

EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

JANUARY 26, 2015

Top News Headlines

- 1) ECB Announces \$1.3 Trillion QE Plan to Counter Deflation
- 2) Greek Election Shows Syriza Party Won Enough Seats to Form a Coalition
- 3) Historic Storm Set to Hit East Coast, One to Two Feet of Snow Expected

Economic News

- Dallas manufacturing index plunged to negative territory in January, a weak sign for growth in Texas
- Housing starts cap best year since 2007, as lower rates helping housing market
- The Markit preliminary manufacturing index dropped to a one-year low in January, economy cools to start 2015
- Eurozone inflation fell by 0.2% YoY in December, the first time since 2009 inflation fell over a full year
- Chinese GDP reported at 7.3% in Q4, helped by last year's stimulus efforts

Thought of the Week

Over the weekend, Greece's left wing Syriza party secured enough seats to garner a majority in the Greek legislature. The main election platforms for Syriza included writing down Greek public debt and easing austerity measures, which have greatly reduced the quality of life for most Greeks. With the possibility of another debt restructure, Greek government bonds fell by over 5%, to 64 cents on the dollar. And, a restructuring will face heavy opposition from the EU. Germany, in particular, has contributed the most to previous bailouts and will surely be hesitant to do so again, without additional austerity measures. As you can see in this week's chart, Greek government debt-to-GDP is now higher than it was prior to the last restructuring. The euro has actually climbed higher on the news, which seems to imply that an additional restructuring is unlikely. What is likely, however, are spending packages aimed at helping the lower class and improving Greek quality of life. However, the country faces debt payments of over \$8 billion in July and August and, without help from the Eurozone, won't be able to meet its debt obligations. In fact, we believe that despite the ECB launching a fresh quantitative easing program volatility will actually increase this year in the Eurozone. And it wouldn't surprise us if the new found leadership in Greece is the primary reason why.

Chart of the Week

Greece Debt-to-GDP and the Euro/USD Exchange Rate



Source: Bloomberg, Evergreen Gavekal

Index Levels	Friday Close 1/23/15	Prior Week 1/16/15	Year End 12/31/14	Year Ago 1/23/14
S&P 500	2052	2019	2059	1828
Dow Jones 30	17673	17512	17823	16197
Nasdaq	4758	4634	4736	4219
Russell 2000	1189	1177	1205	1172

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	1.6%	-1.3%	-0.3%	14.5%
Russell 2000	1.1%	-1.4%	-1.3%	2.7%
Barclays Agg	0.2%	1.8%	1.4%	6.6%
MSCI World	2.0%	-1.0%	0.0%	6.2%
MSCI Europe	5.2%	7.8%	8.3%	14.9%
MSCI Japan	2.9%	-1.6%	-0.2%	11.2%
MSCI China	2.7%	7.9%	5.3%	18.9%
MSCI Brazil	1.3%	0.5%	0.8%	-5.2%
MSCI Emerging Markets	3.5%	4.3%	3.7%	5.5%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	18.1	17.0	1.8	2.0
Russell 2000	20.0	15.8	1.2	1.4
FTSE 100 (Europe)	19.6	15.0	1.0	4.5
Hang Seng (Hong Kong)	10.5	11.5	1.8	3.6

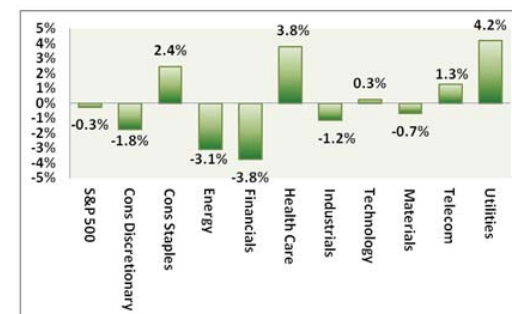
Bond Yields	Friday Close 1/23/15	Prior Week 1/16/15	Year End 12/31/14	Year Ago 1/23/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.49	0.49	0.67	0.36
10 Year Treasury	1.80	1.84	2.17	2.78
Investment Grade	3.36	3.40	3.70	3.78
Muni Yield	2.29	2.29	2.32	3.11
High Yield	6.43	6.50	6.80	5.86

Consumer Rates				
15 Year Mortgage	2.95	2.90	3.09	3.44
30 Year Mortgage	3.84	3.80	3.99	4.38
Consumer Confidence	92.60	92.60	92.60	77.54

Commodities				
Gold	1294.1	1280.5	1184.9	1264.1
Silver	18.3	17.8	15.7	20.0
WTI Crude Oil	45.6	48.7	53.3	97.3
Natural Gas	3.0	3.1	2.9	4.7

Currency				
Dollar Index	94.76	92.52	90.27	80.44
\$ per Euro	1.120	1.157	1.210	1.370
Yen per \$	117.77	117.51	119.78	103.26
CAD per \$	1.242	1.198	1.162	1.110

S&P 500 YTD Sector Returns

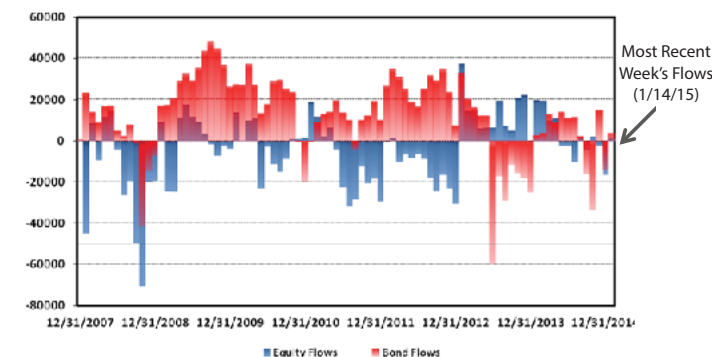


YTD Market Style Returns

	Large Cap	Mid Cap	Small Cap
Growth	0.6%	0.2%	-0.6%
Value	-0.9%	0.2%	-1.9%

Like Dislike

Monthly Fund Flows (\$ millions)



Market question of the week:

How much was withdrawn from PowerShares QQQ (technology- focused ETF), which had more funds withdrawn than any other ETF in 2014?

- a) \$5.6 billion b) \$11.6 billion c) \$15.6 billion

Trivia question of the week:

Winter Storm Juno threatens record level snow Monday and Tuesday. How many flights have been cancelled so far? (Source: USA Today)

- a) 600 b) 2600 c) 6000

Answers : b) \$11.6 billion c) 6000

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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.