Steve Sjuggerud's
TRUE WEALTH

November 2015

RIGHT NOW Is Likely the Best Moment to Buy for Years to Come

I can't believe it.

We've just been handed an amazing gift...

We've just been given an additional 18 months of massive upside potential.

I never thought what is happening today was even in the realm of possibility. But here we are.

Today is like late 1998 – all over again – in U.S. stocks RIGHT NOW.

U.S. stocks soared more than 200% in 18 months after the 1998 extreme in fear (as measured by the Nasdaq stock index).

If history is any guide, big gains are possible over the next 18 months.

We need to take advantage of this situation right now.

Let me explain what's going on...

Inside This Issue

- Why stocks could soar up to 50% over the next 18 months.
- A great opportunity in gold: Our low-risk opportunity is buying gold at a 10% discount. Our high-risk opportunity could lead to 300% gains in three years.
- We're closing four more positions this month. That's important, even though the bull market likely isn't over.

Editor: Steve Sjuggerud

What Happened to Stocks in Late 1998, and Why It's Happening Again Right Now

In late 1998, investors were scared...

U.S. stocks had a violent correction. From peak to trough, they fell 19%.

This had a big effect on investor psychology... You see, stocks hadn't fallen this much from their peak since Black Monday in 1987 – when they fell more than 20% in one day.

"Bleak" was the best way to describe the feeling in late 1998... The Asian crisis was in full swing, and U.S. stocks seemed expensive. In early September 1998, investor sentiment hit its lowest level for the entire decade of the 1990s – according to SentimenTrader.com's Advisor and Investor Model ("AIM").

Investors thought this was surely the end of the boom. Stocks had been up every year of the decade (when you include dividends). Take a look:

Year	Increase
1991	30.2%
1992	7.5%
1993	10.0%
1994	1.3%
1995	37.2%
1996	22.7%
1997	33.1%

Of course, investors got it completely wrong... You know what happened to stock prices after late 1998...

Over the next year and a half, the Nasdaq soared from about 1,500 to more than 5,000. That was a gain of more than 200% – in 18 months. (Even the "regular" stock index – the S&P 500 – soared by more than 60% in that time.)

Many investors missed this massive run. They were scared that the bull market was over. Remember, this massive run started at the low in sentiment for the entire decade of the 1990s.

The previous time investors were this bleak (based on the SentimenTrader AIM) was right after Black Monday in October 1987. Of course, just like in 1998, stocks soared after investor sentiment hit a record low. The stock market went up 40% in less than two years after Black Monday.

Those two dates were extreme circumstances. It takes a lot to have an investor sentiment reading as extreme as it was on Black Monday or in late 1998.

But surprisingly, we hit an extreme in investor sentiment at the end of August.

I say "surprisingly," because it usually takes a dramatic bust to scare the bejesus out of people... But this time around, all it took was a 12% fall, peak to trough. Why did this relatively small correction scare people so badly? I think they were already edgy and predisposed to looking for the "bad" in the market.

Importantly, since late 1998, investors have only been as scared as they were a few weeks ago just two other days (according to SentimenTrader's AIM). And after both of those two days, stocks absolutely soared over the next 18 to 24 months.

The message from history is clear – when investor sentiment gets this extreme, you want to own stocks. We have an incredible opportunity today. **It's late 1998 – all over again – in U.S. stocks right now**.

Just like in 1998, regardless of how many years stocks have already gone up, big gains are still possible, starting now. Let's get to the details...

Why I'm Buying – Not Selling – Stocks Right Now

If you know me at all, you know that I LOVE to see a HATED investment opportunity...

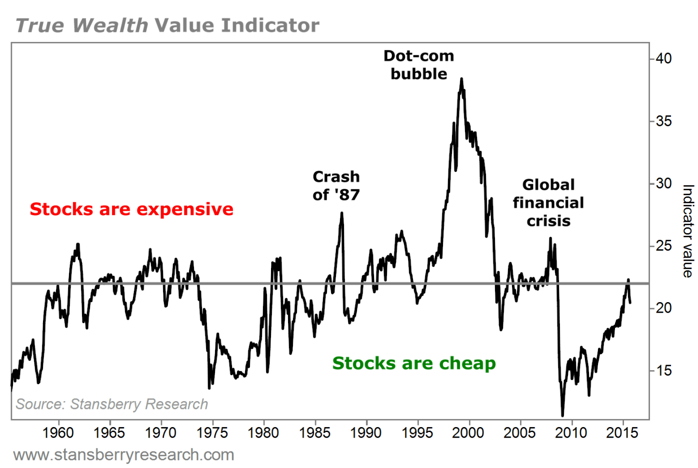
You probably know the three things I look for in the ideal investment... I want an investment that is:

1. CHEAP
2. HATED
3. In the start of an UPTREND

As I explained, U.S. stocks couldn't be more hated. They are as hated as they were after Black Monday in 1987 and the bust in 1998 (based on SentimenTrader's AIM). They've only been this hated four other times since 1987. Now that's hated!

I love it! History tells us that any time stocks hit that negative extreme is a great opportunity to buy.

Importantly, stocks are also cheap, according to our simple *True Wealth* Value Indicator. Unlike in 1987 or the dot-com bubble in 2000, stocks are not expensive yet. There's still room to run. Take a look:

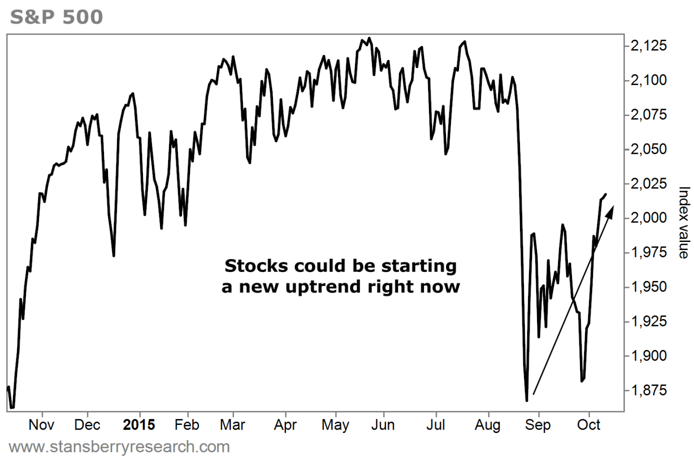


When stocks are below the horizontal line, they are cheap, and historically you'd have made double-digit annualized gains in the stock market. When stocks are above the line, they are expensive, and historically you'd have lost money in stocks overall in that time.

(If you're interested in the details, our value indicator is simple... It's the price-to-earnings (P/E) ratio PLUS the short-term interest rate. Short-term interest rates tell us plenty about the state of the economy, inflation, and the Federal Reserve… all in one simple number.)

So, stocks are HATED… CHEAP… And we're seeing the start of an UPTREND as well…

Stocks bottomed in late August… They tested that low at the end of September – and they've held up. As I write, the stock market is up 8% from its August low…



I can't know for sure, but I believe stocks will continue higher from here. So this is a perfect moment for a trade…

Our upside potential over the next 18 months is HUGE – it could easily be 50% or more in the S&P 500 Index – based on what we saw the last four times stocks have been this hated. Meanwhile, by setting a stop loss at the August low, we can significantly limit our downside risk.

Now is an incredible moment – we have all three things we look for in an ideal trade. So I am willing to make a leveraged bet here. Through an exchange-traded fund (ETF), we can make twice what stocks make on any given day. If stocks go up 1% in a day, we'll make 2%. (Leverage cuts both ways though – if stocks go down 1%, our ETF will go down 2%.)

We don't want to do this all the time, but the setup conditions are perfect right now. Also, we can make this bet with a great reward-to-risk ratio – where our upside potential is dramatically greater than our downside risk. That's the way we want to invest.

I realize that we've stopped out of 14 positions in the last two months… That's probably a record for *True Wealth*. I believe it was the right thing for us to sell those positions, as you simply can't know how far down a market can go.

One of those positions was the **ProShares Ultra S&P 500 Fund (NYSE: SSO)** – the simplest way to own U.S. stocks with leverage. I nearly always advocate not getting right back into a position after stopping out. I have also learned that my investing results are better when I'm simply riding an existing trend and not trying to point out a new one – which is what I'm doing today.

Having said that, today's opportunity is simply too incredible to pass up based on history. The recent correction scared investors more than anything we've seen in years.

This is an incredible moment. This is only the fifth time since 1987 that investors have been this negative. And history says our upside is large, starting now.

To protect ourselves, we're significantly limiting our downside risk. Instead of buying with a wide trailing stop, today we'll use a tight stop loss at recent lows. This means we'll lose very little if I'm wrong, relative to how much we could make if I'm right.

In short, with these incredible setup conditions, and with our ability to limit our downside risk, it's the right time to add a position back in the overall stock market to take advantage of this situation.

Buy shares of the ProShares Ultra S&P 500 Fund (NYSE: SSO) today. **Sell when you're up 75% (remember, this is a leveraged fund) or in 18 months, whichever comes first**. **Use a STOP LOSS of $52.93**. **Specifically, if SSO CLOSES any day below $52.93, sell the next day**.

My Friend, It's Time to BUY GOLD

I have a secret to share with you…

As of last week, I didn't own any gold. In fact, I haven't owned any gold in a meaningful amount for years. Years!

I do own a few gold coins… But it's an irrelevant amount of gold in the grand scheme of things.

There, I said it. I've come clean.

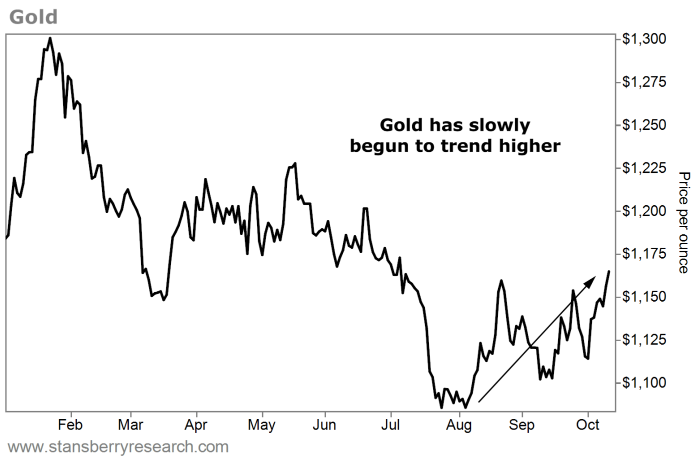
The thing is, NOT heavily owning gold has been exactly the right thing to do for the past few years… as gold has fallen from $1,800 in 2011 to a low around $1,100 this year – an incredible fall.

But in the last few months, gold has quietly set up like the stock market... It's now CHEAP, HATED, and in the start of an UPTREND.

It's cheap – down $700 from its peak and trading at levels not seen in more than five years.

It is incredibly hated right now. **Outside of two days in 2013, gold is the most hated it has been since the gold bull market started in 2001**.

It also quietly bottomed in early August and is in a small uptrend. Take a look:



The setup is perfect. It's exactly what I want to see. Gold is now CHEAP, HATED, and in the start of an UPTREND.

So as of last week, for the first time in years, I am personally a buyer of gold.

You should be, too.

So how am I buying it? I'm doing two things...

1. **I'm buying gold itself**. It's the low-risk trade.
2. **I've been buying a handful of smaller mining stocks**, which is the high-risk trade. I think these stocks could deliver hundreds-of-percent gains over the next three years.

I recommend you pick the one that suits you best... or buy both of these. This month, I have two separate opportunities in gold and gold stocks for you to take advantage of.

First, let's look at our lower-risk opportunity in gold itself...

How to Own Gold – With a Single Click – for $115 Less Than Melt Value

What's the best way to own gold – and silver – today?

I have a simple answer. Longtime readers will be familiar with this idea. It's a fund that allows us to buy gold and silver at a massive discount.

This simple fund also gives us better tax treatment when we sell our gold and silver – which is a big deal. And if things go like I expect, we could end up buying at today's large *discount* and potentially selling at a *premium* in the future.

Today, we're buying gold and silver with the **Central Fund of Canada (NYSE: CEF)**...

The Central Fund of Canada has a simple mandate. Its commitment is to hold physical gold and silver bullion. The fund is currently 61% gold and 39% silver.

Importantly, this fund doesn't do anything fancy with the gold and silver it holds. It doesn't buy, sell, or trade its precious metals in an attempt to improve returns. It simply holds physical gold and silver.

In short, it holds a vault of physical metals so you don't have to.

Two things make the Central Fund of Canada the best way to buy gold and silver today. The first is that we can buy these precious metals at a 9.9% discount to melt value.

You see, CEF is a closed-end fund. That means the fund launched with a fixed number of shares outstanding. The fund managers can't issue any more shares even if demand for them increases.

(This is different from ETFs, which can issue and redeem shares based on demand. And it's why we have a great opportunity today.)

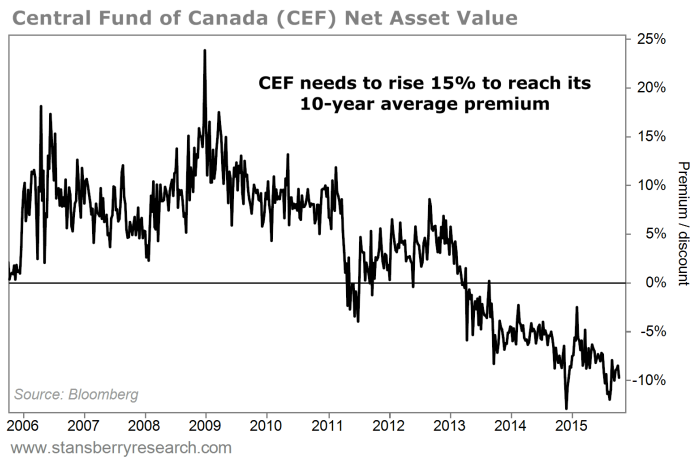
Because CEF has a fixed share count – and a fixed basket of assets – the market value of its gold and silver can get out of whack.

So if demand for CEF shares increases dramatically, the fund can trade for more than the value of its gold and silver. And if demand is incredibly low, the fund can trade for a discount to the value of its precious metals.

Today, for example, the market value per share of the gold and silver CEF holds is $12.53. That's what investors would receive – per share – if the fund sold its metals right now. But that's not what you have to pay to buy a share of CEF right now. Today, you can buy that $12.53 of value for just $11.28.

That means shares of CEF trade for a nearly 10% discount, as I write. **With gold prices at $1,160 an ounce, that's like buying gold for $1,045 – $115 per ounce less than melt value**!

As you might expect, shares of CEF trading for this big of a discount is NOT normal. The Central Fund of Canada actually spent most of the last decade – during the gold bull market – trading for a big premium. Take a look...



CEF's premium or discount is one more way to see investor sentiment for gold...

When investors love gold, like they did during the 2000s, CEF trades for a big premium. Investors were willing to pay more than market value to buy the fund.

However, since gold began falling in 2011, that premium turned into a discount. Today's nearly 10% discount is one of the largest in the fund's history

Investors want very little to do with gold today. And this is one piece of evidence to prove it. But what happens when sentiment turns positive?

The answer is simple... **Shares of CEF could move from a big discount to a premium**.

CEF traded for an average premium of 7.8% from 2001, when gold's bull market began, to 2011, when it ended. A move from today's nearly 10% discount to an 8% premium would mean a share increase from $11.28 to $13.53. **That's an instant return of 20%**!

Of course, I don't expect CEF to move from today's massive discount to a premium overnight. But could it happen over the next year or two? Absolutely!

I believe the tide is turning in precious metals... And improving sentiment could absolutely move CEF from a nearly 10% discount to a premium.

That's one way we'll make money. But that's not the only reason we're buying. As the prices of gold and silver go up, so will the price of CEF. The ability to buy CEF at a nearly 10% discount makes this the best way to own gold and silver right now.

I believe our upside here is large. And importantly, buying CEF gives us a tax advantage when we sell these metals. Here are the details...

A Hefty Tax Break When We Sell Gold and Silver

I'd bet very few investors understand the tax consequences of owning precious metals.

If you buy gold and hold it for many years, you might think that you'll pay long-term capital-gains rates on your profits (15% for most investors). But that's NOT correct. Your true tax rate is nearly double that.

The IRS treats most gold investments as collectibles. Even gold ETFs like the SPDR Gold Shares Trust (NYSE: GLD) are collectibles for tax purposes.

Most investors don't know it, but the collectibles tax rate here in the U.S. is 28%. So your final tax bill on profits from gold isn't your long-term capital-gains rate, but a much higher collectibles tax rate.

This can be an unhappy surprise come tax time. But the Central Fund of Canada provides a loophole in the law... which cuts your tax bill by nearly half.

You see, CEF qualifies as a passive foreign investment company ("PFIC").

This means that 1) it's foreign (Canadian, in this case). And 2) it doesn't trade its holdings. It passively sits on them for the long term.

When you invest in CEF, the IRS taxes your gains at normal capita-gains rates. So for most investors who hold CEF for a year or more, that's a 15% tax rate.

(You will have to fill out an extra form at tax time. But for a nearly 50% savings on your tax bill, it's worth it. You can find the details here: centralfund.com.)

CEF also offers a relatively low expense ratio (the annual fees the fund charges) of 0.32%. Shares of GLD, for example, charge a higher rate of 0.40%... and you'll pay a higher tax rate on GLD as well.

These are two simple reasons CEF is the best way to own gold and silver right now – the massive discount and the big tax savings.

So that's exactly what we're doing today...

Buy the Central Fund of Canada (NYSE: CEF) today. **Make sure you buy at a discount of 5% or greater**. You can see the current discount at: centralfund.com/nav form.htm.

We will close out our position if both gold and silver hit new 12-month lows. For tax efficiency, plan to hold shares of CEF for a year or longer as your core gold and silver holding. Then, sell when the fund trades for a premium.

So that's how we'll do the low-risk trade of buying gold and silver. Now, here's the best way to make our high-risk trade of buying junior gold-mining stocks.

300% Potential Upside Within Three Years

Our second opportunity in gold is a big deal for me personally...

Two months ago in *True Wealth*, my headline was "300% Within Three Years."

At the time, junior gold mining stocks were incredibly cheap – down 90% from their 2011 highs. If they doubled in price, they'd still have been cheap – down 80% from their highs. (The math is simple: A fall from $100 to $10 is a 90% fall. A 100% gain from there gets you to $20.)

Man, they were hated two months ago! I spoke at a gold mining conference – where the crowd should be optimistic – and it was surprisingly pessimistic. I guess losing 90% or more of your wealth will put you in a negative mood!

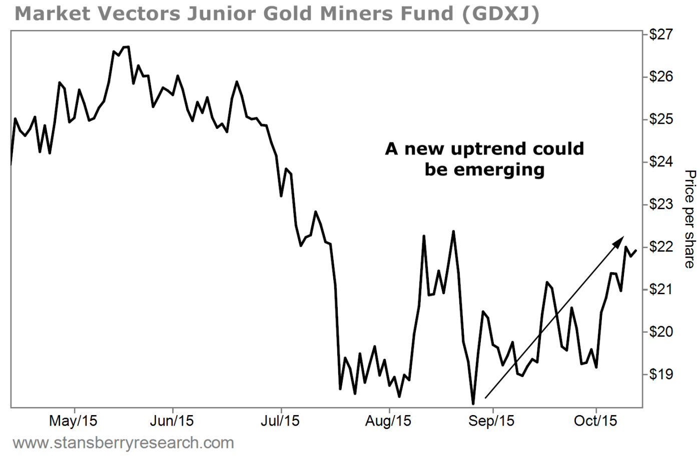
I told the crowd, "*I've personally taken big positions twice in my life... And I'm about to do it again*" – this time in mining stocks.

To take advantage of the situation, we bought shares of the **Market Vectors Junior Gold Miners Fund (NYSE: GDXJ)** in the September issue. Unfortunately, we stopped out of that position on August 28. I explained that was a REAL possibility. Here's what I wrote:

> This week could be the start of a big move in gold mining stocks. However, we may need to take a couple of small losses before we hit the hundreds-of-percent winner. It is alright with me if I lose 17% once – or even twice – before making hundreds of percent.

Well, we took one small loss. Hopefully we won't take another one. But as I said then, I'm OK with a few small losses on our way to what we hope could turn into 300% gains in less than three years.

The story is basically unchanged from what I wrote two months ago. Take a look...



I strongly recommend you go back and read the lead story in the September issue of *True Wealth*.

After you read that, I recommend you buy the Market Vectors Junior Gold Miners Fund. Our strategy today is almost identical to what it was two months ago – except for a slight change in the stop loss. Here it is:

Buy shares of the Market Vectors Junior Gold Miners Fund (NYSE: GDXJ) today. Use a stop loss of $18.31. Do NOT put your stop-loss order in with your broker... Instead, if GDXJ closes below $18.31, sell the next day. Sell half once you're up 100% to lock in some profits. Sell the rest three years from today.

Where to Be Invested Now

Last month, we stopped out of 10 positions in the *True Wealth* portfolio. This month, we're closing another four.

You need to understand two important things about the U.S. market and our portfolio right now...

1. I believe the upside in the U.S. market is large. And I don't believe this is the start of the next bear market.
2. We need to use stop losses to protect ourselves in case I'm wrong. **So always follow our stop losses.**

Like I said, we're stopping out of an additional four positions this month. The table shows the full details...

Investment	Ticker	Total Return
SPDR S&P International Health Care Sector Fund	IRY	53%
SPDR Euro STOXX 50 Fund	FEZ	-4%
iShares MSCI Global Metals & Mining Producers Fund	PICK	4%
Two Harbors Investment	TWO	10%

We're closing three of these four positions with gains. And regardless of my market outlook, we must be disciplined and follow stop losses.

Sell your shares of the four positions above right now, if you haven't already.

Over the past month, we've received feedback from several readers who are confused about our portfolio.

> The market dropped recently, and I believe we hit a stop in xyz. However, the online *True Wealth* portfolio still has the position listed as a BUY, not a SELL. Am I missing something? Should I sell or not?

Like I said, we've seen this concern several times in recent weeks. Until now, we've only updated the online portfolio for *True Wealth* when our issues publish. We only update it once a month.

That means the portfolio won't change from "buy" to "sell" if we hit a stop mid-month. **However, you should sell when you hit a stop no matter what this portfolio says**. **Always follow your stops**.

Again, I realize this has created some confusion. And because of that, we've begun to update this portfolio the day after we hit any stop losses. But again, when you hit a stop, sell. Don't worry what anything else says.

Using stop losses is what protects us from ourselves. They prevent small losses from growing into large ones. So always, always follow your stops... no matter what.

With that behind us, I want you to know that I still believe in the U.S. stock market. And as I explained above, we have a 1998-style opportunity right now. That means up to 50% gains are possible over the next 18 months.

While we'll continue to follow our stop losses, this is something I don't want to miss out on. I urge you to take advantage of our trade in shares of SSO right now.

Similarly, today's setup in gold is fantastic. The metal is hated by investors, yet it's staging a slight uptrend right now. This is exactly what I love to see. And it's why I have two ways for you to profit this month...

The safe opportunity is buying gold at a nearly 10% discount with shares of CEF. The higher-risk opportunity is in junior gold miners with shares of GDXJ.

Pick the opportunity that better suits your risk tolerance – or buy them both! Just don't miss out on these fantastic opportunities.

I know it's scary out there. But right now is a great time to be an investor. I urge you to take advantage of the fantastic opportunities setting up today.

Good investing,

Steve Sjuggerud
October 13, 2015

We appreciate your feedback. Please send your notes to trw@stansberryresearch.com. We can't respond to individual questions... But we do read every e-mail we receive. To get the most out of your subscription, review our Frequently Asked Questions page on the *True Wealth* website.

The *True Wealth* Recommended List

Prices as of October 12, 2015

Investment	Symbol	Ref. Date	Ref. Price	Current Price	Total Return*	Status	Stop Price**
Speculations							
iShares U.S. Home Construction	ITB	2/23/2011	$13.20	$27.94	115%	Buy	$24.10
iShares U.S. Insurance	IAK	5/17/2012	$29.39	$50.28	79%	Buy	$47.05
SPDR S&P International Health Care Sector	IRY	7/19/2012	$33.54	$48.74	53%	**SELL**	
Market Vectors ChinaAMC China Bond	CBON	11/20/2014	$24.99	$24.48	0%	Buy	$22.49
SPDR Euro STOXX 50	FEZ	2/19/2015	$38.62	$36.01	-4%	**SELL**	
KraneShares E Fund China Commericial Paper	KCNY	4/16/2015	$34.72	$34.36	0%	Buy	$29.88
Silver Bay Realty Trust	SBY	6/18/2015	$15.72	$16.66	8%	Buy	$14.22
PowerShares S&P 500 BuyWrite Portfolio	PBP	9/17/2015	$20.89	$20.90	1%	Buy	$19.39
iShares MSCI Global Metals & Mining Producers	PICK	9/17/2015	$10.78	$11.20	4%	**SELL**	
ProShares Ultra S&P 500	SSO	10/12/2015	NEW	$61.43	**NEW**	**Buy**	$52.93
Market Vectors Junior Gold Miners	GDXJ	10/12/2015	NEW	$21.78	**NEW**	**Buy**	$18.31
Safe Money Plays							
WisdomTree Japan SmallCap Dividend	DFJ	2/18/2010	$38.81	$55.07	54%	**Buy**	$50.54
Two Harbors Investment	TWO	2/20/2014	$10.00	$9.13	10%	**SELL**	
Real Assets							
MS65 Saint-Gaudens		9/16/2010	$2,300.00	$1,880.00	-18%	Buy	
MS65 Morgan dollars		9/19/2013	$160.50	$158.00	-2%	Buy	
Central Fund of Canada	CEF	10/12/2015	NEW	$11.28	**NEW**	**Buy**	^New lows in gold & silver

* Total return column INCLUDES dividends or income.

** Based on TradeStops Smart Trailing Stop as of yesterday's close.

^ Sell if Gold and Silver hit new 12-month lows.

This portfolio is not intended to represent the exact prices at which you could get in or out of a stock. Rather, it represents the value of our insights at the time our material is published.

How to use a trailing stop: A stop loss is a predetermined price at which you will sell a stock in case it declines. A "trailing stop" is a stop loss that "trails" a stock as it rises. For example, let's say you set a 25% trailing stop on a stock you purchase for $10. If the stock rises to $20, you would move your trailing stop to $15 ($5 is 25% of $20, $20 - $5 is $15). Only use closing prices, and never enter your stop into the market. For more information, see our frequently asked questions at www.stansberryresearch.com/secure/faq.asp

We welcome comments or suggestions at feedback@stansberryresearch.com. This address is for feedback only, and you will not receive a reply. To speak with customer service, e-mail info@stansberrycustomerservice.com or call 888-261-2693 (U.S.) or 443-839-0986 (international) Monday-Friday, 9 a.m.-5 p.m. Eastern time. Please note: The law prohibits us from giving personalized financial advice.

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