European Stocks Rise as ECB Says More Stimulus If Needed

By Inyoung Hwang - Nov 6, 2014

European stocks advanced, erasing earlier losses, as European Central Bank President Mario Draghi said policy makers are ready to implement further stimulus measures if needed to support the euro-region economy.

The Stoxx Europe 600 Index climbed 0.6 percent to 338.35 at 2:54 p.m. in London, after earlier falling as much as 0.6 percent. The benchmark gauge rose yesterday for the first time in three days as companies including Marks & Spencer Group Plc reported better-than-estimated earnings. It posted the year’s biggest weekly rally last week as the Bank of Japan unexpectedly boosted its stimulus.

“The key message was the same as it was last Friday with the Bank of Japan -- investors remain obsessed with monetary policy,” Tristan Abet, a Paris-based strategist at Louis Capital Markets LP, said by telephone. “Does it make sense to buy equities because of the meeting? No. There were no new elements. Investors who were short bought back their short positions on the news, because they maybe considered it was dovish.”

Europe’s QE Quandary

The Governing Council has “tasked relevant euro system committees with the timely preparation of further measures to be implemented if needed,” Draghi said at a press conference in Frankfurt today, after the ECB left interest rates unchanged. “The Governing Council is unanimous in its commitment to using additional unconventional instruments within its mandate.”

Growth Forecasts

Draghi also said that there are “indications” that point officials toward requiring “downward revisions to forecasts.” The ECB will release its new quarterly outlook for the euro region economy at its decision in December.

The flagging euro-area economy and increased monetary stimulus from the Bank of Japan have put pressure on Europe’s policy makers to do more to support a recovery. More than half of the economists surveyed by Bloomberg News predict the ECB will eventually embark on large-scale sovereign-bond purchases.
National benchmark indexes rose in 16 of the 18 western European markets today. The U.K.’s FTSE 100 added 0.4 percent, France’s CAC 40 climbed 1.1 percent, and Germany’s DAX jumped 1.2 percent.

Adidas AG added 5 percent to 59.61 euros. The German sporting-goods maker said that net income fell to 282 million euros ($350 million). That beat the average 268.4 million-euro estimate of analysts surveyed by Bloomberg.

HeidelbergCement AG rose 5.4 percent to 57.73 euros. The world’s third-biggest cement maker said third-quarter earnings increased 9.8 percent as it raised prices in North America.

**Retailer Advance**

Retailers were among the best performers on the Stoxx 600, as Wm Morrison Supermarkets Plc advanced 6.2 percent to 172.5 pence. The U.K. grocer narrowed its forecast range for profit this year, saying it expects to beat a debt target, while sales will rebound.

Societe Generale SA declined 1.8 percent to 37.33 euros. The Paris-based lender reported third-quarter profit of 836 million euros, trailing the 872 million-euro average estimate of analysts as trading in equities slumped.

Credit Agricole SA slid 4.8 percent to 11.11 euros. While third-quarter earnings of 758 million euros beat the 743 million-euro average analyst estimate, retail banking profit declined.

Zurich Insurance Group AG retreated 2.5 percent to 286.40 Swiss francs. Switzerland’s biggest insurer said third-quarter profit dropped 16 percent to $928 million as income from general insurance decreased. That missed the $1.04 billion average estimate of analysts surveyed by Bloomberg.

Legrand SA dropped 2.8 percent to 40.89 euros. The world’s largest maker of switches, plugs and lighting controls said targets set at the start of the year have become challenging, and it now sees results at the low end of its 2014 forecasts. The French company had said sales would be little changed or grow as much as 3 percent on year, while pre-acquisition margins would be 19.8 percent to 20.2 percent.

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