

Danone, banks help Europe stocks bounce back

Reuters, Friday October 23 2009

- * FTSEurofirst 300 up 0.4 percent, reverses part of Thurs drop
- * Banking and mining shares among top gainers
- * Danone, Volvo rise after results please investors
- * Shares trim gains after bleak UK GDP data

By Blaise Robinson

PARIS, Oct 23 (Reuters) - European stocks rose in early trade on Friday, as buoyant banking and mining shares helped the market reverse a portion of the previous session's drop, and as Danone rose after results pleased investors.

Shares trimmed gains after data showed Britain's economy contracted unexpectedly in the third quarter, dampening hopes of an end to the recession.

The data showed British gross domestic product fell by 0.4 percent between July and September, versus analysts' expectations of a 0.2 percent rise.

At 0902 GMT, the FTSEurofirst 300 index of top European shares was up 0.4 percent at 1,018.95 points. The index was up 1 percent shortly before the data was released.

It dropped 1.1 percent on Thursday, after telecom gear maker Ericsson's poor results hit sentiment.

"The market is rebounding, but it will remain stuck in a range, at least until we get a clear catalyst," said Alexandre Le Drogoff, technical analyst at Aurel BGC, in Paris.

"Investors have been digesting corporate results and are now starting to focus on the next big macro figures to come."

Banks and insurers gained ground, with HSBC up 1.2 percent, ING Groep up 3 percent and Banco Santander up 1 percent.

BNP Paribas, which said late on Thursday its 4.3 billion euro (\$6.44 billion) rights issue has been subscribed 2.5 times, added 2.3 percent.

Shares in Volvo soared 4.9 percent after the World number two truckmaker posted a smaller-than-expected loss, calming fears it would need more cash from investors.

Danone gained 2.6 percent after saying price cuts and a step-up in advertising helped accelerate the recovery in fresh dairy sales volumes in the third quarter and added that it was confident about next year.

"These results are better than expectations at every key level... We are now starting to see Danone returning to its former glory," said independent analyst James Amoroso.

The news lifted other food companies, such as Nestle, up 0.6 percent, and Unilever up 1.8 percent.

Shares of mining companies rose along with metal prices as a weakening dollar fuelled appetite for commodities.

Rio Tinto gained 2.1 percent, Anglo American added 2.5 percent and Xstrata rose 2.9 percent.

Bucking the trend, Mobistar dropped 4.3 percent after the Belgian mobile telecoms group posted a worse-than-expected drop in quarterly core profit.

VOLATILITY INDEX AT ONE-WEEK LOW

Pharma major GlaxoSmithKline shed 0.9 percent, after Jefferies cut its rating to "hold" from "buy" in a preview of third-quarter results due on Oct 28.

"Despite improving near-term earnings from pandemic flu/Relenza windfalls, GlaxoSmithKline still shows low revenue and earnings growth with the underlying business deteriorating into 2010," Jefferies analysts wrote in a note.

Europe's stock market rebound followed a rally on Wall Street on Thursday, led by strong gains in shares of financial institutions.

The VDAX-NEW volatility index -- a gauge of investor risk aversion -- fell to a one-week low on Friday, down 3.6 percent on the day and flirting with a 13-month low.

The lower the volatility index, which is based on sell and buy-options on Frankfurt's top-30 stocks, the higher is investors' appetite for risky assets such as equities.

The FTSEurofirst 300, which is up 23 percent so far in 2009, has jumped 59 percent since reaching an all-time low in early March, but is still down 37 percent from a 6-1/2 year high touched in mid-2007.

Trading in shares of a number of small and mid cap companies listed on NYSE Euronext markets across Europe was delayed on Friday morning because of technical problems, the stock market operator said. Euronext could not say when the trading in the shares would resume.

(Additional reporting by James Regan)

guardian.co.uk © Guardian News and Media Limited 2009