

# EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

JANUARY 5, 2015

## Top News Headlines

- 1) Crude Decline Worsens as West Texas Oil Falls to a Five-Year Low of \$50.10
- 2) Forecasters Call for a 8.1% S&P Advance, None See a Decline
- 3) Stuart Scott, Long-Time ESPN Anchor, Dies from Cancer at the age of 49

## Economic News

- Home price appreciation slows as the Case Shiller Composite Index rose 4.5% YoY in October
- The ISM manufacturing index weakened in December as US economic data slowed to end 2014
- US jobless claims during 2014 fell to lowest level in 14 years as labor continues to show strength
- German consumer prices rose just 0.2% YoY in December as deflation still a big concern in the Eurozone
- Eurozone manufacturing weakened in December as growth remains extremely depressed

## Thought of the Week

A recent Barron's poll showed that market strategists are predicting an average gain for the S&P 500 of 10.3% for 2015 (based on the report's published date of 12/31/14). Drilling down even further, not a single strategist picked a down year for stocks. And the range of predictions was pretty narrow, as they all fell between 5% and 17%. This herd mentality is not that surprising to us. Looking back at a BusinessWeek article written back in December 19th, 2007, the results were eerily similar. The average projection for 2008 was a 13.65% gain with a range of 4.5% to 17.0%. However, despite a rosy outlook, the S&P proceeded to fall 38.5% over the course of '08. Quite frankly, we're not surprised the Wall Street strategists are bullish. They are essentially paid to be optimistic since bank earnings are generally correlated with the stock market. But people who know Evergreen also know we don't follow the herd. And when key metrics such as market cap to GDP, cyclically adjusted PE's, and price to sales are at or above their 2007 peaks, we think it's time to move in the other direction. We tend to think a consensus bullish Wall Street is the exact time to insulate equity portfolios from further downside risk.

## Chart of the Week

2014 and 2008 S&P Return Projections

	Barron's 2014 Strategist Poll		Bloomberg Businessweek 2008 Poll	
	2014 Projection	Price Change	2009 Projection	Price Change
Average	2209	10.30%	1654	13.65%
Projection 1	2350	17.36%	1520	4.47%
Projection 2	2250	12.37%	1675	15.12%
Projection 3	2100	4.88%	1680	15.47%
Projection 4	2200	9.87%	1700	16.84%
Projection 5	2200	9.87%	1675	15.12%
Projection 6	2275	13.62%	1625	11.69%
Projection 7	2160	7.87%	1700	16.84%
Projection 8	2250	12.37%		

Source: Barron's and Bloomberg BusinessWeek

Index Levels	Friday Close 1/2/15	Prior Week 12/26/14	Year End 12/31/14	Year Ago 1/2/14
S&P 500	2058	2089	2059	1832
Dow Jones 30	17833	18054	17823	16441
Nasdaq	4727	4807	4736	4143
Russell 2000	1199	1215	1205	1151

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	-1.4%	-0.6%	0.0%	14.7%
Russell 2000	-1.3%	1.8%	-0.5%	5.6%
Barclays Agg	0.6%	0.9%	0.3%	6.2%
MSCI World	-1.4%	-1.9%	-0.3%	6.4%
MSCI Europe	-0.9%	-2.3%	-0.4%	8.1%
MSCI Japan	-1.6%	-1.8%	0.0%	9.9%
MSCI China	4.4%	5.2%	1.9%	10.5%
MSCI Brazil	-3.4%	-11.6%	-4.1%	-14.8%
MSCI Emerging Markets	0.2%	-3.2%	-0.3%	-1.2%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	18.0	16.4	1.8	2.0
Russell 2000	20.2	15.7	1.2	1.3
FTSE 100 (Europe)	18.4	13.5	1.0	4.7
Hang Seng (Hong Kong)	10.0	10.7	1.8	3.8

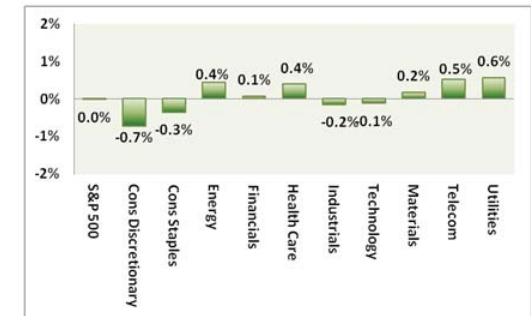
Bond Yields	Friday Close 1/2/15	Prior Week 12/26/14	Year End 12/31/14	Year Ago 1/2/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.67	0.74	0.67	0.38
10 Year Treasury	2.11	2.25	2.17	2.99
Investment Grade	3.54	3.76	3.70	3.84
Muni Yield	2.32	2.32	2.32	3.17
High Yield	6.47	6.42	6.80	6.03

Consumer Rates				
15 Year Mortgage	3.07	3.10	3.09	3.54
30 Year Mortgage	3.98	3.95	3.99	4.55
Consumer Confidence	92.60	92.60	92.60	77.54

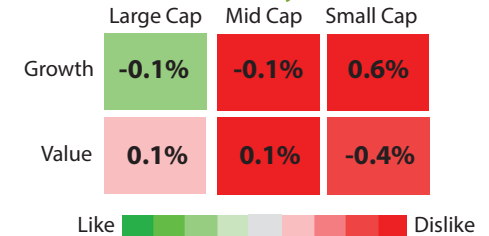
Commodities				
Gold	1189.2	1196.0	1184.9	1224.4
Silver	15.7	16.1	15.7	20.0
WTI Crude Oil	52.7	54.7	53.3	95.4
Natural Gas	3.0	3.0	2.9	4.3

Currency				
Dollar Index	91.08	90.03	90.27	80.63
\$ per Euro	1.200	1.218	1.210	1.367
Yen per \$	120.50	120.31	119.78	104.81
CAD per \$	1.179	1.163	1.162	1.067

## S&P 500 YTD Sector Returns

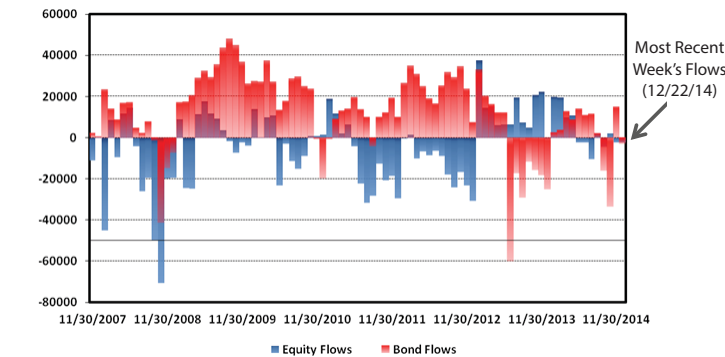


## YTD Market Style Returns



(\$ millions)

## Monthly Fund Flows



### Market question of the week:

Which of these household costs has increased the most (in percentage terms) since 2007?

- a) Health Insurance    b) Cellular Phones    c) Home Internet

### Trivia question of the week:

Since 2000, what's the only division in the NFL that's had all four of its teams play in the Super Bowl?

- a) AFC East    b) AFC North    c) NFC West

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*Benchmark indices are provided in this material for comparison with well-known and widely recognized indices from various market capitalizations, asset classes, markets around the world, and economic data. You cannot invest directly in an index. Index results assume the re-investment of all dividends and capital gains.*

*The S&P 500 is a market-capitalization weighted index that includes the 500 most widely held companies chosen with respect to market size, liquidity, and industry. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The National Association of Securities Dealers Automated Quotation (NASDAQ) System is a nationwide computerized quotation system for over 5,500 over-the-counter stocks. The index is compiled of more than 4,800 stocks that are traded via this system. The FTSE 100 Index is an index of the 100 largest companies (by market capitalization) in the United Kingdom. A market capitalization-weighted index of 40 of the largest companies that trade on the Hong Kong Exchange. The Hang Seng Index is maintained by a subsidiary of Hang Seng Bank, and has been published since 1969. The index aims to capture the leadership of the Hong Kong exchange, and covers approximately 65% of its total market capitalization. The Hang Seng members are also classified into one of four sub-indexes based 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 Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index contains those Russell 1000 companies that have higher book-to-price ratios, and thus a less-than-average growth orientation, than the remaining companies in the Russell 1000 Index that encompass the Russell 1000 Growth 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 is an unmanaged index that 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 price-to-book ratios and higher forecasted growth values. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer of the small-cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate small-cap value manager's opportunity set. The Russell 3000 Index is a market capitalization weighted index that measures the performance of the 3,000 largest U.S. companies representing approximately 98% of the investable U.S. equity market.*

*The Morgan Stanley Capital International (MSCI) World Index is a market capitalization weighted index composed of companies representative of the market structure of 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 is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. The MSCI China Index covers the large and mid cap segments in the China and is constructed according to the MSCI Global Investable Market Indices Methodology. The MSCI China Index is part of the MSCI Emerging Markets Index. The MSCI Brazil Index is designed to measure the performance of the large and mid cap segments of the Brazilian market with 81 constituents. The MSCI Brazil Index covers about 84% of the Brazilian equity universe. The volatility of these indices may be materially different from that of the representative account.*