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HD	**RPT-PREVIEW-Mega miners set to reward investors after reining in costs**
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* Strong BHP, Rio Tinto production reports bode well

* BHP tipped to announce share buyback

* Brazil's Vale to benefit from nickel price rise

* Focus on Anglo American asset sales plan

By Sonali Paul, Silvia Antonioli and Stephen Eisenhammer

MELBOURNE/LONDON/RIO DE JANEIRO, July 24 (Reuters) - After two years of shunning miners, investors are tiptoeing back into the sector on signs of growth perking up in **China**, **company** austerity measures paying off, and prices of nickel, **copper** and aluminium picking up as supply tightens.

They could start to reap early rewards when the top five global miners report results over the next four weeks.

Output growth, sharp cost cuts and asset sales will more than offset a slump in **iron ore** and **coal** prices, allowing the world's biggest miners to cut debt and boost payouts to shareholders in the next six months.

"The ducks are lining up - the companies are performing well and the macro environment's improving for a sector that's been neglected over three years," said Ric Ronge, a resources fund manager at Pengana Capital.

The MSCI world metals and **mining** index has jumped 6.2 percent against a 0.5 percent rise in the MSCI World Index over the past month, with investors looking for bargains as other sectors plateau.

Production reports from the world's two biggest miners, BHP Billiton and Rio Tinto , showed they have managed to boost output while slashing spending, with BHP particularly impressing the market.

"BHP Billiton delivered one of the best production reports we have seen in years," analysts at Deutsche Bank said in a note on Wednesday, after BHP beat its own target for **iron ore** output and flagged an 11 percent rise in its share of West Australian **iron ore** output for the year ahead, outpacing broker forecasts.

That has stoked hopes BHP will come through with a capital return to shareholders when it reports its results in August, as the **company** hinted in February at its half-year results.

Its rivals Rio and Glencore Plc are expected to be in a position to consider share buybacks next February when they report their full year results, with Glencore to be armed with $5.85 **billion** from the **sale** of its Las Bambas **copper** project to **China**'s MMG Ltd.

The **sale** of the massive mine in Peru is due to close in early August, Glencore and MMG said this week.

ANGLO AMERICAN (July 25)

Anglo American is expected to post a 10 percent drop in operating profit to $2.97 **billion**, and a 5.1 percent fall in earnings per share to $0.93 for the first half, according to a consensus of broker forecasts provided by the **company**.

It was hit mainly by weaker prices for **iron ore**, its biggest earner, and a five-month **mining** strike in South Africa that slashed its platinum output in the first half this year.

Potential asset sales will be in the frame, including nickel and **copper**. The **company** has already flagged it wants to divest some of its more labour-intensive mines in South Africa. Investors will also be looking for progress on the **company**'s target of achieving a 15 percent return on capital employed (ROCE) by 2016, up from 11 percent in 2013.

VALE (July 31)

Brazil's Vale, the top global **iron ore** miner, is tipped to post a 42 percent drop in second-quarter underlying earnings to $1.9 **billion** as **iron ore** prices <.IO62-CNI=SI> languished around 22-month lows.

The **firm**'s nickel division, which made up 14 percent of earnings before interest, tax, depreciation and amortisation (EBITDA) in the previous quarter, could provide some relief, analysts said, with prices of the stainless steel ingredient up around a fifth since April due to an export ban on **ore** in Indonesia.

"Vale we see as being quite cheap," said Pengana's Ronge. The stock has fallen 10 percent this year, compared with BHP's UK shares which have jumped 10 percent.

Investors and analysts will also be keeping a close eye on progress at the 90 **million** tonnes a year expansion of its flagship Carajas **iron ore** mine, which is awaiting a key environmental licence.

The project, due up in 2018, is vital for Vale which has been losing market share to Rio Tinto and BHP.

RIO TINTO (Aug 7)

Rio Tinto is expected to report a 25 percent rise in first- half underlying profit to around $5.3 **billion**, based on the average of three major brokers' forecasts, as it boosted **ironore** and **copper** output and slashed costs.

The world no.2 **iron ore** miner has told investors not to expect any capital return in 2014 as it works to pay down debt, but shareholders expect it to be in a position to announce a buyback in February.

"If the **iron ore** price hovers around $95 or $100 it's possible. The likelihood of that has been undermined a bit to the extent that the **iron ore** price is lower now," said Brenton Saunders, a portfolio manager at BT Investment Management.

Iron ore last traded at $94.30, up from a near two-year low of $89 hit in June.

BHP BILLITON (Aug 19)

BHP is expected to report a rise of 16 percent in second-half underlying earnings to around $6.7 **billion**, calculated from a consensus of full year forecasts according to Thomson Reuters I/**B**/E/S. Analysts are expecting full-year underlying earnings of around $14.4 **billion**.

Some of those forecasts have not yet incorporated charges of between $900 **million** and $1.3 **billion** on earnings before interest and tax, flagged by BHP this week. Some analysts said that would offset its stronger-than-expected output of **iron ore** and metallurgical **coal** in the June quarter.

But they did not expect those impairment charges to impact plans for a capital return.

"I'd be surprised if they didn't formalise plans for some element of distribution, whether it be by way of a dividend or a buyback, at this result," said BT's Saunders, adding he believed BHP would prefer to do a share buyback.

GLENCORE (Aug 20)

Glencore is seen posting half-year EBITDA of around $6.5 **billion**, up from $6 **billion** in the same period last year. Forecasts could change after it reports second-quarter production on August 13.

While Glencore has the smallest exposure to **iron ore** among the five, analysts expect its bottom line to be affected by weaker prices for other commodities such as **coal** and **copper**.

Investors will be looking closely at the performance of the **company**'s trading arm, which sets it apart from the other mega miners, and details regarding Glencore's recent **acquisition** of Chad-focused **oil company** Caracal.

"I think they will return some money to shareholders (in February) but it will be a lot smaller than people expect as they need to buy more," said Liberum analyst Ben Davis. (Editing by Muralikumar Anantharaman)

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