



ASTOR
CAPITAL
MANAGEMENT

An Alternative Investment Company

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

Astor Capital Management's Monthly Update – March 2011

Written by Astor Capital Management



If you are unable to view graphics in this email, simply right click with your mouse on the red "x" in the box and select "Download Pictures".

Summary of Indices

Index	March 2011	YTD
S&P 500	-0.2%	5.4%
Dow (DJI)	0.8%	6.4%
Nasdaq Composite	-0.4%	4.9%
FTSE 100	-1.4%	0.2%
S&P GSCI	4.4%	11.6%
MSCI EAFE	-2.6%	2.6%
10 year U.S. Treasury	1.2%	4.2%
BarclayHedge CTA Index *	-0.7%	-0.2%

**=as of 4/7/11 (data is self-reporting & <60% of the CTAs reporting have reported)*

Past performance is not necessarily indicative of future results. An investment in alternative investments, including Managed Forex and Futures is subject to a substantial risk of loss and may not be suitable for all investors. This CTA is prohibited by law from accepting funds in the trading advisor's name from a client for trading. You must place all funds for trading in this trading program directly with a FCM or retail Forex dealer, as applicable. The material contained herein is for informational purposes only and is not a solicitation for investing. Investors should consult financial advisors and carefully review the information contained in the risk disclosure statement of the FCM or retail Forex dealer that you select to carry your account and in the CTA's disclosure document before investing.

Astor Capital's Program

Astor Capital, through its managed program, the *Knox FX Program* is actively involved in trading off-exchange traded currency pairs ("Forex") as an asset class with the goal of capital appreciation. Astor Capital offers investors a professionally managed currency program that has one day liquidity and redemption. Astor Capital offers investors a program with exposure to the currency markets that does NOT have lock-ups, gates or other requirements or penalties to get your funds. If you would like more details on the program, including a Program Disclosure Document, please contact us at clientservices@astorcm.com or [click here](#) to receive more information.

Market Activity

"March Madness", it's what we call the NCAA basketball tournaments in the U.S. This year, the title could have also been given to the actual month itself, with headline grabbing stories of the earthquake, tsunami, nuclear accident in Japan and unrest in the Middle East and North Africa. Stock market indexes in most developed markets that were up globally into March saw all of the 2011 gains erased and went into negative territory, before closing March in positive territory. Coordinated central bank intervention in the currency markets took place with coordinated G7 central banks selling Japanese yen (JPY) in an effort to limit its short term strength. Following continued stress in the Middle East and North Africa, oil prices remained over \$100/barrel. Is this month's theme from Bob Dylan's, "Times, They are a Changin'", or from Led Zeppelin's, "The Song Remains the Same"? Brand new headlines, but the same effect on the markets – surprise and scramble.

For the month of March, U.S. equities ended higher, U.S. interest rates across the curve ended higher, oil ended higher, market volatility (VIX index) ended slightly lower and the USD is weaker against the EUR but stronger against the GBP and JPY.

With investors' investment portfolios having changed with respect to weightings of various asset classes in 2010, Astor Capital has observed that some investors are focusing on portfolio rebalancing for 2011. Gains in stocks and bonds over the year have left some investors' portfolios under-weighted to lower correlated asset classes. Investments including Astor Capital's managed currency program may fit into the lower correlated (to traditional investments) asset class and therefore could be worth consideration. Below are some of the events that shaped the month.

Some market related events from **The Americas** included:

- **U.S.** Employment Report and Non-Farm Payroll for February were released in early March. The unemployment rate fell 0.1% to 8.9%, near a 2 year low. Non-farm payrolls rose by 192,000, vs. an expected 185,000 jobs. Additionally, payroll employment for previous reports was upwardly revised 58,000 jobs. Following the release, yields on U.S. Treasury (UST) securities actually fell slightly;
- **U.S.** municipal bond defaults could be as high as \$100 Billion over the next five years, according to the WSJ;
- **U.S.** FOMC announced no change to interest rates;

- **U.S.** corporate high grade debt issuance was the largest volume issued ever in the month of March;
- **U.S.** manufacturing expanded in February at its fastest pace in nearly seven years, while the U.S. services sector grew in February to a five year high, according to the Institute for Supply Management (ISM);
- **U.S.** Retail Sales rose 1.0% in February, for the eighth consecutive month of gains and the largest in the past four months;
- **U.S.** CPI in February increased slightly to a higher than expected 0.5%;
- **U.S.** PPI in February increased a seasonally adjusted 1.6% vs. 0.8% in January;
- **U.S.** Trade Deficit widened to \$46.3 Bln in January, a 15.1% rise over December;
- **U.S.** Housing Starts for February fell to their lowest levels since April 2009;
- **U.S.** Consumer Confidence Index in March fell to 63.4 down from a revised 72.0 in February;
- **Canada's** currency (CAD) has continued to strengthen following continued increases in energy prices. Canada is a net exporter of energy commodities;

Some market related events from **Europe** included:

- **European Central Bank (ECB)** news:
 - o President Trichet said early in the month that the ECB could raise interest rates next month to fight inflation. Following his remarks, the Euro (EUR) strengthened to its highest level against the USD since November 2010;
 - o Bloomberg News reported that an April ECB rate hike is “less of a done deal” as Japan’s struggles cast an ominous cloud over the global outlook;
- **United Kingdom:**
 - o Following a less than expected Retail Sales release, the Great British pound (GBP) weakened against the EUR and the USD;
 - o The Bank of England (BOE) kept its interest rates unchanged at the record low of 0.5%. Following the announcement, the GBP weakened;
 - o U.K. inflation in February jumped to 4.4%, well over the Bank of England’s target. Following the announcement, the British pound (GBP) strengthened against its major trading partners;
 - o Later in the month, the BOE highlighted the “merit in waiting” to examine inflation. Following the announcement, the GBP weakened against the EUR to a five month low. It is our opinion that, the market may believe that the ECB will hike rates before the BOE does;
- **Portugal:**
 - o Yields hit a record high relative to German Bunds (i.e. German government bonds) following a WSJ article pointing out inconsistencies and lack of uniformity in the coming round of European bank stress tests;
 - o Moody’s downgraded Portugal’s sovereign debt rating two notches with possibly more in the future. Following the announcement, the EUR weakened;

- **Ireland:**
 - o A NY Times article predicts Ireland's total rescue bill could top \$100 Billion, a large percentage of Ireland's \$241 Billion annual output. It is our opinion that, Ireland may be faced with nationalizing its banking system;
- **Greece:**
 - o Moody's downgraded Greece's sovereign debt rating three notches to B1, while threatening further downgrades going forward;
- **Spain:**
 - o Moody's downgraded Spain's sovereign debt rating one notch to Aa2, while maintaining its negative outlook. Following the downgrade, the EUR weakened;

Some market related events from **Middle East & Africa** included:

- **Libya** conflict intensified, with the United Nations Security Council announcing a resolution backing a no-fly zone over Libya and backing an "all necessary measures" to protect Libyan citizens. According to the Energy Information Administration, Libya is reducing its oil output by as much as 1 Million barrels/day (from approx. 1.5 Million barrels/day). As Qaddafi's counter-offensive intensified by mid-month, oil reached 36 month highs;
- **Bahrain** witnessed continued conflict between protesters and police and Saudi Arabian troops were sent to Bahrain;
- **Saudi Arabia** witnessed a "Day of Rage" protest on its soil;
- **Syrian** Cabinet resigned near the end of the month. The resignation of the 32 member cabinet was accepted by President Bashar Assad, who has controlled Syria for four decades;

Some market related events from **China** included:

- PMI was slightly better than expected, in spite of recent tightening measures;
- The Trade Deficit for February was an expected \$7.3 Billion, the largest in 7 years. Export growth was the slowest growth since 2009. Following the release, equity values globally fell;

Some market related events from the **Pacific Rim / Asia Region (ex-China)** included:

- **Japan**
 - o Fiscal year end was March 31;
 - o Witnessed the country's worst earthquake, measuring 9.0 that unleashed a tsunami on Japanese shores and extended to the west coast of the U.S. Following the disaster, the JPY weakened and oil prices dropped. Some time after the immediate disaster, the Bank of Japan (BOJ) announced that it planned to provide liquidity to the market. Estimates of roughly \$183 Billion were pumped into the money markets. In addition to the initial liquid add, the BOJ said it would double its asset buying program. The Nikkei stock index plunged over 6% on the day following the earthquake. By the end of the second day, Japanese equities had their sharpest 2 day

drop since 1987, and the yield on U.S. Treasuries fell to their lowest yield since December of 2010.

- The earthquake and subsequent tsunami caused a disaster at Tokyo Electric's Fukushima nuclear plant. Radiation in the seawater near the plant has been found to be 3,355 times the legal limit;
- Coordinated G7 central bank currency intervention took place where they sold JPY in an effort to weaken the JPY. The JPY strengthening has been a concern during the disaster, as a strong JPY drags on the highly export driven Japanese economy. Following the coordinated intervention, the JPY fell substantially in the short run;
- A government report indicated that the earthquake and tsunami's damage will cost up to \$309 Billion and push down Japanese GDP at least 0.5%.

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

The World According to

According to billionaire and Berkshire Hathaway Chair and CEO Warren Buffet, the U.S. economy continues to improve. "What we've seen now for two years is things have been getting slowly better". Buffet went on to say that he is looking to make acquisitions – Berkshire Hathaway finished 2010 with \$38 Billion in cash on the balance sheet.

According to the U.S. Federal Reserve, the U.S recovery is gaining traction and inflation pressure from soaring energy costs should be short-lived. The post FOMC meeting announcement stated, "the economic recovery is on firmer footing and overall conditions in the labor market appear to be improving gradually". Later in its statement, the Fed reiterated a pledge to keep interest rates currently near zero (i.e. the target range for the federal funds rate at 0 to ¼ percent) at very low levels for an extended period.

According to The Investment Company Institute, since the beginning of 2011, investors have put \$24.2 Billion into U.S. stock mutual funds – quite a turnaround from 2010, when investors withdrew \$96.7 Billion. Reasons for this vary and may include that investors don't get much of a return from fixed income instruments compared to the S&P index which currently trades at 15.6 times the operating earnings of its stocks over the past year, below the 19.3X historical average. While this may appear bullish, the academic director of the Wealth Management Initiative at U Penn's Wharton School cautions, "Investors have a tendency to make the wrong decisions behaviorally". He cited that investors invested nearly \$91 Billion into stock funds in 2007, just as the market was reaching its then all-time peak.

According to the Employee Benefit Research Institute in Washington, about 91% of investors who have 401(k) retirement savings plans now have more money in their accounts than at the equity market top on October 2007, although it's worth noting that the percentage would be lower without factoring in workers' continued contributions. According to the U.S. Federal

Reserve, U.S. investor wealth grew 3.8% in the final three months of 2010, despite the value of real estate holdings falling 1.6%.

According to Fidelity Investments, 42% of the more than 1,000 millionaires surveyed said they did not feel wealthy (the survey respondents had at least \$1 million in investable assets, excluding real estate or retirement accounts). They said they would need to have at least \$7.5 million in order to feel they were truly rich.

According to the U.S. Internal Revenue Service (IRS), they expect the average federal tax refund will be about \$3,000 this year. In total, the IRS expects to issue up to \$300 Billion in tax refunds this year. Please note, the filing deadline this year is April 18.

According to the Centers for Disease Control and Prevention, the life expectancy for those in the U.S. has risen to 78 years and 2 months. That's good news. More good news for baby boomers, Volkswagen is resurrecting its iconic microbus, this time controlled by an electric motor which is planned to go up to 186 miles on a single battery charge. Living longer, driving the VW microbus, sounds like the making for a lifestyle commercial.

According to Astor Capital, investors that want to create an investment portfolio that diversifies from the risk of their investments being highly correlated should consider speaking with an Astor Capital representative about how Astor Capital may be able to assist.

Test Your Knowledge – Currencies and Exchanges – The Answers

Below are the answers to last month's quiz.

- 1) What is the currency of the United Arab Emirates? dirham (AED)
 - 2) What is the currency of Iceland? krona (ISK)
 - 3) What is the currency of Iran? rial (IRR)
 - 4) What is the currency of Panama? balboa ((PAB)
 - 5) What is the currency of Russia? rouble (SUR)
- 6) Name three exchanges in:
- a. Asia: we counted 22 exchanges. Some include: Australian Stock Exchange, National Stock Exchange of India, Tokyo Stock Exchange, & Korea Stock Exchange.
 - b. Europe: we counted 33 exchanges. Some include: LME, LIFFE, Madrid Stock Exchange, Stockholm Stock Exchange, Frankfurt Stock Exchange, Paris Stock Exchange, MATIF, Ldn Stock Exchange/FTSE Int'l, Vienna Stock Exchange.
 - c. North America: we counted 20 exchanges. Some include: AMEX, NASDAQ, NYSE, Chicago Stock Exchange, Mexican Stock Exchange, Kansas City Board of Trade, Chicago Mercantile Exchange, Toronto Stock Exchange, Vancouver Stock Exchange.

- d. South America: we counted 15 exchanges. Some include: Sao Paulo Stock Exchange, Lima Stock Exchange, Caracas Stock Exchange, Santiago Stock Exchange
- 7) Name five equity indexes in North America:
Some of the NA equity indexes include: Dow Jones Industrial Average, S&P series (midcap, 500 Index), NASDAQ series (Composite Index, etc), Mexico IPC Index, MSCI, Russell series (100, 5000, etc)
- 8) Name two of the three announced pending exchange mergers:
 - a. London Stock Exchange and the Canadian TMX.
 - b. Singapore Stock Exchange and the Australian Securities Exchange – *Editor’s Note: The SGX walked away from its bid to acquire the ASX (4/8).*
 - c. NYSE/Euronext and the Deutsche Boerse – *Editor’s Note: The NASDAQ OMX and Intercontinental Exchange have recently submitted a rival bid to NYSE/Euronext to acquire it.*

If you are considering reviewing a managed futures or forex program, or simply wish to discuss the markets, we welcome the opportunity to speak with all potential investors.

RISK DISCLOSURE STATEMENT

THE RISK OF LOSS IN TRADING COMMODITY INTERESTS CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IN CONSIDERING WHETHER TO TRADE OR TO AUTHORIZE SOMEONE ELSE TO TRADE FOR YOU, YOU SHOULD BE AWARE OF THE FOLLOWING:

IF YOU PURCHASE A COMMODITY OPTION YOU MAY SUSTAIN A TOTAL LOSS OF THE PREMIUM AND OF ALL TRANSACTION COSTS.

IF YOU PURCHASE OR SELL A COMMODITY FUTURES CONTRACT OR SELL A COMMODITY OPTION OR ENGAGE IN OFF-EXCHANGE FOREIGN CURRENCY TRADING YOU MAY SUSTAIN A TOTAL LOSS OF THE INITIAL MARGIN FUNDS OR SECURITY DEPOSIT AND ANY ADDITIONAL FUNDS THAT YOU DEPOSIT WITH YOUR BROKER TO ESTABLISH OR MAINTAIN YOUR POSITION. IF THE MARKET MOVES AGAINST YOUR POSITION, YOU MAY BE CALLED UPON BY YOUR BROKER TO DEPOSIT A SUBSTANTIAL AMOUNT OF ADDITIONAL MARGIN FUNDS, ON SHORT NOTICE, IN ORDER TO MAINTAIN YOUR POSITION. IF YOU DO NOT PROVIDE THE REQUESTED FUNDS WITHIN THE PRESCRIBED TIME, YOUR POSITION MAY BE LIQUIDATED AT A LOSS, AND YOU WILL BE LIABLE FOR ANY RESULTING DEFICIT IN YOUR ACCOUNT.

UNDER CERTAIN MARKET CONDITIONS, YOU MAY FIND IT DIFFICULT OR IMPOSSIBLE TO LIQUIDATE A POSITION. THIS CAN OCCUR, FOR EXAMPLE, WHEN THE MARKET MAKES A “LIMIT MOVE.”

THE PLACEMENT OF CONTINGENT ORDERS BY YOU OR YOUR TRADING ADVISOR, SUCH AS A "STOP-LOSS" OR "STOP-LIMIT" ORDER, WILL NOT NECESSARILY LIMIT YOUR LOSSES TO THE INTENDED AMOUNTS, SINCE MARKET CONDITIONS MAY MAKE IT IMPOSSIBLE TO EXECUTE SUCH ORDERS.

A "SPREAD" POSITION MAY NOT BE LESS RISKY THAN A SIMPLE "LONG" OR "SHORT" POSITION.

THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY INTEREST TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.

IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. A DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR.

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY INTEREST MARKETS. YOU SHOULD THEREFORE CAREFULLY STUDY A PROGRAM'S DISCLOSURE DOCUMENT AND COMMODITY INTEREST TRADING BEFORE YOU TRADE, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT.

YOU SHOULD ALSO BE AWARE THAT THIS COMMODITY TRADING ADVISOR MAY ENGAGE IN OFF-EXCHANGE FOREIGN CURRENCY TRADING. SUCH TRADING IS NOT CONDUCTED IN THE INTERBANK MARKET. THE FUNDS DEPOSITED WITH A COUNTERPARTY FOR SUCH TRANSACTIONS WILL NOT RECEIVE THE SAME PROTECTIONS AS FUNDS USED TO MARGIN OR GUARANTEE EXCHANGE-TRADED FUTURES AND OPTION CONTRACTS. IF THE COUNTERPARTY BECOMES INSOLVENT AND YOU HAVE A CLAIM FOR AMOUNTS DEPOSITED OR PROFITS EARNED ON TRANSACTIONS WITH THE COUNTERPARTY, YOUR CLAIM MAY NOT BE TREATED AS A COMMODITY CUSTOMER CLAIM FOR PURPOSES OF SUBCHAPTER IV OF CHAPTER 7 OF THE BANKRUPTCY CODE AND REGULATIONS THEREUNDER. YOU MAY BE A GENERAL CREDITOR AND YOUR CLAIM MAY BE PAID, ALONG WITH THE CLAIMS OF OTHER GENERAL CREDITORS, FROM ANY MONIES STILL AVAILABLE AFTER PRIORITY CLAIMS ARE PAID. EVEN FUNDS THAT THE COUNTERPARTY KEEPS SEPARATE FROM ITS OWN FUNDS MAY NOT BE SAFE FROM THE CLAIMS OF PRIORITY AND OTHER GENERAL CREDITORS.

FURTHER, YOU SHOULD CAREFULLY REVIEW THE INFORMATION CONTAINED IN THE RISK DISCLOSURE STATEMENT OF THE FUTURES COMMISSION MERCHANT

OR RETAIL FOREIGN EXCHANGE DEALER THAT YOU SELECT TO CARRY YOUR ACCOUNT.

COMMODITY TRADING ADVISORS ARE PROHIBITED BY LAW FROM ACCEPTING FUNDS IN THE TRADING ADVISOR'S NAME FROM A CLIENT FOR TRADING COMMODITY INTERESTS. YOU MUST PLACE ALL FUNDS FOR TRADING IN A TRADING PROGRAM DIRECTLY WITH A FUTURES COMMISSION MERCHANT OR RETAIL FOREIGN EXCHANGE DEALER, AS APPLICABLE.

Index Definitions

S&P 500 Index - A U.S. stock market index containing the stocks of Large-Cap corporations. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. The Index is owned and maintained by Standard & Poor's, a division of McGraw-Hill.

DJIA Index - The Dow Jones Industrial Average ("DJIA") is a U.S. stock market index containing stocks of the U.S. industrial sector. Roughly two-thirds of the DJIA's 30 component companies are manufacturers of industrial and consumer goods. The average is price-weighted, which gives higher priced stocks more influence over the value of the index.

Nasdaq Composite Index - A U.S. stock market index containing of all of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market. It is a market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. Most listings are technology and Internet-related, but there are financial, consumer, bio-tech and industrial companies as well. If a stock trades on the Nasdaq, it is included in the index. 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.

FTSE 100 Index – A British stock market index containing the stocks the 100 most highly capitalized companies listed on the London Stock Exchange. The Financial Times Stock Exchange Index ("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.

S&P Goldman Sachs Commodity Index – A world-production weighted commodity market index that contains 24 commodity futures contracts. The GSCI 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 foreign stock market index from the perspective of a North American investor. The Morgan Stanley Capital International ("MSCI") Europe, Australasia, Far East ("EAFE") index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. The index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom*. * = As of May 30, 2011.

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.

BarclayHedge CTA Index – The BarclayHedge CTA Index is an industry benchmark of representative performance of Commodity Trading Advisors. There are currently 565 programs (for 2011) included in the calculation of the BarclayHedge CTA Index, which is unweighted and rebalanced at the beginning of each year. Additionally, the program returns are self-reporting by the contributing Commodity Trading Advisors and the program returns are not audited by BarclayHedge.