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A habit of higher

October 2023

For investors, it feels like an episode of The Twilight Zone. What is happening, does not reflect reality. It remains to be seen, but only after the most recent Federal Open Market Committee (FOMC) meeting with the market sell off, did it seem like normal transmission may have resumed.

Until then, it appeared that the equity market was being cheerily optimistic that the Federal Reserve (Fed) would come to its rescue by cutting rates before any real economic slowdown. This is despite all signs pointing to a Fed remaining firm in its fight against inflation.

Equities markets remained strong as the market sought out any positive news stories supporting its narrative.

And there have been many. Inflation numbers continue to encourage investors. The recent earnings season was better than expected. But as companies reported earnings, forward guidance was, at best, hazy. Businesses seem wary of an economic slowdown or a period of low growth, even if equity markets are not.

The sheer velocity and the size of the rate hikes, it was thought by markets, should have brought the economy to a screaming halt. But that did not happen, and it has been a slow burn for the rate rises to filter through the economy. The market's impatience for a slowdown has been usurped by its impatience for expansionary monetary policy. The equity market is seemingly out of practice with investing in this environment.

The Fed, and its fight against inflation, remain the biggest driver of market movements. At the most recent meeting, the Fed could not have been clearer. Its pause remains just that, a pause.

The Fed has been honest in its approach and cites no reason to start cutting. Wage and labour numbers remain robust. A pivot in central bank policy may only happen if the order of magnitude, that is, the size of employment numbers and wage growth, changes significantly and this is true for both the Fed and the Reserve Bank of Australia (RBA).

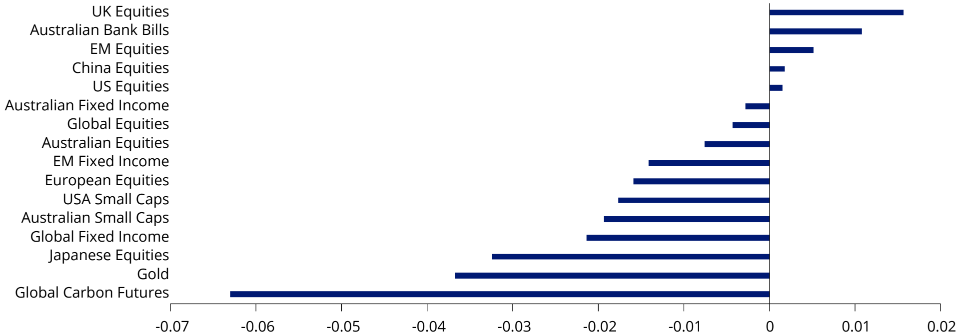
While the RBA may have a new Governor, it's also likely it will also need to continue to hike, with inflation, wages and house values rising and productivity falling.

There are many reasons the impact of the fastest and steepest rate rises in history did not have the immediate impact markets expected. To name a few these include the loose fiscal policy in the US, the ability to draw on savings accumulated during COVID and the preceding period of historically low rates that many borrowers were able to lock in and therefore shield them from new policy settings.

Market movements during the second quarter reflected the market's cheery optimism in the economic outlook. Aside from Australian Bank Bills, equities have performed best, led by the UK and emerging markets, with large caps outperforming small caps.

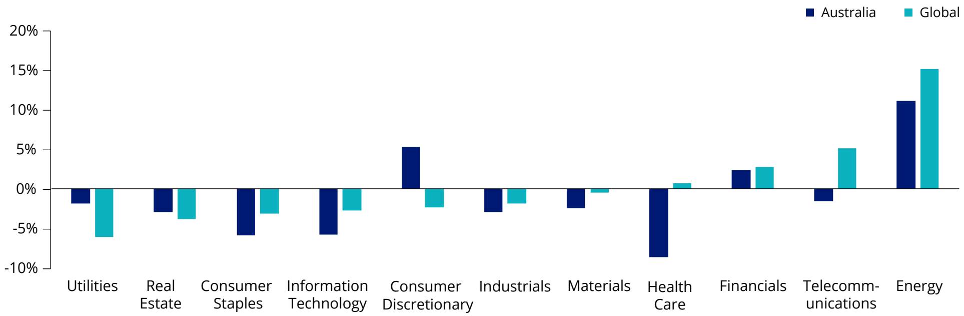
At a sector level, cyclicals such as energy and financials were the stars. Weakness in China weighed on the local bourse. That, and our lower comparative rates, pushed our dollar lower. This also explains much of the positive returns, in Australian dollar terms, of international equities.

Chart 1: Mainstream asset class returns for the quarter



Source: Bloomberg, 1 July 2023 to 30 September 2023, returns in Australian dollars. Global Carbon Futures is ICE Global Carbon Futures Index, US Equities is S&P 500 Index, International Equities is MSCI World ex Australia Index, European Equities is MSCI Europe Index, UK Equities is FTSE 100 Index, Australian Equities is S&P/ASX 200 Accumulation Index, Australian Small Caps is S&P/ASX Small Ordinaries Index, Gold is Gold Spot US$/oz, US Small Caps is Russell 2000 Index, China Equities is CSI 300 Index, Global Fixed Income is Bloomberg Global Aggregate Bond Hedged AUD Index, Australian Bank Bills is Bloomberg AusBond Bank Bill Index, Australian Fixed Income is Bloomberg AusBond Composite 0+ yrs Index, EM Fixed Income is 50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD and 50% J.P. Morgan Government Bond-Emerging Market Index Global Diversified, EM Equities is MSCI Emerging Markets Index, Japanese Equities is Nikkei 225 Index. Past performance is not a reliable indicator of future performance.

Chart 2: Global and Australian equity sectors quarterly performance



Source: Bloomberg, 1 July 2023 to 30 September 2023, returns in Australian dollars. Utilities is MSCI World Utilities Index / S&P/ASX 200 Utilities Index, Industrials is MSCI World Industrials Index / S&P/ASX 200 Industrials Index, Materials is MSCI World Materials Index / S&P/ASX 200 Materials Index, Consumer Staples is MSCI World Consumer Staples Index / S&P/ASX 200 Consumer Staples Index, Consumer Discretionary is MSCI World Consumer Discretionary Index / S&P/ASX 200 Consumer Discretionary Index, Financials is MSCI World Financials Index / S&P/ASX 200 Financials Index, Energy is MSCI World Energy Index / S&P/ASX 200 Energy Index, Healthcare is MSCI World Heath care Index / S&P/ASX200 Heath care Index, Telecommunications is MSCI World Telecommunications Index / S&P/ASX 200 Telecommunications Index, Information Technology is MSCI World Information Technology Index / S&P/ASX 200 Information Technology Index, Real Estate is MSCI World REIT Index / S&P/ASX 200 AREIT Index. Past performance is not a reliable indicator of future performance.

The price of gold barely moved during the quarter, despite continued central bank buying.

During the first half of the year, the price of gold was supported by central bank buying and the threat of a 2023 recession. Its return since the beginning of the year is above 5%.

Speculation in the yellow metal waned as the anticipated slowdown got pushed into 2024/2025, even though central bank buying continued.

Since the beginning of the year, all markets have outperformed except for China and global carbon credits futures.

Investors are worried about a potential crisis in China, or a potential government rescue package. Let's break it down to things we can know. First, Chinese policy rates are on a downward trend, and US rates are expected to be 'higher for longer'. This puts significant downward pressure on the renminbi. Second, China's equity market valuations arguably better reflect the news flow and outlook more so than the developed markets, having been punished over the past 18 months. Finally, China's targeted measures support commodities demand and consumer sectors.

China has not been the only concern for markets. We, like many others, are still mindful of private markets, namely real estate and credit. And in the face of re-pricing, we remain wary of illiquid assets.

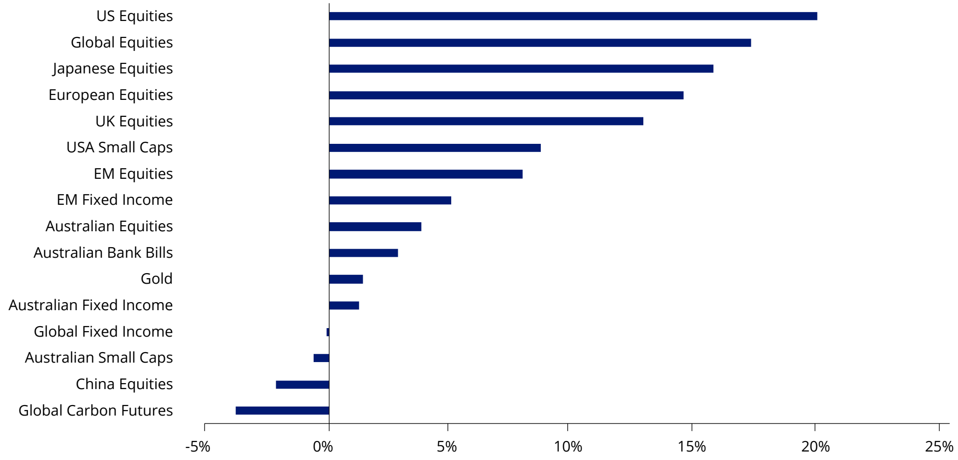
Liquidity, for investors, should be key, not only to be able to exit at a 'fair' price if needed but to take advantage of opportunities that present themselves elsewhere.

Beyond an emphasis on liquidity, we continue to think investors should focus on balance sheets and cash flow. We think, in the face of a slowdown, gold should be considered as a part of a portfolio, and gold miners if you like value. Asset allocation remains key, as prudent investors focus on what is or what can possibly go wrong. One feature of markets is that they are unpredictable.

One of Warren Buffett's better-known quotes is that uncertainty "is the friend of the buyer of long-term values." But we think it is the preceding sentence that investors should consider in the current environment:

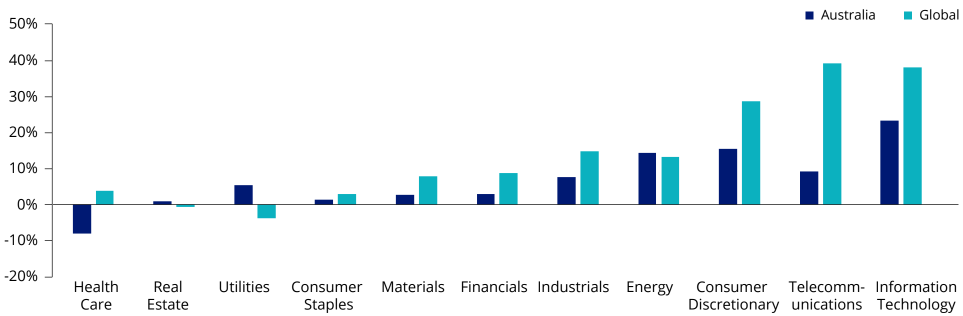
"The future is never clear, you pay a very high price in the stock market for a cheery consensus."

Chart 3: Mainstream asset class returns year to date



Source: Bloomberg, 1 January 2023 to 30 September 2023, returns in Australian dollars. Global Carbon Futures is ICE Global Carbon Futures Index, US Equities is S&P 500 Index, International Equities is MSCI World ex Australia Index, European Equities is MSCI Europe Index, UK Equities is FTSE 100 Index, Australian Equities is S&P/ASX 200 Accumulation Index, Australian Small Caps is S&P/ASX Small Ordinaries Index, Gold is Gold Spot US$/oz, US Small Caps is Russell 2000 Index, China Equities is CSI 300 Index, Global Fixed Income is Bloomberg Global Aggregate Bond Hedged AUD Index, Australian Bank Bills is Bloomberg AusBond Bank Bill Index, Australian Fixed Income is Bloomberg AusBond Composite 0+ yrs Index, EM Fixed Income is 50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD and 50% J.P. Morgan Government Bond-Emerging Market Index Global Diversified, EM Equities is MSCI Emerging Markets Index, Japanese Equities is Nikkei 225 Index. Past performance is not a reliable indicator of future performance.

Chart 4: Global and Australian equity sectors for the year to date



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Is that all there is?

The biggest risk in investing is fighting the last war. In 2021 to 2022 that meant refusing to worry about inflation or interest rates because both had been low for a decade or more. That came unstuck with the post-COVID price surge followed by central banks' belated attempts to reign inflation in.

By the latter part of last year, the US and the world were worried about the coming recession. Indeed, investors seemed almost hopeful for a recession, with no fears for earnings, and hopes for a return to that zero interest rate environment again.

And yet, despite often self-fulfilling gloom, the recession did not immediately materialise. Sure, the US economy slowed, but it slowed from a breakneck reopening pace to a growth rate nearer to a trend than nearer to a recession. Fear of a recession led to a short-term inventory-led dip, and it also helped moderate wage and price claims quicker than we anticipated.

However, the US economy was always likely to prove to be more resilient than expected. This leads to the so-called 'higher-for-longer' interest rate path.

There are plenty of reasons for that.

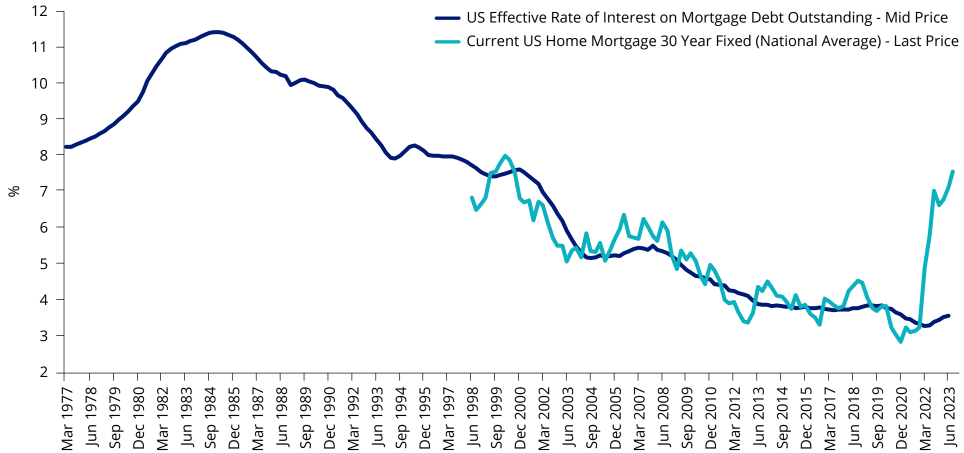
Consumers were sitting on a mountain of COVID compensation payments, which a labour market tight as a drum would encourage them to spend. While the mountain has been slowly diminishing, it is not yet gone.

Real interest rates weren't particularly oppressive, particularly at the long end of the curve, which has the biggest leverage over the actual economy. And, because the US operates, to a large extent on fixed rates, the impact on any but marginal consumers will take an extended period to build.

Finally, fiscal policy was continuing to pump. Programmes such as the Inflation Reduction Act are delivering a huge boost to the economy via private business investment, more than twice as much as initially envisaged, and it is still gathering steam into 2024 and 2025.

Chart 5: Existing US borrowers are not feeling rate rise pain

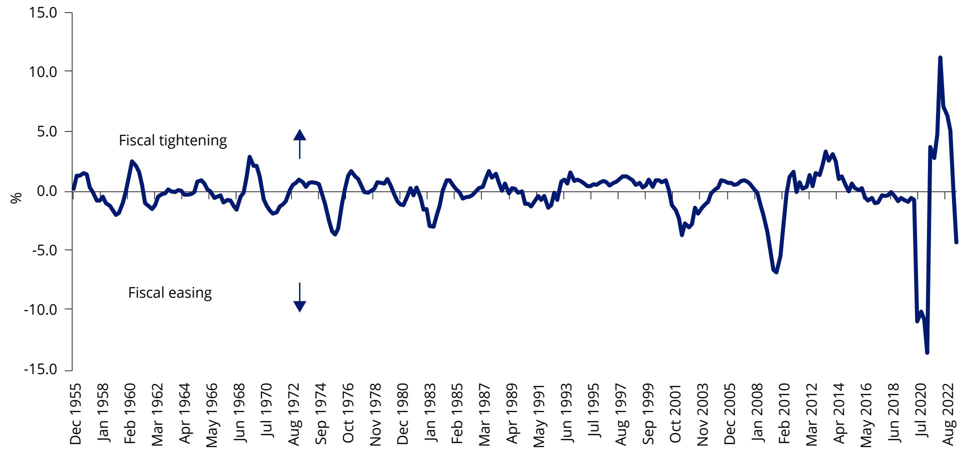
Current US mortgage rates versus rates on outstanding loans



Source: Bloomberg, bankrate.com

Chart 6: Fiscal policy is pumping

US fiscal thrust: change in the budget balance



Source: Bureau of Economic Analysis, National Bureau of Economic Research. Fiscal Thrust measures change in four quarter budget balance from budget balance four quarters prior.

Two parts to get inflation down

The better-than-expected growth and inflation outcomes have bolstered markets and seen market participants' expectations of soft landings and benign inflation outcomes soar.

We're not convinced. There are two parts to getting the current level of inflation back down:

1. The 'pig in the python', as temporary bottlenecks and supply dislocations pass through; and;
2. Getting slow-moving, less volatile inflation components down to the right level.

If the economy is going to firm through the second half of 2023 it is hard to see wages and, hence, service prices getting back down to levels that would allow inflation to settle back at its 2% target. It looks likely the economy will firm with Q3 GDP looking likely to be heading toward 4 to 5%, business investment is picking up, and jobless claims dropping back to their lows.

The 2% target is even less likely when you factor in firming oil prices and climate risks and the Ukraine war as fuel for a potential headline price rebound.

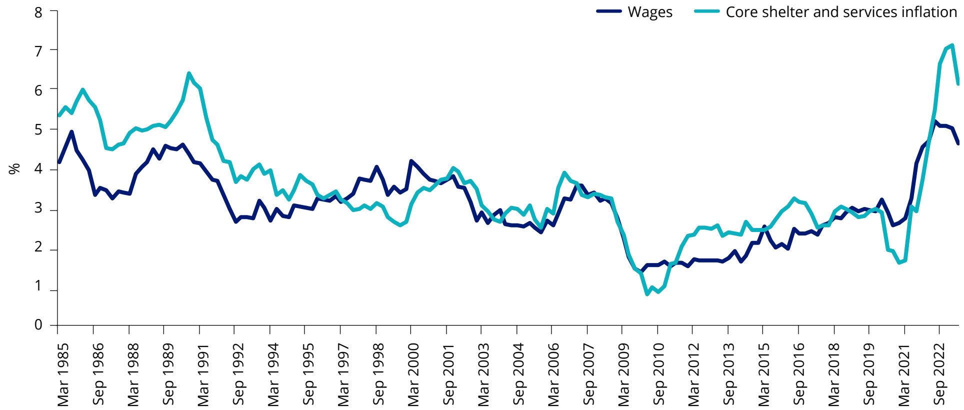
In other words, our central case remains that the US cannot achieve both a soft landing and on-target inflation: it's one or the other. And, as much as markets hope and pray for relief, we still think Fed Governor Powell will opt for caution and posterity: rates will be higher for longer, to ensure some slack is generated and inflation muzzled.

Indeed, the latest FOMC projections embody higher for longer, with equity markets immediately taken aback by higher projected rates next year. In line with Governor Powell's hints at Jackson Hole, the US has been more resistant to higher rates than the market expected. While the FOMC's median view of the long-run neutral rate hasn't moved (yet) the bias of projections continues to move steadily higher.

And, while the FOMC's central economic projections look more like a soft landing, growth has been raised, and unemployment lowered with inflation still gliding down on the same path, somehow. We think that the inflation projections may prove to be too low.

Chart 7: Wage growth and services inflation are still high

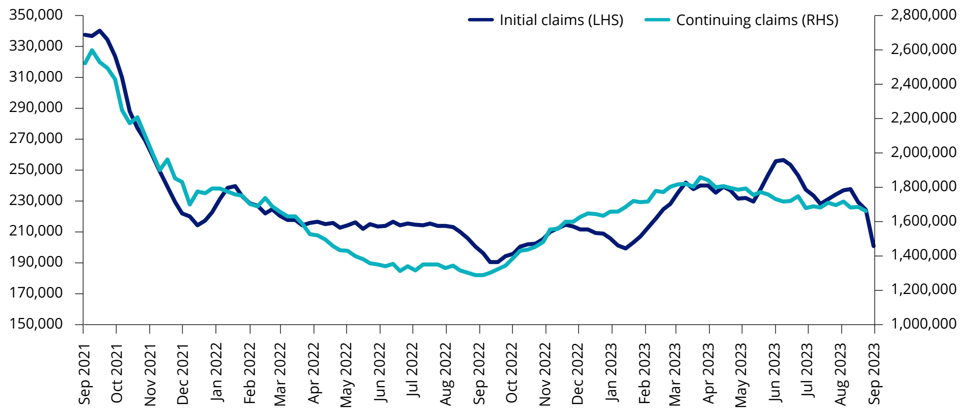
Core service inflation and wage growth



Source: National Bureau of Economic Research. Wages is ECI Wage and Salaries, core shelter and services inflation includes shelter and services ex-energy services.

Chart 8: After a moderate H1 Rise, unemployment claims heading down again

US job claims



Source: Federal Reserve Bank of St Louis.

A farewell to secular stagnation

As much as equities were buoyed by news flow, bond markets were unimpressed. Equities saw a growth outlook sustaining corporate earnings, while bond yields pressed higher. Interestingly, rising bond yields were not driven by inflation fears but by rising real yields. 10-year real yields have now hit their highest level since 2008. We're not surprised by rising real yields because there are a range of factors at play, all pointing to higher yields.

First, the era of positive supply shocks has drawn to a close. Re-shoring, friend-shoring, trade blocs, whatever you choose to call it, represents a move away from globalisation and the productivity benefits that it brings. COVID also revealed how fragile global supply chains had become, leading to businesses re-building inventories and shortening supply chains.

Second, a resurgence in government spending and debt has occurred alongside a need for massive infrastructure spending for carbon reduction, offsetting the excess savings generated by China in recent decades.

There has also been a deterioration of financial trust across the globe, driven by weaponised trade sanctions and, more pointedly, asset confiscations.

While the US dollar retains its reserve currency status, partially because currency alternatives all have their own idiosyncratic issues, foreign holders can and will demand extra compensation. If they don't obtain it via a lower US dollar, they will demand it via a higher yield.

This dynamic is occurring at the same time as US fiscal debt is burgeoning and the Fed is trying, unsuccessfully, to unwind QE (quantitative easing). The reason for the Fed's lack of success here is that it clashes with its other task of supporting bank balance sheets to avoid any banking crises.

Banks understand this and hence, are unwilling to compete with money market funds for deposits, instead preferring to get emergency liquidity from the Fed.

The result is that banks maintain their balance sheets while money market funds grow. But what do money market funds do with their deposits? By law, buy Treasuries, though the short end, not the long end. The result is 'stealth funding' of Treasuries by the Fed, undermining attempts to unwind QE, and maintaining sloshing liquidity.

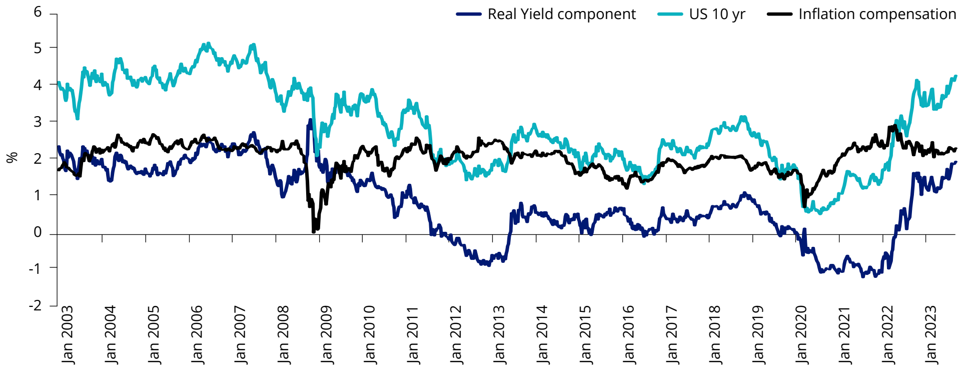
Nonetheless, this has allowed the long end of the yield curve to rise.

Far from zero yields forcing investors to chase equities, the 10-year bond yield, the so-called risk-free rate, is now miles above the S&P 500 dividend yield (1.5%) and comfortably above total earnings yield (4%), an unsustainable situation.

This might matter less if we were at the start of a long upswing, such that earnings growth will paper over the stretch. But the best-case outcome is soft landing/muddle-through, and the worst case remains hard landing/recession. There is no compensation being paid to accept risk. We've gone from TINA (there is no alternative) to TARA (there's a rational alternative).

Chart 9: Latest bond sell-off driven by real yields, not inflation fears

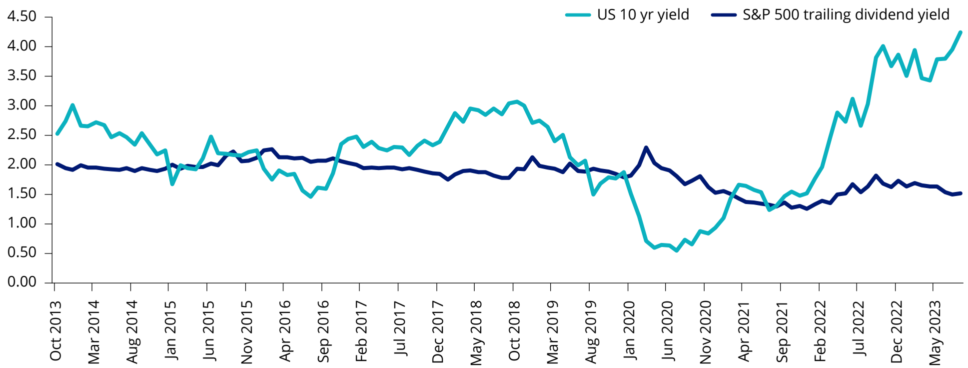
US 10-year and breakeven inflation



Source: Federal Reserve Bank of St Louis. Real yield component is Market Yield on US Treasury Securities at 10-Year Constant Maturity, Inflation-Indexed, US 10 yr is Market Yield on US Treasury Securities at 10-Year Constant Maturity, Inflation compensation is 10-Year Breakeven Inflation Rate.

Chart 10: From TINA to TARA

S&P 500 dividend yield versus US 10-year yield



Source: Factset, Federal Reserve Bank of St Louis.

Let the China calibrations begin

One of the better performing fixed income asset classes in 2023 has been emerging markets (EM) fixed income, but its third quarter was weak. In terms of bonds, local currency continued to outperform hard currency and both were up despite the uncertainty about the Fed, uncertainty about China, and commodity prices.

We still think there are pockets of opportunities in EM, equities and bonds.

EMs have one eye on US rates, and one on China.

So, while investors have grown optimistic about the US economy, the lack of a COVID re-opening bounce in China has seen concerns about the risk of a China banking/property financial crisis grow.

China's data flow has started to look a bit more promising lately, a sign that the domestic activity momentum might be bottoming out. Observers link the improvement to the flurry of activity on the policy front after the Politburo's meeting in late July, including interest rate cuts, further relaxation of real estate restrictions, and plans to address local governments' debt burden.

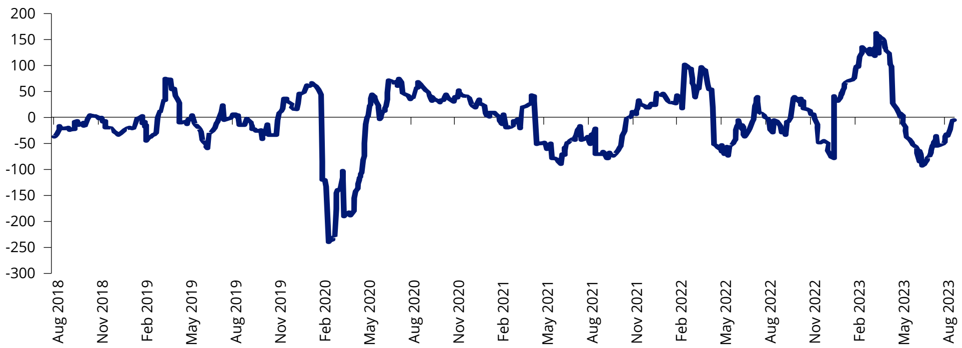
EMs are watching these developments carefully, a China rebound could provide a welcome offset to the Fed's 'higher-for-longer' policy stance, especially in EMs that have started their easing cycles. So, what are the chances that the rebound does not fizzle out, yet again?

The reinvigoration of the housing sector would be key to the government's success within the confines of China's current growth model, in part, because it can give boost to consumer confidence. A smaller-than-expected decline in property investments in August was an encouraging sign. However, it is unclear how and when the new measures will start working because the COVID-related damage to household balance sheets was worse than expected, and this can affect the appetite for big-ticket purchases. There is a lot of buzz about the urban villages' renovation program, but this is a multi-year endeavour. An important near-term 'checkpoint' would be in late October, when we have the results of the September/October seasonal real estate peak.

Authorities still have policy levers that can be pulled in the coming months. It may sound counter-intuitive, but China's de-facto policy stance tightened in the past 12 months. There are unused facilities on the fiscal side, and China's real policy rates are now much higher due to falling inflation. China's 1-year loan prime rate rose from 0.83% to 3.65% in real terms between September 2022 and July 2023. We also keep an eye on China's official growth target for 2024 – something around 5% might be indicative of continuing or accelerating policy support, whereas something closer to 4.5% could lead to disappointment.

Chart 11: China's economic surprise index is bottoming out

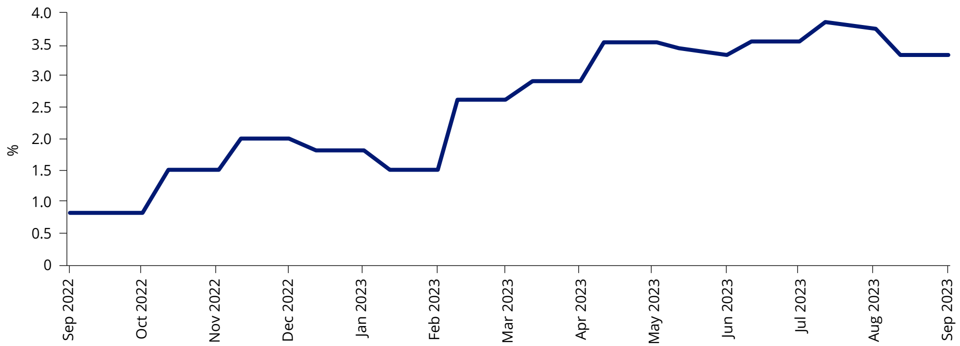
Citi Economic Surprise Index - China



Source: Bloomberg, Citi.

Chart 12: There is policy room, China has been tightening

China's real 1-year loan prime rate



Source: Bloomberg.

Nothing to see here

We think the odds of a serious financial accident in China are low. While policy response to date has been slow and piecemeal, likely reflecting a lack of appetite for reflating the property bubble authorities have been trying to deflate since 2016.

China overall appears to have the tools, funding and controls (both financial and social) to head off problems.

Indeed, comparing China's balance sheet to the US, China has the scope to transfer up to 60% of GDP from the Government sector to the corporate sector if deemed necessary. That would be around US$10 trillion.

On top of that, China is a global creditor, with capital account controls. So it can control funds/liquidity to reshuffle debts internally.

Ironically, if a major bank run/crisis somehow did unfold, shifting foreign-domiciled funds home would likely see the US dollar and US Treasuries punished!

On the other hand, the medium-term outlook for the broader economy is not great. A deflating property bubble will continue to weigh on already insufficient consumer spending; trade tensions and trading partner controls will restrain the export sector; and investment spending is already too high and inefficient. It is hard to see what would be the spark to lift growth.

Add fading demographics and rising living standards – China has reached the so-called "middle-income inflection point" - and you have the recipe for consistently slower growth going forward. Think Japan in the 80s, or South Korea from the mid-2000s.

Indeed, the Japan corollary can probably be pushed further: post-bubble, high costs and stagnant demographics pushed more and more Japanese corporate investment offshore. Perhaps China's Belt and Road Initiative and heavy push into Africa can be viewed through the same lens.

A secular slowing in growth will create longer-term political risks within China. And more immediate risks for major trading partners like Australia.

Chart 13: China balance sheet versus US

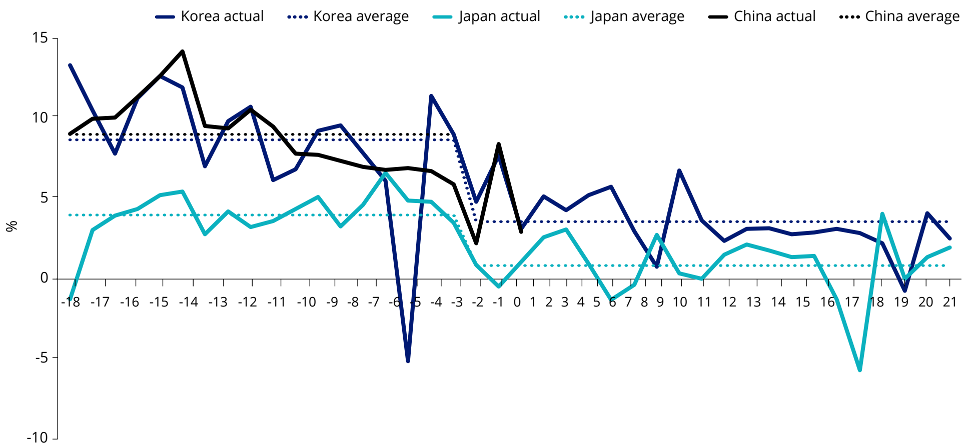
Debt to GDP Ratios by Country and Sector

	China	US
Household	64	77
Non-financial corporate	161	85
Government	66	123
Total	291	285
Fitch Rating	A+	AA+

Source: Bloomberg, China NBS, US Treasury, CEIC.

Chart 14: China's 'slowdown' is in line with Japan and Korea's

GDP annual growth rates before and after middle-income inflection



Source: IMF, China NBS.

Australia

So far, commodity prices and Australian-China trade have been holding up. This is just as well, as consumers cope with rising mortgage burdens and business confidence remains downbeat.

So far, consumer spending has been downbeat but not disastrous: COVID savings, while diminishing and maldistributed, have so far been enough to head off a real spending crunch of a wave of defaults. Indeed, bank bad debts have been below banks' expectations, so far.

Some better monthly inflation reads and so-far modest wage pick-ups have also encouraged hopes that the RBA is done with its rate hikes and the economy can muddle through.

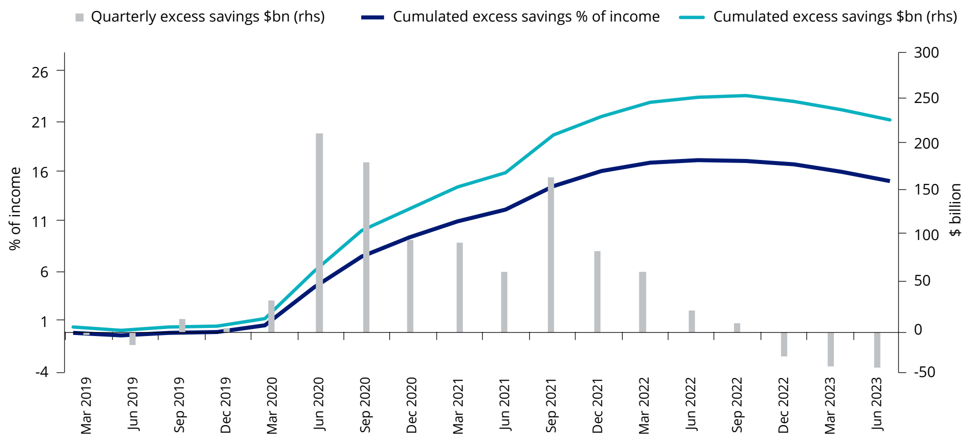
We think the outlook may be a little cloudier.

First, there's potentially a shock coming on wages. Long lags don't mean the problem has gone away, just that it takes longer to appear. And a number of factors are going to push up the September/ December quarter wage numbers including the recent national minimum wage case and award wage case, higher pay for healthcare staff, a number of bank pay settlements, higher public sector wage settlements for teachers and health.

Second, oil prices and the weaker Australian dollar will push up headline inflation again. And it looks suspiciously like the, newly minted, monthly inflation prints may not be fully capturing the apparent run of services inflation. Our central case is the RBA will deliver an unhappy Melbourne Cup Day to Australian businesses and households.

Chart 15: There is still excess savings from COVID that could last to 2025

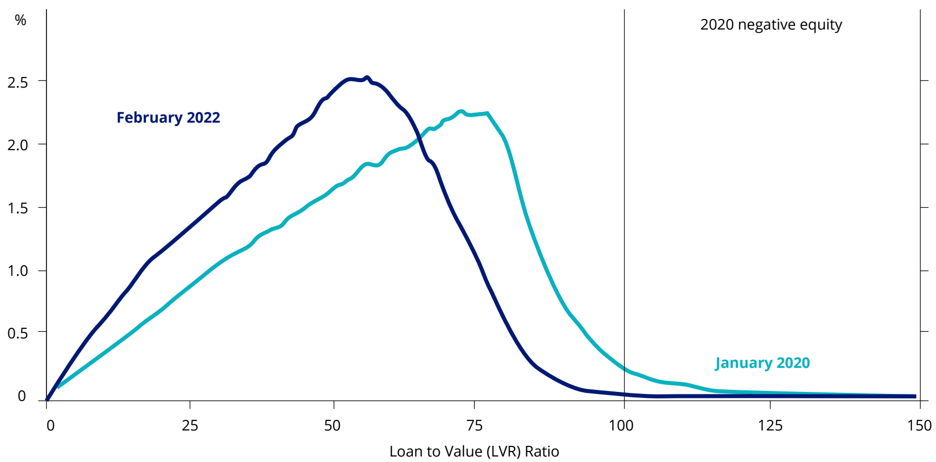
'Excess' savings: Flow and level



Source: ABS.

Chart 16: Australian borrowers were putting savings to offset loans

Outstanding loan-to-value ratio distributions, share of balances



Source: RBA, ABS, CoreLogic.

Loan balance is adjusted for redraw and offset balances, property prices estimated using SA3 price indices.

Gold miners could be value

2023 has been interesting for the gold market. Gold has been holding at its new, higher range (between approximately US$1,650 to US$2,000) for the last three years in a row now. We still think there are a few reasons the gold price can again test its all-time highs.

Looking ahead, it's easier to see more risk events with geopolitical tensions likely to continue to escalate as countries choose sides between East and West. Risks in financial markets remain notable the prospect of rates remaining elevated for an extended period.

Gold's appeal increases if the economy falls into recession. There is reason to believe too that the US dollar will be less of a headwind to gold.

Normally in this rate hiking environment, demand for gold falls, but that has not been the case this hiking cycle. Over the past four quarters, many central banks around the world have been accumulating gold reserves, and there has been a US$747 billion increase in gold reserves in central banks worldwide. Many of those central banks driving demand are not developed nations, so therefore are not as entwined to US real rates.

As the Fed starts to slow down its rate hiking cycle, and inflation falls, real yields may stagnate or even reverse. Inflation is expected to continue to run well above the Fed's 2% target.

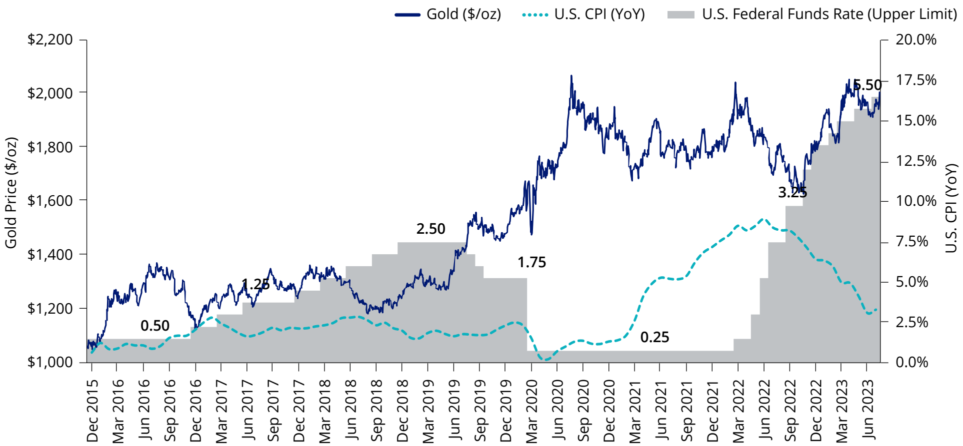
We expect that gold can rally further ahead of any Fed pause or pivot as the market becomes more certain that the end of the hike cycle is approaching. As developed market investors consider, gold trading up as the US dollar weakens in anticipation of a pause, we could see more and more gold buying.

Another interesting observation about gold markets is the dislocation between the price of gold and its miners. The valuation gap between gold equities and gold bullion widened further during the quarter. 2023 has seen positive returns for the yellow metal, but negative returns for its miners.

Gold equities are trading at a discount relative to gold and they are trading at historically low multiples. An analysis by Paradigm Capital for a universe of large and intermediate gold producers found that based on consensus expectations, gold miners are trading at a 2024 EV/EBITDA ratio representing about a 35% discount to their 10-year historical average. For reference, the S&P 500 Index is trading at a 2023 EV/EBITDA ratio that is over 10% above its 10-year average, and even with estimates coming down for next year, the 2024 EV/EBITDA consensus ratio is right in line with the 10-year average. Gold miners, we think, are showing value.

Chart 17: Gold rallies well ahead of the pause

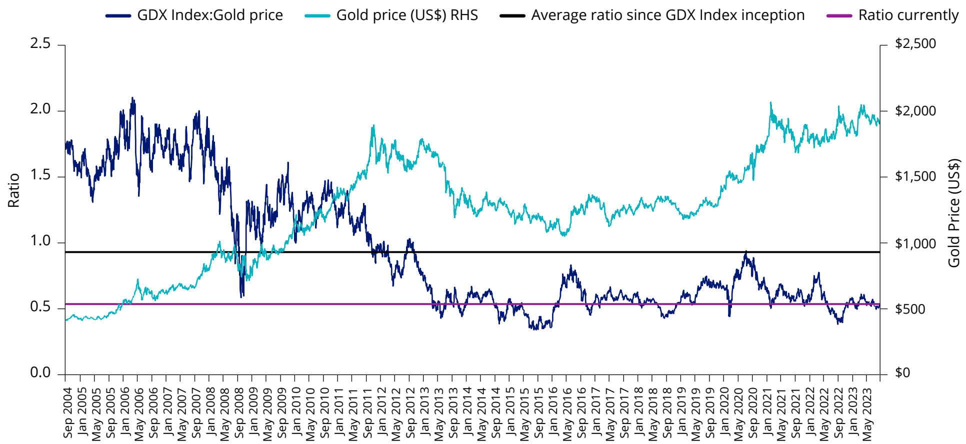
Recent interplay between gold, target Fed rates and inflation



Source: FactSet, Federal Reserve Bank of St Louis.

Chart 18: Gold equities remain cheap relative to the price of gold

Ratio of gold miners to gold bullion price



Source: VanEck, Bloomberg as at 31 August 2023. GDX Index is NYSE Arca Gold Miners Index. All returns in US dollars.

Europe UK and Japan

Elsewhere, things seem pretty much on track too, at least as far as our expectations go, though that may not be that great for the locals.

Europe continues to head into recession, thanks to the single-mindedness of the European Union (EU). Fortunately, inflation there seems to be on a sufficiently downward path that the European Central Bank is probably done hiking. Unfortunately, there seems an insufficient tide to lift Europe away from recession; in particular, China weakness weighs on EU exports, both capex and consumer goods. And the China electric vehicle export flood will further undermine EU car exports.

The UK continues to be the ugliest horse in the glue factory. The Bank of England (BoE) has tried hard to walk a more balanced line, but the economy still seems too inflation-prone, notwithstanding the latest monthly print. Wages look to be accelerating leaving the BoE far from home, with nasty decisions to make. UK firms are already feeling the heat, with bankruptcies climbing rapidly.

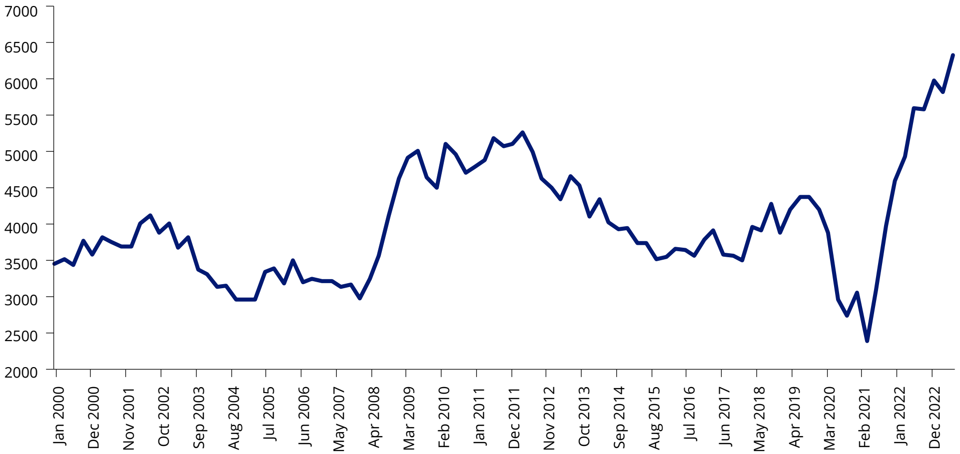
The Bank of Japan (BoJ), on the other hand, seems to be having some success at walking back its massive decades-long easy policy. 10-year Japanese Government Bond yields continue to rise in an orderly fashion, while the economy remains robust, and inflation looks sustainable. Japan equities may be compelling, though they are leveraged to global business cycle and the local currency.

The fly in the ointment for Japan remains yen weakness. Repeated disappointments and huge negative carry continue to undermine the yen, to the extent that it is hurting business confidence, via higher imported input costs.

Yen weakness seems set to continue until markets see 'the whites of the eyes', i.e. actual cash rate tightening. Indeed, short-term players appear to be record short Yen. If Governor Ueda springs a surprise tightening later this year, they could be picking pennies up in front of a steamroller. There will be yen fireworks.

Chart 19: UK firms are feeling the heat

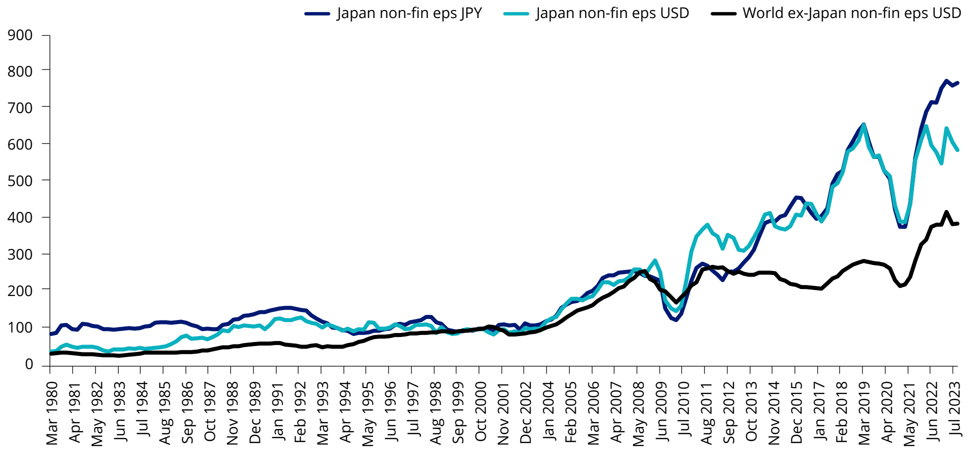
UK Corporate bankruptcies - Data to 30 June 2023



Source: Bloomberg

Chart 20: Japan non-financials outearn the rest of the world

Japan and rest of the world earnings per share



Source: IMF, National Bureau of Statistics of China.

VanEck's range of Exchange Traded Funds on ASX

Equity opportunities

VanEck ETF	ASX code	Index	Management fees (p.a.)*
Australian Broad Based			
Australian Equal Weight ETF	MVW	MVIS Australia Equal Weight Index	0.35%
Australian Small and Mid Companies			
Small Companies Masters ETF	MVS	MVIS Small-Cap Dividend Payers Index	0.49%
S&P/ASX MidCap ETF	MVE	S&P/ASX MidCap 50 Index	0.45%
Australian Sector			
Australian Property ETF	MVA	MVIS Australia A-REITs Index	0.35%
Australian Banks ETF	MVB	MVIS Australia Banks Index	0.28%
Australian Resources ETF	MVR	MVIS Australia Resources Index	0.35%
Sustainable Funds			
MSCI Australian Sustainable Equity ETF	GRNV	MSCI Australia IMI Select SRI Screened Index	0.35%
MSCI International Sustainable Equity ETF	ESGI	MSCI World ex Australia ex Fossil Fuel Select SRI and Low Carbon Capped Index	0.55%
International			
MSCI International Quality ETF	QUAL	MSCI World ex Australia Quality Index	0.40%
MSCI International Quality (Hedged) ETF	QHAL	MSCI World ex Australia Quality 100% Hedged to AUD Index	0.43%
MSCI International Small Companies Quality ETF	QSML	MSCI World ex Australia Small Cap Quality 150 Index	0.59%
Morningstar International Wide Moat ETF	GOAT	Morningstar® Developed Markets ex Australia Wide Moat Focus Select Index™	0.55%
Morningstar Wide Moat ETF	MOAT	Morningstar® Wide Moat Focus NR AUD Index™	0.49%
MSCI International Value ETF	VLUE	MSCI World ex Australia Enhanced Value Top 250 Select Index	0.40%
MSCI Multifactor Emerging Markets Equity ETF	EMKT	MSCI Emerging Markets Multi-Factor Select Index	0.69%
FTSE China A50 ETF	CETF	FTSE China A50 Index	0.60%
China New Economy ETF	CNEW	MarketGrader China New Economy Index	0.95%
Global Sector			
Gold Miners ETF	GDX	NYSE Arca Gold Miners Index® (AUD)	0.53%
Global Healthcare Leaders ETF	HLTH	MarketGrader Developed Markets (ex-Australia) Health Care AUD Index	0.45%
FTSE Global Infrastructure (Hedged) ETF	IFRA	FTSE Developed Core Infrastructure 50/50 Index Hedged into AUD	0.20%
FTSE International Property (Hedged) ETF	REIT	FTSE EPRA Nareit Developed ex Australia Rental Index AUD Hedged	0.20%
Thematic			
Video Gaming and Esports ETF	ESPO	MVIS® Global Video Gaming and eSports Index (AUD)	0.55%
Global Clean Energy ETF	CLNE	S&P Global Clean Energy Select Index	0.65%

*Other fees and costs apply. Please see the respective PDS.

VanEck's range of Exchange Traded Funds on ASX

Income opportunities

VanEck ETF	ASX code	Index	
Australian Equity Income			
Morningstar Australian Moat Income ETF	DVDY	Morningstar® Australia Dividend Yield Focus Equal Weighted Index™	0.35%
Australian Fixed Income			
Australian Corporate Bond Plus ETF	PLUS	iBoxx AUD Corporates Yield Plus Mid Price Index	0.32%
Australian Floating Rate ETF	FLOT	Bloomberg AusBond Credit FRN 0+Yr Index	0.22%
Australian Subordinated Debt ETF	SUBD	iBoxx AUD Investment Grade Subordinated Debt Mid Price Index	0.29%
1–5 Year Australian Government Bond ETF	1GOV	S&P/ASX Government Bond 1–5 Year Index	0.22%
5–10 Year Australian Government Bond ETF	5GOV	S&P/ASX Government Bond 5–10 Year Index	0.22%
10+ Year Australian Government Bond ETF	XGOV	S&P/ASX Government Bond 10–20 Year Index	0.22%
Global Fixed Income		**Index/Performance Benchmark**	
1-3 Month US Treasury Bond ETF	TBIL	Bloomberg U.S. Treasury Bills: 1-3 Months Unhedged AUD Index	0.22%
Emerging Income Opportunities Active ETF (Managed Fund)	EBND	50% JPM EMBI Global Diversified Hedged AUD and 50% JPM GBI-EM Global Diversified	0.95%
Capital Securities		**Index/Benchmark**	
Global Capital Securities Active ETF (Managed Fund)	GCAP	RBA Cash Rate + 3% per annum	0.59%

Alternative opportunities

VanEck ETF	ASX code	Index	Management fees (p.a.)*
Alternatives			
Global Listed Private Equity ETF	GPEQ	LPX50 Index	0.65%
Global Carbon Credits ETF (Synthetic)	XCO2	ICE Global Carbon Futures Index	0.45%
Gold Bullion ETF	NUGG	Tracks the price of gold	0.25%

*Other fees and costs apply. Please see the respective PDS.

Contact us

vaneck.com.au
info@vaneck.com.au
+61 2 8038 3300

VanEck-Australia
VanEck_Au
VanEckAus
VanEckAustralia

Important notice