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Italian selloff pegs back euro zone shares

Mon, Aug 26 2013

- * Euro STOXX 50 flat at 2,824.88 pts
- * Index to head to around 3,000 in next month- Day-By-Day
- * Italian stocks fall on government crisis threat
- * Volume thin as London market shut for holiday

By Francesco Canepa

LONDON, Aug 26 (Reuters) - Euro zone shares were little changed on Monday, pegged back by a fall in Italian stocks, but charts indicated appetite for shares in the region remained solid and further gains were likely.

The euro zone blue chip Euro STOXX 50 index was down 1.17 points at 2,824.88 points, flat in percentage terms at 0723 GMT.

Italian shares fell nearly 1 percent after members of Silvio Berlusconi's centre-right party openly warned they would bring down the government if the former premier is expelled from parliament.

The Euro STOXX 50 index, however, has been marking higher daily lows and highs in the past three sessions and closed a bearish gap between its Aug. 19 low and its Aug. 20 high, signalling rising investor appetite for euro zone shares.

The index has risen 8.6 percent since the start of July, or more than twice as much as the U.S. S&P 500, helped by improving economic data in the euro zone.

"It may take a few of days to build a base but it looks like we're going to have another top for 2013 in Europe," said Valerie Gastaldy, head of Paris-based technical analysis firm, Day-by-Day. She expected the Euro STOXX 50 to reach around 3,000 points in the next month.

"We don't have clear confirmation from the U.S. and Japan but Europe is outperforming so much that a 3 percent upside in the U.S, for example, may mean a 6 percent upside for Europe."

Gastaldy added that a switch out of U.S. and into "higher beta" European shares, which tend to outperform rising markets but underperform when markets fall, signalled investors were at the most bullish in many years and a rally the began in mid-2012 was entering its late stage.

Italy's FTSE MIB was down 0.7 percent and Italian banks UniCredit and Intesa Sanpaolo, which are heavily exposed to the country's political situation through their sovereign debt holdings, were the top fallers on the Euro STOXX 50. They were both down around 1 percent.

Volume on the index was expected to remain thin as London's stock exchange, Europe's largest, was shut for a public holiday.

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