European shares end best week since January at one-month high

By Danilo Masoni and Atul Prakash

MILAN/LONDON, Oct 9 (Reuters) - European shares rose to a one-month high on Friday after making their biggest weekly gain since January as mining stocks gained and hopes grew that interest rates would stay low for longer.

The pan-European FTSEurofirst 300 index rose up 4.4 percent this week, with investors - reassured by more stable commodities prices - buying equities despite a string of weak economic data. The index ended up 0.36 percent on Friday.

The Bank of England on Thursday gave no sign it was close to raising rates and minutes of the most recent Federal Reserve meeting showed it decided to wait for evidence that the global slowdown would not knock a U.S. recovery off course.

"The market seems to have switched back into a QE mood where bad news is being interpreted positively as expectations grow that central banks could be induced to further ease their monetary policy stance," said Emanuele Rigamonti, capital structure analyst at JCI Capital in London.
He said it remains to be seen whether the short-squeeze rally seen after disappointing U.S. payroll data last Friday could find genuine buying momentum in the medium term.

Wall Street was slightly higher as European markets closed on Friday, with the S&P 500 on track for its best week this year.

Shares in trader and mining company Glencore rose 7 percent, the third biggest gainer in Europe, as zinc prices rose over 10 percent on its announcement that it would slash its annual output of that metal by a third.

"This is a major move by the company showing leadership in cutting output to help support commodity prices and is more meaningful to the market than the coal supply cuts it previously made," Investec said in a note. "It is however, a worrying reflection of the state of China -- which currently consumes around 42 percent of the world's zinc."

The STOXX Europe 600 Basic Resources index rose 3.7 percent, making its best weekly gain since 2009, as prices of major industrial metals rose more than 3 percent.

Ordinary shares in Volkswagen climbed 8.4 percent, outperforming the preferential shares, which rose 3 percent. Traders attributed the discrepancy to a short squeeze on the ordinary shares.

The STOXX Europe 600 Auto index continued its recent rally and was close to wiping out all losses suffered after an it emerged VW had rigged emissions tests.

Shares in Givaudan rose 4.4 percent after the Swiss flavours and fragrance maker maintained its financial targets for the five years ending 2015.

Thomson Reuters data shows the third-quarter earnings of companies in the STOXX Europe 600 index are forecast to fall 4.1 percent from the same quarter a year ago and revenues to slump 8.3 percent.

Energy companies' earnings are seen sinking 42.4 percent in the third quarter, while utilities' earnings rise 21.6 percent.

(Editing by Larry King)