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Finance & Stock Market News

European stocks fall, miners have worst day in 17 months

Mon, 15th Apr 2013 15:58

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- * FTSEurofirst 300 down 0.7 pct
- * Miners post biggest daily fall since Nov 2011
- * Citi reiterates bearish stance on miners

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By Toni Vorobyova
 LONDON, April 15 (Reuters) - European equities fell on Monday, with the mining sector suffering its worst day in a year and a half in the face of a slump in the gold price and weak data from top metals consumer China.

Chinese industrial output and investment spending fell short of expectations, prompting analysts to cut economic growth forecasts for the world's top metals consumer.

The data, coupled with news that the price of gold slumped to a 2-year low, plunging deeper into a technical bear market, dealt a big blow to Europe's heavyweight mining stocks. The STOXX Europe 600 Basic Resources sector dropped 4.9 percent, its biggest 1-day fall since November 2011.

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 - GSK. Any reason for the sharp rise?

"We are in the capitulation phase ... it's very dangerous, everyone is getting out, it's just like (the selloff in) gold," said Christopher Potts, head of economics and strategy at CA Cheuvreux.

"They (investors) are all defensive at the moment, none of them are prepared to take risk. We need a bit of time to get through this."

The pan-European FTSEurofirst 300 index provisionally closed down 0.7 percent at 1,174.23 points.

The broader STOXX 600 also lost 0.7 percent, to 290.28 points, moving below technical support at the 50-day moving average and into the bottom half of the 283.40 to 298.90 range held since January.

"I think we can hold in the same range that we've had since January for another month," said Valerie Gastaldy, technical analyst at Day By Day. "It's still more of a consolidation phase ... There are many different things happening together - miners are very, very weak, but on the other hand utilities and telecoms have been doing well."

Utilities and healthcare were the only two sectors in the black, boosted both by their defensive characteristics and by talk of global merger and acquisitions activity in the two industries.

Among the miners, the two biggest fallers - Fresnillo and Polymetal - were from the top three of the most expensive companies in the sector based on the price-to-book ratio, according to Thomson Reuters StarMine data.

They trade on, respectively, 6.3 and 2.8 times their current book value against the sector average of 1.6 times.

Citi, which rates both stocks 'sell', downgraded price targets on them and other miners to reflect its lowered expectations for metals prices. The bank cut its next year gold price view by around 13 percent to \$1,435 an ounce.

"We maintain our bearish stance on the European Metals and Mining sector; we believe that value is 10-15 percent below where the sector is today and we are looking at dividend yield as the line in the sand," Citi's analysts said in a note.

JP Morgan also reiterated its negative call on miners, describing the sector as its "key short".

Top analysts have cut next year's earnings forecasts for STOXX 600 metals and mining companies by 3.6 percent in the past 30 days, making it the third-weakest industry group after hotels and restaurants and road and rail, StarMine SmartEstimates show.

Across sectors, forecasts for European companies have been cut by an average of 0.7 percent, with earnings now seen up 13.1 percent next year, though any signs of weakness in first-quarter results could see those revisions accelerate.

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NSX	GLOBAL ORE	1,263.50	0.06%	0.00	1,263.50	1,263.50
LSX	LONDON SOUTH EAST	8.70%	0.00	87.00	87.00	87.00

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