» Print

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to colleagues, clients or customers, use the Reprints tool at the top of any article or visit: www.reutersreprints.com.

Growth stocks lead broad European share bounce

Mon, Jul 8 2013

* FTSEurofirst 300 up 1.4 percent

* Cyclical insurers, chemicals, tech stocks lead

* RBS rallies on bets break-up will be blocked

By Tricia Wright

LONDON, July 8 (Reuters) - European shares rose in a broad-based rebound on Monday, led by stocks more exposed to economic growth on optimism about recovery in the United States, albeit in thin trade.

The FTSEurofirst 300 closed up 1.4 percent at 1,179.68 points, having dropped 1.3 percent on Friday when robust U.S. jobs data lifted expectations the Federal Reserve will start to scale back its stimulus soon.

"The markets are trying to make up their minds as to whether (stimulus) tapering is a positive or a negative... I would say (it is) a positive because it means that the economy is recovering," Michael Hewson, analyst at CMC Markets, said.

Insurers, chemicals and technology stocks, so-called cyclicals given their exposure to the economic cycle, rose 1.8-2.1 percent, while defensive healthcare and food & beverages lagged, both up 0.9 percent.

Royal Bank of Scotland topped the FTSEurofirst 300 leader board, up 4.4 percent, on reports minority shareholders could block a break-up proposed by the UK government and seen as value-destructive by analysts.

Miners, beset of late by concern over China demand, trailed their cyclical counterparts, up 1.4 percent, with traders citing some caution ahead of results from U.S. aluminium producer Alcoa after the Wall Street close.

Stephanie Butcher, European equities fund manager at Invesco Perpetual, reckoned that valuation, yield and dividend growth opportunities in Europe are attractive, pointing to financials and selected cyclicals as among areas with most potential.

But light volumes exaggerated the market moves as investors waited for further clarification on U.S. stimulus plans on Wednesday, when Fed Chairman Ben Bernanke is set to speak after the release of the latest Federal Open Market Committee minutes.

Trading volume for the FTSEurofirst 300 stood at just 74.5 percent of the 90-day daily average.

"It's a volatile low volume market so it is hard to draw any conclusions from large moves, either up or down," said Lex van Dam, hedge fund manager at Hampstead Capital, which manages around $500 million in assets.

The Euro STOXX 50 advanced 2.1 percent to 2,650.85 points to trade above its 200-day moving average, currently at 2,634 points,

Valerie Gastaldy, head of Paris-based technical analysis firm Day By Day, reckoned that the index, in July, could hit 2,715, around a peak hit on June 17, or even 2,755, a high at end of January as well as lows on May 23 and 24, but does not expect it to far exceed the latter in the near term.

"Above that level the Euro STOXX has formed a bullish trap," she said, as while it broke and rose above this level through much of May, its advance decelerated from the prior month before descending below the level at the start of June.

© Thomson Reuters 2011. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to colleagues, clients or customers, use the Reprints tool at the top of any article or visit: www.reutersreprints.com.