

## US ECONOMY UPDATE

### The Astor Economic Index® (AEI)

Our proprietary Astor Economic Index® is still showing *solid growth in the US economy*. It is worth noting that the index has dropped since last month, partly in response to weaker purchasing managers surveys. Importantly, the labor market remains strong.

### Fed Stance

*Rate hikes are looking somewhat less likely in 2019* and will depend on how both inflation and the economy evolves. Speeches by FOMC members have been mentioning the ability of the Fed to take its time. Additionally, the most common interpretation of the Fed Funds futures curve shows that the Fed is not expected to raise rates again in March.

### International Environment

*The international environment continues to be challenging*. Many of our trading partners are expecting softer growth this year and trade tensions continue to add uncertainty. Some of the weakness is traceable to trade fears - a partial cause of this summer's emerging market sell off. Brexit, fears of a confrontation between the European Union and Italy and recently popular pushback against President Macron seem to be taking a toll on European growth. 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*. Market turmoil and International environments may become more of a headwind.

## ASTOR STRATEGY UPDATE

US equity markets posted 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 a catalyst for a rally.

### Astor Dynamic Allocation (ADA)

- ADA's beta target has been reduced in early January, by moderating small and mid-cap exposure.
- We removed the last K-1 generating ETF in December and ADA will no longer be trading ETFs that issue K-1s as of 2019.

### Astor Sector Allocation (ASA)

- ASA's healthcare and energy position detracted from performance last month, while tech did relatively well.
- These sectors continue to be supported by strong fundamentals as we measure them.

### Active Income (AI)

- Active Income trimmed its credit exposure slightly in the new year, though it maintains its position of low duration but more credit exposure than the broad fixed income indexes.
- AI underperformed the broad fixed income market in December as credit spreads expanded especially at the low end of the credit market.

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*The Astor Economic Index® is a proprietary index created by Astor Investment Management LLC. It represents an aggregation of various economic data points: including output and employment indicators. The Astor Economic Index® is designed to track the varying levels of growth within the U.S. economy by analyzing current trends against historical data. The Astor Economic Index® is not an investable product. All conclusions are those of Astor and are subject to change.*

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