Stock Pessimism Fades in U.S., U.K., Japan as Banks Raise Funds

By Michael Patterson

April 16 (Bloomberg) -- Stock market bears around the world are losing their conviction as interest rates fall and **banks replenish their capital with about $140 billion from equity sales**, a survey of Bloomberg users showed.

While most investors expect declines over the next six months in the Standard & Poor's 500 Index, the FTSE 100 Index, France's CAC 40 Index, Italy's S&P/MIB Index, the Swiss Market Index, Hong Kong's Hang Seng Index, Japan's Nikkei 225 Stock Average and Spain's IBEX 35 Index, fewer foresee losses than in March, according to the Bloomberg Professional Global Confidence Survey. Investors were most bullish for Brazil's stock market. Only in Germany did money managers grow more pessimistic, the poll of 4,444 users from New York to Tokyo showed.

The MSCI World Index rebounded 6.5 percent from a 17-month low on March 17 after JPMorgan Chase & Co. bailed out Bear Stearns Cos., U.S. interest rates fell to the lowest in three years and the Federal Reserve pledged to act as the lender of last resort for securities firms. Banks and brokers reported more than $245 billion of losses and writedowns from the collapse of the subprime mortgage market.

``We had indications last month that the worst of the banks' crisis may be behind us,''** said Francisco Salvador, a director at Madrid-based brokerage Venture Finanzas SA who participated in the survey. ``It's like there is some light at the end of the tunnel, but it's dim and it even goes away from time to time.''**

Investors remain pessimistic because of deteriorating corporate profits, the survey found. Alcoa Inc., General Electric Co. and United Parcel Service Inc. reported first- quarter results last week that trailed analysts' estimates. Goldman Sachs Group Inc. strategists said lower-than-forecast earnings for 2008 will drag down the Standard & Poor's 500 Index over the next few weeks. Morgan Stanley said a U.S. recession and increased competition will cause profits to fall.

``There's definitely a lot of fear left in this market,'' James Gaul, a Boston-based portfolio manager at Boston Advisors LLC, which oversees about $2 billion, said in an interview on Bloomberg Radio.

The Fed's response to the collapse of New York-based Bear Stearns has helped restore some confidence in the past month, said Robert Schumacher, the chief investment strategist at Van Kampen Investments Inc.

The central bank agreed to lend New York-based JPMorgan $29 billion to finance the acquisition of Bear Stearns, once the fifth-biggest U.S. investment bank, opened a new loan facility for securities firms and cut its target rate for overnight loans between banks to 2.25 percent last month.

``The Fed's actions have not eliminated systemic risk, but greatly reduced it,'' said Schumacher, who helps oversee about $135 billion in Oakbrook Terrace, Illinois.

Bank Rally

Richard Fuld, Lloyd Blankfein and John Mack, the chief executive officers at New York-based Lehman Brothers Holdings Inc., Goldman and Morgan Stanley, said this month the worst of the credit-market contraction may be over. The securities firms helped fuel a rally in global stocks last month after their first-quarter results beat analysts' estimates, easing concern that the seizure in credit markets will worsen.

Banks from Citigroup Inc. to Merrill Lynch & Co. and Wachovia Corp. raised about $140 billion since last year to replenish their balance sheets.

Investors in the U.S., the U.K. and Italy recorded the biggest gains in sentiment over the past month, according to the survey. The Bloomberg stock confidence index climbed to 34.6 in the U.S. from 24 in March and to 26.4 in the U.K. from 21.4. The U.K. index was still the lowest among the 10 markets surveyed in the April 7 to April 11 poll.

In Italy, the gauge increased to 48.7 from 39.7. Readings below 50 indicate that more users expect stocks in their country to fall than to rise in the next six months.

Improved Outlook

The survey also found investors became less bearish in Japan, Spain, Hong Kong, France and Switzerland.

``It's certainly likely that the earnings picture will improve as we get into the fourth quarter,'' John Haynes, a London-based U.S. equity strategist at Rensburg Sheppards Plc, which oversees about $20 billion, said in an interview on Bloomberg Television.

The S&P 500 has rallied 4.8 percent from a 19-month low on March 10, while Europe's Dow Jones Stoxx 600 Index has gained 7.1 percent from its 2008 low and the MSCI Asia Pacific Index has advanced 9.6 percent. The S&P 500 has still dropped 9.1 percent this year.

Brazil was the only country where investors predicted gains in the benchmark stock index as higher commodities prices help lift shares of the nation's metals, oil and sugar producers. The confidence index slipped to 66.8 from 75.6 on prospects the central bank will raise interest rates for the first time in three years. The Bovespa has lost 2 percent this year.

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