



Investment Newsletter

June 2023

“ **Omni Alpha:** ”
Profit From Disruptions

Why Omni Investment Services



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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.

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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.

”

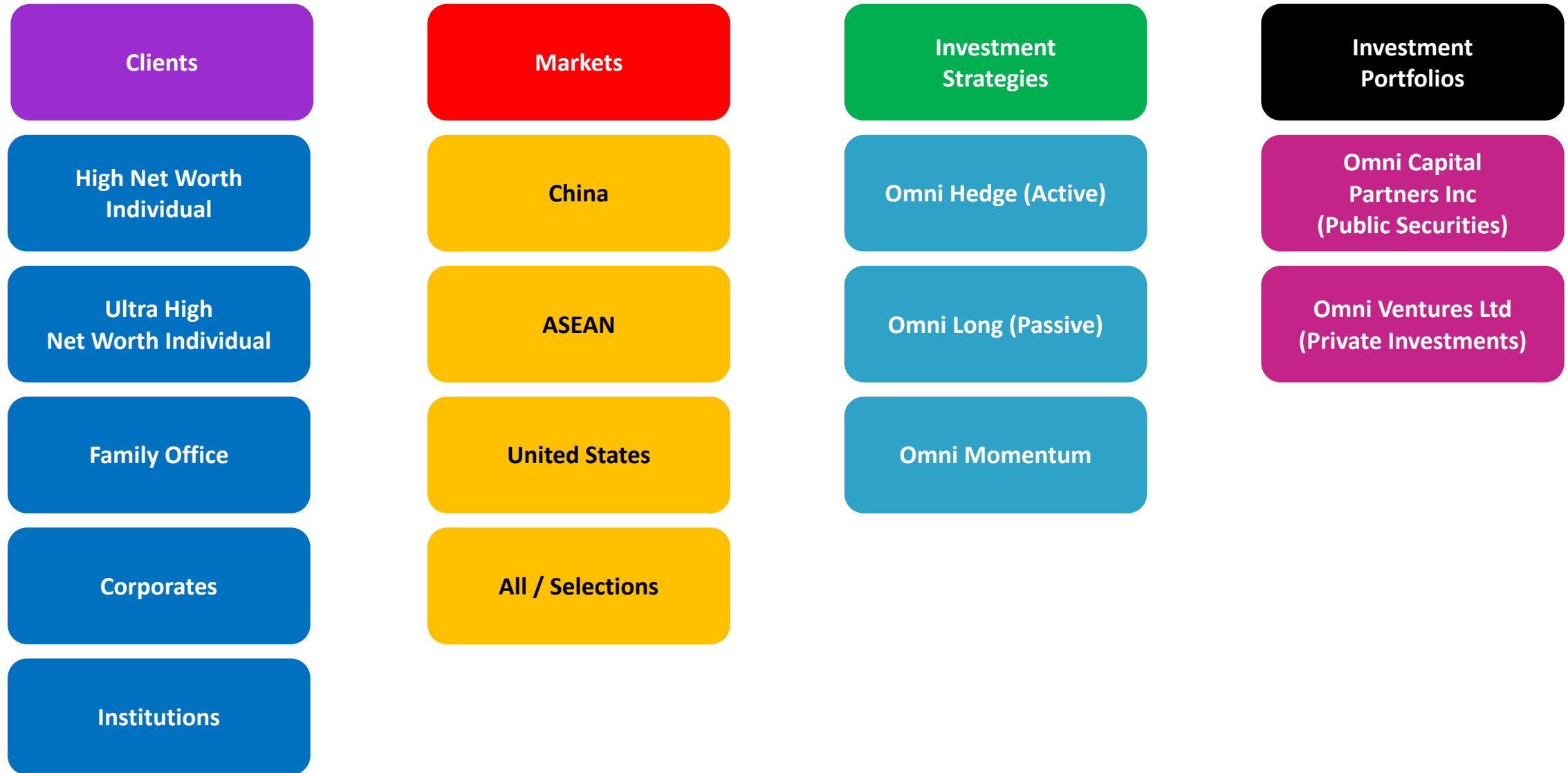
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Impressive Track
Records

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



- Asset price inflation over the past two decades has created about USD 160 trillion in “paper wealth.” Economic growth was sluggish, inequality rose, and every USD 1.00 in investment generated USD 1.90 in debt. The economic, banking, and investment landscape may well look materially different in the next 10 years than it did in the last 20. But the range of possible paths forward is wide, with the best and worst-case scenarios implying sharply different outcomes. Decision makers will need the imagination to prepare for the full range of scenarios while maintaining steadfast determination to achieve the best.
- The current market environment is characterized by partial advancement rather than a uniform upward, positive trend in market technical. On the bullish side, major indexes are displaying structural uptrends, indicating overall positive market conditions. The S&P 500 is trading above its 200-day moving average, suggesting sustained price strength. Furthermore, risk-on and FOMO segments of the market have recently started to outperform again, signalling increased investor confidence in higher-risk investments.
- However, it is essential to acknowledge the bearish factors as well. There is a significant risk of a major recession, and if this risk materializes, it would lead to substantial declines in stock market prices, probably surpassing the 2022 October lows. Additionally, market breadth, which measures the participation of individual stocks in the market’s performance, is currently poor. This implies that the market’s overall strength is driven by a limited number of stocks, while the majority are not sharing in the upward movement.

Investment Review and Outlook



- For China stock market, even when the gains started to fizzle out, few expected the downturn to be this prolonged and steep. The gauge has lost close to 20% from its 27 January peak, shedding about USD 1.5 trillion at the depth of the rout. The Hang Seng China Enterprises Index has also tumbled into a bear market, while the CSI 300 benchmark for mainland shares has erased all its gains for the year. The bearish calls against Chinese equities are growing, but any further weakness is a chance to buy, as China firms offer pretty good value and earnings in some areas. As of 13 June 2023, China's central bank surprised most economists and market participants by cutting a short-term policy interest rate, a sign that officials are increasingly concerned about faltering growth and are stepping up stimulus to boost the recovery.
- It is essential to consider that Bitcoin is currently in the process of recovering from the bear market experienced in 2022, which was influenced by concerns surrounding regulations and macroeconomic factors such as inflation. Currently, Bitcoin is trading within a consolidation phase, and its rally beyond USD 30,000 has been impeded by recent regulatory scrutiny.
- In a June 8 speech at the Piper Sandler Global Exchange & Fintech Conference, United States Securities and Exchange Commission (SEC) Chair Gary Gensler compared the current crypto market to the 1920s US stock market, saying that it is full of "hucksters," "fraudsters" and "Ponzi schemes." Just as Congress cleaned up the stock market by enacting securities laws, the current SEC can also clean up the crypto market by applying these laws.

Four Broad Economic & Balance Sheet Scenarios (1)



Four broad economic and balance sheet scenarios to 2030 are possible.

	Return to past era	Higher for longer	Balance sheet reset	Productivity acceleration
	Like United States post–global financial crisis, late 2000s–2010s	Like United States post–oil shock, 1970s	Like Japan post–real estate bubble, 1990s	Like United States post–WWII, late 1940s–1950s
What would happen	Back to weak investment and savings glut	Strong desired investment and consumption despite headwinds to growth	Fiscal and monetary tightening; financial system “accidents”	Technology deployment and productive investment
What it means	Sluggish growth, rising wealth on paper, growing balance sheet risk	Gains in nominal but loss in real wealth	Asset correction and balance sheet stress	Growth in real wealth, declining balance sheet risk
Growth¹	Slightly below trend ²	About 0–1 p.p. above trend	About 1 p.p. below trend	About 1 p.p. above trend
Inflation¹	About 0–1 p.p. below target ³	About 2 p.p. above target	About 1 p.p. below target after initial spike ⁵	About 1 p.p. above target
Real rate¹	About -1% ⁴	About 0%	About -1–0% (after an initial spike)	About 1%

Note: Information as of June 2023
Source: McKinsey & Company

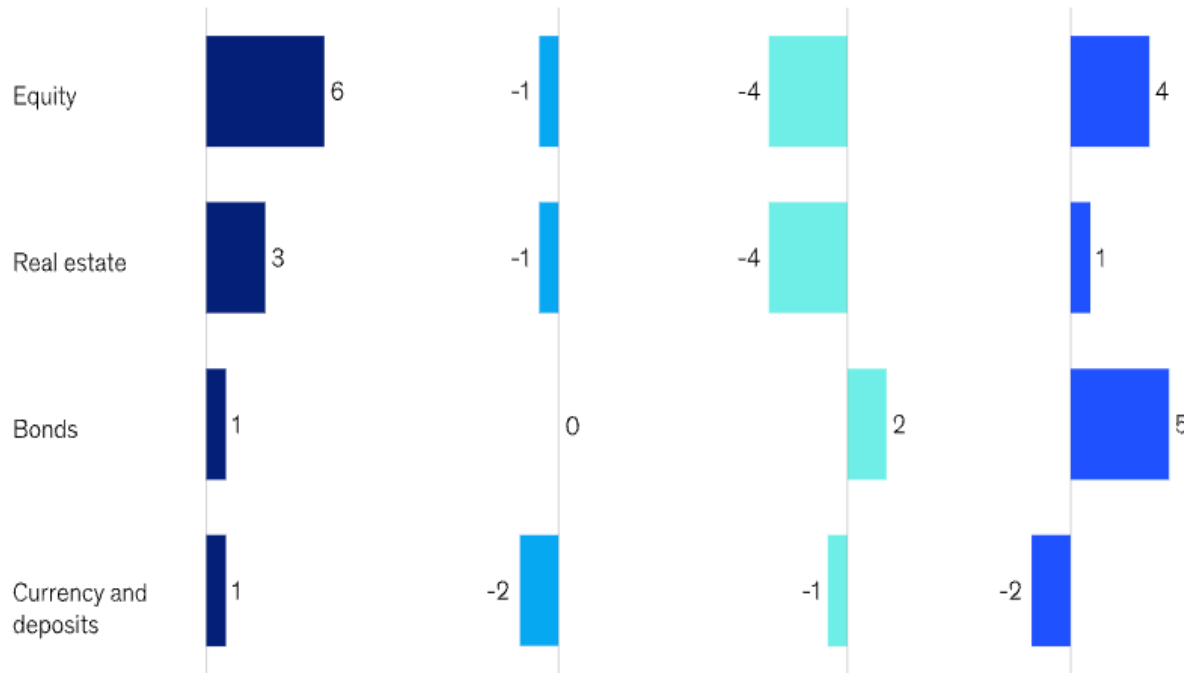
The first scenario is a “return to the past,” in which the current volatility proves temporary and balance-sheet expansion resumes. For some, this may sound attractive, but an expanding balance sheet would continue to raise the risk of economic shocks. It would also come at the expense of growth in the real economy, and would exacerbate inequality.

In the second, “higher for longer” scenario, inflationary pressure becomes entrenched, but concerns about financial stability moderate policy tightening. Demand would remain strong, as investment picked up to support imperatives like the clean-energy transition, the reconfiguration of supply chains, and defense. The savings glut would wane.

Four Broad Economic & Balance Sheet Scenarios (2)



Growth in asset values, US example (real, CAGR 2022–30, %)



¹2022–30 average. ²Assuming a return to 2008–16 average in the United States after recession in 2023. ³2 percent US inflation target. ⁴Central bank policy rates. ⁵2022–30 average here is 0–1 p.p. above target due to this initial spike.
 Note: Total market values do not describe asset performance.
 Source: Citibank; Consensus Economics; Deloitte Insights; EconForecasting; Goldman Sachs; IMF; JPMorgan; Morgan Stanley; OECD; PwC; USDA; World Bank; McKinsey Global Institute analysis

The third scenario, a “balance-sheet reset,” represents the worst case. Here, interest rates would continue to rise, contributing to financial-system stress or even failures. This would lead to a sharp correction in asset values, with many debt-financed assets ending up under water. A drawn-out deleveraging process and a long recession could follow, with the value of US equities and real estate potentially dropping by more than 30% in real terms between now and 2030. This scenario recalls what happened in Japan in the 1990s, after its real-estate and equity bubble burst.

But a fourth, far more desirable “productivity acceleration” scenario is also plausible. This is the Goldilocks scenario that is good for both growth and wealth. Faster productivity gains would support strong GDP growth, bolster incomes and wealth, and lead to a healthier balance sheet. Achieving this best-case scenario would require fiscal and monetary policymakers to strike a delicate balance: some tightening is needed to mitigate inflation, but too much tightening would deplete wealth and cause financial stress.

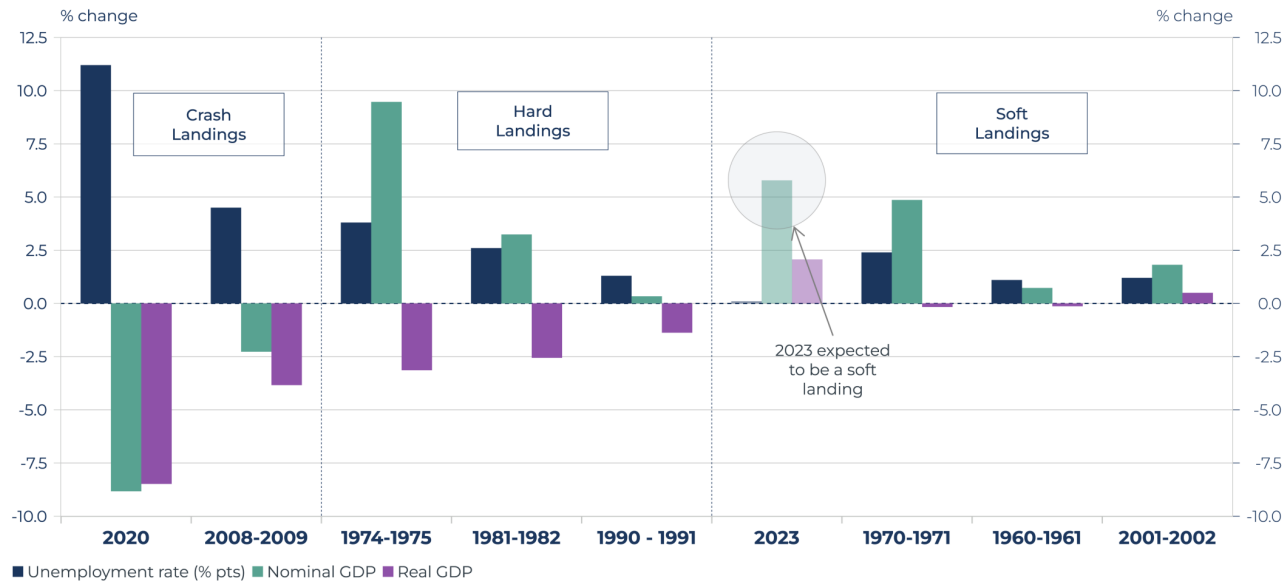
Note: Information as of June 2023
 Source: McKinsey & Company

Hard, Soft and Crash Landings Through History



Change in GDP and unemployment rate during recessions

A potential "non-recession recession" in 2023?



The Fed is in search of a “soft landing.” These aren’t mythical, but they are relatively rare.

Current Fed estimates call for a two-quarter, soft landing recession that begins at the end of this year. Historic precedents include 1970-71, 1960-61 and the early 2000s downturn after the tech bubble popped.

As for crash landings, the pandemic episode of 2020 is in a class by itself. Perhaps unsurprisingly, the GFC was second worst.

Will this recession be more like the hard landings of the mid 70s and early 80s? The CEO of Apollo Global Management is expecting a “non-recession recession,” where the pain is felt more in asset prices. (The 2001-02 popped dotcom bubble period could be categorized this way.)

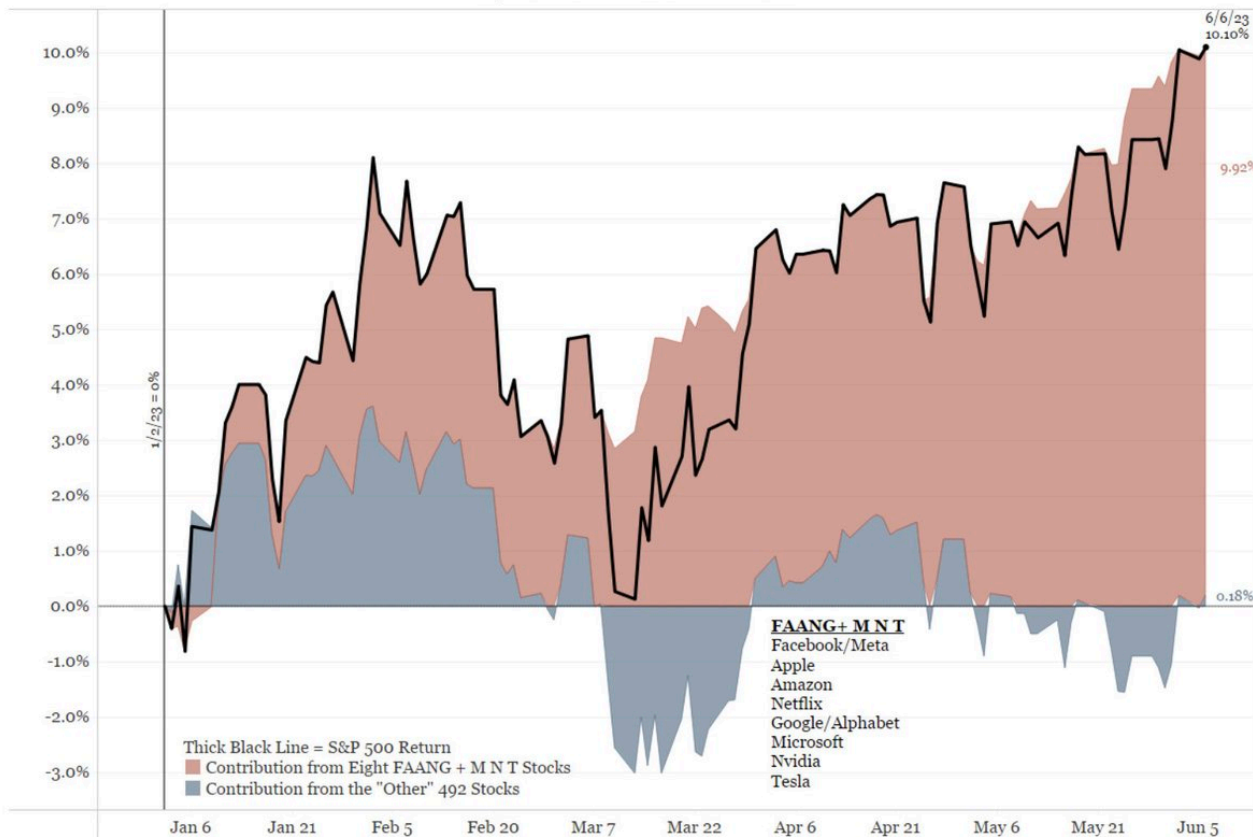
Note: Information as of June 2023

Source: Macrobond, BLS, Fed, BEA, Dates used for 2023 Recession: Q4 2023 - Q1 2024

The Challenge of Poor Market Breadth



FAANG + MNT Stocks' YTD Impact on S&P 500
Top 8 Stocks Contribution to Total Return



The contribution to the year-to-date return of the S&P 500.

As of 6 June 2023, the year-to-date return S&P 500 (black line) was 10.10% * The top eight FAANG + MNT contributed 9.92% to the overall S&P 500. The "other 492" contributed a 0.18% return to the S&P 500; the "other 492" has collectively dragged the S&P 500 lower.

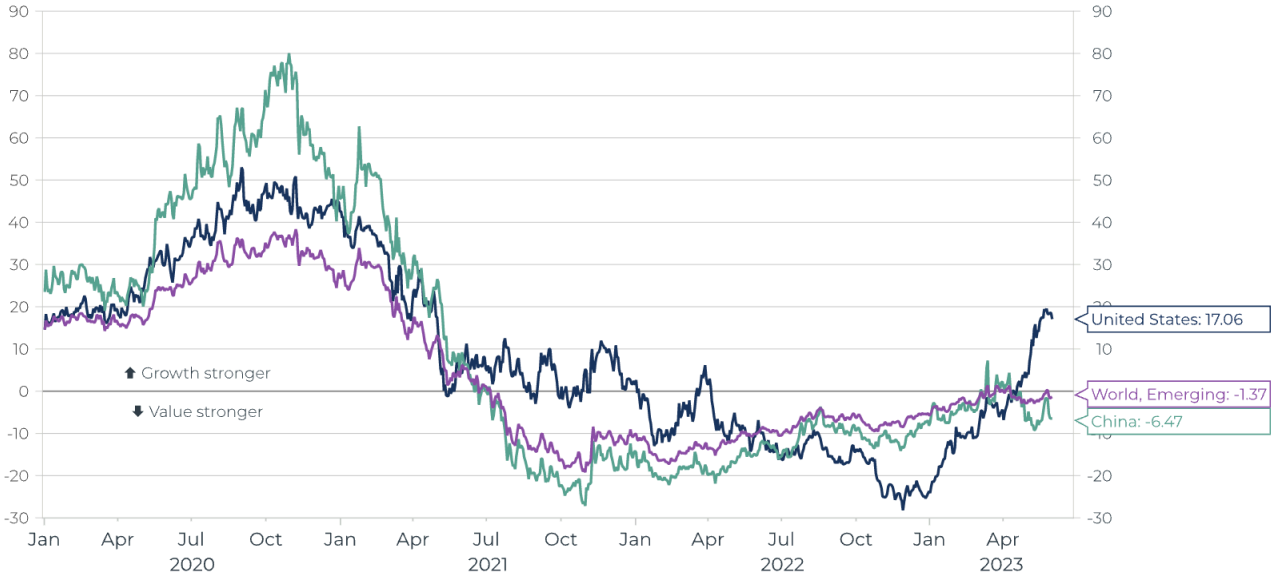
Note: Information as of June 2023
Source: Bianco Research



No Longer Swings in Unison

Growth has outperformed Value in US, but not in EMs yet

Year-over-year performance spread between Growth and Value for different regions



Note: Information as of June 2023
Source: Macrobond

A reading above zero indicates growth was outperforming value, and vice versa for a negative number.

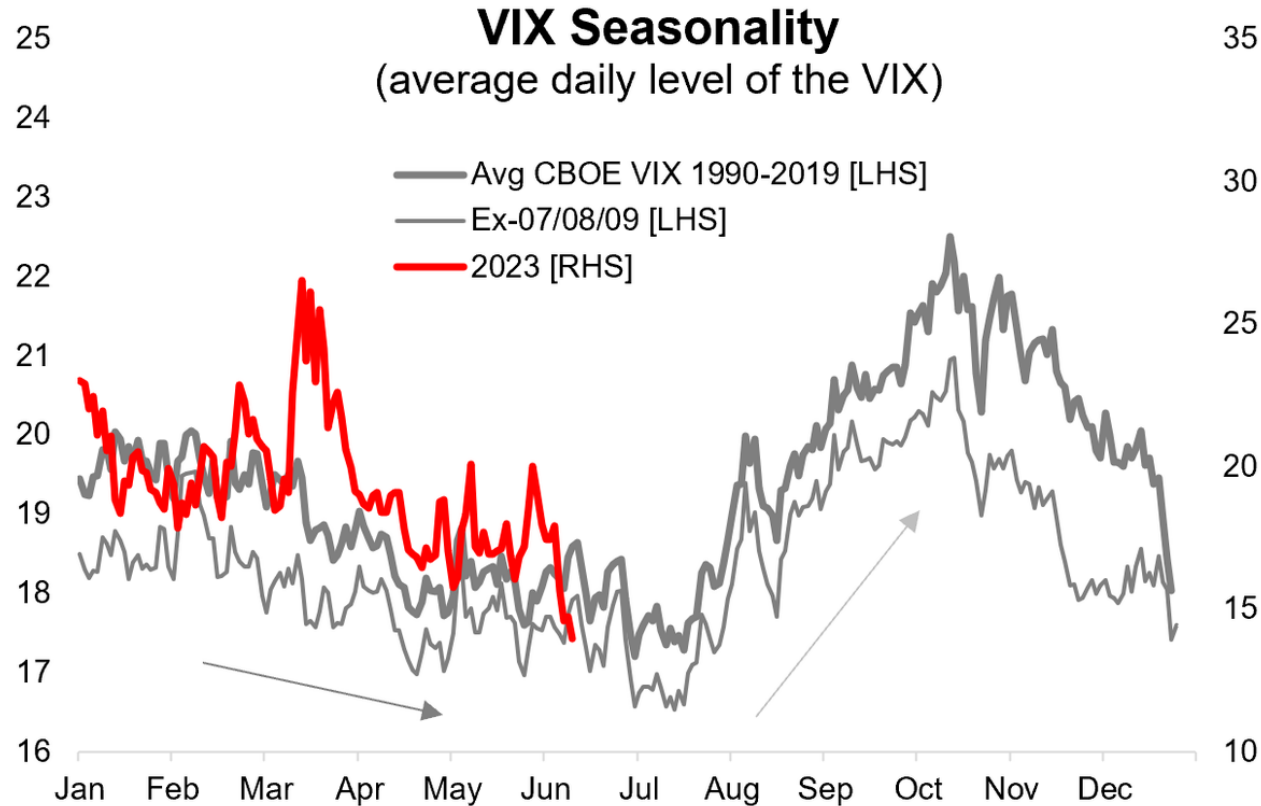
Growth stocks get their name from perceptions of their future earnings potential, while value stocks offer more predictable business models at cheap valuations.

With tech stocks usually considered “growth” and energy usually considered a “value” play, it’s no surprise that a growth strategy outperformed in both the US and EMs including China during the pandemic year of 2020.

The US and China have been more divergent over the past year. In China, value is still outperforming growth as local tech shares lag behind their US counterparts.



History Suggests VIX is Poised for Sharp Reversal



The VIX may be getting close to a bottom after hitting the lowest level in more than three years. The largest drop this year, as the debt-ceiling standoff was resolved and the mixed payrolls data for May diluted the odds of a rate hike in June. The retreat means the VIX is more than 34% below its widely-followed 200-DMA. Such a significant divergence has typically marked a trough.

The VIX averaged a jump of 17% over the following 20 trading days when it hit or exceeded a difference of more than 30%, a decade of data show. More significantly, the index was higher after 20 days in 42 out of 44 instances where the difference was at least 30 percentage points. VIX hopefuls also have seasonality on their side this month, with the volatility index pushing higher 80% of the time in June over the past 10 years.

Note: Information as of June 2023
Source: Topdown, Refinitiv

Bitcoin is Ready for a Consolidation Phase



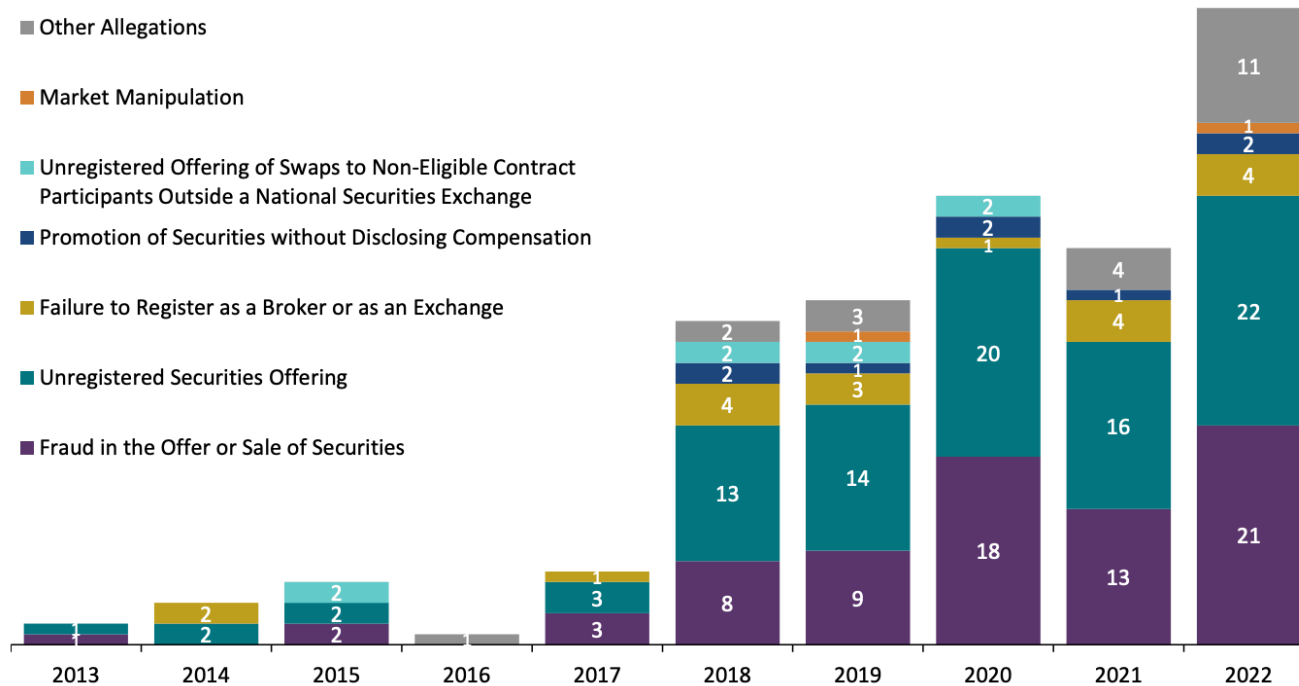
Coinpedia reported that the Bitcoin whales have shifted to active mode. They accumulated heavily as soon as the price soared above \$30,000. Hence, the possibility of the whales selling 'greed' emerges, as they tend to buy out at 'fear'. Currently, market sentiment is greedy, as the Fear and Greed index stands at 65.

Besides, the realised profit and loss ratio has rebounded from the equilibrium position, suggesting the profits are being accumulated. Hence, considering all the technicalities and on-chain data, it is quite obvious that no particular event has led to the current pullback.

Hence, a consolidation range between 25,000 to 35,000 is expected to stay.

Note: Information as of June 2023
Source: TradingView

Allegations in SEC Cryptocurrency Enforcement Actions 2013 - 2022



The U.S. Securities and Exchange Commission (SEC) brought a record number of crypto-related enforcement actions last year, up 50% as compared to 2021, per a report released by consulting firm Cornerstone Research.

The report found that over the course of 2022, the SEC brought 30 total enforcement actions: 24 litigation actions in U.S. federal courts, and six administrative proceedings. The number of litigations rose from 14 cases registered the previous year.

Of the 30 enforcement actions, 14 involved initial coin offerings (ICOs), with 57% of these actions including a fraud allegation.

Note: Information as of June 2023
Source: SEC

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