

# FINANCIAL TIMES

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## Capital plans boost Commerzbank

By Duncan Robinson

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A short squeeze helped lift Commerzbank to the top of the FTSE Eurofirst 300, as European banking stocks enjoyed their best session since October.

Gains for European banks pushed the FTSE Eurofirst 300 to its highest close since August, up 1.1 per cent at 1,046.30.

Commerzbank leapt 14.8 per cent to €1.62 after it unveiled plans to meet new European Banking Association capital requirements without resorting to state aid or significant dilution of equities.

“A large part of [today’s moves] is a short squeeze, given the size of the current short position. But there may well be some buying out there,” said Andrew Coombs, an analyst at Citi.

Approximately 16 per cent of the German lender’s free float were short positions at the start of trading, with short-selling bans on financials in Italy, France and Spain concentrating bearish sector sentiment on the stock.

Italian banks enjoyed rapid gains after it emerged that the sector had covered 90 per cent of its funding needs for 2012 through the European Central Bank’s recent refinancing operation.

UniCredit was suspended “limit up” during trading as it rose 12.9 per cent to €3.36, while rights for its upcoming cash call rose 41.7 per cent to €2.73. The FTSE MIB gained 2.5 per cent to 15,651.99.

French banks were also lifted as sector sentiment improved.

Société Générale climbed 13.2 per cent to €20.10, while BNP Paribas rose 8.2 per cent to €34.70.

“[The ECB’s actions were] a definite relief for French banks because they were under more pressure than other European banks,” said Christophe Nijdam, an

analyst at AlphaValue. “They suffered more than other European banks when we had the liquidity squeeze [in 2011].”

The CAC 40 index climbed 2 per cent to 3,328.94, its third-highest close since August. French engineering group Alstom led the index after a bullish statement from its chief executive buoyed investors, pushing the stock up 13.7 per cent to €28.15.

Utilities across Europe slipped, however, as “risk on” sentiment and weakening sector growth prospects knocked stocks. RWE fell 2.1 per cent to €27.66.

“The fundamentals for the utility markets are going to worsen over the next 12 to 18 months,” said Patrick Hummel, an analyst at UBS. “If the overall perspective for equities improves, utilities will hardly participate because we will still see negative earnings revisions for the next few quarters or even longer.”

Eon slipped 0.9 per cent to €16.29, as the Xetra Dax gained 1 per cent to 6,416.26.

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