TOP NEWS

Platinum market set for another surplus in 2018- Johnson Matthey

The platinum market is set for another surplus this year after recording oversupply of 110,000 ounces in 2017, Johnson Matthey said in a report on Wednesday, although its sister metal palladium is tipped to see another deficit.
Platinum demand fell nearly 7 percent last year, with sharp falls seen in Japanese investment and Chinese jewellery buying as well as a slowdown in consumption by carmakers, who use the metal in catalytic converters, the company said.
Chinese jewellery buying was forecast to fall for a fifth year in 2018, it said, while autocatalyst demand was expected to keep shrinking. But it said a rise in industrial demand was likely to lead to a slight increase in overall demand.
"Before accounting for investment, we expect global platinum consumption to rise slightly," said Johnson Matthey, a leading manufacturer of vehicle catalysts.
"However, this will be matched by a modest increase in combined primary and secondary supplies, mainly due to rising recoveries from autocatalyst scrap," it said.
"Assuming that investment demand in 2018 is similar to last year, the market is likely to remain in modest surplus," it added.
The palladium market was expected to remain in deficit, it said. Automotive demand, which rose 6 percent last year to 8.424 million ounces, was expected to hit another record high next year, in line with a rise in gasoline vehicle output.
Supply, which declined 2 percent last year, was expected to rise slightly, but the market was set to remain in deficit after recording a shortfall of 629,000 ounces last year.
"The market will almost certainly remain in deficit, but the size of the shortfall will be determined primarily by the investment sector, where demand has been negative for the last three years," Johnson Matthey said.
Palladium-backed exchange-traded funds have seen "heavy and prolonged" selling since their holdings peaked in late 2014, the company said. Investors had taken advantage of a sharp rise in prices to take profits, it said.
Palladium was the best performer among major precious metals last year, surging 56 percent to post its biggest annual rise since 2010. The metal extended gains in January to hit a record $1,138 an ounce, but has since retreated.
Platinum in contrast edged up less than 3 percent as concerns over diesel's shrinking market share weighed on prices. That lifted palladium into a premium over platinum for the first time since 2001, reaching more than $150 an ounce late last year.

Japanese trading houses on the prowl as record earnings boost appetite

Japan's trading houses are scouting for assets as they enjoy their best profit outlook in six years, driven by higher prices for commodities from metals and coking coal to oil and natural gas.
Equipped with a nearly $50 billion war chest, trading houses are looking to bolster their global commodity supply chain networks, eyeing gas fields in Australia, oil in Iraq and coal and copper assets.
But - still smarting from huge writedowns in the last investment cycle - big debt-fuelled acquisitions look to be off the agenda, with the focus on greenlighting undeveloped assets, taking bigger stakes in existing projects, and trading up to better quality operations.
"Now we have a lot of money that we can invest. We didn't invest so much in recent years," said a senior executive from a major trading house on condition of anonymity, declining to be named.
"We want to be in the driving seat in investments. We are searching for good projects," he said.
Known as shosha in Japanese, trading houses led by Mitsubishi Corp and Mitsui & Co fulfil a quasi-national role by importing everything from oil to corn to sustain the country's resource-poor economy.
Together with Itochu Corp, Sumitomo Corp and Marubeni Corp, the five major trading houses reported record April-December net profits this month, with many upping their full-year forecasts.
Combined, they expect annual net income for the year to end-March, 2018 of 1.88 trillion yen ($17.4 billion), the most since 2011/12 financial year.

ASSETS IN SIGHT
Mitsui this month won a bidding war for Australia's AWE Ltd with a $470 million offer that will give make it operator and 50 percent owner of the promising Waitsia gas propsect.
Analysts described it as a low-risk investment, while Mitsui said becoming operator of a gas field for the first time would bolster its credentials to bid on other Australian gas assets.
Mitsui has been expected to step up its spending in energy and metals, where it is the strongest of the top five trading houses, said Nomura Securities' senior

analyst Yasuhiro Narita.

Itochu - the least exposed to natural resources of the five - is set to buy a stake in Iraq's West Qurma 1 oilfield from Royal Dutch Shell.

It is also eyeing coal assets to replace declining output from its current operations, Chief Financial Officer Tsuyoshi Hachimura said earlier this month.

Mitsubishi CFO Kazuyuki Masu said this month the company was looking to invest in copper mines - one of its three focused assets along with liquefied natural gas (LNG) and coking coal - to meet expected rising demand for electric cars.

This could include the bolstering its stake in mines in which it already has a share, such as Peru's Quellaveco project, where it has invested with majority shareholder Anglo American, and which is awaiting for a final investment decision.

The five trading houses combined had about $48 billion in cash and short-term investments as of end-March 2017, according to data in Thomson Reuters Eikon.

Still, it was just two years ago that Mitsubishi and Mitsui posted their first ever annual losses, while in that same year to March 2016 the five houses combined wrote-off about 1 trillion yen after the commodities downturn of 2014-2015.

They have since staged a recovery, also visible in the stock market where since 2015, seen as the lowpoint of the overall commodities downturn, they have outperformed even Glencore, a western listed commodity trading peer.

Despite this, analysts say the Japanese traders remain cautious.

"Trading houses are not spending like in early 2010s when they were making huge loans to buy assets with big price-tag," said Masako Kuwahara, senior analyst at corporate finance group in Moody's Japan K.K.

"They have learned lessons from the commodities slump and they are making only selective investments, with the focus to maintain a positive cash flow," she said, predicting that spending will have limited impact on their leverage.

Barrick Gold sees output slide as reserves fall

Canada's Barrick Gold Corp, the world's biggest gold producer, forecast an output drop over the next four years on Wednesday, with mining costs flat to higher.

Barrick, which reported quarterly earnings that matched market expectations, said its reserves of unmined gold dropped by 25 percent last year to 64.5 million ounces, as it sold off mine stakes and changed its plan for a South American asset.

Falling production and reserves are a concern for the industry, as finding new deposits becomes ever harder and the non-renewable resource is mined out.

Tight exploration and development budgets and a focus on cash flow in recent years, as companies have worked to repair damaged balance sheets, have also slowed the building of new mines.

Toronto-based Barrick said it expects to produce between 4.5 million and 5 million ounces of gold this year, at a cost of between $765 and $815 an ounce on an all-in sustaining basis, the industry benchmark.

That is down from 5.32 million ounces of gold in 2017, when costs were a comparable $750 per ounce. Barrick is one of the industry's lowest cost producers.

Further out, Barrick, which has mines in the Americas, Australia and Africa, expects to produce between 4.2 million and 4.6 million ounces of gold a year between 2019 and 2022 at costs of $750 to $875 per ounce.

To help stem the slowdown in production, Barrick expects to increase its capital spend on project development by more than 60 percent in 2018, to as much as $550 million.

In the fourth quarter, Barrick reported adjusted net earnings of $253 million, or 22 cents a share, largely unchanged from $255 million, or 22 cents a share, in the same period a year ago.

That was in line with the 21 cents a share that analysts had expected, according to Thomson Reuters I/B/E/S.

On a net basis, Barrick reported a loss of $314 million, or 27 cents a share, as it wrote down the value of unmined gold at its stalled Pascua-Lama project on the Chile-Argentina border, after its plans for developing the project changed.

Last month, Chilean environmental regulators ordered Barrick to close existing infrastructure on the Chilean side of the project, where Barrick had planned to develop an open pit mine. That has been replaced with a plan to develop an underground mine.

Paulson holds stake steady in gold investments in Q4 2017 -filing

New York-based Paulson & Co, led by longtime gold bull John Paulson, kept its stake in gold investments during the fourth quarter of 2017, while other heavyweights including Soros Fund Management LLC, Jana Partners LLC and Caxton Corp all remained unexposed to the metal.

The timing for Paulson appeared prescient given that during the last three months of the year, gold prices climbed on the back of a weak U.S. dollar, geopolitical tension and mixed expectations of the path of U.S. interest rate increases.

Paulson & Co kept its stake in SPDR Gold Trust at 4.36 million shares during the fourth quarter of 2017, though the value rose to $539.1 million, up from $530 million in the third quarter, a U.S. Securities and Exchange Commission filing showed on Wednesday.

SPDR Gold Trust is the world's biggest gold exchange-traded fund.

Paulson also left stakes unchanged in mining company AngloGold Ashanti Ltd though the value increased versus the end of the third quarter.

Stakes in IAMGOLD Corp, RandGold Resources Ltd and NovaGold Resources Inc were also unchanged, but their value dropped.

During the fourth quarter of 2017, spot gold prices rose to a three-month high of $1,307.60 per ounce in late December.

Bullion had jumped toward its biggest one-year rise in seven years because of the weakening dollar. Sliding toward its worst year since 2003, the greenback, in which gold is priced, was hurt by tensions over North Korea, the Russian scandal surrounding U.S. President Donald Trump's election campaign, and persistently low U.S. inflation.

Concerns had begun to recede over the impact of U.S. interest rate hikes and fed into its rally. Gold is highly sensitive to rising U.S. interest rates, because higher rates make it less attractive since it does not draw interest.

Meanwhile, CI Investments Inc [RIC:RIC:CIXCI.UL] sharply increased its holdings in SPDR Gold Trust to nearly 3.9 million shares worth $482.1 million during the fourth quarter, up nearly three times from its 1.45 million shares worth $176.2 million during the third quarter.

It doubled its stake in Barrick Gold Corp to 312,762 shares worth $4.53 million, and increased its call options to 183,396 shares worth $6.78 million. This compares with 166,396 calls worth $6.8 million in the third quarter.

CI Investments increased its holdings in Randgold Resources Ltd to 132,810 shares at a value of $13.13 million during the fourth quarter, up sharply from the third quarter's 22,210 shares at a value of $2.17 million.

Russia's EN+ says no formal decision on secondary share offering

Russia's En+ Group said on Thursday it had made no formal decision to carry out a secondary public offering of shares (SPO).

Three sources told Reuters earlier this week that En+ has invited international banks to pitch for the sale of $1 billion of shares in the company that manages the aluminium and hydropower businesses of Russian businessmen Oleg Deripaska.

"In the ordinary course of business the Company regularly reviews its optimal capital structure, but there are no formal decisions to perform a secondary public offering", the firm said in a statement.

Australia's South32 says steel demand buoys H1; costs, buyback pace seen hitting shares

Australian miner South32 Ltd, the world's biggest manganese producer, said first-half profit jumped 14 percent, slightly below estimates, after it cranked up production of the steelmaking ingredient amid strong demand and high prices.

South32, spun off from global mining giant BHP in 2015, said in a statement that underlying profit for the six months ended Dec. 31 grew to $544 million. That was short of the average estimate of $574 million from four analysts, and with company watchers saying costs had crept up, the stock slipped nearly 3 percent.

Hoisting its interim dividend nearly 20 percent, South32 said it would also pay shareholders a special dividend worth $155 million and offered an upbeat outlook for a business that saw first-half revenue grow 8 percent to $3.49 billion.

Demand for steel remains solid globally, chief executive Graham Kerr said during a call with reporters, driven by a robust Chinese economy and restocking ahead of the Lunar New Year that began on Thursday.

"From our perspective, China continues to be strong in terms of the economy...Fundamentally steel looks good across the globe," he said. "We are more positive on steel than we thought we would have been 12 months ago."

China's drive to crack down on pollution has also burnished the global manganese outlook by driving down domestic supply, Kerr said.

"We achieved record production at (unit) Australia Manganese and Mozal Aluminium, (and) increased production guidance at South Africa Manganese in response to favourable market conditions," South32's CEO said. The company last month said manganese ore output rose 22 percent in the December quarter from a year earlier.

Still, investors' response was negative. The shares were

down 2.7 percent at A$3.60 by 0347 GMT, against 1.2 percent gains on the underlying S&P/ASX 200 index.
Analysts said the slow pace of a previously announced $750 million share buyback, as well as rising costs, weighed on investors' minds.
"(I) Can't help but feeling...like the special (dividend) component is really a 'catch-up' for the slow buyback program," analyst Peter O'Connor at Shaw and Partners in Sydney said in a report.
"(The) buyback (was) topped up by $250 million although we note that the first-half buying pattern has been below the required rate...$540m remains outstanding, to be purchased up to April 2019."
Meanwhile Kerr said South 32 is looking to bolster its supply pipeline, declining to rule out acquisitions in coking coal.
Rio Tinto has started a sales process for its Queensland coking coal operations Kestrel and Hail Creek, industry sources say.
"We have been clear from day one we will look at M&A opportunities but we will always look at it through the lens of value," Kerr said, without disclosing South32's budget for acquisitions.

Teck sees strong demand for steelmaking coal in 2018

Teck Resources Ltd, the world's second-biggest exporter of steelmaking coal, said on Wednesday that growing global steel production is expected to boost demand for its coal in 2018, though coal trade competition will also likely rise.
Vancouver-based Teck, which also mines copper, zinc, gold and oil sands, said it is "feeling pretty good about 2018" after reporting in-line financial results.
"Most of us forget what this feels like, but it's certainly very good for commodity markets, and they are now demand driven, rather than supply driven," Chief Executive Don Lindsay said on a conference call.
"We see continued strength in commodity prices and Teck is certainly well positioned to take advantage of that."
Steelmaking coal demand is expected to keep climbing in 2018, Teck said, while ongoing logistics and production issues at key Australian mines support prices.
It is unclear how an expected recovery in Australian exports this year and coal trade rebalancing will affect pricing, but Teck said it can respond to changing markets.
Teck sold 6.4 million tonnes of steelmaking coal in the fourth quarter, at an average realized price of $170 per tonne.
It sees 2018 output of 26 million to 27 million tonnes of steelmaking coal. Production in 2019 to 2022 will range between 26.5 million and 27.5 million tonnes, despite this year's closure of Coal Mountain operations.
Copper production is forecast at 270,000 to 330,000 tonnes in 2018 and 270,000 to 300,000 tonnes for 2019 to 2022. Zinc production is seen at 645,000 to 670,000 tonnes in 2018, dropping to between 575,000 and 625,000 tonnes in 2019 to 2022.
Teck expects its share of production from Fort Hills oils sands mine at 7.5 million to 9 million barrels of bitumen in 2018 and 14 million barrels in 2019 to 2022.
It holds a 20.89 percent stake in Fort Hills, which produced its first oil in January, with partners Suncor Energy and Total SA. Production is seen reaching at least 90 percent of capacity by year-end.
Lindsay said he hopes Teck will build up cash reserves from high commodity prices and see copper supplies tighten before moving ahead with its US$4.7 billion second-phase Quebrada Blanca project. Permits are expected in the first half of 2018 and a decision in the second half.
Shares of Teck, up nearly 15 percent year-to-date, were about 1 percent higher at C$37.72 at mid-session.

UK watchdog slow to stop "vulture" advisers ripping off steelworkers -lawmakers

Britain's markets watchdog was too slow to prevent "vulture" financial advisers from ripping off steelworkers faced with critical decisions over their 14 billion pound ($19.4 billion) pension pot, lawmakers said in a report on Thursday.
Advice on transferring pension pots and the punitive fees charged were another major mis-selling scandal, parliament's work and pensions committee said in the critical 39-page report.
Following the closure of the current Tata Steel UK pension scheme - to pave the way for a merger with the European steel operations of Germany's Thyssenkrupp - steelworkers were forced to choose by December 2017 between moving to a new company scheme or joining a lifeboat known as the Pension Protection Fund (PPF).
The report said members would have typically been better off moving to the new company scheme.
The old pension scheme is a legacy from previous owner British Steel and some 25,000 of its 124,000 members failed to respond to the December deadline,

meaning they will end up in the PPF by default because they were too overwhelmed to make an informed choice, the report said.

Under Britain's new "pension freedoms" reforms, workers could also put the cash into other investments, but many of those who took this option were advised to sign up to risky, unsuitable investments that came with hefty fees.

Steelworkers were shamelessly bamboozled by dubious financial advisers in tandem with unregulated, parasitical introducers who wooed clients with sausage and chips lunches in return for a share in the fee, the report said.

Transfer values averaged 400,000 pounds and reputable advisers were overwhelmed, creating the perfect conditions for vultures to take advantage, it said.

Lawmakers singled out contingent charging, where advisers are only rewarded for recommending a particular course of action. The practice should be banned for defined benefit pension transfer advice, they said.

"To propose, as the Financial Conduct Authority did in July last year, abandoning the advisor presumption against transferring out of a gold-plated, stable, indexed pension scheme: it really makes you wonder whose side they're on," committee chair Frank Field said in a statement.

A surge in interest in the steelworker pensions began in April last year but the FCA, which regulates advisers, did not begin acting until November, just ahead of the deadline, the report said.

The FCA said it has taken "detailed, extensive and robust action" to help the steelworkers.

"We are also reviewing the rules that apply to firms advising on pension transfers, and will consider this report as part of this," the watchdog said.

PENSION REGULATOR CRITICISED

Lawmakers also criticised the Pensions Regulator, which oversees schemes, saying it should have seen this "rip-off coming" and should review the information given to people faced with pension decisions.

The Pensions Regulator said it helped to tackle unscrupulous advisers and fulfilled its primary role in evaluating and approving the complex restructuring of the British Steel pension scheme to prevent the company becoming insolvent.

"We believe this was the best possible outcome for everyone involved in what was a very challenging situation, bringing greater certainty for thousands of scheme members," it said.

The report calls on the government to change pension rules so that pots are transferred to a new company scheme by default if it offers better benefits than a pensions lifeboat.

The committee said it will also produce a separate report on broader pension freedom and choice issues raised by the steelworkers' case.

Some 50 billion pounds has been transferred from direct benefit pension schemes between the start of the pension freedom reform in April 2015 and May 2017.

Australian gold miner Newcrest says profit slides on output disruptions

Australia's top gold miner, Newcrest Mining Ltd, on Thursday reported a 58-percent fall in half-year underlying profit, dragged down by disruptions such as an earthquake hitting one of its key sites earlier in 2017.

Underlying profit slid to $116 million in the six months to Dec. 31, down from $273 million the year before and below a forecast of $143 million based on the average of three estimates in a poll of analysts.

Newcrest said profits were affected as operations at its flagship Cadia mine in Australia were only able to start up gradually after being closed by a minor earthquake in April.

The company also cited unplanned maintenance at its Lihir mine in Papua New Guinea as impacting profits.

Gold production in the quarter that ended in December inched down from a year ago but improved from the previous three months, the company reported in January.

The firm on Thursday said its cost of production on an "all-in sustaining basis" ticked up about 12 percent, reflecting the lower volume contribution from Cadia.

However, Newcrest expects gold production to improve in the current half-year as Cadia ramps up.

The company maintained its production estimate of 2.4 million to 2.7 million ounces of gold and 80,000 to 90,000 tonnes of copper in the year to June, 2018.

It announced an interim dividend of 7.5 cents per share, the same as last year.

Shares of the miner closed up 3.4 percent on Thursday, supported by firm gold prices.

Chile's Antofagasta receives approval for Los Pelambres upgrade

Chilean mining company Antofagasta received environmental approval for a major $1.1 billion revamp

of its Los Pelambres copper mine, the regional government of Coquimbo said on Wednesday.
The three-stage infrastructure upgrade, unveiled in 2016, seeks to maintain the mine's copper output at approximately 400,000 tonnes of copper annually.
The project includes a desalination plant at its port facility in Los Vilos, and new ore mills and related infrastructure at the mine itself, the company said in a statement.
London-listed Antofagasta said it will need to obtain additional permits and final approval from its board of directors before it can begin work on the project.
Chile is the world's top copper producer.

(Inside Metals is compiled by Shruthi Narayanan in Bengaluru)