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European shares weighed down by earnings worries

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* FTSEurofirst 300 up 0.05 percent

* Alcoa, Volkswagen fan Q1 earnings concerns

* Miners, worst sector this year, rebound on China data

By Toni Vorobyova

LONDON, April 9 (Reuters) - European shares finished broadly steady on Tuesday, with concerns about a weak first-quarter earnings season outweighing a rally in miners on prospects for continued strong metals demand from China.

The pan-European FTSEurofirst 300 closed up 0.05 percent at 1,165.35 points, retreating from a session high of 1,172.07 in afternoon trade after a muted start on Wall Street .

Sentiment was hurt by an unexpected sell-off in U.S. aluminium giant Alcoa, which traditionally kicks off the global reporting season, as investors overlooked forecast-beating earnings to focus instead on weaker revenues.

Weak demand in Europe was a key drag on Alcoa's results, and also hurt March sales at Volkswagen, with shares in the German carmaker dropping 2.6 percent.

The early numbers suggest that first-quarter results are unlikely to feature any strong pick-up in European corporate earnings, which analysts say is needed if the equity rally - started by central bank stimulus last summer - is to continue.

"As Alcoa has shown, the disappointment on the revenue side clearly underpins that the dynamics for earnings growth are rather weak ... (and) there will still be downward revisions for 2013 and 2014 earnings," said Gerhard Schwarz, head of equity strategy at Baader Bank.

"We are currently in quite a fragile situation. I think, however, that this is a digestion phase for the market, it's not the start of a bigger downward move. We need to see more confirmation that the hard economic data is firming, and I think this will be delivered in the second quarter."

STOXX Europe 600 companies are forecast to post a 7.4 percent drop in first quarter profits, year-on-year, according to Thomson Reuters StarMine data.

Miner Vedanta Resources will be next to shed the light on the performance of the first three months of 2013, reporting production results on Wednesday.

Starmine SmartEstimates - which focus on the top analyst predictions based on past accuracy and timeliness of forecasts - suggest Vedanta could miss expectations by some 19 percent on 12-month earnings for the year to end-March.

On Tuesday, though, Vedanta added 5.3 percent, cashing in on a broad-based rally in miners.

The worst performing sector so far this year - with losses of around 15 percent - took heart from Chinese data showing that inflation cooled in March, leaving room for monetary policy to remain easy and thus likely supported future demand for metals from the world's top consumer.

The gains helped the STOXX Europe 600 basic resources index recover from oversold territory based on the 7- and 14-day relative strength indicators.

On a regional basis, too, investors focused on some of the 2013 laggards, with Spain's IBEX adding 1.1 percent and Italy's FTSE MIB up 1.3 percent, while the recently strong German DAX shed 0.3 percent to 7,637.51 points.

The DAX had been on track to be the first of the major European bourses to recover back to its 2007 highs. But concerns about the future of the euro zone - fanned by an Italian election stalemate and the Cyprus bailout - have pushed the German benchmark back below the psychologically key 8,000 mark.

"The charts are not that bright," said Valerie Gastaldy, technical analyst at Day By Day. "I do not think we will go back above 8,000 for several days and even weeks."