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Clyde Russell is a Reuters columnist. The opinions expressed are his own

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TODAY’S MARKETS

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"Given the U.S. government shutdown and the risk that the U.S. economy is facing, expectations for tapering in October seem less strong than before," said Barnabas Gan, analyst at OCBC Bank.

FOREX: The dollar was mired near an 8-month low against a basket of currencies on Monday on growing expectations the U.S. Federal Reserve will have to delay scaling back its stimulus following a 16-day government shutdown.

"In the last two months, previous payrolls figures were revised down. The U.S. economy is losing steam and cannot withstand tapering," said Daisuke Uno, chief strategist at Sumitomo Mitsui Bank.
COLUMN-Is short gold really the best commodity investment tip?

By Clyde Russell

LAUNCESTON, Australia, Oct 21 (Reuters) - Going short gold was the top commodity investment pick for the next 12 months by two top-ranked analysts at the recent World Commodities Week conference in London.

There is nothing wrong with this view as there are solid reasons to believe the precious metal may decline further, such as the likely scaling back of quantitative easing in the United States and a generally more positive global economic outlook.

But it struck me that if the best investment in the near term is to be short something that has already shed 21 percent of its value so far this year, this is a sad reflection of the overall state of the market for commodities.

Surely there has to be some better bets in commodities, both from the short side and from the more traditional long strategy that is the mandate of many pension funds that are most likely currently scratching their heads and wondering if they should invest in commodities at all.

It's not been a great year to be investing in commodities using a long-only, buy and hold strategy, with the index down 1.2 percent and the DJ-UBS down 7.4 percent so far.

The S&P GSCI has a higher energy component, which has kept its returns near par mainly as a result of the ongoing risk premium in the price of oil due to the threat of disruptions from Middle East unrest.

While Brent crude, currently around $110 a barrel, is more or less near its starting point for the year, it appears better opportunities may exist in trading the crack spreads for various oil products in Asia.

BASE METAL SQUEEZE

For investors who cannot place short trades, there are still some commodities that may offer value, such as nickel and tin.

For these metals any long position is founded on the threat to supply from Indonesia's plans to ban the export of unrefined ores from next year.

It's still no means certain that a full ban will be implemented, but the risks are that some action is taken, cutting exports from the Southeast Asian nation, which supplies about a quarter of the world's tin and is the top nickel exporter.

London benchmark nickel is down 16.7 percent so far this year near four-year lows even though China's imports have jumped 10 percent in the year to August.

London tin has fared better, but is still down 2.7 percent for the first eight months even though China's imports have leapt by 152 percent.

What has been happening is that major buyers, such as China, have stocked up on nickel and are waiting to see what Indonesia actually does come January next year.

The tin situation is being complicated by new rules in Indonesia to force the use of a local exchange before the metal is exported.

This cut exports by 90 percent in September and buyers still appear reluctant to join the Indonesian Commodity and Derivative Exchange, the only approved exchange for tin trading.
The market is so far taking the view that the Indonesian authorities will back down, and while they may, they may also stick to their guns, or not back down as much as the market expects. Turning back to the bigger picture of commodity investments, it's clear it's become much harder to find consistent returns.

This was the main complaint of fund managers at the World Commodities Week, many of whom questioned whether they needed to allocate any of the portfolio towards what they see as an increasingly difficult asset class.

--Clyde Russell is a Reuters market analyst. The views expressed are his own--

**India's Sept gold jewellery exports rise for second month**

By Siddesh Mayenkar

MUMBAI, Oct 18 (Reuters) - Exports of gold jewellery from India rose for a second straight month in September, an industry body said on Friday, and was set to gain momentum going forward as supply pressures had been eased for exporters before the peak Christmas season in the U.S.

India is trying to reduce its current account deficit and the government has brought in measures to restrict imports of gold for domestic use, the second-biggest import after oil, which has affected the jewellery sector.

The measures included a rule that 20 percent of all the gold shipped in must be turned around and sold for export as jewellery. However, confusion over how the rule would work virtually stopped imports from the end of July to mid-September.

Jewellery exports rose 16.5 percent on month in value terms to $653.90 million in September, the Gems and Jewellery Export Promotion Council (GJEPC) said in a statement.

"There has been an increase in orders from the U.S. and this trend should sustain in coming months," said Pankaj Kumar Parekh, vice chairman at GJEPC, adding "the commencement of supply of gold is helping exporters in a big way."

India shipped $3.34 billion worth of gold jewellery in the first six months to September, down 58.34 percent from the same period the year earlier. Total gems and jewellery exports fell 15.91 percent to $16.54 billion during the same period.

Imports of gold into India in August and September fell to 10.62 tonnes, all of which went into the Special Economic Zones. That compares with a record high of 162 tonnes in May.

A supply squeeze in bullion affected jewelers' capacity to dispatch shipments. In the domestic market, premiums hit a record of more than $100 an ounce above London prices earlier in the week because of the scarcity of gold.

Imports in October could fall to 30 tonnes under the new rule, still half of the usual monthly average.

India imported 393.68 tonnes of the yellow metal from April to Sept. 25, slightly higher than the average of 60 tonnes a month in recent years. A finance ministry official estimated gold imports would be 750-800 tonnes in the fiscal year to March 2014.

**South African union official at Lonmin mine shot dead**

By Ed Stoddard

JOHANNESBURG, Oct 18 (Reuters) - A senior member of South Africa's National Union of Mineworkers (NUM) was shot dead overnight in the restive platinum belt town of Marikana, a union spokesman said on Friday.

No motive was yet known for the killing of the NUM official near a mine owned by Lonmin, whose Marikana operations lay at the centre of a union turf war last year and where police shot dead 34 striking miners.

"He was killed last night. We don't know why at this stage, but there appears to be a resurgence of violence in the area," NUM spokesman Lesiba Seshoka told Reuters.

The NUM has lost tens of thousands of members in the platinum shafts to a rival group, the Association of Mineworkers and Construction Union (AMCU).

That rivalry cost dozens of lives in 2012 and sporadic killings have continued occurred this year. The NUM official, who has not been named, died as his union lays the groundwork to try to regain its influence in the platinum belt.

Police spokesman Thulani Ngubane confirmed a man had been shot on Thursday night but also said the reason was unknown.

"He was on his way to the informal settlement that is next to Lonmin. As he was about to pick up his girlfriend, four men opened fire at his vehicle. He got out of the car and he got hit by seven bullets and then died on the scene," he said.

Lonmin spokeswoman Sue Vey said the victim had been an NUM shaft chairman at the company's Western Platinum mine.

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Earlier this year Lonmin recognised the AMCU, which is known for its militancy, as the majority union at its operations. It stripped bargaining rights and even office space from other unions, including the NUM.

**RETAKING THE PLATINUM BELT**

The police killings of the striking miners in August 2012 marked the worst security incident since the end of apartheid in the
1990s. Violence has not reached last year's levels but the platinum belt remains tense. Gang-land style killings have become a feature of the shanty-towns around the mining centres of Marikana and Rustenburg. In August, miners from both unions were shot dead in Marikana. NUM officials say the union is preparing to try to take members back. This will include a recruiting drive that will focus on what they say is the AMCU’s failure to deliver on promises of significantly better pay and conditions.

“We don't make promises, we deliver. That's how our members will come back,” NUM's Rustenburg regional secretary Sydwell Dokolwana told Reuters in a recent interview at his office. NUM members milling around the office wore T-shirts with the slogan "Reclaim Impala" - a reference to Impala Platinum, the world's second largest platinum producer.

Retaking the platinum shafts will not be easy as the AMCU is already claiming successes at world No. 1 producer Anglo American Platinum (Amplats).

Its members ended an 11-day strike last week which cost Amplats 1 billion rand ($102 million) in lost revenue after the company said it would give "voluntary separation" packages to 3,300 employees who will be made redundant. This means they will get more compensation and the AMCU also says its pressure helped to make Amplats reduce the job losses from a target of 14,000 as it tries to restore profits.

But tough wage talks are underway and it remains to be seen what the AMCU can extract from the platinum firms. Its battle cry is a “living wage” of at least 12,500 rand ($1,300) a month for the lowest paid workers, more than double current rates. For the NUM and the ANC, the platinum belt remains a huge prize. NUM offices at the mines double-up as ANC branches, and NUM officials say the union is preparing to try to take members back. This will include a recruiting drive that will focus on what they say is the AMCU’s failure to deliver on promises of significantly better pay and conditions.

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It is also a question of long-term survival for the NUM as platinum is the one section of South Africa’s mining industry with a labour-intensive future. The coal fields are heavily mechanised and employ relatively few while the gold industry is in decline.

But South Africa sits on close to 80 percent of the world’s known supplies of platinum, used for building emissions-capping catalytic converters in cars. Geological constraints make it difficult to mechanise the industry, meaning it needs lots of workers who are potential union members. Another NUM T-shirt that its Rustenburg members are wearing these days says “Relax ... NUM is here to stay.”

Kyrgyz crowd attacks Australian gold miner’s office

By Dmitry Solovyov

ALMATY, Oct 18 (Reuters) - A crowd of about 200 people on Friday attacked the local office of Z-Explorer, an Australian company developing a gold field in southern Kyrgyzstan, in what appeared to be another violent conflict over the privatisation of the country’s resources.

A subsidiary of Australian-listed Manas Resources Explorer discovered the Shambesai deposit in 2008 and in 2012 it received a licence to develop the field, which holds estimated gold reserves of 8.8 tonnes.

A bulldozer on its way to the deposit on Friday was met by an angry crowd, Jyldyz Akmatova, public affairs officer for Z-Explorer, said from the Kyrgyz capital Bishkek.

The swelling crowd later moved to the company’s office in a nearby village and ransacked it, looting computers and other equipment, and burning seized documents, she said.

“They said they feared that our works could damage the environment and harm water supplies and their orchards,” Akmatova said, but expressed the company’s opinion that the real reason for the violence was probably political.

“Z-Explorer expresses its concern over this incident, in particular, over the participation of some deputies of the local council in these unlawful actions, which undermine trust in state power and have a negative impact on attracting investment,” Z-Explorer said in a statement.

The local police confirmed the incident had taken place, but none of the protesters or the government could be reached for comment.

Violent riots over ownership of the country's flagship venture - the Kumtor gold deposit in the Tien Shan mountains - flared up last week when protesters in the northern town of Karakol took the local governor hostage and threatened to burn him alive. Police were later able to free the official.

Last month the government signed a memorandum of understanding with Canada’s Centerra Gold paving the way for Kyrgyzstan to swap its 32.7 percent stake in Kumtor, Centerra’s core asset, for a 50 percent interest in a joint venture that would own the mine.

The opposition demands that Kyrgyzstan’s share be boosted to at least two-thirds or Kumtor should be nationalised, or it will call for a no-confidence vote in the government.

Kyrgyzstan, a mainly Muslim nation of 5.5 million which hosts both U.S. and Russian military air bases and lies on a drug trafficking route out of Afghanistan, has seen two presidents deposed in bloody revolts since 2005.

The Central Asian nation is one of the poorest among the 15 post-Soviet countries, and violent attacks on investors and official buildings across the nation have exposed the power of local clans and tenuous control of central government.

Shambesai is smaller than Kumtor, which was discovered by Soviet-era geologists. But Shambesai has symbolic significance for the Kyrgyz people, as it was the first gold field discovered after independence in 1991.
Goldman maintains neutral recommendation on commodities
Oct 18 (Reuters) - Goldman Sachs maintained its neutral recommendation on commodities, seeing significant downside risks in copper, gold and soybeans, and a "very modest" upside in energy.

The bank expects only limited gains of between 1 and 2 percent in energy over the next 12 months, citing positive returns from Brent and a supply-driven rebound in natural gas prices.

In a separate note, the bank said it continues to expect the differential between WTI and Brent crude to narrow to $5.00 per barrel (bbl) towards year-end.

BASE METALS
The bank said it was lowering its 12-month base metals returns forecast to -5.3 percent from -2.0 percent.

"Within the base metals complex we believe that only zinc and lead are likely to extend the recent China-driven gains as long-awaited mine closures are expected to keep supplies tight over the next year, but it is not enough to offset the weakness in the other metals."

Goldman lowered its three, six and 12-month aluminium price outlooks to $1800 per tonne, $1750 per tonne and $1750 a tonne, from its previous views of $1850/t, $1900/t and $2000/t respectively.

It also cut its 2013 aluminium price forecast to $1,855 per tonne from $1,866 a tonne, 2014 to $1,758 per tonne from $1,950, and 2015 to $2,000 a tonne from $2,100.

The bank said low and declining prices, coupled with the surplus of the metal, was to blame for the downward revision to its aluminium outlook.

This was the result of "a sharply declining cost structure driven by weaker coal and power prices."

GOLD
Goldman said it was maintaining its end of 2014 gold price target of $1,050 per troy ounce.

"Gold is still waiting for data confirmation of a U.S. rebound that can support tapering even as the lack of a lasting U.S. resolution could delay tapering," Goldman analysts said.

Gold held near $1,320 an ounce on Friday, heading for its biggest weekly gain in two months, on expectations that the partial U.S. government shutdown will lead the Federal Reserve to postpone tapering of its stimulus programme.

UK gold exports to Switzerland surge as investors sell ETFs

By Jan Harvey
LONDON, Oct 18 (Reuters) - A surge in gold exports from the United Kingdom to Switzerland this year may largely be the result of metal sold out of exchange-traded funds being shipped for re-refining before making its way to Asia, according to Australian bank Macquarie. UK gold exports to Switzerland, Europe's major bullion refining hub, jumped to 1,016.3 tonnes in the first eight months of this year, data from European Union statistics agency Eurostat shows, from 85.1 tonnes in the same period of 2012. Investor withdrawals from gold ETFs, which issue securities backed by physical bullion, have totalled nearly 670 tonnes so far this year, according to Reuters data, a sharp reversal from average inflows of 332.3 tonnes over the previous five years.

The world's largest gold ETF, New York-listed SPDR Gold Shares, stores its gold holdings in HSBC's London vault, as do other leading ETF operators such as ETF Securities.

Macquarie analyst Matthew Turner said the ETF gold may be being shipped to Switzerland to be processed into smaller bars and other products more attractive for Asian consumers, or possibly to be vaulted there instead.

He cited as evidence a drop-off in gold exports to six-month lows of 98.2 tonnes in August, down nearly 20 percent from July though up from zero in August 2012.

"The reduced level of exports is line with lower outflows from gold ETFs in July ... supporting our theory that the UK's exports in 2013 have been of sold ETF gold," he said in a report.

Asia is by far the world's largest centre for physical gold demand, with China and India between them responsible for nearly half of global gold fabrication demand, which includes jewellery manufacture.

Buying in Asia shot higher in the second quarter of the year after a sharp drop in gold prices, which spurred consumer demand. "Given the outflows from ETPs, strong demand in Asia and refining capacity in Switzerland, it is possible the metal is headed for Asia through Switzerland," Barclays Capital analyst Suki Cooper said.

REVERSAL OF FORTUNE
Investors are dumping gold due to fears that a withdrawal of U.S. monetary stimulus measures will ease fears over soaring inflation and take pressure off long-term interest rates, lifting the opportunity cost of holding non-yielding gold.

Rising prices of stocks and other assets have also been offering investors better alternative investments to gold, analysts say.

The SPDR Gold fund alone has seen outflows of 465 tonnes of metal this year. Its holdings are at a 4-1/2 year low, having declined by around 35 percent from their December 2012 peak.

"I suspect we'll continue to see a downtrend (in ETF holdings)," Citi analyst David Wilson. "I fail to see any real reason for building gold positions from an investor perspective, particularly if we think the strengthening dollar trend is likely to return."

Analysts say hefty outflows from ETFs have weighed heavily on spot gold prices, which are down by more than a fifth this year and on track for their first annual drop since 2001.
MARKET NEWS

Voestalpine to build Austria wire rolling mill

VIENNA, Oct 20 (Reuters) - Steel group Voestalpine has commissioned a new wire rolling mill at its Donwaitz site in Austria that will produce around 550,000 tonnes of wire rods for automotive and energy customers by 2016.

It said it would invest hundreds of millions of euros in the plant without being more specific.

The steelmaker said earlier this month it expected to return to growth next year after three years of declines driven by a slump in demand for cars, construction and appliances.

It awarded the contract to build the new rolling mill to Italy's Danieli, while Andritz will supply a walking beam furnace, it said in a statement at the weekend.

"In future Voestalpine will primarily expand in regions outside Europe, in growing markets such as Asia or North and South America. At the same time, however, investments such as this also secure existing Austrian sites over the long term," said Franz Kainersdorfer, head of the group's metal engineering division.

The new line will replace an existing rolling mill that has been in operation for 34 years.

U.S. Steel to write down $1.8 bln in value of units

Oct 18 (Reuters) - United States Steel said it expects to write down the value of two of its North American units by up to $1.8 billion, hurt by a prolonged slump in steel prices due to overcapacity and a weak global economy.

The goodwill impairment charge will lead to a big third-quarter loss. The company is scheduled to report results for the period on Oct. 29.

Analysts on average were expecting net loss of $72.7 million, or 44 cents per share, for the quarter, according to Thomson Reuters I/B/E/S.

U.S. Steel's North American flat-rolled unit will write down $1 billion and its Texas operations will write down $0.8 billion in value, the company said.

The non-cash charge will not affect the company's liquidity or compliance with debt covenants, U.S. Steel said in a statement on Friday.

U.S. Steel shares were little changed in post-market trading, after closing at $23.98 on the New York Stock Exchange on Friday.

Canada eases uranium investment rules for European companies

Oct 18 (Reuters) - Canada has agreed to waive for European companies a longstanding requirement that buyers take on a Canadian partner in uranium mines, a move that may spur greater investment in developing the country's rich uranium reserves.

The move, part of the Canada-European Union free trade agreement announced on Friday, comes after intense lobbying from France-based Areva and Anglo-Australian Rio Tinto Plc for Canada to scrap the Cold War era policy.

Canada, the world's second biggest producer of uranium behind Kazakhstan, currently restricts foreign companies from owning more than 49 percent of any uranium mine. There are no ownership restrictions on foreign participation in exploration.

Lifting the requirement for European companies would appear to benefit Areva, in which the French government owns a controlling stake. Areva owns the Kiggavik project in the northern Canadian territory of Nunavut.

European companies will continue to be subject to other reviews of their investments by Ottawa, according to the Canadian government.
MARKET REVIEW

METALS-Copper drops on supply woes but delayed tapering hopes lend support

By Melanie Burton

SINGAPORE, Oct 21 (Reuters) - London copper prices edged down on the prospect of rising supply, but hopes the United States would delay tapering its massive economic stimulus underpinned demand for metals.

Once the darling of investors, copper's price outlook has been tarnished by expectations of a surplus next year. As a result, investors are eyeing opportunities in the smaller markets of nickel, lead and zinc, said Sijin Cheng, analyst at Barclays in Singapore.

"One problem for copper is that investors don't have a lot of conviction on where it will trade in the short term and no one is really positioned - demand might be okay but supply is going to rise," she said.

A feared surplus in copper that was expected to swamp the market this year has failed to send prices tumbling, but many analysts and investors are counting on a delayed reaction next year.

"In the smaller metals, investors are getting a bit more positive because the downside is quite limited so the risk-reward might look good, for example with Indonesia's proposed export ban (on raw materials exports) next year," said Cheng.

Three-month copper on the London Metal Exchange had slipped 0.28 percent to $7,225 a tonne by 0241 GMT. It finished little changed in the previous session.

Copper prices ended last week higher for the first week in three, gaining around half a percent.

The most-traded January copper contract on the Shanghai Futures Exchange fell 0.4 percent to 51,960 yuan ($8,500) a tonne.

LME nickel CMNI3, LME zinc and LME lead rose, having hit on Friday the highest in one month for nickel, and around seven weeks each for lead and zinc.

Indonesia, the world's top exporter of nickel ore, has said it plans to bring in a ban on unprocessed ore exports from Jan. 1, 2014, which, matched with output cutbacks, could lift the price of this year's worst-performing base metal by more than 20 percent off multi-year lows, analysts said.

Cash prices for nickel hit the highest against three-month prices in almost one year reflecting increased nearby demand, which a trader said stemmed from one bank buying up stock from several LME warehouse locations.

Supporting metals, China's economy grew at its quickest pace this year between July and September in a rebound fuelled largely by investment, although signs are already emerging that the pick up in activity may lose some vigour.

The dollar was mired near an 8-month low against a basket of currencies on Monday on growing expectations the U.S. Federal Reserve would have to delay scaling back its stimulus following a 16-day government shutdown.

September payrolls numbers, expected two weeks ago, will be released on Tuesday to start a flow of economic data delayed because of the shutdown that ended on Thursday.

Key data from the U.S. Commodity Futures Trading Commission, including the Commitments of Traders reports that shows investor positioning in copper, was not published last week.

PRECIOUS-Gold hovers above $1,300 on U.S. stimulus bet

By Manolo Serapio Jr

SINGAPORE, Oct 21 (Reuters) - Gold edged up to near one-and-a-half-week highs above $1,300 an ounce on Monday, supported by expectations the Federal Reserve would hold off curbing its economic stimulus while the United States eyes a more lasting fix to its budget problems.

Gold posted its best weekly gain in two months last week as bets grew that the Fed would postpone tapering its bond-buying as focus turns to finding a more permanent solution to Washington's fiscal woes.

The U.S. budget deal last week extends the U.S. government's borrowing authority through Feb. 7 and restores federal funding through Jan. 15, threatening a further crisis early next year.

Spot gold was up 0.3 percent at $1,319.49 an ounce by 0624 GMT. The metal touched $1,325.21 on Friday, its highest since Oct. 8. It rose 3.4 percent last week.

U.S. gold futures gained 0.4 percent to $1,319.60 an ounce. Silver outperformed gold, with spot up 1.4 percent at $22.18 an ounce and U.S. futures also rising 1.4 percent to $22.21.

"Given the U.S. government shutdown and the risk that the U.S. economy is facing, expectations for tapering in October seem less strong than before," said Barnabas Gan, analyst at OCBC Bank.

The Fed holds its next policy meeting on Oct. 29-30, and Gan said if the central bank decides to stick with its current pace of bond-buying, gold may rise further towards $1,350.

The U.S. monetary stimulus which has burnished gold's appeal as a hedge against inflation had fueled gold's rally, pushing it to a record $1,920.30 in September 2011. But anticipation that the stimulus would be scaled back dragged bullion down to three-year lows below $1,200 in July, putting it on course for its first annual decline in 13 years.

Gan said he still expects the Fed to decide to start cutting its stimulus at the December meeting, with the U.S. economic recovery story likely to continue.

The sustained decline in holdings of exchange-traded funds as well as tepid physical demand may also limit bullion's gains going forward.
MARKET REVIEW

Holdings of the largest gold-backed exchange-traded-fund, New York's SPDR Gold Trust are at the lowest since 2009 and demand from top consumer India has been curbed by policies aimed at restricting imports to tame its current account deficit.

"In our view, gold is likely to struggle to build upon the rally in a sustained fashion unless physical demand shows signs of considerable improvement and investor sentiment turns more favourable," Barclays Capital said in a note.

FOREX

-Dollar steady, but seen vulnerable as Fed tapering view recedes

By Hideyuki Sano and Masayuki Kitano

TOKYO/SINGAPORE, Oct 21 (Reuters) - The dollar was mired near an 8-month low against a basket of currencies on Monday on growing expectations the U.S. Federal Reserve will have to delay scaling back its stimulus following a 16-day government shutdown.

The dollar index held steady at 79.675, not very far from a trough of 79.478 touched on Friday, its lowest level since February.

"In the last two months, previous payrolls figures were revised down. The U.S. economy is losing steam and cannot withstand tapering," said Daisuke Uno, chief strategist at Sumitomo Mitsui Bank.

"There will be disappointment at every Fed meeting for the rest of the year, and each time the dollar will weaken," he added.

The Fed has two policy meetings scheduled this year, one on Oct. 29-30 and the other on Dec. 17-18.

A majority of market players now expect the Fed will begin reducing stimulus next year, though some analysts believe tapering of its bond-buying programme is still possible in December.

Expectations of a delay in reducing the Fed's stimulus is likely to strengthen unless a run of upcoming U.S. data shows that the economy somehow gained momentum despite the disruption caused by the government shutdown.

Traders are now looking to September U.S. payrolls due on Tuesday, with the market forecasting a jobs gain of 180,000, although the data will shed little light on the impact of the policy paralysis in Washington.

The euro fetched $1.3678, down 0.1 percent on the day. The euro had hit an eight-month high of $1.3704 on Friday on trading platform EBS, almost touching this year's peak of $1.3711.

While the euro is likely to stay firm, the speed of its rise could slow since speculators have already piled up bullish bets on the euro, said Mitul Kotecha, head of global foreign exchange strategy for Credit Agricole in Hong Kong.

"I think that just might frustrate the ability to increase long positions again in euros," Kotecha said.

Data on currency futures positions on the Chicago Mercantile Exchange shows that speculators had increased their net long position in the euro to 65,844 contracts in the week to Sept. 24, the highest since May 2011.

Against the yen, the euro edged up 0.1 percent to 133.99 yen, hovering near a four-year peak of 134.95 yen set in September.

The dollar/yen pair has been in a triangle holding pattern after hitting a five-year high of 103.74 yen in May as yen-selling propelled by the Bank of Japan's aggressive monetary easing has run its course.

Many traders expect the dollar to remain in this holding pattern for the moment, though the risks for the greenback could grow if it breaks below its key 200-day moving average, currently at 97.18 yen.

"The basic backdrop is that we are in a risk-on situation, with both the yen and the dollar weak," said Koji Fukaya, CEO at FPG Securities in Tokyo, adding that the dollar could stay range-bound versus the yen for the time being.

The Australian dollar held near four-month highs as the currency benefitted from rising risk appetite after U.S. lawmakers struck a deal last week to avert a U.S. debt default.