

U.S. ECONOMY UPDATE

The Astor Economic Index® (AEI)

Our proprietary Astor Economic Index was up somewhat in October and is at levels which reflect solid economic growth.

Despite output and employment remaining below where they were in January, the large and positive changes over the last few months have been enough to significantly improve the AEI. For example, many more new jobs than usual continue to be added as consumers and firms recover from the COVID-19 shutdown.

International Environment

Growth is expected to be negative for 2020 nearly everywhere according to the IMF's latest World Economic Outlook. The economic data this summer from Europe shows a large drop in output compared to the previous year, though much improved from the depths of the shutdown. Employment in Europe has dropped less than the U.S. which may be a strong foundation for additional growth. Recently, additional spread of COVID-19 in Europe has led to additional lockdowns which may further reduce economic activity.

Fed Stance

The Fed is giving support through both low rates and a large and growing balance sheet. Chair Powell's August [speech](#) at the Jackson Hole conference stated that the Fed will tolerate a somewhat higher inflation rate for an unspecified time to better probe how low unemployment can go. The Fed, however, is nowhere near ending the extraordinary accommodation it has been providing during the pandemic.

Economic Summary

The U.S. economy continued to show improvement in October, though perhaps at a more subdued pace than over the summer. While the data is still quite volatile, most series show substantial improvement from the lows of the spring, though well below levels of a year ago. Surging virus cases are currently in a race with promising vaccine news and the economic situation bears careful observation.

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ASTOR STRATEGY UPDATE

At Astor, we believe that typically the stronger the economic environment the better equities will perform. We entered 2020 with near average levels of equities as befits a solid but unspectacular economy. As the numbers deteriorated in the spring with the lockdown we cut positions and as the economic news has improved, we have increased our stock exposure at the expense of fixed income.

Astor Dynamic Allocation (ADA)

- At the November meeting, the Investment Committee (IC) increased its exposure to U.S. and emerging market equities somewhat, while cutting fixed income exposure market exposure.
- In October all of our equity positions lost money and the bright spots meant losing less than the broad market. Some of our tech and emerging market positions fall into this category.

Astor Sector Allocation (ASA)

- At the November Investment Committee meeting the IC rotated from the industrials sector to the consumer discretionary sector. We are now concentrated in tech, health care, communications, REITs, consumer discretionary and consumer staples.
- In October our communications and health care sectors were positive in a down month for the broad market while health care and REITs trailed.

Active Income (AI)

- At the November meeting the IC added a bit more high quality, low duration corporate bonds. This strategy continues to have more credit exposure and less duration than the benchmark.
- AI outperformed the aggregate bond market last month as our credit exposure was profitable and only inflation hedging TIPS were worse than the index.

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