STEVE SJUGGERUD'S
True Wealth

Exactly When the Stock Market Will Peak

"I have a huge prediction for you," I told the crowd at our conference for Stansberry Research customers and lifetime subscribers last month in Las Vegas. "I have a very big idea."

At last year's Stansberry Research Conference and Alliance Meeting, I made a similarly bold prediction...

I said "little-known Tencent will become the world's largest company within five years."

Most people in the room had never heard of **Tencent (OTC: TCEHY)**. But this year alone, shares of the company are up more than 100%. Just this week, Tencent announced its latest quarterly earnings report: Sales were up 61% and earnings were up 69%.

Tencent is now the world's sixth-largest company, behind Apple, Alphabet (Google's parent), Microsoft, Amazon, and Facebook.

Last year's prediction was a good one.

"This year's prediction," I said, is that "the stock market peak won't arrive until 2019 or even 2020." And I went further...

> Even more importantly, the Melt Up isn't even in full swing yet... So I want you to take advantage of it now. Because when we see the flip side of the Melt Up... we could have many, many years of subpar returns – at best.

Today, I will share with you the details of my prediction. I will explain exactly when the stock market will peak, based on my research. And I want to share my favorite "Melt Up" stock today. (It will surprise you.)

Let's get started...

IN THIS MONTH'S ISSUE:

- The biggest cause of market crashes over the last four decades.
- How to profit from the booming Chinese consumer.
- Taking profits in Greece and Euronet.

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What the Last 12 Months of a Melt Up Look Like

How could we NOT be near the peak yet?

It's a good question. The stock market is up more than 300% from its lows in March of 2009. That's one of the best eight-year runs in the history of stocks.

But it's got to come to an end – and soon – right?

During our conference in Las Vegas, Stansberry Research founder Porter Stansberry also spoke. He explained the fundamental problems in today's market and showed our subscribers why he's worried.

I get it. I even agree with his analysis. But I disagree on the time line...

In short: don't be in too much of a hurry to write this market's death certificate. Not only are we not there yet, but I believe the time line has just been extended.

My friend, you know what the end of a great bull market looks and feels like...

The real estate boom that peaked a decade ago – that's what the end of a great bull market feels like. People thought house prices could never go down, and folks quit their day jobs to flip houses.

The dot-com boom that ended in 2000 – that's what the end of a great bull market feels like. Cocktail-party chatter shifted from sports to stocks, and my friends quit their "real jobs" and took stock options to join dot-com companies.

Today doesn't feel like those times – yet. You have to agree.

When this stock market boom ends, I expect it will end like previous stock market booms... with individual investors speculating in the most exciting, highest-volatility companies – especially tech stocks.

This is what happened in the last great Melt Up in 2000. And that's what will happen today, I expect.

To get some clues for what will happen this time around, let's briefly look at what happened last time, and compare it with today's environment.

I love this first chart...

It shows what happened in the last Melt Up... the tech-heavy Nasdaq Composite Index versus the "old school" Dow Jones Industrial Average stock index.

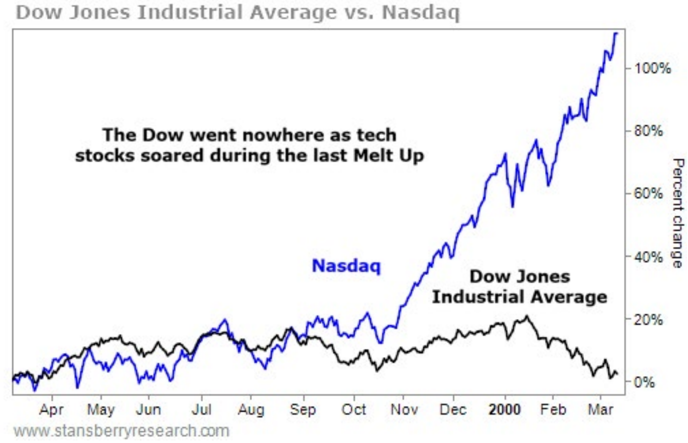
The Nasdaq today includes Alphabet, Amazon, and Facebook. The Dow doesn't – it has names like General Electric, Coca-Cola, and McDonald's.

It's amazing to me... During the final 12 months of the last great Melt Up in stocks, the Dow did nothing. Literally. It returned zero percent.

Nobody wanted the old fuddy-duddy companies when you could invest in the *Internet*.

Meanwhile, the tech-heavy Nasdaq returned more than 100%! Take a look:

Dow Jones Industrial Average vs. Nasdaq



The massive return difference is what's extraordinary to me. Even more extraordinary is the fact that *nearly all those gains happened in the final six months.*

The divergence is crystal clear: In the *first* six months of the chart, the Dow and the Nasdaq tracked each other – up 10% or 15%. The last six months are where the "old" and the "new" diverged.

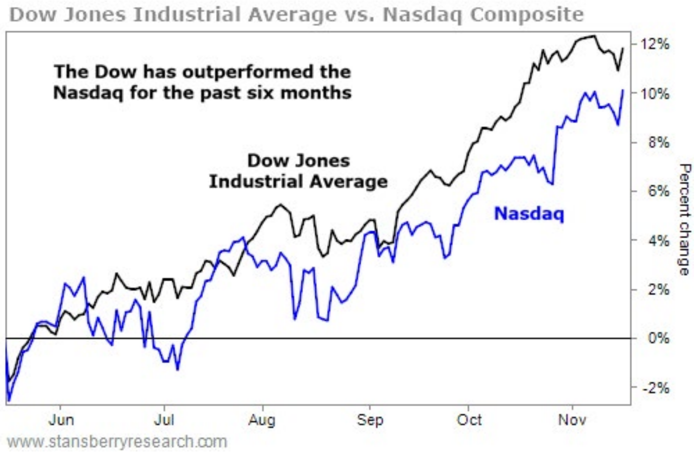
So let's take a look at this year to see where we stand...

Why the Melt Up Isn't Even in Full Swing Yet

Most people think that all the gains in stocks lately are from the Facebooks and Googles of the world. Let's see if that's true...

Let's look at the Dow and the Nasdaq over the past six months... The boring Dow has delivered a total return of 13%. Meanwhile, the tech-heavy Nasdaq has delivered a 10% return.

So over the last six months, it's the fuddy-duddy companies that have beaten the big tech stocks! Take a look:



So what conclusion can we draw from this?

It's pretty simple: Yes, stocks have performed fantastically since March of 2009. But no, we are not really in a classic Melt Up yet – where the exciting tech stocks start to run away from the old-school businesses.

We are not experiencing the final run up yet – the time when the extraordinary gains should be made.

The big, fast gains are in front of us, not behind us.

What's even more amazing is that today's stock market boom could last until 2019 – or even 2020.

Here's why...

The Single-Biggest Cause of Stock Market Peaks Over the Past 40 Years

There's a simple way to know when this boom will end...

It's an indicator that has predicted the end of every boom over the past 50 years. I'm certain it will predict the end of this boom, too.

I will show you exactly what it is. It's simple to follow. And it's been stunningly accurate.

This indicator predicts recessions, well in advance. And recessions typically happen right after stock market peaks.

So if you have an indicator that can predict the next recession, then you have an indicator that can predict the next stock market peak.

The indicator is straightforward. It shows interest rates... specifically the interest rate that's *artificially changed* by the folks at the Federal Reserve (compared with most other interest rates, which are *set by market prices* and not controlled by anyone).

For the past eight years, the Fed has kept rates artificially low. And *True Wealth* readers have made a fortune from it...

Our working "script" for the past eight years has been exactly right:

> The Fed will keep interest rates lower than you can imagine, for longer than you can imagine. And that will cause asset prices like stocks and real estate to soar higher than you can imagine.

Stocks have soared 300% as the Fed has artificially kept interest rates near zero. Take a look:

The artificially low interest rates from the Fed have clearly fueled this great boom in stocks.

But take a closer look at the bottom right of the chart... It's the start of something ominous...

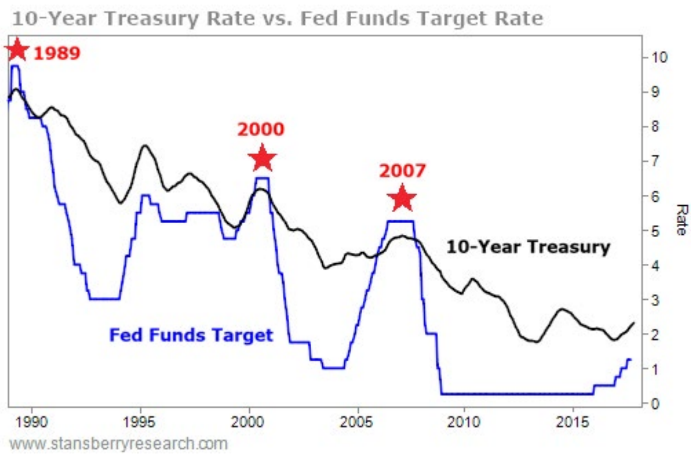
It's where the Fed is just starting to raise interest rates... It's the Fed starting to take its foot off the gas pedal of this market boom, and moving it over to the brakes.

This, by itself, is not a bad thing. But if the trend continues, the outcome could be bad.

You see, the folks at the Fed have caused the last three recessions and the last three stock market peaks – by raising interest rates artificially higher than "normal."

Here's exactly what you need to know:

Each time the Federal Reserve artificially pushed short-term interest rates ABOVE long-term interest rates (which puts us in an abnormal situation), the stock market has peaked and then the economy has gone into recession. Take a look:



The last three times that short-term interest rates moved above 10-year Treasurys were in 1989, 2000, and 2007. Those were the last three recessions in the U.S. The rate hikes in 2000 and 2007 led to *major* stock market crashes.

The Fed is responsible. It caused the recessions and the stock market busts by artificially raising interest rates too high.

So how close are we to this happening again?

The short answer is, not very close...

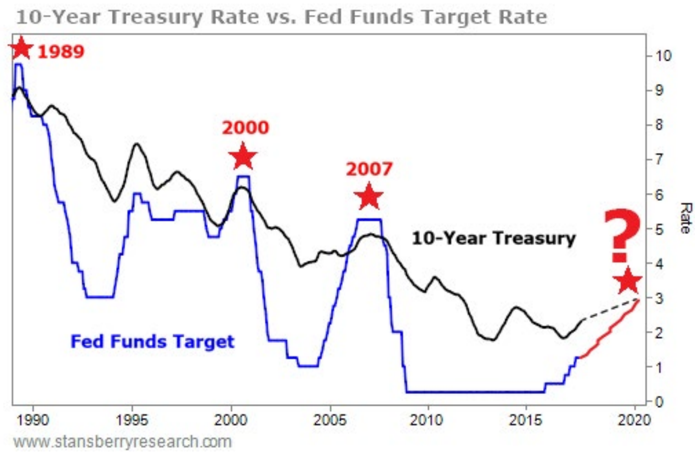
It could be as late as 2019 or even 2020 before the Fed's actions cause a recession and stock market bust.

Financial-news conglomerate Bloomberg regularly polls more than 40 economists about short-term interest rates... And based on estimates from those economists, *short-term* rates (controlled by the Fed) won't surpass *long-term* rates (controlled by the market) until 2019 or 2020.

Here's a look at the same chart with those future estimates for short-term rates built in. (The estimate of the long-term rate is my own estimate.)

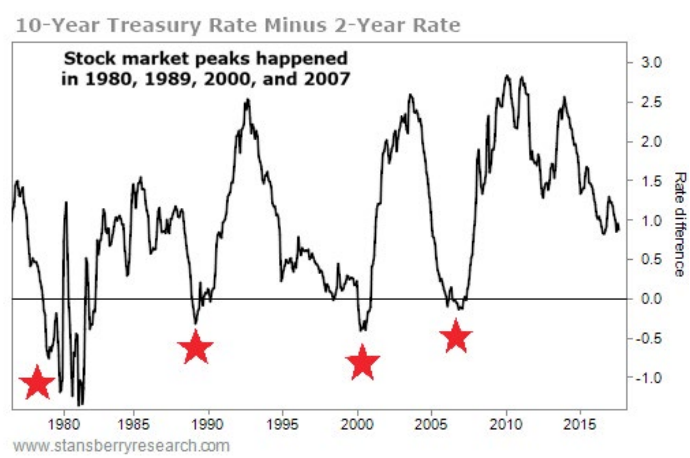
If the next chart is "about right," then it means some great things for us as investors.

This chart has called every recession and major stock market peak in the past 30 years.



In short, if this idea proves right again, *then the exact end of the bull market will happen when short-term interest rates rise above long-term interest rates*. (That's the moment when we should dramatically change our investments to be more risk averse.)

It's worked looking back 40 years as well, when you look at it with a slightly different indicator – the 10-year Treasury bond rate minus the two-year Treasury bond rate. (This indicator is similar to what I described – but I prefer it because it has been even more accurate at predicting recessions and stock market busts.)



Stock market peaks happened in 1980, 1989, 2000, and 2007.

But what about 2017?

Look at the far right of this chart – we are not there yet. Based on this, the current bull market could go on for years.

It could be as late as 2019 or even 2020 before we see the peak.

In short, we have plenty of time to stay invested...

and pocket extraordinary gains before this indicator turns and the downside of the Melt Up arrives.

Let's take full advantage of it!

My Favorite Melt Up Stock... It Has 55% Upside, Even if Nothing Happens

"Naspers is my favorite stock this year," I told the crowd in Las Vegas, "because the value proposition is just ridiculous!"

Here's the value proposition...

If **Naspers (OTC: NPSNY)** liquidated itself tomorrow, you'd make a 55% return.

Here's how that breaks down...

Naspers owns $162 billion worth of Tencent stock. However, Naspers' stock market value is only around $117 billion. So Naspers is trading at a $45 billion discount to its shares in Tencent.

Said another way, if Naspers sold its Tencent shares tomorrow at market prices, that would be a 39% gain for you – overnight.

But as we showed you in August, Naspers is worth much more than its stake in Tencent... JPMorgan Chase values the rest of the company's assets at $18 billion.

So if you add $18 billion to Naspers' Tencent holdings ($162 billion), then Naspers has a liquidation value of $180 billion. Meanwhile, Naspers' stock market value today is still just $117 billion. So if Naspers liquidated tomorrow, you'd make a 55% return ($180 billion versus $117 billion).

Now, you don't need to memorize all of these numbers... All you need to know is that Naspers is my favorite stock for 2018.

And Tencent, Naspers' largest holding, is another of my longtime favorites. This week, Tencent delivered incredible quarterly earnings... with sales up 61% and earnings up 69%.

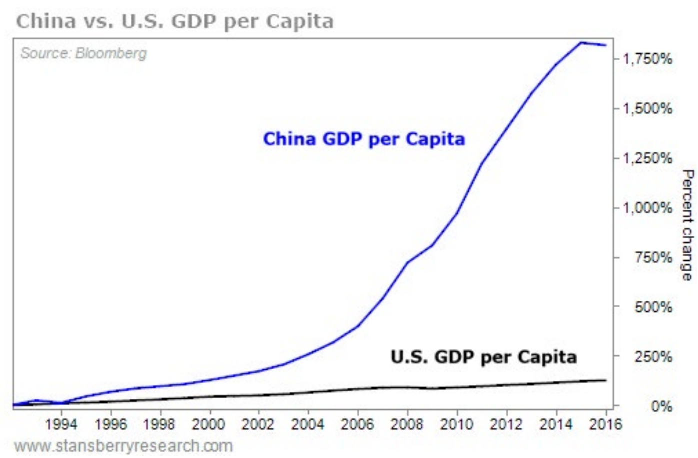
Tencent makes money because – more than any other company – it controls the screen time of China's citizens. Every day, more and more Chinese people are moving from rural to urban China. And their incomes are rising as well.

Tencent and Naspers have treated us well so far... But they are not the only way to capitalize on what's going on in China...

How to Profit From Millions of New Chinese Consumers

More than 800 million Chinese people have been lifted out of poverty since China started its economic reforms in 1978.

By the 1990s, China's gross domestic product (GDP) had taken off... absolutely dwarfing the growth we saw in the U.S. Take a look...



GDP per capita in China has grown roughly fourfold since 1990. But China still has a long way to go...

More than half of China's population is counted as "rural poor" – people like subsistence farmers, just living day to day. Five years ago, around 100 million Chinese lived on less than a dollar a day. Today, that number has fallen in half, to just 46 million people – a speedy improvement.

China's President Xi Jinping recently announced that he will end poverty in China by 2020. That might sound impossible. But the Chinese government has an incredible track record of turning the rural poor into consumers.

As an investor, this is both a long-term story *and* a once-in-a-lifetime opportunity. You need to seize it – right now.

So where do we put our investment dollars?

Nearly 55% of Chinese consumers believe that their income will increase significantly over the next five years.

This optimism translates into spending...

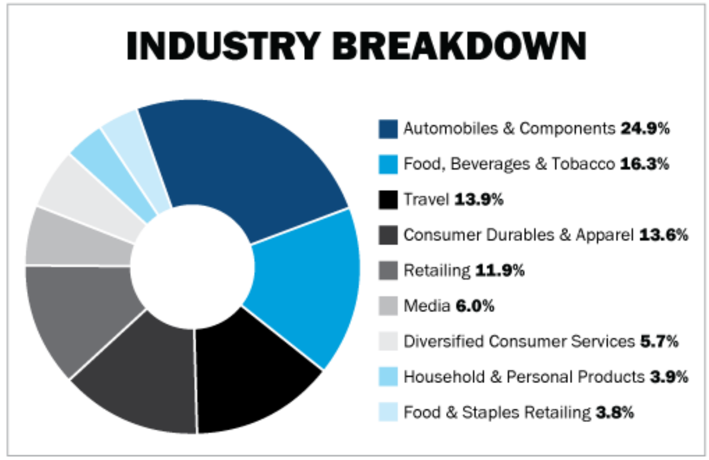
Spending on better living breaks into four categories:

- **Food**: Chinese consumers are now active in deciding what to eat. Price is no longer the determining factor in a purchase.
- **Travel and Leisure**: Consumers with newfound discretionary income are looking for new ways to have fun.
- **Automotive**: Owning a car continues to be one of the best ways to signal your status. China is no exception.
- **Education**: Decades of the one-child policy mean that six family members have been planning and saving for one child. They are willing to spend money to get the best possible education.

China's citizens have more income and savings today than at any time in history. They will spend that on these four categories above. So what should we as investors do?

We want to own the companies that will offer these new Chinese consumers higher-quality food, travel opportunities, cars, and education. We want to own discretionary businesses in China.

Importantly, we have a simple way to do it... the **Global X China Consumer Fund (NYSE: CHIQ)**. The fund holds a large percentage of consumer-discretionary companies – the "living better" businesses. Here's the full sector breakdown above...



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China is growing and becoming more prosperous. And so are its people.

The story here is simple... Chinese people have more money than ever. They want to live better. They will spend in certain key areas. Let's get our money there first.

The Global X China Consumer Fund is in a powerful uptrend. Meanwhile, investors still don't care about China – which is perfect. Let's take advantage of it!

Buy the Global X China Consumer Fund (NYSE: CHIQ) today. Plan to hold for two to three years. We'll protect our downside using a smart trailing stop from TradeStops.com.

Where to Be Invested Now

It might seem a bit strange that I'm predicting a Melt Up in the U.S. – yet I'm so excited about China plays like Tencent and Naspers.

But remember, people buy the exciting tech names during the Melt Up. Our China tech names are exciting...

Since the last issue of *True Wealth*, our Chinese e-commerce holding Tencent gained 14%.

Tencent's WeChat app now has 980 million monthly active users. That's 134 million more people than a year ago. Said another way, WeChat added a number of users that would be more than 40% of the U.S. population.

While Tencent's market cap has doubled this year, its results confirm this is still a solid name to own.

We bought Tencent in March and the **ProShares Ultra Technology Fund (NYSE: ROM)** in April. Since we bought, they're up 80% and 34%, respectively. ROM is up 12% since last month's issue.

ROM is a top U.S. Melt Up play for us... It attempts to return double the daily return of the Dow Jones U.S. Technology Index. The index holds U.S. tech giants like Apple, Microsoft, Facebook, and Alphabet... among others. Make sure you own it to maximize your gains in the Melt Up!

Looking at our recommendations outside of the Melt Up...

Last month, we told you about **Two Harbors Investment's (NYSE: TWO)** upcoming spinoff of its commercial real estate assets... TWO did a one-for-two reverse stock split on November 1, and gave us shares of Granite Point Mortgage Trust (GPMT).

You should have seen Granite Point shares show up in your account if you own TWO shares. We won't be tracking this name here in *True Wealth*. (We recommend you sell the GPMT shares.)

TWO's shares have fallen a bit since the spinoff and stock split. This creates an opportunity... After you adjust TWO's financials to reflect the GPMT spinoff, shares trade at a discount to book value.

The market appears to have adjusted for the possibility that Two Harbors may reduce its dividend a bit lower. Even if the company lowers its dividend, it should still yield at least 10%.

If Two Harbors lowers its dividend, then I expect the stock could sell off a bit. I recommend using that opportunity to add to your position. TWO still has a great 10%-plus dividend.

Next, we need to lock in a couple small gains this month...

We bought the **Global X MSCI Greece Fund (NYSE: GREK)** in May of last year after the market had left it for dead. When the fund started moving higher, it fit our cheap, hated, and in an uptrend system.

GREK moved to as much as $10.77 this past July... But it's struggling again today. The trend is no longer our friend. It's falling in a bull market.

It's time to sell the Global X MSCI Greece Fund (NYSE: GREK) and lock in our small gain.

We need to sell payment processor **Euronet Worldwide (Nasdaq: EEFT)** for the same reason – it's starting a downtrend in a bull market.

Lock in your gains on Euronet Worldwide (Nasdaq: EEFT) today. You can use the sale proceeds to add to your position in the **ETFMG Prime Mobile Payments Fund (NYSE: IPAY)**.

We have a bit more housekeeping this month, too. We need to adjust the stops on some of our positions.

We originally used hard stops on these positions. However, they've moved so much higher (which is good) that we don't want to risk giving back too much of our gains... Therefore, we're converting five of our positions to smart trailing stops (as defined by TradeStops). You can check out the updated stops in the table below.

To wrap things up this month, keep these things in mind:

The great boom in stocks could continue to 2019 or even 2020. And *the Fed – the usual cause of stock market crashes – should not cause the markets trouble in the near term*.

Let's take advantage of this now... Let's make money now during the Melt Up, and then we'll play it safe on the other side.

Of course, corrections can – and will – happen along the way. But it's not 2006 in housing yet. It's not 2000 in tech stocks yet. The market's ultimate peak won't arrive until that happens.

We have time... Take advantage of it.

Good investing,

Steve Sjuggerud
November 17, 2017

Investment	Symbol	Ref. Date	Recent Price	Current Smart Trailing Stop
Morgan Stanley China A Share Fund	CAF	11/19/2015	$24.21	$19.09
iShares MSCI Singapore Fund	EWS	3/17/2016	$25.59	$22.65
iShares China Large-Cap Fund	FXI	3/17/2016	$46.71	$38.27
WisdomTree Japan Hedged Equity Fund	DXJ	11/17/2016	$57.94	$49.69
ProShares Ultra Technology Fund	ROM	4/20/2017	$89.35	$67.07

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True Wealth PORTFOLIO

Prices as of November 16, 2017

Investment	Symbol	Ref. Date	Ref. Price	Current Price	Total Return*	Status	Stop Price
Speculations							
Morgan Stanley China A Share**	CAF	11/19/15	$25.59	$24.21	31%	Buy	$19.09
iShares MSCI Singapore** #	EWS	3/17/16	$22.02	$25.59	21%	Buy	$22.65
iShares China Large-Cap**	FXI	3/17/16	$33.46	$46.71	43%	Buy	$38.27
iShares MSCI Global Metals & Mining Producers** #	PICK	3/17/16	$19.54	$31.16	63%	Buy	$24.95
First Trust Emerging Markets Small Cap AlphaDEX**	FEMS	4/14/16	$30.02	$41.15	43%	Buy	$36.37
Global X MSCI Greece	GREK	5/19/16	$8.37	$8.59	4%	**SELL**	$5.67
KraneShares CSI China Internet **	KWEB	7/14/16	$34.88	$59.84	73%	Buy	$48.38
ETFMG Prime Mobile Payments**	IPAY	10/20/16	$24.76	$34.22	38%	Buy	$30.02
WisdomTree Japan Hedged Equity**	DXJ	11/17/16	$47.64	$57.94	24%	Buy	$49.69
Two Harbors Investment^^^	TWO	2/16/17	$14.78	$15.63	11%	Buy	$14.20
KraneShares Bosera MSCI China A Share**	KBA	2/16/17	$28.30	$35.22	24%	Buy	$26.85
Tencent**	TCEHY	3/16/17	$28.52	$51.20	80%	Buy	$39.52
Euronet**	EEFT	3/16/17	$83.56	$88.97	6%	**SELL**	$80.66
ProShares Ultra Technology** ##	ROM	4/20/17	$66.65	$89.35	34%	Buy	$67.07
ALPS Medical Breakthroughs	SBIO	4/20/17	$25.66	$30.42	19%	Buy	$20.00
Naspers** ^	NPSNY	8/17/17	$43.62	$53.05	22%	Buy	$37.33
ProShares UltraShort Euro	EUO	8/17/17	$22.00	$21.93	0%	Buy	$20.32
Invitation Homes**	INVH	9/14/17	$22.18	$23.19	5%	Buy	$17.80
ProShares UltraShort Australian Dollar^^	CROC	10/19/17	$45.56	$48.57	7%	Buy	^^
Global X China Consumer**	CHIQ	11/16/17	**NEW**	$18.10	**NEW**	**Buy**	$14.98
Real Assets							
MS65 Saint-Gaudens		9/16/10	$2,300.00	$1,675.00	-27%	Buy	
MS65 Morgan Dollars		9/19/13	$160.50	$141.00	-13%	Buy	
SPDR Gold Shares	GLD	1/19/17	$114.77	$121.40	6%	Buy	$107.34
iPath Bloomberg Coffee	JO	7/20/17	$18.10	$16.32	-10%	Buy	$15.39
iPath Bloomberg Sugar	SGG	7/20/17	$30.52	$31.25	2%	Buy	$26.55
ETFS Physical Platinum	PPLT	7/20/17	$88.56	$88.97	0%	Buy	$86.00
iPath Bloomberg Cocoa	NIB	8/17/17	$22.52	$26.24	17%	Buy	$26.24
MS64 Saint-Gaudens		10/19/17	$1,450.00	$1,442.00	0%	Buy	

* Total return column INCLUDES dividends or income.
** Stop price is based on TradeStops Smart Trailing Stop as of yesterday's close.
# Adjusted for a 1 to 2 stock split.
Adjusted for a 2 for 1 stock split.
^ Naspers symbol is now NPSNY.
^^ Sell if the U.S. dollar index falls below 91.35. We will e-mail you if that happens.
^^^ Adjusted the entry price of Two Harbors to reflect spinoff of GPMT and its 1-for-2 reverse split on November 1..

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 members.stansberryresearch.com/faq/general