# European shares surge as Fed keeps up stimulus

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* FTSEurofirst 300 up 0.9 percent

* Germany's DAX hits fresh all-time highs

* European stock 'fear gauge' hits 1-month low

* Randgold Resources, Fresnillo lead miners higher

By Tricia Wright

LONDON, Sept 19 (Reuters) - European shares climbed on Thursday after the U.S. Federal Reserve shocked investors by delaying a decision to reduce its economic stimulus, sending regional indexes to multi-year highs.

The FTSEurofirst 300 was up 0.9 percent at 1,270.25 points by 1043 GMT, around its highest levels since mid-2008.

The euro zone's blue-chip Euro STOXX 50 index rose 1.1 percent, around its highest levels since May 2011, while Germany's DAX advanced 1.1 percent, trading near fresh all-time highs.

Meanwhile, the Euro STOXX 50 Volatility index, known as the VSTOXX, dropped 5.4 percent to a one-month low, signalling a sharp rise in investor risk appetite.

The Fed said after European markets closed on Wednesday that it would keep buying $85 billion in bonds per month, countering expectations that it would start to scale back that programme by at least $5 billion-$10 billion.

"It's a perfectly reasonable reaction. The market got it wrong. It misread the signals from the Fed," Michael Hewson, senior market analyst at CMC Markets, said.

The rally was broad based, led by the STOXX Europe 600 basic resources index which jumped 2.6 percent to trade at six-month highs.

Gold miners Randgold Resources and Fresnillo were the best off as gold hit a one-week high, with the precious metal often used as a hedge against inflation which can rise in times of loose central bank monetary policy.

Randgold topped the FTSEurofirst 300 leader board, up 7.7 percent, while Fresnillo advanced 5 percent.

Trading volumes in the pair were high, at 70 percent and 111 percent of the 90-day daily average respectively, against 58 percent for the FTSEurofirst 300.

MIND THE GAP

While equities surged on the decision, some strategists reckoned they would struggle to maintain current elevated levels.

"The scenario that the tapering will be more remote... is good news from the medium-term perspective for equity markets, but for the shorter term the market is running very hot," Gerhard Schwarz, head of equity strategy at Baader Bank, said.

"I would not be too surprised if we see a modest leg down over the next couple of weeks as a lot of good news seems to be in the price."

Over the next couple of months, technical charts showed scope for continued gains.

Valerie Gastaldy, head of technical analysis firm Day By Day, highlighted that an upside gap opened on Monday morning on the Euro STOXX 50 has created a 'weekly gap' which, she said, might happen only once every two or three years.

"If Monday's gap remains open by the end of this week, we'll have a rally in September and October, and this will be uncommon too because the seasonal (equity market trend) is weak at that time of the year."

In order to close this gap, the index would have to drop nearly 3 percent, as measured from Thursday's high to the 2,870 level which marks the bottom of the gap made on Monday, by the end of Friday's session.