

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
- 3) Greece Reaches a Bailout Deal in Athens, Unlocks \$94 Billion in Funds

Economic News

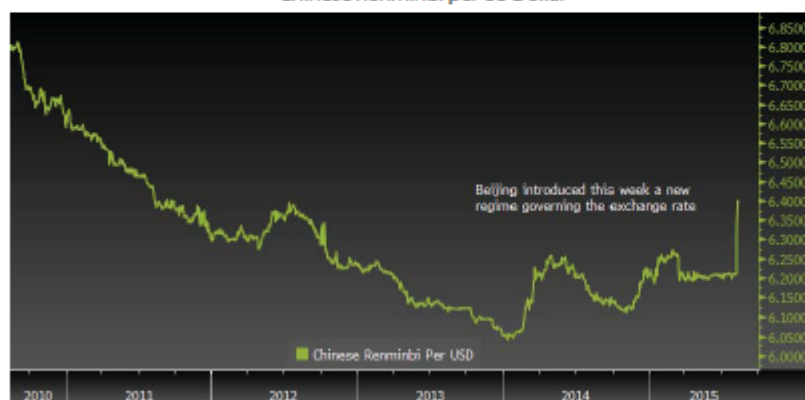
- The Empire manufacturing index plunged the most since the financial crisis in August
- US retail sales rose 0.6% MoM as consumer strength bright spot in struggling economy
- Eurozone GDP was weaker than expected in Q2
- In Q2, Japanese GDP fell by 1.6% from the previous quarter due to weak consumption, 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



Source: Bloomberg, Evergreen GaveKal

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%	-3.3%	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
Fed Funds Target	0.25	0.25	0.25
2 Year Treasury	0.72	0.72	0.67
10 Year Treasury	2.20	2.16	2.17
Investment Grade	3.97	3.93	3.70
Muni Yield	2.53	2.53	2.32
High Yield	7.21	7.06	6.80
Consumer Rates			
15 Year Mortgage	3.03	3.02	3.09
30 Year Mortgage	3.90	3.93	3.99
Consumer Confidence	90.91	90.91	93.06
Commodities			
Gold	1115.1	1094.1	1184.9
Silver	15.3	14.8	15.7
WTI Crude Oil	42.5	43.9	53.3
Natural Gas	2.8	2.8	2.9
Currency			
Dollar Index	96.52	97.56	90.27
\$ per Euro	1.111	1.096	1.210
Yen per \$	124.32	124.23	119.68
CAD per \$	1.309	1.313	1.162

