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AUG 2018

MAGAZINE

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VIEWPOINT

By Chaim Even-Zohar  
with Pranay Narvekar

MID-YEAR SALES FIGURES SHOW  
DIAMOND TRADE IN SOLID POSITION

ANOTHER STRONG RISE IN US  
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BY ALBERT ROBINSON

## EDITOR'S NOTE

# Upbeat Figures Across The Diamond Pipeline Gives Mid-Year Cheer

Looking at news reports in the middle of the year, one standout trend appears to be the strength of the diamond market currently. There was also the optimism shown by the De Beers announcement that it will be acquiring the exploration company Peregrine Diamonds, the owner of the Chidliak resource.

First of all, there was the news from Rio Tinto that diamond output at Rio Tinto increased by 7% on the year in the second quarter of 2018. The main reason, the mining giant said, was an increase in output from its Argyle mine in Australia, while there was also a small increase at the Diavik mine in Canada's North West Territories in which Rio Tinto has a 60% stake.

Meanwhile, De Beers reported that rough diamond production increased by 3% to 9.0 million carats in the second quarter, reflecting production increases to meet stronger demand as well as the contribution from the ramp-up at Gahcho Kué, the miner said. Production in the period was 8.997 million carats compared with 8.742 million carats in the year-earlier period. Total carats recovered in the first half of this year were up 8% on last year to 17.5 million carats.

“Sales volumes benefited from positive sentiment in the midstream following growth in consumer demand for diamond jewelry in late 2017, and a continuing positive outlook,” said the miner’s parent company Anglo American.

In addition, its average sales price moved up 4% to \$162 per carat in the first half, while there was strong demand for higher-quality goods, another encouraging



sign. And the firm signed off on its announcement with guidance showing that it expected production for 2018 to be 34-36 million carats compared with 33.5 million carats last year. Both De Beers and ALROSA have reported ongoing robust demand for goods in the first half of this year.

Meanwhile, two of the world's major trading centers also reported upbeat figures for June. In India, polished exports in June were up 5% on the year at \$2.08 billion, while in Antwerp polished exports increased by 4% to \$1.04 billion.

And there was also good news at the retail end, with Chow Tai Fook reporting strong results for its operations in Hong Kong and Macau, boosted by upbeat consumers and an increase in tourists to Hong Kong from the Chinese mainland.

The giant jewelry retailer reported that retail sales soared 21% in Hong Kong and Macau in the second quarter of this year. Meanwhile, same-store sales, a critical parameter for the retail trade, jumped an extraordinary 26%.

And, finally, De Beers' move in Canada is also to be welcomed. Chidliak contains more than 22 million carats in inferred mineral resources. After the failure and huge losses incurred at the Snap Lake operation, De Beers is clearly committed to the Canadian diamond mining scene.

As De Beers CEO Bruce Cleaver commented: "With a strong outlook for consumer demand, we are seeking new opportunities to invest in our future supply potential, and look forward to growing our portfolio in Canada and working with community partners in the Nunavut Territory as we further develop the project."

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## MEMO

# Technology Helping the Diamond Sector March to a More Secure Future

If there is any doubt that the global diamond industry cannot avoid adopting a technological approach in order to survive in the future, three news items recently joined the many others in the past several years in showing that this is a false approach. Interestingly – but perhaps not surprisingly given its ‘Start-up Nation’ reputation – two of the news pieces relate to Israeli companies.

The first item relates to news from the Israel Diamond Exchange (IDE) that its technological incubator, Diamond Tech, has signed an agreement to host Israeli start-up Inova Diamonds Ltd. Inova Diamonds

develops technological solutions for online marketing of diamonds and jewelry using augmented reality (AR). The new technology that is being developed will enable customers to virtually “try on” diamond rings and jewelry using computerized imaging.

The latest news also points to the importance of Diamond Tech which was launched by the IDE earlier this year to host and support early stage start-ups that develop technologies to advance the diamond industry. Among the start-ups being considered are projects dealing with robotics, lasers and other advanced technologies for diamond manufacturing, artificial



intelligence and innovative marketing platforms. The IDE stressed that the technologies developed at Diamond Tech will serve, first and foremost, the Israeli diamond industry.

The Diamond Tech incubator is part of a strategic effort on the part of the IDE to bring together the innovative creativity of Israeli start-ups and the talents of the Israeli diamond industry. As IDE President Yoram Dvash commented, “The establishment of the innovation center is part of a comprehensive technological revolution that we are bringing to the diamond exchange. Israel is a trailblazer in developing new

technologies, which puts us in an ideal position to lead the diamond industry in new directions. IDE is investing significant resources to ensure the success of these start-ups and their contribution to the diamond industry.”

Meanwhile, Diamond Tech Director Hana Toledano said, “The innovation center is seeking the start-ups that bring the newest and most exciting technologies to the world of diamonds. This is the way to ensure the continued growth and success of this outstanding industry.”

The second news item relates to a development previously reported

but now officially working, as Sarine Technologies Ltd held a celebratory event to mark the official opening of its Technology Lab in Mumbai, India.

The lab will bring an AI (artificial intelligence) technology-based approach to the grading of diamonds, providing – the firm says – a more consistent approach to the business.

David Block, Sarine Group's CEO, said, "Objective grading reports play a significant role in our industry, enabling efficient trade and empowering consumers to purchase with confidence. We are proud to lead the technological evolution in this area that will significantly improve accuracy and repeatability. The India lab opening is an important and exciting milestone for Sarine that has been continuously supporting the Indian leadership in diamond manufacturing and trading for the last three decades."

Of course, it's not just Israeli high-tech firms that are working to bring technological solutions to the diamond business. The Carat+ Show in Antwerp in May featured a Hackathon with young people proposing technological solutions. And India, with its vast pool of young talented technology-minded workers, will surely also

produce ingenious solutions for its huge diamond processing trade.

At the 7th Forevermark Forum - 'The Future is Now,' which took place last month in Delhi, the highlight was the presence of "Sophia", an advanced social humanoid robot developed by Hong Kong-based company Hanson Robotics. Sophia, modeled after actress Audrey Hepburn, is known for her human-like appearance and behavior. Sophia expressed her ability to participate in the whole process of selecting a Forevermark diamond and identifying its characteristics with Stephen Lussier, CEO Forevermark and Sachin Jain, President, Forevermark.

Jain said Sophia embodied the theme of the Forevermark Forum. "Technology has been the driving force for us at Forevermark and, which we know is evolving as fast as it is going obsolete. Through this year's theme we wanted to showcase a glimpse into everything the future holds, and Artificial Intelligence is definitely going to be a huge part of it."

TALK TO US



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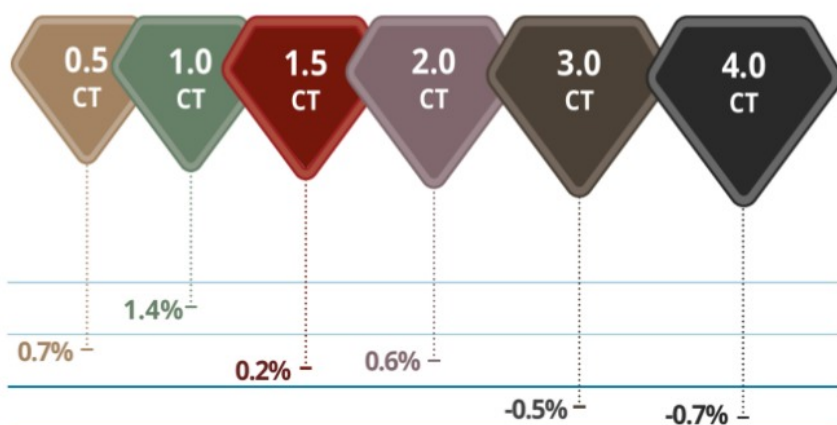
# MARKETSNAPSHOT



PRICES  
UP 0.8%  
IN JULY

## POLISHED DIAMONDS

THE IDEX POLISHED DIAMOND PRICE INDEX WAS STABLE IN JULY, RISING VERY SLIGHTLY DURING THE MONTH AS WAS THE CASE IN JUNE. THE INDEX BEGAN THE MONTH AT 125.39 AND ENDED AT 125.61. ON A MONTH-TO-MONTH BASIS, GLOBAL POLISHED DIAMOND PRICES IN JULY SHOWED A RISE OF 0.8% FROM JUNE.

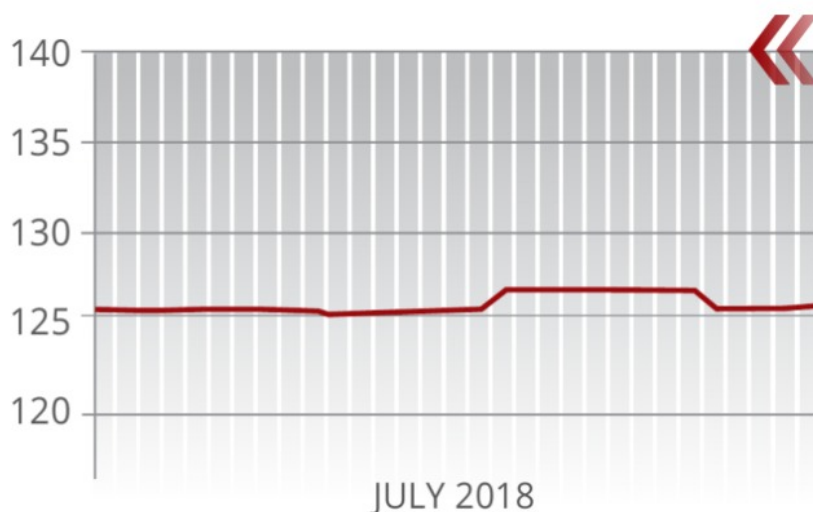


ON A MONTH-TO-MONTH BASIS – COMPARING PRICES DURING JULY OVER JUNE – THERE WERE FOUR RISING CATEGORIES AND JUST TWO DECLINERS.



## POLISHED DIAMONDS DAILY INDEX

THE INDEX BEGAN THE MONTH AT **125.39** AND ENDED AT **125.61**.



## METAL PRICES IN JUNE US\$ PER OUNCE

\*Prices as of 31.7.18  
Source: Amark.com



Palladium 931 (-9.6%)  
Platinum 837 (-7.7%)  
Gold 1,223 (-0.0%)  
Silver 15.51 (-0.2%)

## ROUGH DIAMONDS

DIAMOND TRADING IN JULY WAS IN LINE WITH SEASONAL EXPECTATIONS, ACCORDING TO DE BEERS WHICH REPORTED ROUGH DIAMOND SALES WITH A PROVISIONAL VALUE OF **\$530 MILLION** IN THE SIXTH SALES CYCLE COMPARED WITH **\$581 MILLION** IN THE FIFTH CYCLE.

DE BEERS' SALES IN THE SIXTH SALE OF 2017 WERE HIGHER AT **\$576 MILLION**. BRUCE CLEAVER, CEO, DE BEERS GROUP, SAID: "IN THE SIXTH SALES CYCLE OF THE YEAR, DEMAND FOR DE BEERS ROUGH DIAMONDS WAS IN LINE WITH EXPECTATIONS DURING THE SEASONALLY QUIETER SUMMER PERIOD FOR THE INDUSTRY'S MIDSTREAM SECTOR."

IN GENERAL, TRADING WAS QUIETER IN JULY WITH MANY DIAMANTAIRES ON VACATION OR WINDING DOWN AHEAD OF THEIR SUMMER HOLIDAY.

# IDEX

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ROUNDS | AUGUST 2018

# PRICEREPORT

Round diamonds saw a relatively large number of increases, particularly in 0.40-0.44 carat stones in D-K, IF-VVS2 of 2-3%, and in diamonds of 1.00-1.24 carats, E-G, VVS1-VS1, a range of colors and clarities in 2.00-2.99 carat stones, and in 5.00-5.99 carat diamonds F-H, SI3-I3 of 1-5%. There were notable decreases in diamonds of 0.23-0.29 carats, E-I, VS2, of 2-3%, and in 0.80-0.89 carat stones, D, VVS1-SI2, of 2-3%.

**ROUNDS 0.30-0.39** 01-AUG-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	38.0	30.5	27.0	25.0	23.5	22.0	19.0	17.0	14.0	12.0	8.0
E	28.0	26.0	23.5	23.0	22.5	20.5	17.5	16.0	13.5	11.0	7.5
F	25.0	24.5	23.0	22.5	22.0	20.0	16.5	15.5	13.0	10.5	6.5
G	23.5	23.0	22.5	22.0	21.0	19.0	16.0	14.0	12.0	10.0	6.5
H	23.0	22.5	21.0	20.5	19.5	17.5	15.5	13.0	11.0	8.0	6.5
I	20.5	19.5	19.0	18.5	16.5	15.0	13.5	11.5	10.0	8.0	6.0
J	19.0	17.5	16.5	16.0	15.0	14.0	12.5	11.0	8.5	7.0	5.5
K	17.5	17.0	16.0	15.0	13.5	13.0	11.0	10.0	8.0	6.5	5.0
L	15.0	14.5	14.0	13.0	12.0	11.5	10.0	8.5	7.5	6.0	4.5
M	13.5	13.0	12.5	11.5	11.0	10.0	9.0	7.0	6.0	4.5	3.5
N	13.0	12.5	12.0	11.0	10.0	7.5	6.5	6.0	5.0	4.0	3.0

**ROUNDS 0.30-0.39 CARATS**  
 **D-I / VVS2-SI2 UP 2-7%**  
 **EG / IF DOWN 1-2%**

**ROUNDS 0.70-0.79** 01-AUG-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	93.0	75.0	63.0	57.0	55.0	45.5	37.5	34.0	30.5	21.5	13.0
E	71.0	69.0	59.0	55.0	50.5	43.0	35.0	33.5	28.0	20.5	12.0
F	65.5	59.0	53.5	50.5	45.5	42.5	34.5	32.0	26.5	19.5	12.0
G	57.5	52.5	50.0	46.0	42.5	39.0	31.0	30.5	25.5	19.0	11.5
H	53.0	49.0	44.5	43.0	39.0	35.0	30.0	29.0	23.0	17.5	10.5
I	43.0	39.5	37.0	36.5	34.5	31.5	26.5	25.5	21.0	13.5	9.5
J	32.0	30.0	28.5	27.5	27.0	26.5	23.0	22.0	18.5	11.5	8.5
K	27.5	27.0	24.5	24.0	22.5	21.5	18.5	17.5	15.5	10.5	8.0
L	25.0	24.0	23.0	21.5	20.0	19.5	18.0	16.0	14.0	10.0	8.0
M	24.0	21.5	21.0	18.5	17.5	17.0	15.0	14.5	13.0	8.0	8.0
N	21.0	19.5	19.0	18.0	17.0	16.0	14.5	12.5	10.0	8.0	7.0

**ROUNDS 0.70-0.79 CARATS**  
 **D-I / VVS1 UP 1-3%**  
 **E-G / SI1 DOWN 2%**

**ROUNDS 1.00-1.24** 01-AUG-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	204	162	143	115	107	82	70	60	48	32	18
E	158	140	116	105	93	79	65	56	45	28	16
F	123	118	108	101	87	76	64	55	43	27	16
G	104	99	92	88	80	73	61	52	40	27	16
H	84	83	82	78	73	66	56	50	37	24	15
I	69	68	65	64	61	58	50	45	36	21	15
J	58	57	56	53	52	49	45	40	31	16	14
K	50	48	46	45	43	40	38	33	28	16	14
L	45	44	43	41	39	35	33	30	26	16	13
M	41	39	37	34	32	28	27	26	24	16	12
N	39	38	36	32	26	24	23	19	16	15	12

**ROUNDS 1.00-1.24 CARATS**  
 **D-H / VS1-SI1 UP 1-3%**  
 **G-I / IF-VVS1 DOWN 1-3%**





FANCIES | AUGUST 2018

# PRICEREPORT

Fancy diamonds saw relatively few changes. There were increases in the 0.30-0.39 carat category, D-I, VVS2-SI2 of 2-7%, and in 0.50-0.69 carat diamonds, E-K, VS1-VS2. Diamonds in the 1.00-1.24-carat range, D-H, VS1-SI1, saw increases of 1-3%. Meanwhile, there were decreases of 2-3% in stones of 0.70 to 0.79 carats, E-G, SI1; and declines of 1-3% in 1.00-1.24 carat diamonds, F-I, IF-VVS1.

**FANCIES 0.80-0.89** 01-AUG-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	84.0	66.0	59.0	53.0	51.0	47.5	40.5	38.0	34.0	23.5	13.0
E	66.0	57.5	53.5	52.5	48.0	45.0	38.5	33.0	30.5	21.5	12.0
F	61.5	56.5	51.5	48.0	47.5	41.5	34.0	30.5	28.0	20.0	11.0
G	54.0	50.5	49.5	43.5	43.0	40.0	32.5	29.5	27.0	17.5	11.0
H	50.0	48.0	44.0	40.5	39.0	34.5	29.5	26.0	24.5	16.0	9.5
I	43.5	40.5	37.5	34.5	34.0	31.5	27.0	22.5	20.5	13.5	8.0
J	35.5	31.0	30.0	28.5	26.0	25.5	22.5	16.5	15.0	8.0	6.0
K	26.0	24.0	22.0	21.5	20.5	20.0	18.5	15.5	11.0	7.0	5.0
L	22.5	18.5	17.0	16.5	15.5	15.0	14.5	13.5	10.5	6.5	4.5
M	21.0	17.5	16.5	15.5	13.0	12.0	11.5	10.5	8.0	5.5	4.5
N	19.0	14.5	13.5	11.5	10.5	9.5	8.5	7.5	6.5	5.0	4.0

## FANCIES 0.80-0.89 CARATS



F-G / I3 UP 4%



D / VVS1-SI2 DOWN 2-3%

**FANCIES 0.90-0.99** 01-AUG-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	113	90	80	71	66	58	49	46	36	25	13
E	106	81	74	67	63	55	47	43	34	23	12
F	78	70	69	63	62	53	46	42	31	21	11
G	71	65	61	60	58	52	44	41	30	20	11
H	60	59	55	54	51	47	40	35	28	16	10
I	54	53	50	46	45	43	37	31	27	15	9
J	42	36	35	32	31	30	29	26	23	13	8
K	35	28	27	26	25	24	23	21	16	10	8
L	30	23	21	20	19	16	15	14	13	9	6
M	22	20	19	16	14	13	12	11	10	8	6
N	20	15	14	12	11	10	9	8	8	5	4

## FANCIES 0.90-0.99 CARATS



M-N / IF-VVS1 UP 3-4%



K-L / IF-VVS1 DOWN 2-3%

**FANCIES 1.00-1.24** 01-AUG-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	169	139	110	91	81	72	62	48	37	25	15
E	131	115	100	86	79	71	61	44	35	23	14
F	113	97	86	84	75	68	58	43	34	22	12
G	88	81	77	73	70	66	56	42	31	22	11
H	77	67	65	62	61	56	51	37	30	19	10
I	61	59	55	54	51	50	45	34	29	16	10
J	53	51	47	45	44	41	37	31	26	13	10
K	43	41	37	36	35	32	30	27	21	13	9
L	33	32	30	29	27	26	25	22	16	13	9
M	23	22	21	20	19	18	15	14	14	11	8
N	21	20	19	18	17	15	14	11	10	9	8

## FANCIES 1.00-1.24 CARATS



E-G / VVS1-VS1 UP 1-3%



F-G / IF DOWN 2-6%



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# VIEWPOINT

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**DE BEERS:**

# FIRE IN THE HOLE



# PREDICTION

LAB-GROWN TO DRIVE THE DIAMOND  
GIANT'S FUTURE GROWTH

IDEX MAGAZINE



By Chaim Even-Zohar  
with Pranay Narvekar

# DE BEERS

## FIRE IN THE HOLE

In the mining business, shouts of "fire in the hole" are warnings that an explosive detonation in a confined space is imminent. They warn of a dynamite charge that has been set. Depending where you are positioned, ignoring it can be hazardous or even lethal. The Lightbox announcement of De Beers, signaling its policy U-turn of moving into the gem-quality synthetic diamond business, is a comparable "fire" warning to the industry. This explosion may be foreshadowing the eventual end of natural diamond mining.

### **THIS U-TURN BY DE BEERS HAS ALWAYS BEEN A QUESTION OF "WHEN" AND NOT "WHETHER."**

The introduction of the Lightbox lab-grown diamond jewelry line, coming on top of several other lab-grown diamond collections, symbolizes another light pole on the edge of the road towards a rapidly growing global diamond jewelry market in which, eventually, any dissimilarity (differentiation) between lab-grown and naturally mined diamonds will evaporate. Product differentiation will not be sustainable – except, maybe, for some exceptional large natural stones with a history.

In the long term, there will be only one diamond price, one product, without premiums for naturals. But we aren't there yet – and it might take anywhere from five to 15 years to get to this

point. The Lightbox announcement, however, will unquestionably fast-track this process. De Beers has now taken ownership (or rather macro-management) of a most uncomfortable transition period marked by accelerated disruptions brought about by new technologies, by new entrants into the diamond business and new business models. It may delay, frustrate, or otherwise impact the timeline – but the end result is inevitable.

The diamond jewelry market as we know it today has lost its ability to grow – for the simple reason that it will be running out of its natural product. As it has matured, it will now only stagnate and decline. However, the diamond jewelry market of tomorrow – in which the principal growth driver will consist of lab-grown diamonds – can become a global market worth hundreds of billions of dollars.

The Lightbox entry must be seen as positive for the midstream and downstream. The pain suffered by the midstream in the transition period can be mitigated through responsible management – especially when restocking decisions are made.

For the natural diamond miners, it is unequivocally bad news.

### **THE FUTURE IS NOW HERE**

Well over a decade ago, we publicly went on record that gem-quality lab-grown diamonds will become "the future" – and that De Beers will join and lead this endeavor. They have made enormous investments in the technology – and they didn't do so without intending to capitalize on it. Polishing lab-grown diamonds will deliver colossal benefits to the Indian diamond jewelry manufacturing center. If once upon a time the Indian cutting industry employed over 800,000 workers, this number now could multiply. The added value will be considerably greater, while the working capital required for acquiring rough will be much lower – and will continue to decline.

Historically, diamond traders (erroneously) believed that diamonds were a good investment, that prices would always go up and that if there was no money to be made in the manufacturing, there would be earnings through appreciation of inventory values. That's not true anymore (if it ever was). Diamond manufacturers only make money on the added value – on the difference between the raw material costs and the resultant polished product. Today, the added value to be made in polishing small synthetics is higher than working in naturals – and the resultant synthetic polished product (parcels of smalls) often looks better. The diamond producers (miners) led by De Beers have abused their oligopolistic market positions by denying, year after year, any meaningful returns to their rough diamond clients. Unwittingly (or not?), they themselves might have stimulated the move towards gem-quality diamond synthetics.

Let's not belittle the Lightbox announcement. All the evidence points to a well thought out strategy by De Beers, which was put into motion in Q4 2017 (including the copyright registration of the brand name). What it also means is that De Beers has had six months to fine-tune the messaging and communication to the industry. This is why almost all the De Beers spokespeople seem to parrot the same script. This is not a knee-jerk reaction to lab-grown diamonds (LGD) and an industry savior appearing at the last minute.

The significance of this move is light years greater than (ill-fated) strategies such as Supplier of Choice. That caused clients to make major investments in advertising, jewelry ventures, etc. which, in the end, did not serve the clients – except for eroding their equity. De Beers honestly believed in the correctness of that strategy, and it didn't intentionally deceive anyone. The clients made the mistake of not thinking it through, sufficiently trusting that De Beers knew what is best – for itself and for them. They cannot afford to make that error again.



NOT  
FOREVER

In all fairness, the policy enunciated by the Lightbox announcement, from a De Beers perspective, seems like a brilliant move. Undoubtedly, brilliant for De Beers and its shareholders. One can argue with the ways (and the timing before the JCK show) the announcement was made. In spite of many months of preparation, the credibility of De Beers has taken a serious knock. Seasoned politicians and business executives know that the perception of a leader's intentions is always more important than their ineptitude/actual delivery. What are De Beers' ultimate intentions? How can midstream and downstream, the manufacturers and retailers, make it a win-win for them as well? Can they?

As it now plays on both sides of the soccer field, from now on, one can never be certain of De Beers' intentions when it takes any action in the

future. That's reality; this must be recognized and not lamented. Every action by them can be questioned as to whether it is really meant to help the diamond business or the LGD business, especially when it calls for sightholders to take on significant additional costs. For example, one can question whether other unilateral actions such as the blockchain initiative, is really meant to help the diamond industry or whether it will simply add to its costs without too much benefit.

**LIGHTBOX IS A GAME CHANGER – BUT THE NEW GAME HASN'T STARTED YET, AND THE NEW RULES HAVEN'T BEEN SET.**

## ABANDONING THE DEROGATORY SYNTHETIC NOMENCLATURES

Policy U-turns require extraordinary public relations skills. While sticking for many years to propaganda slogans and unfounded theories that diamond consumers only want the "real thing," and by threatening clients to stay away from "near worthless synthetic pebbles," the natural diamond producers led their clients to believe that lab-grown diamonds were not a "legitimate" diamond jewelry product. They felt that lab-grown diamond producers must, at all costs, be denied participation in industry conferences, congresses, and bodies; they were also presented as the industry's pariahs. Millions of dollars were spent on having regulators adopt the most unfriendly derogatory language for usage in nomenclature describing lab-grown diamonds.

Diamond-terminology guidelines ostensibly meant to encourage full, fair and effective use of a clear and accessible terminology for diamonds and synthetic diamonds were embraced by virtually all sector bodies, organizations and traders.<sup>1</sup> The term "cultured diamond" was prohibited, and the unfriendly name "synthetics" was to be used – until, after court cases in the U.S. – the Federal Trade Commission had second thoughts about it.

The abbreviated term "LGD" is not sanctioned by De Beers' Best Practice Principles (BPP) until the present policy U-turn. The head of BPP uses the term in her own published letters. [A U.S. industry leader marveled recently that the term LGD so quickly gained acceptance in the market. Well over \$100 million was poured into the Diamond Producers Association to fight synthetics. And, absurdly, synthetic diamonds were kept out of the specific diamond anti-money-laundering (AML/CFT) regimes because of the argument that these are not diamonds. (Meanwhile, not a single customs officer could see the difference.). Clearly, the natural diamond producers led a war against the gem quality synthetic producers.

1. The nomenclature guidelines are built on two internationally accepted standards: the ISO 18323 Standard ("Jewellery – Consumer confidence in the diamond industry") and the CIBJO Diamond Blue Book.

# ETHICAL

## IMPACT

It might become a win-win for both De Beers and downstream – depending on how the game evolves. In the disruptive years ahead of us, midstream and downstream company heads must become, as McKinsey calls them, “transformational leaders” to navigate effectively through a turbulent transition.

### THE LEADER OF THE PARIAHs

In fact, De Beers invested directly and indirectly in great efforts to make these synthetic diamond producers viewed as some kind of industry pariahs. DTC sightholders would conduct their synthetic diamond activities through non-group companies, with the lowest of visibility. Now, De Beers has unashamedly and unapologetically crowned itself as the leader of these pariahs.

### DE BEERS HAS, OVERNIGHT, LEGITIMIZED A BUSINESS WHOSE LEGITIMACY IT HAD BEEN FIGHTING TOOTH AND NAIL AGAINST FOR DECADES.

This is a level of arrogance only De Beers can display – and can also get away with. One cannot help but admire them.

To avoid losing its market credibility forever, De Beers has launched a sophisticated information campaign to minimize the impact of its Lightbox synthetic brand on the natural diamond business. Totally ignoring what its lab-grown diamonds will do to the natural diamond world, it claims that “the Lightbox will transform the lab-grown diamond sector by offering consumers a lab-grown product they have told us they want but aren’t getting: affordable fashion jewelry that may not be forever, but is perfect for right now.”

First of all, if a diamond lasts forever, it doesn’t matter whether it was mined or laboratory created. It’s the same product. To claim that it discovered

that “consumers regard lab-grown diamonds – as a fun, pretty product that shouldn’t cost that much – so we see an opportunity here that’s been missed by lab-grown diamond producers” is taking a swipe at other LGD producers and hundreds of retailers selling successfully lab-grown diamond jewelry. It’s more than a “swipe”—it’s “transformation of the LGD market” and a euphemism for “regime change.” Here we are; we shall take over!

To claim that teenagers had hitherto been left out and this “untapped” market provided the opportunity – or the trigger – for De Beers to make a U-turn on synthetics seems like alternative facts creation. Yesterday’s truth is today’s fake news. De Beers wants us to believe that just because consumers asked for the affordable jewelry product, De Beers will now create a “new market” that all of the ill-informed existing LGD producers never realized could exist. This is rubbish.

Any way one looks at it, every sale of a quality lab-grown diamond in a diamond jewelry retail store represents a natural diamond that was left unsold. Natural producers, including the mining partners of De Beers, know that. At a meeting in Mumbai, De Beers said it had a study showing that currently some 500 stores are carrying lab-grown diamonds. This is a figure, it said, that could reach 1,000 by the end of the year. These stores embraced the lab-grown product even without the existence of this so-called new untapped market De Beers will create.

The Lightbox launch illustrates that the ferocious fights by the natural producers to marginalize, delegitimize, or even ostracize the lab-grown producers have dismally failed. In an odd twist of history, the end-consumers who desire synthetics are the very same consumers who, we were always told, would “lose their confidence in diamonds” if synthetics were to allowed to make an inroad into the diamond jewelry market.

# LIGHTBOX

## THE TRUE COLORS OF DE BEERS

Historically, De Beers optimized its profits when it held a solid monopoly over its product. It has lost that position – or is in the process of losing it – in natural diamonds. This is the case both in diamond mining and marketing.

## UNDOUBTEDLY, GETTING A MONOPOLY POSITION HAS NOW ALSO BECOME DE BEERS' LONG-TERM STRATEGY IN LAB-GROWN DIAMONDS.

De Beers, having superior technology and hundreds of patents to help it exclude others from the lab-grown market, will try to corner the LGD business in the decade ahead. Most likely, it will become successful.

De Beers must be careful in its narrative – one doesn't want to wake up the U.S. Federal Trade Commission or European Competition Authorities too early. Setting up a LGD factory in Oregon is a brilliant move: By undercutting the prices of competitors within the United States, De Beers won't be seen as "dumping" from an overseas low-labor-cost country, but rather serving the very best interest of American consumers by forcing down consumer prices. The very same company that for well over a century has espoused the virtues of ever higher values of diamonds will now simultaneously espouse the virtues of the very lowest possible prices!

De Beers CEO Bruce Cleaver justifies this expected near-collapse of current LGD prices by arguing that they discovered that consumers want affordable fashion jewelry, not looking at future value. We would argue that a lab-grown diamond will undoubtedly have the same life span as a natural diamond, either both are forever or both are

not..... Actually, when one comes to think of it, if the wife doesn't last forever, why buy her a natural stone? Lightbox will just do – and there is money left for the honeymoon.

Though one would suspect that De Beers has done extensive modeling and simulations, no one truly knows how this Lightbox launch will impact the prices of natural diamonds. Forecasts depend on one's faith in the various product differentiation strategies. A DTC broker in a report cautiously noted his clients' concerns that Lightbox "may [have] unintended consequences, such as loss of share of wallet for natural, or at least cannibalization of that market" and that it may have "an impact on the price of small, colored and brown goods." That's just one reaction for starters – and it is still fully based on faith in successful "product differentiation" strategies. In regard to that strange belief, I am an atheist.

## STRIVING FOR DOMINANCE. AGAIN.

Essentially, De Beers has a proven record in fighting defections from cartels or forcing adherence to its policies mostly in two ways: by spending literally billions to undermine competitors' prices (i.e., prevent defections from the cartel – remember Argyle? Remember Zaire?) or, if that fails, bankrupting the competitors in other ways. (Bain & Co. found the decision to fight Argyle one of the company's gravest mistakes.)

Any student of the de beers history will recognize that the company only truly flourishes when it is the dominant player in the market and can carve out for itself the role of price-setter.

As much as the law will allow, it excels when it can function as a monopoly. They have now publicly embarked on a policy – and the audacity to publicly imply so – to force the other LGD producers into near-bankruptcy.



# ECO FRIENDLY

Actually, in the synthetics business, De Beers has done this before! In its press releases, De Beers proudly (and rightfully) calls Element Six “a world leader in lab-grown diamond technology for more than 50 years.” What it doesn’t say is that some 50 years ago, it actually missed the boat. General Electric beat it in filing patents for its gem-quality diamond synthetic invention.

Recalls diamond historian Robert Hazen: “In the early 1960s, De Beers and General Electric commenced a mammoth six-year legal battle costing many millions of dollars – at the time the most protracted of several separate law suits. De Beers challenged the originality of GE’s discovery and the accuracy with which they had described it. To make their case, De Beers engaged a number of expert witnesses to discredit General Electric in the eyes of South African law.”<sup>2</sup> In the end, the parties settled (they agreed on some royalty regime), but essentially De Beers won.

Fast forward to today. De Beers, in 2016, filed a number of patent infringement cases in the High

Court of Singapore against Ila Technologies Pte Ltd., which is currently the dominant market player in gem-quality lab-grown diamond production. Ila Technologies markets its lab-grown polished output under the brand name of Pure Grown Diamonds.

**JUST LIKE 50 YEARS AGO, DE BEERS IS AGAIN INVESTING MILLIONS OF DOLLARS IN SYNTHETIC PATENT LITIGATION. IF IT WINS OR MAKES SOME KIND OF SETTLEMENT – WHICH IS EXPECTED – IT MIGHT FORCE THIS COMPETITOR OUT OF THE MARKET.**

Doing so would establish Element Six as the dominant player in the lab-grown gem-diamond

2. See: Robert M. Hazen, “The Diamond Makers: A Compelling Drama of Scientific Discovery,” Cambridge University Press, Cambridge, U.K., 1999. Page 172

# MAGNIFICENT



**DE BEERS CEO | BRUCE CLEAVER**

business. This would also put other LGD producers on notice. No one has as many CVD and HPHT gem-diamond-related patents registered in so many national jurisdictions, or has as much experience in successfully arguing these extremely complex issues before a judge or jury as De Beers. What patent owners will learn the hard way in these wars is that, at the end of the day, it is quite irrelevant who is right but rather who is left....

## **ELEMENT SIX: THE LOWEST COST LGD PRODUCER?**

And the betting is solidly on De Beers. Noted mining analyst Des Kilalea sums it up as follows: "Some manufacturers of LGDs have suggested that it is not possible to make a return [on consumer sales] at \$800 per carat, suggesting that the business will be a loss leader to damage the LGD market. De Beers says it will make a "good return" on the \$94 million that it is investing in Lightbox [factory] in Portland. Our view is that other LGD makers may well be unable to compete on cost, as they do not operate on the scale which Lightbox proposes (500ktct of LGD rough converted into 200kct of polished)," concludes Kilalea, who is apparently unaware of the output levels and efficiency of some of the other LGD producers.

"Besides," says Kilalea, "competitors do not have the diverse product range of E6 (products supplied to military, high-tech and other sectors) over which to amortize development costs and overheads. So, we believe the marginal cost of making LGDs is likely to be significantly lower than for other LGD makers, and improving technology should see further reductions. It is worth noting that BHP Billiton investigated entering the LGD market, and one of its executives told us several years ago they declined because barriers to entry were likely to fall, which did not justify investment."

We are not (now) arguing the point made by Des (though we don't underestimate the resiliency of



some of the LGD competitors), but we are thinking about the “morning after.”

## **WHAT WILL DE BEERS DO WHEN IT HAS SECURED ITS MONOPOLY POSITION? WHEN IT BECOMES THE LGD PRICE SETTER? WILL IT SUDDENLY MOVE THE LGD PRICE UP TO THE NATURAL PRICE?**

Will it also produce ever larger lab-grown diamonds? Have one price? Or may it withhold the LGDs from the market to support the natural product? The answers are far beyond me – and it may take a few years to get there.

### **IT'S ALL ABOUT PATENTS: THE SKY IS THE LIMIT**

The Lightbox announcement came at the end of May. At the same time (in May and early June), a few CVD-related patents that Element Six had applied for in late 2017, were published. Removing all the (amazing and mind-blowing) scientific language, it shows that Element Six has the know-how to grow CVD layer on layer. In this process, the very thick (high) stone is synthesized as one diamond and, apparently, no “dividing lines” are visible. This literally means that, in terms of size potential of stones, the sky has become the limit (subject to available capacity of the growers).

Many producers, not only Element Six, possess know-how that they keep to themselves, and patent it only at the last moment, only when the product hits the market. This is done to prevent patent theft – as it is impossible to take a CVD diamond and “back engineer it” to arrive at how the processes work. On the other hand, the main advantage of patenting the technology is to be able to go after

other CVD producers accusing them of infringing your patent. De Beers has done that before, it is doing it now, and may well do so in the future.

Though the market reacted skeptically to statements about Element Six’s ability to sell at discounts of 75% to the prices of other LGD producers, and below 90% of comparable natural stones, my scientist friends tell me that these figures are attainable. Element Six would not be dumping, i.e., selling at prices below production cost. But the issue for the diamond market is “sizes.”

Somehow, Element Six is suggesting jewelry set with diamonds anywhere between 0.25 carats to 1.00 carat sizes. But Element Six has the know-how to grow large or even very large stones. Says one of my friends: “Once certain barriers were overcome in CVD, the sky has always been the limit. Given the size and power of your growth chambers. Crystals don’t have a “memory” per se, so growing on a substrate 1-mm thick is no different than one of 20 mm. It’s just a matter of feeding gases into the growers.” If Element Six can make good money producing beautiful fancy colored or pure white large stones, will they leave that part of the market to other LGD producers? Don’t bet on it.”

## **DE BEERS HAS, OVER MANY YEARS, PREPARED ITSELF FOR THE DAY IT WOULD JOIN – AND ULTIMATELY LEAD.**

When announcing its Lightbox branded line of lab-grown jewelry, whose registered trademark they interestingly applied for only in late 2017, De Beers observed that “any Lightbox lab-grown diamonds of 0.2 carats or above will carry a permanent Lightbox logo inside the stone.” Let’s again turn the clock back some 14 years. Diamond Intelligence Briefs reported that Element Six had

just (2004) applied for a patent registration for “a method of incorporating a mark of origin, such as a brand mark, or fingerprint in a CVD single crystal diamond material.” Much of the research, and many of the patents, had no use for industrial diamonds. However, the gem-quality CVD market was always on their minds.

One of the recently published patents also indicates methods to grow stones that can be converted into blues and pinks at a much faster rate. In these (Lightbox) colors, Element Six may indeed have a lower cost advantage over other producers. As a matter of fact, Element Six has patented ways of coloring the lab-grown diamonds to brown, pink, blue, yellow, etc. These are all quite different and complicated processes, and enormous resources have been invested in this technology. One of the recently published patents published by Element Six also indicates methods to grow these colored stones at a much faster rate, giving it a lower cost advantage over other producers. These patents weren’t needed for industrial applications – this was mostly done to “get ready” for the inevitable day. That day has now arrived.

### **TURNING THE “THREAT INTO A STAR”**

We think the credit should go the CEO of De Beers, Bruce Cleaver. It is probably no surprise that the strategic “threat” was recognized by Anglo American when Cleaver, who has a legal background and is an industry outsider, took over the reins at De Beers. Many of the current executives don’t come from diamonds. They don’t have the emotional attachment to the product. They have one task: to deliver returns to shareholders. Other stakeholders are less important. De Beers, in the last few years, noticeably relied on the strategic advice of the Boston Consulting Group (BCG). It was BCG that designed the blockchain strategy for it. Some Forevermark executives occupied positions at BCG before joining De Beers.

## **IMPACT ON NATURAL DIAMOND PRODUCERS**

Though the eventual entry of De Beers into the lab-grown diamond business was never doubted, the timing caught most of us by surprise. Maybe it shouldn’t have. The parent company of De Beers, Anglo American (85% owner), had identified synthetics as a “principal risk to our natural diamond business.”

Anglo American, in its 2016 annual report, concluded that “technological developments are making the production of man-made gem synthetics commercially viable, and there are increased distribution sources. The marketing of synthetics seeks to place them as being environmentally or socially superior.” [Italics added.]

Anglo American summarizes the impact of synthetics on the natural diamond business as representing a “potential loss of polished and rough diamond sales leading to a negative impact on revenue, cash flow, profitability and value.” Anglo American realized that, at the end of the day, any consumer buying a lab-grown diamond is a consumer who did not buy a natural diamond. It is as simple as that – and it isn’t without solid reasons that in our annual Tacy Diamond Pipeline we incorporated the lab-grown production on the supply side, and thus also on the polished demand equations. It is not that the threat materialized out of thin air. It was incorporated into the pipeline quite a few years ago. So, what made Anglo suddenly recognize the threat and then for De Beers to rapidly act on it?



# LUNIQUE

DIAMA CREATED  
DIAMOND  
JEWELRY GLACIAL  
COLLECTION

BCG is also famous for the BCG matrix which helps companies analyze a portfolio of specific products based on their market share and growth rate. At De Beers, lab-grown diamonds for the jewelry market can quickly capture a high market share in an otherwise slow growing market and grow the product industry demand. Such products are called “stars” by the BCG-matrix.

Natural diamonds represent an industry where they currently have a high market share, but it is a slow growing or stagnating market. These are viewed by BCG as “cash-cows” which typically generate cash in excess of the amount of cash needed to maintain the business. According to the BCG matrix, “cash cows” are to be “milked” continuously with as little investment as possible. (Investments are worth it if high growth and high market share are assured, since such investment would be wasted in an industry with low growth.) Classic strategy revolves around about milking the cows and feeding the “stars.”

### LIGHTBOX: THE “CASH-COW” OF THE FUTURE

Following the BCG logic, Lightbox wouldn’t have been done just to remain a fringe product serving the fun jewelry teenage market. In the BCG matrix, Lightbox is a “star.” It can quickly gain enormous market share in the still infant gem-quality synthetic diamond market. Therefore, it had to be linked to an “undercutting competitors” pricing strategy that would force other producers out of the market. De Beers expects its LGD business to go from strength to strength. Lightbox is the least “painful” way to communicate the U-turn to the market. LGDs are “stars” that will lighten the De Beers firmament.

With the almost hysterical efforts to convince the trade that through product differentiation the industry can sustain two “different” markets, at

the end of the day, and with all due respect to the plethora of sophisticated detection equipment, this distinction simply doesn't make a difference to the consumer. Consequently, it doesn't make a difference to the retailer either. The retailer will "sell" the product on which it can make the highest profit. It can sell the "diamond dream" just as easily with LGD as with natural diamonds. Have no illusions: retailers will and they do.

Pranay and I visited a jewelry store in the United States that only sold lab-grown diamonds. On the walls of the store, there were huge posters depicting pictures from satellites showing the massive disruptive environmental footprint of the Jwaneng mine in Botswana. There were also pictures of child labor involved with mining and manufacturing natural diamonds, etc. Actually, all the materials produced by the natural diamond NGOs (Global Witness, or what was Partnership Africa-Canada, etc.) were thoroughly put to good use by this store's lab-grown promotion efforts.

However, what was most impressive was that over 95% of this store's lab-grown diamonds were sold to young couples as wedding and engagement symbols.

**THE SOON-TO-BE NEWLYWEDS WERE ACTUALLY SEEKING THESE LAB-GROWN DIAMONDS, AND THEY WERE WILLING TO PAY TOP DOLLAR AS WELL. THEY SAW IT AS AN AMERICAN-MADE PRODUCT, AS AN ECOLOGICALLY GREEN PRODUCT. AMERICAN LABOR. AMERICAN LOVE!**



**HOW  
ARE THEY  
MADE?**

This is not what De Beers has been telling us – emotional wedding jewelry was supposed to be only for natural diamonds. With the Millennials, this is wishful thinking, bordering on self-delusion.

Back to the Anglo American corporation. Risk management is a continuous process, conducted at top corporate levels. Strategic decisions are made at levels beyond that of De Beers. The term used is “risk appetite.” Whether the company can carry the risk -- whether the risk mitigation efforts are working, or not. If the principal risk in any business cannot be addressed, such business would either be closed or disposed of. I am not privy to internal Anglo American discussions, but if the company controls the gem-quality synthetic business, it surely could mitigate the damage to the mining business. But only up to a point.

### **EXPLORATION FUNDING WILL DRY UP**

Pranay and I are quite tuned-in to the sentiments of the mining community. What we discovered in recent years at the world’s largest mining and exploration shows in Canada (PDAC) was that money for diamond exploration is drying up. Why spend tens or hundreds of millions of dollars searching for new deposits while – after finding a deposit – more millions would be needed on resources estimation, getting bankable feasibility studies, getting environmental approvals for developing a mine, permitting, licensing, etc. if you don’t know what the price and demand for the product will be 10 years or more down the road? It’s a vicious circle. When existing deposits are depleted, when mines close, when no new mines are put into production, the further growth of the industry will solely come from lab-grown diamonds.

Des Kilalea observed that following the Lightbox announcement, existing mines may well increase their cut-off sizes, i.e., they will not bother to mine rough in sizes of less than a few millimeters, as

there won’t be demand for these smalls. That part of the market will be taken over by synthetics -- if it hasn’t already.

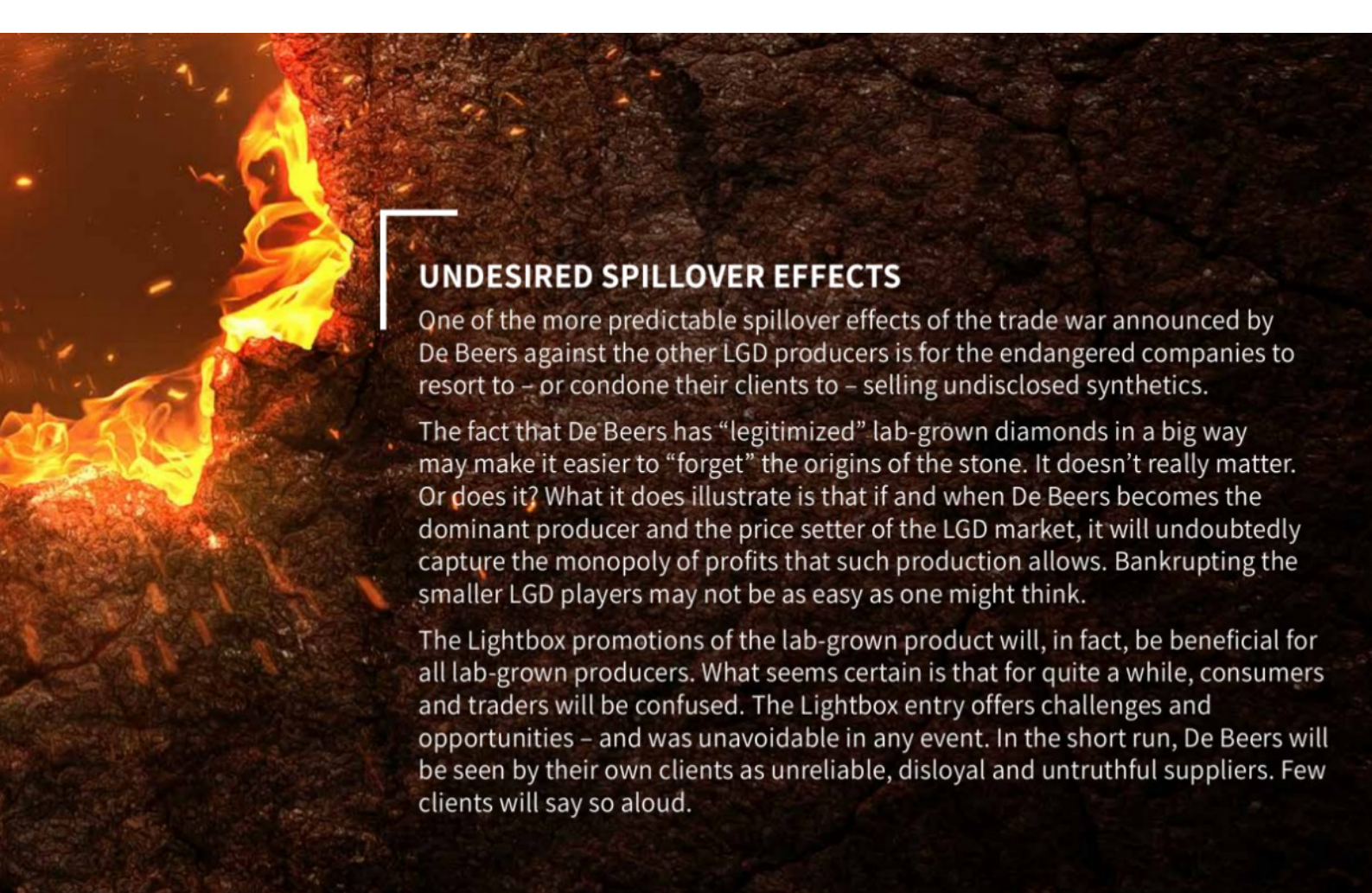
That, by itself, would trigger a reduced volume production of natural diamonds. This would greatly impact Russia. In a private communication, we learned that ALROSA, at the highest levels, was furious with the De Beers Lightbox announcement.

**ALROSA CONSCIOUSLY DECIDED TO SHOW RESTRAINT IN ITS PUBLIC UTTERANCES, SO AS NOT TO UPSET THE MARKET TOO MUCH, BUT THEY ARE FUMING. THEY PROBABLY REALIZE WHAT IS HAPPENING HERE.**

It may herald the beginning of the end of natural diamond mining. If mining cost exceeds achievable market price, mines are closed. It’s that simple.

### **DE BEERS AS DIAMOND TRADER AND RETAILER**

ALROSA is quite different to De Beers. It is a pure diamond mining company, with almost no midstream or downstream exposure. It owns its own mines (with the exception of an Angola joint venture). De Beers ceased to be a true diamond miner a long time ago and is more of a trader. In Botswana, it owns 50% of the Debswana mines, and it earns a margin as a trader of most of the output. The story is the same in Namibia. In South Africa, where it has few remaining mines, these are also joint ventures. Oh yes, it owns mines in Canada – and I am sure there are many executives at De Beers



## UNDESIRE SPILLOVER EFFECTS

One of the more predictable spillover effects of the trade war announced by De Beers against the other LGD producers is for the endangered companies to resort to – or condone their clients to – selling undisclosed synthetics.

The fact that De Beers has “legitimized” lab-grown diamonds in a big way may make it easier to “forget” the origins of the stone. It doesn’t really matter. Or does it? What it does illustrate is that if and when De Beers becomes the dominant producer and the price setter of the LGD market, it will undoubtedly capture the monopoly of profits that such production allows. Bankrupting the smaller LGD players may not be as easy as one might think.

The Lightbox promotions of the lab-grown product will, in fact, be beneficial for all lab-grown producers. What seems certain is that for quite a while, consumers and traders will be confused. The Lightbox entry offers challenges and opportunities – and was unavoidable in any event. In the short run, De Beers will be seen by their own clients as unreliable, disloyal and untruthful suppliers. Few clients will say so aloud.

who wished they had never touched that continent. Billions of dollars were wasted there.

In contrast, De Beers has become a fully vertically-structured diamond trader – except for polishing because there is no money to be made in the midstream sector. (It knows that better than anyone else – after all, they are sector’s main rough supplier.) Even for Lightbox jewelry, they have already announced plans to outsource the polishing in India – as if to support my views that lab-grown diamonds are truly good news for that manufacturing country. De Beers is involved in polished recycling, polished grading, franchising its Forever brand, and operating its own jewelry stores. In none of these areas do they hold a competitive advantage or are they particularly successful. But, looking at their activities, they can hardly still be viewed as a true mining company.

For now, De Beers is playing down the Lightbox impact. It says it will only start producing in Oregon

by 2020 and produce 500,000 carats of rough (generating 200,000 carats of polished). There are currently some 15 lab-grown gem diamond producers in the world, and their output is limited. (We are not talking about the billions of carats of mainly Chinese-made industrial synthetics that are increasingly overspilling into the gem market.) Only Singapore’s IIA Technologies Pte. is producing significant volumes, which we estimate at around 400,000 carats annually and increasing. The present sales of Lightbox LGD will come from De Beers’ U.K. production and from its stockpile. Nobody knows how much there is out there. As it will start selling shortly, it must have the critical mass to sustain an effective launch.

To sooth the industry’s anxieties, De Beers says that “this Lightbox is just a \$200 million business; our natural business is \$6 billion.” First of all, that statement isn’t accurate – it views joint ventures’ output as part of their own. On the sales to



# LIGHTBOX

**SEEDING A SYNTHETIC DIAMOND. CREDIT: LIGHTBOX JEWELRY.**

Sightholders, they are allowed a certain margin. It's not the turnover that is relevant – but rather the margins realized. That is as true for De Beers as it is for Indian traders. De Beers will earn 100% of the Lightbox profits – at margins it can, eventually, fully control. Moreover, if it can produce \$200 million, it can also produce \$2 billion. Or more.

## LOOKING AHEAD

In any event, many diamantaires (and De Beers' clients and partners) suffer from selective amnesia with anything involving De Beers, and disloyal acts will be quickly forgotten. They will swallow their pride and set aside their anger and happily apply for ever more natural rough – maybe in the hope of getting a Lightbox franchise as well. “De Beers still continues to try and “appear” like a custodian, even when it is not. (It prefers to be seen as the industry's “leader”.) It is like an overprotective mother who wants the child to be a “mama's boy,”

while complaining about the son not moving out,” concludes an astute industry observer.

Des Kilalea stresses that De Beers had no choice – it had to do this to protect the natural diamond business. “De Beers has been considering and developing this strategy for several years, and the inroads of LGDs into the market for natural stones made this move inevitable,” he notes. Here I totally disagree. De Beers had to do this to protect its own business. It made a brilliant move for its own benefit.

All others, including mining companies, must now consider their own response to the challenge. It goes beyond that. Strategically, this little Lightbox “dynamite” explosion heralds the renewed lease on life for De Beers – it will probably still be the world's leading diamond supplier long after all of its natural diamond deposits have been exhausted. De Beers will adapt and reinvent itself – forever.

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# RETAILRENDEZVOUS



## NEW COLLECTION INSPIRED BY FENG SHUI

**Lydia Courteille's** new collection is inspired by Feng Shui, populated with grasshoppers, frogs, dragons and fish, each symbolizing luck, wealth, prosperity and longevity. Architecture, textiles and the clothing from this ancient culture are also present. A culture and tradition firmly rooted in the care of our ancestors, Lydia Courteille has, in her own way, revisited symbols found on ancient pottery such as bats flying through peach trees painted on porcelain symbolizing wealth and prosperity. Lydia Courteille helps you to discover just a small aspect of the beguiling country of China.



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## GEM OF DESIRE MEETS MODERN SENSIBILITY

The gem of desire meets modern sensibility in **Valani Atelier** collections featuring new, luxurious ruby jewelry. Five new styles are being launched, with responsibly sourced stones of exceptional cut and red color.

Award-winning designer, **Heena Shah**, invites a modern homage to ruby, from boardroom to happy hour. The new staple, Valani Atelier's ruby looks are the perfect treat to celebrate milestones, or just because, the firm says. Shah says of her inspiration, "Ruby being the rarest of all gemstones, is an essential for every Valani woman's wardrobe."



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## U.S. Jewelry Sales Robust in May

SALES OF FINE JEWELRY AND FINE WATCHES **ROSE BY 12.0 PERCENT** IN THE U.S. MARKET IN MAY, WHEN COMPARED TO THE SAME MONTH A YEAR AGO.

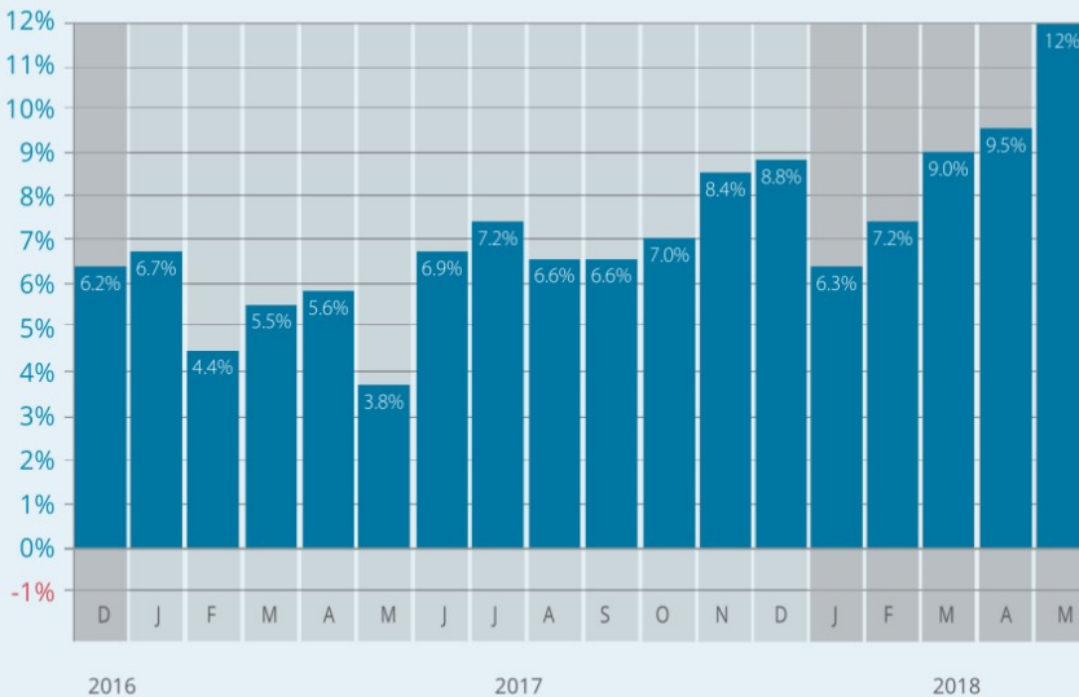
SPECIALTY JEWELERS POSTED A **13.8 PERCENT SALES RISE**.

OTHER RETAILERS WHO SELL JEWELRY – MOSTLY MULTI-LINE MERCHANTS SUCH AS WAL-MART, J.C. PENNEY AND OTHERS – GENERATED SALES OF **\$5.8 BILLION**.

TOTAL U.S. JEWELRY SALES **ROSE BY 11.8%** ON THE YEAR IN MAY, WHILE TOTAL SALES OF FINE JEWELRY AND FINE WATCHES WERE **\$9.1 BILLION**.

## FINE JEWELRY SALES

FINE JEWELRY SALES (APPROXIMATELY 88 PERCENT OF THE MARKET) **ROSE BY AN ESTIMATED 11.8%**, WHILE FINE WATCH SALES (APPROXIMATELY 12 PERCENT OF THE MARKET) **INCREASED BY 13.1 PERCENT.**



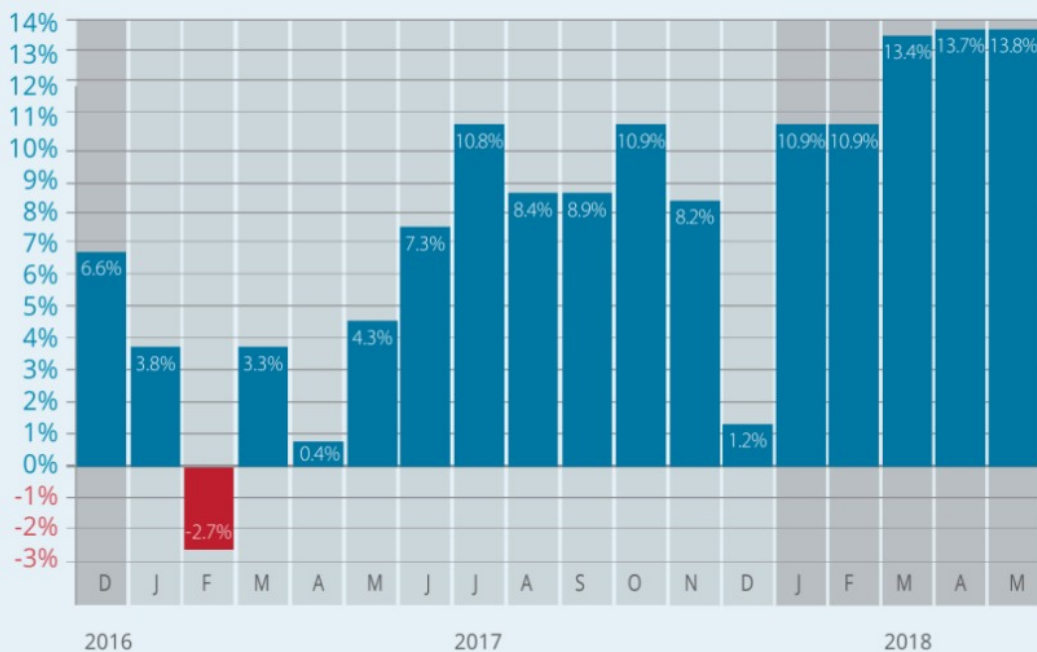
US TOTAL JEWELRY & WATCH SALES TRENDS 2016 - 2018  
% Change Y/Y

Source: US Dept. of Commerce



## SPECIALTY JEWELERS' SALES RISE IN MAY

SPECIALTY JEWELERS' SALES IN MAY WERE AN ESTIMATED \$3.25 BILLION.



US SPECIALTY JEWELERS SALES TRENDS 2016-2018 % Change Y/Y

Source: US Dept. of Commerce

## JEWELRY'S SHARE OF WALLET WAS UP SHARPLY IN MAY

TOTAL U.S. JEWELRY SALES ROSE BY 11.8 PERCENT IN MAY. THE RISE IN AVERAGE RETAIL SALES (ALL RETAIL CATEGORIES) POSTED BY ALL U.S. RETAIL MERCHANTS WAS LOWER AT 6.8%. AS A RESULT, THE U.S. JEWELRY INDUSTRY TOOK SHARE OF WALLET FROM OTHER RETAIL MERCHANTS IN MAY.

## 2018 JEWELRY SALES CONTINUE ROBUST PATTERN

AMERICAN JEWELRY CONSUMERS CONTINUED TO PROVIDE ROBUST SALES FIGURES IN MAY, ACCORDING TO THE FIGURES FOR THE FIRST FIVE MONTHS OF THIS YEAR. WITH THE AMERICAN ECONOMY CONTINUING TO IMPROVE, IT'S REASONABLE TO ASSUME THAT THE FIGURES WILL KEEP SHOWING A SOLID PERFORMANCE IN THE COMING MONTHS.



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# ▶ RETAIL NEWS

## PARAMOUNT JEWELS TO ACQUIRE A. JAFFE DIAMOND JEWELRY BRAND

A. Jaffe, the Nirav Modi-owned company in the United States which filed for bankruptcy earlier this year, has been acquired by Paramount Jewels LLC.

The firm, which is an affiliate of Paramount Gems and Parag Diamonds Inc., will pay \$5.2 million.

[READ MORE >>>](#)

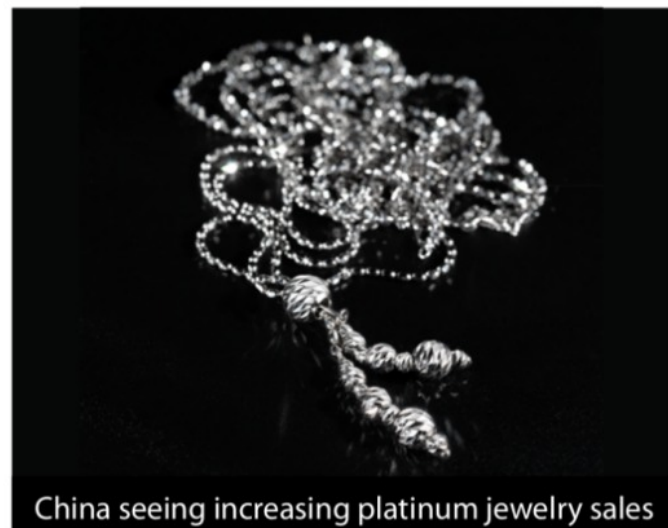
## PLATINUM GUILD INTERNATIONAL RELEASES FIRST PGI INSIGHT REPORT

The first PGI Insight report by Platinum Guild International (PGI) reveals a shift in the platinum jewelry industry to a consumer-centric business model in China with pioneering players seeing improvement in business.

[READ MORE >>>](#)



Nirav Modi's jewelry firms being disposed of



China seeing increasing platinum jewelry sales



## WFDB ANNOUNCES PETER MEEUS TO HEAD WORLD DIAMOND MARK

The World Federation of Diamond Bourses (WFDB) has announced that former Dubai Diamond Exchange (DDE) President Peter Meeus will take over as head of its World Diamond Mark (WDM) program.

Meeus is a diamond industry veteran who served as President of the DDE from 2009 to 2018 and was Managing Director of the Hoge Raad voor Diamant (HRD), now the Antwerp World Diamond Centre, from 1999 to 2006.

[READ MORE >>>](#)



All the answers – Sophia, the humanoid

## 'SOPHIA' THE STAR TURN AT FOREVERMARK FORUM IN DELHI

The 7th edition of the Forevermark Forum took place this week in Delhi, with the highlight being the presence of "Sophia", an advanced social humanoid robot developed by Hong Kong-based company Hanson Robotics.

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# ANNOUNCING

## JVC's 2018 WEBINAR SERIES

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2:00 pm – 2:45 pm (EDT)

### **SYNTHETICS: DECODING YOUR RESPONSIBILITIES**

Thursday, June 28<sup>th</sup>, 2018  
2:00 pm – 2:45 pm (EDT)

### **AML REFRESHER**

Wednesday, October 17<sup>th</sup>, 2018  
2:00 pm – 2:45 pm (EDT)

### **NEW TECH IN AN OLD WORLD: PRIVACY, DATA PROTECTION & CYBERSECURITY LAW**

Wednesday, November 7<sup>th</sup>, 2018  
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# POLISHED NEWS



The first day of the inaugural Bharat Diamond Week

## SECOND EDITION OF BHARAT DIAMOND WEEK: OCTOBER 8-10

The Bharat Diamond Bourse (BDB) in Mumbai, India, said it will be holding the second edition of its Bharat Diamond Week from October 8-10. The BDB said it aims to build on the huge success of the first Bharat Diamond Week, held from April 23-25, which saw more than 1,000 visitors from India and across the world do business with 150 Indian exhibitors of polished goods.

[READ MORE >>](#)

## AIGS WARNS INTERNATIONAL TRADE ABOUT FAKE GEM REPORTS

The Asian Institute of Gemological Sciences (AIGS), the Bangkok-based gemological laboratory, has identified fake gemstone reports bearing the AIGS logo in the gemstone market. "We have found out that some people made fake reports with a working QR code," said AIGS Chairman Kennedy Ho.

[READ MORE >>](#)

## WFDB: 2018 WORLD DIAMOND CONGRESS TO TAKE PLACE FROM OCT 23-25

The World Federation of Diamond Bourses (WFDB) announced that the 2018 World Diamond Congress, the biannual meeting of the WFDB and the International Diamond Manufacturers Association (IDMA), will take place in Mumbai, India, from October 23 to 25.



WFDB President Ernie Blom

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The Israel Diamond Exchange

## SARINE OFFICIALLY OPENS TECHNOLOGY LAB IN MUMBAI

Sarine Technologies Ltd held a celebratory event to mark the official opening of the Sarine Technology Lab in Mumbai, India.

[READ MORE >>](#)

## AUGMENTED REALITY JOINS IDE INNOVATION

The Israel Diamond Exchange (IDEX) and Sarine Technologies, has signed a partnership with Inova Diamonds Ltd. to provide AR solutions for online marketing. This technology will enable customers to view jewelry using computer

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The GIA headquarters at Carlsbad

## QUALITY START-UP INNOVATION CENTER

change's technological incubator, signed an agreement to host Israeli start-up. The company develops technological marketing of diamonds and jewelry using The new technology being developed to virtually "try on" diamond rings and sized imaging.

## GIA COLLABORATES WITH PRINCETON UNIVERSITY ON ADVANCED DIAMOND RESEARCH

Scientists at Princeton University called on GIA's (Gemological Institute of America) expertise in gemological research and the analysis of optical centers to evaluate how to use the unique properties of diamonds to create a highly secure communications network.

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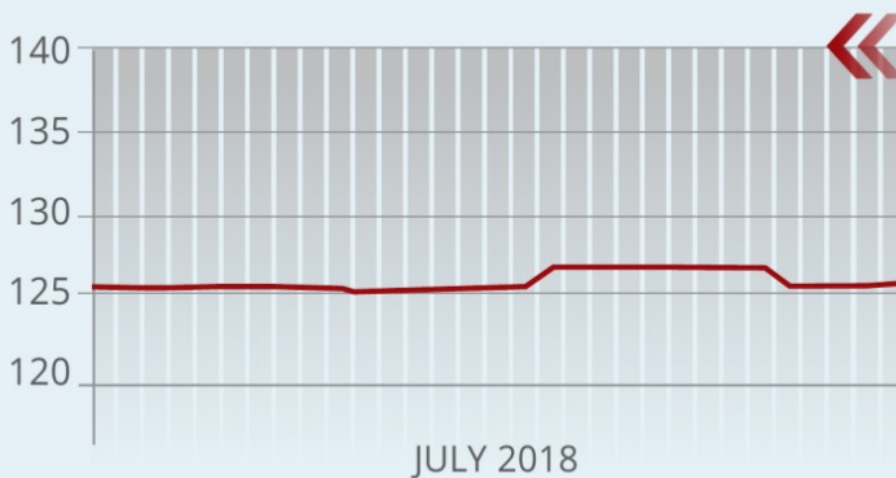
BY ALBERT ROBINSON

# POLISHED PRICES



## Polished Diamond Price Index Again Stable in July

THE IDEX POLISHED DIAMOND PRICE INDEX WAS STABLE IN JULY, RISING VERY SLIGHTLY DURING THE MONTH AS WAS THE CASE IN JUNE.



### DAILY IDEX POLISHED DIAMOND PRICE INDEX

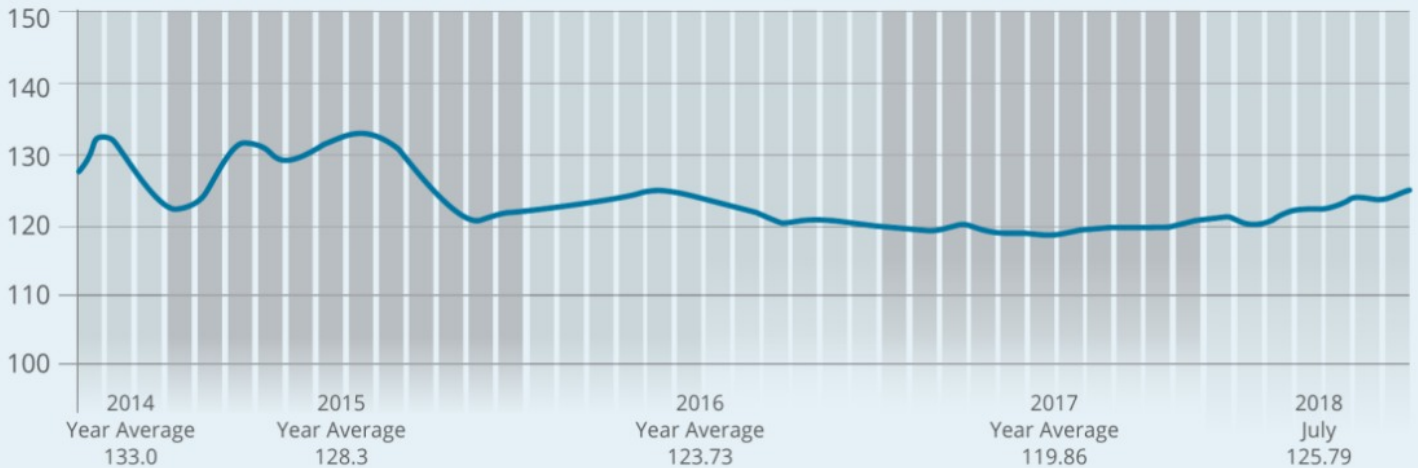
THE INDEX BEGAN THE MONTH AT **125.39** AND ENDED AT **125.61**.

ON A YEAR-OVER-YEAR BASIS, THE AVERAGE PRICE IN JULY SHOWED A **5.7-PERCENT INCREASE.**

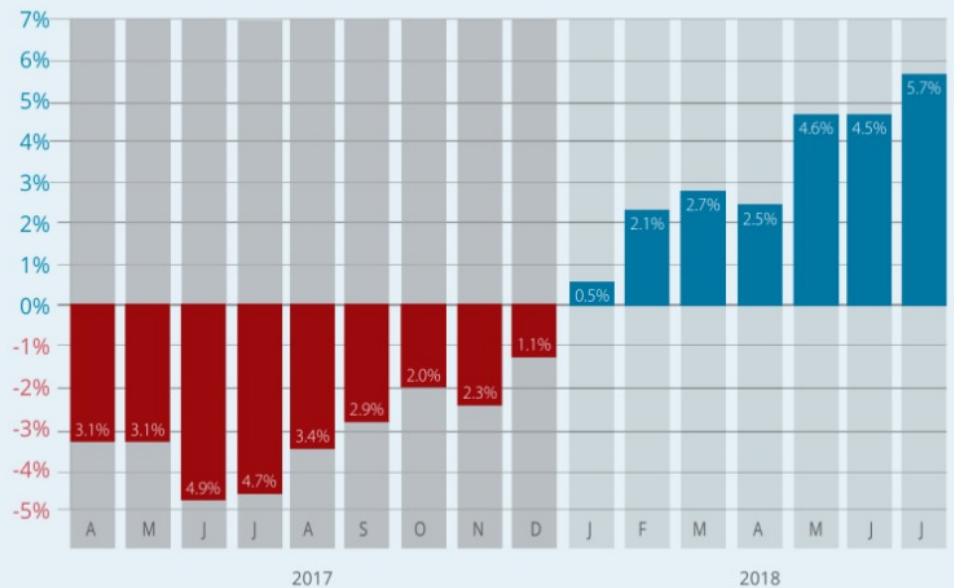
ON A MONTH-TO-MONTH BASIS, GLOBAL POLISHED DIAMOND PRICES IN JULY SHOWED A **RISE OF 0.8% FROM JUNE.**

## IDEX ONLINE POLISHED DIAMOND PRICE INDEX

AFTER DRIFTING FOR MUCH OF THE PAST FIVE YEARS, POLISHED DIAMOND PRICES HAVE BEEN ON AN UPWARD TREND SINCE THE LAST QUARTER OF 2017.

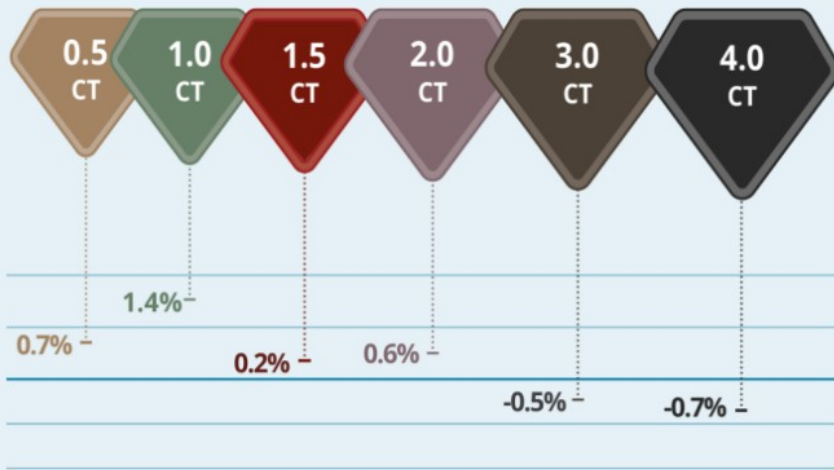


## IDEX DIAMOND POLISHED PRICE TRENDS

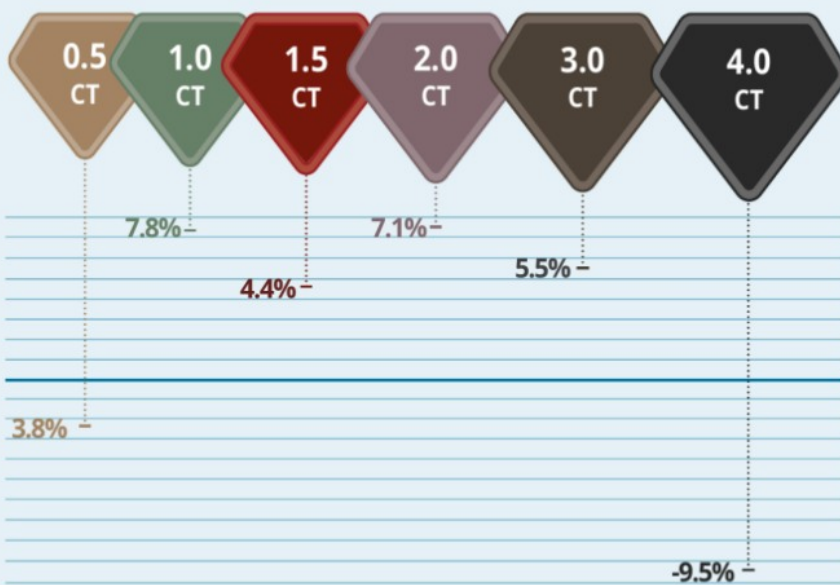




ON A MONTH-TO-MONTH BASIS – COMPARING PRICES DURING JULY OVER JUNE – THERE WERE FOUR RISING CATEGORIES AND JUST TWO DECLINERS.



ON A YEAR-OVER-YEAR BASIS, THERE WERE JUST TWO DECLINERS AND FOUR RISERS AS CAN BE SEEN IN THE GRAPH BELOW.



## OUTLOOK

Diamond trading in July was in line with seasonal expectations, according to De Beers which reported rough diamond sales with a provisional value of \$530 million in the sixth sales cycle compared with \$581 million in the fifth cycle. De Beers' sales in the sixth sale of 2017 were higher at \$576 million.

Bruce Cleaver, CEO, De Beers Group, said: "In the sixth sales cycle of the year, demand for De Beers rough diamonds was in line with expectations during the seasonally quieter summer period for the industry's midstream sector."

In general, trading was quieter in July with many diamantaires on vacation or winding down ahead of their summer holiday. Although many buyers were hoping for a larger discount during the summer slow season, sellers who have had a strong first half of 2018 did not feel the need to sell low.

# ▶ MINING NEWS



Stornoway happy with latest results

## STORNOWAY ANNOUNCES Q2 PRODUCTION AND SALES RESULTS FOR RENARD MINE

Stornoway Diamond Corporation reported second quarter production and sales results, saying it reflected the ongoing transition from open pit to underground mining and the introduction of ore-waste sorting.

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## ALROSA SELLS \$384M OF ROUGH IN JUNE, \$2.64B IN JAN-JUNE

ALROSA, the world's largest diamond miner by volume, sold \$383.7 million of rough diamonds in June, and \$2.64 billion worth in the first six months of 2018. Sales in June were 35.5% higher against May this year, and 7% higher compared to June last year. Altogether, in the second quarter, there was almost no noticeable seasonal drop traditional for the period.

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## SIERRA LEONE EXPORTING 144.12CT DIAMOND FOR MORE THAN \$600,000

Sierra Leone's Ministry of Mines and Mineral Resources (MMMR) and the National Minerals Agency (NMA) reported that a 144.12 carat diamond was brought to the Precious Minerals Trading Department of the NMA for valuation and certification.

[READ MORE >>](#)

## LUCAPA FINDS 89-CT YELLOW DIAMOND AT MOTHAE DURING BULK SAMPLING

The Lucapa Diamond Company recovered an 89-carat yellow diamond from the Mothae diamond project in Lesotho. Having recently recovered a 25-carat yellow diamond from the previously untested neck zone in its bulk sampling program, the miner said it was encouraged that the 89-carat stone was recovered from the south-east zone, an area of the Mothae kimberlite pipe where there has been very limited historical testing.

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Sale will help country's economy



Large diamond another positive for the miner



Unusual forest fire caused temporary alarm at the Renard diamond mine

## RENARD MINE OPERATIONS CONTINUE AFTER FIRE

Stornoway Diamond Corporation reported that it commenced remobilization of staff to the Renard mine as of July 4 following a suspension of operations due to a forest fire near the mine.

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