

Weekly Insights

EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

JULY 27, 2015

Top News Headlines

- 1) Oil Stumbles to \$47 Per Barrel as Energy Stocks Slide
- 2) Chinese Stocks Drop the Most Since 2007, Regulators May Step Up Buying
- 3) Q2 Earnings Season Soft as US Stocks Flat During Q3 Trading

Economic News

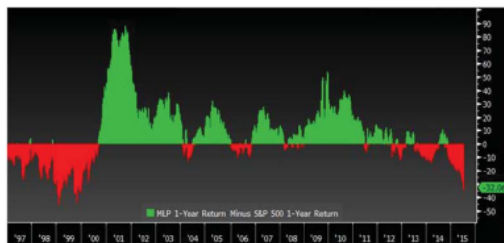
- After a weak first five months of 2015, durable goods orders rebound 3.4% in June
- Existing home sales rose to a 5.49 million SAAR pace in June as housing continues comeback
- Eurozone manufacturing down in July, signals a weak start to Q3
- Chinese industrial profits fell in June YoY, as stock investors dump holdings
- In July, the Japanese manufacturing PMI rose the most in over a year

Thought of the Week

The price of West Texas Intermediate (WTI), also known as Texas light sweet oil, entered a new bear market after falling by over 6% in the last week. This represents a more than 23% nosedive from its June peak of \$62 per barrel. Over that same time frame, energy stocks are down nearly 12% and are the worst performing sector in the S&P 500. Typically, drops like this are followed by subsequent production cuts, but so far in the US, we haven't seen a corresponding decline in output. We believe the reason production hasn't waned is because producers hold substantial oil hedges for 2015. However, many of those investments will begin to roll off in 2016, with pretty much all of them expiring in 2017 and beyond. So, it's likely production begins to slow over the next few years—when prices are at or below the current level. Therefore, we think it makes sense during these periods of underperformance to selectively add exposure to this area of the market. As we have mentioned before, we like playing the midstream MLP space since they carry an income component and tend to have long-term contracts. As the chart below illustrates, the only time MLPs have lagged the S&P 500 by more than the current period was the late 90's.

Chart of the Week

Relative One-Year Performance MLPs vs. S&P 500



Source: Bloomberg, Evergreen Gavekal

Index Levels	Friday Close 7/24/15	Prior Week 7/17/15	Year End 12/31/14	Year Ago 7/24/14
S&P 500	2080	2127	2059	1988
Dow Jones 30	17569	18086	17823	17084
Nasdaq	5089	5210	4736	4472
Russell 2000	1226	1267	1205	1156

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	-2.2%	-1.2%	2.1%	6.8%
Russell 2000	-3.2%	-4.4%	2.5%	7.4%
Barclays Agg	0.3%	0.7%	0.2%	2.4%
MSCI World	-2.0%	-2.1%	3.6%	1.9%
MSCI Europe	-2.8%	-0.8%	17.2%	17.2%
MSCI Japan	-0.6%	-1.6%	17.8%	32.5%
MSCI China	-0.9%	-11.3%	6.5%	8.8%
MSCI Brazil	-9.3%	-14.3%	-20.2%	-42.4%
MSCI Emerging Markets	-3.3%	-7.7%	-3.1%	-13.5%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	18.5	17.8	1.8	2.0
Russell 2000	19.9	16.7	1.3	1.4
FTSE 100 (Europe)	21.0	16.2	1.1	3.9
Hang Seng (Hong Kong)	10.5	12.2	1.9	3.2

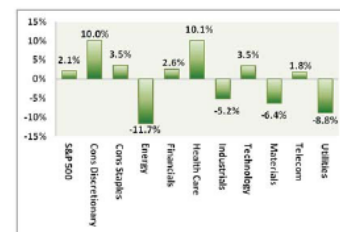
Bond Yields	Friday Close 7/24/15	Prior Week 7/17/15	Year End 12/31/14	Year Ago 7/24/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.68	0.67	0.67	0.49
10 Year Treasury	2.26	2.35	2.17	2.50
Investment Grade	3.91	3.92	3.70	3.48
Muni Yield	2.57	2.57	2.32	2.75
High Yield	6.99	6.68	6.80	5.65

Consumer Rates	15 Year Mortgage	30 Year Mortgage	Consumer Confidence	
15 Year Mortgage	3.13	3.15	3.09	3.30
30 Year Mortgage	4.01	4.17	3.99	4.4330
Consumer Confidence	101.40	101.40	93.10	86.37

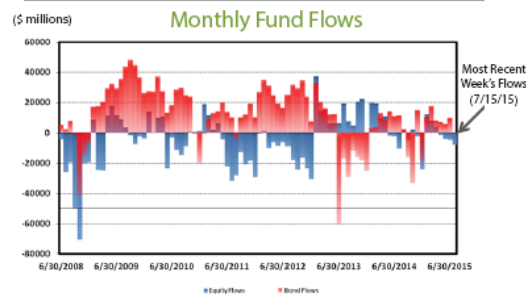
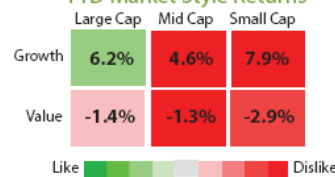
Commodities	Gold	Silver	WTI Crude Oil	Natural Gas
Gold	1099.1	1134.5	1184.9	1293.7
Silver	14.7	14.9	15.7	20.4
WTI Crude Oil	48.1	50.9	53.3	102.1
Natural Gas	2.8	2.9	2.9	3.8

Currency	Dollar Index	Yen per \$	\$ per Euro	CAD per \$
Dollar Index	97.24	97.86	90.27	80.87
Yen per \$	1.099	1.083	1.210	1.346
\$ per Euro	123.81	124.08	119.68	101.81
CAD per \$	1.305	1.297	1.162	1.075

S&P 500 YTD Sector Returns



YTD Market Style Returns



Market question of the week:

By how much has the median spin-off outperformed (or underperformed) the S&P 500 in the last six years? (Source: Strategas Research Partners)

- a) -2.6% b) 3.6% c) 5.6%

Trivia question of the week:

Alex Rodriguez of the New York Yankees turned 40 today. How many position players in the MLB are older than him?

- a) 0 b) 2 c) 15

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Benchmark indices are provided in this material for comparison with well-known and widely recognized indices from various market capitalizations, asset classes, markets around the world, and economic data. You cannot invest directly in an index. Index results assume the re-investment of all dividends and capital gains.

The S&P 500 is a market-capitalization weighted index that includes the 500 most widely held companies chosen with respect to market size, liquidity, and industry. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The National Association of Securities Dealers Automated Quotation (NASDAQ) System is a nationwide computerized quotation system for over 5,500 over-the-counter stocks. The index is compiled of more than 4,800 stocks that are traded via this system. The FTSE 100 Index is an index of the 100 largest companies (by market capitalization) in the United Kingdom. A market capitalization-weighted index of 40 of the largest companies that trade on the Hong Kong Exchange. The Hang Seng Index is maintained by a subsidiary of Hang Seng Bank, and has been published since 1969. The index aims to capture the leadership of the Hong Kong exchange, and covers approximately 65% of its total market capitalization. The Hang Seng members are also classified into one of four sub-indices based on the main lines of business including commerce and industry, finance, utilities and properties.

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index contains those Russell 1000 companies that have higher book-to-price ratios, and thus a less-than-average growth orientation, than the remaining companies in the Russell 1000 Index that encompass the Russell 1000 Growth Index. The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index. The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth rates. The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index is an unmanaged index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer of the small-cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate small-cap value manager's opportunity set. The Russell 3000 Index is a market capitalization weighted index that measures the performance of the 3,000 largest U.S. companies representing approximately 98% of the investable U.S. equity market.

The Morgan Stanley Capital International (MSCI) World Index is a market capitalization weighted index composed of companies representative of the market structure of 23 Developed Market countries in North America, Europe and the Asia/Pacific Region. The MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. The MSCI China Index covers the large and mid cap segments in the China and is constructed according to the MSCI Global Investable Market Indices Methodology. The MSCI China Index is part of the MSCI Emerging Markets Index. The MSCI Brazil Index is designed to measure the performance of the large and mid cap segments of the Brazilian market with 81 constituents. The MSCI Brazil Index covers about 84% of the Brazilian equity universe. The volatility of these indices may be materially different from that of the representative account.
