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Europe recovers after Moody's cuts ratings

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By Duncan Robinson

Corporate results overshadowed a wave of sovereign downgrades on Tuesday, as European equities continued to drift off recent highs.

Weaker than expected US retail sales pushed the FTSE Eurofirst into negative territory in early afternoon, where it stayed for the rest of the session closing down 0.2 per cent at 1,069.75.

National indices shrugged off the decision by Moody's to downgrade six eurozone states. Milan's FTSE MIB was the only major positive index, gaining 0.5 per cent to 16,445.91 after Italy's credit rating was cut to A2 from A3.

The Xetra Dax sank by 0.2 per cent to 6,728.19. Results from ThyssenKrupp disappointed after the German steelmaker swung to an unexpected loss in its fiscal first quarter following a writedown on its marine unit. The shares fell 3.8 per cent to €21.07. Its peer, ArcelorMittal, also fell, closing down 1.9 per cent at €16.72.

Infineon Technologies dropped 5 per cent in half an hour after the insolvency administrator of defunct chipmaker Qimonda launched a €1.7bn claim against the German technology group. Infineon Technologies closed at €7.10, down 4.3 per cent.

Deutsche Börse briefly hit a six-month high after it announced a larger than expected dividend of €2.30 and a special dividend of €1. The German exchange group closed up 2.4 per cent at €49.94, as RBC Capital Markets increased its target price on the stock by 10 per cent to €55. "We believe that Deutsche Börse's business is more diversified – and thus more stable and lower risk – than its peers," wrote analysts at RBC Capital Markets.

In Paris, strong full-year results for French cosmetics group L'Oréal lifted its stock 3.8 per cent to €84.73, as the group reported an increase in its operating margin and resilient growth in emerging markets. Alcatel-Lucent continued its recent recovery, gaining 5.9 per cent to €1.75 as Credit Suisse raised its target price on the stock to €1.60 from €1.25

French banks, however, weighed on the CAC 40, which sank 0.3 per cent to 3,375.64.

France's biggest banks sank for the second consecutive session after a ban on shorting French financial stocks expired over the weekend. **Crédit Agricole** fell 5 per cent to €4.88, while **SocGen** sank by 3.7 per cent to €21.90.

Spanish banks were hit by a sector-wide sell-off and the decision by Standard & Poor's on Monday evening to cut its ratings on 15 Spanish banks, including the country's top two lenders **Santander** and **BBVA**. Shares in Santander closed down 0.9 per cent to €6.42, while BBVA fell 0.2 per cent to €7.12, as the Ibox 35 index slipped 0.2 per cent higher at 8,771.9.

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