

EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

AUGUST 31, 2015

Top News Headlines

- 1) Oil Rebounds by 20% after EIA Says US Production Lower than Previously Estimated
- 2) Stanley Fisher's Jackson Hole Speech Implies Tightening as Markets Lose Steam
- 3) Emerging Markets Continue Decline as Outflows Intensify

Economic News

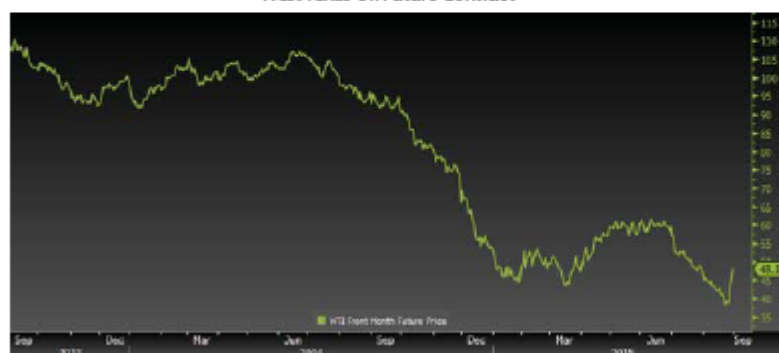
- US Q2 GDP growth revised up to 3.7% helped by gains in employment and lower energy prices
- Gross domestic income rose by just .4%, weakest two-quarter streak since 2012
- The US manufacturing PMI fell again in August, sector continues to struggle
- Eurozone consumer prices fell by -0.4% YoY, as region continues to battle with deflation
- Chinese industrial profits fell by -2.9% YoY, data continues to look weak

Thought of the Week

Today, the Energy Information Administration (EIA) released US oil production data, showing production levels so far this year have been lower than expected. Specifically, oil production, after peaking at 9.6 million barrels per day in April, fell by more than 300,000 bpd over the next two months. Output in Texas alone was revised down by 100,000 bpd. This data confirms the long held view that the cure for lower oil prices is lower oil prices. The logic here is that as the price of oil falls, higher cost production comes off-line as it becomes unprofitable. But this process doesn't happen overnight. In fact, many producers in the US have had a high percentage of their oil hedged in 2015, prolonging the profitability of higher cost wells. And it appears this trend is beginning to take hold. The good news for producers is that lower prices do have a positive effect on demand. This year, along with the recently highlighted production decline, the EIA has increased global demand four times. In response, we've seen the price of oil rebound by over 20% in the last three trading sessions, which has led to an outperformance by energy-related assets. We continue to believe during oil selling panics, it makes sense for investors with a long time horizon, to shift out of overvalued sectors and slowly re-allocate towards energy.

Chart of the Week

West Texas Oil Future Contract



Source: Bloomberg, Evergreen GaveKal

Index Levels	Friday Close 8/28/15	Prior Week 8/21/15	Year End 12/31/14	Year Ago 8/28/14
S&P 500	1989	1971	2059	1997
Dow Jones 30	16643	16460	17823	17080
Nasdaq	4828	4706	4736	4558
Russell 2000	1163	1157	1205	1166

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	0.9%	-5.5%	-2.1%	1.7%
Russell 2000	0.6%	-5.3%	-2.7%	1.1%
Barclays Agg	-0.7%	0.1%	0.3%	1.5%
MSCI World	0.5%	-5.6%	-1.3%	-2.5%
MSCI Europe	0.5%	-7.7%	8.1%	8.8%
MSCI Japan	-1.4%	-5.3%	10.0%	23.0%
MSCI China	-3.0%	-11.2%	-8.9%	-8.2%
MSCI Brazil	-1.0%	-12.3%	-29.0%	-50.0%
MSCI Emerging Markets	1.0%	-8.7%	-12.5%	-22.5%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	18.4	17.6	1.8	2.0
Russell 2000	19.9	16.6	1.2	1.5
FTSE 100 (Europe)	23.0	16.0	1.1	4.0
Hang Seng (Hong Kong)	10.2	11.8	1.8	3.5

Bond Yields	Friday Close 8/28/15	Prior Week 8/21/15	Year End 12/31/14	Year Ago 8/28/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.72	0.62	0.67	0.50
10 Year Treasury	2.18	2.04	2.17	2.34
Investment Grade	4.00	3.93	3.70	3.39
Muni Yield	2.53	2.52	2.32	2.76
High Yield	7.37	7.40	6.80	5.59

Consumer Rates	Friday Close 8/28/15	Prior Week 8/21/15	Year End 12/31/14	Year Ago 8/28/14
15 Year Mortgage	2.95	2.94	3.09	3.17
30 Year Mortgage	3.83	3.86	3.99	4.06
Consumer Confidence	90.91	91.00	93.06	90.33

Commodities	Friday Close 8/28/15	Prior Week 8/21/15	Year End 12/31/14	Year Ago 8/28/14
Gold	1133.6	1161.0	1184.9	1289.7
Silver	14.6	15.3	15.7	19.5
WTI Crude Oil	45.2	40.5	53.3	94.6
Natural Gas	2.7	2.7	2.9	4.0

Currency	Friday Close 8/28/15	Prior Week 8/21/15	Year End 12/31/14	Year Ago 8/28/14
Dollar Index	96.11	95.01	90.27	82.48
\$ per Euro	1.119	1.139	1.210	1.318
Yen per \$	121.71	122.05	119.68	103.72
CAD per \$	1.320	1.319	1.162	1.086

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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 the 2,000 largest 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 a market capitalization weighted index that measures the performance of the 500 largest 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 3,000 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 Value 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 Value Index. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer of the small-cap value 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 90% of the U.S. equity market capitalization.

The Morgan Stanley Capital International (MSCI) World Index is a market capitalization weighted index composed of companies from 23 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 reference to the Brazilian equity universe. The volatility of these indices may be materially different from that of the representative accounts.
