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# European shares recover, boosted by demand for defensives

Fri, Jun 21 2013

- \* FTSEurofirst 300 up 0.8 pct after worst day since 2011
- \* Defensive food & beverages, telecoms lead gainers
- \* Fund managers bullish, perceive sell-off as overreaction

By Tricia Wright

LONDON, June 21 (Reuters) - European shares rose on Friday, led by food and beverages as investors cautiously bought defensive sectors after the previous session's market rout on the prospect of reduced stimulus from the U.S. Federal Reserve.

The FTSEurofirst 300 was up 0.8 percent at 1,153.08 by 1054 GMT, having slid 3.1 percent on Thursday suffering its biggest one-day fall in 19 months.

The Euro STOXX 50, which slumped 3.6 percent on Thursday, rose 0.7 percent to 2,604.60.

Fund managers took the view that the sell-off, which came after the Fed said late on Wednesday that a stronger U.S. economy meant it was likely to start scaling back its asset purchases later this year, was an overreaction.

"It was more about profit-taking what we saw yesterday... But I don't really see a change in direction overall in the market at this point," Mark Nichols, fund manager at F&C, said.

Central bank stimulus measures had helped push European markets to five-year highs in 2013 despite a shrinking domestic economy and falling earnings expectations, though the threat of withdrawal has knocked the index around 8 percent since mid-May.

"For equities, the fact that the U.S. economy is probably a lot stronger than we all thought - surely that's a good thing?" said Ros Price, chief investment strategist at Seven Investment Management, which has 4 billion pounds (\$6.2 billion) of assets under management.

However, in a sign that investors were trading with caution, defensive food & beverages and telecoms stocks, which are traditionally more reliable in terms of earnings and dividends, led the market higher on Friday.

Analysts said that the Euro STOXX 50 could be prone to bouts of volatility, particularly since Thursday's rout saw it close below its 200-day moving average for the first time since Aug. 2012 - a level which may now act as resistance. But some advocated buying in on dips.

Valerie Gastaldy, head of Paris-based technical analysis firm Day By Day, said she would become a buyer of the Euro STOXX 50 at around 2,553, a closing low hit in mid April, and would target the 2,710 level.

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