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OMNI CAPITAL PARTNERS

Investment Newsletter

March 2024

“ 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.

”

“

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



Clients

High Net Worth Individual

Ultra High Net Worth Individual

Family Office

Corporates

Institutions

Markets

China

ASEAN

United States

All / Selections

Investment Strategies

Omni Hedge (Active)

Omni Long (Passive)

Omni Momentum

Investment Portfolios

Omni Capital Partners Inc (Public Securities)

Omni Ventures Ltd (Private Investments)

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



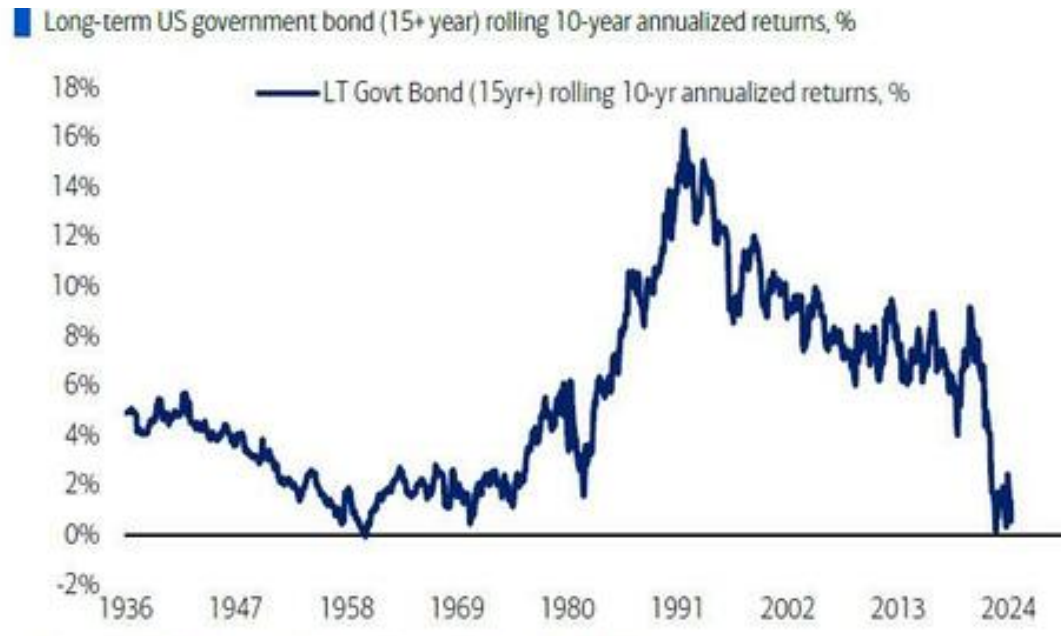
- A rare rally in both US tech stocks and commodities, combined with a jump in bond yields, has echoes of periods when bubbles are forming, according to strategists at Bank of America Corp. The unusual price moves are consistent with bets that interest rates will stay higher for longer while economic growth remains strong, a so-called no-landing scenario. But while that narrative is “correctly in vogue,” there’s also a risk of higher inflation and an increased cost of capital, the strategists led by Michael Hartnett wrote.
- The price action is “typical of bubbly markets,” according to Hartnett, who makes a comparison with the pre-tech bubble period of 1999. Current conditions imply investors should sell bonds and the US dollar, and buy Nasdaq shares and inflation hedges such as gold, commodities and crypto, the strategists write.
- Equity markets have remained resilient in recent weeks despite a hawkish turn from Federal Reserve officials. Bond markets are now pricing between one and two rate cuts by the end of the year, compared with six just three months ago, yet both the S&P 500 and the Nasdaq 100 are still hovering near record highs. The Bank of America strategists say there’s a risk that a no-landing scenario will turn into a hard-landing scenario. That would mean monetary tightening resumes and contagion spreads from financial difficulties at regional banks and the real estate sector, according to the note.

Investment Review and Outlook



- As BBG's Garfield Reynolds noted, the previous two times when gold hit record highs were times of negative real yields during the pandemic and in 2011-12 as Europe's sovereign debt woes followed on the heels of the global financial crisis. Back before the introduction of TIPS allowed the ready tracking of market expectations for real rates, the precious metal's ascent to a record in 1980 came when 10-year nominal yields were well below the inflation rate. "That makes gold's rally this year vulnerable, though it may also signal investors are becoming worried that major turmoil is coming", according to Reynolds, who notes that the surge that peaked in 2011 blew past gold's 1980 high at the start of 2008, well before the collapse of Lehman Brothers. Not surprisingly, this unprecedented disconnect, is also the topic under consideration in weekly Flow Show note by BofA's CIO Michael Hartnett, who likewise looks at the broken relationship between gold and real rates.
- Following a robust rebound in the Chinese market, the current landscape presents a nuanced decision point for investors. Historically, prudent market strategy often suggests exiting long positions after a significant bounce, especially when key indicators such as the 200-day moving average have yet to confirm a sustained bullish trend with a positive slope. However, despite this traditional metric not being met, our analysis leads us to maintain a bullish stance on China. We acknowledge the view that might label our approach as overly optimistic or unconventional. Yet, we find the valuation metrics compelling; China remains a markedly under-owned market with considerable potential for positive surprises. Multiple catalysts could drive further upside, outweighing the risks of adverse developments.

Biggest Story of 2020s



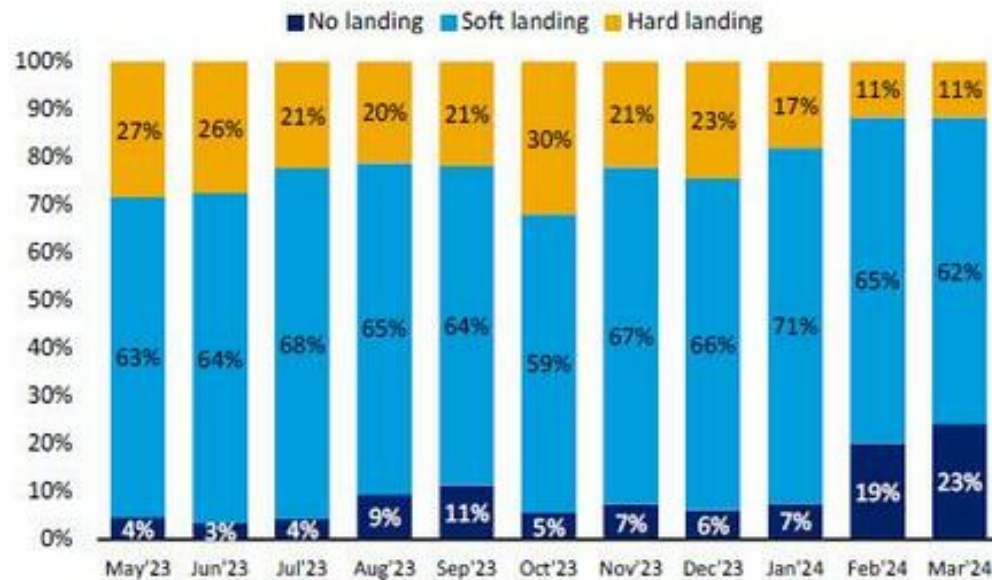
The devastating end of the 40-year bond bull market, one where the 10-year annualized return of US Treasuries is now at a 65-year low.

Because unlike previous decades, the 2020s are an era of war, protectionism, fiscal excess, scarce energy/housing/labor, all of which leads to higher inflation & higher cost of capital, until inevitably the coming recession/market crisis sparks.

Note: Information as of April 2024
Source: BofA Global Investment Strategy

No Landing Correctly in Vogue

BofA Global FMS expectations for global economy next 12m



Note: Information as of April 2024
Source: BofA Global Investment Strategy

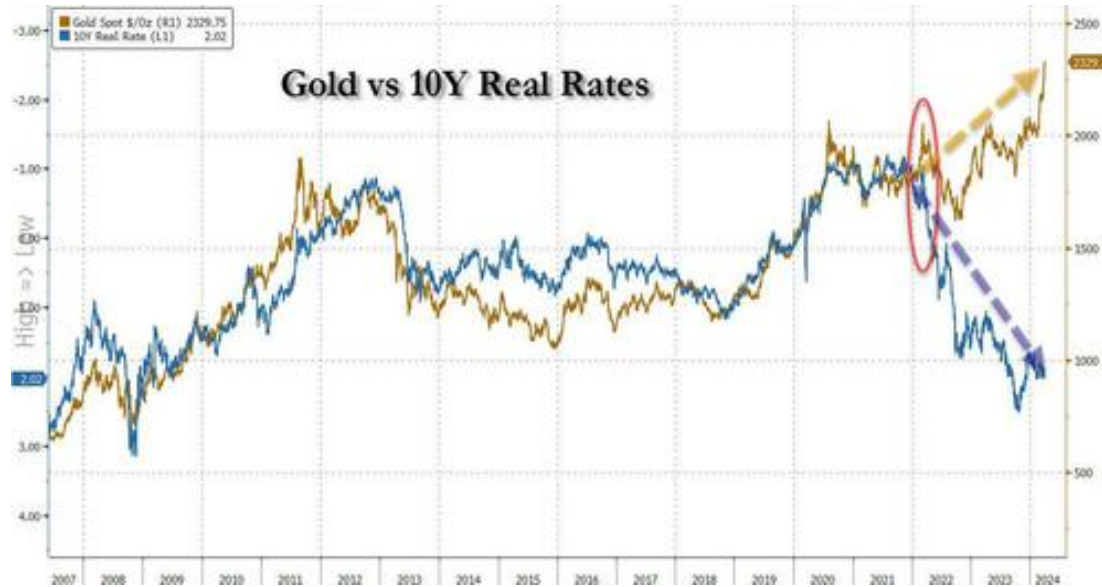
Three landing options for US:

- Soft landing: bullish = breadth improves = HY bonds, global cyclicals & EM;
- No landing: bubble = sell bonds (until real rates bite), sell US\$ into strength, barbell stocks with Nasdaq & inflation hedges (gold, commodities, crypto, energy, China);
- Hard landing: bust = buy bonds, sell stocks.

No landing is the most likely outcome, Hartnett notes that the market price action of higher yields & higher Nasdaq typical of bubbly markets (e.g. '99); no landing = bubble risk = period in which stocks lead yields higher...but also means higher inflation (which hurts consumer) & cost of capital (which hurts corporations...AI not cheap).

Rising "no landing" risks also means rising "hard landing" risks: Hartnett concludes that there is a risk that monetary tightening resumes and contagion risks form from REITs, regional banks, small cap are up; not surprisingly then, March US small business optimism is at 11-year lows, and ominously (the sector creates 2/3 US jobs) hiring plans at 8-year lows.

Explosion in Gold

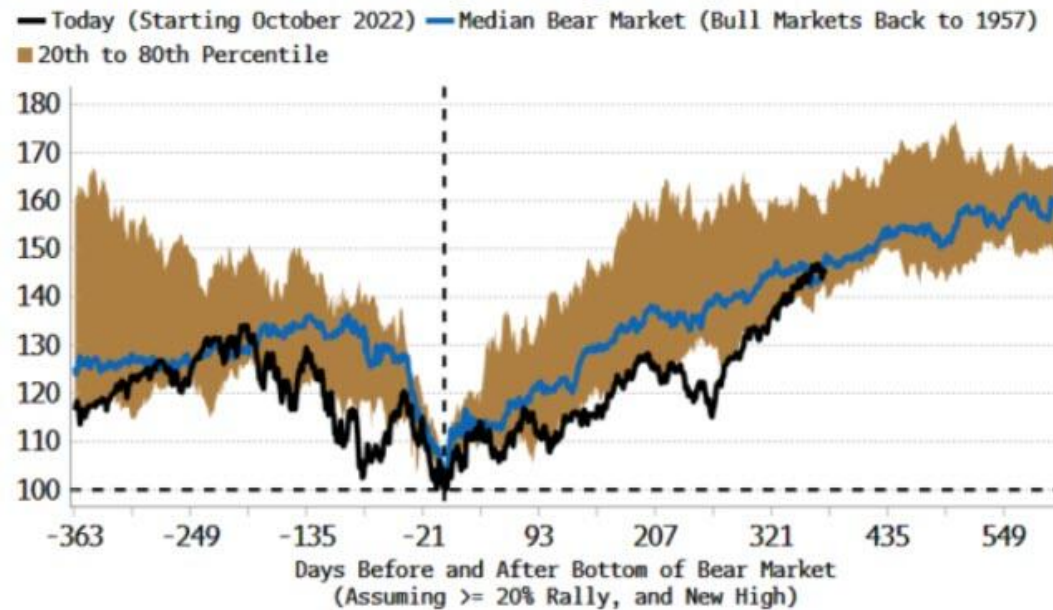


The fact that real yields are the highest in 15 years - a level which should hurt a non-interest bearing asset like gold, but clearly doesn't - signals one of two outcomes:

- i) either the metal is likely to rapidly reverse this year's staggering ascent, or
- ii) risk assets are due to collapse because of an economic or financial crisis.

Note: Information as of April 2024
Source: BofA Global Investment Strategy

Current Bull Market is Very Average Compared to the Past

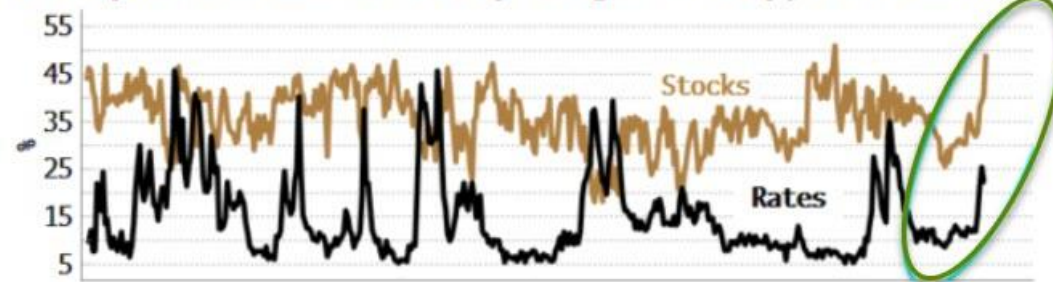


The current bull market, perhaps surprisingly, is only performing in line with the average historical bull market. That means (despite some near-term risks, e.g. from momentum) the bull trend should remain intact.

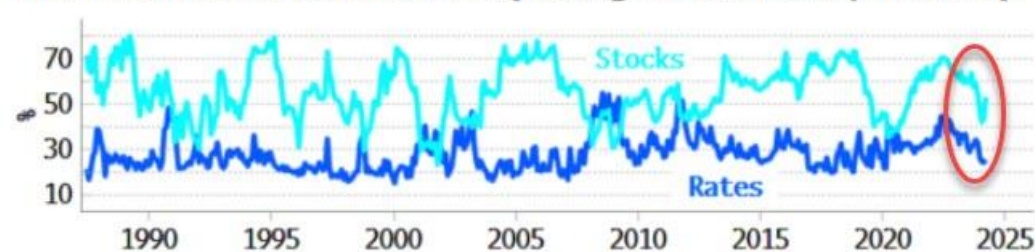
Note: Information as of April 2024
Source: Bloomberg, Macrobond

Stretched Level of Optimism is Vulnerable

The Optimists: Consumers Expecting Stocks Up, Rates Down



The Pessimists: Consumers Expecting Stocks Down, Rates Up



Consumers' glasses seem very much half full, according to the Consumer Board's confidence survey. There has been a lurch higher in respondents who are expecting higher stocks and – no doubt encouraged by the pivot mood-music emanating from Jay Powell late last year – lower rates.

At the same time, realists – or as optimists call them, pessimists – are becoming less downbeat, with the percentage expecting falling stocks and rising rates declining.

Note: Information as of April 2024

Source: Bloomberg, Conference Board, Macrobond

US Concentrations Risks



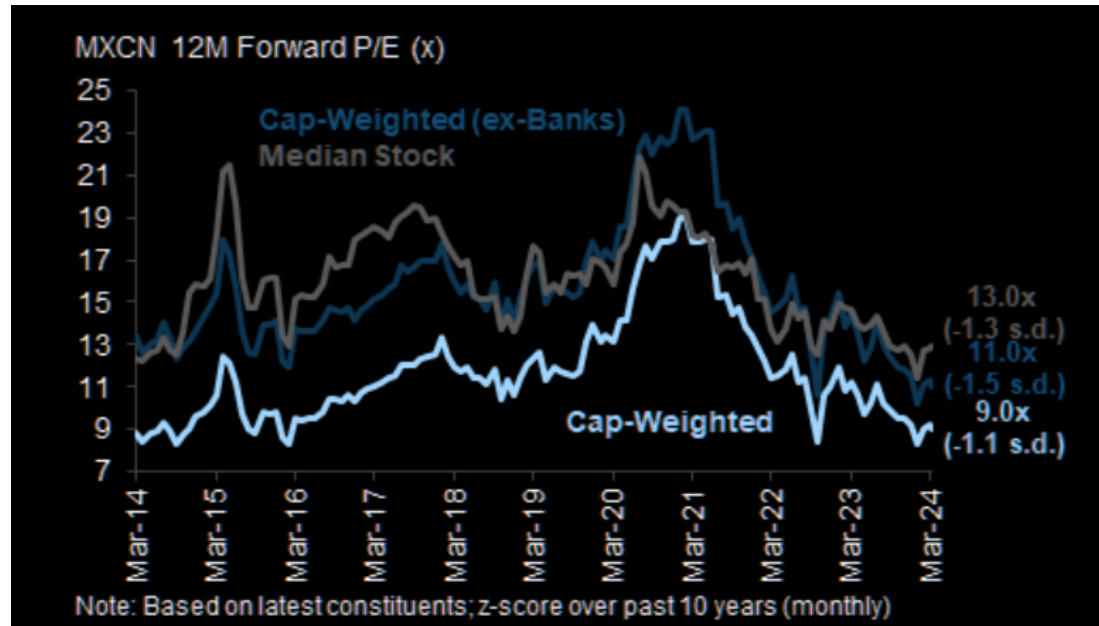
The US equity market is near the most concentrated in a century.

Market concentration in itself is not a sufficient trigger for a large drawdown. Nor is a long and steep rally.

By some measures, U.S. stocks are enjoying one of their strongest rallies in over 50 years and one of the strongest on record. The S&P 500 just rose 16 out of 18 weeks, a feat not achieved since 1971, gaining almost 25% in the process.

Note: Information as of April 2024
Source: Goldman Sachs

China Cheap



Valuations remain near cycle troughs.

Note: Information as of April 2024
Source: FactSet

Global Funds Waking Up



Mutual funds globally have reduced their underweight gaps in China.

Note: Information as of April 2024
Source: FactSet

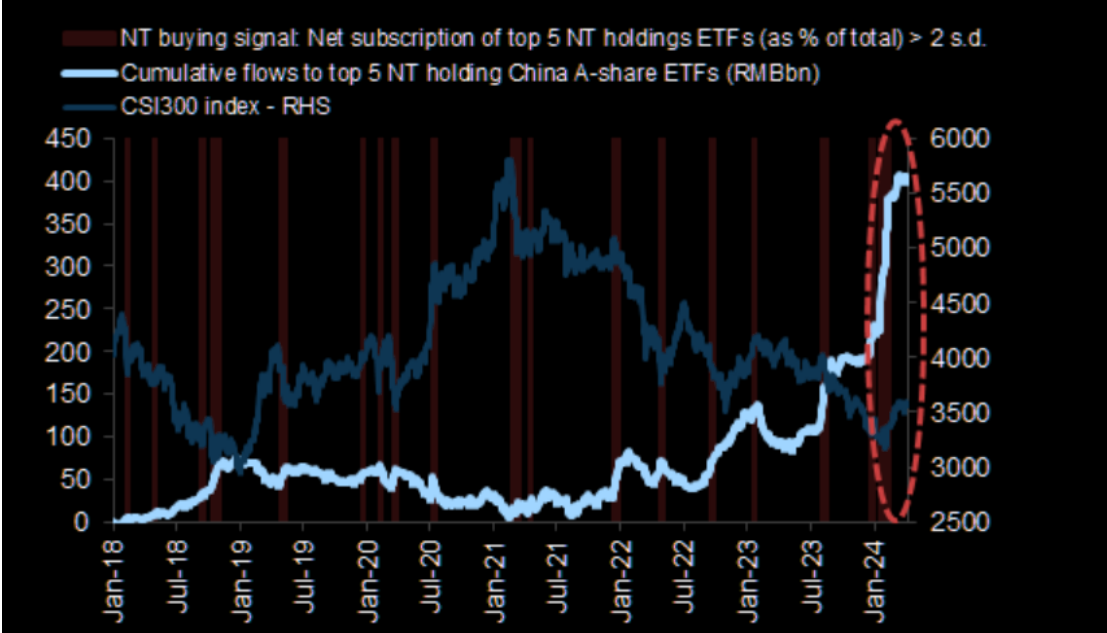
Positioning Still at Historical Lows



Positioning from both hedge fund and mutual fund mandates in China remains at historical lows.

Note: Information as of April 2024
Source: FactSet

National Team Ready First



National Team top ETFs recorded substantial inflows year-to-date.

Note: Information as of April 2024
Source: FactSet

China Policy Easing Remains Restrained



The chart shows the China domestic policy proxy, which remains similar to levels just before COVID, and has not seen a sharp easing as in 2020 or prior downturns. We would argue that this is a key area for upside surprise potential.

Note: Information as of April 2024
Source: FactSet

Contact Info



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