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BNP Paribas pins back European shares on U.S. settlement worry

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- * FTSEurofirst 300 falls 0.2 pct
- * BNP falls after report of sanctions-related fine
- * Defensive sectors continue outperformance
- * European earnings outshine Wall Street

By [Alistair Smout](#)

EDINBURGH, May 21 (Reuters) - European shares fell in early deals on Wednesday, dropping further away from last week's 2014 highs, led down by BNP Paribas after it was reported that U.S. authorities are seeking to fine the bank.

BNP Paribas fell 2 percent, a top faller on the pan-European FTSEurofirst 300, after Bloomberg reported that U.S. authorities are seeking more than \$5 billion from the French bank as a settlement over its dealings with sanctioned countries.

Bank of America Merrill Lynch describes the fine as "clearly a negative," adding that it could affect the bank's dividend.

The bank accounted for over a third of the 0.3 percent drop on France's blue chip CAC 40 index.

The FTSEurofirst 300 fell 0.2 percent to 1,354.30 points, taking falls for the week to 0.6 percent.

The index is now 1.4 percent off the 2014 peak hit last Thursday, which was the highest level for the index since May 2008.

The market was led lower by risk-sensitive sectors such as basic resources and banks, which suffered as optimism deteriorated after poor sessions in the United States and Asia.

Defensive sectors such as utilities, up 2.3 percent so far this month, continued their recent run of outperformance against a broader STOXX 600 index, which has managed only a flat showing in May.

"We have a slight bearish bias in this market because sector rotation, both in the US and in Europe, shows that investors are moving back into defensive sectors, which usually happens a little ahead of the end of the bull market," Valerie Gastaldy, head of technical analysis firm Day-By-Day, said.

"But we need price signals to call for a clear downtrend, and we do not have them yet."

The weak session on Wall Street was prompted by poor earnings, although on Wednesday, European reports were generally at least in line with expectations.

Danish shipping and oil group A.P. Moller-Maersk rose 3.1 percent, the top FTSEurofirst 300 riser, after reporting a first-quarter net profit above forecast.

British firms Burberry and SSE also managed to meet expectations despite challenging conditions.

Europe bourses in 2014: link.reuters.com/pap87v

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Today's European research round-up (Editing by Toby Chopra)

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