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European shares retreat from highs, led by Zurich Insurance

Thu, Aug 15 2013

- * FTSEurofirst 300 down 0.6 percent
- * Zurich Insurance weakens; Q2 net profit drops
- * Analysts see period of consolidation on Euro STOXX 50

By Tricia Wright

LONDON, Aug 15 (Reuters) - European equities gave back some of their recent strong gains on Thursday, in holiday-thinned volumes, led lower by Zurich Insurance on downbeat second-quarter results.

The Swiss insurer said net profits fell by a bigger than expected 27 percent in the second quarter, weighed by flooding in Europe, tornadoes in the United States and meagre investment returns.

It also sounded a cautious outlook about reaching its targets, helping send its shares 3.2 percent lower.

Zurich's trading volumes were robust, at around 75 percent of its 90-day daily average after less than an hour's trade, against the FTSEurofirst 300 on 21.5 percent.

According to Thomson Reuters StarMine, 86 percent of the STOXX Europe 600 companies have announced second-quarter results so far, of which 56 percent have met or beaten forecasts.

The FTSEurofirst 300 fell 0.6 percent to 1,233.30 by 0747 GMT, still within sight of its 2013 peak of 1,258.09. The euro zone's blue-chip Euro STOXX 50, which on Wednesday hit its highest level in two years at 2,855.89, slipped 0.3 percent to 2,842.67 points.

Dampening the mood were concerns the U.S. Federal Reserve might, from next month, start cutting back its stimulus - one of the major drivers of this year's equity market rally.

St. Louis Federal Reserve President James Bullard said late on Wednesday the Fed risked pushing inflation even lower if it tapered bond purchases too aggressively.

Selling on Wall Street accelerated after his comments as some investors speculated a decision to trim stimulus could be taken within weeks. A Reuters poll also showed on Wednesday a majority of economists expected the Fed to reduce bond purchases at its Sept. 17-18 policy meeting.

"After the massive ... rally over the past six weeks, Fed tapering remains a concern going forward and that is why further gains might be hard to achieve for the moment," said Lex van Dam, hedge fund manager at Hampstead Capital, which manages around \$500 million in assets.

Technical analysts saw scope for consolidation on the Euro STOXX 50 which, despite Thursday's declines, is on course for its sixth consecutive weekly gain, having risen some 14 percent since its late June low.

"The E50 is testing its highs, a natural area for a pause of a few days; support at 2,775 may contain the fall," said Valerie Gastaldy, head of Paris-based technical analysis firm Day By Day.

"There is no sell signal yet, but with these thin summer volumes, we think it is wise to be quiet and wait for a better opportunity to buy," she added.

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