VENTUREZEN

Venturezen, Inc. is a full-service strategic advisory firm specializing assisting our clients improve results and expand value to the business. We partner with companies and financial institutions providing services in i) Corporate Finance Advisory, ii) Debt Placement Services, iii) International Services and iv) Equity Finance Support.

Our partners come from a diverse financial background ranging from corporate and commercial banking, investment banking, asset management, corporate account and tax services and management consulting. We look to engage and work closely with our clients in order to tailor solutions and services necessary to help take the business to the next level. Whether seeking to improve operating inefficiencies, improve cash flow, raising new capital, we lean on our industry depth knowledge, experience, and operational expertise to stabilize the business and create lasting results.

2023 1st Quarter Review and Outlook

In the first quarter of 2023, we continue to focus on inflation, higher interest rates, and the potential for a recession. The markets were hit with a big surprise in March as the banking sector introduced additional volatility that resulted in a couple of regional bank collapses. These events will likely result in tighter credit conditions for households and businesses. Financial markets responded to this increase in uncertainty with higher levels of volatility in both equity and fixed income markets.

Turmoil in the U.S. banking sector isn't just a problem for the U.S. It also increases the risks of a global recession. Many economists expected a downturn in global economic growth this year even before Silicon Valley Bank collapsed. Those concerns eased somewhat early in the year, with data showing surprising economic vitality in Western economies, and the beginnings of a revival in China after Beijing in December abandoned its zero-tolerance approach to Covid-19. But now some pessimism is creeping back. Though economists broadly believe that a full-blown financial crisis isn't likely, they also see heightened risks to global growth from a shaken banking sector and the specter of tightening credit.

The Federal Reserve raised rates by a total of 0.5% in the first quarter of 2023, a total of 4.75% since the commencement of the tightening cycle in March 2022. Financial conditions have tightened significantly, with manufacturing, housing, and financial markets all experiencing corrections in the past year. A further tightening in lending conditions due to banking system pressures will mimic an additional Fed rate increase, constricting economic growth and inflation, and potentially reducing the need for additional tightening.

Supply chain conditions continue to improve in 2023, but executives in many industries say they will focus on resiliency and optimization going forward. Significant improvement was reflected in the March PMI, which showed the greatest improvement in delivery times on record. Goods are expected to flow more freely this year, and inflationary pressures are easing. Improvement does not mean that the supply chain will return to the productivity and efficiency levels in 2019, prior to the pandemic. There have been significant cost declines in ocean container transport as once-exorbitant shipping prices drop toward pre-pandemic levels. Ocean carriers are struggling to fill space on ships after a steep drop-off in cargo that began in the fall, and has continued into 2023. Spot market rates have dropped more than 90% from pandemic-era highs as shipping demand has declined.

The base case outlook for 2023 is that we will experience a slow-growth, or no-growth, environment. Higher interest rates and tighter lending standards will restrict access to credit. Aggregate demand will steadily weaken as the cumulative effects of tighter policy take hold, and businesses will slow fixed investment and shrink their workforces to adjust to the lower demand. Unemployment may rise during the second half of 2023, and consumers will turn increasingly cautious and slow their spending as the outlook weakens. In terms of the degree of a potential slowdown, it is more likely that there will be a prolonged period of below-average growth rather than a meltdown. A lot of demand was pulled forward across nearly every economic data point in the past few years, and the coming years will focus more on integrating new assets, rightsizing operations, and cleaning up balance sheets. It will not be disastrous, but it will be a grind with the potential for decreased profitability.

Over the past weeks, we have had several conversations with clients over the strength and stability of the US banking system given the collapse of Silicon Valley Bank. Our viewpoint is that SVB and similar institutions catered to a very niche set of clienteles and grew assets at a rapid pace. Whereas typically regional and commercial banks focus on more traditional industries and grow at a much more gradual and conservative rate. Our belief is that, while credit and lending standards will begin to tighten, the banking system will continue to be strong.

Should you have any questions on our outlook or services, Venturezen is always happy to have the opportunity to share the details of our capabilities with you. Our objective is to aways build a relationship with you and your company and identify ways to help you grow towards your goals.

CATHERINE C. NGUYEN - Fountain Valley

Catherine Nguyen is the current Chairwoman of the Vietnamese American Chamber of Commerce, a member of the French American Community , and BizFed, Los Angeles. With over 20 years of experience at both large and mid-sized financial institutions as a banker specializing in commercial lending and international finance, she has been dedicating her professional expertise to enhance the growth of the organizations she participates in by providing resources, network, and advocacy for the small businesses throughout Southern California.

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