Weekly Insights

# **EVERGREEN INSIGHTS:** A WEEKLY SNAPSHOT

# **AUGUST 17, 2015**

## **Top News Headlines**

- 1) China Shocks Markets with Renminbi Devaluation, Emerging Markets Selloff
- 2) Oil Trends Lower on Deflationary Pressure from Chinese Policy
- Greece Reaches a Bailout Deal in Athens, Unlocks \$94 Billion in Funds

#### **Economic News**

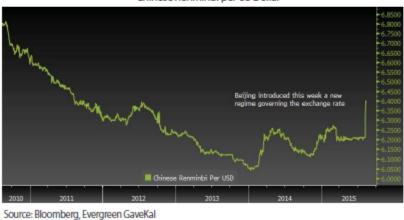
- -The Empire manufacturing index plunged the most since the financial crisis in August
- US retails sales rose 0.6% MoM as consumer strength bright spot in struggling economy
- Eurozone GDP was weaker than expected in Q2
- In Q2, Japanese GDP fell by 1.6% from the previous quarter due to weak consumption, exports
- Chinese economic data continues to weaken with industrial production and retail sales missing expectations in July

# Thought of the Week

Major news hit the wires last week when China made the surprise move to weaken its currency. Specifically, we saw the People's Bank of China push the daily fixing of the renminbi vs. the dollar down by nearly 2%. The Chinese also announced future fixing rates would be determined by the previous day's closing spot rate. When the dust finally settled, the renminbi fell 3% last week vs. the dollar. This epic change of policy sent shockwaves through emerging markets with the broad MSCI EM index falling by just over 2%. Commodities also moved lower as global deflationary forces took hold. This appears to be a calculated step by China to create a more flexible exchange rate. If they can achieve this goal, their currency could be included in the IMF's SDR (Special Drawing Rights) basket—as well as possibly becoming a reserve currency. But getting back to the present, this currency crisis has ratcheted up near-term global volatility. With Asia's overall debt approaching levels last seen during the late-90's Asian financial crisis, many currencies in the region also look quite shaky. Still, it could be the right long-term move by the PBOC to allow for a more freely trading currency—particularly in today's environment of strong dollar momentum.

### Chart of the Week

Chinese Renminbi per US Dollar



Index Levels	Friday Close 8/14/15	Prior Week 8/7/15	Year End 12/31/14
S&P 500	2092	2078	2059
Dow Jones 30	17477	17373	17823
Nasdaq	5048	5044	4736
Russell 2000	1213	1207	1205
Market Returns	1 week	1 month	YTD
S&P 500	0.7%	-0.6%	2.9%
Russell 2000	0.5%	-4.0%	1.4%
Barclays Agg	-0.1%	0.5%	0.3%
MSCI World	-0.1%	-1.2%	3.7%
MSCI Europe	-2.7%	-33%	15.0%
MSCI Japan	-1.1%	0.6%	18.1%
MSCI China	-1.2%	-4.0%	1.2%
MSCI Brazil	-1.3%	-18.3%	-26.4%
MSCI Emerging Markets	-2.3%	-7.7%	-7.9%
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)	23.0	16.0	1.1
Hang Seng (Hong Kong)	10.2	11.8	1.8
Bond Yields	Friday Close 8/14/15	Prior Week 8/7/15	Year End 12/31/14
Bond Yields Fed Funds Target	8/14/15	8/7/15	12/31/14
Fed Funds Target	8/14/15 0.25	8/7/15 0.25	12/31/14 0.25
Fed Funds Target  2 Year Treasury	8/14/15	8/7/15	12/31/14
Fed Funds Target  2 Year Treasury  10 Year Treasury	8/14/15 0.25 0.72	8/7/15 0.25 0.72	0.25 0.67
Fed Funds Target  2 Year Treasury	8/14/15 0.25 0.72 2.20	8/7/15 0.25 0.72 2.16	12/31/14 0.25 0.67 2.17
Fed Funds Target  2 Year Treasury  10 Year Treasury  Investment Grade  Muni Yield	8/14/15 0.25 0.72 2.20 3.97	8/7/15 0.25 0.72 2.16 3.93	0.25 0.67 2.17 3.70
Fed Funds Target 2 Year Treasury 10 Year Treasury Investment Grade Muni Yield High Yield	8/14/15 0.25 0.72 2.20 3.97 2.53	8/7/15 0.25 0.72 2.16 3.93 2.53	0.25 0.67 2.17 3.70 2.32
Fed Funds Target 2 Year Treasury 10 Year Treasury Investment Grade Muni Yield High Yield Consumer Rates	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80
Fed Funds Target 2 Year Treasury 10 Year Treasury Investment Grade Muni Yield High Yield Consumer Rates 15 Year Mortgage	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80
Fed Funds Target 2 Year Treasury 10 Year Treasury Investment Grade Muni Yield High Yield Consumer Rates 15 Year Mortgage 30 Year Mortgage	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21 3.03 3.90	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06 3.02 3.93	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80 3.09 3.99
Fed Funds Target  2 Year Treasury  10 Year Treasury  Investment Grade  Muni Yield  High Yield  Consumer Rates  15 Year Mortgage  30 Year Mortgage  Consumer Confidence	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80
Fed Funds Target 2 Year Treasury 10 Year Treasury Investment Grade Muni Yield High Yield Consumer Rates 15 Year Mortgage 30 Year Mortgage Consumer Confidence Commodities	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21 3.03 3.90 90.91	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06 3.02 3.93 90.91	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80 3.09 3.99 93.06
Fed Funds Target 2 Year Treasury 10 Year Treasury Investment Grade Muni Yield High Yield Consumer Rates 15 Year Mortgage 30 Year Mortgage Consumer Confidence Commodities Gold	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21 3.03 3.90 90.91	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06 3.02 3.93 90.91	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80 3.09 3.99 93.06
Fed Funds Target  2 Year Treasury  10 Year Treasury  Investment Grade  Muni Yield  High Yield  Consumer Rates  15 Year Mortgage  30 Year Mortgage  Consumer Confidence  Commodities  Gold  Silver	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21 3.03 3.90 90.91 1115.1 15.3	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06  3.02 3.93 90.91	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80 3.09 3.99 93.06
Fed Funds Target 2 Year Treasury 10 Year Treasury Investment Grade Muni Yield High Yield Consumer Rates 15 Year Mortgage 30 Year Mortgage Consumer Confidence Commodities Gold Silver WTI Crude Oil	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21 3.03 3.90 90.91 1115.1 15.3 42.5	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06 3.02 3.93 90.91 1094.1 14.8 43.9	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80 3.09 3.99 93.06
Fed Funds Target 2 Year Treasury 10 Year Treasury Investment Grade Muni Yield High Yield Consumer Rates 15 Year Mortgage 30 Year Mortgage Consumer Confidence Commodities Gold Silver WTI Crude Oil Natural Gas	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21 3.03 3.90 90.91 1115.1 15.3	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06  3.02 3.93 90.91	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80 3.09 3.99 93.06 1184.9 15.7 53.3
Fed Funds Target  2 Year Treasury  10 Year Treasury  Investment Grade  Muni Yield  High Yield  Consumer Rates  15 Year Mortgage  30 Year Mortgage  Consumer Confidence  Commodities  Gold  Silver  WTI Crude Oil  Natural Gas  Currency	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21 3.03 3.90 90.91 1115.1 15.3 42.5 2.8	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06  3.02 3.93 90.91  1094.1 14.8 43.9 2.8	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80 3.09 3.99 93.06 1184.9 15.7 53.3 2.9
Fed Funds Target 2 Year Treasury 10 Year Treasury Investment Grade Muni Yield High Yield Consumer Rates 15 Year Mortgage 30 Year Mortgage Consumer Confidence Commodities Gold Silver WTI Crude Oil Natural Gas Currency Dollar Index	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21 3.03 3.90 90.91 1115.1 15.3 42.5 2.8	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06 3.02 3.93 90.91 1094.1 14.8 43.9 2.8	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80 3.09 3.99 93.06 1184.9 15.7 53.3 2.9
Fed Funds Target 2 Year Treasury 10 Year Treasury Investment Grade Muni Yield High Yield Consumer Rates 15 Year Mortgage 30 Year Mortgage Consumer Confidence Commodities Gold Silver WTI Crude Oil Natural Gas Currency Dollar Index \$ per Euro	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21  3.03 3.90 90.91  1115.1 15.3 42.5 2.8  96.52 1.111	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06  3.02 3.93 90.91  1094.1 14.8 43.9 2.8  97.56 1.096	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80 3.09 3.99 93.06 1184.9 15.7 53.3 2.9 90.27 1.210
Fed Funds Target 2 Year Treasury 10 Year Treasury Investment Grade Muni Yield High Yield Consumer Rates 15 Year Mortgage 30 Year Mortgage Consumer Confidence Commodities Gold Silver WTI Crude Oil Natural Gas Currency Dollar Index	8/14/15 0.25 0.72 2.20 3.97 2.53 7.21 3.03 3.90 90.91 1115.1 15.3 42.5 2.8	8/7/15 0.25 0.72 2.16 3.93 2.53 7.06 3.02 3.93 90.91 1094.1 14.8 43.9 2.8	12/31/14 0.25 0.67 2.17 3.70 2.32 6.80 3.09 3.99 93.06 1184.9 15.7 53.3 2.9

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

The S&P 500 is a market-capitalization weighted index that includes the 500 most widely held companies chosen with re Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the I Quotation (NASDAQ) System is a nationwide computerized quotation system for over 5,500 over-the-counter stocks. The this system. The FTSE 100 Index is an index of the 100 largest companies (by market capitalization) in the United Kingdo companies that trade on the Hong Kong Exchange. The Hang Seng Index is maintained by a subsidiary of Hang Seng Bar the leadership of the Hong Kong exchange, and covers approximately 65% of its total market capitalization. The Hang Seng 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 a largest securities based on a combination of their market cap and current index membership. The Russell 1000 represent Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted 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 performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth rates. The Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index 2,000 smallest companies in the Russell 3000 Index. The Russell 2000 Growth Index measures the performance of those forecasted growth values. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer of the small-cap value manager behavior, the methodology used to determine value probability approximates the aggregate small-cap value rapitalization weighted index that measures the performance of the 3,000 largest U.S. companies representing approximates the performance of the 3,000 largest U.S. companies representing approximates the performance of the 3,000 largest U.S. companies representing approximates the performance of the 3,000 largest U.S. companies representing approximates the performance of the 3,000 largest U.S. companies representing approximates the performance of the 3,000 largest U.S. companies representing approximates the performance of the 3,000 largest U.S. companies representing approximates the performance of the 3,000 largest U.S. companies representing approximates the performance of the 3,000 largest U.S. companies the performance of the 3,000 larges

The Morgan Stanley Capital International (MSCI) World Index is a market capitalization weighted index composed of confidence of Market countries in North America, Europe and the Asia/Pacific Region. The MSCI Europe Index is a free float-adjusted in the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 16 Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the 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 will Brazilian equity universe. The volatility of these indices may be materially different from that of the representative according to the second control of th