



European stocks take break after rally, German utilities shine

- * RWE and E.ON pass nuclear plan test; shares rally
- * Pan-European index FTSEurofirst 300 down 0.17 pct
- * Rolls-Royce and Safran hit by concerns over EU probe
- * Ferrari IPO price sends Fiat Chrysler to 8-week high

By Danilo Masoni

MILAN, Oct 12 (Reuters) - European shares ended marginally lower on Monday after reaching one-month highs in a rally last week, with civil aerospace stocks leading the fallers and German utilities soaring after concerns over nuclear costs eased.

The pan-European FTSEurofirst 300 index fell 0.17 percent and the euro zone's blue-chip Euro STOXX 50 index was 0.09 percent lower. The two indexes were up more than 4 percent so far this month.

Traders said it was no surprise that some investors were taking profits following last week's gains, while Japanese markets were closed for a holiday and the United States was celebrating Columbus Day.

"The market is consolidating after last week's rally, also because of the holidays in the U.S. and Japan," ActivTrades chief market analyst Carlo Alberto De Casa said.

He said investors would be focusing on Chinese trade balance data, but most of all on U.S. economic statistics later this week, for more indications as to when the Federal Reserve will increase rates, the main focus for markets in recent weeks.

E.ON and RWE rose as much as 12 and 15 percent respectively in their biggest one-day bounce in seven years after the German government concluded that they had set aside enough money to decommission their nuclear plants.

Several brokerages including Deutsche Bank, Credit Suisse, Equinet, Societe Generale and DZ Bank upgraded either their ratings or target prices on Germany's utilities as a result.

The stocks pared gains and closed up 4.9 and 9.3 percent respectively as some analysts suggested some caution.

"This is not the end of the German nuclear decommissioning story," said Investec analysts in a note, noting that a further examination will now take place and that other unresolved issues were still pending.

Rolls-Royce fell 3.9 percent and Safran dropped 5.1 percent, hit by weekend media reports of a European regulatory investigation into the airline maintenance market. The two engine makers

confirmed on Monday they were in the process of filling out questionnaires sent to them by the European Commission regarding aviation equipment servicing contracts.

Fiat Chrysler rose 0.9 percent to a eight-week high after disclosing pricing for the initial public offering of Ferrari, which could value the luxury sports car unit at close to \$10 billion.

Biotechnology group Novozymes fell 3.9 percent after Goldman Sachs downgraded its shares to "sell" from "buy".

Mining and oil stocks fell 2 and 1.2 percent respectively, making them the top sectoral fallers on Monday.

The strong gains for E.ON and RWE helped the German blue-chip index DAX outperform Europe. The index, which remains some 20 percent below a record high reached in April, ended up 0.23 percent.

Hampstead Capital hedge fund manager Lex Van Dam said the DAX now looked in better shape. "Finally some good news out of Germany, with the utilities RWE and E.ON leading the way. I am quite constructive on the market," he said.

Today's European research round-up (Additional reporting by Sudip Kar-Gupta in London; Editing by Alison Williams)