



## Paris shares close up after volatile day; US stocks pare losses after Fed UPDATE

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(Updating with full report)

PARIS, Jan. 22, 2008 (Thomson Financial delivered by Newstex) -- Share prices ended sharply higher after an extremely volatile session in which the CAC-40 showed a 400 point gap between its intraday high and low.

After the Federal Reserve's move to slash its key rate initially failed to keep them in positive territory, shares moved steadily upwards towards the close as US stocks pared heavy early losses.

The CAC-40 index finished up 98.09 points or 2.07 pct at 4,842.54.

Among CAC-40 stocks, 33 closed higher and 7 closed lower. On the Matif, February CAC-40 futures were trading at 4,750.

On the broader indices, the SBF-80 index closed up 178.67 or 3.51 pct at 5,270.95 and the SBF-120 ended up 76.73 or 2.25 pct at 3,484.85.

The euro was quoted at 1.4616 usd, rising sharply from 1.4440 usd late yesterday following the Fed's rate cut.

One Paris trader said the market is 'very, very nervous,' arguing that company newsflow has taken a backseat for investors amid fears about a recession and the impact of the credit crunch.

He explained the initial muted response to the Fed's decision to cut its leading rate to 3.50 pct by the fact the move was 'not a real surprise.'

US stocks posted huge losses as investors returning from a holiday weekend joined the rout witness since yesterday in stock markets around the world.

The Dow Jones industrials tumbled 450 points in early deals, before wiping out most of its losses and then falling back in a volatile morning.

'It's just not enough yet. The Fed has got to do a lot more than just lower rates. They've got to inject more liquidity,' argued Harry Clark, president of Clark Capital Management in Philadelphia.

Back in Paris, the local dealer also pointed to bargain-hunting by investors after what he called an excessive slump yesterday. 'We had a drop like on 9/11 although nothing happened' that was not already known about the subprime and economic outlook, he said.

Frederic Rozier at Meeschaert agreed, saying that 'we're not far away from levels where investors start to come back into the market, and certain stocks are starting to look attractive.'

ArcelorMittal headed bluechip climbers at the close, up 3.41 eur or 8.99 pct at 41.34, as the steel giant recovered most of its losses from Monday.

Financials also rebounded, helped by the Fed's rate cut. Natixis, up 1.32 or 12.42 pct at 11.95, and Dexia, up 0.96 or 6.90 pct at 14.87, led gains in the sector after taking a heavy battering on the back of concerns over US bond insurer Ambac.

Elsewhere in the sector, Credit Agricole rose 1.22 or 6.61 pct to 19.67, BNP Paribas (OOC:BPRBF) added 3.94 or 6.28 pct to 66.65, and Societe Generale climbed 3.98 or 5.07 pct to 82.50.

Schneider Electric soared 5.10 or 7.10 pct to 76.90 as the shares overcame early jitters in the market to benefit from strong full-year sales figures.

'People seem to have come to their senses after this morning's rout, and are perhaps actually taking the time to read Schneider's sales figures, which were clearly good, ahead of expectations,' a local dealer commented.

Outside the CAC-40, Biomerieux jumped 7.57 or 12.57 pct to 67.80 after the diagnostics specialist unveiled 9.1 pct fourth quarter organic sales growth and predicted a sales rise of up to 8.5 pct next year.

The figures were 'a brilliant end of year' for the company, Natixis Securities analysts said in a note to clients, reiterating an 'Accumulate' recommendation.

On the downside, utilities saw more profit-taking, supported by negative newsflow.

Gaz de France (OOC:GZFCF) plunged 2.09 or 5.67 pct to 34.80. A Paris court ordered GDF to give its French works council more information on its planned merger with Suez (NYSE:SZEZY), raising doubts about the two groups' aim to complete their merger in the first half. Suez ended 1.04 or 2.52 pct lower at 40.15.

EDF fell 3.74 or 5.21 pct to 68.00. An unsourced report in Les Echos claimed the French government has rejected the company's planned tariff increases for 2008-2010.

If confirmed, the decision could trigger downward revisions of about 1 bln eur on EBITDA for 2010, equivalent to a 4.5 eur per share impact on EDF's valuation, Steven de Proost of Dexia said in a note, keeping a 'Reduce' recommendation and 61 eur target.

But nuclear power group Areva climbed 42.91 or 7.11 pct to 646.10, lifted by news that it plans to propose propose two of its third generation EPR reactors to South Africa through a consortium including EDF and Bouygues.

Alcatel-Lucent (NYSE:ALU) shed 0.20 or 4.69 pct to 4.06, hit by rumours of a profit warning at Finnish handset group Nokia. (NYSE:NOK)

'There is a market rumour going round that Nokia will warn on Thursday,' said a trader at a leading European broker, saying he has heard Nokia will report profits of 39 cents per share, below his forecast of 42 cents.

Semiconductor components maker Soitec tumbled 0.98 or 15.53 pct to 5.33 after it revealed a greater-than-expected fall in sales for its third quarter to December.

Natixis Securities analysts said Soitec's sales were below their estimate and the company's prospects are disappointing. They cut their target price to 12.2 eur from 15.3, but kept a 'Buy' recommendation.

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