

BHP Billiton's moves in Al sharpen sale speculation

LONDON
BY JETHRO WOOCKEY

BHP Billiton's recent moves in aluminium have heightened speculation that the company is planning to divest some or all of its assets in the sector.

BHP, which has an aluminium capacity of 1.3 million tpy, owns the Hillside and Bayside smelters in Richards Bay, South Africa, and has stakes in smelters and refineries in Mozambique, Brazil and Australia.

Ceo Marius Kloppers has said the metal has underperformed, and in December he handed leadership of the aluminium and nickel business to BHP's former chief commercial officer Alberto Calderon, the deal-maker who put together the bids for Potash Corp and Rio Tinto, and once ran BHP's diamonds business.

"These actions raise the possibility that BHP will consider exiting this business in the not-too-distant future," said one analyst who watches BHP closely.

Kloppers told analysts this month that while other metals have been exceptionally profitable during the recent commodity boom, aluminium has underperformed in terms of demand.

Aluminium is going through a structural downturn, rather than any cyclical downturn, he argued.

"BHP has realised that aluminium is an industry that doesn't necessarily fit its strategy of long-life, bottom of the cost curve assets," the analyst said.

"It makes sense that it's become more negative recently," he added

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LONDON

SSI UK blast furnace relit for slab steel production on Teesside

Sahaviriya Steel Industries (SSI) UK started up the blast furnace at its Teesside steelmaking operation in north-east England on Sunday, a spokesman confirmed to Metal Bulletin on Monday April 16.

"Things are going to plan and we hope to

produce slabs in a couple of days' time," the spokesman said.

On Friday, SSI UK estimated that the first iron suitable for steel conversion would be likely to be produced within two or three days of the furnace being restarted.

The steel group expects to achieve production of 3.6 million tpy of steel slab, which will be shipped to the parent company's rolling operations in Thailand.

SSI UK purchased the former Teesside Cast Products operation from Tata Steel UK for \$469 million in March 2011.

CAIRO

India's AR Engineering targets Africa as rolling mill growth area

Indian rolling mill maker AR Engineering Works sees Africa as one of its key markets for growth, an executive said.

The New Delhi company, which makes and supplies cold rolling mills for ferrous and non-ferrous material products, has gradually increased its sales in Nigeria, Kenya, Uganda and other countries to take advantage of the continent's growing industrialisation.

"We've now sold five mills in Nigeria and three in Uganda," SC Gupta, director of projects, told Metal Bulletin on the sidelines of the Metal & Steel Exhibition 2012 in Cairo, Egypt, on April 12.

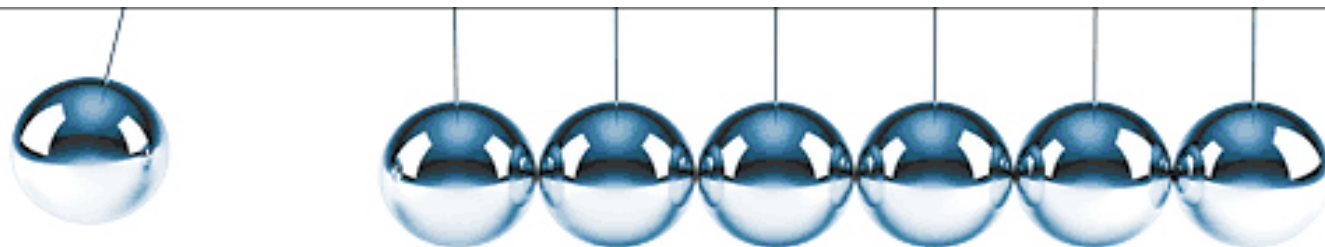
Growth in manufacturing and construction has been the driving force for higher sales, Gupta said.

"There has been a lot of development in the past year or so, with more industry and building," he said.

AR Engineering has also sold mills to Nepal and Bangladesh due to similar industrial development, Gupta added.

However, although Africa has high growth potential, particularly Nigeria's oil sector, the funding for Africa's private sector relies on an increasingly turbulent European banking system, traders said.

"Due to colonial history, a lot of African countries rely on French and other banks for access to European credit," one rebar trader said. "Since the eurozone debt crisis, the funding and liquidity for a number of projects has dried up."



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Non-ferrous metals

Warehousing deals smooth aluminium price cycle

LONDON
BY CLAIRE HACK

London Metal Exchange warehouse financing arrangements have helped to smooth the aluminium price cycle, according to Michael Jansen, managing director of the global commodities group at JP Morgan.

"What we would have seen [if that hadn't happened] is that prices would have come down quite a lot and then stayed down, retrenching capacity permanently," Jansen told Metal Bulletin. "These deals have allowed companies the breathing space to retrench capacity more slowly."

The number of cancelled aluminium warrants in LME-listed warehouses has shot up in recent months, meaning queues to obtain material have lengthened radically.

As a result, new minimum load-out rates of 3,000 tpd for warehouses holding more than 900,000 tonnes of material were introduced earlier in April. Warehouses with between 600,000 and 900,000 tonnes must now load out a minimum of 2,500 tpd.

"[The queues] have not made prices uncomfortable for consumers. Premiums have been a bit uncomfortable, especially in North America, but there's been no deleterious effect at all on the cost of aluminium," Jansen said.

"I'm a bit agnostic about it, really. It's a situation that won't last in the long term. Demand will have to grow enough for units held on the LME to be needed, but there's no sign of that right now."

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WINDHOEK

Mwana Africa eyes July restart at Bindura Nickel

Mwana Africa's Bindura Nickel Corp (BNC) aims to restart its Trojan nickel mine, smelter and refinery in July after its London-listed parent company raised \$21 million in financing earlier this month.

A senior manager at BNC told Metal Bulletin that operations, which stopped in 2008, will resume in July.

African-focused Mwana Africa raised \$35 million through a conditional subscription agreement with China International Mining Group, \$21 million of which will finance the BNC restart.

However, shareholders are yet to agree on how the \$21 million from Mwana should be handed down to the struggling company.

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LONDON

European secondary aluminium ingot price falls as sellers chase deals

European secondary aluminium ingot prices slipped again on April 13 as some sellers attempted to offload stocks at low prices, ahead of anticipated further weakness in the market.

Falling aluminium prices on the London

Metal Exchange helped push the ingot level down.

"We're seeing a lot of psychological selling – some people are more pessimistic for the future and want to get rid of metal stock," a producer said.

DIN226 pressure diecasting ingot fell to €1,730–1,820 (2,261–2,379) per tonne from €1,760–1,850 previously. Up until last week, few deals below €1,800 had been seen in the north of the continent, with the lower prices confined to southern nations, such as Italy. But now the lower prices have spread across the continent.

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SHANGHAI

Chinese indium prices may have entered 'safe zone' – Keneng

China's indium prices may have entered a "safe zone" after recent declines, according to Zhao Kefeng, chairman of China's biggest indium exporter Keneng New Material Co.

"Given current production costs, the local sales situation and liquidity situation, there is little room for prices to further fall [...] in other words, indium prices have entered a zone that is quite safe," Kefeng said.

Local investors have recently started buying in the market, as "they feel little risk".

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LME Stocks (tonnes)

Copper	fell	2,700	to	261,700
Tin	fell	25	to	13,240
Lead	fell	725	to	371,875
Zinc	fell	775	to	901,900
Aluminium	fell	7,425	to	5,045,275
Aluminium Alloy	rose	960	to	131,080
Nickel	rose	942	to	99,330
NASAAC	fell	60	to	159,440

Comex Gold Apr	\$1,655.50
Comex Silver May	\$31.565
Nymex Platinum Apr	\$1,566.40
Nymex Palladium Jun	\$647.90

London Precious Metals

Gold am	\$1,648.25 per oz
Spot Silver midday	\$31.32 per oz
Platinum am	\$1,571.00 per oz
Palladium am	\$643.00 per oz

Barclays Bank

\$/£	1.5839–1.5841
\$/£3 months	1.5831–1.5833
£/¥EN	127.85–127.89
€/£	1.3026–1.30269

SHANGHAI

Ivanhoe Australia scales back Mount Dore copper project on increased costs

Ivanhoe Australia said it will scale back on its Mount Dore project until further tests are done, as capital costs have increased.

Mount Dore is predominantly a secondary copper deposit within the Kuridala formation in Queensland.

"It has been decided to focus on advancing Osborne, Merlin and the large-scale Mount Elliott project, and proceed at a lower level of activity on Mount Dore," the company said.

The project should generate an annual steady-state cash flow of A\$109 million after tax, with operating costs of \$6.66 per lb of molybdenum, it added.

LONDON

Copper settles above opening price in LME officials

Base metals prices rebounded slightly in official trading on the London Metal Exchange on Monday April 16, but remained under pressure with only copper and zinc settling above their opening prices.

Three-month copper settled at \$7,991/991.50 per tonne, after opening the day at \$7,957.50.

The red metal traded as low as \$7,885.25 per tonne before rebounding to a high of \$8,007.25.

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Iron and steel

Teck tipped as FMG stake buyer, sparks takeover talk

LONDON
BY MICHELLE MADSEN

Canadian coal, zinc and copper miner Teck Resources sparked rumours that it could be looking to buy Australian iron ore miner Fortescue Metals Group (FMG) after it was tipped as the mystery buyer of a 2.89% stake in FMG in February.

The buyer is believed to have invested around \$480 million in the stake, but is not obliged to notify the market of its identity unless it exceeds the 5% shareholding mark.

When questioned, Teck has remained non-committal about the possible purchase of the FMG stake.

"We do make investments in various companies from time to time but we do not disclose what those investments are," a spokeswoman for the company told Metal Bulletin.

A spokeswoman for FMG said the company would not comment on speculation.

While Teck and FMG remain quiet over the sale, market observers have been mulling the implications of a tie-up.

Analysts at Bank of America Merrill Lynch think that it could be a very good match.

In a note to investors published earlier this month, they said that the combination would be in the "sweet spot" for emerging economy demand for the steelmaking raw material, highlighting increasing imports to Brazil, China and India.

Analysts speaking to Metal Bulletin said that FMG "fitted" Teck's profile for a takeover target.

"On paper, it is a combination which makes sense," Nomura analyst David Radclyffe said. "FMG is going to deliver a world-class iron ore business, and iron ore is the major product missing from Teck's profile."

Teck has previously signalled its interest in developing an iron ore business.

The Vancouver-based miner saw 2011 revenues soar to a record C\$11.5 billion (\$11.57 billion) and has said that it is well placed to "identify, analyse and pursue" new opportunities as they arise.

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million tonnes of large-diameter pipes in 2011, according to the fund.

The fund expects strong domestic demand for large-diameter pipes in 2013, after tenders for the supply of pipes for the South Stream, Bovanenkovo-Ukhta and Yakutia-Khabarovsk-Vladivostok pipelines, as well as the Shtokman gas field, are expected to take place.

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LONDON

Russian, Ukrainian wire rod mills hold export prices for third week

Russian and Ukrainian wire rod producers have kept their export prices unchanged for the third consecutive week in a bid to woo consumers back to the market.

Demand for CIS wire rod remains steady for May rolling and delivery, according to market sources in the region.

Sales have been concluded to consumers in the Middle East and South America for small tonnages.

Wire rod was booked at \$675-685 per tonne fob Black Sea, unchanged since the beginning of April, according to CIS market participants. "Nothing has changed. Wire rod is still being sold at \$675-685 fob for May rolling. Demand is stable for CIS wire rod," a trader said.

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LONDON

CIS rebar mills keep export prices unchanged for third week in a row

CIS rebar exporters have held prices steady for the third consecutive week to encourage sales to consumers in the Middle East and North Africa (Mena) region.

Rebar has been changing hands this week at \$655-665 per tonne fob Black Sea, unchanged since the beginning of April.

Sales have been concluded to Lebanon, Iraq and Syria for May production and shipment, according to CIS market participants.

"BMZ had a tender for 40,000 tonnes and they sold most of it at \$660 fob. Prices for rebar are picking up slowly," a trader told Metal Bulletin.

Demand for CIS rebar remains steady and consumers have been purchasing small parcels to meet their immediate requirements.

"Rebar has been sold at \$655-660 fob and the main market continues to be the Mena region for May production," a second trader said.

MOSCOW

Russian pipe sales to repeat strong 2012 performance, fund says

Sales by Russian pipemakers are expected to stay stable in 2012 or to fall by only a few percentage points compared with last year, the head of the Russian Pipe Industry Development Fund, Alexander Deineko, said on April 12.

A strong performance in 2011 saw sales by steelmakers including TMK, OMK and ChelPipe total 9.9 million tonnes. Replicating this total in 2012, or seeing only a slight fall, will be seen as a good result.

The fund expects a slight dip in demand for large-diameter pipes this year, as approval of investment programmes by state-owned gas monopoly Gazprom and pipeline operator Transneft is being delayed.

The programmes were expected to be approved in November last year, but this was postponed due to uncertainties arising from the Russian presidential elections in early March 2012, Deineko said.

Russian pipemakers sold a total of 2.9

LONDON

Aston shareholders agree \$2.2bn Whitehaven Coal takeover

Australian Stock Exchange-listed coal producer Whitehaven Coal has completed its \$2.2 billion takeover of fellow coking coal producer Aston Resources.

The all-share deal has created one of Australia's largest coking coal producers, after Aston shareholders approved the takeover, the company said in a statement on April 17.

The merger was announced in December 2011 and will create a major supplier of semi-soft coking and pulverised coal injection (PCI) coals.

Aston Resources currently owns 85% of the Maules Creek Project, which is considered to be one of only few remaining tier-1 undeveloped coal assets in Australia.

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