European Stocks Post Biggest Weekly Gain of 2014 on Fed

By Namitha Jagadeesh - Feb 14, 2014

European stocks posted the biggest weekly gain this year as the Federal Reserve said its stimulus policy will remain responsive to economic data and as companies from Renault SA to ThyssenKrupp AG beat profit estimates.

Europe’s third-largest carmaker climbed 13 percent and Germany’s biggest steelmaker advanced 6.3 percent. Fresnillo Plc and Polymetal International Plc led mining stocks higher, jumping at least 11 percent as precious metals rallied. Rolls Royce Holdings Plc tumbled 13 percent after saying sales will fail to grow this year for the first time in a decade.

The Stoxx Europe 600 Index rose 2.5 percent to 333.32 this week, its largest increase for the period since Dec. 20, as investors assessed Fed Chair Janet Yellen’s testimony to Congress. The benchmark is less than 1 percent below its six-year high reached last month. The gauge slid 5.5 percent between Jan. 22 and Feb. 4 as investors weighed cuts to the Fed’s bond-buying program, China’s economic slowdown and volatility in emerging markets.

“Yellen’s comments indicated a continuation of policies from where the previous incumbent left off,” Hugh Cuthbert, who helps manage about $1 billion at SVM Asset Management Ltd. in Edinburgh, said by phone. “We’re seeing some glimmers of positivity in European earnings. Markets are focusing on the potential for improvement. The severe reaction to negative news, as in the case of Rolls-Royce, shows that the market is becoming discriminatory, which is a good thing.”

The volume of shares changing hands in Stoxx 600-listed companies fell 13 percent from last week. A gauge that measures options traders’ expectations of volatility in the Euro Stoxx 50 Index posted the biggest drop since Oct. 18.

**Taper Timing**

Yellen, in her first public remarks as Fed chair, said the central bank’s bond purchases are not on a preset course and any reductions will be made in measured steps, based on economic data. The speech came amid speculation that Yellen may delay a third round of stimulus tapering after U.S. hiring missed estimates for a second month in row. The Fed has cut the size of the...
monthly purchases to $65 billion from $85 billion.

National benchmark indexes climbed in all western European markets except Iceland. The U.K.’s FTSE 100 added 1.4 percent and France’s CAC 40 rose 2.7 percent, while Germany’s DAX rallied 3.9 percent.

In China, the General Administration of Customs on Feb. 12 said exports jumped 10.6 percent in January from a year earlier. That beat the median forecast of economists in a Bloomberg survey for a gain of 0.1 percent. Imports rose 10 percent, exceeding the 4 percent rise that economists had predicted.

**Commodity Producers**

BHP Billiton Ltd., the world’s biggest commodity company, advanced 4.6 percent. Vedanta Resources Plc gained 7.9 percent. A gauge of miners posted the second-best performance among the 19 industry groups in the Stoxx 600. Fresnillo surged 23 percent and Polymetal International climbed 11 percent as gold and silver posted their biggest weekly increases since Aug. 16.

The euro-area economy expanded for a third consecutive quarter for the first time since March 2011, a release on Feb. 14 showed. Gross domestic product for the three months through December grew 0.3 percent, exceeding estimates, data from the European Union’s statistics office in Luxembourg showed.

Renault rose 13 percent after saying full-year operating profit jumped 59 percent. Earnings before interest, taxes and one-time items climbed to 1.24 billion euros ($1.70 billion), exceeding the 1.06 billion-euro average estimate of analysts.

**Carmakers’ Index**

A gauge of auto companies posted the biggest weekly rally since July, reaching its highest level in at least 27 years, data compiled by Bloomberg showed. Michelin & Cie. climbed 8.9 percent after Europe’s largest tiremaker said Feb. 11 that it is sticking with its 2015 earnings target and raised its full-year dividend by 4.1 percent.

ThyssenKrupp increased 6.3 percent. The company said adjusted Ebit from continuing operations more than doubled to 247 million euros in the quarter ended December. That beat the 218.7 million-euro average of estimates compiled by Bloomberg.

Banco Popolare SC jumped 17 percent and Banca Popolare dell’Emilia Romagna SC gained 14 percent. Italy’s FTSE MIB Index rose 3.8 percent to the highest level since July 2011.
Italy’s Prime Minister Enrico Letta quit, ending a 10-month old government, according to a statement by President Giorgio Napolitano on Feb. 14. The resignation came after Matteo Renzi, general secretary of the Democratic Party, convinced his party to withdraw support for the incumbent.

Rolls-Royce tumbled 13 percent. The maker of commercial-jet engines said that lower demand for defense equipment will prevent any sales growth in 2014.

Tate & Lyle Plc plunged 15 percent after the maker of artificial sweetener Splenda forecast that sucralose prices will fall 15 percent next year. The company said a glut in Chinese sucralose had depressed the market.

Barclays Plc fell 6.9 percent. The U.K.’s second-largest lender by assets said its investment-bank unit swung to a pretax loss of 329 million pounds in the fourth-quarter, compared with a profit of 760 million pounds in the year-earlier period.

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