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European shares edge higher, pinned back by French telecoms

Wed, Jul 2 2014

- * FTSEurofirst 300 up 0.1 pct, CAC underperforms
- * Orange, Bouygues, Iliad drop as consolidation rejected
- * Alcatel-Lucent benefits from upgrade
- * Car-makers see U.S. sales hit highest since 2006

By [Alistair Smout](#)

EDINBURGH, July 2 (Reuters) - European shares rose slightly on Wednesday, following fresh highs in U.S. markets and a three-year peak for Asian stocks, though dashed hopes for deal-making in the French telecoms sector kept a lid on gains.

The pan-European FTSEurofirst 300 index was up 0.2 percent at 1,384.52 by 0800 GMT, with benchmark indexes in Germany and the UK in positive territory.

The French blue-chip CAC 40 index, however, fell 0.2 percent, with Orange, Bouygues and Iliad down between 3 percent and 4.2 percent after Orange said on Wednesday it was dropping the idea of taking part in tie-ups in the French telecoms market.

The STOXX Europe telecommunications sector has risen roughly a third in the last year, partly on hopes that more relaxed regulation would allow large-scale mergers in the sector.

"Last-year we saw a huge excitement about consolidation, with the European regulator changing its view on telcos. We saw big gains on the back of this," Veronika Pechlaner, who helps manage \$13 billion of assets at Ashburton Investments, said.

"While we all agree that there are further deals to be done across Europe, Orange doesn't seem to want to play ball, and the market is voting against that."

Bucking the trend in France, telecom-equipment maker Alcatel-Lucent rose 3.8 percent, the top performer on the FTSEurofirst 300 index, after it was lifted to "overweight" from "neutral" by JP Morgan.

The STOXX Europe 600 was up 0.1 percent, leaving the index in limbo from a technical perspective, analysts said.

Valerie Gastaldy, who runs technical analysis firm DayByDay, said that falls last week did not bode well for Europe equities, who have revived much of their recent resilience from strength in U.S. equities, which made new record highs again last night.

"If we fall today, we will still maintain last week's bearish signals on closing price charts; but should we end the day as we opened, most indices will have interrupted their reversals," Gastaldy said.

Benefitting from strength in the United States was the autos and parts sector, up 1 percent after U.S. car sales data came in ahead of expectations for most major firms in the sector, hitting levels not seen since July 2006.

Europe bourses in 2014: link.reuters.com/pap87v

Asset performance in 2014: link.reuters.com/gap87v

Today's European research round-up (Editing by Toby Chopra)

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