



全创资本

OMNI CAPITAL PARTNERS

# Investment Newsletter

October 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.

”

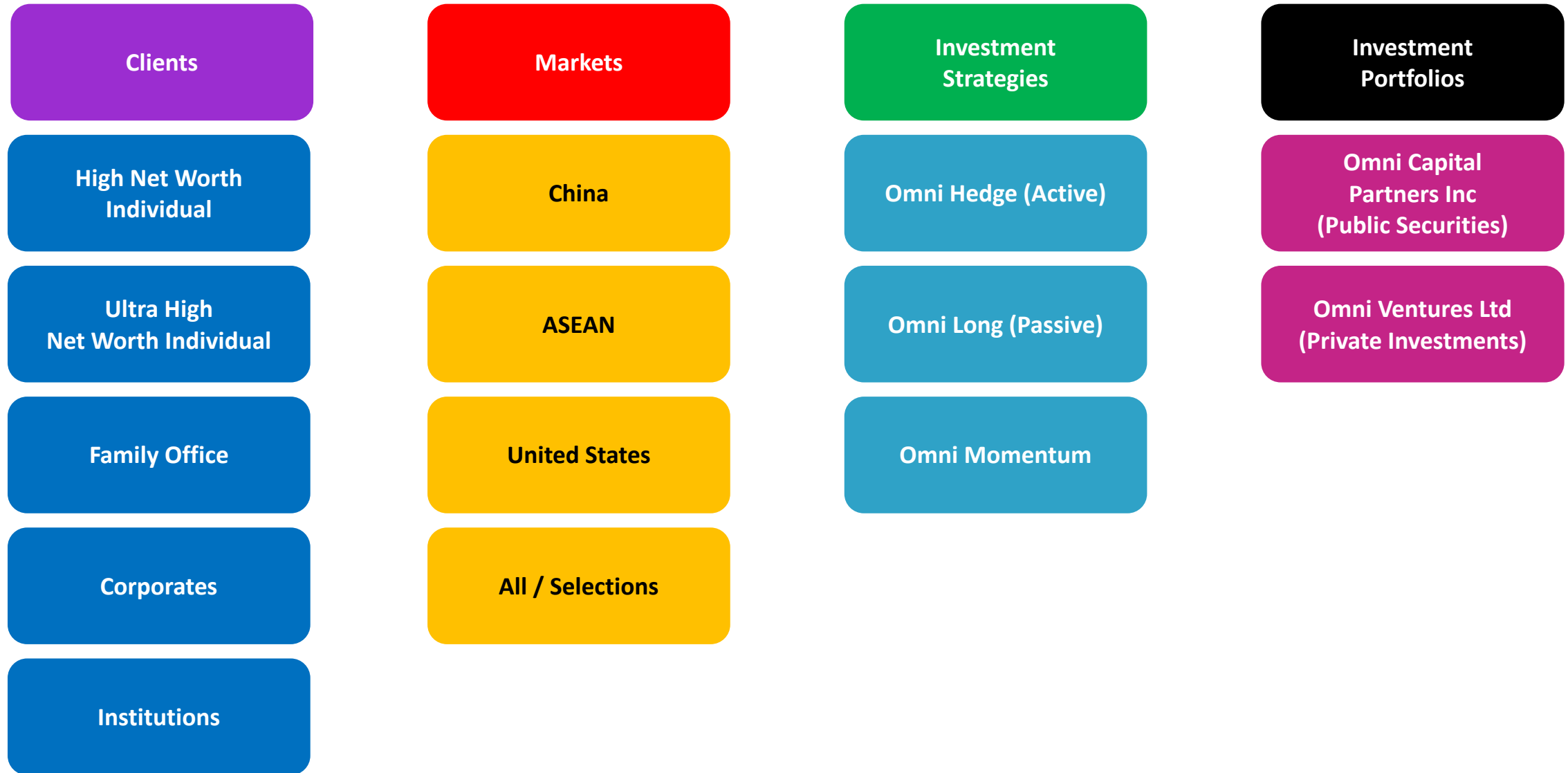
Experienced with  
Impressive Track  
Records

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*



- Interest rates on US debt are on the rise primarily due to economic growth and increased debt issuance. This is evident in the sustained significance of real interest rates and term premiums as major contributing factors. In contrast, there haven't been significant changes in inflation expectations and the projected trajectory of interest rate hikes. Whether it's robust economic growth or substantial debt issuance, these trends are a direct consequence of fiscal generosity rather than currency-related factors. The government's expansion of credit and its "underwriting" of private sector risks have also heightened pressure on the fiscal balance, leading to increased repayment obligations and elevated interest rates.
- Several factors are poised to curtail the potential for fiscal stimulus in 2024. These factors encompass the limitations imposed by the debt ceiling, the dynamics of bipartisan politics during an election year, and the escalating costs associated with interest payments. Consequently, the government's inclination to rely on credit-driven leniency may encounter heightened constraints. There are risks associated with this assessment, such as the potential for 1) another event resembling the financial crisis of 2008 necessitating continued fiscal easing, and 2) potential disruptions in the geopolitical landscape.
- The deceleration in fiscal activity signifies a tightening of the credit cycle, which could result in a general decline in long-term treasury bond yields. Nevertheless, this decline is expected to be gradual and may necessitate specific catalysts and turning points, such as sudden increases in interest rates, unforeseen risks, or weakening key economic indicators.

# *Investment Review and Outlook*



- In latest biannual Financial Stability Report, the US central bank has raised concerns about the potential for global market disruptions if conflicts in the Middle East and Ukraine intensify or if other issues emerge. They also noted that Treasury market liquidity remains low compared to historical levels, indicating caution among market participants, especially riskier borrowers are beginning to face more significant financial challenges.
- The Bank of Japan continued to pursue a contradictory monetary policy. On one hand, the bank aims to achieve a sustainable increase in the longer-term underlying inflation rate, which had been hovering around 0% for approximately two decades prior to the pandemic, with the target set at 2%. On the other hand, the bank is now also working to counteract the post-pandemic inflation surge, which has propelled core Consumer Price Index (CPI) to its highest level since the early 1980s. What's noteworthy is that, instead of concentrating solely on addressing the immediate issue, as most other central banks in developed economies do, the Bank of Japan is endeavouring to shape its policy to simultaneously address both its short-term goal of reducing inflation and its long-term goal of increasing inflation.
- The IMF believes China's economy will benefit from a shift away from property sector dependency. Allocating resources to more productive sectors such as electric-vehicle production, technological innovation, and environmental protection will boost the economy. However, the IMF warns of a growth slowdown to 3.5% next year, attributing it to weak productivity growth. It emphasizes the need for China to adopt pro-market structural reforms to boost growth.

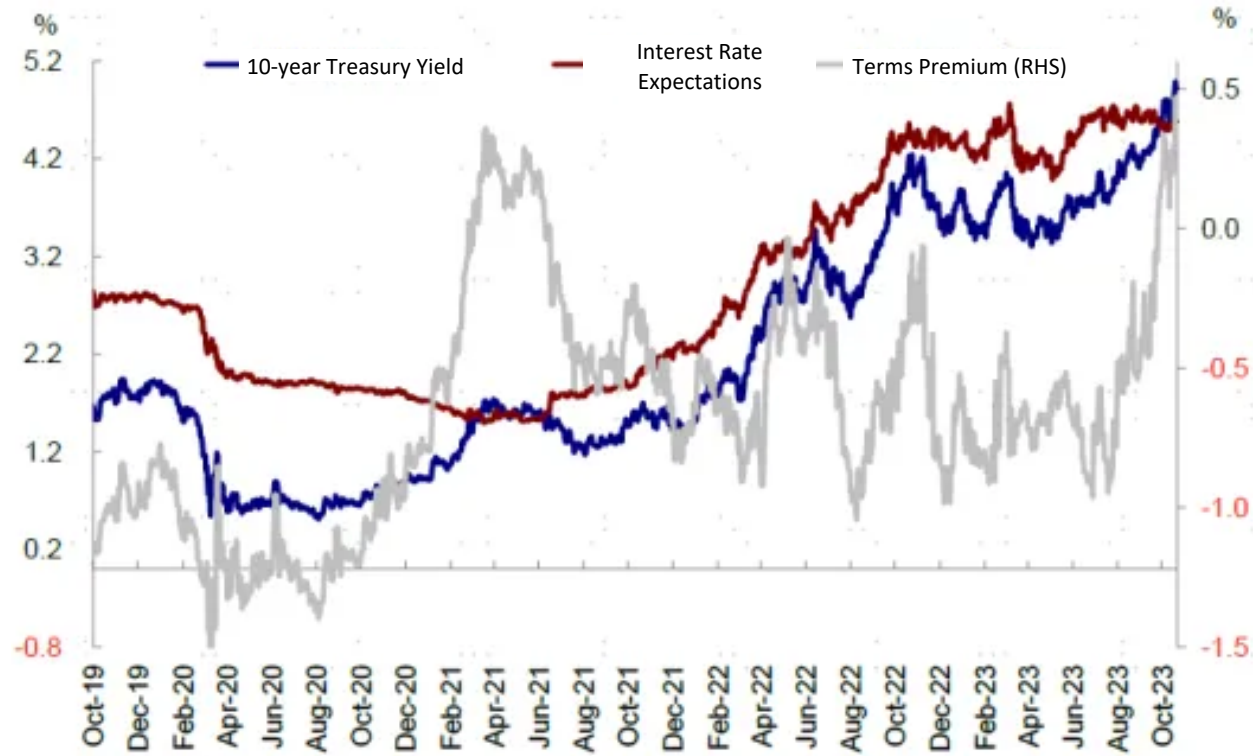
# Real Interest Rates Contributions From “Strong” Economic Data



This is due to the recent economic data that has once again exceeded expectations, not inflation. Starting on October 11, interest rates on US bonds rose 43 bps again and hit a high of 5.0%. Among them, real interest rates contributed 26 bps and inflation expectations contributed 17 bps.

Note: Information as of October 2023  
Source: Bloomberg, CICC

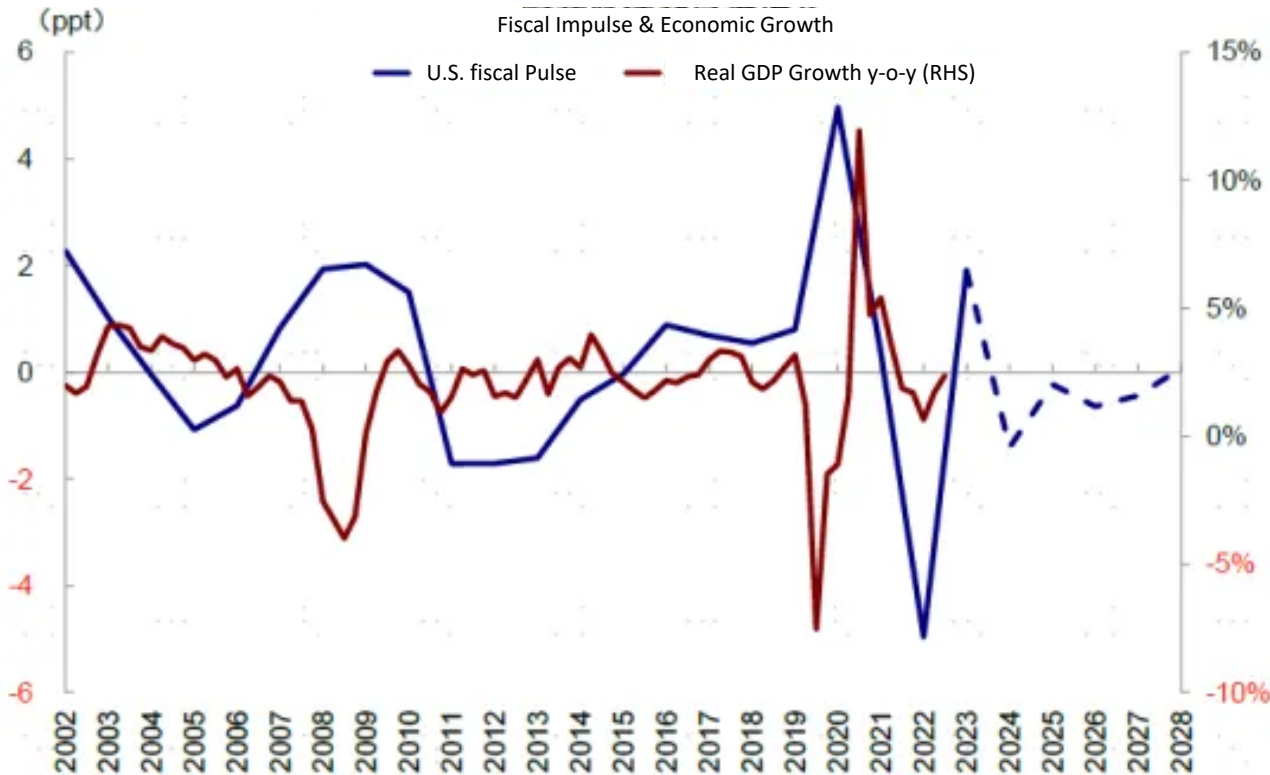
# Term Premium Contributions From “Expansion” of Debt Issuance



This is due to the concerns that the US Treasury may continue to expand and debt issuance will increase. Of the 43 bp increase in interest rates on US bonds mentioned above, the term premium contributed 39.8 bps, and the interest rate was expected to contribute 3.7 bps

Note: Information as of October 2023  
Source: Bloomberg, CICC

# Impact of US Fiscal Pulse on the Economy



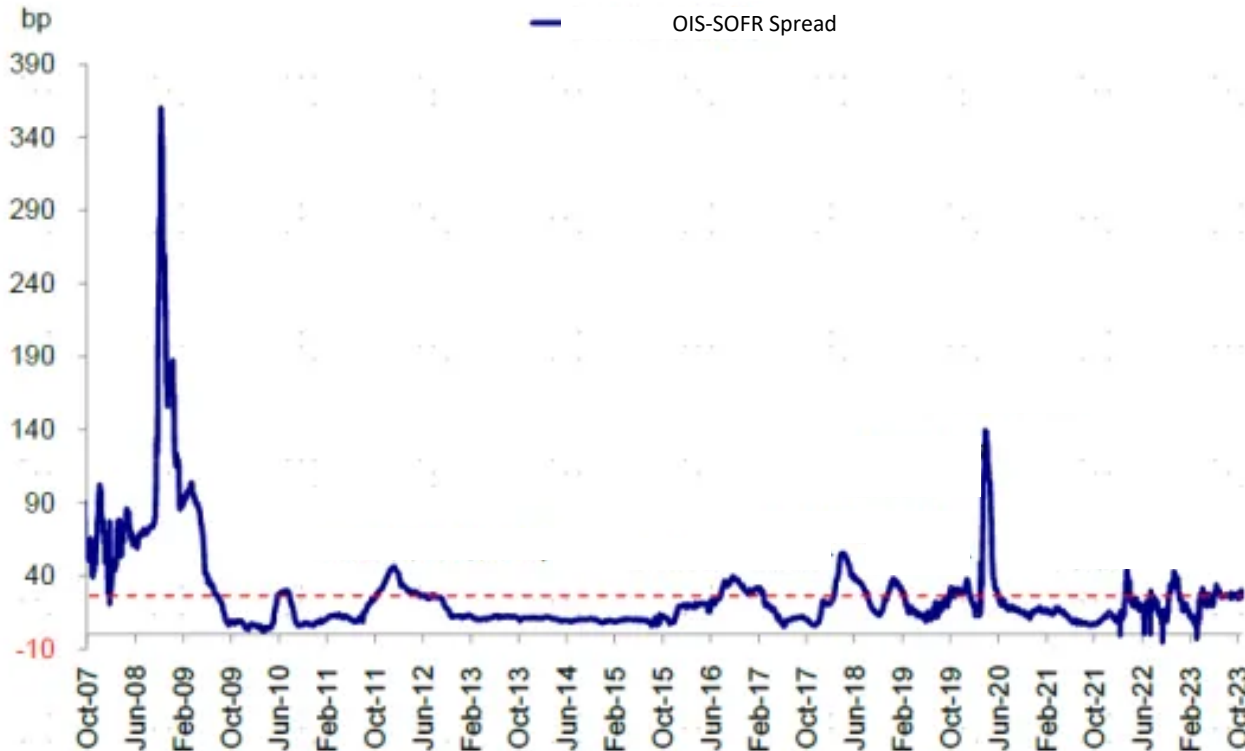
Going forward, the debt ceiling's restraint on fiscal spending, the election year bipartisan, and rising interest spending are all likely to suppress the fiscal stimulus space in 2024. This means that government leveraged credit leniency may face tightening pressure.

Hence, the risks of:

- 1) another SVB-like tail risk may force the government to "take action" again; &
- 2) the impact of geopolitical changes on US defence spending.

Note: Information as of October 2023  
Source: IMF, Haver, CICC

# Further Global Tightening On Liquidity



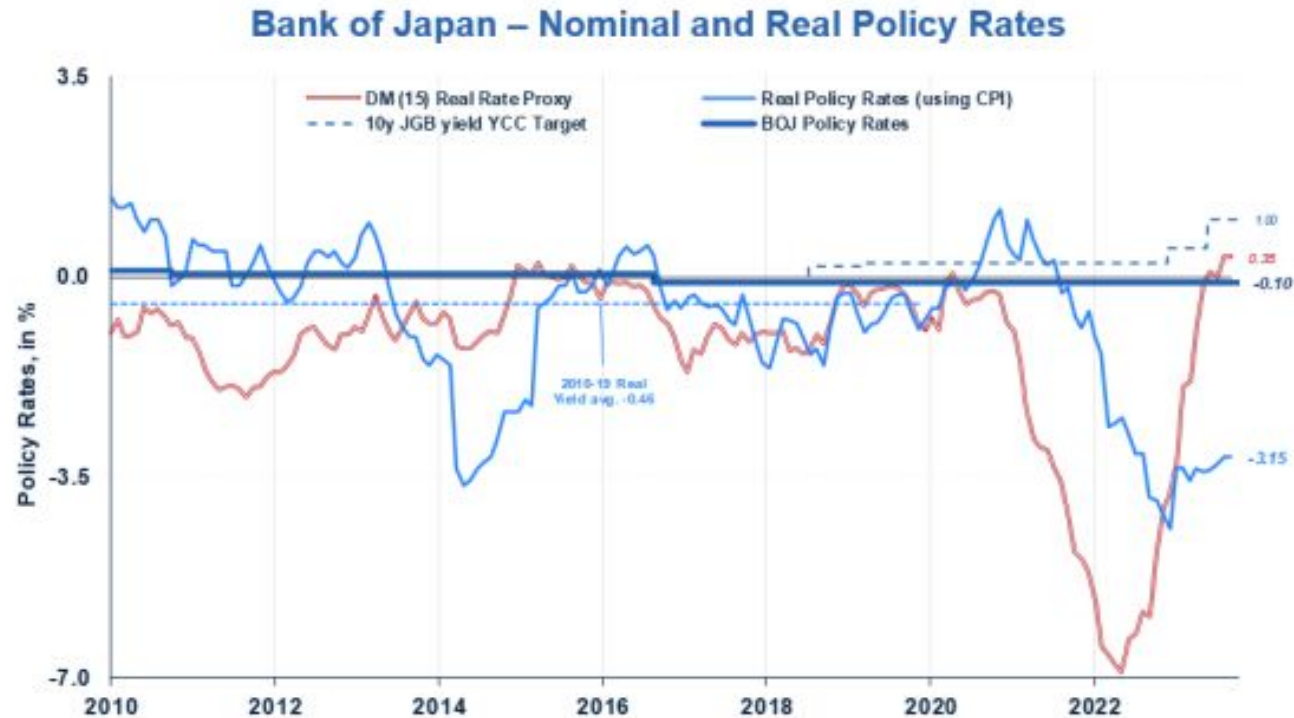
Offshore dollar liquidity has tightened, and reverse repurchase usage remains low.

Over the last week of October, the OIS-SOFR spread has risen to 30 bps, and credit spreads on US high-yield bonds and investment-grade bonds have all widened.

In terms of measuring the liquidity of offshore dollars, the Japanese yen, the pound, the euro, the Swiss franc, and the US dollar have all widened. The amount of reverse repurchases used by major US financial institutions on the Federal Reserve's accounts has declined somewhat. Currently, usage is 1.14 trillion US dollars/day.

Note: Information as of October 2023  
Source: IMF, Haver, CICC

# Bigger Unwind Indicates Bigger Impact



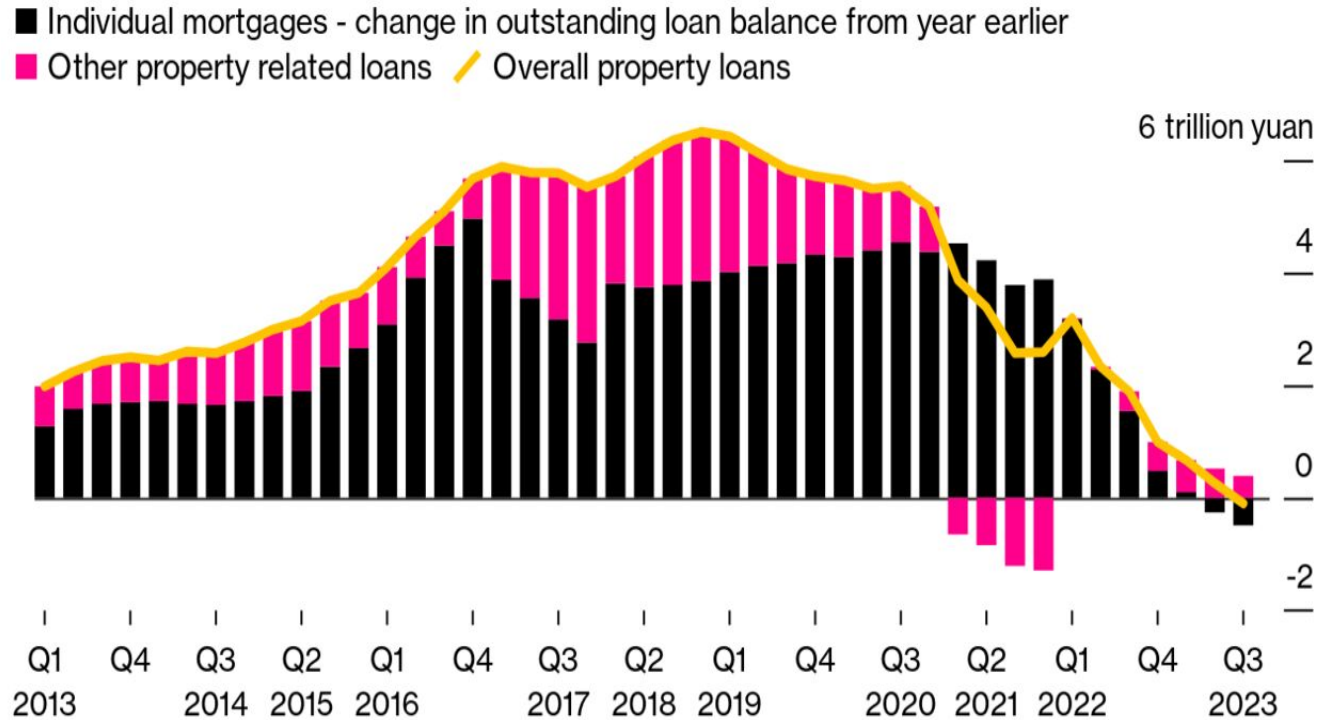
The BOJ finally tightening may lead to moves in financial markets around the world, including:

- Upward pressure on bond yields in other developed countries.
- An increase in the value of the yen supported by rising short-term rate expectations in Japan.
- Potential gains in Japanese stocks as capital returns to Japan.

Nevertheless, there is scepticism regarding Japan's ability to unwind its situation under the condition of "Higher for Longer Rates" in the United States.

Note: Information as of October 2023  
Source: The Conference Board

# China's Property Loan Stock Records First Y-o-Y Drop



China's outstanding property loans fell on a yearly basis for the first time on record, underlining stress in the sector despite official assurances of stabilizing declines.

The outstanding amount of loans to the property sector fell 100 billion yuan to 53.19 trillion yuan (\$7.3 trillion) at the end of September compared with the level a year earlier, according to a statement from the People's Bank of China on Wednesday. That's the first year-on-year drop in the data going back to 2005. Outstanding mortgages declined 490 billion yuan to 38.42 trillion yuan during the same period, the second straight quarter of year-on-year contractions.

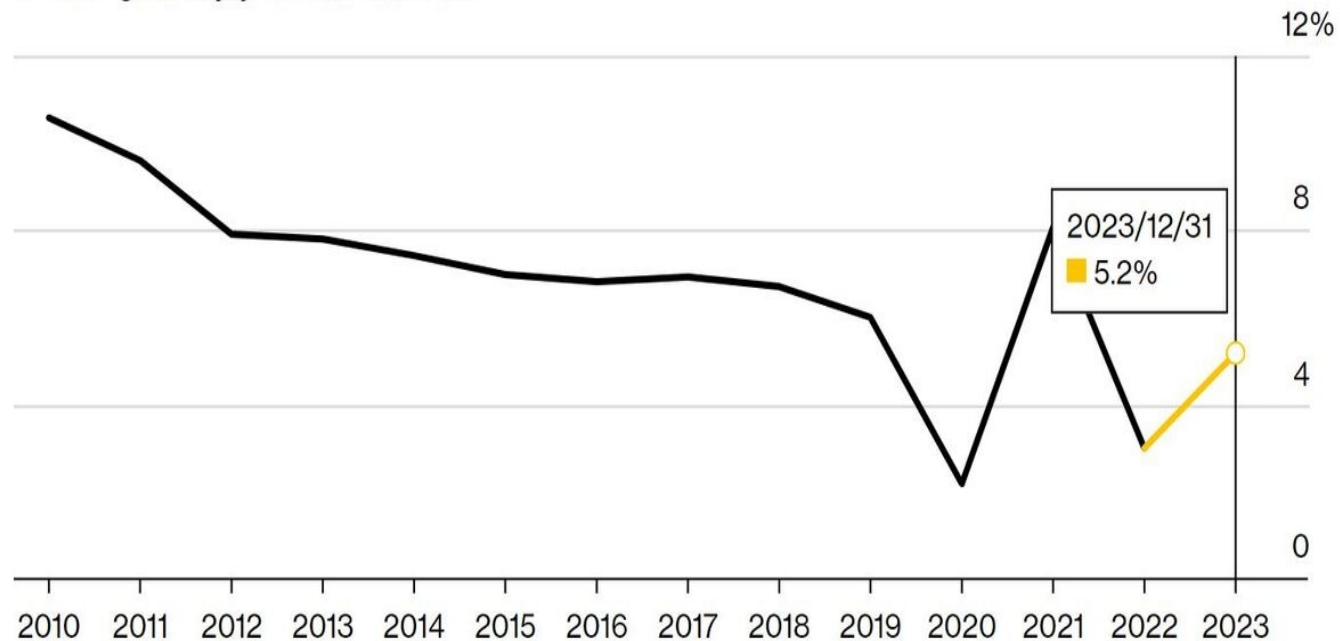
Despite the historic drop in loans, the PBOC said in its statement the overall slowdown in property loans has stabilized. Authorities have guided banks to step up lending support to property developers over the past year. That's kept property development loans afloat, with the outstanding amount rising 500 billion yuan to 13.17 trillion yuan by the end of September compared with a year ago.

Note: Information as of November 2023  
Source: Bloomberg

# IMF Sees China Economic Rebound in 2023

China's GDP is projected to grow 5.2% on consumption rebound

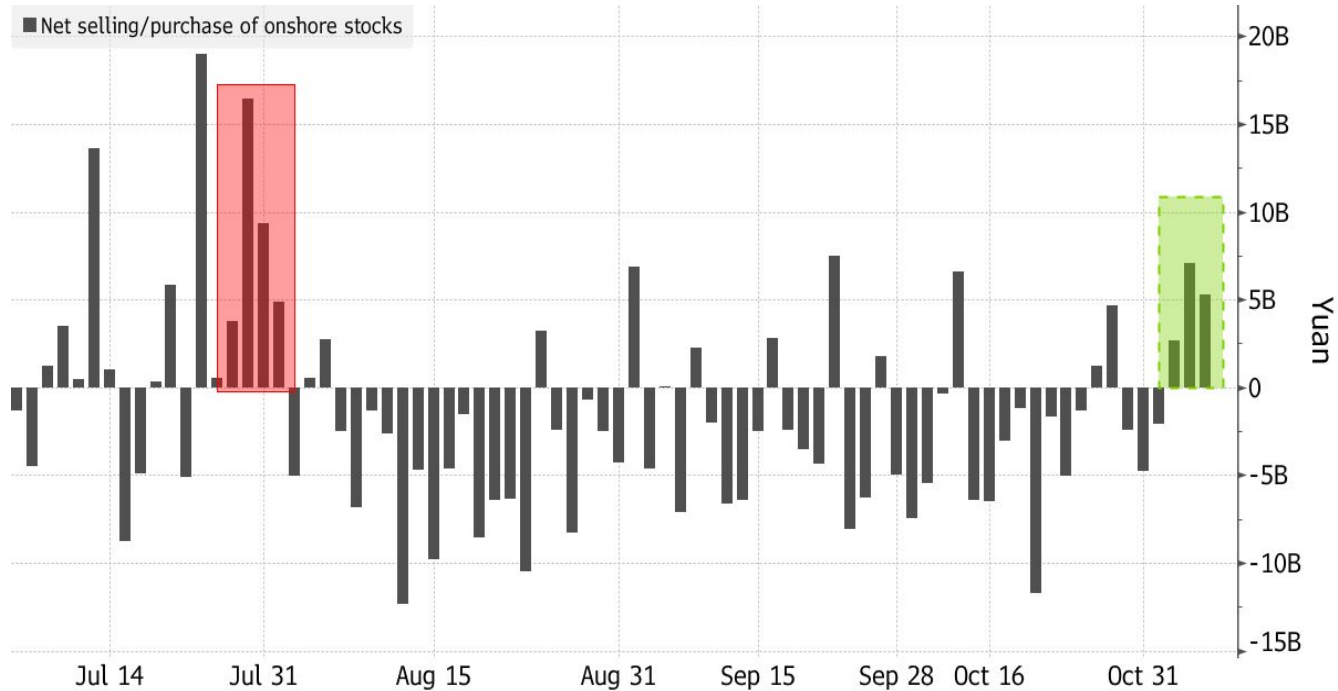
— GDP growth y/y    — IMF forecast



Alongside its call for action, the IMF has also upgraded its growth forecast for China, acknowledging the nation's speedy recovery from the Covid-19 pandemic. The Fund predicts a 5.4% gross domestic product (GDP) growth rate for China in 2023, and 4.6% in 2024. This positive revision follows the successful completion of the IMF's Article IV Mission in China, which involves scrutinizing economic and financial policies and offering recommendations.

Note: Information as of November 2023  
Source: National Bureau of Statistics, IMF

# Oversea Investors Buy China in Three-Day Streak

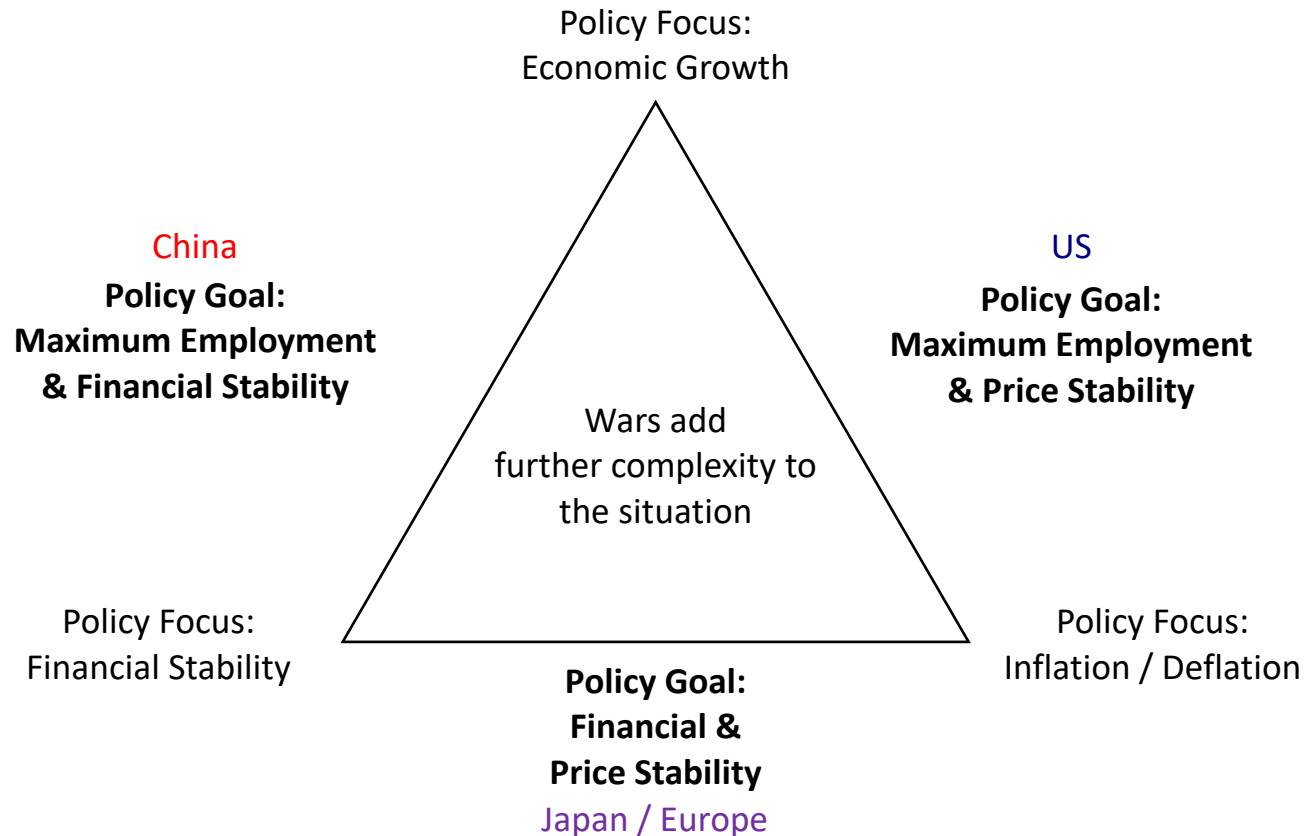


Foreign investors are dipping their toes back into onshore Chinese stocks after a record bout of selling, a sign that the battered market may be forming a bottom. Overseas funds added a total of 15 billion yuan (\$2.1 billion) over three sessions, the longest run of net purchases since early August.

While the figures may seem underwhelming when compared to an outflow of 172 billion yuan in the three months through October, an extension of the net buying trend may embolden those who expect a market turnaround. Pessimism has been extreme, with global long-only funds the most underweight mainland China and Hong Kong stocks since 2018.

Note: Information as of November 2023  
Source: Bloomberg

# The Impossible Trinity (Trilemma)



Key Challenge and Idea for the regions:

China:

Challenge: Deflation where businesses might lower production and investment due to uncertain future demand, leading to increased unemployment.

Idea: Addressing the self-deflation of the bubble for long-term sustainable growth.

US:

Challenge: A condition in which there is a major disruption of market transactions, with significant deviation of financial asset prices from economic fundamentals.

Idea: Tackling short-term economic issues at the expense of financial instability.

Japan / Europe:

Challenge: Weak economic growth, with a persistent lack of decent work opportunities, insufficient investments and under-consumption.

Idea: Surviving and following the policies under the US economic hegemony.

Note: Information as of November 2023  
Source: Omni Capital Partners

# 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](http://www.ocpi.io)

Email: [info@ocpi.io](mailto:info@ocpi.io)

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



## DISCLAIMER

This document has been prepared only for use as a reference material for the purpose of the provision of information. The validity and completeness of the information contained herein is therefore not guaranteed. The recipient of this document must judge the content for themselves using their own understanding of the content contained within. This document has not been prepared for the purpose of soliciting investments. The submission of this document by Omni Capital Partners to a recipient does not constitute the soliciting of investments or securities to the recipient. If a recipient of this document does decide to invest and trade in securities such as stocks, a due-diligence review as well as due consideration must be undertaken by the recipient at their own risk. Furthermore, all rights pertaining to the content contained herein belong solely to Omni Capital Partners and the disclosure or transfer of any or all content contained in this document is not to take place without first obtaining prior consent from Omni Capital Partners. This document is only to be used internally at the company/organization to which the recipient belongs to and represents at the time this document is received.