

Weekly Insights

EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

AUGUST 3, 2015

Top News Headlines

- 1) Chinese Stocks Drop 10% for the Week, Economic Data Takes Turn for Worst
- 2) After Five Weeks of Closure, Greek Stock Market Reopens 16% Lower
- 3) Commodities Complex Weakens Further, 2009 Low Being Tested

Economic News

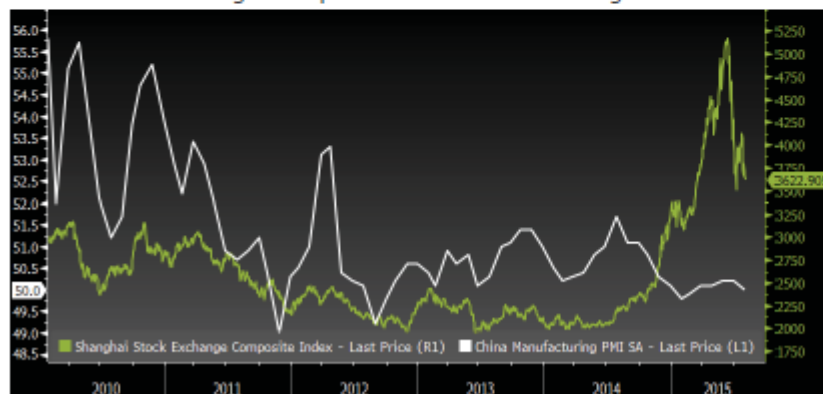
- US manufacturing cooled in July after reaching a five-month high in June
- Consumer spending in the US rose 0.2% in June with incomes beating expectations after rising 0.4%
- US consumer confidence fell by most in four years in July, illustrating growing concern
- Eurozone manufacturing beat expectations in July as data slowly improving
- China's manufacturing PMI fell to its lowest level since July of 2013, not good news given recent financial market weakness

Thought of the Week

China's July purchasing managers' index (PMI) for its manufacturing sector was released today, revealing its lowest level since 2013. The reading of 50 came in just ahead of a contraction reading, which would have been anything below that number. This signals the overall economy is continuing to weaken. Meanwhile, we've seen passenger car sales plunge this year—most recently falling by 3.4% year-over-year in June. The decline in auto sales is likely the result of a continued drag on consumer spending power due to the Chinese stock market's nosedive over the last two months. This sell-off picked up its pace with a 10% drop last week alone. The weakness in China has no doubt added to the paltry performance in commodities, too. The Thomson Reuters core commodity index just broke below its 2009 low, showing the systemic weakness in this space. To combat this decline, China's leadership is preparing new spending plans, likely funded by growing their debt-swap program. This initiative essentially allows local governments to lower their borrowing costs by refinancing their debt. We also expect China will do some financial "easing" in the form of lower rates, or additional reserve ratio requirement cuts for banks. Overall, it remains a very challenging environment in China going forward. We think the implications of Chinese economic struggles will continue to weigh on global markets and add to the volatility we have seen so far this year.

Chart of the Week

Shanghai Composite and China's Manufacturing PMI



Source: Bloomberg, Evergreen GaveKal

Index Levels	Friday Close 7/31/15	Prior Week 7/24/15	Year End 12/31/14
S&P 500	2104	2080	2059
Dow Jones 30	17690	17569	17823
Nasdaq	5128	5089	4736
Russell 2000	1239	1226	1205
Market Returns	1 week	1 month	YTD
S&P 500	1.2%	1.4%	3.4%
Russell 2000	1.1%	-1.4%	3.5%
Barclays Agg	0.3%	1.1%	0.5%
MSCI World	1.2%	1.1%	4.9%
MSCI Europe	0.5%	2.5%	17.8%
MSCI Japan	0.3%	1.5%	18.2%
MSCI China	-3.8%	-10.7%	2.5%
MSCI Brazil	0.6%	-11.5%	-19.7%
MSCI Emerging Markets	-0.9%	-6.9%	-4.0%
Market Valuations	P/E Trailing	P/E Forward	P/Sales
S&P 500	18.5	17.6	1.8
Russell 2000	19.9	16.6	1.2
FTSE 100 (Europe)	22.9	16.4	1.1
Hang Seng (Hong Kong)	10.4	11.8	1.8
Bond Yields	Friday Close 7/31/15	Prior Week 7/24/15	Year End 12/31/14
Fed Funds Target	0.25	0.25	0.25
2 Year Treasury	0.66	0.68	0.67
10 Year Treasury	2.18	2.26	2.17
Investment Grade	3.89	3.91	3.70
Muni Yield	2.57	2.56	2.32
High Yield	6.94	6.99	6.80
Consumer Rates	Friday Close 7/31/15	Prior Week 7/24/15	Year End 12/31/14
15 Year Mortgage	3.01	3.13	3.09
30 Year Mortgage	3.90	4.01	3.99
Consumer Confidence	101.40	99.76	93.06
Commodities	Friday Close 7/31/15	Prior Week 7/24/15	Year End 12/31/14
Gold	1095.8	1099.1	1184.9
Silver	14.8	14.7	15.7
WTI Crude Oil	47.1	48.1	53.3
Natural Gas	2.7	2.8	2.9
Currency	Friday Close 7/31/15	Prior Week 7/24/15	Year End 12/31/14
Dollar Index	97.34	97.24	90.27
\$ per Euro	1.098	1.099	1.210
Yen per \$	123.90	123.81	119.68
CAD per \$	1.309	1.305	1.162

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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 NYSE Composite Index is a price-weighted index of all the stocks listed on this system. The FTSE 100 Index is an index of the 100 largest companies (by market capitalization) in the United Kingdom. The Hang Seng Index is an index of the 100 largest companies that trade on the Hong Kong Exchange. 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 divided into four categories 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 1,000 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 Value 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 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 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 book-to-price ratios. 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 weighted 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 China Index is a market capitalization weighted index that measures the performance of the large and mid cap segments in the China and is constructed according to the MSCI Global Investable Market Indices Methodology. The MSCI Brazil Index is designed to measure the performance of the large and mid cap segments of the Brazilian market with the MSCI Brazil Index. The volatility of these indices may be materially different from that of the representative accounts.
