

# EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

APRIL 13, 2015

## Top News Headlines

- 1) Quarter One Earnings Season Begins With Low Expectations
- 2) FED Officials Still Mixed on Timetable for Raising Rates
- 3) Oil Continues to Stabilize as Energy Shares Rebound

## Economic News

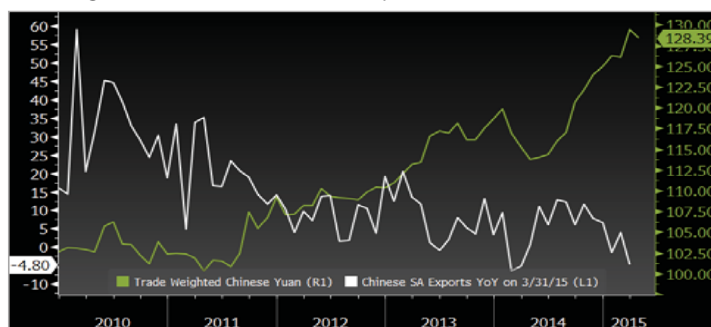
- US job openings jump to a 14-year high illustrate a robust hiring environment
- US import prices fell 0.3% in March as stronger dollar weighs on domestic competitiveness
- Eurozone retail sales for Feb. rose 3.0% YoY, a solid improvement for the region
- Chinese seasonally adjusted exports fell -4.8% YoY, a sign a strong currency could be taking its tolls
- Industrial production in India rose 5.0% YoY, economy likely benefiting from lower oil prices

## Thought of the Week

Last month, Chinese exports fell the most in over a year with a 14.6% YoY plunge, or a -4.8% drop when accounting for seasonality. The latter is shown in the Chart of the Week, where you'll see the recent drop in exports clearly coincides with a rising Yuan, which is up nearly 13% over the last year. The main catalyst behind a stronger Yuan has been the currency management by the Chinese government. Essentially they've been using a floating exchange rate to keep their currency's value close to the US dollar. A key reason for doing this is limiting currency volatility in an effort to boost trade denominated in the Yuan. So far, this plan has worked and the Yuan, according to Society for Worldwide Interbank Financial Telecommunication, recently passed the Euro as the second-most traded currency in the world. But as both the dollar and Yuan maintain their ascent, economic data continues to deteriorate. In fact, the Citigroup Chinese economic surprise index recently fell to a six-month low. To stave off pessimism and spur the economy, we think the Chinese government will likely continue to cut rates. We believe this step is more likely than the alternative of intentionally weakening their currency to stimulate the economy. We maintain that Yuan-denominated income investments are a decent place to park cash — especially if the Chinese cut rates without adjusting their currency strategy.

## Chart of the Week

Trade Weighted Chinese Yuan and Chinese Exports YoY



Source: Bloomberg, Evergreen Gavekal

Index Levels	Friday Close 4/10/15	Prior Week 4/2/15	Year End 12/31/14	Year Ago 4/10/14
S&P 500	2091	2067	2059	1872
Dow Jones 30	17959	17763	17823	16437
Nasdaq	4975	4887	4736	4184
Russell 2000	1259	1256	1205	1160

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	1.2%	2.5%	2.1%	14.0%
Russell 2000	0.3%	4.3%	4.9%	10.0%
Barclays Agg	-0.2%	1.1%	1.5%	5.4%
MSCI World	1.3%	3.7%	4.4%	8.5%
MSCI Europe	2.8%	5.4%	20.3%	26.0%
MSCI Japan	2.6%	5.2%	13.9%	40.9%
MSCI China	8.7%	18.9%	20.7%	35.1%
MSCI Brazil	4.2%	-13.7%	-6.3%	-24.2%
MSCI Emerging Markets	3.6%	9.2%	7.9%	4.1%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	18.6	17.9	1.8	2.0
Russell 2000	20.7	17.0	1.2	1.4
FTSE 100 (Europe)	24.2	16.5	1.1	3.7
Hang Seng (Hong Kong)	11.8	13.4	1.8	3.6

Bond Yields	Friday Close 4/10/15	Prior Week 4/2/15	Year End 12/31/14	Year Ago 4/10/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.55	0.54	0.67	0.37
10 Year Treasury	1.96	1.91	2.17	2.69
Investment Grade	3.50	3.45	3.70	3.57
Muni Yield	2.58	2.58	2.32	2.89
High Yield	6.17	6.14	6.80	5.62

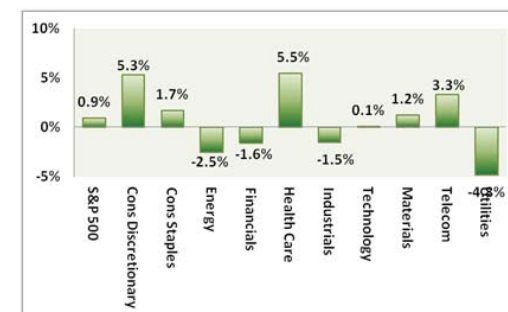
Consumer Rates				
15 Year Mortgage	2.95	2.97	3.09	3.31
30 Year Mortgage	3.75	3.76	3.99	4.44
Consumer Confidence	101.30	101.30	93.10	83.86

Commodities				
Gold	1195.0	1200.0	1188.0	1305.8
Silver	16.2	16.7	15.7	19.8
WTI Crude Oil	50.8	49.1	53.3	103.6
Natural Gas	2.5	2.7	2.9	4.6

Currency				
Dollar Index	99.16	97.44	90.27	79.48
\$ per Euro	1.067	1.088	1.210	1.381
Yen per \$	120.39	119.71	119.84	101.88
CAD per \$	1.257	1.258	1.162	1.088

EVERGREEN GAVEKAL

## S&P 500 YTD Sector Returns



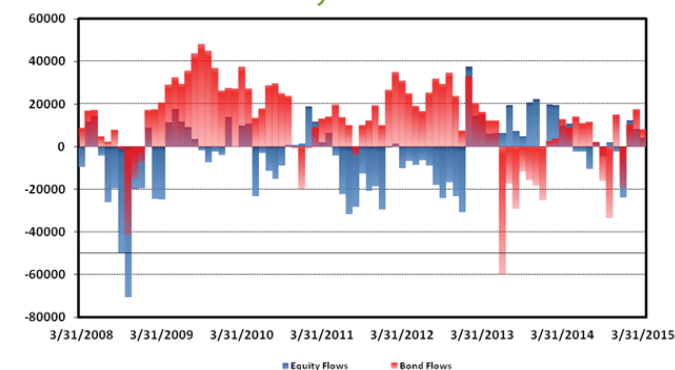
## YTD Market Style Returns

	Large Cap	Mid Cap	Small Cap
Growth	5.3%	6.9%	7.6%
Value	0.2%	3.0%	2.1%

Like Dislike

(\$ millions)

## Monthly Fund Flows



## Market question of the week:

In 2014, what was the effective tax-rate for President Barack Obama and his wife Michelle?

- a) 15.6% b) 19.6% c) 24.6%

## Trivia question of the week:

Over the weekend, 21 year-old Jordan Spieth won the Masters, tying the tournament's record for lowest final score (-18). Who was the only player younger than Spieth to win the Masters?

- a) Jack Nicklaus b) Seve Ballesteros c) Tiger Woods

Answers : b) 19.6% c) Tiger Woods

To subscribe to Evergreen Insights, email [lhall@evergreencapital.net](mailto:lhall@evergreencapital.net)

Note: All returns represent total return including dividends

YTD Market Style Returns are based on the Russell indices. Please see important disclosure on next page.

*This material has been prepared or is distributed solely for informational purposes only and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Investors must make their own investment decisions based on their financial situations and investment objectives. All of the assumptions included in this presentation are based upon current market conditions as of the date of this presentation and are subject to change. Information contained in this report has been obtained from Bloomberg and Investment Company Institute (ICI) believed to be reliable, Evergreen Capital Management LLC makes no representation as to its accuracy or completeness, except with respect to the Disclosure Section of this material. Any opinions expressed herein reflect our judgment as of the date of the materials and are subject to change without notice. Past performance is no guarantee of future results. All investments involve risk including the loss of principal.*

*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.*