

EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

FEBRUARY 23, 2015

Top News Headlines

- 1) Euro Stocks Reach New Highs After Greece Agrees to Extend Bailout Funds
- 2) Oil Rally Stutters on Oversupply Concerns as American Crude Inventories Climb
- 3) Fed Report Shows More Officials Would Like to Keep Zero Rates Longer

Economic News

- Dallas manufacturing activity plunged in February as energy beginning to hit data
- US retail sales fell -0.8% in January as consumers save more, spend less
- Capacity utilization fell in January, pointing to a moderating US economy heading into 2015
- Eurozone GDP rose a better than expected 0.3% in Q4, still points to a sluggish economy
- Japan emerged from recession in Q4, but GDP missed expectations at 2.2% QoQ growth

Thought of the Week

Last week, US retail sales data for January was released, showing a -0.8% drop from the month before. This result was weaker than expected and followed a -0.9% drop in December. It's pretty surprising since gas prices are the lowest they've been in almost six years. In fact, with prices at the pump down to \$2.30/gallon, that equates to leaving \$200 billion back in the economy. But consumers are apparently deciding to put that money on ice. As seen in the Chart of the Week, personal savings have clearly increased over this time frame as consumers sock more money away. However, despite the last two monthly declines, retail sales are still looking better than a year ago. And with inflation plunging on a real basis, the numbers look better when accounting for those price decreases. If we add in the fact that east coast weather has dragged on spending, we could see a considerable uptick the rest of the year. Still, the rest of the economy looks shaky and we aren't holding our breath that breakout growth is around the corner. We think factors such as a weakening manufacturing sector and lackluster corporate earnings pose too much risk to the overall economy.

Chart of the Week

US Retail Sales and US Personal Savings



Source: Bloomberg, Evergreen GaveKal

Index Levels	Friday Close 2/20/15	Prior Week 2/13/15	Year End 12/31/14	Year Ago 2/20/14
S&P 500	2110	2097	2059	1840
Dow Jones 30	18140	18019	17823	16133
Nasdaq	4956	4894	4736	4268
Russell 2000	1232	1223	1205	1162

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	0.7%	4.1%	2.8%	17.1%
Russell 2000	0.7%	5.7%	2.4%	7.4%
Barclays Agg	-0.2%	-0.7%	0.5%	5.1%
MSCI World	1.0%	4.6%	3.7%	9.6%
MSCI Europe	1.4%	6.9%	11.8%	17.9%
MSCI Japan	3.5%	7.7%	6.5%	27.9%
MSCI China	0.5%	0.9%	4.5%	19.5%
MSCI Brazil	-0.9%	-6.0%	-4.8%	-10.1%
MSCI Emerging Markets	-0.2%	0.9%	3.1%	6.5%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	18.6	17.3	1.8	1.9
Russell 2000	20.0	16.5	1.3	1.3
FTSE 100 (Europe)	23.3	16.0	1.1	4.5
Hang Seng (Hong Kong)	10.7	11.6	1.9	3.6

Bond Yields	Friday Close 2/20/15	Prior Week 2/13/15	Year End 12/31/14	Year Ago 2/20/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.63	0.64	0.67	0.32
10 Year Treasury	2.11	2.05	2.17	2.75
Investment Grade	3.47	3.46	3.70	3.69
Muni Yield	2.64	2.65	2.32	3.05
High Yield	6.04	6.04	6.80	5.80

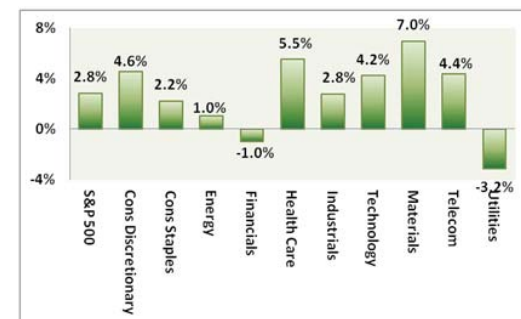
Consumer Rates				
15 Year Mortgage	3.08	2.99	3.09	3.37
30 Year Mortgage	3.97	3.81	3.99	4.35
Consumer Confidence	102.90	102.90	93.10	79.41

Commodities				
Gold	1207.0	1230.0	1188.0	1315.7
Silver	16.4	17.4	15.7	21.7
WTI Crude Oil	50.3	52.8	53.3	102.9
Natural Gas	3.0	2.8	2.9	6.1

Currency				
Dollar Index	94.25	94.20	90.27	80.29
\$ per Euro	1.1329	1.141	1.210	1.370
Yen per \$	118.77	118.70	119.84	102.36
CAD per \$	1.251	1.245	1.162	1.111

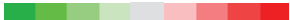
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S&P 500 YTD Sector Returns



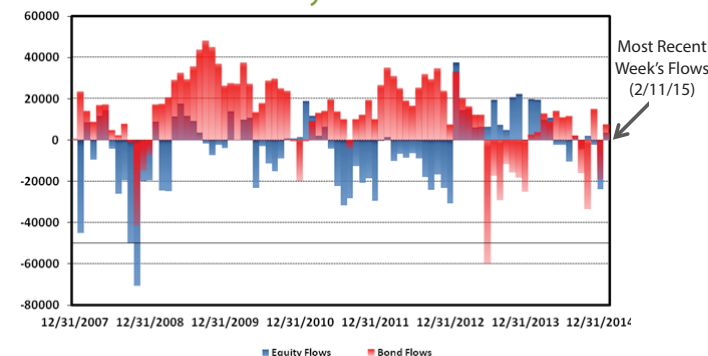
YTD Market Style Returns

	Large Cap	Mid Cap	Small Cap
Growth	5.1%	5.4%	4.4%
Value	1.2%	3.3%	0.3%

Like  Dislike

(\$ millions)

Monthly Fund Flows



Market question of the week:

Despite underperformance to low cost "balanced mutual funds", hedge funds continue to attract investors. How much has AUM increased in hedge funds since 2009? (source: Bloomberg)

- a) 46% b) 64% c) 78%

Trivia question of the week:

Who is the only director to garner nominations in all four acting categories at the Oscars, in back-to-back years?

- a) David O. Russell b) Martin Scorsese c) Clint Eastwood

Answers : c) 78% a) David O. Russell (Silver Linings Playbook American Hustle)

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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.

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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.