

Gold to test US\$2,000 as economic risks grow

Sydney, 27 May 2020 – Gold could test US\$2,000/ounce within the next 12 months as economic risks mount, with huge debt burdens and bankruptcies potentially overwhelming economies, forcing even more capital into the relative safety of gold and gold stocks, which provide valuable portfolio diversification.

While gold has consolidated around US\$1,700 in recent weeks, the precious metal could rise further on macroeconomic concerns and the potential for a longer-than-anticipated recovery effort following the coronavirus pandemic. Gold ended April at \$1,702 per ounce for a \$126 (8%) gain, trading at its highest levels since 2011.

“Continued strong inflows to bullion exchange traded products along with strong demand for retail coins indicates both institutions and individuals are turning to gold as a store of value and hedge against uncertainty,” said Joe Foster, VanEck gold portfolio manager.

“Gold will likely test US\$2,000 over the next 12 months, extending its current rally,” Foster said.

“This is a crisis on a magnitude that you rarely see historically. Global debt to GDP is now over 300%. The bailout efforts for the COVID-19 pandemic are the most significant in the G7’s history. All of this stimulus, all of these bailouts and all of this support is creating an incredible amount of systemic risk,” said Foster.

“Gold carries no counterparty risk, its supply is limited, it exists outside of the mainstream financial system, and is universally seen as a store of value. These attributes make it a unique safe-haven investment. Gold is also a portfolio diversifier – because of the low correlation with stocks and bonds, if you add a little bit of gold, or gold stocks to your portfolio, it can give your portfolio better risk adjusted returns over time.”

Historically low bond yields and negative real interest rates have helped to push gold higher, taking with it the prices of gold miners.

“Historically, the gold price has reacted strongly to negative real interest rates and we have just started a negative real rate cycle. I don’t think anyone expects rates to move higher any time soon and that should be a very good environment for gold. When real rates are negative, gold becomes competitive with interest bearing assets.

“We believe a secular shift has begun, driven by four broad categories of systemic risk - Deflation, Debt, Inflation, and Loss of Confidence,” said Foster. “This shock is helping to lift gold prices and gold miners, whose price typically rises more than gold itself.”



Access the opportunities.

The VanEck Vectors Gold Miners ETF (GDX) is the world's largest and most traded gold miners ETF. GDX has gained 67.84% in Australian dollar terms over the year to 30 April 2020, compared to the gold price which is up 42.76%.

The ETF also holds large, junior and mid-tier gold companies, including the strongly performing Northern Star, Saracen Mineral Holdings and AngloGold Ashanti, with gains of around 59.1%, 58.6% and 142.4% respectively over the year to 30 April.

"We see the Australian gold miners sector as standing toe to toe with the international gold miners. Newcrest, Evolution Mining and Northern Star are all making acquisitions in North America over the past year and they are starting to use their clout to expand globally," said Foster.

"Our favourites are the mid-tier gold miners. Saracen, Northern Star and Evolution Mining are all in the GDX portfolio," he said.

Across its whole portfolio, Canadian firms account for around half (55.8%) of GDX's holdings, while the United States (20.2%) and Australia (12.8%) rounded off the top three at 30 April. GDX also holds Australia's largest gold miner Newcrest and the world's largest miners Newmont and Barrick Gold.

ENDS

MEDIA CONTACTS

Nicki Bourlioufas
Director, Spot On Content & PR
nicki@spotoncpr.com
+61 411 786 933

Vanessa Marks
Head of Communications
vmarks@vaneck.com
+61 438 243 085

ABOUT VANECK

VanEck is one of the world's largest issuers of ETFs (Exchange Traded Funds), managing in excess of \$50 billion globally for individual and institutional investors. Founded in New York in 1955, VanEck is a pioneer in international investing and in gold funds, launching the first gold equities fund and the first gold ETF in the US.

In Australia, VanEck is the fastest growing ETF provider in the country and a leader in 'smart beta' investment strategies. We have 20 ETFs on ASX that focus on delivering superior performance through beyond-the-usual approaches and providing access to asset classes typically unavailable to Australian investors.

IMPORTANT NOTICE: This information is issued by VanEck Investments Limited ABN 22 146 596 116 AFSL 416755 as responsible entity of VanEck Vectors Gold Miners ETF ('Fund'). This information contains general advice only about financial products and is not personal advice. It does not take into account any person's individual objectives, financial situation or needs. Before making an investment decision you should read the applicable PDS available at www.vaneck.com.au or by calling 1300 68 38 37 and with the assistance of a financial adviser consider if it is appropriate for your circumstances. The Fund is subject to investment risk, including possible loss of capital invested. Past performance is not a reliable indicator of future performance. No member of the VanEck group of companies gives any guarantee or assurance as to the repayment of capital, the payment of income, the performance, or any particular rate of return from the Fund.