

GOLD IS NOT ALL THAT GLITTERS - DIAMONDS ACT AS HEDGE FOR THE RICH

GENEVA: In a packed Christie's auction room in Geneva, one could hear a pin drop as two anonymous bidders slugged it out in their quest to own the world's most exquisite blue diamond. The room in the Four Seasons Hotel des Bergues was filled with multi-millionaire collectors and diamond dealers, listening intently as the bidders, each speaking by phone to a Christie's representative, took turns adding a few hundred thousand dollars in a tense struggle dragging on for more than half an hour.

When the auctioneer's hammer came down, spontaneous applause broke out as the winner, who retained anonymity, bought the 14.62-carat Oppenheimer Blue for a world record \$57.5 million for any jewel sold at auction. The sale some weeks ago was the latest in a series of world record prices per carat paid at auction for extraordinarily magnificent and rare diamonds.

With new fortunes being created around the world faster than at any time in history, more of this expanding elite of wealthy investors are looking at different ways of protecting cash that now earns close to zero percent interest in bank accounts, while asset market turbulence can wipe out millions in hours. Some are eyeing rare diamonds as a best friend, or long-term haven at least. And it's no longer just a top table of "super rich" billionaires who are gravitat-

ing to this arcane world. A second division of wealthy is emerging. They can't afford the Oppenheimer Blue, perhaps, but they can take a stake in rare diamonds via specialist investment funds.

Professional investors' club only

These gem specialists are keen to play up rare diamonds as "safety" investments, or at least a way to hedge against currency, stock and bond market volatility at a time of political and economic uncertainty. Britain's shock vote last month to leave the European Union underlines their point. "The big players are looking at diamonds in a different way," said Ehud Laniado, chief executive of Cora International, which sold the 12.03-carat Blue Moon diamond for \$48.4 million at a Sotheby's Geneva sale in November, a world record for any jewel sold at auction at the time.

"They are not looking at them just as a jewel, but as an asset that has a resale value." Citigroup said the outlook for gold remained uncertain partly due to concerns about a possible increase in US interest rates. In such a scenario, investors may look at a next-best alternative such as diamonds. However, the diamond investors' club is shut to most ordinary savers due to its complicated, insider nature - characterized by poor liquidity, a lack of price transparency and high fees. While some are making

efforts to create a liquid market, the process has been slow.

Entry level for Scien's Colored Diamond Fund II, one of the more established closed-end funds now shut to new investors, is \$1 million. It invests in diamonds in rare colors such as red. The fund, which manages around \$50 million, uses trading and buy-and-hold strategies for long-term appreciation. One of its strategies is to improve the value of stones by finding a rare matching pair in the same color, size and shape. They are eventually sold to buyers such as jewelers and collectors.

Some funds also loan diamonds to jewelers who wish not to maintain a large inventory. If the jeweler decides to make a unique ring for a client, he can buy a diamond from the fund. The Scien's fund, launched in 2014, rose in value by about 5 percent in the second quarter of 2016, said Philip Baldwin, managing director of Scien's Diamond Management BV. He and Mahyar Makhzani run the fund, based on the Caribbean island of Curacao. "Color diamonds are considered a safe haven," he said. "Colour diamonds are a hedge against inflation, currency risk, market fluctuations and political uncertainty."

Solitaire Diamond Co, another diamond-backed fund now closed to new investors, is backed by an assortment of white diamonds of high-grade clarity

and cut weighing under 5 carats, which are certified by international laboratories such as the Gemological Institute of America. Fred Sinclair-Brown, Solitaire fund manager, said it made a gross margin of 20 percent over the past 12 months, above expectations of 14 to 16 percent. He said he was planning another diamond fund for professional investors, this time possibly backed by colored gems.

Investors see sparkle

Prices of vivid and intense color diamonds have risen 10 to 12 percent a year on average since 1959, according to Baldwin. However, dealers said white diamond prices had not gained as quickly in recent years and were largely flat in 2016. The most prominent white diamond to come to auction recently, the 1,109-carat Lesedi la Rona, failed to sell at Sotheby's in London last month, highlighting that diamond markets are not bulletproof.

Diamond markets slowed in the second quarter as selective buyers pushed for deeper discounts. Polished inventory continued to rise and prices came under pressure, while rough trading remained resilient. Despite a handful of diamond-backed initiatives, fund managers have struggled over the years to find the right investment vehicles for diamonds due to illiquidity, a

lack of price transparency and high transaction fees.

"I am very dubious about diamond-backed investment because the price of diamonds is not listed anywhere and the market is too illiquid," said Edmund Shing, strategist at BNP Paribas and former global equity fund manager of BCS Asset Management. Fund managers pointed to very separate markets for white diamonds. While white diamonds can be correlated to the commercial market for bridal jewellery, colour gems are in a unique investment category. Part of the problem with diamond investing is that different categories make it difficult to compile generic prices.

A recent Citigroup poll found that about one-third of the respondents were willing to invest in a diamond product having homogeneity and liquidity. Martin Rapaport, head of the Rapaport Group, which has its own polished diamond price list widely used by the trade, is trying to create a more liquid market for investment-grade diamonds by developing a transparent price structure. He hopes to launch a fund backed by diamonds within a couple of years. "Diamonds can be a good investment, but you have to be careful," he said. "You need to know the bid/ask spread, the price you can sell diamonds back on the same day." — Reuters



CHENGDU: A hostess drinks tea during a tea ceremony during the G20 Finance Ministers and Central Bank Governors Meeting in Chengdu, Sichuan province. — AFP

BOJ TO EASE POLICY AGAIN IF NECESSARY

'HELICOPTER MONEY' PROHIBITED IN JAPAN

CHENGDU: Bank of Japan Governor Haruhiko Kuroda said yesterday he would ease policy further if necessary to achieve its 2 percent inflation goal, while reiterating a commitment to continue with the current stimulus until prices are anchored there. Speaking to reporters on the sidelines of a G20 meeting of finance ministers and central bankers in the southwestern Chinese city of Chengdu, Kuroda maintained an upbeat view on the Japanese economy and price outlook in spite of rising market expectations for more BOJ monetary stimulus.

A majority of economists polled by Reuters expect the BOJ to ease policy next week, forecasting a combination of measures in another attempt to kick-start inflation. "If the economy's (recovery) trend continues, leading wages and prices to rise in a virtuous cycle, which is continuing, prices will eventually rise to the 2 percent price stability goal," Kuroda said. "We always examine risk factors for the economy and prices and will take additional easing steps if necessary to achieve the price stability goal. I'll explain that together with Japan's economy, prices and monetary policy at this meeting."

Kuroda went on to say that the major topic of G20 debate is how Britain's vote to exit the European Union would affect the global economy. "Uncertainty will continue, including negotiations between Britain and the EU, which will take years. So we will be paying attention to such things," Kuroda said, adding that there was no change in expectations for global growth to rise despite Brexit. Kuroda also shrugged off speculation about "helicopter money", saying that it would be prohibited by law if it meant the BOJ directly underwriting government debt.

"If it means that central banks are directly underwriting government bonds, or managing monetary and fiscal policies as one, that would be prohibited in Japan as well as other advanced economies, as lessons from history tell us," he said. Japanese markets have risen this month on speculation that authorities, battling to revive an economy dogged by decades of anemic inflation, will resort to using helicopter money, possibly issuing perpetual bonds to underwrite public debt. "If governments utilize fiscal policy while central banks ease policy from the economic and price viewpoint, that would boost the multiplier effect on the economy. This so-called policy mix is nothing wrong as macro policy." — Reuters



TOKYO: A woman walks past an electronic board showing exchange rates of Japanese yen against euro (left) and British pound at a securities firm in Tokyo. — AP



TOKYO: A woman with an umbrella dressed in a maid's costume delivers advertisement leaflets to her cafe to passersby at the Akihabara shopping area in Tokyo. — AP

CHINA WORKFORCE MAY DECLINE 23% BY 2050

BEIJING: The size of China's workforce may decline by as much as 23 percent by 2050, a government official said, as the population of the world's second-largest economy rapidly ages. China's working age population, defined as those between the ages of 16 and 59, peaked in 2011 and would soon "experience a process of sharp decline", particularly after 2030, said Li Zhong, a spokesman for the Ministry of Human Resources and Social Security, at a news conference.

He forecast that last year's tally of 911 million people of working age could fall as low as 700 million by 2050 - a decline of over 23 percent. "Over the long term, macro-level data analysis shows that we must focus on the development of human resources as a whole, and study how to

more fully and more efficiently make use of labor resources," he said Friday.

China is faced with deep demographic challenges, thanks in large part to decades of the strict and at times brutal enforcement of its hugely controversial "one child" policy. The country now has 220 million people over the age of 60, Li said, accounting for over 16 percent of its total population. China's economy grew by 6.9 percent last year, its slowest rate in a quarter of a century, and its shrinking workforce has heightened the challenges brought on by sluggish economic growth.

The country has drafted plans currently pending approval to delay retirement age, with Li stating that the decision would have "limited" impact on employment for younger people. — AFP

TIGUENTOURINE GAS PLANT READY FOR FULL PRODUCTION

TIGUENTOURINE: Algeria's Tiguentourine gas plant is ready to come fully back online for the first time since a deadly militant attack in 2013, General Manager Kamel Aoues said yesterday. "Full production is for the coming days, all tests have been passed successfully," Aoues said during a press visit to the site. The plant, 1,600 km south east of the capital Algiers, is operated by Algerian state energy firm Sonatrach, BP and Statoil.

Current production is estimated at 16 million cubic meters per day, and should reach 24 million to 25 million cubic meters when the third and final section of the plant comes online, plant managers said. Algeria is a top gas supplier to Europe. Its economy is heavily dependent on hydrocarbons exports, and the OPEC member has been struggling to boost production to offset the fall in oil prices.

A source who asked not to be named said the return to full production would coincide with a ceremony at Tiguentourine on Aug. 1 attended by Energy Minister Noureddine Bouferfja and Sonatrach Chief Executive Amine Mazouzi.

In January 2013, 40 mostly foreign oil contractors were killed after al Qaeda militants attacked the plant and took dozens of workers hostage. Currently, about 20 percent of the 500 employees at the plant are foreigners. The cost of repairing the plant was estimated at \$90 million, Aoues said.

Security is handled entirely by the military, which has a visible presence around the site. Several check points have to be crossed to reach the plant. "I have been in the plant for the past two months, it is quiet and safe," security contractor Robert Sherman told Reuters during a tour around the site. — Reuters



TIASSALE, Ivory Coast: A cocoa farmer holds dried cocoa pods which were damaged by a caterpillar in a cocoa plantation in Tiassale, in the south-eastern part of Ivory Coast where insects eat vegetation including cocoa trees. Ivory Coast is the world's largest producer of cocoa. — AFP

HOW TO PREVENT A FUTURE TALENT SHORTAGE IN KUWAIT

KUWAIT: Do you sometimes have a hard time finding the skilled candidates you need? If you do, you're not alone. According to the Bayt.com Middle East Skills Gap survey, May 2016, employers report difficulty in finding the right candidates with the skill sets required to match their demands. In order for businesses to keep growing and developing, it is urgent to take action and seek long-term solutions to minimize the impact of the skills gap. Fortunately, there are some actionable steps you could do to prevent a future talent shortage for your company today. Here are some recommendations from Bayt.com, the Middle East's #1 job site, to help your company tackle the skills gap in Kuwait:

Apprenticeship and internship

Some businesses have already reaped the benefits of building their own talent pool in-house through apprenticeship and internship programs. This is a real win-win solution because, in getting their hands dirty, candidates gain hands-on experience and first-time exposure, while offering employers and hiring managers a real-time

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overview of their employable skills and qualifications. In an effort to support employers all the way through the skill-matching process, Bayt.com offers Tests, a powerful assessment tool to qualify candidates and see whether their skill sets are relevant to the employer's needs, or not.

Guidance and mentorship

Too often young talents, who are not offered the opportunity to grow and move into leadership positions, tend to turn their back on their current jobs and seek career opportunities elsewhere. The new generation of workers needs to be mentored to best penetrate the job market, develop leadership and learn how to create its own destiny. Mentoring is a tremendous resource to tap into and is growing extremely popular as a way to tackle the looming shortages of talents. It could also be a great way to motivate your current employees.

Sustainable retention strategies

When it comes to retaining qual-

ified talents in a competitive market, compensation is never enough. The problem is that, as highlighted by various researches, companies are not investing enough in training and talent development, or getting creative offering options like work-life balance.

Companies are asked now more than ever to invest in better talent development so they can build resilient experts and keep them onboard. But before that, they need to empower staff with those soft skills that have too long taken back seat. According to the Bayt.com Middle East Skills Gap survey, 'technical skills' are often seen as posing the least challenge, while 'soft skills' are regarded as most lacking. Four in 10 (42%) respondents to the survey said they believe the best solution to tackle the skills gap crisis is by having companies provide enough on-the-job training opportunities.

Applicant tracking system

We don't know what the future has in store for us as hiring man-

agers and HR professionals. But what we do know is that the workplace is continually evolving, and your pool of candidates needs to grow too to survive the changes and a marketplace that keeps getting even more competitive. The easiest way to nurture your talent pool and grow it is to invest in an applicant tracking system. Talentera, a flagship Bayt.com product, has affirmed itself as a comprehensive online solution that take sourcing, managing and hiring talent to the next level. Its applicant tracking system will help you stay on top of the recruitment pipeline, work with your recruitment flow, and make every single CV meaningful.

About Bayt.com

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