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Glimmer of Hope for Gold's Rebound

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Support signs for gold

While interest rates trended higher and 10-year treasury yields rose above 4% for the first time since 2008, the dollar was unable to make new highs in October. Markets started wondering if rates are reaching a peak, allowing gold prices to stabilize above $1,600 per ounce. Gold reached a monthly high of $1,729 on October 4 amid jitters over Credit Suisse's finances and continued fallout from UK property funds affected by the Liability Driven Investment (LDI) crisis. Gold then trended lower to end the month with a $27.05 (1.63%) loss at $1,633.56.

Historically, physical demand for gold picks up in Asia and the Middle East when the gold price is weak. The current low gold price is no exception, as buyers in China, India, and UAE sense a bargain. According Bloomberg, gold in Dubai, Istanbul and Shanghai is trading at a premium to spot prices in London. Over 527 tonnes has been moved out of New York and London vaults since April, while Chinese imports reached a four-year high in August. Central Bank demand is also strong, as the World Gold Council reports the banks bought 399 tonnes in the third quarter, the strongest quarter on record. This physical demand may enable gold to find a floor around current levels.

Miners move the needle on "green"

Gold stocks eked out small gains in October, with the NYSE Gold Miners Index (GDMNTR)[1] advancing 0.9% and the MVIS Global Junior Gold Index (MVGDXJTR)[2] increasing 0.8%. There was some interesting news on the miners' efforts to lower greenhouse gas emissions. Most mines run diesel equipment to load and haul rock. Underground gold mines use trucks that haul up to 65

Average Annual Total Returns (%) as of October 31, 2022

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56)	-1.60	-27.65	1.48	-5.84
Class A: Maximum 5.75% load	-7.26	-31.81	0.29	-6.40
GDMNTR Index	0.92	-22.19	2.69	-6.43

Average Annual Total Returns (%) as of September 30, 2022

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56)	-0.93	-20.21	0.75	-5.94
Class A: Maximum 5.75% load	-6.62	-24.80	-0.44	-6.50
GDMNTR Index	0.43	-16.83	2.07	-6.65

Source: VanEck

The performance data quoted represents past performance. Past performance is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance may be lower or higher than performance data quoted. Please call 800.826.2333 or visit vaneck.com for performance current to the most recent month ended.

The "Net Asset Value" (NAV) of a Fund is determined at the close of each business day, and represents the dollar value of one share of the fund; it is calculated by taking the total assets of the fund, subtracting total liabilities, and dividing by the total number of shares outstanding. Investors should not expect to buy or sell shares at NAV.

† Monthly returns are not annualized. Please note that precious metals prices may swing sharply in response to cyclical economic conditions, political events or the monetary policies of various countries.

Expenses: Class A: Gross 1.34%; Net 1.34%. Expenses are capped contractually until 05/01/23 at 1.45% for Class A. Caps exclude acquired fund fees and expenses, interest, trading, dividends, and interest payments of securities sold short, taxes and extraordinary expenses.

tonnes, while open pit trucks can haul up to 300 tonnes. This is often a company's largest source of greenhouse gas emissions, making the development of non-diesel equipment the key to a green mining industry. Australian Mining writes that mining manufacturer Sandvik will begin testing the largest battery electric truck for underground mining at the Sunrise Dam gold mine in Western Australia in December, with hopes of bringing it to market in 2023. Inadequate charging time and battery life have been the main impediments to adopting underground electric haul trucks. Hopefully this truck will meet the miners' needs.

On the open pit front, Bloomberg reports members of the International Council on Mining and Metals (ICMM) plan to begin testing hydrogen and other zero-emission technologies at 50 sites by year-end. The CEO of ICMM expects mass availability of hydrogen and electric trucks in 2027, compared with an earlier projection of 2040.

Wars, inflation and recession: risks are still rising

Geopolitical risks continue to escalate. In its 2023 index of U.S. Military Strength, the Heritage Foundation downgraded the U.S. military from marginal to weak, citing shrinking shipbuilding, maintenance delays and backlogs, aging aircraft, pilot shortages, very poor pilot training, low munitions inventories, and a lack of recruits. The U.S. is spending about 3% of GDP on defense, compared to 5%-6% in the 1980's. Meanwhile, China reiterated its intentions to become a major military power and unify Taiwan Region at its Communist Party Congress.

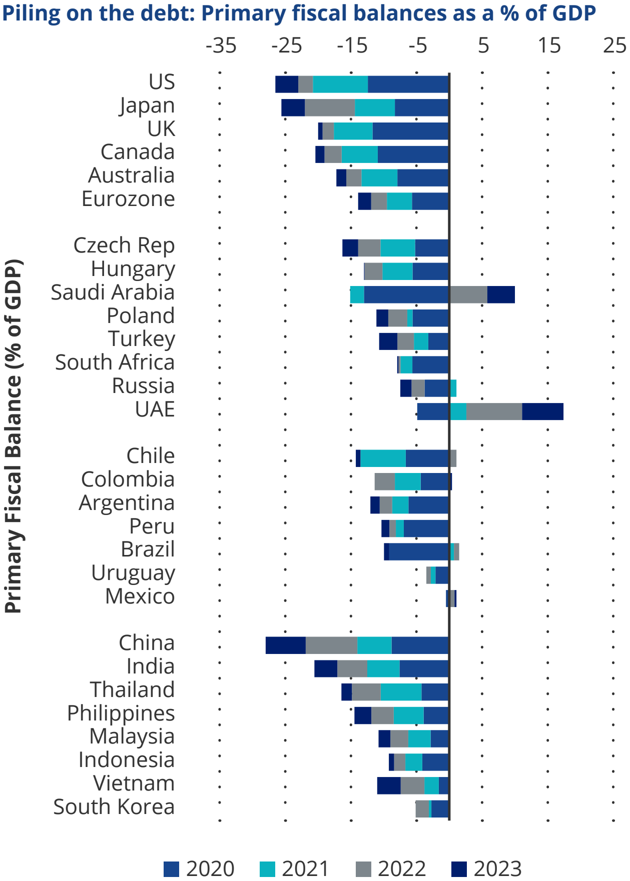
Several recent measures indicate macro risks are also growing. Both CPI[3] and PPI[4] inflation were again ahead of expectations. The CPI was up 8.5% YOY in September. A study by Deutsche Bank using 126 observations around the globe since 1970 shows that when inflation exceeds 8%, it has always remained above 2% (Fed's target) for at least four years.

In a recent Wall Street Journal article the IMF Managing Director said "a global recession is very possible". Economists on average put the probability of a U.S. recession in the next twelve months at 63%, up from 49% in July.

Debt maybe the most overlooked danger

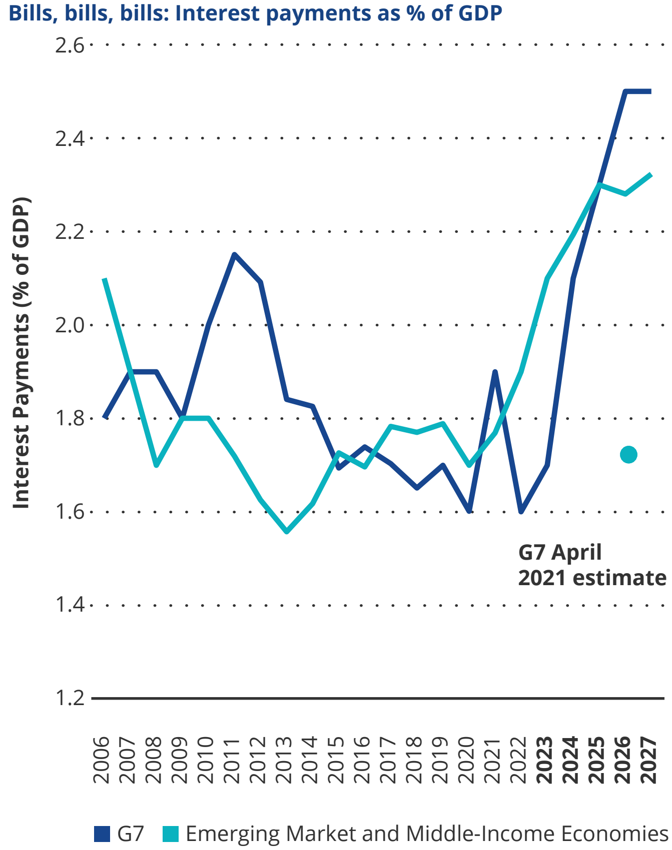
Two areas of risk that we believe are being ignored in the markets are debt and international currencies. Last month we mentioned that higher rates are setting U.S. debt service on a path to become the largest item in the federal budget. Natalia Gurushina, VanEck's Chief Economist for Emerging Markets Fixed Income, provides two charts that illustrate the problem is not limited to the U.S. The first chart shows many countries around the world have been piling on more debt, led by the two largest, the U.S. and China. The second chart indicates that, as existing debt is rolled into higher rates, debt service is set to consume a much larger portion of global GDP. The April 2021 estimate of 2026 G7 interest payments shows that few (if any) have anticipated this increase in debt service. Debt risks will likely rise as economies succumb to tighter central bank policies.

Piling on the debt: Primary fiscal balances as a % of GDP



Source: IMF Fiscal Monitor. Data as of October 2022.

Bills, bills, bills: Interest payments as % of GDP

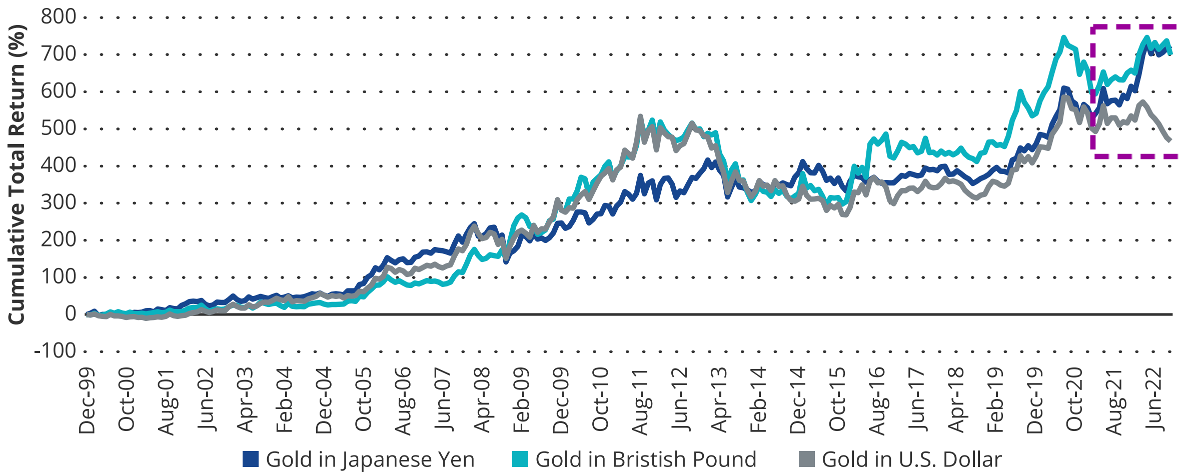


Source: VanEck Research, IMF Fiscal Monitor. Data as of October 2022.

Historic mismatch in local gold prices

On the currency front, many have been tracking the dizzying rise in the dollar and the relentless declines in many other currencies around the globe. The chart below looks at gold prices in local currencies. The gray line is gold in U.S. dollars, while the teal and blue lines are gold in pound sterling and yen respectively. Gold in local currencies periodically outperforms or underperforms, but historically all three plots tend to move in tandem. The rectangle highlights the remarkable divergence recently between gold in U.S. dollars and the other two currencies. If fact, we looked at this chart back to 1972 and there has never been such a divergence. These are not rogue nations run by a despotic dictator, they are G7 countries with major reserve currencies. These currency dislocations reflect the extraordinary risks faced by the world today. While the U.S. has problems with inflation, debt, divisive politics, crime, and a weakening military, other countries have problems that outweigh those in the U.S., allowing gold to trend higher as a local safe haven. How much longer can the U.S. be relatively insulated from the crises that increasingly afflict the rest of the world?

Mind the gap: Gold returns in dollar, yen and pound terms



Source: Bloomberg. Data as of October 2022.

All company, sector, and sub-industry weightings as of October 31, 2022 unless otherwise noted.

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[1]NYSE Arca Gold Miners Index (GDMNTR) is a modified market capitalization-weighted index comprised of publicly traded companies involved primarily in the mining for gold. [2]MVIS Global Junior Gold Miners Index (MVGDXJTR) is a rules-based, modified market capitalization-weighted, float-adjusted index comprised of a global universe of publicly traded small- and medium-capitalization companies that generate at least 50% of their revenues from gold and/or silver mining, hold real property that has the potential to produce at least 50% of the company's revenue from gold or silver mining when developed, or primarily invest in gold or silver. [3]Consumer Price Index (CPI) is a measure of the average change in the price for goods and services paid by urban consumers between any two time periods. It can also represent the buying habits of urban consumers. [4]Personal Consumption Expenditures Price Index (PCE) is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

Index returns are not Fund returns and do not reflect any management fees or brokerage expenses. Certain indices may take into account withholding taxes. Investors cannot invest directly in the index. Index returns assume that dividends have been reinvested.

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