Europe shares rise on fresh hopes for bank support

REUTERS

12:59, Wednesday 5 October 2011

* FTSEurofirst 300 (FTSE Index: E3X.FGI - news) rises 2.4 pct, Euro STOXX 50 (Zurich: ^STOXX50E - news) rises 3.1 pct

* Too many people awaiting the sell-off -chartist

* Opportunities in stocks exposed to emerging growth -Amundi

PARIS, Oct (KOSDAQ: 039200.KQ - news) 5 (Reuters) - European stocks rebounded on Wednesday, tracking sharp gains on Wall Street, while banking stocks surged on news that European finance ministers are exploring ways to recapitalise the ailing sector amid growing expectation of a Greek debt default.

At 1118 GMT, the FTSEurofirst 300 index of top European shares was up 2.4 percent at 908.94 points, after tumbling nearly 5 percent in the past three sessions.

The euro zone's blue chip Euro STOXX 50 index was up 3.1 percent at 2,156.16 points.

Meeting in Luxembourg on Tuesday, European finance ministers agreed to examine ways to beef up banks' balance sheets and prevent a full-blown financial crisis, although the lack of details on possible solutions being examined limited the market's rebound on Wednesday.

"We've been through this (market rebound) before. In the end this is the problem: if you recapitalise the banks without addressing the solvency of the sovereign countries, it's a bottomless pit ... How much money is enough? How much recapitalisation is enough?," a London-based bank analyst said.

The gains were paced by euro zone banking shares, with Credit Agricole (Milan: ACA.MI - news) up 9.6 percent, BNP Paribas (Other OTC: BNPQF.PK - news) up 6.1 percent and Deutsche Bank (Xetra: 514000 - news) up 7.4 percent, with investors brushing aside concerns over Italy's finances following an expected credit downgrade by Moody's.

TOO MANY AWAITING SELL-OFF

Despite the recent sharp losses in the sector -- which knocked a number of banking stocks below their lows hit in March 2009 during the heat of the financial crisis -- Valerie Gastaldy, head of Paris-based technical analysis firm Day By Day, said the downward potential is now limited.

After a dismal two months from late July to late September, the STOXX 600 banking index as well as the STOXX 600 insurance index have broken above their medium-term downward trends, sending a positive signal.

"Banks and insurance sectors remain positively correlated with indices, and the interruption of the bearish trend in these two sectors prevents us from playing a decline in indices," Gastaldy said.

"Buying today is difficult to justify. However, we feel that too many people await the sell-off. We now hear everywhere that we shall wait for the capitulation to enter long," she said.

"The breaking of the support at 1119 in the S&P 500 (SNP: ^GSPC - news) on Friday fuelled the consensus that the U.S. market should decline further. If this opinion was not so widely shared, we would follow it with ease."

Over the past three sessions, the Euro STOXX 50 has retraced about half of its 15 percent recovery rally that started on Sept. 23, but the benchmark index managed to close above 2,084 points on Tuesday, which represents the key 50 percent retracement of the rally, sending a positive signal.

BEAR TRAP?

If the bounce above the key support level is confirmed, it could turn the retreat of the past few sessions into a 'bear trap' and revive the recovery rally, sending the index towards 2,560-2,570 points, the target of a potential third wave of the Elliott wave chart pattern started with the Sept. 23 low.

Around Europe, UK's FTSE 100 (Euronext: VFTSE.NX - news) index was up 2.3 percent, Germany's DAX index (Xetra: ^GDAXI - news) up 3.7 percent, and France's CAC 40 (Paris: ^FCHI - news) up 3.2 percent.

Cyclical shares featured among the bigger gainers, with Rio Tinto up 5.5 percent, and BMW (Xetra: 519000 - news) up 4.3 percent.

"In this market, there is still room for stock pickers," said Pascal Blanque, chief investment officer of Amundi, which has 691 billion euros ($923 billion) in assets under management.

"One of the strategies we play at the moment is to look for European companies that have a strong exposure to growth in emerging markets, but whose stocks have been excessively sold because of their country's debt trouble," he said. (Additional reporting by Lionel Laurent; Editing by Hans-Juergen Peters)

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Main stock markets: Dow Jones (DJI: ^DJI - news) .... Wall Street report ..... Nikkei 225 (Osaka: ^N225 - news) .... Tokyo report............ FTSE 100............... London report........... Xetra DAX............ CAC (Xetra: 924169 - news) -40.............. World Indices.................................... Reuters survey of world bourse outlook......... Western European IPO diary......................... European Asset Allocation....................... Reuters News at a Glance: Equities................ Main currency report:................................ (Editing by Hans-Juergen Peters)