

Weekly Insights

EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

JULY 13, 2015

Top News Headlines

- 1) Overnight Talks Result in Deal for Greece, Still Needs Approval from Greek Parliament
- 2) Chinese Stocks Rebound on Greece Deal and Government Intervention
- 3) NYSE Malfunction Causes Three and Half Hour Trading Halt

Economic News

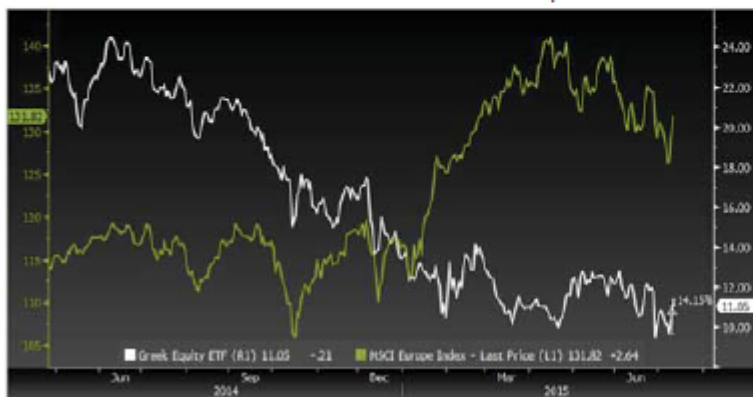
- Initial jobless claims rose to a four-month high of 297,000 last week
- US consumer borrowing rose less than expected in May at \$16.1 billion
- German industrial production rose 2.1% YoY in May, supportive of continued recovery
- CPI in China remained subdued in June at 1.4%, room for further easing from the PBOC
- Chinese exports increased for the first time in four months a sign of stabilization for a weakened economy

Thought of the Week

In a rather incredible turn of events — and an epic all-nighter of a meeting — Greek Prime Minister Alexis Tsipras and European leaders finally agreed on a bailout deal for Greece. Somewhat surprisingly, this deal includes many of the items Greek voters originally rejected, including tax hikes, spending cuts, and forced asset sales. In fact, many believe that the measures agreed upon during last night's meeting were harsher than those rejected by Greek voters in the July 5th referendum. But Prime Minister Tsipras justified the proposal, saying it would avoid "a collapse of the financial system". But the drama doesn't end here. The economic reforms agreed upon still need to be approved by the Greek parliament, which based on the recent referendum vote, is far from a sure thing. Syriza and Tsipras have failed to see eye to eye on several occasions, and this agreement threatens to split Syriza in two. For a party that relies on parliamentary majority, that's a scary prospect for the country. Meanwhile in Asia, stocks closed higher across the board, and assets are generally rallying on the news. In Greece, bond prices are up 16% since Thursday, and the Greek stock market is up over 14% (as shown in the Chart of the Week.) We did believe a Greek bailout deal would ultimately get done. But with the strict economic reforms imposed by European officials, this bailout proposal is not an easy one for Greece to swallow. The final act of this drama has yet to unfold, but this agreement is a big first step toward restoring some economic and political stability to Europe.

Chart of the Week

Greek Stock Market ETF and MSCI Europe



Source: Bloomberg, Evergreen GaveKal

Index Levels	Friday Close 7/10/15	Prior Week 7/2/15	Year E 12/31
S&P 500	2077	2077	2059
Dow Jones 30	17760	17730	17820
Nasdaq	4998	5009	4736
Russell 2000	1252	1248	1205
Market Returns	1 week	1 month	YTD
S&P 500	0.0%	-1.2%	2.0%
Russell 2000	0.3%	-1.0%	4.6%
Barclays Agg	-0.1%	0.4%	-0.5%
MSCI World	-0.2%	-1.7%	3.5%
MSCI Europe	1.0%	-0.4%	15.6%
MSCI Japan	-3.7%	-2.9%	12.9%
MSCI China	-6.7%	-9.3%	6.2%
MSCI Brazil	-3.4%	-4.9%	-11.6%
MSCI Emerging Markets	-3.9%	-4.0%	3.0%
Market Valuations	P/E Trailing	P/E Forward	P/Sa
S&P 500	18.3	17.5	1.8
Russell 2000	20.1	16.8	1.1
FTSE 100 (Europe)	21.1	16.1	1.1
Hang Seng (Hong Kong)	10.5	12.1	1.1
Bond Yields	Friday Close 7/10/15	Prior Week 7/2/15	Year E 12/31
Fed Funds Target	0.25	0.25	0.25
2 Year Treasury	0.64	0.63	0.67
10 Year Treasury	2.40	2.38	2.17
Investment Grade	3.90	3.88	3.70
Muni Yield	2.58	2.59	2.32
High Yield	6.68	6.62	6.80
Consumer Rates			
15 Year Mortgage	3.20	3.19	3.09
30 Year Mortgage	4.19	4.22	3.99
Consumer Confidence	101.40	101.40	93.1
Commodities			
Gold	1163.7	1166.2	1184
Silver	15.6	15.7	15.7
WTI Crude Oil	52.7	56.9	53.3
Natural Gas	2.8	2.8	2.9
Currency			
Dollar Index	96.03	96.11	90.2
\$ per Euro	1.117	1.109	1.21
Yen per \$	122.78	123.06	119.6
CAD per \$	1.266	1.254	1.16

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Note: all returns represent total return including dividends; YTD Market Style Returns are based on the Russell indices. Please see important disclosure below:

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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-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.