European Stocks Rise

By ANDREA TRYPHONIDES

LONDON—European stocks opened higher in anticipation of a rate cut by the European Central Bank and ahead of a key European Union summit to discuss and look for a solution to the euro-zone debt crisis.

London’s FTSE 100 opened 0.2% higher, Frankfurt’s DAX gained 1% and Paris’s CAC-40 rose 1.2%.

"It's all about Europe today with plenty of event risk from the EU Summit and ECB meeting," said Crédit Agricole Corporate & Investment Bank. "Expectations of a major announcement by EU officials appear to have been dampened, suggesting some scope for disappointment. Nonetheless, the pressure is on leaders to deliver at a time when market patience is running thin."

Crédit Agricole expects, along with consensus, the ECB to cut its main rate by 0.25 percentage point to 1% and for additional liquidity measures to be announced. The Bank of England’s rate announcement is also due Thursday, though it is expected to leave its monetary policy unchanged.

"Rumors and headlines could spark some volatility but the majority of traders are waiting for official word from policy makers and the response from Standard & Poor’s Ratings Services toward the summit," said Jonathan Sudaria, night dealer at Capital Spreads. S&P put the long-term sovereign-debt ratings of 15 euro-zone nations, including struggling Italy and Spain, on negative watch Monday and could take action if leaders fail to deliver.

Meanwhile, European banks will likely be in focus as the European Banking Authority will release its banking stress-test results at 1700 GMT (1200 ET).

On Wednesday, U.S. stocks were choppy as investors struggled to keep up with a torrent of headlines ahead of two key European meetings this week. The Dow Jones Industrial Average finished Wednesday with an advance of 0.4% to 12196.37, after a day that saw the index fall 90 points before rising by as many as 107 points. The Standard & Poor’s 500-stock index finished up 0.2% at 1261.01, while the Nasdaq Composite was flat at 2649.21.

During afternoon’s trading, Standard & Poor’s put the European Union’s long-term triple-A rating on negative watch, and issued a warning on several European banks. That sent stocks lower. Minutes later, headlines suggested the Group of 20 industrial and developing nations was considering a lending program for Europe through the International Monetary Fund. That sent stocks higher until the IMF denied the report, snuffing out the rally.
Asian stock markets were mostly lower Thursday as investors adopted a cautious stance ahead of the ECB and EU meetings later in the day. Japan's Nikkei Stock Average dropped 0.7%, Australia's S&P/ASX 200 lost 0.3% and South Korea's Kospi Composite shed 0.4%. Hong Kong's Hang Seng Index was down 0.9%, while China's Shanghai Composite slipped 0.1%.

In foreign exchanges, the euro hugged tight ranges against the dollar and the yen, as traders were unwilling to take large positions of the outcomes of the ECB and EU meetings. The common currency was recently at $1.3413, unchanged from its level late Wednesday in New York. The dollar was at ¥77.65 from ¥77.68.

Spot gold was at $1,738.20 a troy ounce, down $4.90 from its New York settlement on Wednesday. January Nymex crude oil futures were up 20 cents at $100.69 and Brent oil futures were up 20 cents at $110.04. The March bund was up just 0.01 at 135.81.

The Bank of England's rate announcement is at 1200 GMT and the European Central Bank's rate decision is at 1245 GMT.

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