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European shares break losing streak, commods gain

By Atul Prakash

LONDON, March 4 (Reuters) - European equities rebounded early on Wednesday to snap a three-day losing streak as miners and oils gained on firmer commodity prices and banks advanced after recent declines.

At 0905 GMT, the FTSEurofirst 300 index of top European shares was up 1.6 percent at 680.42 points. On Tuesday, the benchmark fell 1.9 percent to the lowest close since the index's inception in July 1997.

The broader STOXX 600 index rose 1.6 percent, with energy shares topping the gainers list, followed by banks.

Oils tracked crude oil prices, which rose more than $1 to near $43 a barrel. BP, Royal Dutch Shell, BG Group, Tullow Oil, Repsol, Total and StatoilHydro added between 2.3 and 3.9 percent.

'The market has been both a financial and emotional rollercoaster over the past fortnight. Investors are scrambling to find an area of support to help justify buying back in,' said Chris Hossain, senior sales manager at ODL Securities.

'The banking sector is likely to dictate how markets fare over the coming weeks. Whilst confidence is brittle, market bulls will point to the opinion that much of the dirty linen has been aired.'

Among banks, Standard Chartered Bank was up 7.5 percent, Barclays rose 2.8 percent and Commerzbank advanced 4.8 percent.

But Credit Agricole fell 2.8 percent after it posted a fourth-quarter loss that was worse than analysts had forecast as France's biggest retail bank suffered from writedowns at its Greek and investment banking operations.

Adidas shares rose 2.5 percent after the world's second-biggest sporting goods maker posted better-than-expected fourth-quarter results. But the company said it expected sales and earnings to fall in 2009.

Across Europe, Britain's FTSE gained 1.7 percent, Germany's DAX rose 1.6 percent and France's CAC 40 added 1.5 percent.

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LIFETIME LOWS

The FTSEurofirst 300 hit the lowest point in its near 12 year history on Tuesday, while the STOXX 600 plumbed depths last seen in late 1996. On Wall Street, the S&P 500 ended below 700 points for the first time since October 1996.

The stock debacle has accompanied a descent of top global economies into recession, and was sparked by a meltdown in U.S. subprime mortgages that drove banks across the world to the brink of collapse. Corporate earnings have taken a hammering.

Holcim tumbled 10 percent to top percentage losers in Europe after the Swiss cement maker posted a worse-than-expected 54 percent drop in full year net profit and gave a gloomy outlook for 2009.

Adecco, the world's largest staffing company, posted a surprise loss in the fourth quarter and said it saw no immediate improvement in business conditions, sending its stock down 7.8 percent.

Though they were higher on Wednesday, banks and insurance shares have been the worst hit so far this year, with the DJ Stoxx European banking index and the DJ Stoxx European insurance index down 33 and 35 percent year to date.

'With banking stocks trading at multi-year lows, many of them now trade like an option, with the threat of nationalisation still in the background,' said Hossain.

'If investors can withstand the threat of a stock trading down to zero, there may be a stronger belief that now could be a period to come back in from the sidelines,' he said.

(Additional reporting by Atul Prakash; Editing by Jon Loades-Carter)

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