THE WALL STREET JOURNAL.

Yet many large companies are still reporting lower sales. Take Indian consumer group Hindustan Lever, shares of which have the second-highest weighting on the BSE benchmark index. Even

Chinese Investors Seen Pessimistic on Stocks

Dow Jones Newswires

SHANGHAI—Most individual Chinese investors say the domestic stock market isn't very attractive, and they say they are losing money, according to a survey conducted by a local research firm.

A survey of nearly 900 investors conducted by CBC Market Research & Business Consulting in Shanghai found that 65% of people who invest in China's stock market are losing money, while only 17% reported gains.

"People are pessimistic about the stock market. They have lost confidence in it," said Denton Shen, research director of CBC.

The survey showed that in China's 12-year-old stock market, it pays to be cautious. Mr. Shen said financial statements remain questionable, stock manipulation is rampant and regulators aren't strong enough in their supervision.

The benchmark Shanghai Composite Index is up more than 5% this year, compared with a 16% fall for 2002. In recent months, benchmark indexes in Shanghai and Shenzhen have traded at their lowest levels since January.

ket capitalization have posted higher sales: Tata Group and Reliance Industries. As a result, most of India's blue chips—typically the stocks bought by foreign investors—have extremely low price-earnings multiples, even though their share prices have rallied in one of India's strongest bull runs over the past decade.

At 4358, the Index's price-earnings multiple is 15.83, or just a third of the level reached in 1992, when the government opened India's stock markets to foreign investors. By contrast, index heavyweights in Taiwan and Malaysia now trade at multiples from 15 to 22.

A weak economy and corporate India's focus on profit margins instead of higher sales volumes are responsible for the poor sales performance over the past three years. "Capital-intensive industries, such as steel, cement and tractors, have suffered from a supply overhang," says Bala Krishnan, chief executive of First India Asset Management Co., which has invested $50 million in Indian equity and debt assets. "Many firms have cut budgets and this has severely hurt their sales."

One concern in the market right now is that India's widening budget deficit could cause interest rates—currently at record lows—to head higher unless the government runs a tighter fiscal ship. If that happens, analysts warn, the long-awaited expansion plans of capital-intensive industries, such as cement, steel and automobiles, could be delayed. Citigroup Smith Barney, for one, believes this is a potential threat to the stock-market rally.

Furthermore, warnings are already being sounded by the market that populist policies, such as last month's announcement on additional wages to all

lowing a recovery in domestic demand on good monsoon rains and the ready availability of cheap credit. "We're a long-term investor and see very good value in our investments in India," says Peter Hames, a director of investment fund Aberdeen Asset Management Asia Ltd.

Yesterday's Market Activity

Asian and European markets were generally higher, helped by economic optimism. Overall, the Dow Jones World Stock Index rose 0.7%, or 1.16, to 167.7. Excluding the U.S., the index rose 0.26%, or 0.33, to 125.05.

In TOKYO, the Nikkei Stock Average rose 0.3%, or 32.99 points, at 10683.76. Sony gained 5% to 4,200 yen, helped in part by a Nikko Citigroup report that said there is a chance that shares of the electronics powerhouse will hit 4,800 yen in the near future. Investors also added big bank shares, as two losing sessions late last week created an opportunity to pick up the issues cheaply, traders said. Sumitomo Mitsui Financial Group rose 4.7% to 442,000 yen, while Mitsubishi Tokyo Financial advanced 2.9% to 672,000 yen.

In LONDON, the FTSE 100 Index gained 0.8%, or 24.9 points, or to 4292.1. Corus jumped 7.9% to 38 pence as investors hope the steel maker is set for an upturn. Insurer Royal & Sun Alliance led decliners, dropping 2.9% to 124 pence as investors continued to digest last week's rights-issue announcement.

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones indexes.