

EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

JULY 20, 2015

Top News Headlines

- 1) Greek Parliament Accepts Aid Plan as Protests Pop Up in Greece
- 2) Iran Reaches Nuclear Deal with Top World Nations to Avoid Sanctions
- 3) Chinese Stocks Rebound on the Week, Send Global Stocks Higher

Economic News

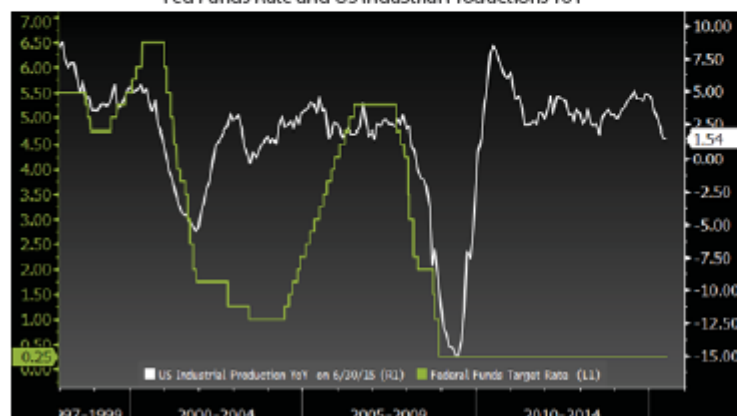
- US consumer prices met expectations in June as inflation rises 0.3% MoM
- Industrial production beat expectations in June, but remains depressed compared to recent history
- Retail sales unexpectedly declined in June, economic data remains mixed
- German business expectations ticked up in June, as economy slowly improving in 2015
- China's Q2 GDP rose a better than expected 7.0%, boosted by equity trading volumes

Thought of the Week

Over the last week, there's been a flurry of mixed-to-negative data on the US economic front. And on Wednesday, retail sales showed a drop from the previous month of -0.3%, which means spending momentum clearly stalled to finish off Q2. We've also witnessed industrial production post just 1.5%, year-over-year, growth — the lowest level since 2010. Finally, producers' prices continue to run in a downward trend, year-over-year, with a June reading of -0.7%. But despite all of this downward pressure, Janet Yellen re-iterated her stance for a rate hike later this year. After the Fed's announcement, we saw the dollar strengthen and treasuries retreat. Yellen also mentioned that the economic fallout from Greece and China likely wouldn't have a material enough impact to prevent a rate hike this year. This means higher interest rates are almost guaranteed for the US, as it advances toward 2016. With economic data looking mixed at best, we think the longer end of the yield curve will remain flattish, and could even fall if economic data turns further south. Essentially, we think a small rate hike, combined with more sluggish data, wouldn't lead to an extreme bond selloff.

Chart of the Week

Fed Funds Rate and US Industrial Productions YoY



Source: Bloomberg, Evergreen Gavekal

Index Levels	Friday Close 7/17/15	Prior Week 7/10/15	Year End 12/31/14	Year Ago 7/17/14
S&P 500	2127	2077	2059	1958
Dow Jones 30	18086	17760	17823	16977
Nasdaq	5210	4998	4736	4363
Russell 2000	1267	1252	1205	1134

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	2.4%	1.4%	4.4%	10.8%
Russell 2000	1.2%	0.0%	5.9%	13.2%
Barclays Agg	0.4%	0.1%	-0.1%	1.9%
MSCI World	2.2%	1.2%	5.7%	5.2%
MSCI Europe	4.3%	5.7%	20.6%	22.2%
MSCI Japan	5.0%	1.8%	18.5%	32.8%
MSCI China	1.2%	-7.6%	7.5%	13.3%
MSCI Brazil	-0.5%	-4.0%	-12.0%	-33.4%
MSCI Emerging Markets	1.2%	-2.1%	0.1%	-9.0%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	18.8	18.0	1.9	2.0
Russell 2000	20.1	16.9	1.3	1.4
FTSE 100 (Europe)	21.4	16.5	1.1	3.8
Hang Seng (Hong Kong)	10.5	12.2	1.9	3.2

Bond Yields	Friday Close 7/17/15	Prior Week 7/10/15	Year End 12/31/14	Year Ago 7/17/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.67	0.64	0.67	0.45
10 Year Treasury	2.35	2.40	2.17	2.45
Investment Grade	3.92	3.90	3.70	3.46
Muni Yield	2.57	2.58	2.32	2.75
High Yield	6.68	6.68	6.80	5.66

Consumer Rates

15 Year Mortgage	3.15	3.20	3.09	3.27
30 Year Mortgage	4.17	4.19	3.99	4.43
Consumer Confidence	101.40	101.40	93.10	86.37

Commodities

Gold	1134.5	1163.7	1184.9	1319.2
Silver	14.9	15.6	15.7	21.2
WTI Crude Oil	50.9	52.7	53.3	103.2
Natural Gas	2.9	2.8	2.9	4.0

Currency

Dollar Index	96.86	96.03	90.27	80.51
\$ per Euro	1.083	1.117	1.210	1.353
Yen per \$	124.08	122.78	119.68	101.17
CAD per \$	1.297	1.266	1.162	1.076

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

The S&P 500 is a market-capitalization weighted index that includes the 500 most widely held companies chosen with reference to the Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ Quotation (NASDAQ) System is a nationwide computerized quotation system for over 5,500 over-the-counter stocks. The FTSE 100 Index is an index of the 100 largest companies (by market capitalization) in the United Kingdom. The Hang Seng Index is maintained by a subsidiary of Hang Seng Bank, the leadership of the Hong Kong exchange, and covers approximately 65% of its total market capitalization. The Hang Seng Index is 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 3,000 largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates. The Russell 1000 Growth Index measures the performance of those Russell 1000 companies that have higher book-to-price ratios, and thus a less-than-average growth orientation, than the Russell 1000 Growth Index. The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000. The Russell Midcap 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 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 forecasted growth values. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower forecasted growth values. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer of the small-cap value segment of the U.S. equity market. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer of the small-cap value segment of the U.S. equity market. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer of the small-cap value segment of the U.S. equity market. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer of the small-cap value segment of the U.S. equity market.

The Morgan Stanley Capital International (MSCI) World Index is a market capitalization weighted index composed of companies from 23 developed market countries in North America, Europe and the Asia/Pacific Region. The MSCI Europe Index is a free float-adjusted market capitalization index that measures the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 16 countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. The MSCI Brazil Index is designed to measure the performance of the large and mid cap segments of the Brazilian market with reference to the Brazilian equity universe. The volatility of these indices may be materially different from that of the representative accounts.
