

## Weekly Insights

# EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

AUGUST 10, 2015

## Top News Headlines

- 1) Stocks Fall on Week, Commodity Slump Intensifies
- 2) Fed on Track for Rate Hike Following Solid Jobs Report
- 3) Donald Trump Surprisingly Still in GOP Lead after First Republican Debate

## Economic News

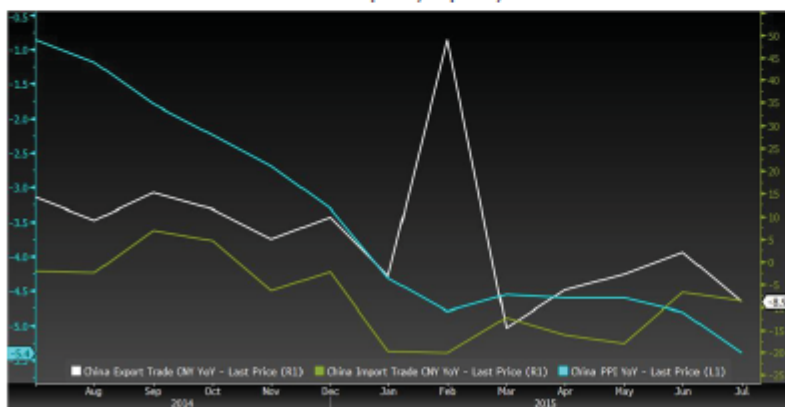
- US employers added 215k jobs in July, labor market continues to improve
- The US non-manufacturing index rose to a 10-year high as services industry seeing strong demand
- Eurozone retail sales missed expectations in June with a 1.2% YoY gain in June
- China producer prices fell to lowest level in over five years amid weakening demand
- Chinese imports fell -8.1% year-over-year as demand and economic data continue to deteriorate

## Thought of the Week

Revealing the addition of 215,000 jobs, July's employment numbers should keep the Fed on track to tighten later in 2015. While the result did slightly miss expectations calling for an increase of 225,000, the previous two months were revised up by 14,000 jobs. The gist: this was a solid report from a jobs-added perspective. Still, average hourly earnings, compared to last year, were just so-so at +2.1%, and the participation rate remains weak at 62.6%. So while there's been good job growth, there's also systemic weakness in the labor market, suggesting the 5.3% unemployment rate may be a bit misleading. Ultimately, we think the Fed is on track for its first rate hike in 10-years unless there's a significant deterioration in US economic data over the next few months. There's also the risk of an ancillary, global event—namely, China. Over the weekend, we saw that nation's year-over-year exports decline by 8.9%, imports by 8.6%, and producer prices by 5.4%. And, as we have highlighted in the past, volatility in Chinese stocks has virtually doubled over the last few months thanks to the recent decline. Ultimately, we think there's a higher probability the Fed starts its tightening campaign in September or December, barring any major setbacks—at home or abroad.

## Chart of the Week

Year-over-Year Chinese Exports, Imports, and Producer Prices



Source: Bloomberg, Evergreen GaveKal

Index Levels	Friday Close 8/7/15	Prior Week 7/31/15	Year End 12/31/14
S&P 500	2078	2104	2059
Dow Jones 30	17373	17690	17823
Nasdaq	5044	5128	4736
Russell 2000	1207	1239	1205

Market Returns	1 week	1 month	YTD
S&P 500	-1.2%	1.6%	2.1%
Russell 2000	-2.5%	-1.7%	0.9%
Barclays Agg	-0.1%	0.2%	0.4%
MSCI World	-1.0%	2.5%	3.8%
MSCI Europe	0.3%	6.6%	18.2%
MSCI Japan	1.1%	6.0%	19.4%
MSCI China	0.0%	5.1%	2.4%
MSCI Brazil	-7.0%	-13.3%	-25.4%
MSCI Emerging Markets	-1.8%	-1.8%	-5.7%

Market Valuations	P/E Trailing	P/E Forward	P/Sales
S&P 500	18.5	17.7	1.8
Russell 2000	19.9	16.6	1.2
FTSE 100 (Europe)	23.6	16.3	1.1
Hang Seng (Hong Kong)	10.6	11.89	1.8

Bond Yields	Friday Close 8/7/15	Prior Week 7/31/15	Year End 12/31/14
Fed Funds Target	0.25	0.25	0.25
2 Year Treasury	0.72	0.66	0.67
10 Year Treasury	2.16	2.18	2.17
Investment Grade	3.93	3.89	3.70
Muni Yield	2.53	2.52	2.32
High Yield	7.06	6.94	6.80

Consumer Rates	Friday Close 8/7/15	Prior Week 7/31/15	Year End 12/31/14
15 Year Mortgage	3.02	3.01	3.09
30 Year Mortgage	3.93	3.90	3.99
Consumer Confidence	90.91	90.91	93.06

Commodities	Friday Close 8/7/15	Prior Week 7/31/15	Year End 12/31/14
Gold	1094.1	1095.8	1184.9
Silver	14.8	14.8	15.7
WTI Crude Oil	43.9	47.1	53.3
Natural Gas	2.8	2.7	2.9

Currency	Friday Close 8/7/15	Prior Week 7/31/15	Year End 12/31/14
Dollar Index	97.56	97.34	90.27
\$ per Euro	1.096	1.098	1.210
Yen per \$	124.23	123.90	119.68
CAD per \$	1.313	1.309	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 companies that trade on the New York Stock Exchange. 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 composed of companies 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 Value Index measures 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 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 Value Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies that have higher book-to-price ratios, and thus a less-than-average growth orientation, than the Russell 2000 Growth Index. 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 methodology used to determine value probability approximates the aggregate small-cap value market. The Russell 2000 Value Index is a market capitalization weighted index that measures the performance of the 3,000 largest U.S. companies representing approximately 80% of the U.S. equity market.*

*The Morgan Stanley Capital International (MSCI) World Index is a market capitalization weighted index composed of companies from 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 exception of the Brazilian equity universe. The volatility of these indices may be materially different from that of the representative accounts.*

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