

# Gold Stocks Seek to Reconnect With Gold in 2025



Imaru Casanova

Portfolio Manager

## VanEck International Investors Gold Fund

INIVX | IIGCX | INIIX | INIYX

### Gold Performance Amid Economic Shifts and Market Dynamics

Higher U.S. Treasury rates and a stronger U.S. dollar (DXY index<sup>1</sup>; up 2.60% during the month) continued to pressure gold in December, though less significantly than in November. Gold declined by 0.71% during the final month of the year, outperforming the S&P 500<sup>2</sup> (down 2.38%), but lagging the NASDAQ Composite<sup>3</sup> (up 0.56%). On December 18, the U.S. Federal Open Market Committee (FOMC) cut the federal funds rate by 25 basis points, which helped gold rebound from its monthly lows. However, the committee signaled fewer rate cuts in 2025, reducing the market's implied probability of additional easing. After reaching an all-time high of \$2,787 per ounce at the close on October 30, gold consolidated around the \$2,600 level, averaging \$2,644 per ounce during November and December. Gold closed the year at \$2,624.50 per ounce on December 31, achieving a yearly gain of \$561.52 per ounce, or 27.22%.

Gold's exceptional performance in 2024 marked its best annual gain in 14 years. Looking back over the past 25 years, gold only performed better in 2007 (+30.94%) and 2010 (+29.57%). This achievement is remarkable given the strong performance of the U.S. equity markets and the U.S. dollar in 2024, with the NASDAQ Composite up 29.57%, the S&P 500 up 25.02%, and the DXY index rising 7.06%, respectively. We believe this gold price action reflects a significant shift in the dynamics of the gold markets over the past two years. Central banks worldwide have emerged as a major driver of gold demand and gold prices, buying record amounts of gold bullion since 2022. Importantly, we think this new gold market reality also helps explain the significant (and to us perplexing) underperformance of gold equities relative to the metal itself.

#### Average Annual Total Returns (%) as of December 31, 2024

	1 Mo <sup>†</sup>	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56))	-7.43	14.71	5.62	7.12
Class A: Maximum 5.75% load	-12.76	8.11	4.38	6.48
GDMNTR Index	-8.58	10.64	4.62	7.69

#### Average Annual Total Returns (%) as of September 30, 2024

	1 Mo <sup>†</sup>	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56))	4.25	48.05	9.56	6.54
Class A: Maximum 5.75% load	-1.74	39.53	8.27	5.92
GDMNTR Index	3.07	50.63	9.89	7.76

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](http://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.

<sup>†</sup> 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 1.43%; Net 1.43%. Expenses are capped contractually until 05/01/25 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.

## Central Banks' Strategic Shift Toward Gold Reserves

Global central banks have been buying gold bullion as part of their reserves management, driven by a variety of factors that have gained greater relevance beginning in 2022\*. Factors include concerns about systemic financial risks, gold's role as an effective portfolio diversifier, its liquidity, its performance as an inflation hedge and its resilience during times of crisis. Additionally, gold serves as a geopolitical diversifier, a safeguard against sanctions and a component of de-dollarization policies. As a group, central banks' recent impetus to increase gold reserves appears independent of the strength of the U.S. economy, the performance of the U.S. equity markets or fluctuations in the U.S. dollar and treasury rates. It is also worth emphasizing that central banks exclusively purchase gold bullion, not gold equities.

## Shifting Gold Dynamics: Central Banks vs. Investors

Prior to this record level of gold buying by central banks over the past three years, the primary driver of gold prices historically was western investment demand, which has mostly declined since 2020. We gauge investment demand by tracking the flows into and out of global gold bullion ETFs. Investors who are buying gold bullion ETFs are often the same ones who purchase gold mining equities as a leveraged play on gold, aiming to broaden their exposure to gold as an asset class. However, these investors have been mostly absent during the recent gold rally, contributing to the widening valuation gap between gold and gold equities. While central banks have been actively buying gold, many investors have been enjoying the benefits of a relentless broader equity bull market, reducing the perceived need to own gold or gold equities.

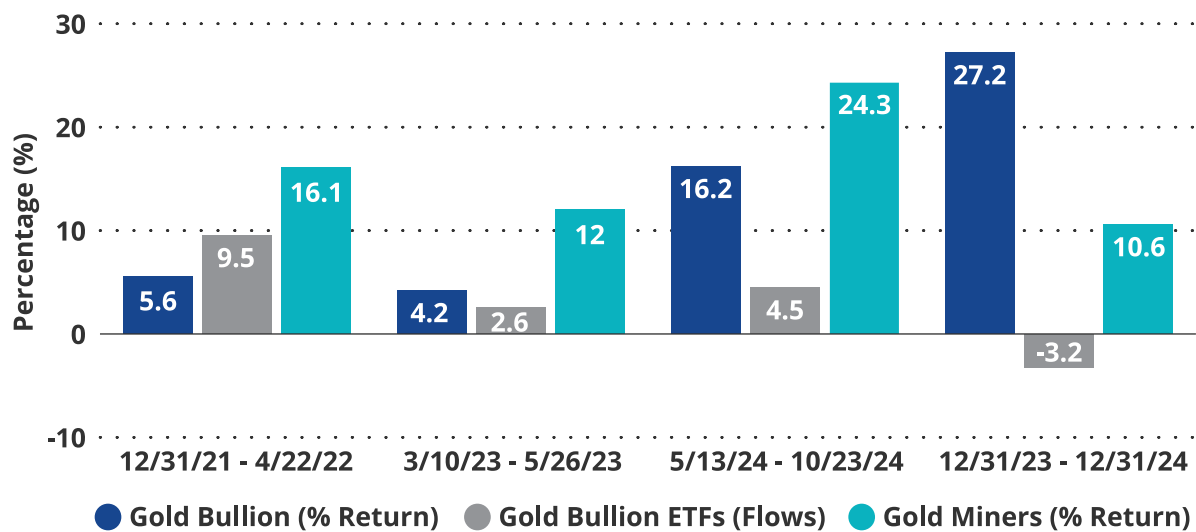
## Gold ETFs and Prices: A Growing Disconnect

We have highlighted the breakdown of the long-standing correlation between gold bullion ETF holdings and the gold price, with the gold price increasing even as investment demand declined. From April 2022 to the end of 2024, gold bullion ETF holdings fell by 22%, while the spot gold price increased by 36%. This disconnect is largely attributed to significant gold buying by the official sector in recent years.

In contrast, a strong correlation persists between gold bullion ETF holdings and the performance of gold equities relative to gold. From April 2022 to the end of 2024, the GDMNTR<sup>4</sup> has declined by 1.7%, underperforming gold by nearly 38 percentage points in a rising gold price environment. This underperformance reflects investors mostly abandoning gold as an asset class, even as central banks and non-Western investors drove gold prices higher. However, during brief periods over the past two years when global gold bullion ETF holdings increased, indicating a temporary return of Western investors, gold equities outperformed gold as expected.

The chart below illustrates the performance of gold bullion, gold bullion ETFs and gold miners across key periods from 2021 to 2024, highlighting the disconnect between gold prices, ETF flows, and miner returns during different market phases.

### Gold Miner Outperformance (vs. Bullion) may depend on the level of investment demand (Gold Bullion ETF flows)



Source: Bloomberg. Data as of December 2024. "Gold Miners" represented by NYSE Arca Gold Miners Index (NTR). Past performance is not indicative of future results.

## **The Performance Gap in 2024 between Gold and Gold Equities**

As we look back at the performance of gold and gold equities in 2024, the most resounding question will be: “Why did gold stocks fail to keep pace with gold, with a 10.64% gain (GDMNTR) compared to the metal’s 27.22% increase?”. While the gold mining industry fundamentals most certainly played a role, our best answer to this question is, “Because central banks don’t buy gold stocks”.

Gold equities remain approximately 40% below their 2011 peaks, even as gold prices have risen roughly 40% since then. When investors decide it’s time to add gold to their portfolio, for many of the same reasons central banks have been buying—market participants may no longer be able to ignore the very compelling case for owning gold equities.

\*source: <https://www.gold.org/goldhub/data/2024-central-bank-gold-reserves-survey>

**All company, sector, and sub-industry weightings as of December 31, 2024 unless otherwise noted.**

Nothing in this content should be considered a solicitation to buy or an offer to sell shares of any investment in any jurisdiction where the offer or solicitation would be unlawful under the securities laws of such jurisdiction, nor is it intended as investment, tax, financial, or legal advice. Investors should seek such professional advice for their particular situation and jurisdiction.

<sup>1</sup>U.S. Dollar Index (DXY) is a widely used measure of the U.S. dollar's strength against a basket of six major currencies: the euro, Japanese yen, British pound, Canadian dollar, Swedish krona, and Swiss franc. <sup>2</sup>S&P 500 Index is widely regarded as the best single gauge of large-cap U.S. equities. The index is a float-adjusted, market-cap-weighted index of 500 leading U.S. companies from across all market sectors including information technology, telecommunications services, utilities, energy, materials, industrials, real estate, financials, health care, consumer discretionary, and consumer staples. <sup>3</sup>NASDAQ Composite Index is a market capitalization-weighted index of more than 2,500 stocks listed on the Nasdaq stock exchange. <sup>4</sup>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. <sup>5</sup>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.

Any indices listed are unmanaged indices and include the reinvestment of all dividends, but do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in a Fund. Certain indices may take into account withholding taxes. An index's performance is not illustrative of a Fund's performance. Indices are not securities in which investments can be made.

Investments in commodities can be very volatile and direct investment in these markets can be very risky, especially for inexperienced investors.

NYSE Arca Gold Miners Index is a service mark of ICE Data Indices, LLC or its affiliates ("ICE Data") and has been licensed for use by VanEck ETF Trust (the "Trust") in connection with VanEck Gold Miners ETF (the "Fund"). Neither the Trust nor the Fund is sponsored, endorsed, sold or promoted by ICE Data. ICE Data makes no representations or warranties regarding the Trust or the Fund or the ability of the NYSE Arca Gold Miners Index to track general stock market performance.

ICE DATA MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE NYSE ARCA GOLD MINERS INDEX OR ANY DATA INCLUDED THEREIN. IN NO EVENT SHALL ICE DATA HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

MVIS Global Junior Gold Miners Index (the "Index") is the exclusive property of MarketVector Indexes GmbH (a wholly owned subsidiary of Van Eck Associates Corporation), which has contracted with Solactive AG to maintain and calculate the Index. Solactive AG uses its best efforts to ensure that the Index is calculated correctly. Irrespective of its obligations towards MarketVector Indexes GmbH, Solactive AG has no obligation to point out errors in the Index to third parties. The VanEck Junior Gold Miners ETF (the "Fund") is not sponsored, endorsed, sold or promoted by MarketVector Indexes GmbH and MarketVector Indexes GmbH makes no representation regarding the advisability of investing in the Fund.

The S&P 500<sup>®</sup> Index is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Van Eck Associates Corporation. Copyright © 2024 S&P Dow Jones Indices LLC, a division of S&P Global, Inc., and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit [www.spglobal.com/spdji/en/](http://www.spglobal.com/spdji/en/). S&P<sup>®</sup> is a registered trademark of S&P Global and Dow Jones<sup>®</sup> is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

Please note that the information herein represents the opinion of the author, but not necessarily those of VanEck, and this opinion may change at any time and from time to time. Non-VanEck proprietary information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Not intended to be a forecast of future events, a guarantee of future results or investment advice. Historical performance is not indicative of future results. Current data may differ from data quoted. Any graphs shown herein are for illustrative purposes only. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission of VanEck.

Sustainable investing strategies aim to consider and in some instances integrate the analysis of environmental, social and governance (ESG) factors into the investment process and portfolio. ESG investing is qualitative and subjective by nature, and there is no guarantee that the factors utilized by VanEck or any judgment exercised by VanEck will reflect the opinions of any particular investor. Information regarding responsible practices is obtained through voluntary or third-party reporting, which may not be accurate or complete, and VanEck is dependent on such information to evaluate a company's commitment to, or implementation of, responsible practices. Socially responsible norms differ by region. There is no assurance that the socially responsible investing strategy and techniques employed will be successful. An investment strategy may hold securities of issuers that are not aligned with ESG principles.

About VanEck International Investors Gold Fund: You can lose money by investing in the Fund. Any investment in the Fund should be part of an overall investment program, not a complete program. The Fund is subject to risks which may include, but are not limited to, risks associated with active management, commodities and commodity-linked instruments, commodities and commodity-linked instruments tax, derivatives, direct investments, emerging market issuers, ESG investing strategy, foreign currency, foreign securities, gold and silver mining companies, market, non-diversified, operational, regulatory, investing in other funds, small- and medium-capitalization companies, special risk considerations of investing in Australian and Canadian issuers, subsidiary investment risk, and tax risks (with respect to investments in the Subsidiary), all of which may adversely affect the Fund. Emerging market issuers and foreign securities may be subject to securities markets, political and economic, investment and repatriation restrictions, different rules and regulations, less publicly available financial information, foreign currency and exchange rates, operational and settlement, and corporate and securities laws risks. Small- and medium-capitalization companies may be subject to elevated risks. Derivatives may involve certain costs and risks such as liquidity, interest rate, and the risk that a position could not be closed when most advantageous. Investments in the gold industry can be significantly affected by international economic, monetary and political developments. The Fund's overall portfolio may decline in value due to developments specific to the gold industry.

Diversification does not assure a profit or protect against loss.

**Investing involves substantial risk and high volatility, including possible loss of principal. An investor should consider the investment objective, risks, charges and expenses of a fund carefully before investing. To obtain a prospectus and summary prospectus, which contain this and other information, call 800.826.2333 or visit [vaneck.com](http://vaneck.com). Please read the prospectus and summary prospectus carefully before investing.**

©2024 VanEck



Van Eck Securities Corporation, Distributor  
A wholly-owned subsidiary of Van Eck Associates Corporation

666 Third Avenue | New York, NY 10017  
[vaneck.com](http://vaneck.com) | 800.826.2333

Exchange-Traded Funds  
Mutual Funds  
Institutional Funds  
Model Delivery  
Separately Managed Accounts  
UCITS Funds  
UCITS Exchange-Traded Funds