STANSBERRY & ASSOCIATES INVESTMENT RESEARCH

The S&A GLOBAL CONTRARIAN

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The Greatest Contrarian Trades of All Time

Some of the best trades start with a disaster... when things are so bad they can't get any worse.

Because when things can't get any worse, they can only get better.

When things can't get any worse for a country, investors flee... prices get extraordinarily cheap... and you often find incredible investment bargains. And sometimes, buying these bargains can result in life-changing gains...

These are the situations we look for in *S&A Global Contrarian*.

When you hear about these situations, or see them up close, your natural reaction is to run away... Financial and economic destruction and despair is an ugly thing.

At *S&A Global Contrarian*, we run toward them. We find markets where others are afraid to tread, where "crisis" is the theme of the day on CNN... We go there to get the real story, the one that you won't read in the Wall Street Journal... We find cheap, hated assets with unrecognized triggers... and then reap the rewards as the cycle turns.

These are some of the greatest opportunities to create wealth you will ever see.

I've put together this report to show you just how effective this strategy is. You're about to read about some of the greatest contrarian investment opportunities we've seen in history.

Each of these markets and sectors had fallen out of favour... be it from an economic crisis... political problems... currency devaluation... or an economic slowdown. Things looked like they couldn't get any worse. But just like what always happens when things can't get any worse, they got better.

Investors who had the courage to run into the fire after these markets had taken a beating made multiples on their initial investments.

These are the types of trades – and returns – we're looking to make in *S&A Global Contrarian*. So let's get started...

A Post-Soviet Success Story

Today, Poland is a middle-income country that enjoys a stable democracy as part of the European Union. While other European countries saw their economies contract by as much as 5% in 2009, Poland was the only European nation to experience economic growth. Its gross domestic product rose by 1.7% in 2009.

But until June 1989, Poles suffered under a command economy that failed to meet the population's basic needs.

You see, at the end of World War II until the revolution in 1989 that brought democracy to the country, Poland was under the influence of the Soviet Union.

As a consequence, Poland's economy was hindered by two policies: the dominance of state-owned industrial companies and state control over the economy.

State economic planners determined what would be produced and in what quantities. They also established the prices for raw materials and consumer goods and determined industrial output.

Widespread shortages of food and consumer goods were common throughout the Soviet bloc, and Poland suffered severely. From the late '70s through the '80s, food and consumer good shortages worsened, the country's industrial infrastructure deteriorated, and production fell further and further behind Western levels.

The lack of private investment and private enterprise eroded the country's world competitive position, while attempts by the government to raise artificially low prices resulted in public rioting.

After a riot in June 1989, the government was forced to loosen price controls on food and consumer goods. Prices skyrocketed and inflation rose to more than 250%.

The government then reformed Poland's economic structure and restored a market economy. In 2004, Poland joined the European Union.

Poland's economy has steadily improved over the past 20 years... and is booming today.

Meanwhile, Poland's stock market has exploded since the early '90s.

Investors who got in when things looked bleak in the late '80s could have made thousands-of-percent profits.

Massive Gains from the Reconstruction of Germany

After its defeat in World War II in August 1945, Germany's economy, as well as much of the country, lay in ruins.

More than 20% of housing was devastated. And many of the country's industrial facilities were either destroyed or taken apart to be carted back to the Soviet Union as spoils of war.

In 1947, food production had fallen by more than 50%. Industrial production was only a third of what it had been 10 years earlier. And the workforce was drastically reduced from the large number of working-age men killed in the war.

The U.S. government knew the revival of German industry was critical to American security and that an economically stable and productive Germany was integral to Europe's prosperity. So in 1947, the U.S. government introduced the Marshall Plan, an initiative where the U.S. provided $17 billion – a sum that at the time was close to 1% of U.S. GDP (which would be around $160 billion today) – in economic support to Europe after World War II. The Marshall Plan contributed not only to the economic rebuilding of Germany, but the rest of Europe as well.

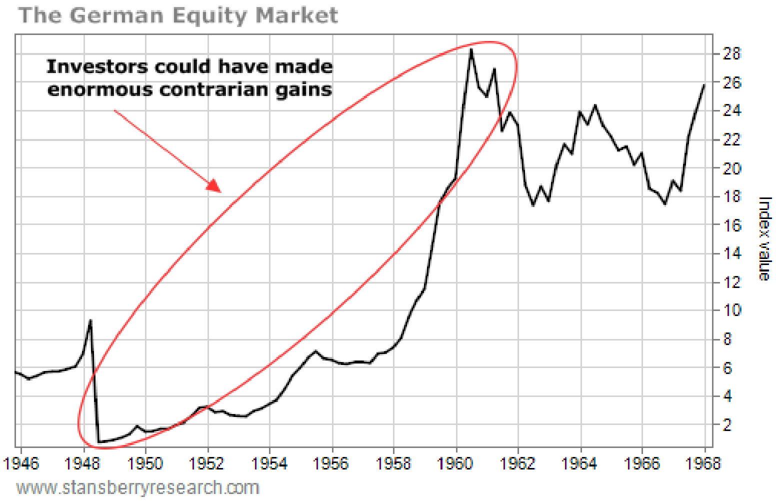
And in 1948, the Western governments occupying Germany (the U.S., U.K., and France) introduced the Deutsche Mark currency to the country as a replacement to the unstable and debased Reichsmark that had been in circulation since the 1920s.

However, during the war, the Nazi government froze stock prices, which delayed the decline in value until after the war was over. Following the introduction of the Deutsche Mark, financial assets lost 90% of their value and stock prices plummeted by 80% within the span of months.

In 1949, the Marshall Plan was extended to the newly created West Germany. After that, Germany began to slowly but steadily recover and improve its standard of living. Exports were revived, unemployment fell, food production increased, and the government took steps to eradicate black-market trading. By 1958, industrial production was more than four times the total production for the six months of 1948 prior to currency reform.

Stock prices had nowhere to go but up after their fall in 1948. And over the past 60 years, they've risen by more than 3,700%.

People who invested in 1948 could have made massive gains.



Japan Witnesses One of the Strongest Bull Markets in History

Following its surrender in World War II in August 1945, Japan had lost nearly 3 million people and a quarter of its national wealth.

The economy was devastated and needed to be rebuilt virtually from scratch. So in September, General Douglas MacArthur assumed authority over the Supreme Command of Allied Powers, the occupying force in Japan consisting of U.S. and British Commonwealth troops, and began to rebuild the war-torn country.

MacArthur's plan to rebuild Japan consisted of three phases. The first was to incorporate punitive measures and reform... The second focused on rebuilding the economy... And the third was to formalize a treaty and alliance between Japan and the U.S.

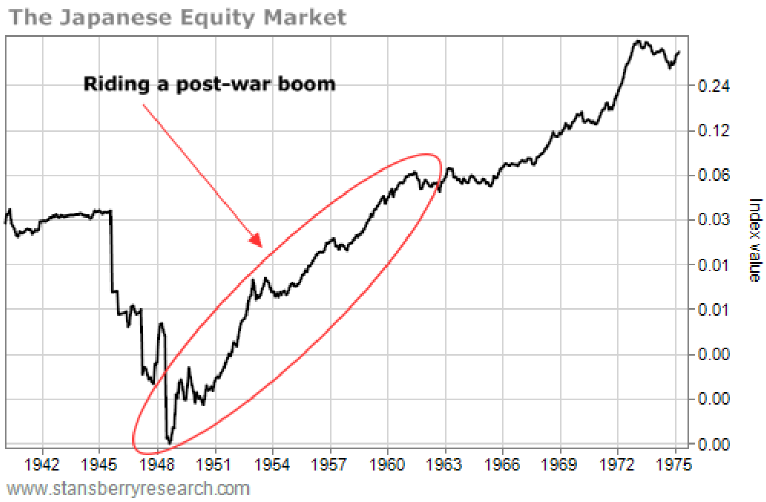
But by early 1948, an economic crisis had taken hold of Japan. And the West started fearing the possible spread of communism in the country. If Japan turned toward communism, the Soviet Union could gain control over the Pacific. So the Western countries occupying Japan altered their course. They focused on Japan's economic rehabilitation, and implemented measures aimed toward combating inflation, reforming tax policy, and addressing the chronic shortage of raw materials.

The beginning of the Korean War in 1950 contributed significantly to Japan's economic revival. The country became the principal supply depot for United Nations forces. Subsequent economic intervention from the Japanese government combined with aid and assistance from the U.S. government led to an economic boom.

But the departure of the occupying West, the end of the Korean War, and the end of payments from the U.S. government led to a recession in the mid-1950s.

However, by the 1960s, Prime Minister Hayato Ikeda's policies, which included lowering taxes and interest rates, investing heavily in infrastructure, liberalizing trade, and promoting exports, led Japan not only to a complete economic recovery but astonishing economic success.

And between 1950 and 1990, the Japanese stock market experienced one of the strongest bull markets ever witnessed. Investors who got in during the economic crisis in 1948 could have made thousands-of-percent gains.



Uranium Prices Explode By a Factor of 20

In 1979, the tide turned for uranium.

When the fuel for nuclear power plants first started trading in August 1968, it sold for $6.35 per pound. By 1979, the price had reached $43 per pound.

But then things changed. In 1979, a nuclear reactor in Pennsylvania experienced a partial meltdown. The Three Mile Island incident was the worst accident in the history of the U.S. commercial nuclear power industry. To make matters worse, the mishap came a mere two weeks after the premiere of The China Syndrome, a film about a nuclear reactor meltdown. Fears of future accidents caused the uranium price to plunge.

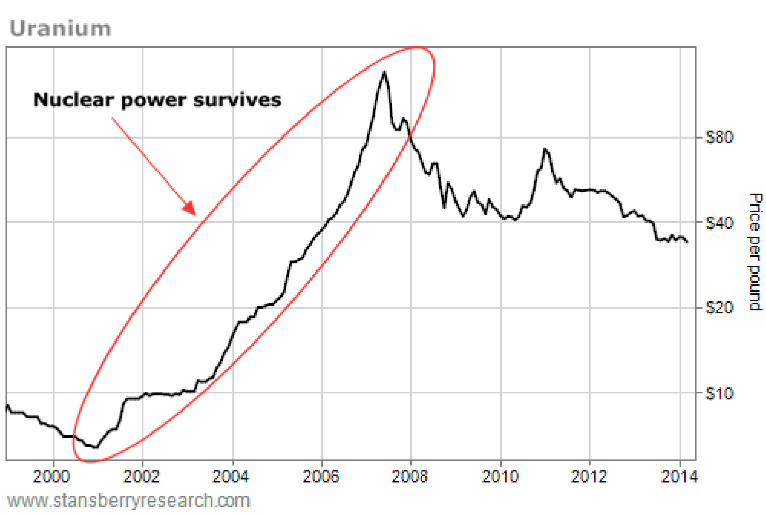
In 1986, an even more serious accident occurred at the Chernobyl nuclear plant in Ukraine. The nuclear industry in the U.S. was devastated. Demand for uranium plummeted. Plans for new plants were halted while facilities under construction were decommissioned.

By 1989, the cost to produce uranium was approximately $20 per pound while the market price had fallen to around $8 per pound. As a result, a number of mines closed down.

But with so many mines having shut down, global uranium consumption began to exceed production by a significant margin in the 1990s. By that time, a resurgence of nuclear power use in the U.S. had begun. Many developing countries began initiating nuclear power programs as well. This pushed demand up.

And in 2006, a flood at Canada's Cigar Lake Mine, which has some of the world's largest deposits of high-grade uranium, pushed supplies of uranium even lower... and the price exploded.

Investors who anticipated a reversal in the supply/demand balance of uranium made solid profits as uranium skyrocketed.



Bouncing Back from One of the Worst Bear Markets of the Century

Between 1972 and 1974, the United Kingdom experienced one of the worst bear markets of the century.

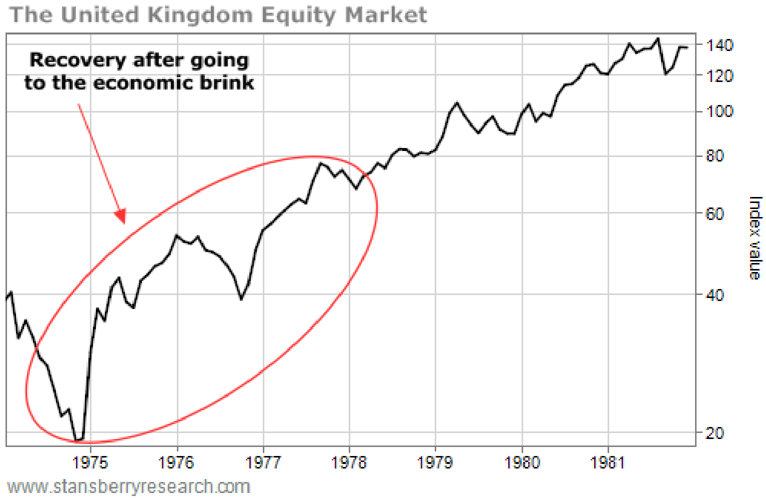
Stock prices fell by around 77%, taking into account the high inflation during the market downturn. A miners' strike contributed to the market's decline... as did the 1973 energy crisis set off by the Organization of the Petroleum Exporting Countries (OPEC) oil embargo to protest U.S. involvement in the Yom Kippur War between Israel and allies Egypt and Syria.

In 1974, the U.K. entered a recession. Its gross domestic product fell 1.1% that year. The real estate market was also experiencing a crisis, and a rash of bankruptcies in the secondary banking market forced the Bank of England to bail out a number of lenders.

The stock market fell to its lowest point at the end of 1974. Shortly after, the country's government passed legislation that ended the recession and sent the market moving up again.

Housing prices and lenders recovered. And over the next year, stock prices appreciated by more than 150%.

Investors who got in when things couldn't get any worse in 1974 could have made triple-digit gains in just a few years.



Sugar Prices Rocket 45 Times Higher

Throughout the 20th century, the sugar industry experienced a number of price shocks.

You see, commodities like sugar are cyclical. They experience periods of "booms" and "busts."

From 1962 to 1964, sugar was in "boom" mode after the U.S. suspended imports of sugar from Cuba following the Cuban Revolution, when socialist Fidel Castro ousted Cuban President Fulgencio Batista in 1959.

But in 1964, sugar entered "bust" mode. By 1966, the price of sugar had fallen to a low of below $0.10 per pound.

With sugar so cheap, demand began to rise. Then, in 1969, cyclamate, a common sugar substitute, was discovered to be carcinogenic. The U.S. Food and Drug Administration banned it. This further increased demand for sugar. And although the next four years saw record sugar crops, consumption outpaced supply and inventories dwindled.

This resulted in a dramatic increase in sugar prices – which reached a high of $0.64 per pound in October 1974 – a four-digit increase in prices.

Investors who got in at the low in 1966 could have made thousands-of-percent gains.

Profiting from Spain's Post-Fascist Dictatorship Transition

Today, it's strange to think of Spain as a fascist dictatorship... a time when its markets and economy were largely isolated from the rest of the world.

But that was the case from the 1930s through the 1970s. Under the dictatorship of Francisco Franco, Europe ended at the Pyrenees, the mountain range separating Spain and Portugal from France and the rest of Europe.

So when Franco died in November 1975, there was enormous uncertainty about the future of the country and the trajectory it would take.

For several years, civil war and chaos seemed to be a possibility. But instead, democracy tentatively evolved. A new constitution was introduced in 1978. A coup attempt in 1981 was put down. Elections in 1982 solidified Spain's transition to democracy and its eventual accession to the western military alliance NATO.

And in 1986, Spain joined the European Economic Community (now the European Union). At that time, new members of Europe were the target of massive investment – in infrastructure and institutions – in an effort to bring standards of living up to the other members of the union. These funds fuelled a two-decade economic boom that ended only with the 2008-2009 global economic crisis.

Contrarians who invested in Spain in the 1970s could have made huge gains.

Profiting from the End of Civil War

In 1983, a civil war that would last for 26 years started in Sri Lanka.

The conflict on the small island south of India was between the Sinhalese ethnic majority, and the Tamils, an ethnic minority.

The conflict stunted economic growth and cast a pall of political uncertainty over the country. And the ever-present threat of terrorism – the Tamils pioneered a number of terrorist tactics, such as the suicide bomber – resulted in steady migration from the island. It was also a strong hindrance to foreign investment.

Meanwhile, excessive government spending fostered high inflation and constant budget deficits. As a result, Sri Lanka's stock market was characterized by low volumes and minimal foreign interest. Sentiment toward the country was overwhelmingly negative.

However, in 2002, a slow improvement in the economic environment, coupled with some signs of progress toward political peace, helped spur a sharp rally in the Sri Lankan market.

And the election of Mahinda Rajapaksa as president in November 2005, coupled with a strong mandate to end the civil war, further bolstered the rally.

But the onset of the global economic crisis, which coincided with the final – and most ferocious – chapter of the civil war in early 2009 contributed to a sharp correction in the market.

It wasn't until the final defeat of the Tamils in May 2009 that the Sri Lankan stock market was re-rated. The northern and eastern regions of the country – previously off-limits to investment and economic development because of the war – started to be re-integrated into the economy, bolstering growth. A renewed sense of optimism and a surge in foreign investment also fuelled the four-fold growth in the country's equity market through 2011.

Investors who bought Sri Lankan stocks amidst negative sentiment in 2001 could have made huge gains.

The Miracle of Chile

Socialist policies implemented in the 1970s nearly destroyed Chile.

It all started when Salvator Allende was elected president in 1970.

Shortly after his inauguration in November 1970, Allende began to restructure Chile along socialist lines. Although he retained a democratic form of government, he put a number of socialist policies in place with far-reaching consequences.

Allende expropriated U.S.-owned copper companies and offered no compensation to the owners… redistributed agricultural land to peasant communes… authorized large wage increases and price freezes in order to redistribute income… and printed unsupported currency to offset the deficit from the government's many industrial asset purchases.

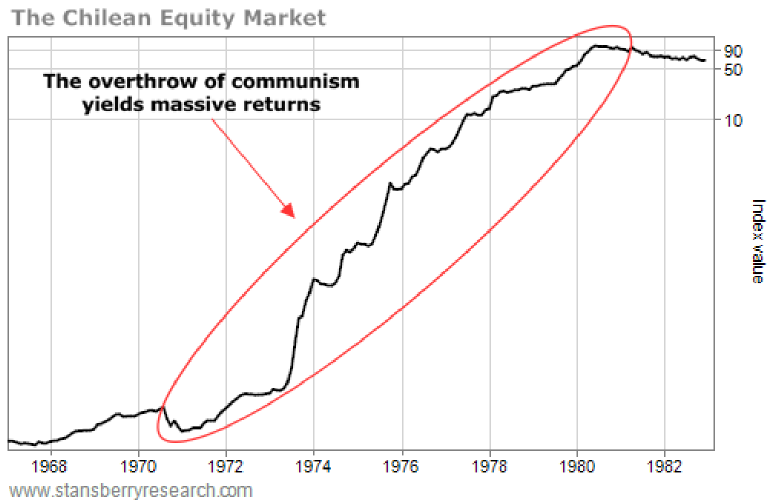
Within two years, the country was suffering from widespread economic problems. Production was stagnant, private-sector investment had dried up, and exports were declining. Credit from the U.S. and Europe was no longer available. Inflation was rising and the country experienced food shortages, widespread strikes, and civil unrest.

While Allende retained support from a significant population of workers and peasants, the middle class grew increasingly hostile. Increasing hostility toward Allende coupled with an economy in ruins led to his overthrow in a military coup led by Augusto Pinochet in 1973.

The coup left Chile under the rule of a military junta until 1990. The new regime implemented a number of economic reforms toward free-market principles. Nobel-prize winning economist Milton Friedman described the reorientation of the Chilean economy during this time the "Miracle of Chile."

As a result of the new reforms, the financial markets exploded. And Chilean stocks soared.

Investors who got in during the early 1970s could have made enormous gains.



In Six Years, These U.S. Stocks Tripled in Value

In July 1990, the U.S. entered into a severe recession.

The Federal Reserve had put a restrictive monetary policy in place to fight inflation. Unfortunately, the policy also limited economic expansion. The resulting recession ended the longest period of peacetime expansion in U.S. history.

Job losses were high. The construction and manufacturing industries were the hardest hit. And shares in savings and loans (S&L), financial institutions that accept deposits and extend mortgages and consumer loans to members, plummeted.

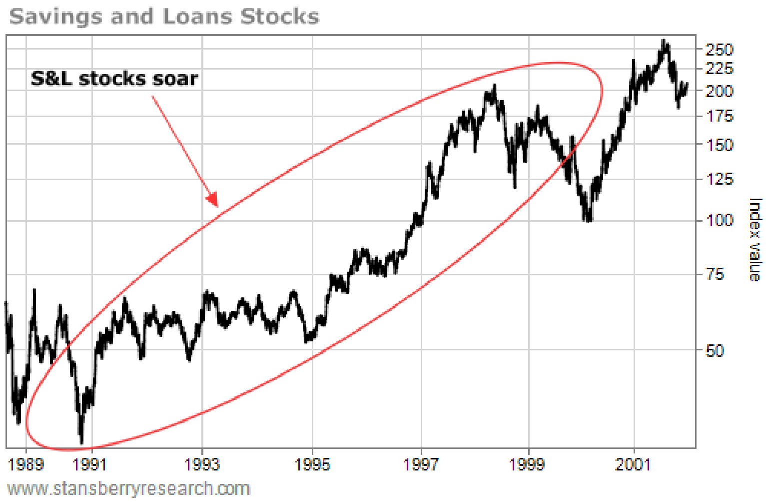
You see, the market and regulators had begun to uncover that many S&Ls had "cooked the books" to cover the losses caused by the Fed nearly doubling interest rates. (The S&Ls issued loans at fixed rates.)

The government was forced to step in, spending $105 billion to bail out the industry. It then developed new regulations to prevent future problems.

The recession came to an end in March 1991. The following period was known as the "jobless recovery" as unemployment remained high.

However, with nearly a third of S&Ls bankrupt and the remaining institutions much more tightly regulated, S&L stocks began to rise. By the end of the year, they had regained their losses. And from the end of 1994 to 2000, S&L stocks went on to triple in value.

Investors who got in when things couldn't get any worse in 1991 could have made triple-digit gains.



Putting it All Together

As you can see, great contrarian opportunities pop up in all sorts of circumstances and in all sorts of markets.

These opportunities are around us all the time. It's just a matter of taking the time to find markets where sentiment is bad... valuations are low... and where catalysts are poised to move things from bad to less bad.

Then we simply have to run toward these opportunities when the mainstream is running away. If you had invested in any of the above opportunities, you could have made life-changing profits.

These are the sorts of opportunities we'll be looking for in *S&A Global Contrarian*.

Regards,

Kim Iskyan