

European Shares Slip on Worries Over North Korea Nuclear Test

MILAN — News of North Korea's latest nuclear test hit European shares on Monday but failed to trigger a massive sell-off as investors seem to get used to geopolitical tensions.

The pan-European STOXX 600 index and euro zone blue chips both fell 0.5 percent and all major bourses, from the UK's FTSE to France's CAC 40, posted declines from 0.3 to 0.8 percent.

"Equity markets in Europe are in the red today as tensions surrounding North Korea were heightened again on the back of the nuclear bomb test carried out by the regime over the weekend", said David Madden from CMC Markets.

"Traders are clearly nervous, as stocks are lower, but the sell-off today hasn't been as bad as previous ones", the market analyst argued.

North Korea said it tested an advanced hydrogen bomb for a long-range missile on Sunday, prompting a warning of a "massive" military response from the United States if it or its allies were threatened.

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"An H-bomb is undeniably different from the previous missile launches or nuclear tests ... However, the biggest question to investors remains - what's next? Will the tensions lead to negotiations, or war?" said Hussein Sayed, chief market strategist at FXTM.

Uncertainty over the response to the latest North Korean test worried investors, leading to a spike in stock market volatility. Europe's volatility index was up 1.5 points.

While no sector in Europe ended in positive territory, stocks in the financial services industry had the worst day, losing 1 percent.

Gains in safe-haven assets, including gold, sent precious metal miners Randgold and Fresnillo up 2 and 2.9 percent respectively, while Polymetal got further support from a JPMorgan upgrade to "neutral" from "underweight".

Fiat Chrysler fell 1.3 percent after Chief Executive Sergio Marchionne said the carmaker had not received an offer for the company nor was it working on any “big deal”. His comments cooled down talk of possible M&A deal that had sent the stock to record highs last week

Pharma heavyweight Novartis ended down 1 percent as the group said its chief executive, Joseph Jimenez, would retire in 2018, and chief drug developer Vasant Narasimhan, 41, would run the company from February.

“Making a head of R&D CEO of an organisation raises some questions for us”, UBS said in a research note, arguing that commercial and clinical success were two very different things.

Novartis shares, which have the third largest weight on the MSCI Europe benchmark, have underperformed their sector over the last 10 years.

Gemalto fell 10 percent after both Deutsche Bank and Kepler Cheuvreux cut their price targets for the Dutch digital security company. Deutsche Bank said its structurally declining product areas remained too large to ignore.

UK speciality chemicals firm Victrex was up 8.6 percent, hitting a record high after reducing its full-year tax guidance and saying Jakob Sigurdsson was joining the firm as CEO-designate. Its shares were the biggest gainers on the STOXX.

(Reporting by Danilo Masoni and Julien Ponthus,; editing by Larry King)

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