Dubai leads most major Gulf markets higher

- Air Arabia rebounds a day after it posted Q2 loss
- Aldar Properties retreats ahead of Q2 earnings

Reuters

Most major Gulf bourses ended higher yesterday, with the Dubai's index buoyed by gains in Emirates NBD Bank after its digital banking services were restored.

Saudi Arabia's benchmark index added 0.3 per cent, led by a 1pc gain in Al Rajhi Bank and a 3.1pc leap in Banque Saudi Fransi.

Dubai's main share index gained 0.9pc, boosted by a 2.6pc jump in Emirates NBD Bank.

Traders watching stock movements (Courtesy of Gulf Business)

Abdulla Qassem, Emirates NBD's group chief operating officer, said the issues had been resolved and digital banking services have been restored across all channels.

Closing Bell

SAUDI	▲ 0.3pc to 7,646 pts
ABU DHABI	▼ 0.2pc to 4,360 pts
DUBAI	▲ 0.9pc to 2,115 pts
QATAR	▲ 0.3pc to 9,553 pts
EGYPT flat	■ 10,922 pts
BAHRAIN	▲ 0.5pc to 1,315 pts
OMAN	▼ 0.2pc to 3,567 pts
KUWAIT	▲ 1.3pc to 5,683 pts

Air Arabia added 1.8pc. On Tuesday, the United Arab Emirates' only listed airline retreated 1.8pc after it swung to a second-quarter loss of 239 million dirhams ($65.07 million) following a collapse in passenger traffic because of the COVID-19 pandemic.

In Abu Dhabi, the index slipped 0.2pc, weighed down by a 0.7pc fall in the country's largest lender First Abu Dhabi Bank and a 1.7pc retreat in Aldar Properties ahead of its earnings announcement.

The Qatari index was up 0.3pc, extending gains for a third straight session, with Qatar National Bank rising 0.8pc.

Outside the Gulf, Egypt's blue-chip index traded flat, as the stocks on the index moved sideways. Commercial International Bank was up 0.5pc.

Egypt's Central Bank is likely to keep its main interest rates unchanged this week, even though inflation dropped to an eight-month low in July, a Reuters poll showed.

Of 11 analysts polled, nine forecast that the central bank would leave rates unchanged at its regular monetary policy committee meeting on Thursday. Two analysts forecast a 50 basis pts cut.

Volatile gold rebounds above $1,900

Reuters

Gold rose above the $1,900 barrier yesterday as dire UK economic data renewed fears over a coronavirus-led slowdown and prompted a rebound in the metal after its steepest sell-off in over seven years in the previous session.

Spot gold, which fell as much as 6.2 per cent on Tuesday, rose about 1pc to $1,929.63 per ounce by 1218 GMT, paring sharp losses from earlier in the Asian session.

US gold futures slipped 0.3pc to $1,939.90 per ounce, while silver gained 0.9pc to $25.02 per ounce, after slumping 15pc on Tuesday.

"It's a little bit like a heavy rain after a good spell of hot weather," said independent analyst Ross Norman.

"Gold is bouncing back very strongly. Sentiment has not been damaged and by extension, you could argue that it's created an opportunity for those who maybe missed the boat on the rally to get in again."

Underscoring the economic damage caused by the pandemic, Britain's economy shrank by a record 20.4pc in the second quarter, the most severe contraction reported by any major economy so far.

> **6.2pc**
> Spot gold, which fell as much as 6.2 per cent on Tuesday, rose about 1pc to $1,929.63 per ounce by 1218 GMT

Gains in spot gold, which is seen as a safe haven during times of economic turmoil, were also helped by a weaker dollar, whose recent uptick was halted by deadlock in Washington over a stimulus package.

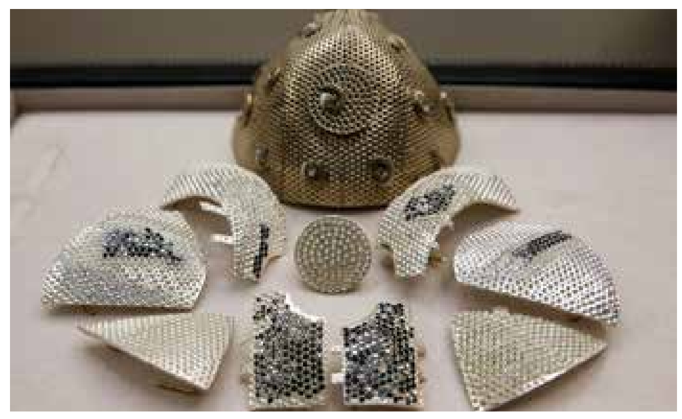
"There could be some consolidation in the near term, but the fundamental drivers pushing the metal higher remain intact," said FXTM analyst Lukman Otunuga.

"Given US (10-year) real yields have pulled back above minus 1pc for the first time this month, this is dulling some of gold's allure and encouraging (some) investors to offload bullion."

Bullion has gained 27.5pc this year, with central banks flooding the economy with money to ease the damage from the global coronavirus crisis, fuelling fears of inflation and currency debasement.

Platinum fell 0.5pc to $925.81 per ounce, while palladium rose 0.8pc to $2,106.47 per ounce.

For the art collector with everything, the $1.5 million COVID mask


Parts of a diamond encrusted gold coronavirus disease (COVID-19) face mask

Reuters | Motza, Israel

Art rather than ostentation is the rationale behind the world's most expensive coronavirus mask, say the Israeli jewellers who are crafting the $1.5 million object for an unnamed US-based client.

Made out of 18 carat gold and studded with 3,600 black and white diamonds, the mask will be fitted with an N99 filter to offer a high level of protection, said Isaac Levy, owner of the Yvel jewellery brand.

"I don't think (the customer is) going to use it going to the supermarket but he is going to use it here and there, I'm sure," said Levy. He described the client as a Chinese art collector living in the United States.

"He is a young-old customer of ours, very charming, very outgoing, very wealthy and he likes to stand out," Levy said. The jeweller plans to deliver the mask personally when it is completed, in October.

"For us, it's a way to protect the positions of the people in the factory in order for them to be able to support their families."

Next Lebanon government to face $30 billion reform test

- Lebanon had begun International Monetary Fund (IMF) bailout talks in May
- Number of Lebanese living in poverty nears half its population
- Foreign donors have made it clear that no money would be given without reforms

Reuters | London/Beirut


A view shows damaged buildings near the site of the blast at the Beirut's port area, Lebanon

Lebanon may be in line for $298 million in emergency aid after the Beirut port blast, but the more than $30 billion some estimate it may need to rebuild its shattered economy will not be forthcoming without reform.

Such change could be stalled by the resignation of Lebanon's government, while a financial rescue plan drawn up in April is likely to have to be reviewed and possibly even ditched by a new administration, two financial sources close to the plan said.

Forecasts for financial metrics such as debt to GDP and the parallel exchange rate contained in the rescue plan, which had already struggled for support before last week's deadly explosion, now look unrealistic, one of the sources added.

That is likely to push back creditor talks to restructure Lebanon's international sovereign debt.

Lebanon had begun International Monetary Fund (IMF) bailout talks in May after defaulting on its foreign currency debt. But these were put on hold due to lack of progress on reforms and differences over the size of financial losses.

Lebanon's already diminishing foreign reserves are set to be eroded faster to pay for the rebuilding of Beirut's port and other infrastructure.

"The best gauge of the government's sovereignty will be the economic plan they draft," Carlos Abadi, an adviser to the Association of Banks in Lebanon, said.

In the wake of the blast, Lebanon's external financing needs for the next four years had swelled to more than $30 billion from $24 billion, Garbis Iradian at the Institute of International Finance (IIF) estimated.

"In order to overcome the U.S. veto at the IMF, the next government will have to produce a plan which is premised on the positioning of the economy for future growth, without the possibility of billions being diverted for nefarious purposes," Abadi said.

The IMF reaffirmed its support for Lebanon on Sunday, before the government's resignation, but also the need for reforms, a point stressed by French President Emmanuel Macron last week.

With the number of Lebanese living in poverty nearing half its population, these reforms range from setting up social safety nets to protect the most vulnerable to ensuring Lebanon's wealthy elite share the burden of financial losses from bank recapitalisations.

Macron also called for an audit of the banking system, a comment that has triggered wariness among some bankers fearful the government may use the data to spare "family and friends".

French MP Loïc Kervran, chair of the France-Lebanon committee, saids such an audit would aim to uncover "unorthodox" practices which could have led to losses.

Foreign donors have made it clear that outside humanitarian aid, no money would be given to Lebanon without reforms.

Lebanon's central bank has told local banks to extend zero-interest US dollar loans to those impacted by the blast for repairs, which analysts say will come from official reserves.

These could fall by $6 to $7 bn by the end of 2020 from around $18 bn, said Nafez Zouk at Oxford Economics.