Weekly Insights

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%
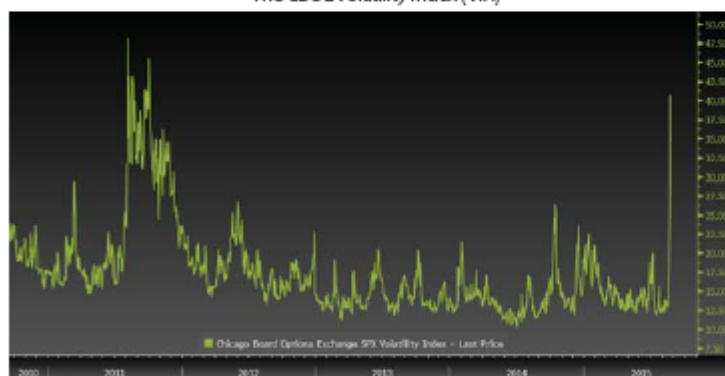
Economic News

- 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