

#BUSINESS NEWS

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Autos and energy firms boost European shares as earnings roll in, banks held back

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Traders work in front of the German share price index, DAX board, at the stock exchange in Frankfurt, Germany, July 25, 2017.

Staff/Remote

LONDON (Reuters) - Supportive crude prices and strong results from energy firms and autos companies helped European shares inch higher on Wednesday, while banks were the

worst-performing sector as results disappointed.

The pan-European STOXX 600 rose 0.6 percent, in line with euro zone stocks and blue-chips, as oil and gas stocks gained 0.7 percent and autos climbed 1 percent.

"Indications are more positive on the outlook for energy stocks, especially for the most geared such as oil services," said Angelo Meda, head of equities at Banor SIM in Milan.

"While there was a lot of kitchen sinking from firms in first-quarter numbers, they have reset expectations over valuations and cleaned up balance sheets now."

Oil services firm Petrofac led index gains, up 3.6 percent after winning new contracts in Iraq worth \$100 million.

Shares in Tullow Oil rose 3.1 percent after higher output from new fields helped the Africa-focused oil producer to a 46 percent rise in sales revenue over the first half, though it also reported impairment charges due to stubbornly low oil prices.

Peugeot maker PSA Group jumped 6 percent, leading autos higher after the firm hit a new profitability record, beating analyst expectations with an increase in sales for the first half.

Five years after ECB chief Mario Draghi's "whatever it takes to preserve the euro" speech, which set the foundations for strong gains in the currency, the euro was again front and center of investors' minds. Recent strength weighed on earnings growth expectations for euro zone corporates, particularly those most dependent on exports, such as industrials firms.

The euro rose to a fresh two-year high of \$1.1711 on Tuesday.

"We believe that the impact is manageable if we don't go beyond \$1.20 to the euro," said Angelo Meda, head of equities at Banor SIM in Milan.

"If we do, it will start to have an impact and depress European stocks, especially exporters, cyclicals and industrials."

With a quarter of euro zone MSCI Europe companies having reported so far, 40 percent beat earnings estimates while 48 percent missed, according to Thomson Reuters data.

There were already signs of strain among industrials, the sector seeing the worst performance with 86 percent of firms missing expectations, of the 33 percent having reported.

Among top fallers, chipmaker ASM International fell 7.8 percent, on track for its worst day in four years as its third-quarter order outlook disappointed analysts despite record order intake for the second quarter.

Investors have high expectations for tech firms such as ASM, which have made strong gains this year. The sector is up 14 percent this year, the second best performing in Europe.

UniCredit weighed on the banking index which fell 0.1 percent. The Italian bank's shares were down 0.9 percent after it said it had suffered a cyber attack giving unauthorized access to Italian clients' data.

"Cyber attacks are something we need to live with," said Meda. "It's more positive for cyber security stocks than it is negative for Unicredit."

Swiss pharma company Lonza meanwhile shot 6.8 percent up to a record high after a better than expected second quarter and new mid-term targets.

Reporting by Helen Reid, editing by Kit Rees and Jon Boyle