TOP NEWS

WTO hears widespread criticism of U.S. steel tariff plan

U.S. President Donald Trump's plan to restrict imports of steel and aluminium for national security reasons came under fire at the World Trade Organization on Friday, with China, the European Union, Brazil, Australia, Taiwan and Russia raising concerns.
Trump's recourse to a Cold War-era trade law would allow him to restrict imports of goods deemed critical to national defence. But invoking national defence is all but taboo at the WTO, the arbiter of international trade rules since 1995, because some trade experts think it could make it easy for countries to escape their international trade obligations.
China and the EU both told the WTO's Goods Council that the "section 232" tariffs could not be justified on national security grounds, said a trade official who attended Friday's meeting, while others were concerned about a potential risk to the world trading system itself.
The Trump administration is studying the case for the potential new tariffs but delayed publication of the eagerly awaited study until after the president has spoken with G20 leaders in Germany, an administration official said on Thursday.
That did not stop a few pre-emptive strikes at the WTO, with the EU's representative at the meeting saying the bloc might bear the brunt of U.S. tariffs because Chinese exports are already largely subject to U.S. restrictions and Canada and Mexico are likely to be exempt. The EU would "be firm in taking all necessary actions" if its exports are restricted, the official said, adding that a proliferation of such tariffs would cause unacceptable systemic risks -- a concern echoed by other countries at the meeting.
The trade diplomat from Russia, which called the debate on the issue, asked for details such as the timeframe and scope of potential tariffs, and also questioned the commercial justification for further U.S. limitations on imports of steel and aluminium.
Australia warned that the United States could face retaliation, while Japan's representative said that Japan had an interest and was following the U.S. government's actions closely.
The U.S. diplomat at the meeting responded by saying that if U.S. Commerce Secretary Wilbur Ross found steel or aluminium was being imported "in such quantities or in such circumstances as to threaten to impair national security", he would recommend actions to be taken to "adjust the imports of steel and aluminium."

Thyssenkrupp wants less than 50 pct of Tata steel JV - Handelsblatt

German industrial group Thyssenkrupp aims to hold less than half of a steel joint venture it wants to set up with Tata Steel so it can deconsolidate the business from its balance sheet, Handelsblatt reported, citing a company source.
Thyssenkrupp and Tata have been in discussions since last year to combine their European operations in a joint venture to remove overcapacity from the market and cut costs, and had so far said to be planning a 50-50 venture.
Negotiations for a deal have been hampered by Britain's vote to leave the European Union and concern over Tata's pension deficit in Britain. A source close to Thyssenkrupp had said a deal in May to separate Tata's 15 billion pound ($19.4 billion) UK pension scheme still left many questions unanswered.
Thyssenkrupp's operations are mainly in Germany, while Tata's are in Britain and the Netherlands.
Handelsblatt said in a summary of an article to be published on Monday that Chief Executive Heinrich Hiesinger and Natarajan Chandrasekaran, chairman of Tata group's holding company Tata Sons, are to hold talks this month.
Thyssenkrupp declined to comment on the report. Tata was not immediately available for comment.
Thyssenkrupp's steel works council chief, Guenter Back, said last month that finance chief Guido Kerkhoff had said the company would decide by the end of the 2016/17 fiscal year, which runs through September, whether to proceed.
According to Handelsblatt, many questions remain to be discussed as the two companies had not yet had a chance to look at each others' books.

COLUMN-Copper bulls load up on longs, but China PMIs are unconvincing: Russell

Copper reached a three-month high after a surprise rise in China's Purchasing Managers' Index (PMI), and while the boost was short-lived it does beg the question as to whether better times are ahead for the industrial metal.
Benchmark London copper futures touched $5,965 a tonne on June 30 after the official Chinese PMI rose to 51.7 in June, it's eleventh consecutive month on the positive side of the 50-level that marks expansion from contraction in the world's biggest manufacturing sector.
Copper's gains didn't last beyond the Asian session,

slipping as the U.S. dollar strengthened and also as London Metal Exchange data showed inventories of the red metal gained, indicating supplies are plentiful.

Nonetheless, copper is holding around its strongest levels since March, and is up 8.2 percent since its recent closing low of $5,486 a tonne on May 8.

Hedge funds and other money managers also seem to be backing the view that copper's recent rally still has further to run, boosting long positions by 9,531 contracts to 58,816, according to U.S. Commodity Futures Trading Commission data, released on June 30.

The net-long copper position is now nearly double the 29,787 contracts reported on May 9, and a dramatic reversal from the net-short position of 47,109 contracts that prevailed a year ago, on June 14, 2016.

It's probably no surprise that hedge fund managers have switched from net-short to net-long copper as the Chinese manufacturing sector has improved over the past year.

But is this optimism still justified or is copper starting to look a little stretched?

In past periods of gains in China's PMI, copper has certainly also rallied, and on one occasion since the 2008 global recession, it continued to rise even after the PMI peaked.

The PMI was at 51.2 in June 2010 and rose to 55.2 by November of that year, while London copper rose from around $6,101 a tonne in June to a peak of $10,160 in February 2011.

The PMI troughed at 49 in November 2011, before rising to 53.3 by April 2012, while copper bottomed slightly before the PMI, reaching $6,735 a tonne in October 2011, before hitting a top before the PMI, at around $8,760 in February 2012.

Since then the PMI trended lower along with copper until the index hit a low of 49 in February 2016, slightly after the bottom for copper in January 2016.

While the Chinese PMI is far from the only driver of copper prices, it appears to be a useful indicator.

CHINA CHALLENGES AHEAD

The problem for copper bulls is that it's becoming harder to find analysts that think the PMI is going to extend its recent strong run. Most are bracing for weaker readings in the second half of 2017.

This is largely because of the view that keeping China's stimulus spending going is becoming more of a challenge for the authorities in Beijing, especially given concerns over credit quality and a slowdown in the key residential property construction sector.

There also appears to be a widening gap between large, mainly state-owned firms and small- to medium-sized private companies.

The official PMI captures more of the large corporate sector, which appears to be more resilient to tightening credit conditions than the smaller businesses.

The Caixin PMI, which measures more smaller businesses, did rise in June to 50.4, surprising market watchers, who had picked a reading of 49.5 in a Reuters survey of 25 analysts.

However, it's worth noting that the Caixin PMI is only just in positive territory and well below the official measure.

Another point from the Caixin PMI was confidence among Chinese manufacturers for the next 12 months fell to lowest level this year in June, underscoring the mood of caution that currently prevails.

While the PMIs may on the surface be producing positive signs for copper, the detail shows the outlook is not as bullish as the rise in net-long positions may suggest.

China's copper imports are also not looking that great for prices as well, with refined metal imports down 28.2 percent in the first five months of the year.

Chinese buyers appear to be switching to scrap copper, with imports rising 17.6 percent in the first five months, a shift that is hardly going to boost the price of London futures.

It's worth noting that scrap imports in the January to May period were 1.51 million tonnes, while refined imports were 1.27 million tonnes, a reversal from 2016, when refined metal imports were 3.7 percent higher than those of scrap.

Putting the import data together with the two Chinese PMIs and the case for being cautious about the copper price outlook for the next few months seems to be more convincing than placing a bullish bet.

South Africa's Sibanye says production resumes at strike-hit Cooke mine

Production has resumed at the Cooke mine of South African precious metals producer SibanyeGold following the conclusion of a wildcat strike at the operation which erupted almost a month ago, a company spokeswoman said on Monday.

The strike, which saw incidents of violence aimed at miners who did not support it, was sparked by worker resentment at Sibanye's drive to root out illegal miners, which included the sacking of employees for collusion and a ban on taking food into the shafts.

Last week the company said that 461 illegal miners had been arrested at Cooke since the strike began after they were forced to come to the surface because the stoppage deprived them of sources of food and water provided by employees.

Speculators again cut bullish bets on COMEX gold, silver

Hedge funds and money managers reduced their net long positions in COMEX gold and silver for the third straight week in the week to June 27, U.S. Commodity Futures Trading Commission data showed on Friday.
The speculators raised their net long position in copper futures and options, the data showed.
They reduced their bullish stance in gold by 28,625 contracts to 76,732 contracts, the lowest since late May, as prices tumbled to a six week low, the data showed.
The dramatic move surprised the market when August futures made an $18 drop in heavy volume to $1,236.50 an ounce and then rebounded by $10, all within 60 seconds during illiquid trade around 4 a.m. EDT (0800 GMT).
In silver, they reduced their net long position by 14,353 lots to 12,427 lots, the smallest since January.
The hedge funds and money managers added 9,531 contracts to their net long position in copper, bringing it to 58,816 contracts, the data showed.

Russia's Polyus returns to London, UK investors take half of share offer

Russia's largest gold producer, Polyus sold $879 million worth of shares in Moscow and London, it said on Friday, a sale that analysts said showed a high level of western investor appetite for Russian assets.
Polyus, controlled by the family of Russian tycoon Suleiman Kerimov, delisted from the London Stock Exchange in 2015 after Western sanctions over Moscow's role in the Ukraine crisis began to bite for Russian companies.
It returns to London buoyed by an 8 percent rise in global gold prices this year.
British investors bought about half of the shares, VTB Capital, a bookrunner on the deal, said in a statement. The share of investors from North America totalled around 20 percent.
The sale of 9 percent of the company's shares follows a separate $887 million sale of 10 percent to a Chinese consortium led by Fosun International.
The offer price was set at $33.25 per global depositary receipt (GDS), corresponding to a price of $66.50 per ordinary share, at the lower end of a previously announced range.
Half of the proceeds from the deal went to Polyus and will be used for general corporate purposes, Chief Executive Pavel Grachev told an event at the Moscow Exchange. The other half went to the Kerimov family.
Appetite for Russian assets has been strengthening since the start of this year, driven by a rising oil price and expectations that U.S. President Donald Trump would ease fraught U.S.-Russian relations.
"We see sufficient interest towards the Russian risk and equity in general from foreign institutional investors," Kvasov told the Moscow Exchange event. "I hope that this deal will not be the last one this year. We see a window for further potential placements this year."
Colin Croft, fund manager at Jupiter Fund Management, said the sale showed there was still good demand for Russian assets.
"Despite all of the on-going geopolitical concerns – all the worries about Trump and sanctions and so on - they still managed to get it out the door," he said. "It was a pretty sizeable deal so that shows that Russia is still open for business.”
Anton Malkov, head of equity capital markets at Sberbank CIB, said further Russian deals were possible in the market in the autumn if oil markets and geopolitics remained calm.
Market optimism has been tempered in the past few weeks, with Trump embroiled in a row at home over his associates' ties to Russia, and the United States imposing a fresh round of sanctions on some Russian entities.
However, Polyus is a pure producer of gold, considered a safe haven during times of political and financial uncertainty.
Russian, European and Middle Eastern investors each took about 10 percent of the offering, Boris Kvasov, the head of equity capital markets at VTB Capital, said. The $879 million includes an over-allotment option, the sale was worth $799 million excluding it.
Long-term investors, including sovereign funds, took about 80 percent of the allocation. Russian pension funds took less than 1 percent, Kvasov said.
"The quality of investors, not only the fact of the placement itself, was important to Polyus," Grachev said.
A consortium formed of the Russian Direct Investment Fund (RDIF) with Middle-Eastern Sovereign Wealth Funds participated in the deal. It included investors from the UAE, Qatar, Kuwait and Bahrain.

Miner Crystallex wins court order against Nomura over Venezuela deal

Canadian miner Crystallex, seeking to recoup financial damages from an expropriation by Venezuela, won U.S. court approval on Friday to bar Japanese bank Nomura from transferring securities owned by the OPEC nation.

The court decision follows a Reuters report that Venezuela is seeking to sell some $710 million in fixed-income securities back to Nomura, which originally issued them in 2008, to raise cash amid an economic crisis.

The United States District Court for the Southern District of New York granted the request, according to court papers.

The company, which cited the Reuters report in its request, said Venezuela was seeking to draw down assets in the United States to prevent it from collecting on the award.

The move is one of the most aggressive legal gambits to date by a company seeking compensation for a wave of nationalizations under the leadership of late Socialist leader Hugo Chavez.

The ruling further complicates Venezuela's efforts to raise cash from international financiers amid a crippling financial crisis. Opposition leaders are already urging banks not to finance Maduro's government, citing human rights violations that have been registered during the crackdown on three months of opposition protests.

Crystallex, which cited the Reuters report in its request, said Venezuela was seeking to draw down assets in the United States to prevent it from collecting on the award.

Crystallex's dispute with Venezuela dates back to the 2008 nationalization of the Las Cristinas gold mine.

Around 20 companies have filed suits against Venezuela in the World Bank's International Centre for Settlement of Investment Disputes, or ICSID, primarily to seek compensation for nationalizations under late socialist leader Hugo Chavez.

Both Nomura and Venezuela will be able to respond to the restraining notices, Crystallex said in its request.

Nomura and Venezuela's government did not immediately respond to requests for comment.

The talks revolve around $710 million in securities known as credit-linked notes that were issued by Nomura to Venezuela in 2008, according to a finance industry source.

One of the notes has a face value of $390 million and matures at the end of 2018 while the other, with a face value of $320 million, matures in 2023, said the finance industry source, who asked not to be identified.

Venezuela is seeking to sell those securities before they mature, the source said, effectively accepting a loss on the notes as a way of getting the cash back sooner.

The government of President Nicolas Maduro is struggling under the collapse of the country's socialist economic model that suffers triple-digit inflation, chronic product shortages and rising incidence of malnutrition.

Maduro insists his government is victim of an "economic war" and has lambasted the opposition's campaign to block financing deals.

Julio Borges, head of the opposition-run Congress, this month publicly chided Nomura for participating along with Goldman Sachs Group Inc in a $2.9 billion bond operation in May.

Tanzania to pass laws to renegotiate minerals contracts

Tanzania's parliament should pass legislation that would allow it to force mining and energy companies to renegotiate their contracts, the justice minister said on Friday.

"Yes, we expect parliament to pass the three bills next week," Tanzania's Justice and Constitutional Affairs Minister, Palamagamba Kabudi, told Reuters.

The three draft laws, introduced on Thursday and pored over by parliamentarians in closed-door sessions on Friday, will be used against the multi-billion dollar mining sector first, analysts said.

They follow 18 months of wrangling between mining companies and President John Magufuli that have delighted Tanzanian voters but alarmed foreign investors.

Magufuli took office in 2015 vowing to stamp out corruption. He has fired ministers, the heads of the port and the revenue authorities, and 10,000 civil servants.

He repeatedly accuses multinational companies of tax evasion, something they deny. The most high-profile target of his campaign has been Acacia Mining, majority-owned by Barrick Gold. Acacia has most of its productive assets in Tanzania.

Acacia has been forbidden to export ore since March. The company says the ban costs a million dollars a day as shipping containers pile up.

"It's quite clear from what the president has done, they are trying to centralize all decision making ... at the State House," said Ahmed Salim of global advisory firm Teneo Intelligence.

"Since March, after the export ban, the government has made it clear they want to renegotiate terms and contracts with the (mining) sector in general. They have used Acacia as an example to the detriment of the economy."

The company's share price has nearly halved since the ban and the CEO says Acacia's existence is threatened.

The government has conducted two audits in the last two months of the stockpiled ore, and accused Acacia of only declaring a tenth of the gold it is exporting and not declaring other minerals.

But the audits counted traces of minerals not commercially viable to extract and misunderstood metals pricing, according to an analysis by Maya Forstater of the Center for Global Development, and London-based mining consultant Alexandra Readhead.

The amount of iridium auditors say they found is three times the global consumption of the element, they noted. But stoking outrage against Acacia may be a canny strategy to force the renegotiating of contracts under the new laws, they said.

"The findings of the committees seem implausible, but building public outrage towards Acacia strengthens President Magufuli’s hand in renegotiating," Readhead said.

"Tanzania could gain from a new deal with Acacia, but in the process it risks undermining confidence in the investment environment, including for the developing oil and gas industry."

Tanzania has extensive gas fields, and a $30 billion liquefied natural gas (LNG) export terminal is planned with BG Group, part of Royal Dutch Shell, Exxon Mobil, Statoil and Ophir Energy

Mandalay invokes force majeure at Chile's Cerro Bayo mine

Canadian miner Mandalay Resources Corp said on Friday it has started issuing notices to suspend its obligations to customers, suppliers and contractors of Cerro Bayo Mine Complex in Chile after a section of the mine was flooded on June 9.

The company said its unit Minera Cerro Bayo has invoked force majeure and was reviewing alternatives for the future of mining at Cerro Bayo.

Two workers went missing following the flooding of Delia NW mine, part of Mandalay's Cerro Bayo complex.

Mandalay Resources had said on Tuesday that efforts to locate the trapped miners in the flooded silver and gold mine were unsuccessful.

The company said on Friday it will provide detailed update on its plans for the mine along with its second-quarter results on August 10 after market hours.

(Inside Metals is compiled by Shruthi Narayanan in Bengaluru)

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