

**BY ROB STEIN**

CEO, Astor Investment Management

The first quarter of 2018 is 'in the books' and investors may still feel a little woozy from the ups and downs they experienced. The volatility in Q1 seemingly reminded investors what 'fear' feels like and, in my opinion, the financial news mediums started to help investors find the fear they were looking for.

The 'concerns du jour' - interest rates, potential trade wars, debt, the deficit, geopolitical tensions - introduced levels of volatility in the markets that investors have not experienced in several years. However, I find it interesting that there doesn't appear to be one, single theme that is spooking investors and truth be told volatility levels are basically back to normal after years of below normal readings. I have always said that volatility is an oscillating indicator.

At Astor, we believe our process of collecting and analyzing economic data allows us to separate the 'noise' from meaningful signals that influence long-term risky and non-risky asset prices. Our investment process doesn't allow us to have knee-jerk reactions to daily concerns impacting stock prices. We don't act unless the fundamental underpinnings of the economy change. For now, the data, as aggregated and measured by the [Astor Economic Index® \(AEI\)](#), clearly indicates a positive expected return for stocks.

Astor Economic Index® 2000 to March 31, 2018



Source: Astor calculations

Shaded regions represent recessions as determined by NBER.

The Astor Economic Index® should not be used as the sole determining factor for your investment decision. There is no guarantee that the index will produce the same results in the future. Please refer to the accompanying disclosure for additional information regarding the Index.

The AEI is a 'now cast' of the U.S. Economy and current readings of the AEI indicate that risk assets still have a positive expected return. In summary, I don't see a high risk of a recessionary environment in 2018 and I believe that, despite continued volatility, equity markets remain an attractive investment.

That said, stocks do not go up in a straight line. And, it's conceivable that the highs and lows are already in for 2018. I am often quoted as saying, 'the market can go up or down 10% on any given day, for any given reason'. That's true. It is my view that it's how investors react (or don't react) to these fluctuations that determine portfolio returns. As long as the economic underpinnings are strong, markets tend to recover from 'noise' induced swings.

At Astor, we keep our eye on the economic fundamentals—and the fundamentals are hard to ignore. Employment data, jobless claims, GDP, and ISM all continue to be reported well-above their respective medium-term and long-term averages, as the charts below illustrate:

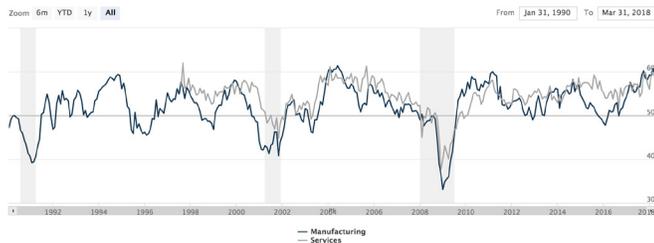
Non-Farm Payrolls



Source: Bureau of Labor Statistics

Shaded regions represent recessions as determined by NBER.

## ISM Purchasing Manager Indexes



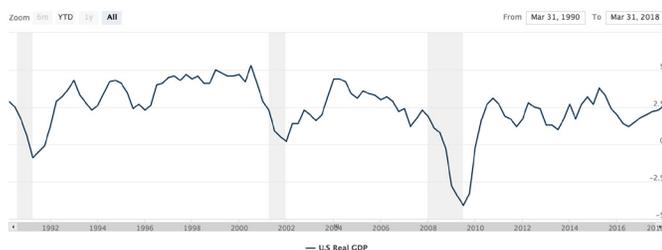
**Man:** Manufacturing PMI, **Svc:** Services PMI

50 represents activity which is neither increasing nor decreasing

**Source:** Institute of Supply Management

Shaded regions represent recessions as determined by NBER.

## US Real GDP, year over year



**Source:** Bureau of Economic Analysis

Shaded regions represent recessions as determined by NBER.

In addition, world GDP is currently at the highest level of the past several years. In our view, this further indicates a solid foundation of economic fundamentals.

Economic conditions are, of course, subject to change, and Astor is not in the business of forecasting. We will not try to 'predict' what might happen. We are good at figuring out what is happening as it is happening. As we always remind investors, we believe that economic fundamentals provide the best basis for determining asset allocation, especially exposure to risk assets such as stocks.

Whatever change occurs from here—and in whatever timeframe—we are confident it will show up in the economic data. Our asset allocation strategies, guided by the AEI, are built to adjust portfolio risk accordingly.

So, worry? No, I am not worried. It is my nature to be cautious, concerned, analytical... I am a portfolio manager. But, I passionately believe in Astor's investment process and our ability to reduce risk in Astor Strategies as the economic climate changes.

## FOR MORE INFORMATION

on Astor Strategies and commentary from myself and the Astor Investment Committee, visit [www.astorim.com](http://www.astorim.com)

## ABOUT ROB STEIN



Mr. Robert Stein began his career as a project analyst for the Federal Reserve under former Chairman Paul Volcker and later went on to hold senior trading or portfolio management positions with large money-center Wall Street banks.

Returning to Chicago in 1994, he formed Astor Financial, Inc., the parent company of Astor Asset Management LLC ("AAM") a registered investment adviser and the predecessor firm to Astor Investment Management, LLC. Knight Capital Group (NYSE: KCG) acquired AAM in 2010 and Mr. Stein was appointed to the Executive Committee reporting to the Board of Directors and directly to the Chairman. In a management restructuring, Mr. Stein re-organized AAM as an independent firm (Astor Investment Management LLC). Mr. Stein is the co-creator of the Astor Economic Index (AEI), the firm's proprietary method used to create what we believe is a smoother, more accurate "live read" on the economy.

He is also the author of several books, including *Inside Greenspan's Briefcase* (McGraw-Hill) and *Finding the Bull inside the Bear* (John Wiley & Sons). Mr. Stein is the founder of the i-CARE Foundation, an organization that provides an annual grant to Northwestern Hospital to enhance patient experience and is Vice Chairman of the Board of Advisors to GlenKirk, an organization that supports people with special needs. Mr. Stein holds a Bachelor of Science from the University of Michigan.

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2018-80

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