

EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

AUGUST 24, 2015

Top News Headlines

- 1) Stocks Fall the Most in 4 Years as the Dow Enters a Correction
- 2) Government Intervention Fails, Chinese Stocks Now Down 37% from Peak
- 3) Emerging Market Weakness Ensues as Kazakhstan Devalues Currency by 23%

Economic News

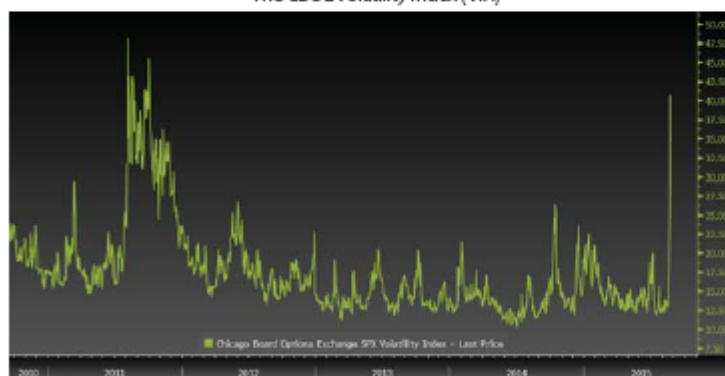
- US consumer prices missed expectations, only rose 0.2% YoY
- The US manufacturing PMI fell in August as industrial sector weakness continues
- US housing starts rose by the most since 2007 as real estate activity gains momentum
- Eurozone manufacturing beat expectations in August, data shows slight improvement
- The Chinese manufacturing PMI fell in August and remains in contraction for the sixth straight month

Thought of the Week

Volatility over the last week—measured by the VIX—has spiked by over 200%. Over the same time frame, the Dow has entered into a correction phase and officially registered the ominously sounding “death cross.” Instead of a crucifix, this event actually occurs when the 50-day moving average crosses below that same 200-day metric. This has historically been a significant leading indicator for future bear markets, widely used by technicians as a sell signal. Emerging market stocks and bonds have also broken through long-term support levels, and credit spreads, a key barometer of economic vitality, have continued to widen. Basically, investors are heading for the exits across a wide spectrum of risky assets. And despite the carnage thus far, we believe we’re in the infant stages of the decline. During bear markets, there’s typically a series of snapback rallies, so opportunistically adding and reducing exposure makes sense. We think a small correction—like we have seen so far—represents some limited buying opportunities. The larger correction we’re anticipating, however, represents larger buying opportunities. For that reason, we think it makes sense to remain defensive and buy slowly into the selloff.

Chart of the Week

The CBOE Volatility Index (VIX)



Source: Bloomberg, Evergreen GaveKal

| Index Levels | Friday Close 8/21/15 | Prior Week 8/14/15 | Year End 12/31/14 | Year Ago 8/21/14 |
|-----------------------|-------------------------|-----------------------|----------------------|---------------------|
| S&P 500 | 1971 | 2092 | 2059 | 1992 |
| Dow Jones 30 | 16460 | 17477 | 17823 | 17039 |
| Nasdaq | 4706 | 5048 | 4736 | 4532 |
| Russell 2000 | 1157 | 1213 | 1205 | 1160 |
| Market Returns | 1 week | 1 month | YTD | 1 Year |
| S&P 500 | -5.7% | -6.6% | -3.0% | 1.0% |
| Russell 2000 | -4.6% | -8.0% | -3.2% | 1.0% |
| Barclays Agg | 0.6% | 1.1% | 1.0% | 2.6% |
| MSCI World | -5.3% | -6.3% | -1.7% | -2.8% |
| MSCI Europe | -6.5% | -9.6% | 7.5% | 9.4% |
| MSCI Japan | -5.5% | -5.4% | 11.6% | 23.6% |
| MSCI China | -7.2% | -12.3% | -6.1% | -6.3% |
| MSCI Brazil | -4.5% | -17.6% | -29.7% | -49.3% |
| MSCI Emerging Markets | -5.9% | -12.5% | -13.4% | -22.9% |
| Market Valuations | P/E Trailing | P/E Forward | P/Sales | Dividend Yield |
| S&P 500 | 17.4 | 16.7 | 1.7 | 2.2 |
| Russell 2000 | 19.0 | 15.9 | 1.2 | 1.5 |
| FTSE 100 (Europe) | 20.9 | 14.3 | 1.0 | 4.4 |
| Hang Seng (Hong Kong) | 9.2 | 10.6 | 1.6 | 3.9 |
| Bond Yields | Friday Close 8/21/15 | Prior Week 8/14/15 | Year End 12/31/14 | Year Ago 8/21/14 |
| Fed Funds Target | 0.25 | 0.25 | 0.25 | 0.25 |
| 2 Year Treasury | 0.62 | 0.72 | 0.67 | 0.47 |
| 10 Year Treasury | 2.04 | 2.20 | 2.17 | 2.41 |
| Investment Grade | 3.93 | 3.97 | 3.70 | 3.46 |
| Muni Yield | 2.52 | 2.53 | 2.32 | 2.77 |
| High Yield | 7.40 | 7.21 | 6.80 | 5.61 |
| Consumer Rates | | | | |
| 15 Year Mortgage | 2.94 | 3.03 | 3.09 | 3.24 |
| 30 Year Mortgage | 3.86 | 3.90 | 3.99 | 4.28 |
| Consumer Confidence | 90.91 | 90.91 | 93.06 | 90.33 |
| Commodities | | | | |
| Gold | 1161.0 | 1115.1 | 1184.9 | 1276.8 |
| Silver | 15.3 | 15.3 | 15.7 | 19.4 |
| WTI Crude Oil | 40.5 | 42.5 | 53.3 | 94.0 |
| Natural Gas | 2.7 | 2.8 | 2.9 | 3.9 |
| Currency | | | | |
| Dollar Index | 95.01 | 96.52 | 90.27 | 82.15 |
| \$ per Euro | 1.139 | 1.111 | 1.210 | 1.328 |
| Yen per \$ | 122.05 | 124.32 | 119.68 | 103.85 |
| CAD per \$ | 1.319 | 1.309 | 1.162 | 1.094 |

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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 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 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.
