

WHY SHOULD YOU ADD GOLD TO YOUR INVESTMENT PORTFOLIO

By Dr Wafaa Sbeiti

Investment demand for gold is expanding worldwide, according to statistics from both World Gold Council and IMF data. Total world gold holdings in 2015 increased by 702.5 tons, compared with 176.7 tons in 2014, reaching 32,733 tons in December, their highest level since 2002. As stated, much of the increase is due to China's upgrade coverage of its gold standard. Between January and April 2016, China bought monthly around 11 tons of gold.



Buying in 2016 was led by Russia, China and Kazakhstan. Together they accounted for around 80 percent of the full year purchases (383.6 tons). The Official Monetary and Financial Institutions Forum's Global Public Investor 2016 report, states that "Gold has become increasingly attractive as an alternative to reserve currencies, with the euro, yen, Swiss franc, all weakening against the dollar while emerging market economies have also been keen to diversify away from US assets."

Here are some reasons, why gold is an attractive asset. First of all, we know that gold is rare. If you took all the gold in the world today and put it together, that cube would have 65-foot size and fit under the Eiffel tower. Today, there's an estimated 171,000 to 180,000 tons of gold that's ever been mined. The world's biggest gold holder is the US, with 8,000 tons, more than four times as much as China's 1,800 tons, more than five times Russia's 1,500 tons followed by Germany with 3,400 tons, Italy with 2,452 tons and France with 2,436 tons.

Universally accepted

Gold is universally accepted as money. You can sell a bar of gold anywhere in the world, in the United States, in Japan, Australia or Europe. Gold is universally recognized as real wealth. You can trade gold without worrying about counter party risks. You can go to any civilization around the world with a few ounces of gold and not even knowing the language you would be able to buy everything you need. You cannot say that about any of the paper currencies or assets that people use today.

Gold is safe haven buying

Gold is considered a safe-haven asset throughout history as it has been viewed as a store of value. It is essentially a currency that cannot be manipulated by

interest rate policies of any government and has been traditionally used as a hedge against inflation. So moving to gold make you take advantage of the potential inflation that may occur as a result.

"Gold is money. Everything else is credit" is the well-known statement by J.P. Morgan who was one of the most powerful bankers in the world. Gold is the purest form of money because everything else is credit. Literally, everything else you are taught to invest in is simply a paper asset with counter party risks. Stocks, bonds, derivatives and insurance policies and other paper assets, all at someone else's promises to pay.

The dollar and all other currencies in the world are debt-based currencies that only come into existence when debt is created. The real scary thing is that if all of the money in the world comes into existence like this where then do we get the money to pay the interest? It is a generational debt based, Ponzi scheme.

The only way this system functions is that more debt must be created every year in excess of the debt and the interest created the year before. Every generation ends up paying the debts the previous generation incurred. And obviously this can only lead to disaster as there always comes a point when the accumulated debt becomes so large that it becomes impossible to even pay the interest.

Gold is stored energy

Gold is really valued by the amount of energy that is put into finding, the mining and refining of it. It is concentrated labor and energy. Given that we are coming close to the end of an era of relative peace and abundantly cheap energy, it obviously makes sense to own some gold knowing that resources are declining and life will get more expensive and more dangerous.

Gold cannot be printed

The finding, mining and refining of gold is an incredibly difficult process. The bankers can create billions of dollars out of thin air to pay off their buddies but they cannot do that with gold.

Gold can be hidden.

Unlike all your paper assets, gold can be hidden for centuries if necessary. Having an ounce of gold in your hand is a very powerful way of taking back your sovereignty. More importantly it can be used to create generational wealth. Gold investments are extremely portable liquid and easy to store in one's home. So, gold is something that everybody should put some of their money in. If you got money in a property, some money in a bank, just put a little of your money maybe five or ten percent in gold.

Note: Dr Wafaa Sbeiti is an Associate Professor, Department Chair at the American University of Kuwait



SHANGHAI: People walk through an auto exhibition in Nanjing, in China's Jiangsu province. Global carmakers converge on China for the Shanghai auto show this week with the industry bracing for a sharp sales slowdown and potential price war as competition stiffens in the world's biggest car market. —AFP Photos



SHANGHAI: A Tesla Model S P85d car displayed at the 16th Shanghai International Automobile Industry Exhibition in Shanghai.



NANJING: People walk through an auto exhibition in Nanjing, in China's Jiangsu province.

GLOBAL CARMAKERS CONVERGE ON CHINA AS SLOWDOWN LOOMS

SHANGHAI INTERNATIONAL AUTO SHOW

SHANGHAI: Global carmakers converge on China for the Shanghai auto show this week, with the industry bracing for a sharp sales slowdown and potential price war as competition stiffens in the world's biggest car market.

Manufacturers have reaped a windfall as the fast-expanding Chinese middle class hits the road, but clouds loom as Volkswagen, Toyota, GM, and other top nameplates pitch their latest models starting this Wednesday at China's biggest auto showcase.

Passenger-vehicle sales have nearly quintupled over the past decade and logged another stellar performance in 2016, surging 14.9 percent to a record 24.38 million, according to the China Association of Automobile Manufacturers.

But volume was skewed upward in 2016 by a government purchase incentive. As China's decades-long economic boom loses lift, sales growth will essentially be flat this year and could even shrink in 2018 for the first time in memory, consultancy IHS Markit said last week.

In a boon for consumers, IHS Markit said there is already "a major price war descending on the market" as manufacturers and dealers slash prices to move growing stock.

"The threat now for international automakers is that if local players begin cutting prices ... there will be a rampant price war across the market as automakers compete to attract new car buyers," it said.

Such troubles must be kept in perspective:

China is still El Dorado for carmakers. Last year's sales set a 26th straight annual high-water mark, handily beating the record 17.55 million cars sold in the United States, which China zoomed past eight years ago to become the planet's top market. But sales were boosted by the government's halving of a 10-percent purchase tax on small-engine cars in late 2015. That tax has been raised to 7.5 percent this year and will be restored to 10 percent in 2018, with an expected dampening effect on sales.

Death by suffocation

More broadly, analysts say China's automotive landscape is rapidly maturing as consumer tastes evolve, and success will depend on manufacturers' capabilities in meeting those tastes. China now has a crowded field of mostly domestic carmakers, many of which won't survive, said Johan Karlberg, a Shanghai-based partner with global consultancy Roland Berger.

"There's just not room enough for that many players any more. Many of the smaller ones will simply die a slow, suffocating death," Karlberg said. Major carmakers remain bullish, but are scrambling to introduce a slew of new models aimed at Chinese consumers during the Shanghai show, which IHS said has taken on "major importance" as the dynamics evolve.

Manufacturers are rushing in particular to capitalize on still fast-growing demand for sport-

utility vehicles and "new energy" cars. Chinese drivers have latched on to both domestic and foreign-made SUVs as leisure interests grow and rising incomes put a second family car in reach. SUV sales are expected to surpass sedans as early as this year.

Electric vehicle sales have been government-subsidized partly to help reduce China's notorious air pollution, and the Chinese market is now the world's biggest and growing quickly.

China market leader Volkswagen, along with giants GM, Ford and a host of electric-car upstarts, all have plans to ramp up their China offerings. Ford will even try to sell its American-icon pickup trucks, while expanding its electric offerings. "We think it's a huge opportunity for us to continue to build the Ford brand here in China and continue to grow our business in China," Ford CEO Mark Fields told Bloomberg News.

Analysts say other future drivers lie in China's seemingly never-ending stock of newly-minted middle-class consumers, particularly in populous and fast-growing lower-tier cities, plus the rapid growth in car-hailing and vehicle-sharing services.

"We still have a pretty good period of growth ahead in the Chinese market. It is THE strategic market for global carmakers," said Marc Mechal, an automotive analyst with Accenture in Paris. "But now, it remains to be seen with which vehicles, and how." — AFP

IRAN OPENS NEW SOUTH PARS GAS FIELD PHASES WORTH \$20BN

TEHRAN: Iran's President Hassan Rouhani inaugurated five new phases of the South Pars gas field yesterday, the result of some \$20 billion in investment, local media reported.

The ribbon-cutting of phases 17-21 paved the way for Iran to surpass the production levels of neighboring Qatar, which shares half the offshore gas field, Iranian officials said. "Our production has reached 575 million cubic metres per day," said Rouhani. Iran's total gas production is 885 million cubic metres per day. "At the height of sanctions, with the help of Iranian engineers and workers, we succeeded in developing 11 phases of South Pars," added Oil Minister Bijan Namdar Zanganeh.

South Pars is the largest known gas reservoir in the world. Iran has the second-largest gas reserves in the world after Russia, and the fourth-largest oil reserves. In November, French firm Total signed a preliminary accord worth

an estimated \$4.8 billion (4.5 billion euros) to help develop phase 11 of South Pars, but has since said it will wait for signals from Washington before finalizing the deal.

Although many sanctions, including on Iran's energy industry, were lifted under a nuclear deal with world powers in 2015, the US has maintained a raft of its own sanctions that continue to hamper investment and cause concern among foreign businesses. Since the nuclear deal came into effect in January 2016, Iran has increased oil production from 2.6 million barrels per day (bpd) to 3.9 million, while more than doubling its oil exports.

In January, Tehran approved 29 international companies to bid for oil and gas projects. However, it is still finalizing a new contract for foreign investors—a process that has proved controversial in a country with strong memories of past exploitation by global oil firms. — AFP

EXCHANGE RATES

AL-MUZAINI EXCHANGE CO.

ASIAN COUNTRIES	
Japanese Yen	2.812
Indian Rupees	4.751
Pakistani Rupees	2.915
Sri Lankan Rupees	2.008
Nepali Rupees	2.973
Singapore Dollar	220.220
Hongkong Dollar	39.309
Bangladesh Taka	3.781
Philippine Peso	6.185
Thai Baht	8.910

GCC COUNTRIES	
Saudi Riyal	81.534
Qatari Riyal	83.977
Omani Riyal	794.049
Bahraini Dinar	811.880
UAE Dirham	83.245

ARAB COUNTRIES	
Egyptian Pound - Cash	19.500
Egyptian Pound - Transfer	16.845
Yemen Riyal/for 1000	1.227
Tunisian Dinar	133.720
Jordanian Dinar	430.900
Lebanese Lira/for 1000	2.037
Syrian Lira	2.179
Morocco Dirham	30.739

EUROPEAN & AMERICAN COUNTRIES	
US Dollar Transfer	305.550
Euro	327.700
Sterling Pound	385.910
Canadian dollar	231.040
Turkish lira	83.260

Swiss Franc	307.090
Australian Dollar	234.510
US Dollar Buying	304.350

GOLD	
20 Gram	262.570
10 Gram	134.200
5 Gram	67.950

DOLLARCO EXCHANGE CO. LTD

Rate for Transfr	Selling Rate
US Dollar	305.200
Canadian Dolla	229.720
Sterling Pound	383.610
Euro	325.475
Swiss Frank	308.465
Bahrain Dinar	809.490
UAE Dirhams	83.490
Qatari Riyals	84.715
Saudi Riyals	82.280
Jordanian Dinar	430.367
Egyptian Pound	17.001
Sri Lankan Rupees	2.009
Indian Rupees	4.738
Pakistani Rupees	2.910
Bangladesh Taka	3.807
Philippines Peso	6.156
Cyprus pound	168.425
Japanese Yen	3.810
Syrian Pound	2.425
Nepalese Rupees	3.960
Malaysian Ringgit	70.275

Chinese Yuan Renminbi	44.740
Thai Baht	9.855
Turkish Lira	83.330

BAHRAIN EXCHANGE COMPANY WLL

CURRENCY	BUY	SELL
Europe		
British Pound	0.376892	0.386892
Czech Korune	0.004159	0.016159
Danish Krone	0.039567	0.044567
Euro	0.319513	0.328513
Norwegian Krone	0.031589	0.036789
Romanian Leu	0.084681	0.084681
Slovakia	0.009153	0.019153
Swedish Krona	0.029799	0.034799
Swiss Franc	0.297938	0.308938
Turkish Lira	0.077721	0.088021
Australasia		
Australian Dollar	0.223838	0.235838
New Zealand Dollar	0.208005	0.217505
America		
Canadian Dollar	0.224038	0.233038
Georgina Lari	0.138004	0.138004
US Dollars	0.301450	0.305850
US Dollars Mint	0.301950	0.305850
Asia		
Bangladesh Taka	0.003425	0.004009
Chinese Yuan	0.042906	0.046406
Hong Kong Dollar	0.037310	0.040060
Indian Rupee	0.004249	0.004937

Indonesian Rupiah	0.000018	0.000024
Japanese Yen	0.002729	0.002909
Kenyan Shilling	0.003042	0.003042
Korean Won	0.000259	0.000274
Malaysian Ringgit	0.065600	0.071600
Nepalese Rupee	0.002958	0.003128
Pakistan Rupee	0.002727	0.003017
Philippine Peso	0.006088	0.006388
Sierra Leone	0.000068	0.000074
Singapore Dollar	0.213390	0.223390
South African Rand	0.016767	0.025267
Sri Lankan Rupee	0.001639	0.002219
Taiwan	0.009782	0.009962
Thai Baht	0.008532	0.009082
Arab		
Bahraini Dinar	0.803908	0.812406
Egyptian Pound	0.014683	0.020591
Iranian Riyal	0.000085	0.000086
Iraqi Dinar	0.000195	0.000255
Jordanian Dinar	0.425601	0.434601
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000157	0.00257
Moroccan Dirhams	0.020089	0.044089
Nigerian Naira	0.001266	0.001901
Omani Riyal	0.787215	0.792895
Qatar Riyal	0.083116	0.084566
Saudi Riyal	0.080393	0.081693
Syrian Pound	0.001296	0.001516
Tunisian Dinar	0.129147	0.137147
Turkish Lira	0.077721	0.088021
UAE Dirhams	0.081765	0.083465
Yemeni Riyal	0.000993	0.001073