Steve Sjuggerud's
TRUE WEALTH

November 2014

It's FINALLY Time to Buy Commodities

How we'll buy with 7% downside risk and 242% upside potential by the end of 2016

Oh man, I feel like a kid in a candy store...

Investors are scared, and they've pushed many different asset prices to extremes in recent weeks.

This fear has made opportunities light up all over the planet, in a way we haven't seen in a while.

We have some absolutely incredible investing opportunities right now in stocks, housing, gold, commodities, currencies... you name it.

Just about all the candy in the store looks tasty now... But Mom only gave me a little bit of money to spend. So which candies do I buy? How do I spend what I have in the smartest way?

While we have many great investment opportunities in front of us this month, a couple ideas really stand out:

- **Buying commodities**. As I'll show today, some commodities are at such a hated extreme, they're trading at 1980 prices. Adjusted for inflation, some of them are near all-time, 173-year lows! So it's time to make two commodity trades today.
- **Refinancing your mortgage**. Right now, interest rates are hitting record lows in many countries. This has pushed U.S. mortgage rates below 4% for the first time since 2013. It's time to refinance. If you don't own a house, with mortgage rates this low, it's time to buy one. Don't miss out.
- **Buying U.S. stocks**. U.S. stocks have only been this hated three times since the financial crisis in 2008... and all three times marked bottoms in U.S. stocks. So I strongly believe it's a moment to be a buyer, not a seller.

I'll cover each of these ideas in this month's issue... but I'll focus on **two commodities investments**...

The situation is just too good to pass up. Commodities are extremely "hated" right now... they're trading at record lows... and the uptrend is now in place. We have everything we want to see in a great opportunity.

Inside This Issue

- Two commodities are trading near 173-year lows. We're buying!
- We hit two trailing stops: EWG and GOV.
- The second-richest man in America says one idea is a "no-brainer" for your money. I'm doing it!

Editor: Steve Sjuggerud

Plus, today we can make a **14-to-1 "reward-to-risk" investment**, as I will explain.

This type of opportunity doesn't come around often. And while I could be a little early... with the odds we have today, this is a trade we have to make.

So let's get started...

Why It's Finally Time to Buy Commodities

My friend, the time has FINALLY come...

It is time to buy commodities.

For years, I've urged you to invest in the stock market and the housing market. (I hope you took my advice... Stocks and housing have soared!)

But one asset class has been completely left out of the fun... commodities.

In the summer of 2008, big investors loved commodities... The Dow Jones-AIG Commodity Index peaked at a value around 240. And Harvard University, a big investor, allocated 8% of its endowment to "public commodities."

Now commodities are hated by big investors... Earlier this year, the Dow Jones-AIG Commodity Index hit 122 – **down nearly 50% from its 2008 highs**.

And big investors have bailed completely. Harvard announced it will be allocating 0% to "public commodities" in 2015.

The story gets even crazier...

You see, the Dow Jones-AIG Commodity Index was at 128 in 1997. That means ***commodities in general are now trading at prices last seen 17 years ago***.

And going back 80 years, you can see that commodity prices are trading near all-time lows:

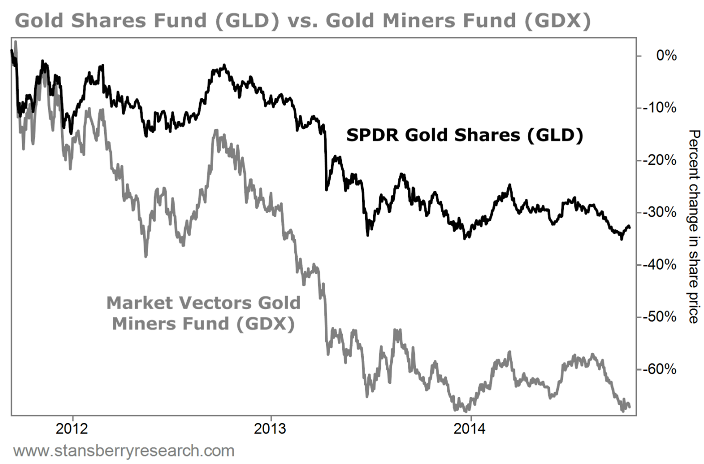
As the chart shows, over the long run, the trend in commodity prices is down. However, there are moments – like in the 1970s and 2000s – where commodity prices can have extended bull markets.

Companies that mine for commodities have been performing much worse than the commodities themselves lately...

Gold-mining companies, for example, are down 70% from their 2011 highs – trading at levels last seen in the 2008-2009 global financial crisis.

And in just the past few weeks, prices have accelerated downward. **Gold-mining companies have lost 25% of their value in just the last two months**.

Take a look at this chart comparing the largest gold fund, the SPDR Gold Shares Fund (NYSE: GLD) to the main gold-miners fund, the Market Vectors Gold Miners Fund (NYSE: GDX):



It's crazy.

So what's going on? Why are commodities crashing right now?

To answer that, let's look at what causes commodity prices to go up...

Commodity prices soar when three things are happening:

1. Commodities rise **when there are concerns about a shortage** (like a bad year of crops).
2. They rise **when the world economy is booming** (for instance, when China's demand for industrial metals exceeds the supply).
3. They rise **when the dollar is falling** (because it would take more dollars to buy the same amount of gold, for example).

Importantly, **NONE of these things are in place right now**.

Grains (wheat and corn) for example, are having a bumper-crop year. So instead of a shortage, there's way too much wheat and corn.

The world economy is not booming, either... In Europe, the talk is about slipping back into a recession. So there's not a strong demand for commodities at the moment.

And the dollar has been soaring, not falling. The fear of deflation is now more prevalent than the fear of inflation.

This is why commodity prices have crashed – nothing that causes commodity prices to go up is in place right now. The picture for commodities, at the moment, appears terrible.

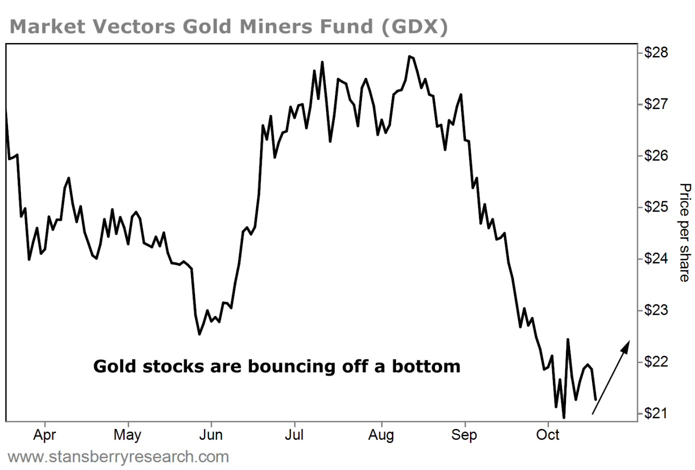
But **moments like this are where the greatest opportunities are born**...

One of the greatest investing lessons I've ever learned is: **The biggest gains come when things go from "bad" to "less bad."** You've heard me talk about this idea before. I call it "The Secret to 1,000% Returns."

I don't mean that this idea always generates 1,000% returns... What I mean is, if you want the opportunity for huge, triple-digit-plus returns, you have to be willing to buy just before the dawn.

Right now, we are in the darkness... but we are starting to see light on the horizon. All the big investors have finally thrown in the towel. And several uptrends are now in place in commodities.

For example, take a look at the uptrend in gold miners:



After a horrendous couple of months, gold stocks appear to be trying to bottom out. We have a glimmer of an uptrend setting up. The sun might be starting to rise.

Is it possible that I'm seeing things that aren't there yet? Yes. The uptrends we're buying into today are very young and not well defined yet. But I think they're there.

In short, we may be at a historic extreme in commodities right now. Commodities are cheap. They're hated. And we are just now seeing a glimmer of an uptrend. We have everything we look for in an investment.

And gold-mining companies are one of our best opportunities, based on risk versus reward...

You see, we can invest today in this sector with a 14-to-1 reward-to-risk ratio, as I will explain. Great trade setups like this don't come along often... We have to take advantage of them.

So what gold investment are we buying today?

My colleague Brett Eversole has the answer...

Brett just returned from a private meeting with a billionaire commodities legend in Canada...

This man recently launched a new investment – an ideal way to invest in gold miners. We could make triple-digit returns on this investment by the end of 2016 (just more than two years), as I will show, with only 7% downside risk. It is an incredible opportunity.

I'll let Brett share the details...

A Private Meeting with a Billionaire Commodities Legend

By Brett Eversole

Paintings by Monet and Gauguin line the walls... and beautiful sandstone sculptures fill the office's main area... But the main attraction has nothing to do with traditional art.

The main attraction at Sprott Resource Corp. is a 220-pound gold coin that company founder Eric Sprott had minted in the 2000s. (That's more than $4 million in gold, if you're wondering.)

Eric Sprott is a billionaire entrepreneur and an expert in "real" assets. He's an avid art collector. (Sprott also has a room dedicated to century-old firearms and rare coins dating back to the first century.)

He invited Steve and me to his office in Toronto to get to know us better. (Steve couldn't make it, which worked out just fine for me.)

Eric invited a few of the biggest names in the precious-metals universe to join us. The Sprott team spent a lot of the day showing us how their business works, how they help their clients, and of course, making the case for alternative assets and precious metals.

It was all interesting, but I didn't see much in their presentation for us at *True Wealth*... until Sprott's Chief Operating Officer, John Ciampaglia, took his turn. He explained the company's newest product for investors – the **Sprott Gold Miners Fund (NYSE: SGDM)**. In short, it's a much better way to invest in the beaten-down gold mining sector...

The goal, John explained, was to build a better investment than the current main gold-mining fund – the Market Vectors Gold Miners Fund (NYSE: GDX).

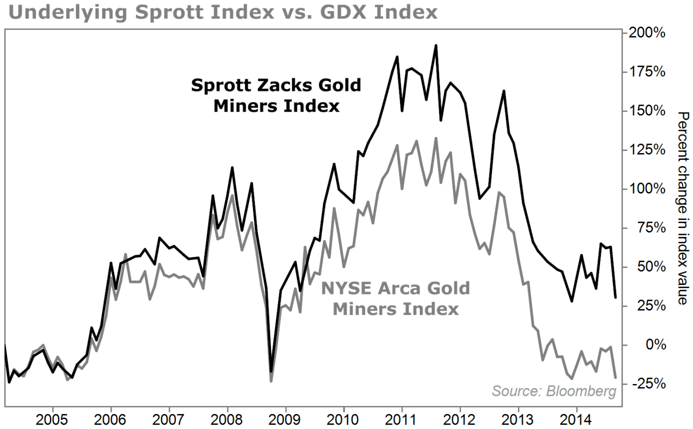
GDX simply owns a basket of gold-mining companies. It weights them based on size. So the larger a company is, the more of it you own when you buy shares of GDX.

Sprott did the research and found that "market-weighting" is actually a poor way to invest in gold-mining companies. Oftentimes, the largest companies become large in the good times through debt... so they end up getting in over their heads at the worst possible times. And they perform poorly as a result.

Instead of building an index based on size, Sprott set out to build a better index... based on quality. The company succeeded...

Take a look at the chart below... It shows the underlying index of GDX versus the underlying index of SGDM. Over the past decade, Sprott's index crushed the benchmark index...

Underlying Sprott Index vs. GDX Index



www.stansberryresearch.com

Over the past decade, Sprott's index returned 2.6% a year versus a -2.2% return in GDX's index. That adds up to a 51.3% outperformance over 10 years.

So what is Sprott doing?

First, it is identifying the top 25 gold companies based on how they move, historically, compared with the price of gold.

After Sprott finds those 25 companies, it sets out to rank them based on quality. It wants to invest the most money in the best companies.

The first quality component is lack of debt... You see, mining is an expensive business, and debt is often what gets these guys into trouble. So for Sprott, the higher the company's debt is – relative to its assets – the lower the weighting it gets in the index.

Similarly, history shows that you want to own companies that consistently grow the amount of revenue, or cash coming in the door. That's the second quality component.

So the index ranks the 25 companies on their debt and revenue growth – with more weight going to companies with the lowest debt and best growth.

It's not that complicated when you boil it down. In short, Sprott's fund ends up owning gold-mining companies that...

1. Move up the most when gold prices rise.
2. Have low debt, which provides a margin of safety.
3. Continually grow revenue faster than their peers.

This way, you're buying companies that soar when gold prices rise. And you're putting the most money into the highest-quality businesses.

History shows this is a recipe for success. Over the past decade, SGDM's index beat GDX's by 4.8% a year. Over the long term, this should continue to be the best available way to own gold-mining companies.

– Brett

Buying the New-and-Better Way to Own Gold Miners Today

We have an incredible opportunity here right now...

Gold-mining companies are cheap, hated, and in an uptrend. And now we have a great way to buy them.

The last time gold-mining stocks were this hated was in late 2008. The Sprott Zacks Gold Miners Index soared 242% from its bottom in late 2008 until the end of 2010 – just a little more than two years.

Sprott's new fund – SGDM – tracks this index.

And Sprott launched this fund when gold stocks were crashing... SGDM lost a quarter of its value from its August highs before bottoming out just a week ago.

This creates an incredible setup...

Shares of SGDM bottomed out at around $19 a share (the specific bottom was $18.96). So we will set our stop loss at $18.96... If shares of SGDM CLOSE below $18.96 a share, then sell the next day.

As I write, shares of SGDM are at $20.44 a share... By setting our stop loss at $18.96, **our downside risk is 7%**. Meanwhile, our **upside potential is easily triple digits**... that's a 14-to-1 reward-to-risk ratio (100%-plus upside divided by 7% downside).

Great reward-to-risk setups like this don't come along often... We have to take advantage of them.

Buy shares of the Sprott Gold Miners Fund today (NYSE: SGDM). Use a stop loss of $18.96. If the fund CLOSES below $18.96, sell the next day. This gives you roughly 7% downside risk and 100%-plus upside potential. Plan on holding until the end of 2016 – the same holding period as when the Sprott Zacks Gold Miners index soared 242%.

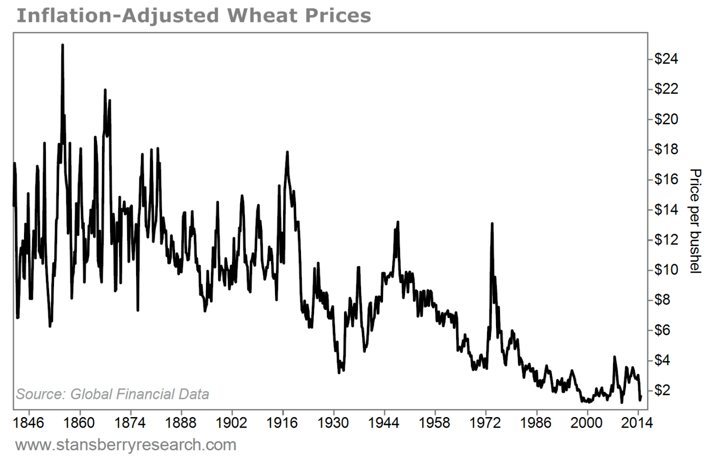
Grains Are at Record Lows and Offer Limited Downside Risk With Big Upside Potential

Commodities are at record lows... and the biggest extreme is in "grains" – like corn and wheat.

So we're buying grains (wheat, corn, and soybeans) this month. All three of these grains **are trading at 1980 prices**. (Yes, 1980 prices.)

With inflation taken into account, corn and wheat are trading near all-time, 173-year lows!

Take a look at wheat, for example:

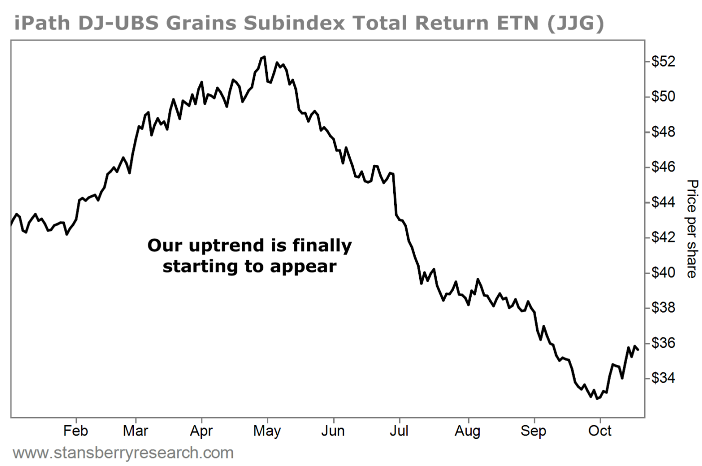


This chart really shows that – over the long term – the prices of commodities have gone down adjusted for inflation. However, as I mentioned earlier, you can have some incredible bull markets along the way, like in the 1970s and the 2000s.

You may recall that we jumped the gun on the grains idea in July. We bought before we had an uptrend in place. Grains were so unbelievably hated, I thought we couldn't wait for an uptrend.

I was wrong, and we stopped out of the trade for a 14% loss last month.

But importantly, **now we have our uptrend in grains**. Take a look:



This is exactly the setup we want to see. Grains are record-cheap. They're unbelievably hated. And now, finally, we have our uptrend in place.

This month, it's finally the right time to buy grains.

We are buying what we bought before – shares of the **iPath DJ-UBS Grains Subindex Total Return ETN (NYSE: JJG)**. JJG is an exchange-traded note that tracks the prices of just three grains: corn, soybeans, and wheat.

Buy shares of JJG today. Set a stop loss at $32.86. That is about 8% below today's price. If JJG CLOSES below $32.86, sell the next day. Plan on selling when JJG reaches $50 a share or in six months, whichever happens first.

I'm Refinancing: Mortgage Rates Are Below 4%

I never thought I'd say this... but I am considering refinancing my mortgage now.

I never thought we'd see the day when mortgage rates fell below 4% again...

But it's happening, as I write.

Mortgage rates below 4% make sense in today's world...

Right now, the German government can borrow money for 10 years at 0.8%. The French government can borrow money for 10 years at 1%. And even the Spanish government can borrow money at 2%.

Which loan would you rather make? Would you rather lend money to me at 4% or to the French or Spanish government for 1% or 2%?

These rates are ridiculous! I'm not a big fan of debt. But we need to take advantage of these rates. America's second-richest man agrees with me...

"You would think that people would be lining up now to get mortgages to buy a home," Warren Buffett said at a conference earlier this month.

Buffett, to me, is the greatest living investor – and possibly the greatest investor of all time.

Buffett likes 30-year fixed mortgages best today, calling them "incredibly attractive." If interest rates go up after you get your mortgage, you win – because you're locked in for 30 years at a great rate. And if interest rates go down, you win as well – because you can easily refinance at a lower rate.

If you have the long-term view that the dollar is going to weaken eventually and that interest rates will rise eventually, then, according to Buffett, you really want to get that 30-year fixed-rate mortgage...

"It's a good way to go short the dollar, [and to] short interest rates. It's a no-brainer." He says.

The U.S. dollar is at the most extreme degree of "loved" that I have ever seen. Investors have bailed out on everything else, and they've bought U.S. dollars to the extreme. So you REALLY don't want to be "long" the dollar right now.

As regular *True Wealth* readers know, when investor sentiment reaches an extreme, the opposite usually happens. And having debt in U.S. dollars is actually a way to "short" the U.S. dollar.

As the greatest financial mind of our time says, a 30-year mortgage today is a "no-brainer."

You won't hear me say this often, **but refinance your mortgage now! If you don't have a mortgage, go get one now!**

The Correction in U.S. Stocks Is a Buying Opportunity

Without a doubt, the last month has been rough...

The S&P 500 has fallen 7% in the last month. And fear is extremely high in the markets right now...

But don't worry, **that usually means we're closer to a bottom than a top**.

Since the global financial crisis, we've had three other moments of fear similar to today – and stocks rallied after all of these moments. (They were in May 2010, late 2011, and May 2012.)

Today is no different. What we're seeing now is the world economy slowing. Everywhere seems to be "weaker than expected." Europe looks particularly weak.

This weakness means a few things... It means investors are thinking twice before piling into risky assets. And it means the easy money we've made over the last few years is taking a pause, for now at least.

But most importantly in *True Wealth*, it means **we need to adjust our investment "Script."**

As regular readers know, our working script has been that the Federal Reserve keeping interest rates low would cause asset prices (like stocks and real estate) to soar higher than anyone could imagine. I've called this thesis the "Bernanke Asset Bubble." It has been right.

But the Fed has to raise interest rates at some point. Our working script has been that the Fed could end its zero-interest-rate policy at its policy meeting scheduled for April 28-29, 2015. So for our working script, we've been using the end of that meeting – April 29, 2015 – as our date for "The End" of zero-percent-interest-rate policy in the U.S.

But with the global economy slowing down, the Federal Reserve is on hold – indefinitely. It doesn't want to raise interest rates and risk having the U.S. fall back into a recession.

This, my friend, is a good thing...

It means the zero-percent-rate-world will last longer... and **the conditions that caused stock prices and housing prices to soar over the past few years will last a little longer**.

In short, we still have significant potential upside in U.S. stocks and U.S. housing between now and the end of 2016.

I still believe the final innings of this great bull market are ahead of us... And the biggest gains will come in those final innings. So you want to continue to own U.S. stocks and U.S. housing today.

But the recent market volatility has put a few of our positions close to their trailing stops.

The table below shows the details...

Fund	Percent From Stop
WisdomTree Europe Hedged Equity (NYSE: HEDJ)	0.9%
SPDR International Health Care (NYSE: IRY)	1.8%
WisdomTree Japan SmallCap Dividend (NYSE: DFJ)	1.8%
PowerShares Buyback Achievers (NYSE: PKW)	2.2%
iShares MSCI Australia (NYSE: EWA)	4.0%

The specific stops are listed at the end of this issue. If any of these close below their stop price, sell the next day.

The market volatility also caused us to hit our stop on **Government Properties Income Trust (NYSE: GOV)**. If you haven't already, sell your shares today, locking in a 21% gain.

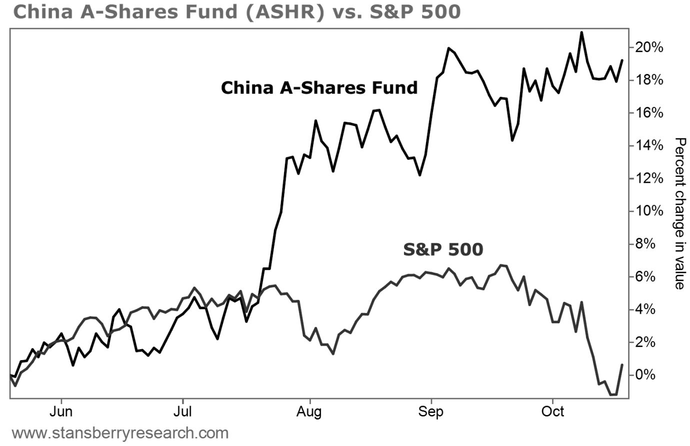
While U.S. stocks and housing still have upside potential, Europe looks less promising... Disappointing economic results have caused many to talk about Europe falling into a recession.

As a result, we hit our stop on the **iShares Germany Fund (NYSE: EWG)**. **Sell EWG, if you haven't done so already**. We'll pocket a 36% gain. (We will continue to hold HEDJ and IRY, our other mostly European trades.)

I recommend using the gains from GOV and EWG to invest in this month's opportunities in SGDM and JJG. The upside potential in these two trades is dramatic... but we might be early here. So pay close attention to your stops.

One final thing to mention... While most stock markets around the world have been falling, our local Chinese stock fund, the **Deutsche X-trackers Harvest China A-Shares Fund (NYSE: ASHR)**, stayed strong, staying near all-time highs.

China A-Shares Fund (ASHR) vs. S&P 500



I expect ASHR to soar once this global stock market correction is behind us.

The big picture this month is don't worry so much about the recent volatility... The same conditions are still in place (namely ultra-low interest rates) for stock prices and house prices to keep soaring.

Our portfolio is well-positioned... we have our script that says we're now in the eighth inning of this great bull market... and we have exit strategies in place if we're wrong.

Don't let your fear make you miss out on today's incredible opportunities. Flip it on its head. Think of it like this... Everyone else's fear is creating opportunity for you. Take advantage of it!

Good investing,

Steve Sjuggerud
October 17, 2014

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: www.stansberryresearch.com/secure/trw.

The *True Wealth* Recommended List

Prices as of October 16, 2014

Investment	Symbol	Ref. Date	Ref. Price	Current Price	Total Return*	Status	Stop Price**
Speculations							
iShares Home Construction	ITB	2/23/2011	$13.20	$22.17	70%	Buy	$20.45
ProShares Ultra Health Care	RXL	3/17/2011	$26.98	$95.57	257%	Buy	$88.49
ProShares Ultra Technology	ROM	3/17/2011	$61.38	$122.26	100%	Buy	$110.98
iShares MSCI Germany	EWG	10/20/2011	$20.03	$25.52	36%	**SELL**	
PowerShares Buyback Achievers	PKW	11/17/2011	$25.56	$42.37	70%	Buy	$41.43
iShares MSCI Australia	EWA	11/17/2011	$22.30	$23.97	23%	Buy	$23.02
iShares Dow Jones U.S. Insurance	IAK	5/17/2012	$29.39	$44.83	58%	Buy	$42.21
SPDR International Health Care	IRY	7/19/2012	$33.54	$45.12	40%	Buy	$44.29
Blackstone Group	BX	11/15/2012	$13.52	$28.89	133%	Buy	$27.06
WisdomTree Japan Hedged Equity	DXJ	12/20/2012	$36.44	$46.84	34%	Buy	$44.09
ProShares Ultra S&P 500	SSO	2/14/2013	$68.74	$104.92	53%	Buy	$97.37
Market Vectors India Small Caps	SCIF	1/16/2014	$31.32	$42.38	35%	Buy	$40.04
WisdomTree Europe Hedged Equity	HEDJ	5/15/2014	$57.54	$52.45	-8%	Buy	$52.00
Guggenheim China Real Estate	TAO	8/14/2014	$21.89	$20.72	-5%	Buy	$18.86
Deutsche X-trackers Harvest China A-Shares	ASHR	9/18/2014	$25.38	$25.60	1%	Buy	$22.00
Safe Money Plays							
Berkshire Hathaway	BRK-B	7/16/2009	$59.02	$134.70	128%	Buy	$124.33
WisdomTree Japan SmallCap Dividend Fund	DFJ	2/18/2010	$38.81	$48.01	34%	Buy	$47.14
Cambria Shareholder Yield	SYLD	5/16/2013	$25.31	$28.58	16%	Buy	$23.54
Cambria Foreign Shareholder Yield	FYLD	12/19/2013	$24.88	$22.94	-5%	Buy	$20.54
Two Harbors	TWO	2/20/2014	$10.00	$9.91	7%	Buy	$8.91
Real Assets							
MS65 Saint-Gaudens		9/16/2010	$2,300	$1,915	-17%	Buy	
Government Properties Income Trust	GOV	8/16/2012	$21.83	$22.90	21%	**SELL**	
MS65 Morgan dollars		9/19/2013	$160.50	$163.50	2%	Buy	
Royal Gold	RGLD	1/16/2014	$53.20	$68.87	31%	Buy	$57.48
Rayonier***	RYN	4/17/2014	$44.56	$32.26	4%	Buy	$30.51
Central Fund of Canada	CEF	4/17/2014	$13.79	$12.59	-9%	Buy	$11.92
Silver Wheaton	SLW	6/19/2014	$25.05	$19.79	-21%	Buy	$18.43
Sprott Gold Miners	SGDM	10/16/2014	NEW	$20.44	NEW	**Buy**	$18.96
iPath DJ-UBS Grains	JJG	10/16/2014	NEW	$35.84	NEW	**Buy**	$32.86

* Total return column INCLUDES dividends or income.

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

*** Adjusted by $12.91 based on RYAM spinoff.

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