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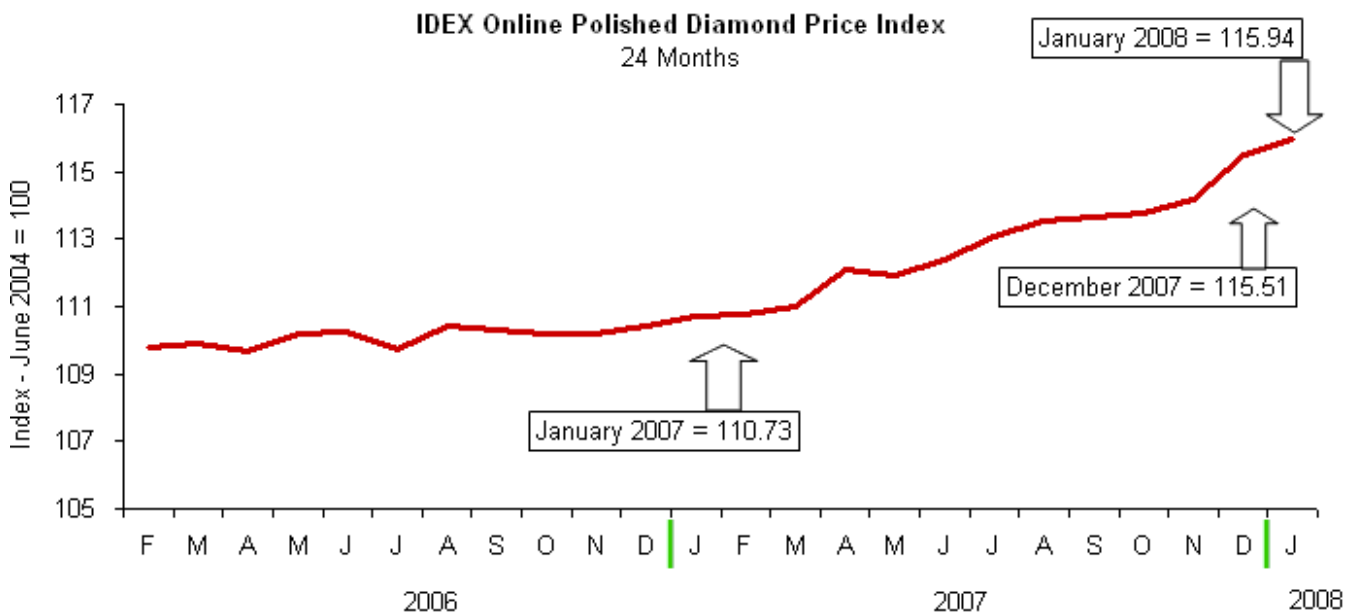
IDEX Online Research January Global Diamond Prices Continue to Rise

By Ken Gassman

Fueled by sharply rising prices for gemstones three carats and larger, global polished diamond prices continued their march upward in January 2008, according to the IDEX Online Polished Diamond Price Index. Polished diamond prices were nearly 5 percent higher in January 2008 than they were a year ago. On a month-to-month basis – January 2008 versus December 2007– the price increase slowed to a moderate 0.4 percent gain – just under a 5 percent annualized gain in January versus January 2007.

The outlook for polished diamond prices is bullish in 2008. While the U.S. jewelry market experienced a soft 2007 holiday selling season, demand in other regions of the world for diamond jewelry remains strong, especially for larger carat, high quality goods. As long as the demand for diamonds and diamond jewelry remains strong, especially in emerging markets, prices will likely rise. Further, since rough diamond prices are rising faster than polished diamond prices, there is continued pressure to pass along those price increases.

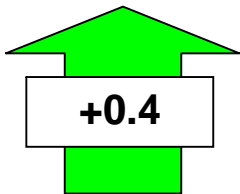
The graph below summarizes the IDEX Online Polished Diamond Price Index for the past 24 months. This graph represents the composite average prices of all diamonds traded at the wholesale level. While it appears that the upward slope of the line moderated in January, the trend is still very clear: up, up, up.



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January 2008 versus December 2007: +0.4 percent



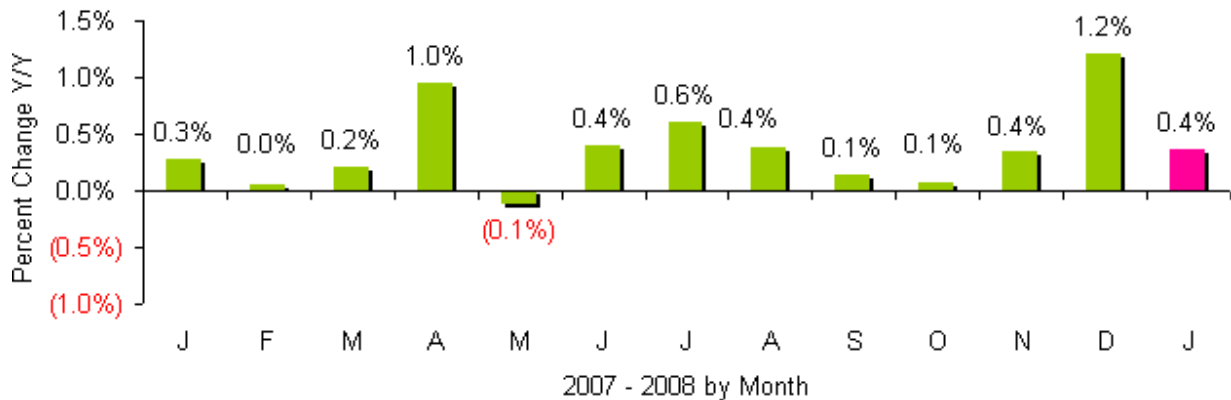
For the month of January 2008, average global polished diamond prices rose by 0.4 percent versus average diamond prices during December 2007. January's month-to-month gain was about in line with the average for 2007. On an annualized basis, this is a 4.8 percent gain in polished diamond prices, a rate that seems reasonable. The increase, which moderated dramatically from December's huge unsustainable 1.2 percent jump – a +14 percent annualized rate – was driven by demand for 3-carat

and larger, high quality polished diamonds, a trend that is likely to continue. With three-carat stones selling for around \$19,000 per carat and four-carat stones selling for around \$57,000 per carat, it doesn't take many sales of those large stones to push the IDEX Online Polished Diamond Price Index up. The IDEX Online Polished Diamond Price Index, calculated on the average daily prices during January 2008, stood at 115.94 for the month, up slightly from 115.51 for the month of December. The IDEX Online Polished Diamond Price Index stood at 100.00 in July 2004.

The graph below summarizes month-to-month changes in global diamond prices since the beginning of 2007. With the exception of February, May and the September-October period, polished diamond prices showed solid gains during almost every month of 2007, a trend which continues into 2008.

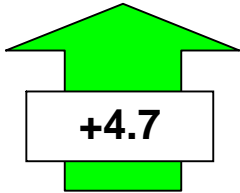
The percentage change comparisons on the graph are based on the daily average prices during the month for all sizes and qualities of polished diamonds. The percentage change shown is based on each month's average price versus the prior month's average price (e.g. January 2008 versus December 2007).

Polished Diamond Price Trends
Percent Change Month-to-Month





January 2008 versus January 2007: +4.7 percent



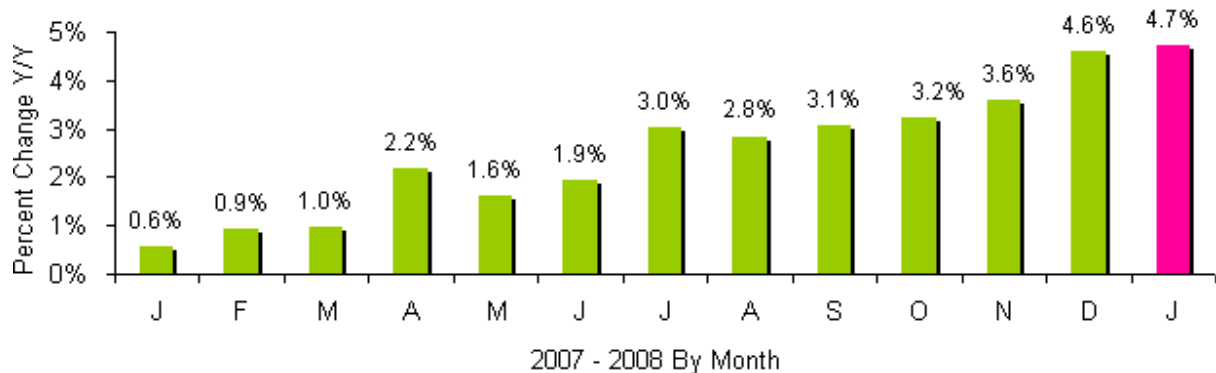
On a year-over-year basis, global polished diamond prices rose by an exceptionally strong 4.7 percent in January 2008 versus the same month a year ago – January 2007. This was the largest gain since the first couple of months of 2006, and is at the high end of the overall long term price inflation rate in the polished diamond industry. This very strong price increase reflects solid polished diamond demand which characterizes most global consumer markets.

If diamond prices continue to increase at this annualized rate throughout 2008, it would be one of the larger annual price increases in the past two decades for polished diamonds. We don't think this diamond price inflation rate is sustainable, even though rough diamond prices are rising at a greater pace. The diamond industry remains too fragmented for anyone – or any group – to hold pricing power similar to the tight-knit community of rough diamond suppliers. Further, jewelry retailers are still feeling margin pressure from rising precious metals prices over the past three years. Near term uncertainty among U.S. retailers will cause retailers to resist higher polished diamond prices, though there appears to be a move by U.S. jewelry merchants to implement higher retail prices by the second quarter of 2008. The IDEX Online Polished Diamond Price Index stood at 115.94 in January 2008 versus 110.73 in January a year ago.

On a year-over-year basis, polished diamond prices have shown solid, consistent gains each month. The graph below summarizes year-over-year monthly polished diamond prices for the global market since the beginning of 2007.

Comparisons are based on the daily average prices during the month versus the same month a year ago (e.g. January 2008 versus January 2007). The year-to-year comparison takes into account the seasonality of polished diamond demand and prices.

Polished Diamond Price Trends
Percent Change Year-to-Year

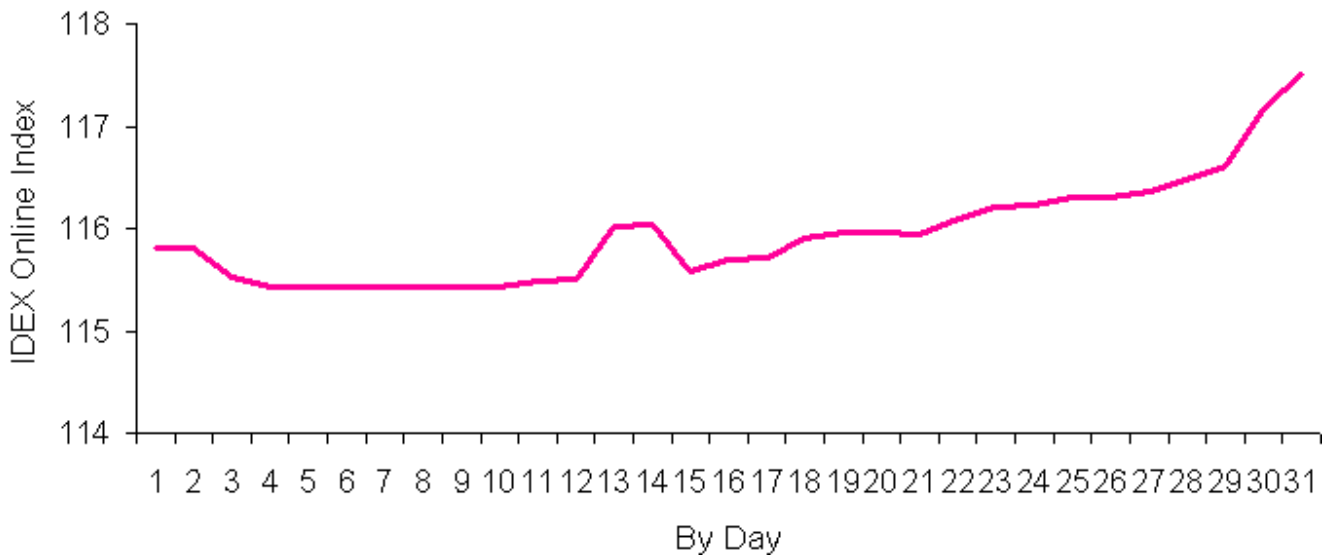




Polished Diamond Price Stronger Later in the Month of January

Polished prices held relatively steady during the first half of January on a year-over-year basis. After a mid-month price spike which lasted a couple of days, global polished diamond price increases accelerated for the balance of the month, ending with a price spike at the end of the month. The following graph illustrates the average price of polished diamonds on a day-by-day basis in January 2008.

Polished Diamond Prices - January 2008



Diamond Demand remains Strong for Large Sizes

Retail jewelers continue to repeat this refrain to their diamond suppliers: “give us bigger, better quality diamonds.” Recent price trends for polished diamonds confirm this trend. Large stones showed a dramatic price increase in January, based on month-over-month comparisons, while prices of diamonds in the two carat and below range held steady. As in past months, diamonds below one-half carat in size posted lower prices.

The graph below summarizes the price changes for key sizes of polished diamonds on a month-over-month basis: January 2008 versus December 2007. These seven stone sizes represent about 33 percent of the trading market by value.

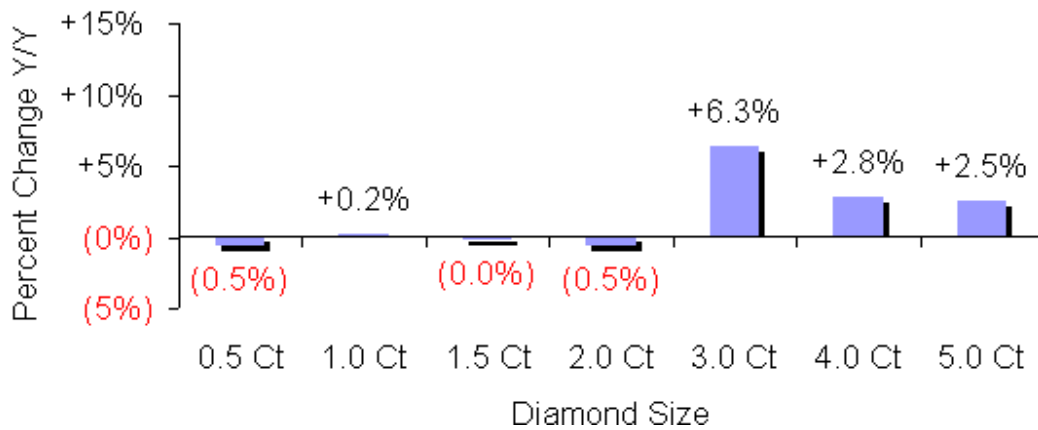


Polished Diamond Price Trends by Size

Average Price - January 2008 vs December 2007

% Change Month-to-Month

These Seven Sizes = 33% of the Market



On a year-to-year comparison, polished diamond prices showed a greater bias: prices for large stones in the four-to-five carat range rose much more sharply while prices of stones two-carat and smaller posted only a small gain. Did four-carat polished diamonds really rise by 48 percent year-over-year? Ask any diamantaire who deals in large high quality stones: they will confirm that prices are spiking daily.

The graph below summarizes polished diamond prices by key sizes on a year-over-year basis: January 2008 versus January 2007. These seven sizes represent about one-third of the market, by aggregate value.

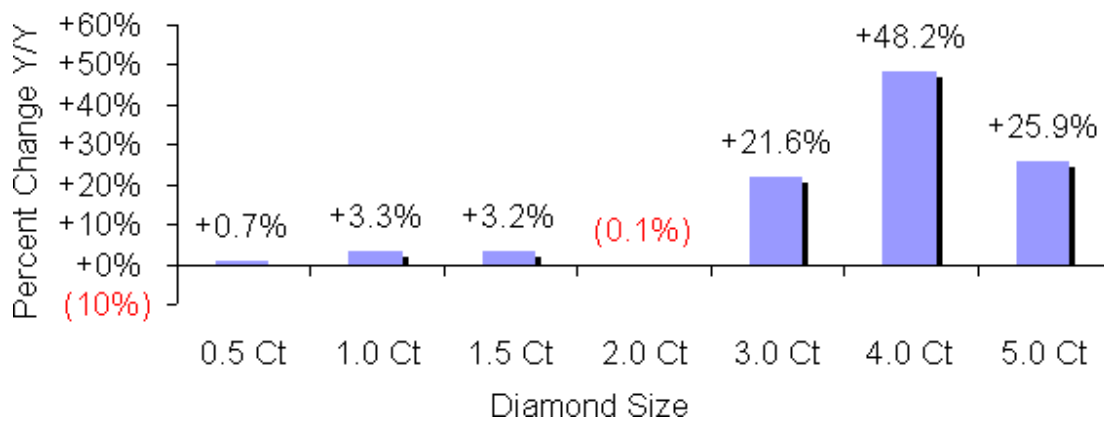


Polished Diamond Price Trends by Size

Average Price - January 2008 vs January 2007

% Change Year-over-Year

These Seven Sizes = 33% of the Market



Forecast: Polished Diamond Prices Higher, But At a More Moderate Pace

It is highly unlikely that global economic growth will accelerate during 2008. More likely, we will see a very modest slowing of some of the world's larger economies. In the U.S., economists are predicting a short, mild recession, perhaps in the first and second quarter. Consumers are already in a mental recession. Other high growth economies – such as China – are reining in growth in an effort to avoid inflation. Inflation robs consumers of purchasing power, and it is bad for discretionary spending, including jewelry demand. Likewise, though, a sluggish economy is also bad for discretionary spending. As a result, jewelry and diamond demand during 2008 is expected to moderate.

In addition to economic woes in the U.S. market which will take a toll on diamond and jewelry demand, diamond demand in the U.S. will slow also because of the DTC's decision to reduce its marketing budget in 2008. The U.S. market consumes about half of all the world's diamonds and diamond jewelry by value.

The bottom line: it is likely that the sharply higher diamond price trends that characterized much of 2007 will not repeat themselves in 2008, based on the traditional relationship between economic growth and diamond demand.

However, there is one factor that is industry-specific: rough diamond prices are rising at a pace faster than polished diamond prices. Thus, there is much pressure on cutters and polishers to raise their prices, a trend that is likely to continue. This will keep polished diamond prices from falling, and should



provide support, along with baseline consumer demand, to send prices higher, but at a more moderate rate.

About The IDEX Online Diamond Price Index

The IDEX Online Diamond Price Index is a real-time index derived from actual asking prices in the global diamond industry. The IDEX Online Diamond Price Index objectively reflects price trends as they happen. The Diamond Index and Diamond Drivers were formulated following comprehensive research and analysis of the IDEX Online inventory database, aggregated since 2001. Research and development were conducted in cooperation with Dr. Avi Wohl, Senior Lecturer of Finance at the faculty of Management, Tel Aviv University, Israel.

Additional information is available from IDEX Online Research. The e-mail address is diamondprices@idexonline.com.