



ASTOR
CAPITAL
MANAGEMENT

An Alternative Investment Company



Sears Tower, 94th Floor, 233 South Wacker Drive, Chicago, IL 60606 • Toll Free: 877-ASTOR 10 • info@astorcm.com



Astor Capital Management
UPDATE
Month ending
January '10

Written by
Astor Capital Management

Astor Capital Management
Sears Tower, 94th Floor
233 S. Wacker Drive
Chicago, IL 60606

info@astorcm.com

Toll Free 877- ASTOR10

Index Definitions

S&P 500 Index - A stock market index containing the stocks of 500 Large-Cap corporations, most of which are American U.S. domiciled. The Index is owned and maintained by Standard & Poor's, a division of McGraw-Hill.

DJIA Index - The Dow Jones Industrial Average is a stock market index, to gauge the performance of the industrial sector of the U.S. stock market. The average consists of 30 of

Astor Capital Management Update

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Summary

Index	Jan 2010	YTD
S&P 500	-3.7%	-3.7%
DJIA	-3.5%	-3.5%
NASDAQ	-5.4%	-5.4%
FTSE 100	-4.2%	-4.2%
GSCI Index	-7.9%	-7.9%
MSCI EAFE Index	-4.4%	-4.4%
10yr US Treasury CMT Index	†5.7%	†5.7%
BarclayHedge CTA Index	-1.3%	-1.3%

Past performance is not necessarily indicative of future results. An investment in alternative investments, including Managed Forex is subject to a substantial risk of loss and may not be suitable for all investors. The material contained herein is for informational purposes only and is not a solicitation for investing. Investors should consult financial advisors before investing.

Trading Activity of the Hudson FX Program*

Of the 21 trading days in January, there were 11 days of positive performance and 10 days of negative performance. Of the 11 positive trading days, most of the days were up around 0.5%. Of the 10 down trading days, four of the days were down 1.0% or more. There were 8 currency pairs traded, with 4 of the 8 showing positive performance. The three currency pairs with the largest volumes were EUR/USD, USD/JPY and EUR/JPY. The largest up performance was AUD/USD. The Hudson FX Program was down for the month.

**= Astor Capital is the designer and Advisor of Hudson FX Program. It is traded in conjunction with CIML, the appointed Sub-Advisor. See the National Futures Association ("NFA") reviewed and accepted Disclosure Document (Nov 30, 2009) for details.*

the largest and most widely held public companies in the U.S. The average is price-weighted, which gives higher priced stocks more influence over the value of the index.

Nasdaq Composite Index - A stock market index of all of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market, meaning that it has over 3,000 components. It is highly followed in the U.S. as an indicator of the performance of stocks of technology companies and growth companies. Since both U.S. and non-U.S. companies are listed on the NASDAQ stock market, the index is not an exclusively U.S. index. It is a broad based index which is calculated under a market capitalization weighted methodology.

FTSE 100 Index - The Financial Times Stock Exchange Index is a share index of the 100 most highly capitalized companies listed on the London Stock Exchange. FTSE 100 companies represent about 80% of the market capitalization of the whole London Stock Exchange. Even though the FTSE All-Share Index is more comprehensive, the FTSE 100 is the most widely used UK stock market indicator.

Goldman Sachs Commodity Index - The GSCI is a world-production weighted index composed of 24 commodity futures contracts. The index is a composite index of commodity sector returns and represents an unleveraged investment through broadly diversified long positions in commodity futures. The GSCI primarily serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time.

MSCI EAFE Index - A stock

Trading Activity of the *Gibraltar FX Program***

Of the 21 active trading days in January, there were 11 days of positive performance and 10 days of negative performance. Of the 11 positive trading days, there were 2 days over 2%. About 62% of the days, or 13 days, had performance between up 1% and down 1%. There were 11 currency pairs traded with 5 of the 11 showing positive performance. The three currency pairs with the largest volumes were AUD/NZD, EUR/NZD and NZD/USD. Of the three highest volumes, they also were the top two performers and the worst performer. The *Gibraltar FX Program* was up for the month.

**= FKA Strategy II and Aurora. Astor Capital is the designer and Advisor of Gibraltar FX Program. It is traded in conjunction with Trillian Advisors, LLC, the appointed Sub-Advisor. See the National Futures Association ("NFA") reviewed and accepted Disclosure Document (Oct 20, 2009) for details.

Astor Capital, through its managed FX programs, is actively involved in trading spot foreign exchange currency pairs as an asset class with the goal of capital appreciation. Astor Capital offers investors professionally managed accounts that do not have lock up periods; we offer one day liquidity and redemption.

Market Activity

As a general market observation, in addition to the major equity indices globally being down for the month, the US dollar (USD) began the month as a continuation of the 2009 trend, weakening against global counter parts. In 2009, the USD fell approximately 14% against the British pound (GBP) and 15% against the Canadian dollar (CAD). USD weakness, but also commodity price strength, which both currencies are linked economically to. Commodity prices in 2009 finished their strongest year since 1970.

Below are some of the market related events that shaped the first month of this year and of this decade.

- The month started out with the opening of the world's tallest skyscraper, located in Dubai. In a surprise move, the tower was renamed the Burj Khalifia, as a nod to the leader of neighboring Abu Dhabi, the oil-rich sheikdom that came to Dubai's rescue during the financial meltdown only a month ago (see Astor Capital's Monthly Update-Dec '09). Skeik Khalifia bin Zayed Al Nahyan, the ruler of Abu Dhabi, gave about U\$ 10 Billion to Dubai last month to stay current on debt obligations. The cost of the 2717 foot tall building that was designed by a Chicago based architecture and engineering firm, that is 150 stories (about 50 more than the Sears Tower) cost approximately U\$1.5 Billion to build (vs. about \$1 Billion to build the new NY Yankee Stadium and the new Dallas Cowboy stadium);
- Chinese economic activity offered the market several pieces of news. They included:

market index of foreign stocks, from the perspective of a North American investor. The index is market capitalization weighted (meaning that the weight of securities is determined based on their respective market capitalizations.) It first ranks each stock in the investable universe from largest to smallest by market capitalization. It is maintained by Morgan Stanley Capital International; the EAFE acronym stands for "Europe, Australasia, and Far East". The index includes a selection of stocks from 21 developed markets, but excludes those from the U.S. and Canada.

The 10 year US Treasury Constant Maturity

Treasury Index ("CMT") - An index published by the Federal Reserve Board based on the average yield of a range of US Treasury securities, all adjusted to the equivalent of a 10-year maturity. Yields on US Treasury securities at constant maturity are determined by the US Treasury from the daily yield curve. That is based on the closing market-bid yields on actively traded US Treasury securities in the over-the-counter market. This figure is used as a reference point to establish the price of other securities such as corporate bonds. US Treasury securities are considered risk-free since they are backed by the US government. This figure, and an added margin based upon the risk involved, is used in pricing various debt securities.

BarclayHedge CTA Index - A measure of the average return of CTA's providing BarclayHedge with their unaudited returns. There are currently over 400 CTA's reporting. It is unweighted and rebalanced at the end of the year.

- manufacturing expanded by the largest amount in five years. The USD weakened slightly on the news of the perceived Chinese recovery,
- December trade data offered signs of economic recovery as exports grew 17.7% to \$130.7 Billion, making total 2009 exports of \$1.2 Trillion - the first increase in 14 months. Imports surged 55.9%. With that, China surpassed Germany as the world's biggest exporter,
- The Central Bank sold three-month Bills at higher interest rates for the first time in 19 weeks. The CB also announced that the 2010 focus will be geared toward controlling loan growth. Additionally, the CB announced that it will be increasing reserve requirements (5bp on Jan 18 from existing levels of 15.5% for larger banks) on banks to discourage lending,
- Toward month's end, it is believed that the Chief Banking regulator asked banks to stop making new loans for the remainder of January. Chinese equity prices touched three month lows following the news, and
- Chinese GDP rose 10.7% from the year before;
- Due, in part, to cold temperatures in North America (more than five degrees below average in January), oil prices rise above \$80/barrel for the first time since early November;
- The U.S. Employment report for December came out weaker than expected. Actual non-farm payroll ("NFP") jobs were -85,000, vs. a market expectation of unchanged. Of significance and potential offset to the initial poor release was the revision of November's NFP from -11,000 to +4,000. The December unemployment rate remained at 10.0%. The cumulative job loss from the business cycle peak in December 2007 to November 2009 has been approximately 7,150,000 jobs. Following the stronger than expected employment figures, U.S. interest rates rose and the US dollar strengthened;
- It is expected that the U.S. government is to issue approximately \$2.45 Trillion in new debt as the Treasury Department continues financing the unprecedented stimulus;
- The U.S. Treasury yield curve steepened. The two year UST yield vs. the 10 year UST yield ("2's, 10's spread") is near recent highs. It is believed that a major reason for the steepening curve is that the market believes U.S. interest rates will be higher in the future than they are now, potentially as a result of recent massive debt issuance;
- New York Federal Bank President Dudley asserts that the US Fed would be hesitant to raise interest rates prior to a decline in the US unemployment rate, going as far as to state that rates may stay low for as long as two years. The USD is mixed in trading against other major currencies on the news;
- Iceland's credit rating was downgraded to BB+, with a negative outlook by Fitch. Standard & Poor's held its credit rating, but put Iceland on negative outlook;
- Greece yet again, made financial headline news. Some

of the news included:

- The Finance Minister, George Papacostantinou, early in the month rejected speculation that Greece will need a bailout to tackle its inflated budget deficit,
- ECB board member Juergen Stark commented that the EU would not save Greece from default. Most freely traded currencies strengthened against the EUR following Stark's comments,
- Greece currently has approximately EUR 254 Billion in debt outstanding, with an expected EUR 3-5 Billion in new issuance expected soon. This is significantly higher than Russia's EUR 51 Billion when it defaulted and higher than Argentina's EUR 57 Billion when it missed interest payments,
- Greek Credit Default Swap ("CDS") spreads widened to a record 395bp, and
- As noted in Astor Capital's December 2009 Monthly Update, Standard & Poor's ("S&P"), the U.S. credit rating agency dropped Greece's credit rating from A- to BBB+. It was the second time in 2009 that S&P had dropped Greece's rating. Market concern caused a flight to quality, strengthening the USD. Moody's also dropped Greece's credit rating one notch to A2, and Greece is one of a group of weaker Euro members which market pundits have dubbed the "PIIGS" (Portugal, Italy, Ireland, Greece and Spain);
- At mid-month, a massive earthquake strikes Haiti. The initial earthquake is followed days later by two other earthquakes and an earthquake and aftershock in Guatemala. With thousands dead and the capital city Port-au-Prince destroyed, a massive international relief mission is assembled and arrives;
- Several noteworthy cross border acquisitions were announced. They include:
 - U.S. consumer products company Kraft, agreeing to acquire U.K.'s Cadbury for approximately USD 19.7 Billion, making it the world's largest chocolate producer,
 - Dutch beer manufacturer Heineken, agreeing to acquire Mexico's Fems SA's beer business for approximately USD 5.44 Billion, further consolidating the global industry, and
 - Dutch car manufacturer Spyker Cars N.V., agreeing to acquire General Motors' Saab car line for approximately USD 400 Million;
- The United Kingdom Q4 GDP rose 0.1% vs. market expectation of 0.4%, as industries and manufacturing expanded enough to pull the British economy officially out of recession;
- Several banks reported their revenues. Some of the banks reporting earnings included:
 - Bank of America announced a Q4 loss of \$5.2 Billion. This is BAC's third loss in the last five quarters, resulting in part from continued defaults on consumer loans and a decline in

- trading revenue, missing analysts' expectations,
- Citigroup (still 27% technically owned by the U.S. Treasury Department) announced a \$7.6 Billion loss in Q4, missing analysts' expectations,
- JPMorgan announced a Q4 gain of \$3.28 Billion. Revenue quadrupled in Q4 – large investment banking fees, combined with increased credit write-down provisions, resulted in the bank missing analysts' expectations. JPMorgan plans to pay its investment banking unit a record \$9.3 Billion in bonuses (about \$380,000 per banker),
- Wells Fargo announced a Q4 gain of \$394 Million, despite big loan losses,
- Morgan Stanley announced a Q4 gain of \$617 Million, mainly on investment banking and retail brokerage business, and
- Goldman Sachs announced a Q4 gain of \$4.79 Billion, beats analysts' expectations. Strong trading revenue and investments were reasons cited. Goldman plans to pay its investment banking unit \$16.2 Billion in salaries and bonuses (about \$500,000 per banker);
- Federal Reserve Bank Chairman Ben Bernanke won confirmation for a second term near the end of the month- his term was to expire over the weekend. The Senate confirmed Bernanke for a new four year term by a 70-30 vote. The 30 nays included 11 Democrats, 1 independent and 18 Republicans. First appointed by President GW Bush, he was then re-nominated by President Obama;
- At month's end, U.S. Q4 GDP was released, showing a 5.7% increase vs. market expectations of 4.7%. This is the sharpest increase in over six years, prompting market participants to speak of U.S. economic recovery;
- A moment of reflection for this month's passing of several notable people and places. They include:
 - Robert Mosbacher Sr., 82, who served as U.S. Commerce Secretary under President George H.W. Bush,
 - Glen W. Bell Jr., 86, the entrepreneur best known for founding the Taco Bell chain,
 - Joe Rollino, 104, the famed strongman,
 - Jean Simmons, 80, who sang with Marlon Brando in "Guys and Dolls" and played Ophelia to Laurence Olivier's Hamlet, and
 - J.D. Salinger, 91, considered at one time to be the most important American writer to emerge since WWII. Holden Caulfield, the main character and narrator of "The Catcher in the Rye" was perhaps the best known anti-hero since Huck Finn.

Please note: all known news has already been factored in the price of underlying foreign currency valuations.

It's Time For the Portfolio Review

A poll taken by USA Today and Gallup in January found that about two-thirds of Americans say they think that economic recovery won't start for another two years, while 28% say it won't begin for at least five years. If history can be used as a guide, the U.S. stock market traded sideways for quite a while following the crash in 1929. The Japanese stock market traded sideways for quite a while following its stock and housing bubbles being burst around 1990, earning the following 10 years the nickname "the Lost Decade" (for more details, visit Astor Capital's website, www.astorcm.com, go to the "Articles" tab and read the presentation, "Is the US the Next Japan?"). The U.S. stock market had a nice move up from its low on March 9, 2009. The concern by some is that do the companies have the ability to meet the markets' expectations? Back in March, the 10 year averaged earnings' P/E ratios were around 13.3, while today they are trading around 20.8 – vs. the historical average of around 16. What does all this mean for the investor?

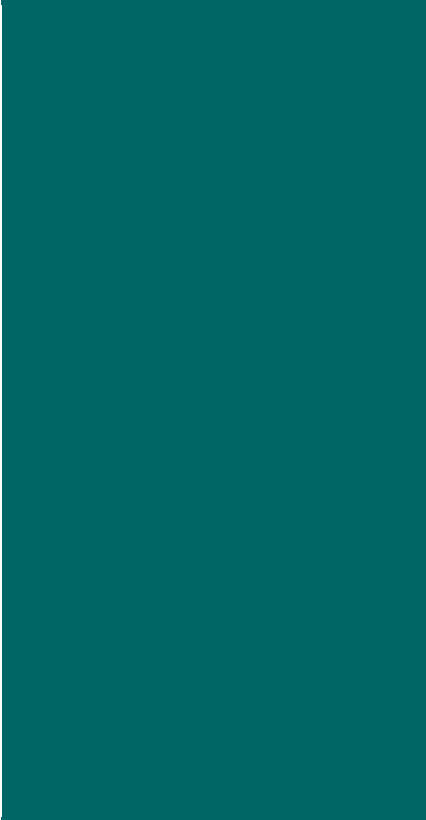
Some investors have taken the 2009 move up in equity values as an opportunity to do two things. First, investors are looking at the 50+% retracement and asking if it is sustainable or not.

Second, investors are still cognizant that having all the investment eggs in the stock and bond basket only proved to be a really bad strategy in 2008. A diversified investment portfolio really can make a difference. At this time of year, investors may wish to review the entire investment portfolio and consider rebalancing the asset classes they are invested in. Several investors are rebalancing their investment portfolio by giving Astor Capital Limited Power of Attorney to trade one of its managed FX programs.

Academic research from Nobel Prize winner Dr. Markowitz and Harvard professor Dr. Litner indicates that a portfolio of stocks, bonds and non-correlated assets outperforms and has lower volatility than a portfolio of only stocks and bonds. In the Chicago Board of Trade publication, "Portfolio Diversification Opportunities", the optimal portfolio is shown to be approximately 45% stocks, 35% bonds and 20% managed futures accounts. As investors review their investment portfolios, they may wish to consider rebalancing asset allocation and to include managed accounts, or other low correlated assets including managed FX programs that Astor Capital offers.

Astor Capital's New Managed FX Program is Open to Investors

Astor Capital is extremely pleased to announce it has officially launched its new managed FX account program, the *Hudson FX Program*. Investors have given Limited Power of Attorney for Astor Capital to trade the Program in their account(s). The NFA has reviewed and accepted the disclosure document, which details all aspects of this Program, which is a blend of model-driven programs and discretionary trading that attempts to capture profit opportunities in the over-the-counter Forex spot



market. Trading tends to be active primarily during European trading hours. The *Hudson FX Program* utilizes multiple trading strategies that currently incorporate the trading of six different liquid foreign currency pairs, including: U.S. dollar (USD), Euro (EUR), British pound (GBP), Swiss franc (CHF), Japanese yen (JPY), and the Australian dollar (AUD).

We are very excited about the *Hudson FX Program* and would welcome the opportunity to discuss it with you in greater detail. You can contact us by calling **877-ASTOR 10**, emailing us at info@astorcm.com or making an online request at www.astorcm.com requesting a disclosure document, which will provide detailed information on the *Hudson FX Program*.

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