



全创资本

OMNI CAPITAL PARTNERS

# Investment Newsletter

August 2024

“ 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



**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*



- There is a growing “polarization” between Main Street and Wall Street, driven by the \$15 trillion market cap of the monopolistic “Magnificent 7” compared to the \$18 trillion market cap spread across 4,846 companies in the MSCI Developed Markets small and mid-cap indices. This unprecedented gap is a key factor behind the erosion of social cohesion. Historically, when wealth is concentrated among a small group while a record number of people experience financial hardship, it often leads to societal unrest and instability. This polarization has also contributed to market fragility, with stocks like NVDA exhibiting volatility similar to penny stocks. The Federal Reserve’s role is under scrutiny, as FX markets signal an impending 50bps rate cut. This cut would occur while home, food, and stock prices reach all-time highs and continue to rise rapidly, according to Hartnett.
- Hartnett anticipates that while the Federal Reserve may begin with a modest 25bps rate cut, it is likely to follow with more aggressive reductions. He advises investors to "sell the first cut" and wait for a better opportunity to re-enter risk assets. His caution is based on several key factors: the yield curve is steepening, a common signal of an impending recession; U.S. fiscal stimulus is reversing, with government spending down 6% on a 12-month rolling basis; real interest rates are exerting pressure on the small business sector, with the U.S. prime rate in real terms reaching 6.5%, the highest this century; and global growth, particularly in China, remains sluggish, with bond yields hitting record lows and real estate and small-cap stocks returning to 2008 levels. These elements suggest continued economic challenges and potential market volatility.

# *Investment Review and Outlook*



- China's central bank has indicated that further reductions in the reserve requirement ratio (RRR) for lenders remain under consideration for 2024. Zou Lan, head of the PBOC's monetary policy department, highlighted on September 5th that there is still room for cuts, given the current average RRR of around 7%. However, he warned of limitations in lowering deposit and lending rates further due to narrowing bank profit margins and the redirection of funds into asset management products. Zou emphasized that any future adjustments, including interest rate reductions or RRR cuts, would depend on the economic outlook. His comments come as China faces its slowest economic growth in five quarters, compounded by weakening export numbers and sluggish domestic consumption.
- The PBOC has already implemented a series of interest-rate cuts in recent months, and market analysts expect additional easing measures. Zou made similar remarks in January and July 2023, shortly before the central bank reduced the RRR. The last adjustment to the RRR occurred in January 2024, when the PBOC announced a 50 basis-point cut. Zou reiterated that the effects of the early-year RRR cut are still being felt and reaffirmed that the seven-day reverse repo rate is now the official policy rate. Investors are closely watching for further rate cuts or a reduction in the RRR, with September seen as a potential window for action.

# Polarization of Main Street & Wall Street



The record chasm between the rich and poor was one of the core topics in Michael Hartnett's latest Flow Show, with the BofA strategist naturally tying it to the recent performance market, and by extension, the Federal Reserve, that single biggest creator of inequality and social discontent in world history. As Hartnett shows in the chart, the “rich” e.g. Ferrari at all time high vs the “poor” e.g. Dollar General at 6 year low, with the record polarization emerging several years into Biden's regime.

Note: Information as of Sep 2024  
Source: BofA Global Investment Strategy, Bloomberg

# Big Jump in German Exports to “Russia” through Kyrgyzstan since 2022

Germany exports to Kyrgyzstan (EUR, mn)



The chart highlights political challenges in Germany, with Germany's GDP stagnating since 2018. Exporters are facing increasing pressure, continuing to send goods to Russia, though now rerouting through Kyrgyzstan.

Note: Information as of Sep 2024

Source: BofA Global Investment Strategy, Bloomberg

# Ranking of Most Vulnerable to Hard Landing

Cyclical assets and implied ISM manufacturing PMI level

Asset	Implied ISM
Homebuilders	59
Financials	59
Semiconductors	58
Real estate	57
Germany (DAX)	57
Industrials	56
Sweden (OMX)	55
SPX vs US govt bonds	55
EM ex-China	55
Japan (Nikkei)	54
Materials	54
UK (FTSE)	53
EM (MSCI)	53
Industrial metals	51
Korea (KOSPI)	51
China (MSCI)	49
Commodities	48
ISM (Aug'24)	47
ISM new orders/inventories (Nov'24*)	47
UTIL vs TRAN	46

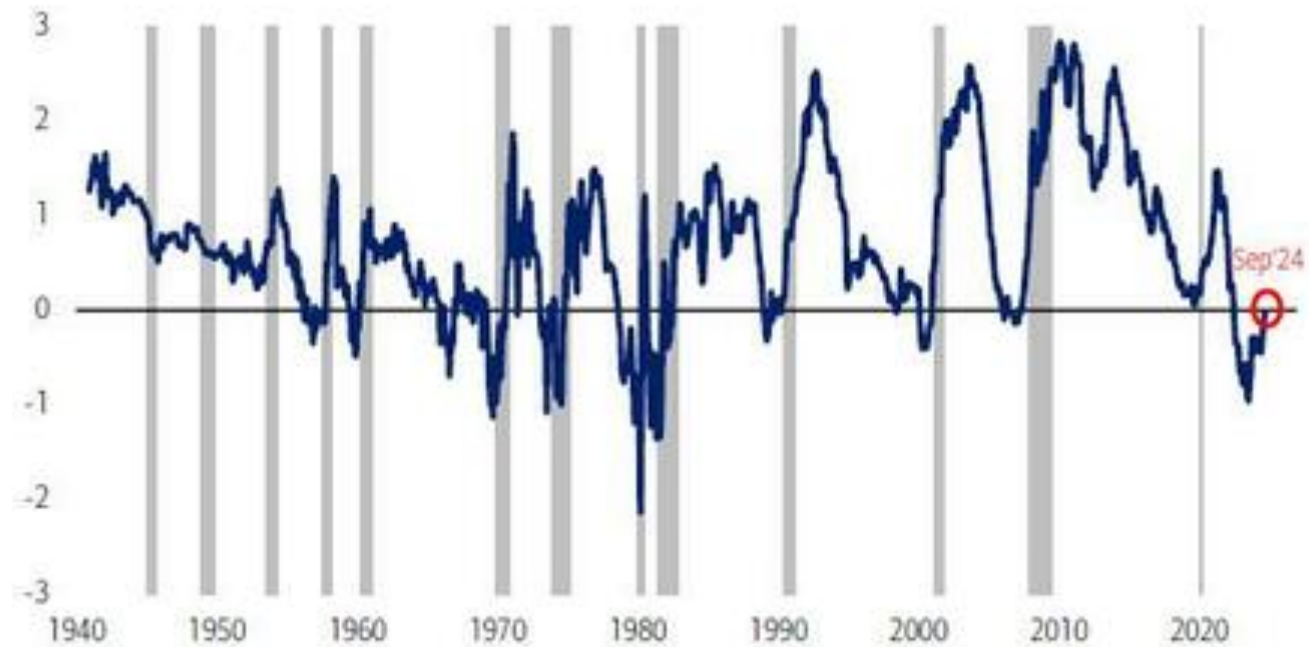
The Implied ISM is acting as a proxy to measure which sectors might be most exposed to economic downturns and how well they could handle a slowdown. Sectors with higher Implied ISM values are currently performing better but are at higher risk if the economy were to experience a sudden and significant downturn. Conversely, those with lower ISM figures are either already under pressure or are more insulated from cyclical economic forces.

Note: Information as of Sep 2024

Source: BofA Global Investment Strategy, Bloomberg

# Yield Curve Steepening, Turned Positive

2s10s US Treasury yield curve (%)



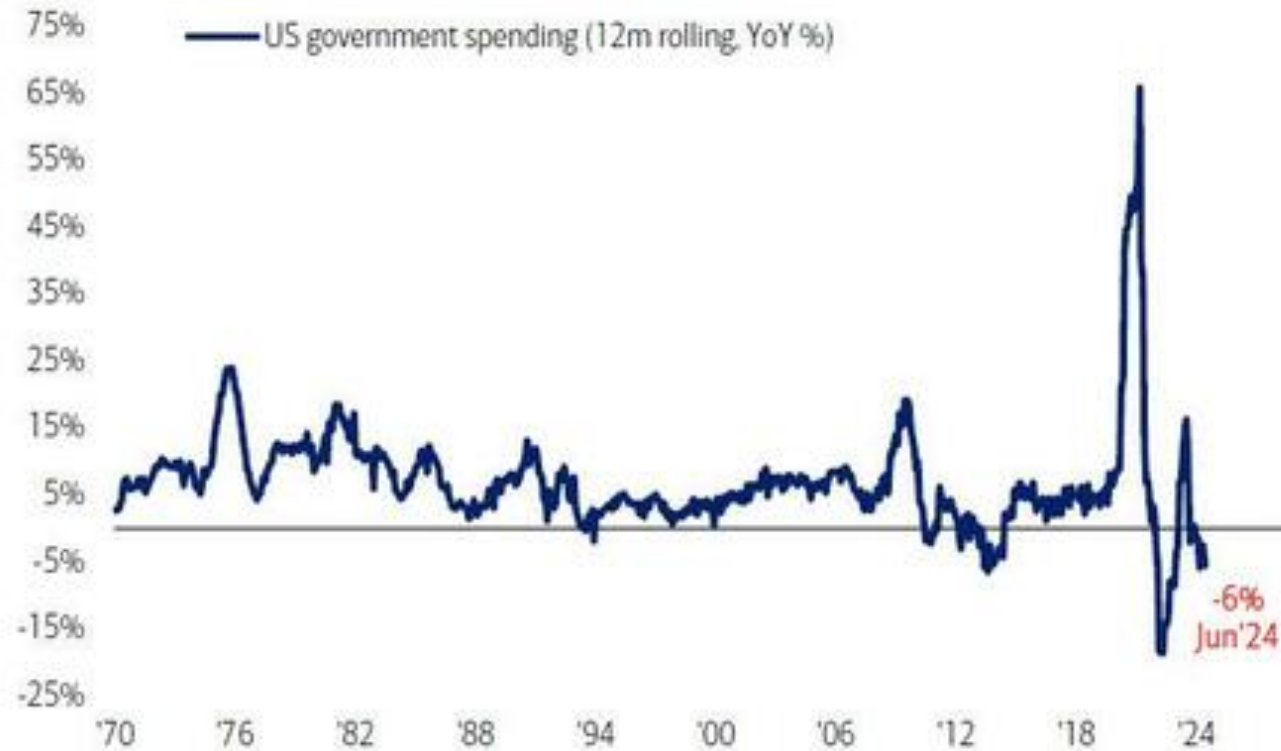
The yield curve is steepening significantly, a pattern that often occurs just before or during the onset of a recession.

Note: Information as of Sep 2024

Source: BofA Global Investment Strategy, Bloomberg

# US Government Spending Failing YoY

US federal government spending YoY % change (12-month rolling)



Fiscal stimulus is now reversing, with U.S. government spending down 6% on a 12-month rolling basis. This reduction in spending could further impact economic growth and recovery efforts.

Note: Information as of Sep 2024

Source: BofA Global Investment Strategy, Bloomberg

# Why Fed Would Need to Cut Rates Bigly

US prime rate in real terms (%) - small business funding rates highest in 20 years



Real interest rates are now heavily impacting the U.S. small business sector, with the U.S. prime rate in real terms standing at 6.5%, the highest level this century. This elevated rate is putting additional financial pressure on small businesses, making borrowing more costly and challenging.

Note: Information as of Sep 2024

Source: BofA Global Investment Strategy, Bloomberg

# China Real Estate Stocks Back at 2008 Lows



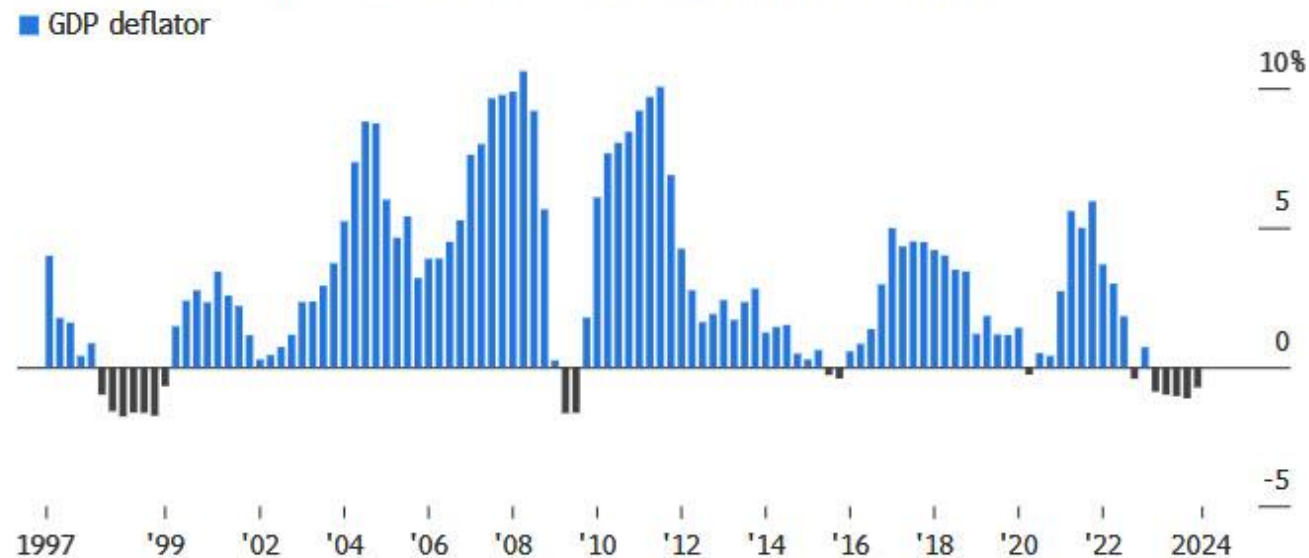
Global growth, led by China, remains weak, with China's bond yields reaching new all-time lows. Additionally, China's real estate and small-cap stocks have fallen back to levels not seen since 2008, signalling ongoing economic challenges.

Note: Information as of Sep 2024

Source: BofA Global Investment Strategy, Bloomberg

# China's Economy-Wide Prices in Longest Decline Since 1999

Broad measure of prices contracts for fifth straight quarter in 2Q 2024



China's former central bank governor, Yi Gang, made a rare acknowledgment that the country needs to address deflation, as the economy experiences its most significant deflationary period since 1999. This is impacting corporate profits, wages, and asset prices.

Yi emphasized the importance of combating deflationary pressures during a speech in Shanghai on September 6th. His clear stance contrasts with the more cautious approach taken by the People's Bank of China, which has signalled it would avoid any "drastic" monetary easing measures.

Note: Information as of Sep 2024  
Source: National Bureau of Statistics, Bloomberg

# 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.