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European shares edge up before ECB meeting; Pearson jumps

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LONDON/MILAN, Jan 21 (Reuters) - European equities edged up on Thursday after slumping in the previous session following a rout in commodity prices and heavy losses among banking stocks, with a rally in Pearson and Logitech underpinning the market.

Investors awaited a meeting of the European Central Bank, which is expected to keep interest rates on hold but highlight increasing growth and inflation risks, raising the prospect of further policy easing later this year.

"The market is in waiting mode, with the rebound coming after the last few days' sell-off," said ActivTrades chief market analyst Carlo Alberto De Casa. "(ECB chief Mario) Draghi is being called on to talk down the bleeding on banking stocks."

The pan-European FTSEurofirst 300 index was up 0.84 percent by 1059 GMT. It fell 3.3 percent to its lowest level since October 2014 in the previous session.

However, sentiment remained fragile as initial gains on Asian stocks fizzled out. A further drop in crude oil prices is seen maintaining downward pressure on world markets.

Shares in Pearson surged 13 percent after the British education publisher announced plans to cut 10 percent of its workforce, cap its dividend and restructure after cutting earnings forecasts for 2015 and 2016.

"Whilst it is disappointing to see further restructuring costs and little, if any, improvement in underlying markets, we are broadly encouraged that Pearson has decided to redouble its efforts to meet external and internal challenges," said Roddy Davidson, analyst at Shore Capital.

"We believe the market will also be relieved by its decision to maintain dividends at 2015 year levels."

Swiss-American technology accessories maker Logitech also jumped 10 percent after its quarterly results beat analyst forecasts.

However, Deutsche Bank fell 7.2 percent after saying it expected a net loss of 6.7 billion euros for 2015 due to writedowns, litigation charges and restructuring costs.

The announcement by Germany's biggest bank has renewed concerns that it will now need to raise new capital to strengthen its finances.

Italian banks rebounded from a sell-off triggered by bad loan and liquidity worries, with embattled lender Monte dei Paschi soaring 25 percent. Monte Paschi has borne the brunt of a sell-off in Italian banking shares this year, losing more than half its market value since the end of 2015. (Additional reporting by Sudip Kar-Gupta; Editing by Gareth Jones)