



Investment Newsletter

April 2023

“ Omni Alpha: ”
Profit From Disruptions

Why Omni Investment Services



“

By entrusting us with your investments via this **discretionary mandate offering**, you can relieve yourself from the day-to-day burden of managing your assets, allowing you to have more time for other meaningful pursuits.

”

“

Your investments will be **expertly and professionally managed** according to your specific investment goals and risk tolerance, whether investing in private, public or both. Besides, your investment will be supported with timely updates and meaningful reporting to make sure you are well informed.

”

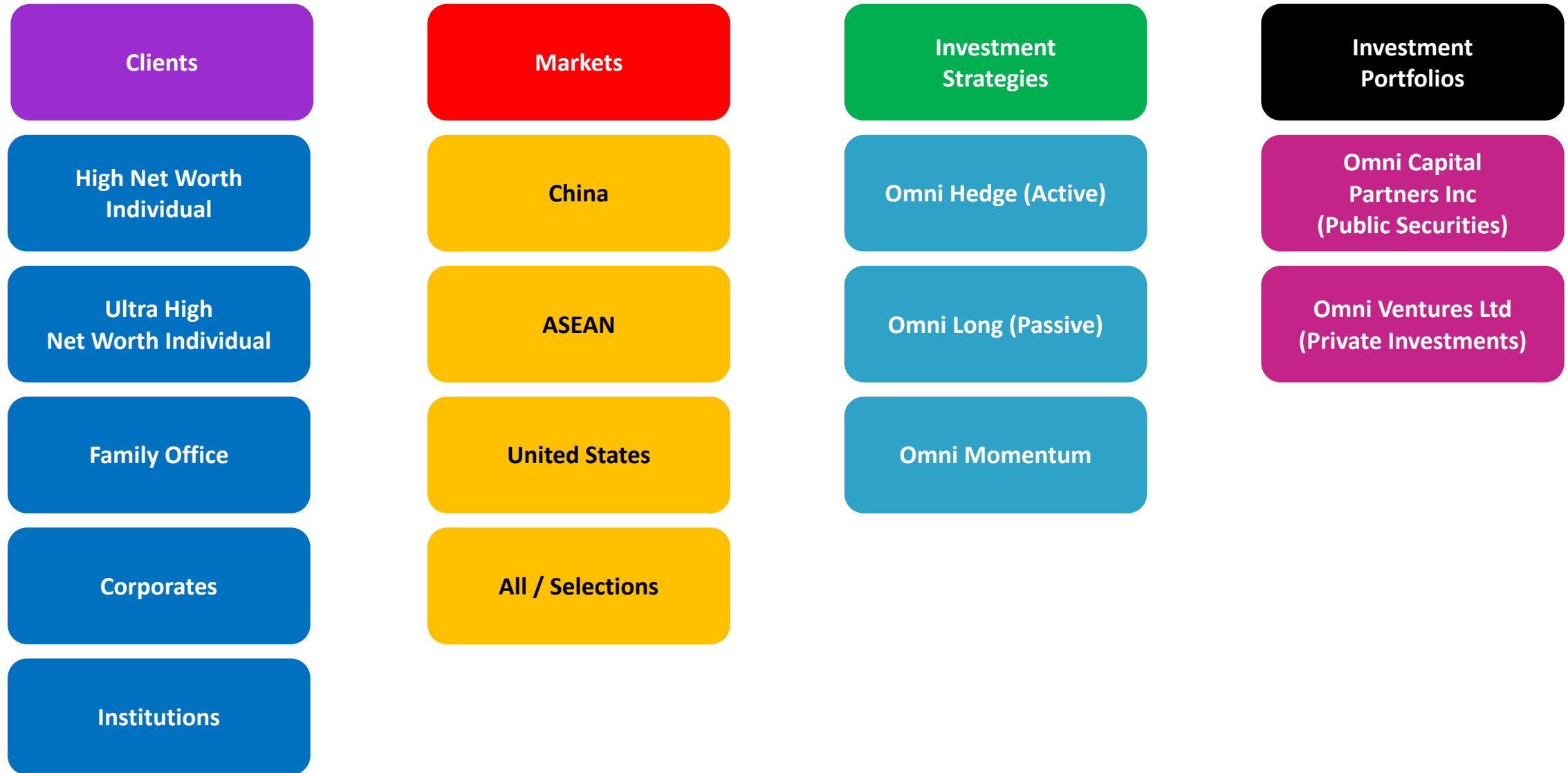
Experienced with
Impressive Track
Records

Different Approach,
Perspective and
Ideas

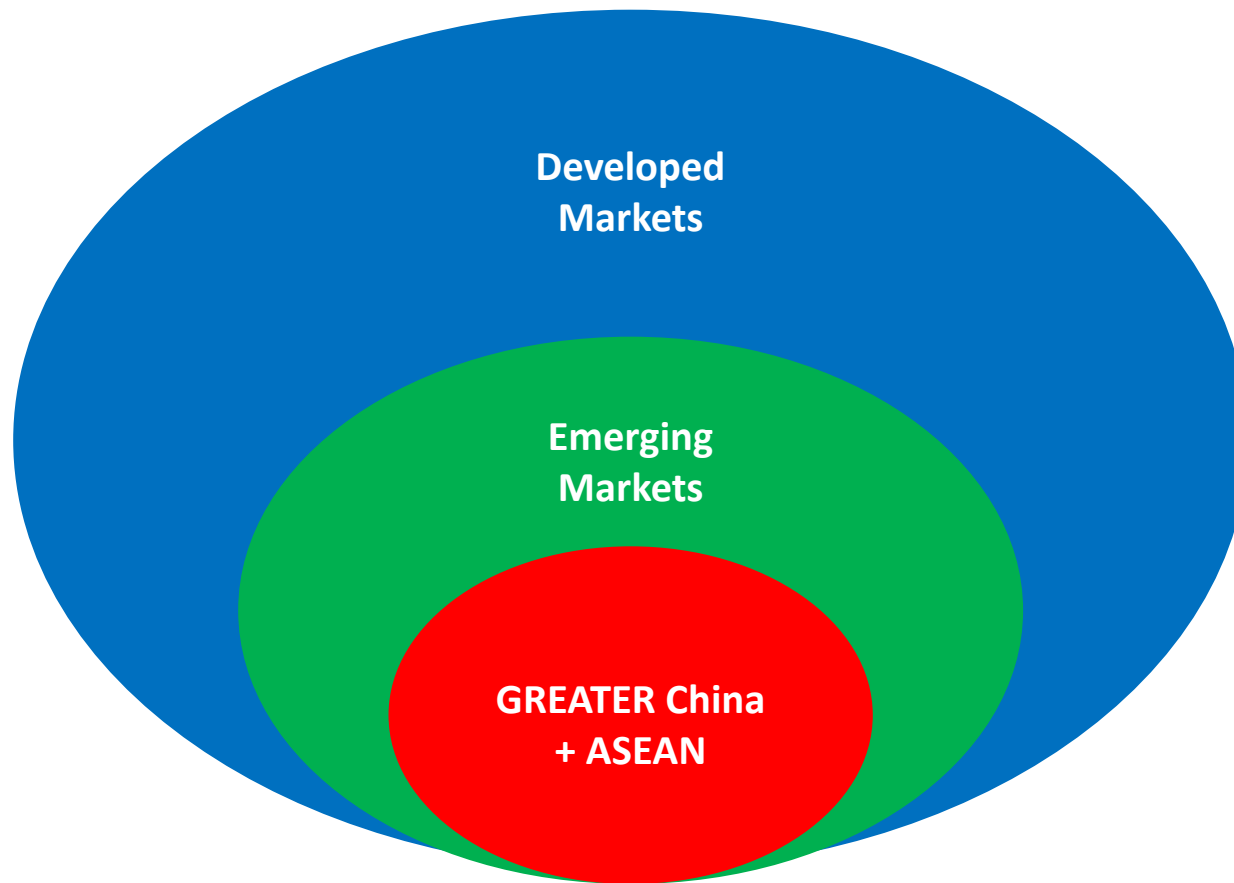
Global Investing
with focus on
China, ASEAN, and
United States

Thematic Investing
with focus on
Disruptive
Technology

Omni Investment Advisory



Omni Investment Focus



Asset Classes

Public Securities:

- Public Equity
- Digital Assets
- Forex
- Commodities

Private Investments:

- Startups
- Venture Capital
- Private Equity
- Direct Investments

Investment Review and Outlook



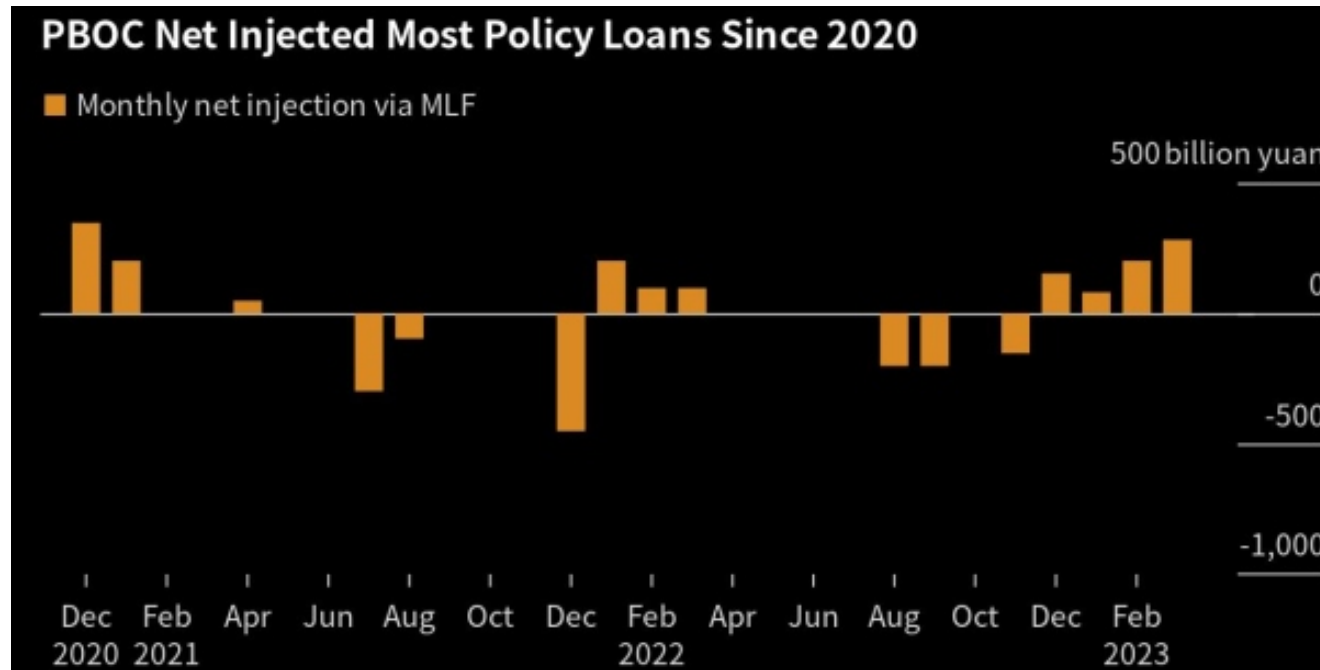
- In China's Government Work Report on the National People's Congress on 5 March, Premier Li Keqiang guided China's GDP growth target for 2023 to around 5%, which is at the lower end of market consensus. With an incoming new administration, lower guidance sets the stage for stronger delivery later in the year. The appointment of new leaders at key government institutions, government institutional reform, and implementation of the pro-growth policies should drive growth momentum in the economy.
- China's latest data on factory output and retail sales suggest its economic recovery from the pandemic is on the right track. That means the PBOC is walking a fine line, while the central bank has to pump in enough cash to fund growth, at the same time, it also needs to avoid too big a policy divergence from global peers. Currently, the growth outlook remains uncertain, giving China policymakers reason to add liquidity support. Hence, the liquidity injection reflects the ongoing need to support the economy, despite recent sentiment and loan data improvement.
- The Federal Reserve is desire to get inflation to its 2% target. If Fed was to pivot by as much and as soon as the market predicts, something has broken. Currently, it would take a severe negative turn to the credit crisis or a rapidly deteriorating economy to justify a pivot, the likes of which markets imply. There is one more point worth considering regarding a Federal Reserve pivot. If the Fed cuts Fed Funds, the yield curve will likely un-invert and return to a normal positive slope. Historically yield curve inversions, as we have, are only recession warnings. The un-inversion of yield curves has traditionally signalled that a recession is imminent.

Investment Review and Outlook



- “With economic uncertainty, slow return-to-office utilization, and an ongoing correction in the technology sector, it is no surprise that the San Francisco office market has gone from having the lowest availability levels in the country pre-pandemic to having the highest availability levels in just over three years,” Savills stated in its report. San Francisco’s soaring vacancy levels, which Savills terms availability, mean that loans for big office buildings in that city could tumble into default — or worse, into foreclosures and property seizures. “With worsening underlying market fundamentals and looming loan maturities, expect more (San Francisco) office property distress to occur in 2023 as many owners find themselves underwater,” Savills stated. A commercial real estate site would be considered “underwater” if its total loan debt exceeds the actual value of the building.

China Steps Up Cash Support as Growth Recovery

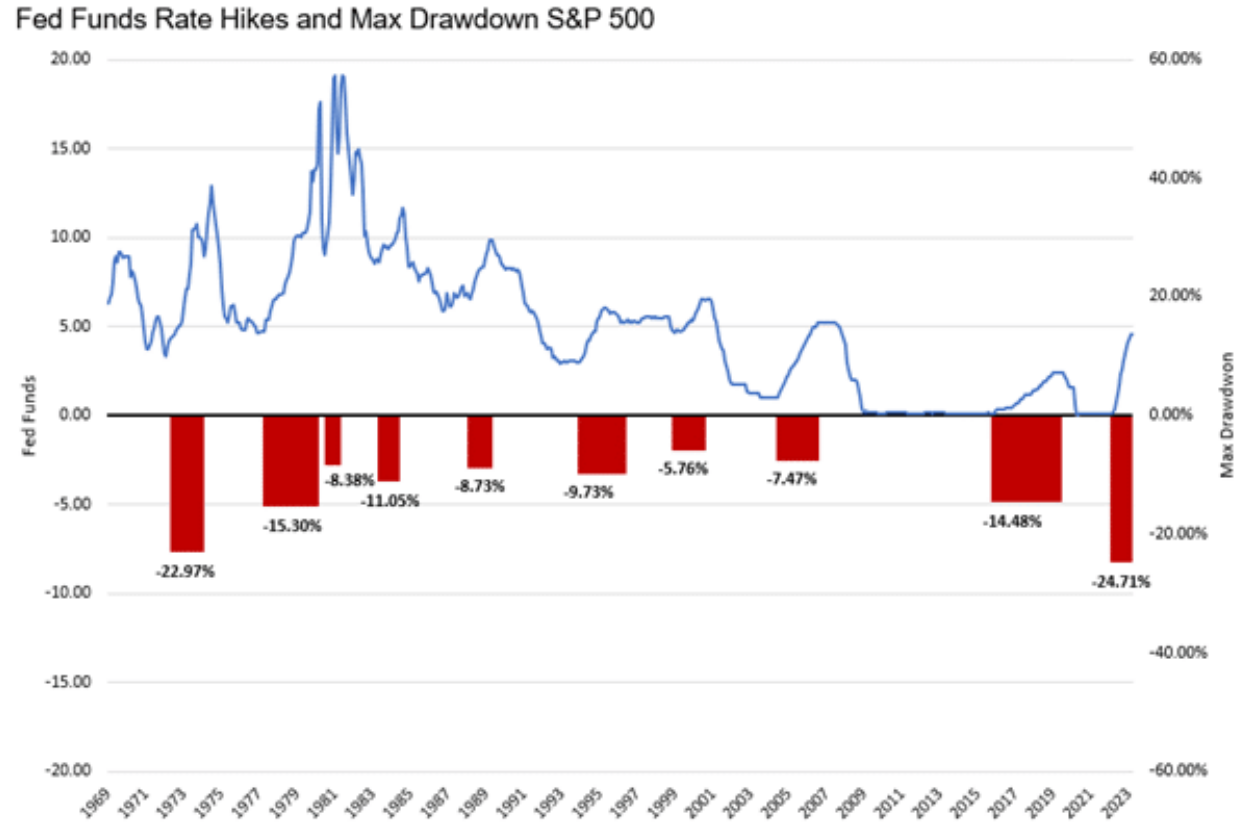


The People's Bank of China added a net 281 billion yuan (USD 41 billion) via its medium-term facility this month, the most since December 2020. The move comes as a gauge of short-term borrowing costs climbed back toward a two-year high, a reflection of tighter liquidity conditions in the interbank market.

Note: Information as of 13 March 2023
Source: Bloomberg



Average 11.5% Drawdown Amid Fed Fund Rate Hikes

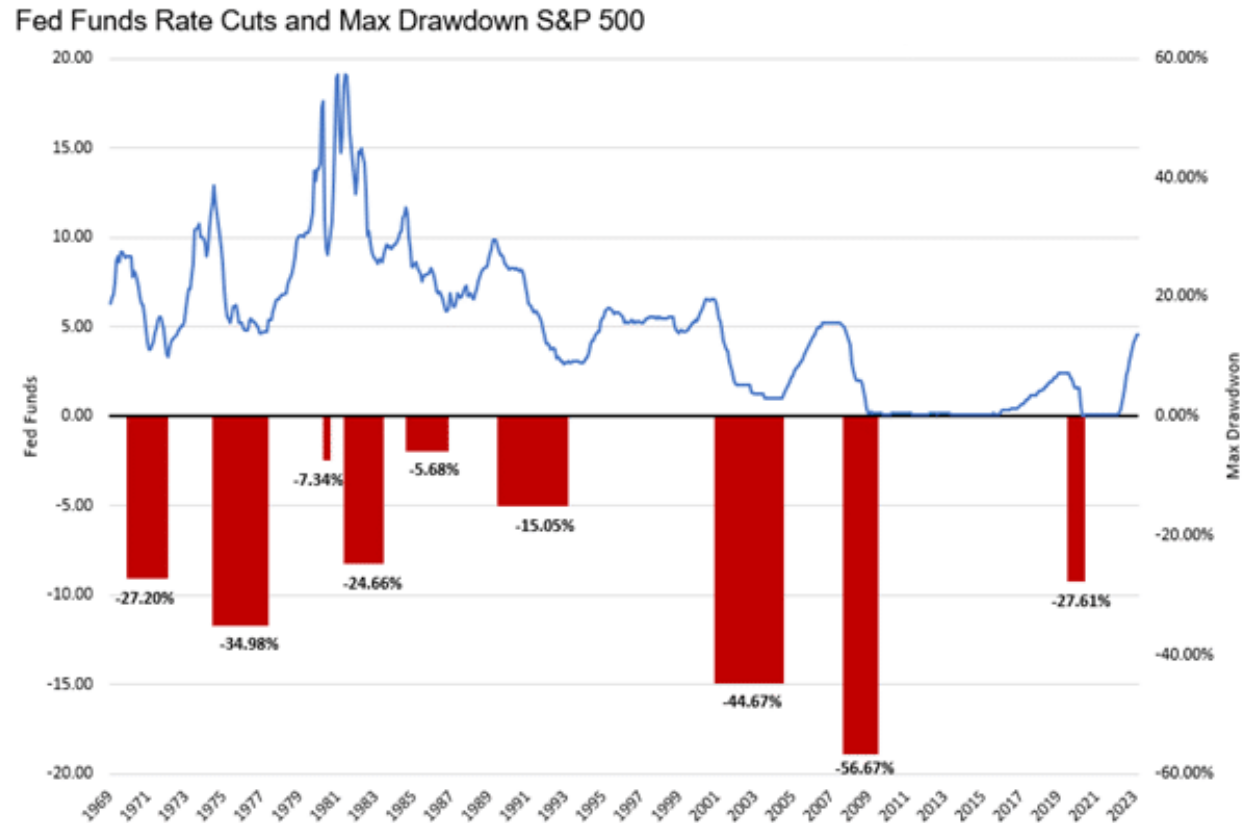


The graph shows the maximum drawdown from the beginning of rate hiking cycles. The average drawdown during rate hiking cycles is 11.50%. The S&P 500 experienced a nearly 25% drawdown during the current cycle.

Note: Information as of 29 March 2023
Source: RIA



Average 27.3% Drawdown Amid Fed Fund Rate Cuts



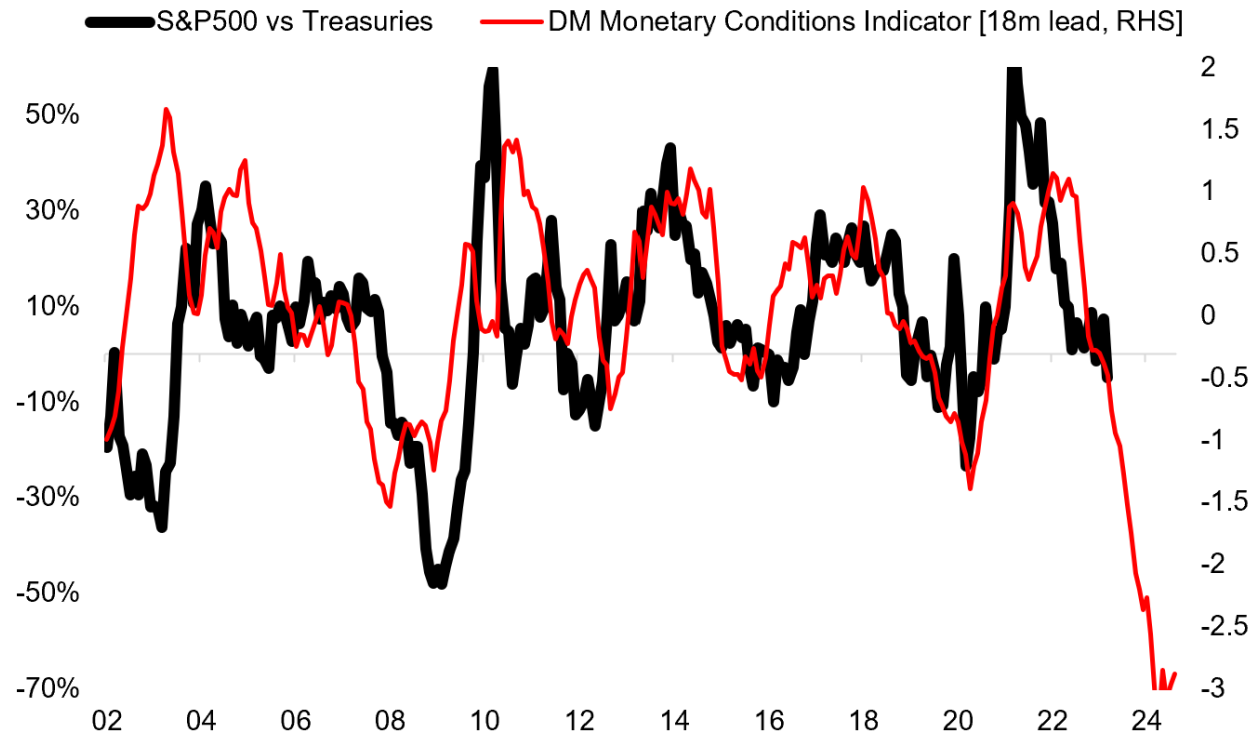
Since 1970, there have been nine instances in which the Fed significantly cut the Fed Funds rate. The average maximum drawdown from the start of each rate reduction period to the market trough was 27.25%.

Note: Information as of 29 March 2023
Source: RIA

Bonds Beat Stocks



Stocks vs Bonds YoY - Leading Indicators



On valuations, treasuries are cheap, and stocks are not. By itself that means bonds have the advantage, but bonds also disproportionately benefit in the event that global recession does indeed set in. The leading indicator affirms this notion in the chart.

Note: Information as of 29 March 2023
Source: Topdown

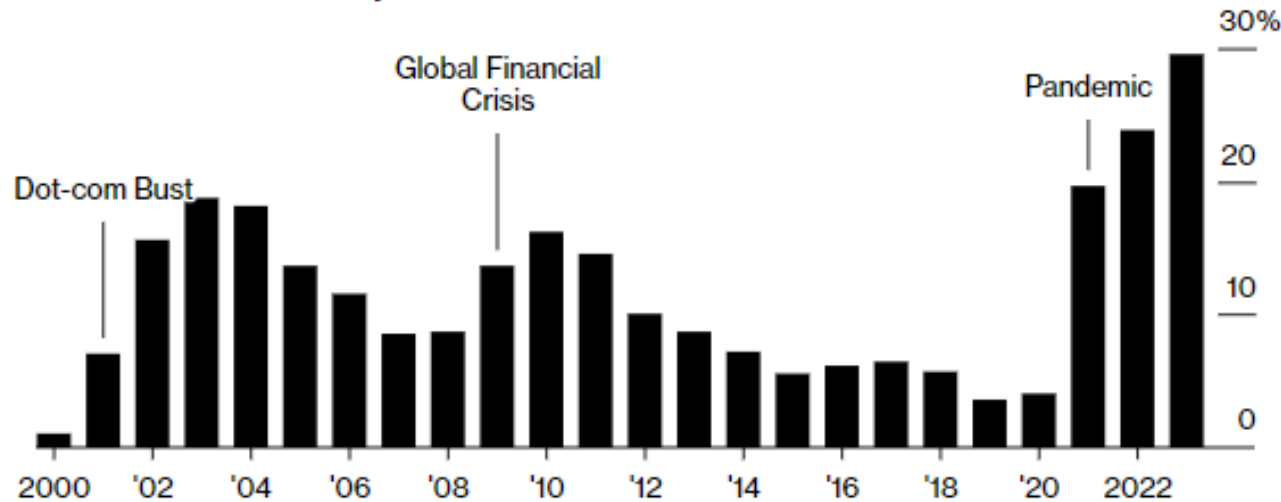


Wobbly Economy Cause Vacancy Rates to Surge

Trouble for Landlords

Office vacancies are worse than in past San Francisco downturns

■ Downtown office vacancy rate



The worsening state of the tech sector fuelled jumps in the availability of office space during the first three months of 2023 in the South Bay and San Francisco, according to a new report by Savills, a commercial real estate firm.

Silicon Valley’s office vacancy rate increased to 23.1% in the first quarter of 2023, a level that Savills described as a “new historical high”, and up from 22.7% in the final three months of 2022.

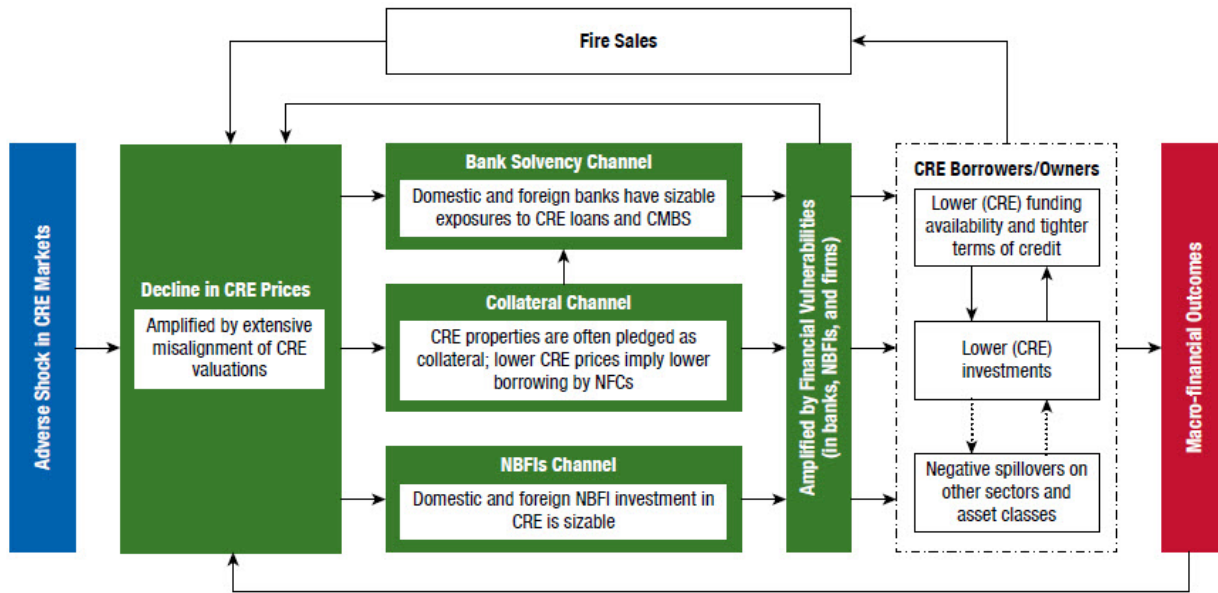
San Francisco’s office vacancy level rocketed to 32.7%, “a new all-time high,” in the 2023 first quarter, up from 32.1% in the fourth quarter of 2022.

Asking office rents in San Francisco, on a monthly basis, averaged \$5.89 per square foot in the January-through-March quarter of 2023, down from \$5.94 per square foot in the October-through-December quarter of 2022.

Note: Information as of 4 April 2023
Source: Bloomberg, CBRE, Savills

Financial Stability Risks Grow as Tightening

Commercial Real Estate Markets and Financial Stability: Channels of Transmission



Note: CMBS = commercial mortgage-backed securities; CRE = commercial real estate; NBFIs = nonbank financial institutions; NFCs = nonfinancial corporations.

A first relevant vulnerability is the extent of overvaluation in prices (that is, how high prices are relative to those implied by economic fundamentals), with a higher overvaluation likely to imply a sharper fall in prices after the shock.

The other sources of vulnerability stem from the financial (or balance sheet) strength of the borrowers and lenders in the commercial real estate market (such as the extent of their leverage or the maturity mismatch of their assets and liabilities), which can create a feedback loop between credit growth and asset prices.

Note: Information as of April 2021
Source: IMF

Contact Info



For further enquires, please contact:

Omni Capital Partners

V02-03-03, Lingkaran SV,
Sunway Velocity,
55109 Kuala Lumpur, Malaysia.

Website: www.ocpi.io

Email: info@ocpi.io

Mobile No: Scott: +6012 210 9119 / Derrick: +6011 1669 4250



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