

# EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

MARCH 16, 2015

## Top News Headlines

- 1) Eurozone Receives Influx of Investor Cash after QE, Stocks and Bonds Rally
- 2) USD Reaches 12-Year High as Oil and Gold Continue to Weaken
- 3) US Debt Ceiling Back in Discussion with March 15th Deadline Looming

## Economic News

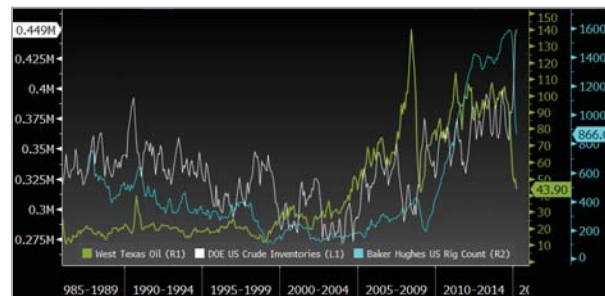
- US retail sales fell -0.6% MoM in Feb., a very weak report considering stronger employment and lower gas prices
- US industrial production missed expectations in Feb., a stronger USD weighing on manufacturing
- US producer prices plunged -0.5% in Feb., the first time since the recession both CPI and PPI have gone negative
- Eurozone industrial production beat expectations in Jan., as economic data showing improvement
- Chinese economic data weakening as industrial production, retail sales, and investment all disappointed in Jan. and Feb.

## Thought of the Week

Oil futures have dropped over 12% over the last week and have now hit a new low for the year. The primary reason for the drop is that there's a glut in inventory since there's currently more supply than demand. And, as shown in the Chart of the Week, we've reached a historical milestone with US crude oil inventories sitting at a 30-year high. You'll also notice the recent spike in supply corresponds exactly with the decline in price. As you can imagine, this abundance of inventory has also led to a major shortage in available space to store crude, which has also dragged on oil. On a positive note for prices, the US rig count just hit the lowest level since 2011. In fact, over 700 oil rigs have been sidelined in the last 14 weeks, according to oilfield services company Baker Hughes. When the number of active oil rigs is low, it usually leads to decreasing supply. But this time around, fewer oil rigs has resulted in increasingly higher inventories. We believe a key reason for this is that US producers are largely hedged in 2015. And we've noticed many of these same producers are partially hedged in 2016, but barely hedged at all in 2017. Therefore, we believe if oil prices remain depressed, production will come off line as the hedges roll off. This alleviation of investment pressure against oil should be a tailwind for prices over the next few years. Overall, we see a long-term rebound in the space, but expect continued volatility in 2015.

## Chart of the Week

West Texas Oil Price, DOE US Crude Inventories, and The Baker Hughes Rig Count Index



Source: Bloomberg, Evergreen GaveKal

Index Levels	Friday Close 3/13/15	Prior Week 3/6/15	Year End 12/31/14	Year Ago 3/13/14
S&P 500	2053	2071	2059	1846
Dow Jones 30	17749	17857	17823	16109
Nasdaq	4872	4927	4736	4260
Russell 2000	1232	1218	1205	1177

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	-0.8%	-0.5%	0.2%	13.5%
Russell 2000	1.2%	2.7%	2.5%	6.1%
Barclays Agg	0.6%	-0.3%	0.5%	4.6%
MSCI World	-1.2%	0.2%	1.1%	6.9%
MSCI Europe	0.6%	6.8%	16.2%	26.3%
MSCI Japan	1.1%	9.4%	10.8%	32.2%
MSCI China	-0.6%	0.4%	2.2%	21.8%
MSCI Brazil	-8.9%	-11.6%	-20.3%	-22.7%
MSCI Emerging Markets	-3.2%	-2.2%	-1.6%	2.5%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	18.3	17.4	1.8	2.0
Russell 2000	20.2	16.6	1.2	1.4
FTSE 100 (Europe)	23.5	14.8	1.1	3.8
Hang Seng (Hong Kong)	10.0	11.4	1.8	3.8

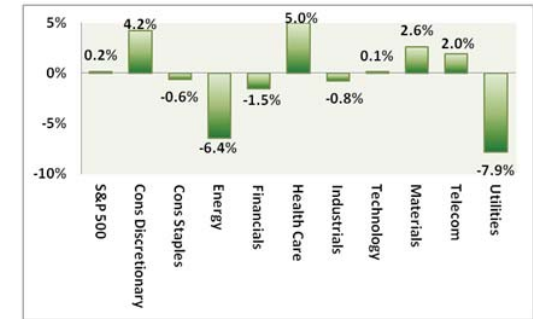
Bond Yields	Friday Close 3/13/15	Prior Week 3/6/15	Year End 12/31/14	Year Ago 3/13/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.66	0.73	0.67	0.34
10 Year Treasury	2.12	2.24	2.17	2.65
Investment Grade	3.57	3.59	3.70	3.66
Muni Yield	2.63	2.65	2.32	3.04
High Yield	6.24	6.08	6.80	5.76

Consumer Rates				
15 Year Mortgage	3.07	3.08	3.09	3.35
30 Year Mortgage	3.86	3.94	3.99	4.29
Consumer Confidence	96.40	96.40	93.10	78.30

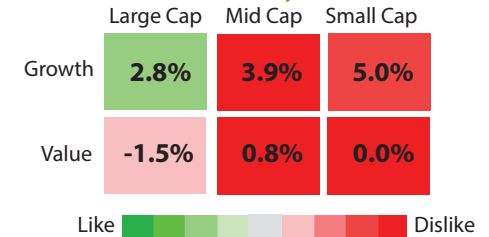
Commodities				
Gold	1155.8	1165.3	1188.0	1371.4
Silver	15.6	15.8	15.7	21.2
WTI Crude Oil	44.8	49.6	53.3	98.2
Natural Gas	2.7	2.8	2.9	4.4

Currency				
Dollar Index	100.33	97.62	90.27	79.62
\$ per Euro	1.049	1.086	1.210	1.386
Yen per \$	121.27	120.93	119.84	101.83
CAD per \$	1.279	1.262	1.162	1.106

## S&P 500 YTD Sector Returns

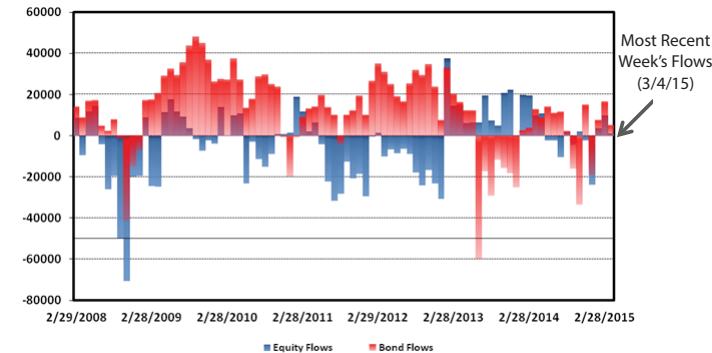


## YTD Market Style Returns



(\$ millions)

## Monthly Fund Flows



## Market question of the week:

Roughly how many assets are currently held in US Exchange Traded Funds (ETFs)?

- a) \$1 trillion    b) \$2 trillion    c) \$3 trillion

## Trivia question of the week:

When did the first St. Patrick's Day celebration take place in America? (source: ABC News)

- a) 1737    b) 1824    c) 1901

Answers: b) \$2 trillion a) 1737

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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.*