

Gemstone Forecaster

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Colored Diamonds

White Diamonds Crashing by Robert Genis

Geopolitical events and the world economy are working against DeBeers. According to the cartel, sales in August decreased 44% for a total of \$280 million vs. \$503 million during the same period last year. So far, DeBeers sales are down \$1 billion this year. Spot prices for diamonds are also decreasing, as demand is extremely weak. For example, three carat diamonds are down 15% since last September.

Signet, the world's largest diamond retailer has seen its shares plummet over 80% this year. A year ago it traded for about 70 (down from around 150). In early September, it traded under 12.

US and China

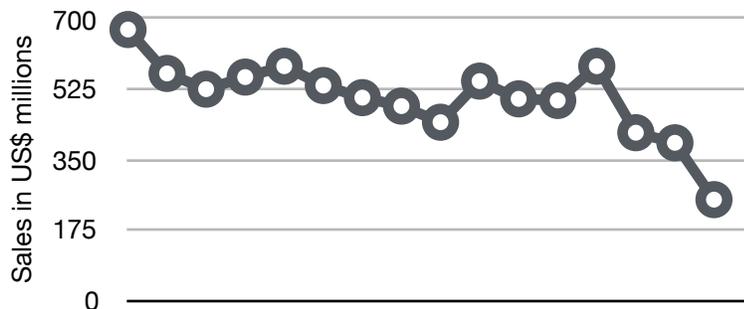
Some blame the top two markets, the US (50% market share) and China (15% market share) for the declines. The theory is the economic uncertainty in these markets is causing people to not spend money on luxury items.

Americans fear a recession is overdue. The protests in Hong Kong are not conducive to buying diamonds. The recent devaluation of the Chinese yuan makes diamonds more expensive to the Chinese. Others speculate the millennial generation is not interested in white diamonds but would rather buy colored gemstones or colored diamonds for engagement rings.

Sightholders Balk

Once one of the most exclusive memberships in the world, being a DeBeers sightholder was an opportunity to almost print money. Sights are held 10 times a year. Now these people are begging DeBeers to curtail these periodic sales because they are losing money on the deals. It is believed sightholders refused about 50% of what DeBeers offered. Many frustrated sightholders are refusing to buy at current prices, according to people familiar with the matter.

DeBeers Rough Diamond Sales



Cycle 1 2018 - Cycle 6 2019
Source: www.debeersgroup.com

This used to be unheard of, as sightholders were practically forced to take all the goods the cartel offered. They are now trying to buy as little as possible without harming their companies. It's logical to assume rough diamond prices must come down to make the business profitable for both dealers and manufacturers. The diamond industry is hoping for a strong Christmas season to pull them out of the hole.

Production Declines

DeBeers ramped up production in 2011 because they were planning on new sales in China and India by this time. It takes four to eight years to develop mining operations, and stones from newer explorations didn't hit the market until recently. However the worldwide economies are dramatically worse than expected. So DeBeers has decreased production this year to 31 million carats from 35 million in 2018. Even so, supply continues to outweigh demand.

Financing Issues

Financing is another problem. Besides the major players, the diamond market is made up of small traders, cutters and polishers. There are tens of thousands of small and medium sized businesses involved in the diamond trade. These companies, primarily in Belgium and India, have had their bank lending severely curtailed. Banks were recently stung by bad loans and fraud by Indian diamond dealer Nirav Modi. Now they are leery of this secretive business. A weaker rupee also makes diamonds more expensive for Indian manufacturers.

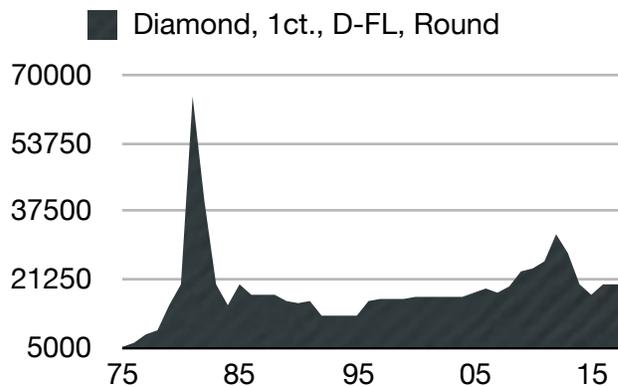
Lab Grown Diamond Competition

Another major factor is the new lab-grown diamonds. They sell for 25-75% of the real natural stones. The difference is so difficult for the average consumer to detect, why pay more for a real diamond if no one can tell? This reality is eating into the diamond market sales and profits. Although only 2% of the market today, these lab-created diamonds are expected to grow by 15-20% per year.

Why Colored Stones and Colored Diamonds

We remember when one carat, D-FL diamonds were about \$65,000 per carat. We were all thinking it was just a matter of time before they broke \$100,000 per carat. Of course, that was the top of the white diamond market and prices

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crashed. Literally, white diamonds really haven't done anything the last 40 years. (See D-FL Chart) Why? They really are not rare. We stopped recommending white diamonds for collectors/investors in the early 80's. This is not to say you shouldn't buy your fiancé one if you are proposing marriage. After all, this is an American rite of passage. Just use your head, do research and buy the least expensive one you can find in the quality you want.

Gold and white diamonds used to be price correlated, generally rising and falling together. That is no longer true as evidenced by the recent run up in gold and the weak diamond market. Instead of white diamonds, people buy T-bills, bonds, gold, crypto currency, real estate, colored diamonds and precious gems as a "go to" haven when they are worried about the economy or geopolitical strife. White diamonds are off the radar.

Why has the international market turned to collecting colored diamonds and colored gemstones? Generally speaking colored gems and colored diamonds are truly rare, geological miracles that are mined in politically unstable regions such as Burma, Colombia, Sri Lanka and Africa. Miners in Burma are lucky to find any gem rubies anymore. On the other hand, diamond production annually is in the millions of carats. DeBeers has marketed a false rarity.

What does it all mean?

Quality gem and colored diamond demand may continue to increase as collectors/investors move further away from white diamonds in search of other private asset-based, hedge vehicles. A simple rule of economics is when the supply of any commodity decreases, prices tend to increase. Regretfully for the diamond people, supplies are increasing and prices are decreasing.

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Gem News

Move over diamonds – rubies, sapphires and emeralds are a girl's new best friends

South China Morning Post

by Gloria Fung

June 28 , 2019

An interesting article but misses some important points. Yes, white diamonds have not really broken any records since 1993. However, the main reason is colored diamonds have been the rage since 1987. What happened at Christie's was the Sultan Of Brunei was rumored to have bought the .95 red round diamond for \$880,000, plus a 10% buyers commission. This set a new world record per carat price for any colored diamond at the time, of \$926,000 per carat. Of course, if you follow the auction market, you know these colored diamond prices seem to break new records every auction.

Finally, the recent sale of the 17.43 Kashmir at Bonham's is not a record breaker. The "Jewel of Kashmir," a 27.68 sapphire set a per carat auction record for sapphire in 2015. It sold for \$6,745,688 or \$243,703 per carat at Sotheby's Hong Kong. This actually proves the article's point better, that colored gemstones are rivaling white diamonds in price. Edited for space. ED

Among the 'big three', rubies and emeralds are surpassing colorless diamonds in record per-carat price. There is talk now that it won't be long before sapphires overtake diamonds too.

Forget diamonds – rubies, sapphires and emeralds are likely your best bets if you want your jewelry to make you rich.

The 'big three', emeralds, rubies and sapphires are continuing to achieve impressive prices at auctions.

Colored gemstones are outpacing the growth of diamond prices per carat, according to a new report. Knight Frank's Luxury Investment Index concludes that, at the end of January 2019, the jewelry category as a whole experienced a five per cent decline in value but colored gemstones continue to harbor opportunities for investors.

Everyday gems – the stepping stone to luxe jewelry Andrew Shirley, head of luxury research at Knight Frank observes this trend. "The interesting story is that colored gemstones are outperforming the wider jewelry market with

some significant sales taking place already in 2019."

Rubies are fetching the highest prices of all when comparing the record per-carat prices of the ruby, emerald, diamond and sapphire. The highest per carat price achieved by a ruby is the 15.04-carat Crimson Flame that sold for US\$18 million, or US\$1,196,809 per carat in 2015; the US\$5.5 million, 18.04-carat Rockefeller Emerald, achieved a record per-carat price of US\$305,516 in 2017. Emerald prices are performing well, comfortably surpassing diamonds. Meanwhile, the record holder for the world's most expensive colorless diamond is the 76.02-carat Archduke Joseph. The per-carat price of the US\$21.5 million diamond is US\$282,485. The record was set in 1993, suggesting that there has not been a significant breakthrough in white diamond prices in the past two-plus decades.

The sapphire is the only gem among the "big three" that has not surpassed the colorless diamond in per-carat price, which, if recent auctions at Bonham's London is any indication, could change very soon. A 17.43-carat Kashmir sapphire ring sold for £723,063 (US\$916,600), or \$52,000 per carat, significantly exceeding the high estimate of £400,000.

The price of rough emeralds are also on the rise. CEO of Gemfields, Sean Gilbertson agrees that it is only a matter of time before the sapphire hits the big time. "The swing towards precious colored gemstones is overwhelming. The past decade has seen the world record prices for an emerald and ruby surpass that of a colorless diamond on a per carat basis. It surely can't be long before sapphires overtake diamonds too."

As with any commodity, prices are driven by interest and demand, and there's no shortage of that among gem lovers.



Source: Bonham's 17.43 Kashmir sapphire

International Gem Reports

India

Ultra rich have a new passion: Colored gemstones

The Asian Age

by Sangeetha G

June 26, 2019

Only 7% of wealthy Indians own colored gems. Seems surprisingly small, given their history and proximity to world gem markets. Edited for clarity. ED

Among colored gemstones, ruby, emerald, sapphire and colorless diamonds were in huge demand during recent auctions. In what could be good news for India's gems and jewelry industry, ultra high net-worth individuals (UHNWIs) globally are getting more passionate about colored gemstones.

In April, a 17.43-carat Kashmir sapphire ring was the top draw at Bonham's London sale. Formerly owned by a European noble family, this Kashmir sapphire ring fetched £723,063, US\$916,600) far exceeding its £300,000 to £400,000 guide price. Data from Fancy Color Research Foundation show a 15.04 ruby was recently auctioned for \$1,196,809 per carat, an 18.04 emerald for \$305,516 per carat, and a 76.02 colorless diamond for \$282,485 per carat. Colored gemstones have provided 113 percent returns for a 10-year period, finds Knight Frank Luxury Investment Index for Q1 2019.

"Promising auction prices of colored gemstones depict that consumers prefer high-quality gemstones that are rare to collect and unique in designs. More than 100 percent incremental value of the gemstones and jewelry over a decade have made them lucrative asset investment classes than just purchasing it for aesthetic value. Much of the rising popularity of colored gemstones is due to growing awareness and developments that have boosted consumer confidence, such as widespread certification, more industry transparency, and gemological analysis," Shishir Baijal, Chairman & Managing Director, Knight Frank India.

However, Indian ultra rich have just started realizing the potential of colored gemstones as a mere 7 percent prefer them as an asset class. They are passionate about making investments in art, followed by watches and cars. Almost 69

per cent ultra high net-worth individuals in India find art as their investment of passion. This passion is not without any fundamentals. Art as an asset class has made 148 per cent value gain in a 10-year period and has appreciated 12 per cent in 12 months.

A majority of UHNWIs, 52 per cent, like to invest in watches, which have provided returns of 73 per cent in the longer term of 10 years and 5 per cent in a shorter term of one year.

Around 38 per cent of the ultra rich invest in luxury cars. Though, in the short-term, returns from cars have been rather flat at one per cent, in a 10-year time horizon, it gave a high return of 189 per cent.

Ultra rich are equally passionate about whisky and jewelry, as 31 percent has chosen these asset classes. While whisky provided the highest return of 563 per cent in 10 years, jewelry value too doubled at 112 per cent. Even for a yearly term, whisky appreciated 35 percent.

Thailand

Eking out a living off dwindling gem deposits

National Khmer Times

by Khuon Narim August 21, 2019

Business remains tough in Thailand for small gem miners. ED

Once a buzzing hub of miners digging for gems, Sala Krao district in Pailin province has become quiet as its deposits of precious stones dwindles. Miners here say deposits nearly disappeared following an influx of Thai companies in the 1990s, but some still hold out hope of unearthing a life-changing gem.

Sala Krao district, Pailin province – Miners once flocked here to plunder an abundance of precious gemstones, but the scene has gone quiet in recent years as deposits dwindle.

Chea Toeu, a local resident, says not as many villagers mine for precious stones any more, not nearly as many as the district's heyday in the 1970s.

The 57-year-old former Khmer Rouge soldier says he has been mining gemstones for nearly two decades, noting that there aren't as many gems to be found any more.

"There's only a little remaining since the Thais heavily mined them in the 1990s," Mr Toeu says,

referring to a mining boom when Thai companies flocked to the region.

"Pailin was a hub of treasure in gems, but that's in the past now, as it's rare to come across gems nowadays," he adds.

Mr. Toeu, along with his son, recently searched for gems down a stream approximately 10 kilometers away from Pailin city, where they only found small pieces of rubies.

He adds that a few months ago, he found some sapphires in Stung Kach commune's O'Being village.

"We can't rely on this job for a living. It's more like an adventure of sorts, and one that depends on luck," he says.

Mr. Toeu says some people in the past have been very lucky and found gems worth up to \$20,000.

"There are now fewer people mining because most of the time they find nothing," he says.

He notes that in the past, mining was free, even if it was done on a privately-owned plot of land. If any gems were found, the miners were expected to share some of the profit with the land owner.

"It used to be free. We would share about 30 percent of the profits with the land owner and we keep 70 percent," Mr. Toeu says. "But now we have to pay to just dig."

People who want to mine are expected to pay a fee to landowners even before they find anything, he notes.

"Sometimes you're unlucky and you don't even get back 100 riel because you already had to pay a fee. That's why many have stopped mining," he says.

Most villagers have turned to planting longan and cassava for a living or have found other employment, he notes.

Mr. Toeu says that mining is physically straining and has no guarantee of any benefits; nonetheless, he pans for gems for 10 hours in one day.

"This job is very hard work, and if you're not patient, you won't be able to do this," he says. "It's difficult."

"You have to dig for rocks, some from river streams, there's also a lot of lifting, then carefully panning for the gems, and sometimes we fall on rocks," he adds.

Mr. Toeu displays what he has recently found, pointing to his collection of rubies and sapphires.

"The red one is very expensive, it can be worth from \$30 for a carat, some up to \$500 for two carats. Meanwhile the blue one, a two-carat stone is worth only about \$100," he says.

Mr. Toeu says he continues to mine despite the risks and uncertainty.

"I am still doing this because I don't have any other job besides farming," he says.

Kao An, 56, also a former Khmer Rouge soldier living in the region, says he has been mining since 1991.

He echoes Mr. Toeu's sentiment, noting that gemstones have become scarce after Thai companies heavily mined the area.

"We can't make a career out of mining, because we may not even find one gemstone in an entire day," he says, noting on the uncertainty. "If we're lucky, however, we can earn \$100 to \$200."

After the Khmer Rouge regime was overthrown in 1979, Pailin became known for its natural resources, namely precious stones and timber.

However, Pailin continued to be a stronghold of the Khmer Rouge in the 1980s as the region's mountains and thick jungles formed a natural barrier to shelter guerrilla fighters.

After the surrender of the Ieng Sary faction of the Khmer Rouge in 1996, Pailin province, which borders Battambang province, was carved out of the latter to become a separate administrative division.

Pov Kosal, 43, a villager, recalls how the Thai mined the area with machines and excavators in the 1990s.

"Gems used to be abundant in past decades, and if the Thai hadn't come to mine it, gems here could feed Pailin people for generations," Mr. Kosal says.

He noted that Thai companies slowly abandoned mining throughout 2000 until 2006.

"During the late 1990s, gems were scattered everywhere and every miner could find gemstones," he says. "But now, for me, I can earn about \$10 to \$20 dollars over days because we can hardly find gems."

Keout Sothea, former governor of Pailin province and a government advisor, confirms that gemstone mining in the area has been in decline.

“It’s been declining because there’s now hardly any gems, if compared to past decades,” Mr. Sothea says.

He says that previously, Thai companies actively mined the area, along with the Khmer Rouge, noting that together they excavated the majority of the stones.

“Now there are no companies operating in the mining industry, and only several people remain who mine when they have free time from farming,” Mr. Sothea says.

Hap Karim, 49, a gemstone buyer in the area, says there are now fewer gems as fewer people are mining.

“There aren’t many gemstones available any more and fewer people are mining,” he says.

However, Mr. Karim notes that he continues to support the mining industry in Pailin.

He says he provides machines to help poor people to mine so they would sell the gems to him in return. He adds that gemstones in Pailin are worth more.

“When gemstones are rare, they become more expensive,” he says. “Foreign gemstones are cheaper than gems in Pailin.”

Khoeun Sreytouch, 32, a gemstone shop owner in Pailin city, says her business remains running despite fewer people mining.

“We have a large storage of gems so we are not worried,” she says.

She notes that the price of gems will only continue to rise, adding that the stones are made into valuable jewelry.

“A good quality gem is worth thousands of US dollars, especially rubies,” Ms. Sreytouch says. “My business is still going strong.”

The world’s most exclusive yoga mat will set you back US\$15,000

**Lifestyle Asia
June 30, 2019**

We used to go to yoga for the savasana. Now we can go for the gems. ED

If you’re a discerning yoga practitioner, chances are you already know the role a good yoga mat plays in ensuring a serene, effective session. But what if we told you that you could boost your energy field several notches simply by switching to a more exclusive yoga mat?



Source: Chakracarma

Enter Chakracarma yoga mats: Made of handcrafted leather and studded with precious gemstones, the mat aims to help you activate your chakras and offer a luxurious healing experience. You’d better hope for a truly transcendent experience, however, because prices for a Chakracarma mat start from US\$15,000 (over HK\$117,000) up to more than US\$100,000 (approx. HK\$780,875) depending on customization and the weight or carat of the stones you select.

These ultra luxurious yoga mats are designed to elevate your everyday yoga experience. Each mat gets its sparkle from a selection of gems: a diamond (0.70 carats), ruby (3.5 carats), emerald (1 carat), sapphire (2.5 carats), amber (3 carats), opal (2 carats) and carnelian (3 carats). These jewels are not merely decorative; each of them carries specific vibrations that help clear and charge your chakras, from making you feel grounded, connected and healthy, to feeling strong, creative and compassionate. There’s a stone assigned to every chakra in your body, so a yoga session on a Chakracarma mat is meant to be nothing short of a healing experience. Gemstone weight can also be completely customized to your preferences.

The mats use ethically sourced gemstones and only the finest, vegetable-tanned leather. In fact, using skins for meditation was a prevalent practice in ancient India, as yogis believed it created deeper connections with the self and the universe. These chic mats not only offer great grip and support, but also age gracefully, crafted to look even better with time — which is why they come with a lifetime guarantee.

The yoga mats are handmade in Los Angeles by leather and jewelry artists, and they can be shipped worldwide by courier. It's said that the feeling of utter bliss and joy that follows a yoga session is priceless — perhaps spending such a hefty sum on your new precious yoga mat might just be worth it.

Colored Diamonds

Not just diamonds, colored diamonds are a girl's best friend

BGFN

**by Boyana Ivanova,
July 17, 2019**

A very well done basic primer on investing in colored diamonds. ED

Diamonds are a girl's best friend. But if you are the colorful sort of girl, why restrict yourself plain, old white diamonds. Because other than all the shapes and sizes that diamonds come in, diamonds also occur in various colors. Some of the most popular colors include hues of red, pink, blue and yellow. In fact, yellow diamonds are some of the most popular choice for engagement rings. As you might be aware, the GIA has a specific color grade for all diamonds. While at first glance, a regular shopper may describe a regular, colorless diamond as white or transparent, there is more to color than meets the eye.

Fancy Colored Diamonds

Fancy colored diamonds as they are called are basically yellow, red, pink and blue colored diamonds - that belong to a separate group. The color scale used for grading them is also different.

Their terminology also differs from that of white diamonds. That is, a red or pink colored diamonds will have three different color variants: Fancy Red, Fancy Deep Pink and Vivid Red. Or a blue diamond's nuances will have many differences from Faint, Very Light and Light Blue as well as Fancy, Fancy Light, Fancy Dark, Fancy Intense, Fancy Deep, Fancy Vivid.

How do diamonds get their natural color?

The most common cause of color in diamonds is the presence of trace elements inside the diamond's chemical structure.

For example, the presence of nitrogen in diamonds gives it a yellow tint. And because nitrogen is so abundant in the environment - approximately 70% of air is nitrogen, it is not surprising that a large number of diamonds have a tinge of yellow.

Whereas, boron results in a bluish looking diamond that is extremely rare and therefore highly valuable.

Why colored diamonds are a girl's best friend?

Not only do they look stunning, colored diamonds are increasingly being selected for their high returns and investment potential.

All colored diamonds are rare and therefore highly valuable but you need to split them into their pricing brackets as follows to understand your investment appetite:

1. The more common colors: Browns, Grays, Fancy Yellows
2. Mid-level colors: Intense and vivid yellows along with some combinations of orange diamonds
3. High priced and extremely rare colored diamonds: pure oranges, greens, purples, pinks and blues.
4. Most expensive and rare: Red colored diamonds - a category of their own.

It is important to note that we may have categorized brown diamonds as common, there is nothing cheap or common about a 10 carat brown diamond with VS clarity.

The classification provided above is a generic one. And there are hundreds of colored diamond colors that result as a combination of the base colors and the value and rarity varies.

Your goal as an investor should be to find a diamond within your budget that is easily available and known so that there is a potential resale value for it.

Basic guidelines for investing in colored diamonds

You may have a favorite color and you can of course invest in a yellow diamond if yellow is your lucky color. However, there are certain technical specifications that you need to look at when selecting your colored diamond of choice.

Certification

Ensure that your diamonds are certified from an institute of high reputation, preferably GIA or equivalent. This is the only assurance you have of the quality and will help you when you resell it.

Clarity

While clarity is not the most important factor, it is certainly a criterion. This is because low clarity diamonds are so much harder to sell. Low clarity diamonds certainly have their place and clientele in the market, just not from an investment perspective.

Diamond Cut - Diamond make

Don't confuse cut with shape. Cut is what we refer to when we talk about the quality of its polish (the precision with which it was cut). The

shine, its brilliance and the fire within. This is a very important factor to check.

Diamond shape

As far as diamond shape is concerned, some are more sought after than the others and will give the diamond a better resale value. All the classic shapes - round, princess, cushion cut, oval, radiant and pear shaped are always a safer buy.

Diamond size

If you are buying the lower end colored diamonds like fancy yellows and browns, opt for higher carat weight - preferably above 1.00 carat.

To afford the more higher-end ones like greens, blues, pinks, purples and reds - people go down in weight up to 0.15 carat or less. Even a 0.15 diamond in a coveted color would fetch a premium rate of up to tens of thousands of dollars.

So if your heart is set on a colored diamond, be sure to choose wisely and make an investment that stands true in years to come.

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