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China boost for miners helps Britain's FTSE to early gains

Fri, Jan 18 2013

- * FTSE 100 adds 0.1 percent
- * Rio Tinto continues recovery after CEO resignation weakness
- * Charts point to continued strength
- * UK retail in focus

By Alistair Smout

LONDON, Jan 18 (Reuters) - Britain's blue-chip index gained in early trading on Friday, with miners boosted by Chinese data that revealed growth in the resource-hungry country quickened at the end of last year.

Growth in China beat expectations in the fourth quarter of 2012, and stronger than predicted industrial output helped fuel demand for stocks which rise with optimism about the global economy, with miners up one percent in early trade.

"China is now a 'show-me' economy, where you see the numbers and then react, rather than making assumptions that it's going to go up forever," said Nick Xanders, head of European equity strategy at brokerage BTIG. "The data last night was certainly supportive, so there's one less hurdle in the short-term to worry about."

Rio Tinto added 1.3 percent, continuing its impressive resurgence after falling 5 percent at Thursday's open after the firm's CEO resigned over a \$14 billion writedown in assets and was replaced by Sam Walsh.

The miner has added 6 percent from the trough, bringing the stock into net positive territory over the two sessions.

"They've done it well. They've put the right guy in charge and the story of the company was not really that changed," Xanders said, adding that he was targeting 3,500 pence.

"Now it's hit its highs, eased back a bit, and the focus is going to be back on the economy from here."

By 0855 GMT, the FTSE 100 was up by 8.68 points, or 0.1 percent, at 6,141.04, with miners and commodity stocks contributing over half of the index's gains.

The index hit a fresh 4-1/2 year high, having posted its highest close since May 2008 on Thursday.

"The new high simply means that the trend is still bullish, and that with patience, another new high will follow. It is a buy and hold market," said Valerie Gastaldy, manager of technical analysis firm Day-By-Day.

"The next resistance is very far away, at 6,375. There is nothing really meaningful before."

RETAIL IN FOCUS

UK retail sales figures for December due at 0930 GMT should give more clues to how the UK's struggling retail sector performed over Christmas.

John Lewis reported a year on year increase in weekly sales of 19 percent, as the British high street continues to diverge in a week which has seen HMV and DVD rental firm Blockbuster go into administration.

The Financial Times reported that video-gaming company Game was considering a bid for HMV.

However, must-have gadgets, cheap fashion and internet sales have proved resilient during a bleak midwinter for UK retailers.

"If you're in the right place and positioned well (in retail), you'll continue to do well," Xanders said. (Editing by Catherine Evans)

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