

Weekly Insights

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EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

SEPTEMBER 14, 2015

Top News Headlines

- 1) Economists Split on September Rate Hike Given Low Inflation Expectations
- 2) IMF, World Bank, and BIS Economists Warn a Fed Hike Could Trigger a Panic in Emerging Markets
- 3) Goldman Sachs Report Shows \$20 Oil a Distinct Possibility

Economic News

- US small business confidence missed expectations in August indicating a weakening outlook for smaller companies
- US job openings rose to the highest levels on record as labor market keeps Fed on track for tightening
- Eurozone Q2 GDP rose a better than expected 1.5% as regional data continues to show improvement
- Chinese industrial production missed expectations in August as data continues to weaken
- Japanese machine tool orders slowed to a 2.8% YoY pace, a sign global demand is weakening

Thought of the Week

After months of watching the incoming economic data and waiting for some kind of policy clarity, the Federal Open Market Committee (FOMC) meets this week to vote on what *may* be its first interest rate hike in more than nine years. What happens now is still very much up in the air considering the policy conflict between tight labor market conditions and falling inflation expectations. While the last several months of strong employment data seem to satisfy the Fed's June 2015 condition for "further tightening in the labor market," the un-anchoring of China's currency and subsequent explosion in global financial market volatility has set the stage for a serious debate in the upcoming meeting over whether the committee can still be "reasonably confident that inflation will move back to its 2 percent objective over the medium term." Considering the enormous risks further Fed tightening poses to global growth, a hike this week—or later this fall—could mark a serious turning point for global financial markets. We remain defensively positioned for a meaningful correction and are well prepared to mobilize our historically large cash positions in the event that global markets "go on sale."

Chart of the Week

US Unemployment Rate and 5 Year Breakeven Inflation Rate



Source: Bloomberg, Evergreen GaveKal

Index Levels	Friday Close 9/11/15	Prior Week 9/4/15	Year End 12/31/14
S&P 500	1961	1921	2059
Dow Jones 30	16433	16102	17822
Nasdaq	4822	4684	4736
Russell 2000	1158	1136	1205

Market Returns	1 week	1 month	YTD
S&P 500	2.1%	-5.8%	-3.3%
Russell 2000	1.9%	-4.1%	-3.1%
Barclays Agg	-0.2%	-0.1%	0.5%
MSCI World	2.0%	-6.4%	-3.0%
MSCI Europe	0.7%	-7.2%	5.7%
MSCI Japan	2.4%	-11.3%	4.9%
MSCI China	4.7%	-10.2%	-9.6%
MSCI Brazil	-2.9%	-14.4%	-36.3%
MSCI Emerging Markets	1.9%	-6.6%	-14.3%

Market Valuations	P/E Trailing	P/E Forward	P/Sa
S&P 500	17.3	16.5	1.7
Russell 2000	19.0	15.8	1.2
FTSE 100 (Europe)	22.2	15.1	1.0
Hang Seng (Hong Kong)	9.3	10.7	1.4

Bond Yields	Friday Close 9/11/15	Prior Week 9/4/15	Year End 12/31/14
Fed Funds Target	0.25	0.25	0.25
2 Year Treasury	0.71	0.71	0.67
10 Year Treasury	2.19	2.13	2.17
Investment Grade	3.95	3.92	3.70
Muni Yield	2.52	2.51	2.32
High Yield	7.09	7.15	6.80

Consumer Rates			
15 Year Mortgage	2.98	2.95	3.09
30 Year Mortgage	3.84	3.83	3.99
Consumer Confidence	101.54	101.54	93.0

Commodities			
Gold	1107.8	1123.5	1184
Silver	14.6	14.6	15.7
WTI Crude Oil	44.6	46.1	53.3
Natural Gas	2.7	2.7	2.9

Currency			
Dollar Index	95.19	96.23	90.2
\$ per Euro	1.134	1.114	1.21
Yen per \$	120.59	119.01	119.6
CAD per \$	1.326	1.328	1.16

