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The article titled *Protecting Gold Profits: Because Depositors Come First*, written by Dr. Fadi Khalaf for the Association of Banks in Lebanon monthly bulletin in February 2026, presents a structured argument that gold should be treated as a managed financial asset rather than a static reserve. It begins by highlighting Lebanon's exposure to valuation risk, noting that the country effectively lost around \$11 billion in the notional value of its gold reserves following a decline in prices from approximately \$5600 to \$4400 per ounce. This example is used to question the common perception of gold as inherently safe and to emphasize that the main issue lies in the absence of active management. The article positions gold as a sovereign asset that can support depositors and the economy, but only if its value is protected through professional and timely intervention, especially given that global markets follow recurring cycles of increases, corrections, and recoveries.

Dr. Khalaf supports this argument through historical evidence, showing that gold prices have repeatedly experienced sharp corrections after reaching peaks. He references key episodes such as 1974, 1980, and 2011, where declines ranged between approximately 45% and over 70%, with recovery periods extending over several years and, in some cases, decades. This pattern demonstrates that gold's long-term upward trend is not linear and that significant volatility is a structural characteristic. Based on this, the article rejects the notion that declines in gold prices are merely "paper losses," arguing instead that they represent missed opportunities to secure gains. When reserves are held at elevated valuations and then exposed to corrections, the financial system loses flexibility and potential liquidity.

This pattern is summarized in the below table:

Period	Peak Price USD/oz	Lowest Price USD/oz	Period Price Change (%)	Time to Recover Previous Peak
1974-1978	195	100	-48.72%	3 year and 3 months
1980-1999	875	252	-71.2	28 years
2011-2015	1,920	1,046	-45.50%	9 years and 2 months
Feb-Apr 2026 (War Period)	5,322	4,376	-17.80%	-
Apr-Present (Post-Ceasefire)	4,841	-	Partial recovery	-

Note: 2026 figures are based on Bloomberg closing prices and reflect short-term market movements during and after the February-April conflict period.

To quantify these risks, the author introduces forward-looking scenarios. Assuming a reference price of \$5600 per ounce, a correction of 30% would reduce prices to around \$3900, lowering the value of Lebanon’s gold reserves to approximately \$36 billion. More severe corrections in line with historical precedents – such as 45.5% or 71.2% – would have a substantially larger impact. These scenarios are presented as planning tools, reinforcing the need to incorporate downside risk into policy decisions in advance. He stresses that these are not theoretical figures but realistic outcomes based on past cycles, and therefore should be integrated into any reserve management strategy.

Within this framework, the article clarifies that the objective is not to liquidate gold reserves, but to protect their value and the profits generated from them. It outlines specific mechanisms to achieve this, including the use of hedging instruments such as options or futures, active and tactical management of gold positions, and the partial realization of gains without compromising the core reserve. In addition, it emphasizes the importance of converting part of these gains into liquidity or returns that can directly benefit depositors, ensuring that gold contributes to economic recovery rather than remaining idle.

The author further reinforces his argument by referring to international practices in gold reserve management. He explains that central banks do not limit their role to accumulating

gold, but actively engage in buying, selling, and rebalancing operations depending on market conditions. These actions are described as tactical and limited, forming part of a broader strategy of reserve optimization rather than liquidation. As mentioned in the article, examples include the Philippines conducting gold sales as part of an active management strategy, Kazakhstan implementing regular sales to benefit from price movements, and Russia monetizing part of its gold reserves in early 2026 after prices reached elevated levels. These cases illustrate that gold is widely treated as a dynamic component of national reserves rather than a fixed asset.

In addition, Dr. Khalaf highlights the importance of professional and disciplined management. He notes that public expectations around gold prices often become exaggerated during upward cycles – rising from \$6000 to \$7000 projections – only to shift to excessive concern during corrections. Such reactions are described as natural but unsuitable as a basis for national policy. Instead, he advocates for a structured approach that separates reserves into clearly defined components, including a protected core and a portion subject to active management, ensuring stability while allowing for strategic flexibility.

Furthermore, he also presents a clear policy framework for integrating gold into broader economic solutions. It emphasizes the need to build scenarios based on historical correction ranges (such as 30%, 40%, and 50%) before they occur, rather than reacting afterward. It further recommends implementing hedging strategies within a transparent governance framework, allocating part of realized gains to support depositors through practical mechanisms, and assigning specialized professionals to manage gold reserves under clear regulatory oversight. This structured approach aims to balance risk management with value preservation and economic utility.

The article titled *After Iran, gold is looking less glittery*, published by The Economist, on March 30, 2026, provides a complementary perspective by examining gold's performance following geopolitical tensions. It notes that gold declined by around 15% despite the escalation of conflict, highlighting that it does not always function as an immediate safe-haven asset. The analysis attributes this behavior primarily to rising real interest rates, which reduce the attractiveness of non-yielding assets such as gold, as well as to speculative positioning and investor flows. It also highlights the role of central banks, which in some cases sold gold during periods of high prices to support currencies or generate liquidity or

simply profits. Turkey, for example, reduced its gold reserves significantly in March 2026 to stabilize the lira, while other countries considered similar actions for fiscal or monetary and financial purposes.

The article also points out that gold has increasingly been influenced by market sentiment and investment flows, including exchange-traded funds, which saw holdings rise to around 4,200 tons during the recent rally. The subsequent unwinding of these positions contributed to the recent decline in prices. This suggests that gold is not only affected by macroeconomic fundamentals but also by short-term speculative dynamics. In this context, gold's traditional role as a hedge is more closely linked to long-term monetary risks, such as currency debasement, rather than short-term geopolitical shocks.

Overall, both texts highlight that gold's effectiveness depends on how it is managed. Dr. Khalaf emphasizes the importance of proactive strategies to protect value and secure gains, while the analysis in the article published by The Economist shows that central banks and markets already treat gold as an actively managed asset. Recent actions by countries such as Turkey demonstrate how gold can be used to address immediate financial pressures, including currency stabilization and liquidity provision. The combined analysis indicates that gold should be integrated into a broader reserve management framework that accounts for market cycles, interest rate dynamics, and policy objectives, rather than being held passively. And Lebanon should seriously consider adopting such a framework.

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