Strong new orders lift China HSBC flash PMI to 7-month high in Oct

Strong new orders drove the fastest expansion in China's manufacturing sector in seven months in October, a preliminary survey showed on Thursday, more evidence that the economy is stabilising although a strong rebound remains elusive. [Click here to read more...]

**TODAY’S MARKETS**

**BASE METALS:** London copper climbed from near one-week lows touched the session before, boosted by improving manufacturing growth in the world's No.1 metals consumer China. "The big question people are looking at now is what happens in the fourth quarter," said analyst Ivan Szpakowski of Citi in Shanghai.

**PRECIOUS METALS:** Gold edged up after tracking oil lower in the previous session, hovering near a four-week high on hopes the Federal Reserve will extend its bullion-friendly stimulus efforts. "The mortgage rate has been rising since June and we know jobs data was not as good as expected in September. We want to know how these factors affect home sales," said Joyce Liu, an investment analyst at Phillip Futures.

**FOREX:** The dollar held above a two-week low versus the yen while the Australian dollar rose as an upbeat reading on China's factory sector eased worries about the outlook for the Chinese economy. "The Chinese numbers this morning have helped turn sentiment around slightly but there are still concerns about money market conditions," said Mitul Kotecha, head of global foreign exchange strategy for Credit Agricole in Hong Kong.

[Click here for LME charts]
Strong new orders lift China HSBC flash PMI to 7-month high in Oct

By Natalie Thomas

BEIJING, Oct 24 (Reuters) - Strong new orders drove the fastest expansion in China's manufacturing sector in seven months in October, a preliminary survey showed on Thursday, more evidence that the economy is stabilising although a strong rebound remains elusive.

The flash PMI figure, the earliest reading of China's monthly economic performance, offers some positive news after disappointing export figures and September's manufacturing PMI, which had shown weak domestic demand.

The Markit/HSBC Purchasing Managers Index (PMI) stood at 50.9 in October, above September's final reading of 50.2 and marking a seven-month high. Ten of 11 sub-indices rose.

"China's growth recovery is becoming consolidated into the fourth quarter following the bottoming out in the third quarter" said Qu Hongbin an HSBC economist in a statement.

"This momentum is likely to continue in the coming months, creating favourable conditions for speeding up structural reforms."

New orders rose to 51.6, the highest in seven months and well above the 50 line separating expansion from contraction.

"From what we can see companies have drawn down inventories now, so once you get a little bit of demand you get orders coming in," said Stephen Green, an economist with Standard Chartered bank.

The strong reading lifted Chinese stocks off two-week lows, although investors are jittery about possible policy tightening by the central bank to put a cap on rising inflation and housing prices. Those fears have seen short-term money rates surge this week.

GROWTH SEEN SLOWING

In the first nine months of the year, the $8.5 trillion economy grew 7.7 percent from a year earlier, putting it on track to achieve Beijing's 2013 target of 7.5 percent, which would be the weakest growth in 23 years.

Still, many economists see growth slowing ahead as global demand remains soft and as Beijing restructures the economy towards one driven more by consumer demand than investment and credit.

"Despite the rise of this flash PMI reading, we believe sequential GDP growth peaked in the third quarter at 2.2 percent and people should expect moderation to a more sustainable growth rate of 1.8-2.0 percent in the fourth quarter," said Ting Lu and economist with Bank of America–Merrill Lynch.

The government has repeatedly stated it will accept slower growth during the restructuring, but policymakers have also shown a willingness to step in to keep growth stable.

The flash PMI showed new export orders ticked up only marginally, suggesting a stabilisation in global demand but no solid rebound.

Exports unexpectedly fell 0.3 percent in September, as fears of a tapering in U.S. monetary stimulus weighed on demand from Southeast Asia. Exports were a drag on the economy in the first three quarters, subtracting 1.7 percentage points from growth.

Policymakers stated they would support the trade sector if it looked like missing an 8 percent growth target for this year.

Bank of America's Lu urged caution on attaching too much significance to the flash PMI figures.

"We should keep in mind that the HSBC flash PMI is quite volatile and the final reading could vary significantly from the flash," said Lu.

"The HSBC PMI has a quite small sample size with undisclosed number of missing values."

Last month's final PMI figures delivered a shock to the markets, coming in a full point below the flash reading for September. The flash PMI is based on 85-90 percent of total responses for each month.
S. Africa’s AMCU moves closer to strike in Amplats wage row

JOHANNESBURG, Oct 23 (Reuters) - South Africa’s Association of Mineworkers and Construction Union (AMCU) intends to declare a dispute over stalled wage talks with Anglo American Platinum, which would open the way for legal strike action, its president said on Wednesday.

“We will go for a dispute with Amplats. I will be briefed tonight about the latest, so maybe tomorrow,” Joseph Mathunjwa told Reuters.

An 11-day AMCU strike over job cuts at Amplats, a unit of global mining company Anglo American, ended two weeks ago after costing the world’s top producer of the precious metal nearly 1 billion rand ($103 million) in lost revenue.

Amplats’ officials were not immediately available for comment on the state of the wage talks.

Mathunjwa did not reveal his latest demand or the company’s latest offer, but AMCU, known for its uncompromising stance in negotiations, has been pushing for a more than doubling of the minimum pay for entry-level miners to 12,500 rand ($1,300) a month under the battle cry of a “living wage.”

On another front, wage talks between Impala Platinum, the world’s second largest producer, and AMCU went to a government mediator on Wednesday with the sides far apart.

A senior Implats official, who asked not be named, said the company and union “have made significant advances in building trust” but the gap between offers and demands remains wide. Talks are also underway between AMCU and Lonmin.

At current prices and in the face of soaring costs, platinum producers say they cannot afford big pay hikes.

AMCU emerged as the dominant union on South Africa’s platinum belt, home to 80 percent of the white metal used for building emissions-capping converters in automobiles, after poaching tens of thousands of members from the once unrivaled National Union of Mineworkers last year in a bloody turf war.

That conflict killed dozens of people last year and sparked a wave of wildcat strikes that cost producers billions of dollars in lost output.

Kyrgyzstan presses for 67 pct share in Kumtor gold venture

By Olga Dzyubenko

BISHKEK, Oct 23 (Reuters) - Kyrgyzstan’s parliament voted on Wednesday to seek control over a proposed gold mining venture with Canada’s Centerra Gold, demanding a 50-50 agreement signed last month be torn up in an intensifying row over a major foreign currency earner.

Parliament voted to cancel agreements unilaterally with Centerra and demand 67 percent in the new gold venture with the Canadian firm, which owns 100 percent of the Kumtor gold mine. Centerra shares fell more than 19 percent.

The face off with the Toronto-listed miner played out against a backdrop of riots and opposition calls to nationalize Kumtor and exposed the risks potential investors face in the volatile nation, which has overthrown two presidents since 2005.

The dispute flared up last year after parliament told the government to redraw financial agreements with Centerra Gold and a special commission accused the miner of inflicting huge ecological damage on the country.

Last month the cabinet and Centerra signed a memorandum of understanding, paving the way for Kyrgyzstan to swap its 32.7 percent stake in the Canadian firm for 50 percent in a venture that would own Kumtor.

But on Wednesday, the legislature voted almost unanimously to reject the memorandum.

"The government of Kyrgyzstan must unilaterally initiate its exit from the existing agreements," said the resolution backed by all 82 deputies present and put to vote shortly afterward.

They gave the government until Dec. 23 to report the results of its talks with Centerra Gold on setting up a new venture.

Centerra said it expects to continue discussions with the government, although it noted that any resolution to the matter would need to be fair to all of its shareholders.

The Kumtor mine, high in the Tien Shan mountains, is a major foreign exchange earner for Kyrgyzstan and alone accounted for 12 percent of 2011 gross domestic product in the impoverished Central Asian nation of 5.5 million.

"A STRONG TRUMP"

The parliament told the government to scrap the existing agreements with Centerra Gold after Prime Minister Zhantoro Satybaldiyev said his cabinet would not be able to boost its stake in a proposed joint venture to 67 percent.

"If you can achieve this 67 percent, have a try," he told deputies during heated debates.

Parliamentarian Raikhan Tologonov of the pro-government Atameken faction told Reuters after the vote: “In order to achieve a 67 percent stake during the talks, the government must have a strong trump up its sleeve.”

"This (cancellation of agreements) will force Centerra to start serious negotiations."

President Almazbek Atambayev, who backed the memorandum on creating a 50-50 joint venture with Centerra, had spurned repeated calls to nationalise Kumtor, saying that any stoppage of the enterprise would hurt the shaky economy.

The motion to raise Kyrgyzstan’s stake in a would-be Kumtor venture to 67 percent was first voiced by the opposition, which is in minority in parliament. But it was later adopted by other parties in the legislature.
Agnico Eagle profit falls 56 pct, ups production outlook

By Nicole Mordant

Oct 23 (Reuters) - Agnico Eagle Mines Ltd reported on Wednesday a 56 percent decline in third-quarter profit due to lower real-ized metal prices as well as a maintenance shutdown at its Kittila mine in Finland, but it beat analysts’ estimates, and raised its full-year production forecast while lowering cost expectations.

The gold miner's net income was $47.3 million, or 27 cents a share, compared with $106.3 million, or 62 cents a share, a year ago.

Excluding a number of non-cash and non-recurring expenses, Agnico reported adjusted net income of $60.5 million or 35 cents a share. Analysts, on average, had expected earnings of 8 cents a share, according to Thomson Reuters I/B/E/S.

Total cash costs per ounce for the third quarter were $591 per ounce, 6 percent higher than in the same quarter last year due to lower net byproduct revenue.

Toronto-based Agnico reported record gold production of 315,828 ounces in the quarter, which it said was driven by a strong contribution from its Meadowbank mine in the Canadian Arctic.

Agnico increased its production outlook for 2013 to 1.06 million ounces from a previous range of 970,000 to 1.01 million ounces. It also reduced its total cash cost estimate to approximately $690 an ounce from a previous range of $735 to $785.

"What we've been trying to do with the drop in the gold price is look at areas where we can not only reduce costs but also help our revenue line with more ounces, and we've been able to do that," President and Chief Executive Sean Boyd said in an interview.

Gold prices have fallen sharply since the beginning of the year, hitting a near 3-year low at about $1,180 an ounce in late June. Gold was at $1,330 on Wednesday, down 20 percent this year.

For 2013, expected all-in sustaining costs, a recent measure adopted by producers to reflect the true cost of producing an ounce of gold, are now forecast to be approximately $1,025 per ounce, down from previous guidance of $1,100 per ounce.

Agnico said it was continuing to review its business activities to find more cost-savings, a mantra of many gold mining companies as they grapple with soaring costs and weak gold prices.

Boyd said no assets had been earmarked for sale and Agnico would take another 3 months to 6 months to review its 2014 budget and life-of-mine plans for all its assets.

Gold mining stocks have fallen by even more than gold, raising the possibility that miners could pick up cheap assets.

"Our history suggests that just because prices are down doesn't necessarily mean that there is good value out there. Prices are down in some cases for good reason," Boyd said. But, he added, Agnico would "continue to look".

Agnico's stock closed at $26.85 on the Toronto Stock Exchange on Wednesday. The stock is down 47 percent so far this year.

ENRC proposes "quarantine" for foreign firms eyeing UK listing

LONDON, Oct 23 (Reuters) - Britain should consider introducing a "quarantine" period for foreign companies seeking to list in the country to allow them time to adapt to the tougher scrutiny of London's main market, Kazakh miner ENRC told UK parliamentarians.

ENRC floated in London in late 2007 and is now set to delist after a buyout by its founders, but its years as a FTSE 100 heavyweight have been marred by acrimonious boardroom rows, corruption investigations and a poorly timed acquisition spree.

In a submission to the UK parliament's Committee for Business, Innovation and Skills, published this week, ENRC said that it was not given time to evolve from a "private, Kazakh-based company", and that its experience could put off others.

"We respectfully suggest that if London wishes to maintain a prominent role in attracting future London listings by foreign companies, it should consider introducing a quarantine period to allow a company to evolve with a degree of reputational protection," ENRC said in the document.

ENRC, currently being investigated by the Serious Fraud Office, gave no details on the probationary period it envisages, but compared it in the submission to some companies' moves through to the main listing after spending time in London's growth market, AIM, where requirements are less stringent.

"Foreign companies will observe the lengths that ENRC has gone to in order to comply and the significant financial invest-
British lawmakers are investigating the UK-based mining and oil sector, with a probe expected to touch on areas including transparency and disclosure after shareholder battles and corruption investigations at mining companies like ENRC have left investors nursing heavy losses.

Written submissions had been due by the end of September, and a full inquiry with oral evidence is set to follow.

According to a study by UK Trade & Investment quoted by mining group BHP Billiton in its submission, UK-listed mining companies had a total market capitalisation of 265 billion pounds ($430 billion) in 2012, more than any other financial market in the world.

China's new free trade zone will not allow LME warehouses

By Fayen Wong and Polly Yam

SHANGHAI/HONG KONG, Oct 23 (Reuters) - China will retain a ban on overseas commodity exchanges setting up warehouses there, a government source said, dashing expectations for London Metal Exchange warehouses in the newly launched Shanghai free trade zone.

Although the LME has been cautious about its chances, state-owned local media had reported that the exchange would be allowed to authorise commodity warehouses in the free-trade zone, while warehousing facilities did not appear on a list of banned activities.

Bringing the centuries-old bourse to China was one of the major rationales the Hong Kong stock exchange gave last year for its $2.2 billion acquisition of the LME. Warehouses on the mainland would allow the world's biggest marketplace for industrial metals such as copper and aluminium direct access to the top consumer of those metals.

"Foreign exchanges will not be allowed to have warehouses in the free-trade zone. The current ban will stand," said the source with direct knowledge of the policy.

The ban was issued by the China Securities and Regulatory Commission (CSRC) in 2008.

Although the Shanghai government in its draft proposal sought to have the LME open storage facilities in the zone, the source said the idea ran into strong opposition from the securities regulator.

"The overriding concern is that letting the LME have a mainland presence would pose a serious challenge to the Shanghai Futures Exchange (ShFE)," said the source, who was not authorised to speak to the media.

An official from the CSRC declined to comment, adding that any questions would be answered at a regular press briefing on Friday. An LME spokeswoman said the exchange was not aware of any new developments specifically relating to setting up warehouses in the Shanghai free trade zone.

The ShFE lists futures in copper, aluminium, zinc and lead, placing it in direct competition with the LME for traders looking to hedge against or speculate on price movements for physical metal.

The LME has sought for many years to set up delivery networks in China, a move which would help draw Chinese investors and end-users who would be able to better take advantage of the price arbitrage between the domestic and London markets.

It would also help Chinese manufacturers by cutting logistics fees, a major cost component in the premiums they pay on top of LME contract prices to obtain the metal.

In an acknowledgement of the regulatory hurdles, the LME's new chief executive Garry Jones said last week that its dream of opening metal warehousing facilities in China is some way off.

OPENING UP TO FOREIGN PLAYERS

The free-trade zone has been billed as a watershed for China's development, with Beijing vowing to roll out a range of ambitious reforms including renminbi convertibility within the next three years.

For the commodities markets, the Shanghai government has promised the opening up of its prized futures markets to foreign players and allowing local firms to hedge on overseas bourses. But the plans announced so far remain skeletal and doubts remain on whether the zone can live up to expectations.

"It seems like there are concerns about control, so there would likely be restrictions on the types of foreign firms who can participate, how much they can invest and how much profit they can take out," said an Shanghai-based executive with a foreign bank involved in policy discussions.
Under the latest rules, the SHFE would be allowed to set up an International Energy Trading Centre in the zone, from which it can open its long-awaited crude oil futures contract and other energy products to qualified foreign investors.

Brokers registered in the zone will also be able to trade on overseas futures exchanges for local clients via the over-the-counter market.

"Plans to allow selected futures brokerages to trade abroad has been in place since 2011 and there has been little progress," said a manager at a local brokerage.

"I think there are some in Beijing's decision body that remain worried about Chinese firms losing out and being easy targets to globally savvy traders and financial institutions."

Some of China's biggest airlines and shipping companies lost hundreds of millions of dollars in 2008 on derivative trades made with international banks when oil prices plunged.

Kazakhmys says will hit 2013 output guidance despite copper dip

LONDON, Oct 24 (Reuters) - Kazakh miner Kazakhmys said it was on track to hit the "upper end" of its output guidance for 2013, despite a steeper-than-expected dip in production in the third quarter as weak grades continued to weigh.

London-listed Kazakhmys said it produced 70,600 tonnes of copper cathode in the three months, slightly shy of analyst expectations. That was down from 78,500 tonnes during the same period last year and from 71,700 tonnes in the second quarter.

Kazakhmys, like many copper producers, is battling a drop in average grades and falling production. It is building two new mines to boost output and lower costs in the longer term.

Kazakhmys is targeting full-year output of between 285,000 and 295,000 tonnes.

Global copper market in 151,000 T deficit in July -ICSG

LONDON, Oct 23 (Reuters) - The global copper market showed a 151,000 tonne deficit in July, mostly due to demand for refined copper from China, the world's leading consumer of the metal, data from the International Copper Study Group showed.

It was the third straight month of a shortfall after the market swung into a deficit in May, following seven consecutive months of surplus, ICSG data showed.

On a seasonally adjusted basis, the data showed a deficit of 150,000 tonnes in July.

For the first seven months of 2013, the deficit amounted to 93,000 tonnes, compared with a deficit of 552,000 tonnes in the same period last year.

Global usage rose 1.6 percent to 190,000 tonnes in January to July, compared with the same period last year, with China's apparent demand for refined copper increasing by 2.3 percent.

Stripping out China, year-on-year world usage increased by 1 percent, with growth in the United States and Russia offsetting a decline in Japan and the European Union.

World production of refined copper rose by around 5.6 percent to 650,000 tonnes in the year through July, compared with a year ago. The main contributor to that growth was China.

Production also increased significantly in Brazil, the Democratic Republic of Congo and Zambia.

POSCO Q3 profit falls by almost half, lower than forecasts

SEOUL, Oct 24 (Reuters) - South Korean steelmaker POSCO posted a steeper-than-expected 47 percent year-on-year fall in its third-quarter operating profit on Thursday, weighed down by declining sales and a prolonged slump in steel prices.

The world's fifth largest steelmaker reported an operating profit of 443 billion won ($419.5 million), below an average forecast of 498 billion won according to Thomson Reuters I/B/E/S.

The operating profit was also lower than the 838 billion won of the same year-ago period.

Sales in the July-to-September quarter fell 17 percent to 7.4 trillion won from a year ago.

Shares in POSCO, in which Warren Buffett's Berkshire Hathaway owns some 5 percent, ended up 0.5 percent prior to the results, in line with 0.5 percent gain in the broader market.

Shares in POSCO lost 8.3 percent so far this year, lagging the market's 2 percent rise.
MARKET REVIEW

METALS-Copper rises from near 1-wk low on brighter China factory data

By Melanie Burton

SINGAPORE, Oct 24 (Reuters) - London copper climbed on Thursday from near one-week lows touched the session before, boosted by improving manufacturing growth in the world's No.1 metals consumer China.
Activity in China's giant manufacturing sector picked up in October, a preliminary survey showed on Thursday, suggesting the economy may have stabilised even though a strong rebound remains elusive.

But the market remains on alert for further moves from the People's Bank of China (PBOC), which held back from liquidity operations for the second day on Tuesday, fuelling concerns of a cash crunch.

"The big question people are looking at now is what happens in the fourth quarter," said analyst Ivan Szpakowski of Citi in Shanghai.

"Our view is that it will be slower and a lot of that is basis credit tightening since Q2 and because of that we're expecting slower growth and that does feed into our bearish copper view."

Three-month copper on the London Metal Exchange was trading up 0.39 percent at $7,198.75 a tonne by 0226 GMT, after falling 2.2 percent the session before.

Copper prices slid to $7,170 a tonne on Wednesday, the lowest since Oct. 14. Prices have traded in a $7,000-7,420 band since late August and remain down by more than 9 percent for the year.

The most-traded January copper contract on the Shanghai Futures Exchange pared early losses to trade at 51,760 yuan ($8,500) a tonne, still down 1 percent. It earlier touched 51,590 yuan, its lowest since Oct. 14.

Demand from China, has been decent but not great, added Szpakowski.

"The power industry and telecoms have been relatively weak, also social housing has been down. But at the same time, private housing has been good, machinery and home appliances have been better, air con has been better this year and auto production is up significantly," he said.

"(But) we think when copper does break out of the range, it's going to break lower, and that's primarily due to supply."

Citi sees the global copper market surplus widening to 450,000 tonnes next year from 300,000 tonnes in 2013 as more mine supply comes on line.

Reflecting a response to lower prices, premiums for bonded copper in Shanghai firmed $250 to $180-$205 according to China price provider Shmet.

Elsewhere, the U.S. derivatives regulator will meet next month to adopt a rule that will curtail Wall Street's ability to speculate with commodities, a measure investment banks are fighting in court.
And China will retain a ban on overseas commodity exchanges setting up warehouses there, a government source said, dashing expectations for London Metal Exchange warehouses in the newly launched Shanghai free trade zone.

PRECIOUS-Gold edges up towards 4-week high, focus on U.S. data

By Lewa Pardomuan

SINGAPORE, Oct 24 (Reuters) - Gold edged up on Thursday after tracking oil lower in the previous session, hovering near a four-week high on hopes the Federal Reserve will extend its bullion-friendly stimulus efforts.
Recent weak U.S. economic data suggesting the economic recovery is not yet on a firm footing has helped restore some investor faith in bullion. Gold has fallen about 20 percent this year as rallies in equities hurt its safe-haven appeal.

Gold added $6.10 an ounce to $1,337.84 an ounce by 0638 GMT. It jumped to $1,344.46 on Tuesday, its highest since Sept. 20, after weak U.S. jobs data cemented expectations the Fed will keep its stimulus measures in place until 2014.

Investors await the release of U.S. new home sales at 1400 GMT.

"The mortgage rate has been rising since June and we know jobs data was not as good as expected in September. We want to know how these factors affect home sales," said Joyce Liu, an investment analyst at Phillip Futures.

"If sales fall well below 425,000, the Fed will more likely be in favour of postponing the tapering to next year. I am looking at a major resistance at $1,344 an ounce. If we have data that disappoints, well prices may rise again."

U.S. gold was at $1,338.50 an ounce, up $4.50.

Gold has often tracked shifting expectations as to whether the U.S. central bank would start rein ing in nearly five years of super-easy dollars, a measure which had sparked fears of inflation and encouraged investors to buy the precious metal.

Prices sank to a near three-year low around $1,180 in late June on worries over the Fed's plan to wind down the stimulus, and have been dampened by investment fund selling.

"What is interesting to note though, is that a dovish Fed is not changing the overall outlook for gold prices. This is because the tapering is only delayed," said ABN AMRO in a weekly report.
"Sooner or later it will get back on the agenda and influence bullion, and that's why prices may rise again."

Asian shares fell in volatile trade on Thursday and the dollar came under pressure as a further spike in Chinese money-market rates tempered the effect of a survey showing a pick-up in manufacturing.
MARKET REVIEW (Continued)

In the physical market, jewellers who had chased bullion at about $1,310 an ounce disappeared, but dealers expected to sell some gold to top consumer India ahead of the Diwali festival of lights in November.

Premiums in Hong Kong were unchanged from last week at $1.50 to the spot London prices.

"Premiums in India are very high because of limited imports. I would say India is buying but not aggressively," said a dealer in Hong Kong.

A shortage of gold triggered by the government's move to curb imports and control a rising trade deficit has sent premiums in India to more than $100 an ounce over London prices this month.

Gold is an integral part of Indian culture, given as a dowry for marriages, which tend to be timed around auspicious days that are often religious festivals.

FOREX-Dollar off 2-week low vs yen, Aussie up as China worries ebb

By Masayuki Kitano and Lisa Twaronite
SINGAPORE/TOKYO, Oct 24 (Reuters) - The dollar held above a two-week low versus the yen on Thursday while the Australian dollar rose as an upbeat reading on China’s factory sector eased worries about the outlook for the Chinese economy.

However, market players were keeping an eye on a further jump in China’s money market rates.

A spike in Chinese money market rates on Wednesday had dented Chinese equities and knocked risk-sensitive currencies such as the Australian dollar lower, triggering a broad rise in the yen.

On Thursday, China’s benchmark seven-day repo rate opened up nearly a full percentage point at 5 percent after China’s central bank let cash flow out of the money market for the second straight week.

Still, the latest rise in Chinese money market rates has been relatively tame compared to the sharp rises seen back in June, when China’s central bank engineered a credit crunch in the interbank market to warn banks about risky lending policies.

Concerns about the money market moves were also tempered by a preliminary survey which showed China’s manufacturing sector expanded at its fastest clip in seven months in October.

“The Chinese numbers this morning have helped turn sentiment around slightly but there are still concerns about money market conditions,” said Mitul Kotecha, head of global foreign exchange strategy for Credit Agricole in Hong Kong.

However, Kotecha said the focus on China’s money market could prove temporary.

He added that the dollar was unlikely to fall too much against the yen unless U.S. Treasury yields see another push lower.

The dollar held steady at 97.35 yen, clinging above a two-week low of 97.15 yen set on Wednesday. The dollar is testing support at its 200-day moving average, now at about 97.31 yen.

"A drop below there could open the way for a downside attempt on the back of technical factors," said a trader for a European bank in Tokyo, adding that such a breach could open the way for a test of levels around 96.50 yen and possibly lower.

The Australian dollar rose 0.4 percent to $0.9652, regaining some ground in the wake of its 0.9 percent drop on Wednesday.

The U.S. dollar remains pressured by expectations that the U.S. Federal Reserve will delay tapering its stimulus until next year, after weak U.S. jobs data last week suggested the recovery is not yet on firm footing.

The U.S. 10-year Treasury yield fell to its lowest levels in three months on Wednesday, as investors increased their bets that the Fed will maintain its asset purchases for a longer period.

The dollar index, which tracks the greenback against a basket of currencies, slipped 0.1 percent to 79.204. It had hit an 8-month low of 79.137 on Wednesday.

The euro edged up 0.1 percent to $1.3790, holding right near Wednesday’s high of $1.3794, the euro’s highest level since November 2011 on trading platform EBS.

(Inside Metals is compiled by Pradip Kakoti in Bangalore)

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