

Weekly Insights

EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

SEPTEMBER 21, 2015

Top News Headlines

- 1) Federal Reserve Delays Rate Hike Citing "Global Economic & Financial" Concerns
- 2) Pressure Builds on the Bank of Japan & European Central Bank to Expand QE
- 3) Chinese President Xi Jinping Visits the United States on a Diplomatic Mission

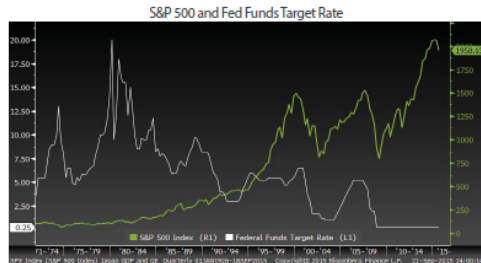
Economic News

- US current account deficit shrunk in Q2 confirming a decline in foreign US dollar liquidity.
- Q3 China Beige Book report suggests China's economy is slowing, but not collapsing as widely feared.
- Germany is still teetering on the edge of deflation as evidenced by weaker than expected August PPI (-1.7%) and CPI (+0.2%).
- Japan posts weaker than expected +3.1% export growth in August amid Asia's broad-based slowdown.
- Brazil's -4.25% year-over-year Economic Activity Index collapse in August suggests Latin America's largest economy is falling deeper into recession.

Thought of the Week

Last week the Federal Reserve left the world with more questions than answers when it, yet again, delayed its first interest rate hike in 9 years. While the FOMC's statement acknowledged the committee has everything it needs (a tight labor market & stable inflation expectations) to justify further tightening – and left the door open for a hike as early as October 2015 – the statement invokes the most concern for "global economic & financial" risks since the Asian Financial Crisis in 1997. In the event the Fed's concern for global stability is real, it may imply that the Fed has missed its window altogether. On the other hand, if the Fed is using global growth concerns as an excuse, a surprise hike could be just around the corner. Regardless, the Fed's opaque forward guidance and surprisingly strong statement on global growth heap more uncertainty onto an already nervous market. At Evergreen GaveKal, we remain defensively positioned with historically large cash balances and the strong conviction that a meaningful correction in asset prices may soon provide better opportunities for durable long-term returns.

Chart of the Week



Source: Bloomberg, Evergreen GaveKal

Index Levels	Friday Close 9/18/15	Prior Week 9/11/15	Year End 12/31/14	Year Ago 9/18/14
S&P 500	1958	1961	2059	2011
Dow Jones 30	16385	16433	17823	17266
Nasdaq	4827	4822	4736	4593
Russell 2000	1163	1158	1205	1159

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	-0.1%	-5.7%	-3.5%	-0.6%
Russell 2000	0.5%	-3.2%	-2.6%	1.7%
Barclays Agg	0.2%	0.1%	0.7%	3.2%
MSCI World	0.3%	-5.3%	-2.8%	-4.1%
MSCI Europe	-0.3%	-7.1%	5.4%	4.0%
MSCI Japan	-1.2%	-11.4%	3.6%	12.1%
MSCI China	3.0%	-4.9%	-6.9%	-5.1%
MSCI Brazil	1.8%	-9.4%	-35.1%	-50.4%
MSCI Emerging Markets	3.5%	-1.0%	-11.3%	-19.3%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	17.4	16.7	1.7	2.2
Russell 2000	19.2	16.0	1.2	1.5
FTSE 100 (Europe)	22.3	15.3	1.1	4.3
Hang Seng (Hong Kong)	9.3	10.8	1.6	3.9

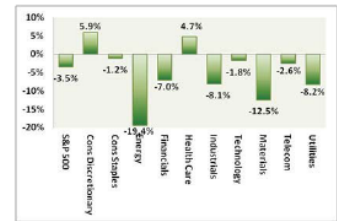
Bond Yields	Friday Close 9/18/15	Prior Week 9/11/15	Year End 12/31/14	Year Ago 9/18/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.68	0.71	0.67	0.56
10 Year Treasury	2.13	2.19	2.17	2.62
Investment Grade	3.91	3.95	3.70	3.67
Muni Yield	2.52	2.52	2.32	2.77
High Yield	7.30	7.09	6.80	5.90

Consumer Rates	15 Year Mortgage	30 Year Mortgage	Consumer Confidence	
15 Year Mortgage	2.92	2.98	3.09	3.32
30 Year Mortgage	3.83	3.84	3.99	4.22
Consumer Confidence	101.54	101.54	93.06	93.42

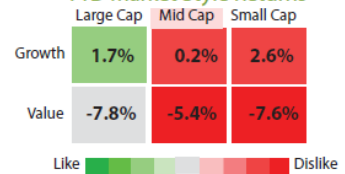
Commodities	Gold	Silver	WTI Crude Oil	Natural Gas
Gold	1139.0	1107.8	1184.9	1225.2
Silver	15.2	14.6	15.7	18.5
WTI Crude Oil	44.7	44.6	53.3	93.1
Natural Gas	2.6	2.7	2.9	3.9

Currency	Dollar Index	\$ per Euro	Yen per \$	CAD per \$
Dollar Index	94.86	95.19	90.27	84.32
\$ per Euro	1.130	1.134	1.210	1.292
Yen per \$	120.00	120.59	119.68	108.69
CAD per \$	1.323	1.326	1.162	1.094

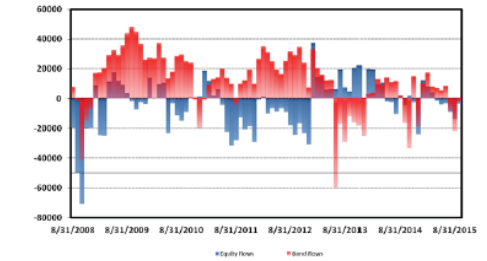
S&P 500 YTD Sector Returns



YTD Market Style Returns



Monthly Fund Flows (\$ millions)



Market question of the week:

Retail gas prices averaged \$2.30 per gallon last Friday. What does the US Energy Information Administration expect the retail price to be in December?

- a) \$2.03 per gallon b) \$2.53 per gallon c) \$3.03 per gallon

Trivia question of the week:

According to a poll by CNN, following the second GOP debate, which candidate currently has the most support out of the Republican presidential field?

- a) Jeb Bush b) Carly Fiorina c) Donald Trump

Answers: a) \$2.03 per gallon b) Donald Trump c) Donald Trump (24% support)

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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.