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OMNI CAPITAL PARTNERS

Investment Newsletter

June 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

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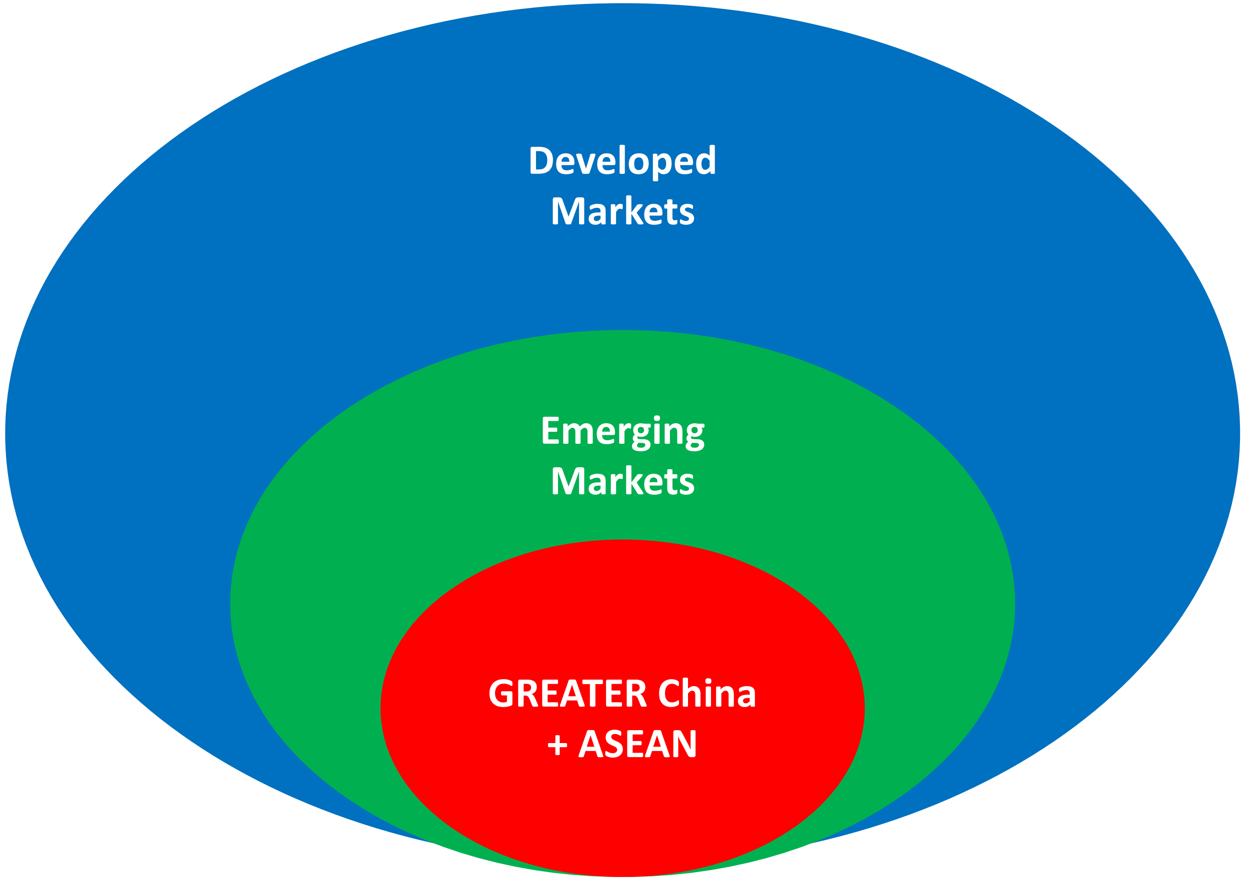
Clients	Markets	Investment Strategies	Investment Portfolios
High Net Worth Individual	China	Omni Hedge (Active)	Omni Capital Partners Inc (Public Securities)
Ultra High Net Worth Individual	ASEAN	Omni Long (Passive)	Omni Ventures Ltd (Private Investments)
Family Office	United States	Omni Momentum	
Corporates	All / Selections		
Institutions			

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

- Money markets are currently pricing in 51bps of easing throughout the year-end, which implies two fully priced rate cuts. The first cut is fully priced by November, but 20bps of easing is priced by the September meeting, which implies an 80% probability of the first cut taking place in September. The dovish pricing has been driven by the soft May inflation reports (CPI, PPI and PCE), as well as a considerably cooler labour market, including commentary from Powell on resumption of the disinflation and a dismal ISM Services PMI. Another cool CPI print could see markets start to fully price, or nearly fully price a September cut but a July cut is largely ruled out and thus pricing for this is unlikely to change much. With two rate cuts fully priced for 2024, markets are currently more dovish than the latest FOMC dot plots with the markets focusing on the data rather than Fed guidance. Nonetheless, although the Median is for one cut in 2024, there are still eight members on the FOMC who pencilled in two rate cuts. Seven pencilled in just one rate cut, but the median was skewed higher with four hawks pencilling in no rate cuts this year.

- Analysts remain optimistic about earnings even with economic growth weakening, inflation remaining elevated, and liquidity declining. However, despite the decline in Q2 earnings estimates, analysts still believe that the first quarter of 2023 marked the bottom for the earnings decline. Again, this is despite the Fed rate hikes and tighter bank lending standards that will act to slow economic growth.

Investment Review and Outlook

- If re-elected in November, Donald Trump would be the only president besides Grover Cleveland to serve two non-consecutive terms in the White House. For investors, Cleveland would not be an auspicious precedent. During his first term, the US equity market returned 43%, but Cleveland's second term started with the Panic of 1893 and an equity drawdown of 27%, ending with a four-year total return of -4%.

- Animal spirits could also create a tailwind for stocks exposed to small business activity if Trump wins. Around the five presidential elections of the last 20 years, CEO confidence, consumer sentiment, and particularly small business optimism have shifted more favourably in response to Republican victories than Democratic victories. To the extent improved sentiment leads to an increase in spending and investment, a Trump victory could boost the earnings outlooks for some firms even without substantial policy changes.

- The Third Plenum in China, an event held roughly once every five years where major economic and political changes are announced, will offer investors clues on Beijing's direction with regard to markets and the economy. A sluggish macro picture and rising geopolitical challenges weigh in the backdrop. However, this meeting along with earnings progress should help catalyze an expansion in valuations. That said, the Chinese equity market would probably rise significantly in the coming months, if the leadership can deliver on reforms that enhance market mechanisms, boost private enterprise and offer stable and transparent regulation.

Jun'2024 was 1st Month Since Oct' 2020 that No Global Central Bank Hiked Rates

The tightening cycle from Oct 2020 to Aug 2023 saw 507 global hikes vs 65 cuts. This has since been replaced with an easing cycle that started in Aug'23, and through June'24 there have been 108 rate cuts vs 48 hikes. Looking ahead, Hartnett from BofA expects that in the second half of 2024 there will be at least 56 rate cuts vs 3 hikes, which is "bond positive, especially with weaker US labor market."

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

US M2 as % of GDP vs GDP Growth

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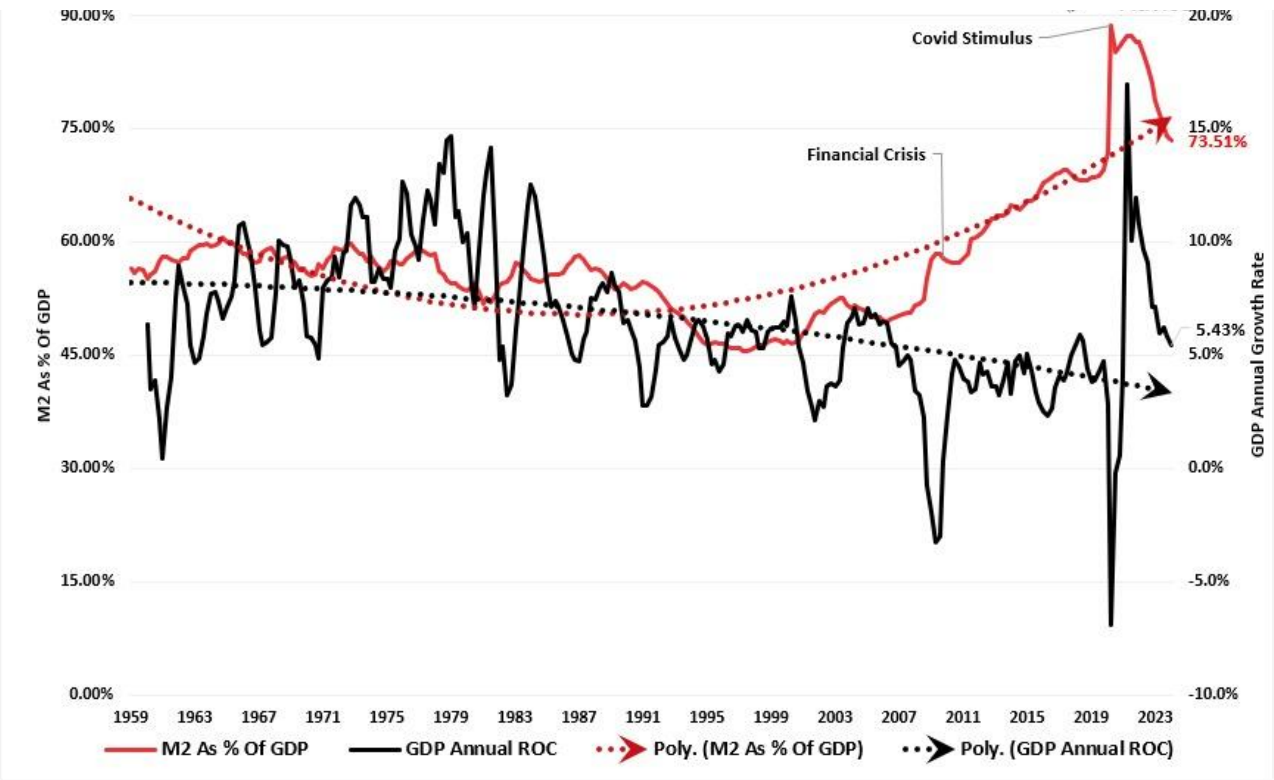

A decent correlation exists between the expansion and contraction of M2 less GDP growth (a measure of liquidity excess) and the annual rate of change in the S&P 500 index. Currently, the deviation seems unsustainable. More notably, the current percentage annual change in the S&P 500 is approaching levels that have preceded a reversal of that growth rate.

Note: Information as of July 2024
Source: RIA

Valuation Remain a Risk:
Operating (Proforma) vs GAAP Earnings

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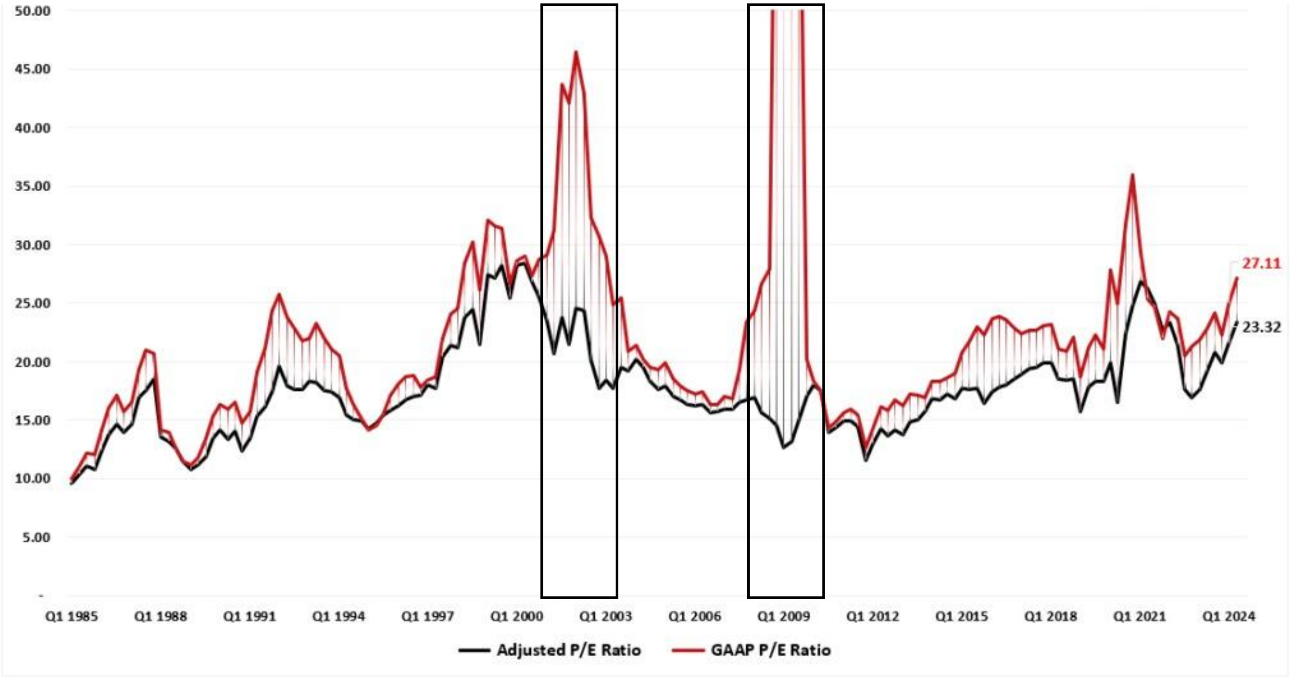

Even with the decline in earnings from the peak, valuations remain historically expensive on both a trailing and forward basis. (Notice the significant divergences in valuations during recessionary periods as adjusted earnings do NOT reflect what is occurring with actual earnings.)

Note: Information as of July 2024
Source: RIA

GS Bull/Bear Market Indicator (GSBLBR)

The market is now increasingly vulnerable to a period of higher volatility or a correction, as reflected in a key fundamental indicator. Bull/Bear indicator (GSBLBR) is back to flashing red.

Note: Information as of July 2024
Source: Goldman Sachs

Rising Freight Prices Are Kickstarting PPI in China

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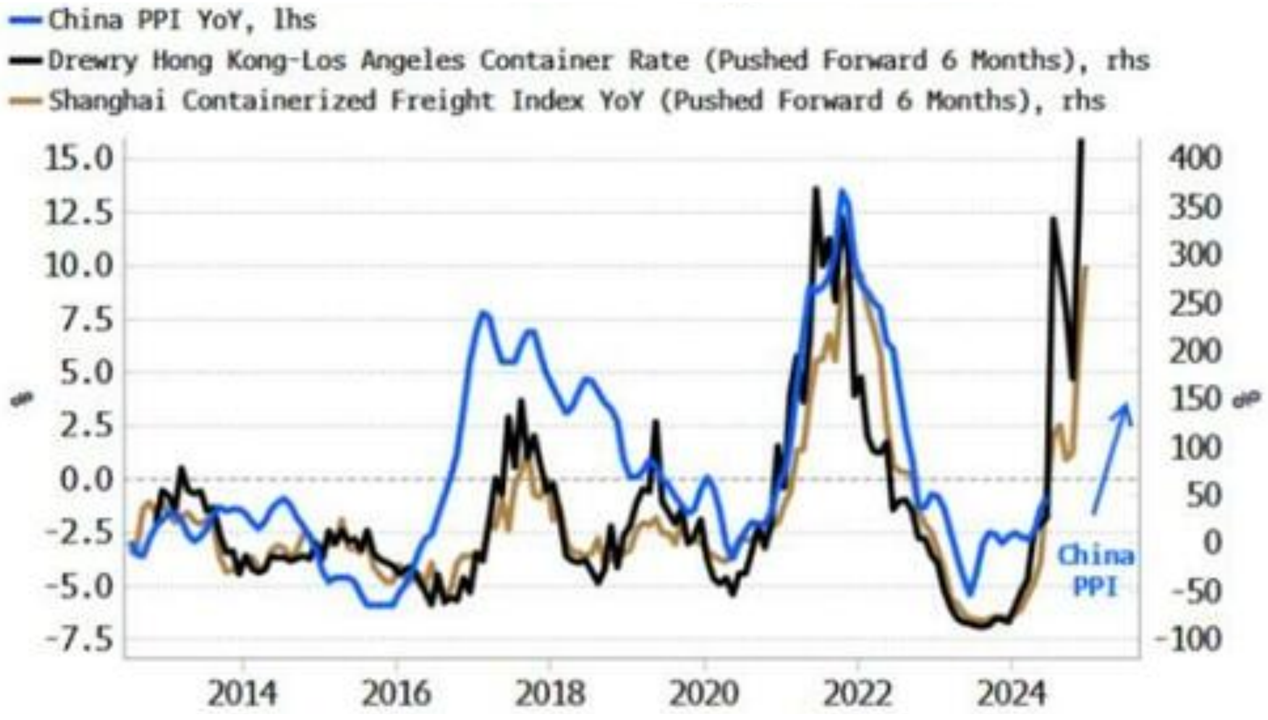
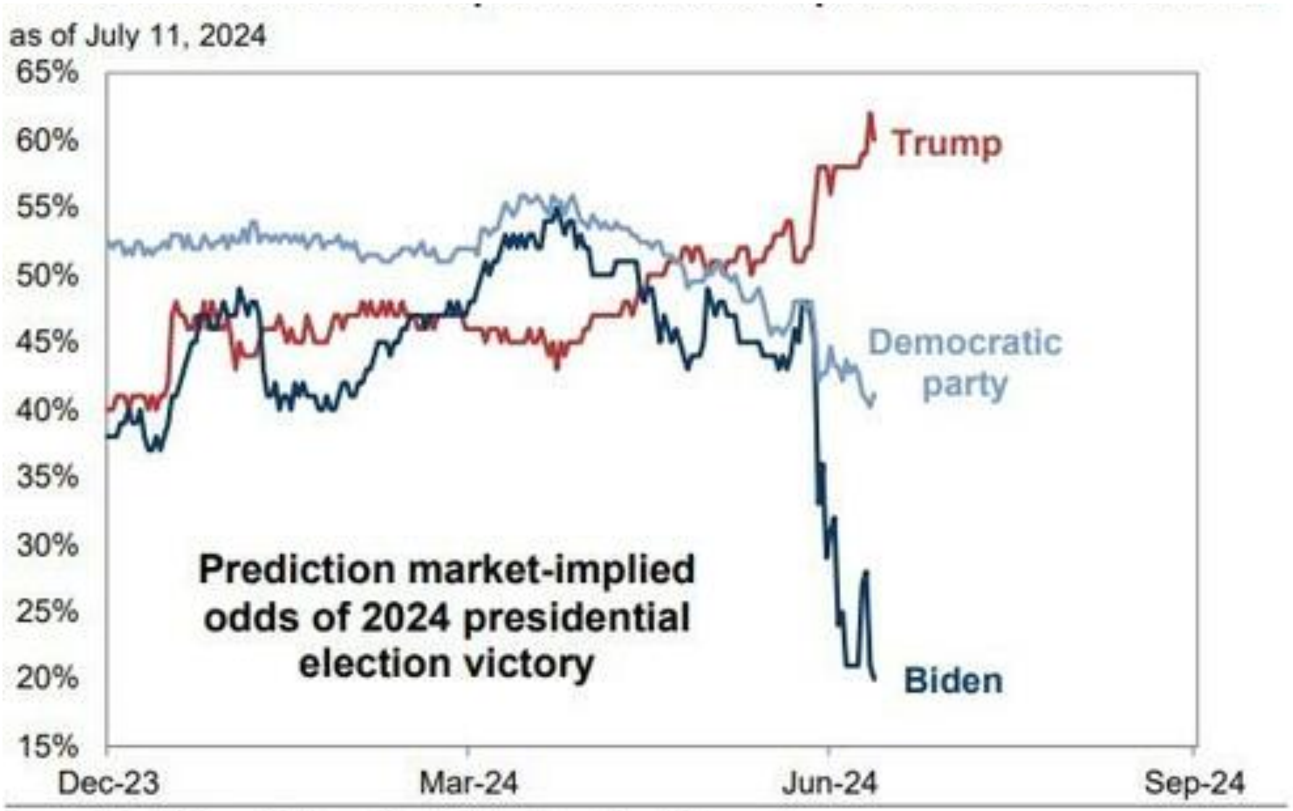


Supply constraints persist with containerized freight prices in Shanghai now rising at almost 300% year-on-year. They lead PPI in China by about three months, which has already begun to climb off its lows. And it's not just China shipping rates that are rising; the Hong Kong to LA container rate - which also leads PPI – is up well over 500% over the last year.

Note: Information as of July 2024
Source: Bloomberg

Prediction Market Probabilities of 2024 Presidential Election Winner



Prediction market odds have shifted sharply in favour of a Trump re-election this November and now stand at roughly 60% compared with 40% - 50% for most of the year.

Note: Information as of July 2024
Source: Goldman Sachs

China Bull Market in Making?

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Key Observations:

- 17th Third Plenum (2008): Marked during the financial crisis, it shows a significant dip in the index level. The market is likely reacting to the global economic conditions more than the outcomes of the plenum.
- 18th Third Plenum (2013): This plenum is marked during a period of recovery. The index does not show an immediate significant change post-plenum but continues its recovery trend.
- 19th Third Plenum (2018): Marked during a period of moderate growth, the index shows a slight increase post-plenum but continues to fluctuate without a strong, sustained trend.

Note: Information as of July 2024
Source: Bloomberg

Chinese Stock Market Reactions to Plenums

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Date of Prior Plenums	Plenum Topic	Returns 1-Month Before Plenum	1-Week Before	1-Week After	1-Month After
Nov 11-14, 1993	Transition to Market Economy	-2.3	5.5	6.7	3.9
Oct 12-14, 1998	Rural Works and Reform	0.6	1.0	-2.6	4.3
Oct 11-14, 2003	Improving Market Economy	-1.7	2.0	-1.7	-4.1
Oct 9-12, 2008	Rural Reforms	-3.3	-4.6	-4.8	-10.3
Nov 9-12, 2013	Comprehensive Deepening of Reforms	-4.6	-1.9	3.1	3.6
Feb 26-28, 2018	Institutional Reforms	-6.4	1.9	0.4	-4.2
Average		-2.9	0.6	0.2	-1.1
Median		-2.9	1.0	0.2	-1.1
Maximum		0.6	5.5	6.7	4.3
Minimum		-6.4	-4.6	-4.8	-10.3

The data suggests that the Chinese stock market generally experiences a cautious sentiment leading up to the plenums, with mixed reactions immediately after, and a tendency towards negative performance in the longer term following the plenums. The variability in the 1-week before and 1-week after periods indicates that market responses to the plenums are not uniform and can vary significantly based on the specific topics and outcomes of each plenum.

Note: Information as of July 2024
Source: Bloomberg

Contact Info

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