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European shares climb on strong euro zone PMI, Aggreko leads

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- * FTSEurofirst 300 up 0.7 percent
- * Euro zone business recovery ends year on a high - PMI
- * Telecom Italia up on news of BlackRock stake increase
- * Deutsche Telekom gains on T-Mobile US report

By Tricia Wright

LONDON, Dec 16 (Reuters) - European shares rebounded on Monday as encouraging economic data out of the euro zone outweighed concern over the outlook for U.S. monetary policy, with Aggreko leading gainers after a bullish trading update.

Shares have suffered steep losses in the past two weeks as recent robust U.S. data has fuelled expectations the Federal Reserve will start to scale back its bond-buying programme at this week's policy meeting.

Lifting the mood, surveys indicated euro zone businesses ended the year on a high as new orders surged, with Markit's Flash Eurozone Composite Purchasing Managers' Index (PMI) rising to 52.1 in December from 51.7 last month.

It was the second-highest reading since mid-2011 and beat the median forecast in a Reuters poll for 51.9.

"There's no doubt that markets remain incredibly nervous about the prospect of stimulus withdrawal in the United States," Henk Potts, market strategist at Barclays, said.

"But... the fact that data shows improvement in the United States and at least a stabilisation in Europe... that should help allay fears about the longer-term prospects."

The FTSEurofirst 300 was up 0.7 percent at 1,251.11 points by 1146 GMT, trimming its monthly loss to around 3 percent, while the euro zone's blue chip STOXX 50 advanced 1.3 percent to 2,958.81 points.

British temporary power provider Aggreko led gainers with a 5.7 percent rise after saying full-year results were likely to be slightly ahead of expectations, driven by increased underlying revenue across its global power business.

It said strong cash generation and lower capital expenditure were expected to reduce net debt by 200 million pounds (\$325.6 million) compared with the previous year.

Broker WH Ireland upgraded its full-year 2013 pretax profit forecast for Aggreko by 2.5 percent to 335 million pounds in response, highlighting that the debt reduction will create "further options for the business in the coming year".

Trading volume in Aggreko was robust, at just over its 90-day daily average, against the FTSEurofirst 300 on a third.

Telecom Italia also posted solid gains of 4.6 percent on news U.S. money manager BlackRock has increased its stake in the phone group.

Sector peer Deutsche Telekom, meanwhile, climbed 4 percent, boosted by a report in The Wall Street Journal that Sprint Corp was mulling a takeover of T-Mobile, which is majority-owned by Deutsche Telekom.

Technical analysts were upbeat on the prospects for the Euro STOXX 50, with the 100-day moving average, now at 2,930, acting as a floor. Valerie Gastaldy, head of technical analysis firm DayByDay, reckons the index has scope to rise to between 3,000 and 3,100 by the end of the year.

"It looks more like what we have been through is a correction rather than a proper reversal of the trend. We're looking to buy that weakness."

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