

» **Print**

This copy is for your personal, non-commercial use only.

European shares fall on Greek, growth tensions

Tue, Mar 6 2012

- * FTSEurofirst 300 down 1.4 pct
- * Banks fall on worries about Greek debt restructuring
- * Peugeot leads automotive fallers after cash call
- * Euro zone index breaks out of bullish channel

By Francesco Canepa

LONDON, March 6 (Reuters) - European shares were down in thin volumes at midday on Tuesday on concerns Greece would not be able to secure support for its debt restructuring programme and renewed worries about global economic growth.

The FTSEurofirst 300 index of top European shares was down 1.4 percent at 1,065.38 points at 1200 GMT, having only traded 37 percent of its 90-day volume average.

The index extended losses in mid-morning trade on rumours, later denied by Athens, that Greece would have to push back Thursday's deadline for agreeing a debt swap with private creditors and avert a default that would endanger debt-laden Italy and Spain.

"Rumours Greek restructuring won't happen now until next week precipitated the drop off, but it's a perfect risk-off storm - with copper and oil dropping, and the euro weak," a London-based trader said.

"However, there is no business out there, which is exacerbating everything."

The sovereign-debt related tensions added to an already deteriorating sentiment surrounding the euro zone after data on Monday showed the region was likely to fall into a recession this year.

Euro zone banks, which own a large share of the area's sovereign debt and are poised to suffer from a further economic slowdown, fell 3.2 percent, with France's Societe Generale down 4.4 percent and Italy's UniCredit down 3.9 percent.

Deteriorating sentiment in the euro zone also hit the European auto sector, highly exposed to domestic demand, which sent a bearish technical signal by breaking below its 28-day moving average.

France's PSA Peugeot Citroen led sector losers after it announced that a planned 1 billion euro share sale aimed at funding its alliance with U.S. peer General Motors would be carried out at a 42 percent discount to Monday's closing share price.

Shares in the French car maker fell 4.7 percent on Tuesday, having already traded 155 percent of their 90-day volume average, and were down nearly 60 percent in the last eight months.

TAKING PROTECTION

The flurry of bad news pushed the Euro Stoxx 50 index 1.7 percent lower to 2,486 points, breaking a bullish channel that guided the rally since the end of December at 2,495.

Investors were protecting themselves from further losses by buying "sell" options on the index, the Euro Stoxx Volatility Index showed.

The gauge, which measures "sell" and "buy" options on the cash index and is regarded as a yardstick of 'fear', rose 8.8 percent to levels not seen since mid-February.

"The trend is definitely curbing down," Valérie Gastaldy, general manager of Paris-based technical analysis firm Day-By-Day said.

Gastaldy, however, saw no clear sell signal on the Euro Stoxx 50 index as long as it remained above 2,462, the lowest level that caused a clear bounce in February, adding the degree of hedging on the index was still in line with the last two months. (Additional reporting by Jon Hopkins; Editing by Elaine Hardcastle)

© Thomson Reuters 2011. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

This copy is for your personal, non-commercial use only.