2606.000/2626.000	2580.500/2600.500	2605.500/2625.500	2637.000/2657.000	2649.000/2669.000	2625.600
C&F China LME premium	\$/mt	110.000/120.000	110.000/120.000	110.000/120.000	110.000/120.000	110.000/120.000	115.000
C&F China-Russian Grade	\$/mt	100.000/110.000	100.000/110.000	100.000/110.000	100.000/110.000	100.000/110.000	105.000
S'pore in-warehouse premium	\$/mt	75.000/95.000	75.000/95.000	75.000/95.000	75.000/95.000	75.000/95.000	85.000
Japan del (current mo)	\$/mt	2569.650/2606.840	2544.380/2581.340	2569.270/2606.340	2600.770/2637.840	2612.950/2649.840	2597.922
Japan del (2 mos. out)	\$/mt	2569.650/2606.840	2544.380/2581.340	2569.270/2606.340	2600.770/2637.840	2612.950/2649.840	2597.922
CIF Japan premium	\$/mt	120.000/121.000	120.000/121.000	120.000/121.000	120.000/121.000	120.000/121.000	120.500
CIF Japan premium Q3	\$/mt	120.000/121.000	120.000/121.000	120.000/121.000	120.000/121.000	120.000/121.000	120.500
GW premium paid IW Rotterdam	\$/mt	205.000/215.000	205.000/215.000	205.000/215.000	205.000/215.000	205.000/215.000	210.000
GW premium unpaid IW Rotterdam	\$/mt	130.000/140.000	130.000/140.000	130.000/140.000	130.000/140.000	130.000/140.000	135.000
A7E premium unpaid IW Rotterdam	\$/mt	130.000/135.000	130.000/135.000	130.000/135.000	130.000/135.000	130.000/135.000	132.500
A7E premium unpaid FOB St Petersburg	\$/mt	110.000/115.000	110.000/115.000	110.000/115.000	110.000/115.000	110.000/115.000	112.500
Copper							
COMEX HG 1st Position	cts/lb	NA	433.900	432.650	443.200	440.250	437.500
COMEX HG 2nd Position	cts/lb	NA	434.750	433.500	444.200	441.200	438.413
COMEX HG 3rd Position	cts/lb	NA	436.600	435.800	445.750	442.950	440.275
COMEX inventories	st	NA	80240	80090	80138	80063	—
LME Grade A Cash	\$/mt	9410.000/9411.000	9405.000/9405.500	9431.500/9432.000	9536.500/9537.000	9712.000/9713.000	9499.350
LME Grade A 3-Month	\$/mt	9434.500/9435.000	9410.000/9415.000	9455.000/9460.000	9550.000/9555.000	9737.000/9738.000	9518.950
LME Grade A 15-Month	\$/mt	9355.000/9365.000	9355.000/9365.000	9395.000/9405.000	9485.000/9495.000	9660.000/9670.000	9455.000
LME Grade A 27-Month	\$/mt	9090.000/9100.000	9105.000/9115.000	9130.000/9140.000	9220.000/9230.000	9380.000/9390.000	9190.000
LME Settlement	\$/mt	9411.000	9405.500	9432.000	9537.000	9713.000	9499.700

Daily prices

	Units	04 Jul 11	05 Jul 11	06 Jul 11	07 Jul 11	08 Jul 11	Week avg
LME inventories	mt	462500	461275	461950	461850	NA	—
MW Atlantic Seaboard	cts/lb	422.676	422.427	423.629	428.392	436.375	426.700
MW CIF Europe	cts/lb	426.876	426.627	427.829	432.592	440.575	430.900
MW Composite	cts/lb	NA	439.726	438.476	449.026	446.076	443.326
MW US Producer Cathode	cts/lb	NA	439.726	438.476	449.026	446.076	443.326
MW US Producer Refined	cts/lb	NA	438.326	437.076	447.626	444.676	441.926
Japan del (current mo)	\$/mt	9546.240/9670.220	9487.430/9610.650	9514.400/9637.960	9513.220/9636.770	10082.380/10205.340	9690.461
Japan del (2 mos. out)	\$/mt	9546.240/9670.220	9487.430/9610.650	9514.400/9637.960	9513.220/9636.770	10082.380/10205.340	9690.461
S'pore in-warehouse premium	\$/mt	40.000/50.000	40.000/50.000	40.000/50.000	40.000/50.000	40.000/50.000	45.000
C&F China	\$/mt	9535.000/9555.000	9541.000/9561.000	9525.500/9545.500	9552.000/9572.000	9657.000/9677.000	9572.100

Zinc

LME SHG Cash	\$/mt	2342.000/2343.000	2362.000/2363.000	2354.000/2355.000	2356.000/2357.000	2365.000/2370.000	2356.700
LME SHG 3-Month	\$/mt	2374.000/2375.000	2386.000/2388.000	2382.000/2383.000	2381.000/2382.000	2392.000/2397.000	2384.000
LME SHG 15-Month	\$/mt	2435.000/2440.000	2445.000/2450.000	2440.000/2445.000	2443.000/2448.000	2455.000/2460.000	2446.100
LME SHG 27-Month	\$/mt	2447.000/2452.000	2457.000/2462.000	2463.000/2468.000	2462.000/2467.000	2473.000/2478.000	2462.900
LME Settlement	\$/mt	2343.000	2363.000	2355.000	2357.000	2370.000	2357.600
LME inventories	mt	859750	855850	871050	879725	NA	—
MW Four Corners	\$/mt	2358.500	2374.750	2368.500	2369.000	2381.000	2370.350
MW North America SHG	cts/lb	113.777	114.684	114.321	114.412	115.002	114.439
MW North America GAL	cts/lb	113.277	114.184	113.821	113.912	114.502	113.939
MW Alloy No. 3	cts/lb	123.277	124.184	123.821	123.912	124.502	123.939

Lead

LME Cash	\$/mt	2654.000/2655.000	2660.000/2660.500	2660.000/2661.000	2693.000/2694.000	2705.000/2706.000	2674.850
LME 3-Month	\$/mt	2667.000/2668.000	2668.000/2669.000	2675.000/2676.000	2703.000/2704.000	2717.000/2717.500	2686.450
LME 15-Month	\$/mt	2655.000/2660.000	2657.000/2662.000	2673.000/2678.000	2705.000/2710.000	2717.000/2722.000	2683.900
LME 27-Month	\$/mt	2640.000/2645.000	2642.000/2647.000	2658.000/2663.000	2693.000/2698.000	2705.000/2710.000	2670.100
LME Settlement	\$/mt	2655.000	2660.500	2661.000	2694.000	2706.000	2675.300
LME inventories	mt	314900	311650	309425	308300	NA	—
MW Four Corners	\$/mt	2661.000	2664.375	2668.000	2698.500	2711.375	2680.650
MW NA Producer	cts/lb	NA	128.848	128.850	128.972	129.017	128.922
Secondary Producer	cts/lb	NA	129.352	129.352	129.352	129.352	129.352

Nickel

LME Cash	\$/mt	23075.000/23100.000	23100.000/23105.000	23205.000/23210.000	23325.000/23375.000	24055.000/24060.000	23361.000
LME 3-Month	\$/mt	23095.000/23100.000	23155.000/23160.000	23250.000/23255.000	23355.000/23360.000	24100.000/24105.000	23393.500
LME 15-Month	\$/mt	22965.000/23065.000	23030.000/23130.000	23165.000/23265.000	23295.000/23395.000	24035.000/24135.000	23348.000
LME Settlement	\$/mt	23100.000	23105.000	23210.000	23375.000	24060.000	23370.000
MW LME Mean	\$/mt	23092.500	23130.000	23230.000	23353.750	24080.000	23377.250
LME inventories	mt	105804	105480	104682	104370	NA	—

Tin

LME Cash	\$/mt	25635.000/25640.000	26075.000/26080.000	26450.000/26475.000	27125.000/27135.000	27450.000/27475.000	26554.000
LME 3-Month	\$/mt	25605.000/25610.000	26100.000/26150.000	26525.000/26575.000	27195.000/27200.000	27500.000/27505.000	26596.500
LME 15-Month	\$/mt	25735.000/25785.000	26250.000/26300.000	26675.000/26725.000	27325.000/27375.000	27630.000/27680.000	26748.000
LME Settlement	\$/mt	25640.000	26080.000	26475.000	27135.000	27475.000	26561.000
LME Inventories	\$/mt	22180.000	22005.000	22050.000	21890.000	NA	22031.250
MW Composite	cts/lb	1542.520	1559.390	1595.870	1614.980	1650.330	1592.618
Kuala Lumpur	cts/lb	1158.610	1163.230	1201.800	1201.800	1242.510	1193.590
MW NY Dealer	cts/lb	NA	1223.500	NA	1276.000	NA	1249.750
MW NY low-lead	cts/lb	NA	1226.500	NA	1279.000	NA	1252.750

Cobalt

LME Cash	\$/mt	34000.000/35300.000	34000.000/35300.000	34000.000/35300.000	34250.000/34750.000	34000.000/35000.000	NA
LME 3-Month	\$/mt	34000.000/35300.000	34000.000/35300.000	34000.000/35300.000	34250.000/34750.000	34000.000/35000.000	NA
LME 15-Month	\$/mt	33200.000/34200.000	33200.000/34200.000	33200.000/34200.000	33050.000/34050.000	33050.000/34050.000	NA
LME Settlement	\$/mt	35300.000	35300.000	35300.000	34750.000	35000.000	NA

Molybdenum

LME Cash	\$/mt	31500.000/32500.000	31500.000/32500.000	31000.000/32000.000	31000.000/32000.000	31000.000/32000.000	NA
LME 3-Month	\$/mt	31500.000/32500.000	31500.000/32500.000	31000.000/32000.000	31000.000/32000.000	31000.000/32000.000	NA
LME 15-Month	\$/mt	32500.000/33500.000	32500.000/33500.000	32240.000/33240.000	32240.000/33240.000	32240.000/33240.000	NA
LME Settlement	\$/mt	32500.000	32500.000	32000.000	32000.000	32000.000	NA

Daily prices

	Units	04 Jul 11	05 Jul 11	06 Jul 11	07 Jul 11	08 Jul 11	Week avg
Gold							
COMEX 1st Position	\$/tr oz	NA	1512.300	1528.700	1530.200	1541.200	1528.100
COMEX 2nd Position	\$/tr oz	NA	1519.300	1535.800	1537.200	1548.100	1535.100
Comex Inventories	tr oz	NA	11728462.000	11347408.000	11382214.000	11381932.000	11460004.000
Engelhard Unfabricated	\$/tr oz	NA	1513.220	1530.500	1530.750	1544.770	1529.810
Handy & Harman	\$/tr oz	NA	1510.000	1527.250	1527.500	1541.500	1526.563
London Final	\$/tr oz	1495.000	1510.000	1527.250	1527.500	1541.500	1520.250
London Initial	\$/tr oz	1495.250	1498.750	1515.800	1526.250	1526.000	1512.410

PGMs

Palladium							
Nymex Nearby	\$/tr oz	NA	775.650	773.200	786.550	778.950	778.588
J.Matthey Base NA	\$/tr oz	NA	773.000	778.000	781.000	777.000	777.250
J.Matthey Base Asia	\$/tr oz	763.000	763.000	775.000	771.000	785.000	771.400
J.Matthey Base Europe	\$/tr oz	763.000	760.000	780.000	775.000	787.000	773.000
Engelhard Unfabricated	\$/tr oz	NA	775.000	778.000	782.000	778.000	778.250
London AM Fix	\$/tr oz	758.000	759.000	776.000	770.000	782.000	769.000
London PM Fix	\$/tr oz	758.000	772.000	776.000	779.000	776.000	772.200
3-month borrow rate	%	1.500	1.500	1.500	NA	1.500	1.500

Platinum							
Nymex Nearby	\$/tr oz	NA	1742.100	1733.400	1743.000	1733.400	1737.975
J.Matthey Base NA	\$/tr oz	NA	1733.000	1743.000	1736.000	1745.000	1739.250
J.Matthey Base Asia	\$/tr oz	1728.000	1724.000	1738.000	1734.000	1740.000	1732.800
J.Matthey Base Europe	\$/tr oz	1724.000	1716.000	1748.000	1734.000	1746.000	1733.600
Engelhard Unfabricated	\$/tr oz	NA	1740.000	1743.000	1736.000	1745.000	1741.000
London AM Fix	\$/tr oz	1720.000	1720.000	1738.000	1724.000	1745.000	1729.400
London PM Fix	\$/tr oz	1722.000	1731.000	1743.000	1734.000	1740.000	1734.000
3-month borrow rate	%	0.750	0.750	0.750	NA	0.750	0.750

Iridium							
J.Matthey Base NA	\$/tr oz	NA	1050.000	1050.000	1050.000	1050.000	1050.000
Engelhard Unfabricated	\$/tr oz	NA	1050.000	1050.000	1050.000	1050.000	1050.000

Rhodium							
J.Matthey Base Asia	\$/tr oz	2000.000	2000.000	2000.000	2000.000	2000.000	2000.000
J.Matthey Base Europe	\$/tr oz	2000.000	2000.000	2000.000	2000.000	2000.000	2000.000
J.Matthey Base NA	\$/tr oz	NA	2000.000	2000.000	2000.000	2000.000	2000.000
Engelhard Unfabricated	\$/tr oz	NA	2000.000	2000.000	2000.000	2000.000	2000.000

Ruthenium							
J.Matthey Base NA	\$/tr oz	NA	180.000	180.000	180.000	180.000	180.000
Engelhard Unfabricated	\$/tr oz	NA	180.000	180.000	180.000	180.000	180.000

Silver

COMEX 1st Position	cts/tr oz	NA	3540.200	3591.100	3652.800	3653.600	3609.425
COMEX 2nd Position	cts/tr oz	NA	3541.000	3591.600	3653.600	3654.300	3610.125
COMEX 3rd Position	cts/tr oz	NA	3541.400	3591.500	3653.300	3653.500	3609.925
Comex Inventories	tr oz	NA	99394451.000	99091559.000	98672617.000	99850457.000	99252271.000
Handy & Harman	cts/tr oz	NA	3506.000	3609.500	3639.000	3662.500	3604.250
Engelhard Unfabricated	cts/tr oz	NA	3502.000	3578.000	3643.000	3636.000	3589.750
London Fix, Pence	p/tr oz	2118.010	2157.670	2209.870	2244.760	2273.180	2200.698
London Fix, US	cts/tr oz	3410.000	3476.000	3538.000	3586.000	3628.000	3527.600

Exchange rates

Bank of Canada Exchange Rates							
US\$ per GBP noontime		1.489100	1.490000	1.489600	1.475700	1.488000	1.486480
US\$ per Aust\$ Noontime		0.993400	0.991000	0.995900	0.994800	0.995700	0.994160
US\$ per JpnYen Noontime		0.011500	0.011400	0.011500	0.011400	0.011500	0.011460
US\$ per EURO Noontime		1.344000	1.340600	1.334500	1.326400	1.323000	1.333700

LME Rates							
LME Sterling		1.607000	1.612000	1.600000	1.598000	1.595000	1.602
LME Yen		80.7700	81.1100	81.0900	81.0700	81.3900	81.0860
LME Euro		1.4500	1.4470	1.4330	1.4260	1.4250	1.4362

Weekly prices

		change/date assessed				change/date assessed	
MW US Spot Western	230.000 / 250.000	07-07-11 / 07-07-11					
MW US Dealer Import	225.000 / 240.000	07-07-11 / 07-07-11					
	\$/mt						
Europe Free Market	3250.000 / 3350.000	07-07-11 / 07-07-11					
Die Cast Alloy FOB China	3540.000 / 3590.000	+20.000 / +20.000					
99.8% FOB China	3190.000 / 3240.000	+20.000 / +20.000					
Titanium							
	\$/lb						
MW US 70% Ferrotitanium	4.100 / 4.300	-0.100 / -0.100					
	\$/kg						
Eur. 70% Ferrotitanium	8.700 / 8.900	07-07-11 / 07-07-11					
	\$/lb						
MW US Turning 0.5%	2.750 / 2.850	07-07-11 / 07-07-11					
Eur. Turning .5%	2.700 / 2.900	07-07-11 / 07-07-11					
Ferroalloys							
Cobalt							
	\$/lb						
MW 99.8% US Spot Cathode	16.500 / 17.500	07-07-11 / -0.500					
99.8% European	16.500 / 18.000	-2.000 / -1.500					
99.3% Russian	16.500 / 17.000	07-07-11 / 07-07-11					
99.6% Zambian	15.500 / 16.200	+0.500 / +0.200					
Ferrochrome							
	cts/lb						
US Charge 50-55%/Impt.	118.000 / 122.000	+1.000 / +2.000					
US 60-65%/Impt.	118.000 / 122.000	+1.000 / +2.000					
US Low-Carbon 0.05% Imported	245.000 / 247.000	07-06-11 / 07-06-11					
US Low-Carbon 0.10% Imported	227.000 / 229.000	07-06-11 / 07-06-11					
US Low C 0.15% Imported	224.000 / 225.000	07-06-11 / 07-06-11					
High C 52% Cr Europe	105.000 / 108.000	-3.000 / -2.000					
High Carbon 62% Cr Europe	112.000 / 120.000	07-07-11 / -2.000					
Low Carbon 0.1% C Europe	227.000 / 230.000	07-07-11 / 07-07-11					
High Carbon 60% FOB China	100.000 / 106.000	07-07-11 / 07-07-11					
50-55% Regular CIF Japan	143.000	07-07-11					
60-65% Spot CIF Japan	106.000 / 108.000	07-07-11 / 07-07-11					
Ferromanganese							
	\$/gt						
MW 78% Mn/Impt.	1320.000 / 1340.000	07-06-11 / 07-06-11					
	cts/lb						
Medium Carbon	105.000 / 108.000	-5.000 / -4.000					
	\$/mt						
High Carbon 75% FOB China	1280.000 / 1300.000	07-07-11 / 07-07-11					
Ferromolybdenum							
	\$/lb						
MW US FeMo	17.500 / 17.700	07-07-11 / -0.100					
	\$/kg						
MW Europe FeMo	36.100 / 36.600	-0.500 / -0.500					
FOB CHINA FEMO	35.500 / 36.000	-1.000 / -1.000					
Spot CIF Japan	35.500 / 36.500	-1.000 / -1.000					
Ferrosilicon							
	cts/lb						
MW 75% Si Imported	104.000 / 105.000	07-06-11 / -1.000					
	\$/mt						
Chinese CIF Japan	1550.000 / 1570.000	07-07-11 / 07-07-11					
	\$/mt						
75% FOB China	1510.000 / 1530.000	-10.000 / -10.000					
	Eur/mt						
Standard 75% Si Europe	1300.000 / 1320.000	07-07-11 / -10.000					
Ferrovanadium							
	\$/lb						
Free Market V205	6.300 / 6.400	07-07-11 / 07-07-11					
US Ferrovanadium	15.450 / 15.700	07-07-11 / +0.100					
	\$/kg						
Europe Ferrovanadium	28.500 / 29.000	07-07-11 / 07-07-11					
Manganese							
	\$/mt						
99.7% FOB China	3680.000 / 3700.000	-20.000 / -30.000					
Molybdenum							
	\$/lb						
MW Dealer Oxide	14.500 / 14.800	-0.350 / -0.450					
Oxide Trans	14.450 / 14.800	-0.350 / -0.500					
Silicomanganese							
	cts/lb						
MW 2% Free Market	62.000 / 63.000	07-06-11 / -1.000					
	\$/mt						
65% FOB China	1420.000 / 1450.000	07-07-11 / 07-07-11					
Chinese CIF Japan	1450.000 / 1500.000	07-07-11 / 07-07-11					
	Eur/mt						
Std 16-20% Si Eur	860.000 / 935.000	07-07-11 / 07-07-11					
Silicon							
	cts/lb						
MW Free Market	155.000 / 158.000	07-06-11 / 07-06-11					
	\$/mt						
98.5% FOB China	2430.000 / 2450.000	07-07-11 / 07-07-11					
Spot CIF Japan	2450.000 / 2480.000	07-07-11 / 07-07-11					
	Eur/mt						
98% Europe	2300.000 / 2400.000	07-07-11 / 07-07-11					
Stainless Scrap							
	\$/gt						
NA FREE MKT 18-8	2083.000 / 2105.000	+23.000 / -23.000					
Tantalum							
	\$/lb						
Spot Tantalite Ore	37.000 / 42.000	07-07-11 / 07-07-11					
Tungsten							
	\$/stu						
MW US Spot Ore	170.000 / 175.000	07-07-11 / 07-07-11					
APT-US	390.000 / 400.000	+25.000 / +20.000					
	\$/mtu						
APT FOB CHINA	430.000 / 450.000	07-07-11 / +5.000					
	\$/kg						
MW Ferrotungsten	52.000 / 54.000	-3.000 / -3.000					
Ferrotungsten FOB	54.000 / 58.000	07-07-11 / +3.000					