

14:30 19 Jan FOCUS-Simitis win puts Greek bourse in party mood

(Updates market movements, adds analysis and quotes)

By George Georgiopoulos

ATHENS, Jan 19 (Reuter) - Greek stocks on Friday cheered the changing of the guard, with the election of socialist party reformer Costas Simitis as prime minister, and lifted their recent gloom to soar by 3.7 percent.

Small investors and foreign funds piled into the market to celebrate the tough technocrat's election by the ruling Panhellenic Socialist Movement (PASOK) to replace party founder Andreas Papandreou.

"There is retail money getting into equities and foreign funds are dipping their toes, encouraged by Simitis' technocratic profile," said market analyst Angelos Kiosklis at Sigma Securities.

Papandreou, 76, resigned in ill health this week. Shares had been under a cloud of uncertainty since he went into hospital on November 20.

Undervaluation of shares while Papandreou was in charge but in hospital gave Friday's rally an extra push, brokers said. The market jumped 35.5 points or 3.73 percent to close at 988.47.

Simitis, 59, delivered a message of unity in his first comments after his victory. He vowed to steer the ruling socialists on a new course and give Greece a new perspective.

Brokers said investors were encouraged by his technocratic image and expectations that there would be no deviation from Greece's plans to meet tough economic targets under the European Union's Maastricht treaty.

Simitis will have to deal with a difficult agenda and convince markets that he can deliver where the Papandreou cabinet stalled -- on privatisation and structural changes to rationalise the bloated public sector and heavy state debt.

"We are pleased with the outcome. The markets received it favourably. It is seen as an opportunity for reform, for things to get moving," treasurer George Papoutsis at National Mortgage Bank said.

Currency traders said banks sold large amounts of foreign currency for drachmas, apparently in a show of confidence for the new leader.

The German mark was quoted at 164.37 drachmas in late trading, compared with the 164.400 noon fix, and the dollar at 242.60 drachmas versus the 242.820 fix. Thursday's fixing levels were 164.080 and 241.030, respectively.

Markets were now awaiting news of the new cabinet. The focus is on the key economic ministry posts, where Papandreou's team delivered results.

Consumer inflation has slowed to single digits, currently at 8.1 percent, and interest rates have come down more than three percentage points, with the benchmark 12-month Treasury bill at 14.2 percent. Economic growth is expected to revive this year to around 2.5 percent.

"Greece in the end did not miss the chance to move into higher gear. This shows the status quo is no more powerful than the drive for reform," Baring Securities analyst Yannis Protopapadakis said.

But analysts said much will depend on how effectively the new leader moves forward on large infrastructure projects and what economic policy mix emerges to tackle the chronic budget deficit -- equivalent to 10.2 percent of gross domestic product (GDP) in 1995 -- and a heavy public debt exceeding 110 percent of GDP.

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