

US ECONOMY UPDATE

The Astor Economic Index® (AEI)

Our proprietary Astor Economic Index® is still showing *solid growth in the US economy* and has stabilized from last month. Importantly, the labor market remains strong.

Fed Stance

The Fed announced a pause in its hiking cycle and the next move will depend on how both inflation and the economy evolves. Additionally, the most common interpretation of the Fed Funds futures curve shows that the Fed is not expected to raise rates again this cycle.

International Environment

The international environment continues to be challenging. The Fed cited slower growth in China and Europe in particular as challenging. China's problems extend beyond the trade dispute, but the Chinese government is looking to add stimulus to the economy. A poor global growth period is the one potential source of weakness in the US economy.

Economic Summary

We believe the US economy remains solid. Renewed market turmoil and International environments may become more of a headwind.

ASTOR STRATEGY UPDATE

The US equity market recovered sharply from the worst December since the recession. At Astor we believe that a strong economic environment, as we are currently enjoying, is usually accompanied by an appreciating equity market. Nevertheless, it is clear that investors are becoming more skeptical of equities. Continued solid earnings may eventually be catalyst for a rally.

Astor Dynamic Allocation (ADA)

- Our position in equal weight S&P 500 outperformed the capitalization weighted S&P 500.
- We are seeing opportunities in Emerging Markets and added modestly to that position.

Astor Sector Allocation (ASA)

- ASA's tech and energy positions did especially well last month.
- REITs also outperformed the broad market in January.

Active Income (AI)

- Active Income maintains its position of low duration but more credit exposure than the broad fixed income indexes.
- AI outperformed the broad fixed income market in January as credit spreads contracted especially at the low end of the credit spectrum.

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