

# Weekly Insights

## EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

AUGUST 17, 2015

### Top News Headlines

- 1) China Shocks Markets with Renminbi Devaluation, Emerging Markets Selloff
- 2) Oil Trends Lower on Deflationary Pressure from Chinese Policy
- 3) Greece Reaches a Bailout Deal in Athens, Unlocks \$94 Billion in Funds

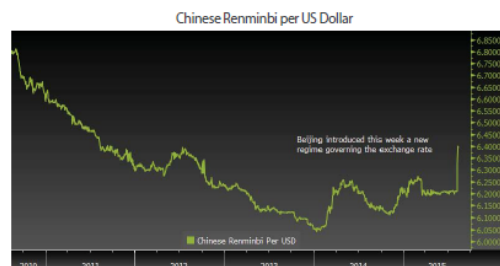
### Economic News

- The Empire manufacturing index plunged the most since the financial crisis in August
- US retails sales rose 0.6% MoM as consumer strength bright spot in struggling economy
- Eurozone GDP was weaker than expected in Q2
- In Q2, Japanese GDP fell by 1.6% from the previous quarter due to weak consumption, exports
- Chinese economic data continues to weaken with industrial production and retail sales missing expectations in July

### Thought of the Week

Major news hit the wires last week when China made the surprise move to weaken its currency. Specifically, we saw the People's Bank of China push the daily fixing of the renminbi vs. the dollar down by nearly 2%. The Chinese also announced future fixing rates would be determined by the previous day's closing spot rate. When the dust finally settled, the renminbi fell 3% last week vs. the dollar. This epic change of policy sent shockwaves through emerging markets with the broad MSCI EM index falling by just over 2%. Commodities also moved lower as global deflationary forces took hold. This appears to be a calculated step by China to create a more flexible exchange rate. If they can achieve this goal, their currency could be included in the IMF's SDR (Special Drawing Rights) basket—as well as possibly becoming a reserve currency. But getting back to the present, this currency crisis has ratcheted up near-term global volatility. With Asia's overall debt approaching levels last seen during the late-90s Asian financial crisis, many currencies in the region also look quite shaky. Still, it could be the right long-term move by the PBOC to allow for a more freely trading currency—particularly in today's environment of strong dollar momentum.

### Chart of the Week



Index Levels	Friday Close 8/14/15	Prior Week 8/7/15	Year End 12/31/14	Year Ago 8/14/14
S&P 500	2092	2078	2059	1955
Dow Jones 30	17477	17373	17823	16714
Nasdaq	5048	5044	4736	4453
Russell 2000	1213	1207	1205	1143

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	0.7%	-0.6%	2.9%	9.2%
Russell 2000	0.5%	-4.0%	1.4%	7.5%
Barclays Agg	-0.1%	0.5%	0.3%	1.9%
MSCI World	-0.1%	-1.2%	3.7%	4.2%
MSCI Europe	-2.7%	-3.3%	15.0%	19.3%
MSCI Japan	-1.1%	0.6%	18.1%	32.8%
MSCI China	-1.2%	-4.0%	1.2%	1.2%
MSCI Brazil	-1.3%	-18.3%	-26.4%	-43.7%
MSCI Emerging Markets	-2.3%	-7.7%	-7.9%	-17.2%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	18.5	17.7	1.8	2.0
Russell 2000	19.9	16.6	1.2	1.5
FTSE 100 (Europe)	23.0	16.0	1.1	4.0
Hang Seng (Hong Kong)	10.2	11.8	1.8	3.5

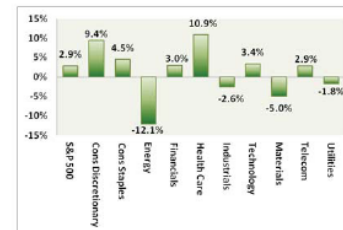
Bond Yields	Friday Close 8/14/15	Prior Week 8/7/15	Year End 12/31/14	Year Ago 8/14/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.72	0.72	0.67	0.42
10 Year Treasury	2.20	2.16	2.17	2.40
Investment Grade	3.97	3.93	3.70	3.45
Muni Yield	2.53	2.53	2.32	2.78
High Yield	7.21	7.06	6.80	5.72

Consumer Rates	15 Year Mortgage	30 Year Mortgage	Consumer Confidence	
15 Year Mortgage	3.03	3.02	3.09	3.18
30 Year Mortgage	3.90	3.93	3.99	4.30
Consumer Confidence	90.91	90.91	93.06	90.33

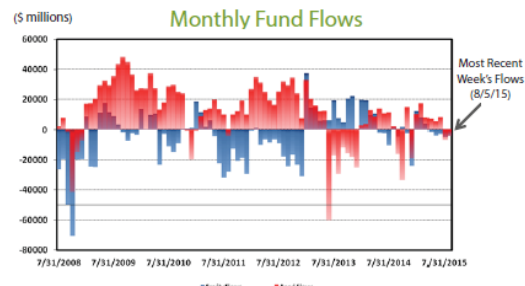
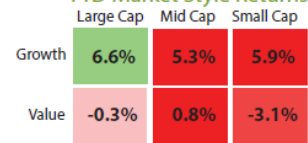
Commodities	Gold	Silver	WTI Crude Oil	Natural Gas
Gold	1115.1	1094.1	1184.9	1313.6
Silver	15.3	14.8	15.7	19.9
WTI Crude Oil	42.5	43.9	53.3	95.6
Natural Gas	2.8	2.8	2.9	3.9

Currency	Dollar Index	\$ per Euro	Yen per \$	CAD per \$
Dollar Index	96.52	97.56	90.27	81.52
\$ per Euro	1.111	1.096	1.210	1.337
Yen per \$	124.32	124.23	119.68	102.45
CAD per \$	1.309	1.313	1.162	1.090

### S&P 500 YTD Sector Returns



### YTD Market Style Returns



### Market question of the week:

From 1985-2000, renters in the US spent 24.4% of their monthly income on rent. On average, what percentage of renters' earnings is currently spent on rent? (Source: Zillow)

a) 19.2%    b) 25.2%    c) 30.2%

### Trivia question of the week:

Jason Day won the PGA Championship over the weekend, becoming the first player ever to shoot 20 under par in major championship. Who previously held the record for lowest score in a major? (hint: -19 under at the British Open)

a) Arnold Palmer    b) Tiger Woods    c) Jack Nicklaus

Answers: c) 30.2%    b) Tiger Woods

---

*This material has been prepared or is distributed solely for informational purposes only and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Investors must make their own investment decisions based on their financial situations and investment objectives. All of the assumptions included in this presentation are based upon current market conditions as of the date of this presentation and are subject to change. Information contained in this report has been obtained from Bloomberg and Investment Company Institute (ICI) believed to be reliable, Evergreen Capital Management LLC makes no representation as to its accuracy or completeness, except with respect to the Disclosure Section of this material. Any opinions expressed herein reflect our judgment as of the date of the materials and are subject to change without notice. Past performance is no guarantee of future results. All investments involve risk including the loss of principal.*

*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-indexes 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.*

---