Media Contact

Erin Walker
Communications Manager
ewalker@vaneck.com
+61 2 8038 3319
+61 434 244 138

Gold expert believes long-run bull market still likely

Sydney, 07 October 2016 – VanEck's gold expert, Joe Foster, believes despite this week's fall in the gold price, the outlook for gold is strong and gold is still in the early stages of a long-term bull market.

Mr Foster, Portfolio Manager for VanEck's gold equities strategy, said, "The fall in the gold price this week is a result of a strengthening US dollar and more hawkish views emerging from the Fed. There are also lessening fears about the impact of Brexit and perhaps most importantly, Chinese markets are closed this week which has no doubt impacted the support for gold.

"Gold has been trading in the US$1,300 - US$1,350 price range and has now broken below US$1,300. Despite recent events, our view hasn't changed that gold is in the early stages of a long-term bull market," Foster said.

"The gold price will be supported by a number of factors. The global economy is weak and is in no condition to withstand higher policy rates. A Fed rate hike could work against gold initially (stronger dollar), but in practice could be seen as a misstep that increases the risk of recession and financial stress. In addition, it creates imbalances when the Fed is tightening policy when every other central bank is easing. If the Fed fails to raise rates in December we expect dollar weakness and the gold price to strengthen. Nonetheless, speculation leading up to another rate hike will be a repeat of the last one where there was significant stock market volatility that drove investors to gold as a safe haven," he said.

"In the short-term, we believe the gold market will stabilise following this Friday's US jobs report. Price weakness will also likely spur seasonal demand out of India and Asia. These countries typically buy on price weakness and they are also about to begin their festival and wedding season," he said.

"We believe the current market is similar to the 2001 to 2008 bull market where mining costs have subsided and there were relatively no inflationary pressures. Other mining sectors — coal, copper, iron ore — are depressed.

"We believe higher gold prices will encourage increased mining activity, but the gold sector alone cannot generate cost pressures without increasing activity in other mining sectors. In fact, we would use copper as a barometer of inflationary pressures in the mining business. With copper currently at US$2.09 per pound, we would not anticipate inflationary pressures until copper trades above US$3.00 per pound," Foster said.

"Mining companies are generally focused on cost savings across mining practices, technology implementation, procurement, and contractor costs. Companies are more focused on organic opportunities - lower gold prices have forced companies to look inward at existing operations and projects. Companies are looking at projects that require less capital with higher rates of return and phased expansions," Foster said.

The following table shows the previous six bull markets in since 1971. The bull markets are classified as secular (long-term) or cyclical (bull phases within an overall bear market). According to Foster, the current gold bull market bears similarity to the 2001-2008 secular bull market when the gold price increased by 276%. Since December 2015, the gold price has increased by only 25%, indicating it still has plenty of potential for gains.

Gold Bull Markets 1971 - 2016

From	To	Gold Price Change	Duration (Months)	Type	Barron's Gold Mining Index Returns
Oct. '71	Dec. '74	358.2%	38	Secular	297.8%
Aug. '76	Sep. '80	574.5%	49	Secular	535.2%
Feb. '85	Nov. '87	63.9%	33	Cyclical	20.3%
Feb. '93	Feb. '96	21.5%	36	Cyclical	52.8%
Mar. '01	Feb. '08	276.2%	83	Secular	464.4%
Oct. '08	Aug. '11	150.3%	34	Secular	145.7%
Dec. '15	Aug. '16	24.9% so far	8 and counting	?	95.1% so far

Source: Bloomberg, Barron's (month-end prices), VanEck.

General information only
Issued by VanEck Investments Limited ABN 22 146 596 116 AFSL 416755 ('VanEck'). VanEck is a wholly owned subsidiary of Van Eck Associates Corporation based in New York, United States. VanEck Vectors ETF Trust ARBN 604 339 808 (the 'Trust') is the issuer of shares in the VanEck Vectors Gold Miners ETF ('US Fund'). The Trust and the US Fund are regulated by US laws which differ from Australian laws. Trading in the US Fund's shares on ASX will be settled by CHESS Depositary Interests ('CDIs') which are also issued by the Trust. The Trust is organised in the State of Delaware, US. Liability of investors is limited. Van Eck Associates serves as the investment adviser to the US Fund. VanEck, on behalf of the Trust, is the authorised intermediary for the offering of CDIs over the US Fund's shares and issuer in respect of the CDIs and corresponding Fund's shares traded on ASX.

This is general information only and not financial advice. It does not take into account any person's individual objectives, financial situation or needs. Investing in international markets has specific risks that are in addition to the typical risks associated with investing in the Australian market. These include currency/foreign exchange fluctuations, ASX trading time differences and changes in foreign regulatory and tax regulations. Before making an investment decision in relation to the US Fund you should read the PDS and with the assistance of a financial adviser consider if it is appropriate for your circumstances. The PDS is available at www.vaneck.com.au or by calling 1300 68 38 37.
Past performance is not a reliable indicator of future performance. No member of the VanEck group of companies or the Trust 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 US Fund.

An investment in the US Fund may be subject to risks that include, among others, competitive pressures, dependency on the price of gold and silver bullion that may fluctuate substantially over short periods of time, periods of outperformance and underperformance of traditional investments such as bonds and stocks, and natural disasters, all of which may adversely affect the US Fund. Foreign investments are subject to risks, which include changes in economic and political conditions, foreign currency fluctuations, changes in foreign regulations, and changes in currency exchange rates that may negatively impact the US Fund's return. Small- and medium- capitalisation companies may be subject to elevated risks. The US Fund's assets may be concentrated in a particular sector and may be subject to more risk than investments in a diverse group of sectors.

About VanEck
Founded in 1955, VanEck was among the first asset managers helping investors achieve greater diversification through global investing. Today we are recognised for being a pioneer in global markets and for drawing on our experience to offer innovative solutions. We offer these solutions to individual investors and institutions, including endowments, foundations, pension plans and private banks.

VanEck is one of the world's largest exchange traded product issuers. In Australia our range of ETFs offer investors intelligently designed investment strategies that take advantage of targeted market opportunities.

With offices in key financial centres and regions including New York, Sydney, Shanghai, Frankfurt, Madrid and Zurich, VanEck offers investors broad investment reach with deep experience.
Further information about VanEck is available at vaneck.com.au

###