European Stocks Climb Advance After S&P Upgrades Greece

By Corinne Gretler - Dec 19, 2012

European (SXXP) stocks climbed, with the Stoxx Europe 600 Index rising for a second day, as Standard & Poor’s raised Greece’s credit rating and investors awaited economic reports from the U.S. and Germany. U.S. index futures were little changed, while Asian shares rose.

SAP AG (SAP) climbed 1 percent after rival Oracle Corp. posted fiscal second-quarter sales and profit that exceeded analysts’ estimates. Merck KGaA (MRK) lost 3 percent after its Stimuvax drug missed the main goal in a trial with lung-cancer patients.

The Stoxx 600 added 0.3 percent to 281.15 at 8:06 a.m. in London. The equity benchmark has rallied 15 percent this year as the European Central Bank announced an unlimited bond-buying plan and the Federal Reserve began a third round of asset purchases. Futures on the Standard & Poor’s 500 Index expiring in March increased 0.1 percent, while the MSCI Asia Pacific Index rallied 1.1 percent amid optimism the Bank of Japan will opt for further monetary stimulus.

“We continue to be driven higher by the belief that we are fast approaching an agreement between the Democrats and the Republicans on the U.S. fiscal cliff,” Zahid Mahmood, a trader at Capital Spreads wrote in an e-mail. “There are also broader factors at play at the moment that have helped contribute to the traditional Christmas rally. These include additional economic stimulus from the U.S. Federal Reserve and Bank of Japan and economic figures that are showing the most major global economies may be turning a corner for the better.”

Budget Optimism

The Stoxx 600 rose for the first time in four days yesterday as Obama changed his position on tax increases. That lead to optimism U.S. lawmakers will agree on a compromise budget, preventing more than $600 billion of automatic tax increases and spending cuts -- known as the fiscal cliff -- from coming into force at the beginning of next year.

The volume of shares changing hands in the Stoxx 600 was 86 percent greater than the average of the last 30 days, according to data compiled by Bloomberg.

Greece had its credit rating raised by S&P following the country’s debt buyback. The ratings company cited the determination of euro-area governments to keep Greece in the 17- nation currency zone.

S&P lifted its rating from selective default to B- with a stable outlook, it said in a statement yesterday. The new grade is the highest that the ratings company has used for Greece since June 2011, when it lowered the country to CCC from B.

Business Confidence

German business confidence probably increased for a second month in December. The Ifo institute’s business climate index, based on a survey of 7,000 executives, will rise to 102 from 101.4 in November, according to the median forecast of 43 economists in a Bloomberg News survey. That would be the second straight increase after sentiment dropped to a 2 1/2 year low in October. Ifo releases the report at 10 a.m. in Munich today.

In the U.S., a Commerce Department report at 8:30 a.m. in Washington will show that housing starts fell to a 872,000 annual rate after reaching a four-year high of 894,000 in October, according to the median forecast of 85 economists. Building permits, a proxy for future construction, probably rose to an 875,000 annual pace.

“We have a number of key economic figures at today, which will be closely watched, to see whether the moves higher continue to be justified,” Mahmood wrote. “Among the most important will be the German IFO and U.S. housing starts. We can therefore expect another busy trading day.”