

What's Happening Now.

The markets and the economy have taken an unprecedented hit. The size and speed of the downturn are like nothing we've witnessed before. There was little anyone could have done unless they were prepared beforehand. Even a portfolio like our flagship *Astor Dynamic Allocation*, which prior to this crisis had its lowest exposure to stocks in almost 10 years, was not immune to some of the carnage.

I feel good about our portfolios. With our steady approach and robust review of the economic data, I feel confident that we will be able to navigate our portfolios with the objective of realizing the best outcome through the entire cycle. **To reiterate - the entire cycle!**

What's Ahead?

The way I see it, the Federal Reserve (which today unveiled *further market interventions*) and other government agencies are going to throw as much stimulus at the economy as possible. What's important to note is that, unlike in 2008, the banking system is in good shape. That means the policies will get through to the economy. While the impact is uncertain, I disagree with the many pundits and economists who are modeling out the worst possible outcome. Instead, I think we should be modeling out the best possible outcome. Why? Because the economy didn't break.

The economy is disrupted for a period of time—for how long, I do not know. But I do know the intervention discussions are tossing out big numbers—very big, like \$3 trillion! Or maybe even \$6t once its all said and done. That's the equivalent of about 15%-30% of GDP. This will hit the economy later this year, look out for the initial shock wave.

As I observed several years ago, the stimulus created during the financial crisis of 2008 would work its way into the economy over the next decade, and should have a multiplier effect that would usher in a long expansion in stocks. That stimulus did make its way into the stock market, but at the cost of very low interest rates and an environment that, in my view, resembled a "deflationary expansion." Well that's about to end—the deflationary part, that is.

This current stimulus package is going to have a much different effect. In my view, it will shock the economy and market, and that should stabilize everything. Stocks should rally aggressively, and businesses will maintain employment levels. I believe it is possible that much of the job losses will be regained, and employment levels will return to levels close to what we had earlier this year.

What remains to be seen is when that bounce will happen, but at least we can prepare for that. If the economy bounces only because of the stimulus, in my view it will not hold. The reason is that this stimulus is in grants, loans, and tax breaks, which will not have a multiplier effect. Therefore, portfolio managers will have a decision to make: *is the expected rally to be sold, or is the worst behind us?* No one can know for sure right now, but I feel confident that Astor's robust approach will guide us to the right decision—just like it did during the quick sell-off at the end of 2018 which we sat through and then, as supported by the data, we made the reduction in stock holdings during the rally of 2019.

Lastly, I look for the bull inside the bear. Good things will come out of this tragedy both socially and economically. It's happened in every disaster.

Capitalism creates opportunities to innovate, and recessions hold your feet to the fire. During recessions of the past, we developed new techniques for monetary policies and regulating banks. Microwave technology was developed during the recessions of the 1970s; cellular technology was perfected in the recessions of the 1980s.

After the 2008 recession, we saw many iterations and innovations of the smartphone and, more importantly, the cloud.

What will come from this?

Key places we should look include better biodefense policies and more biopharmaceutical research to create and support a more functioning economy during a social crisis—plus the likelihood of the end of deflation and the long bull market in bonds.

From where I sit, I see more to come on bull inside the bear opportunities and I will pass my thoughts on when they are fully baked.

For now, think of the best outcome, prepare for a blast of growth, and decide what to do when it arrives.

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