



July 2008 Newsletter

Pastor-Genève News

After completing another strong auction season, it is apparent that the price increases at the top end of the market in the rarer color categories have maintained and even exceeded their estimated values. Buying activity was spread out between dealers, investors collectors and retailers and received a diverse offering base from all over the world.

Two new diamond investment funds have been set up to capitalize on the growth of colored diamonds, which will continue to increase demand and expand the breadth of the market.

We have received copies of the 4th edition of the Handbook of Personal Wealth Management and are awaiting the publication of the Global Market For Fine Art Investment. We will be publishing our report on the auction market in the 3rd quarter and for anyone who wishes to receive a copy of this latest Coloured Diamond Chronicle, please contact info@pastor-geneve.com

.Diamond Market News

Colored Diamond Investment Funds Set To Further Increase Demand For Rare Colored Diamonds

Two diamond investment funds, both expected to raise over \$100 million dollars, are being completed in the next quarter from Switzerland and the Netherlands Antilles respectively. The funds will look to capitalize on the growth of demand for rare colored diamonds and the depleting supply base. Both funds will concentrate on rare pinks, blues, greens, oranges and yellows as well some of the other undervalued segments of the market and will be selectively offered to High Net Worth Investors in North America, Europe, the Middle East as well as in Asia.



Report: China's Jewelry Sales Reach \$26B in 2007

China's jewelry sales reached approximately CNY 180 billion (\$25.88 billion) in 2007, representing growth of about CNY 20 billion (\$2.87 billion) a year from 2005. In 2007, China's jewelry imports grew 35 percent to \$6.2 billion, and exports grew 16.8 percent to \$8 billion. Sales of gold and silver jewelry have kept a good momentum in the first quarter of 2008.

Internet Diamond Sales

Internet Diamond Sales [Blue Nile] international accounted for 5% of 2007 revenue, and we anticipate that contribution level rising to 9% for 2008. International sales [for Blue Nile] were up 112.5% to \$17 million in 2007 over the year prior. Over the long-term, we believe international will be half or more of our total business." Blue Nile appears focused on consistently expanding its market share, it likely accounts for 4% of U.S. diamond engagement ring sales, in good times and in bad.

Colored Diamond Market Update - Business Week Canada

Fancy colored diamonds have appreciated 10-to-15 percent annually since their prices started being tracked in the 1970's, with reds, purples, pinks and blues commanding even higher premiums.

In addition current mine supplies would ensure that the stones remain rare, with only one carat of fancy colored diamonds being discovered for every 10,000 carats of white diamonds.

It has been reported that just 616 carats of investment grade natural fancy colored diamonds were found in 2005, compared with 123.29 million carats of colorless diamonds.

"Now is the time to invest in natural fancy colored diamonds," he added.



According to Chris Ryder, MD, BHP Billiton, there is not enough supply coming up within the next 5 to 10 years to meet the demand just based on GDP growth. By January 2008, it would have been near impossible to buy any colored diamond at the value of January 2007. Prices have risen by an average of 20 percent.

According to reports, investors are investing in red, intense purple or intense green diamonds, which are the most expensive diamond as they are extremely rare. Less than 10 stones of each of these colors are found every year. Green diamonds pose a particular problem in that it is very difficult to determine whether their color is natural or treated.

Other than that they are investing in purple red, purplish-red, bluish-green, greenish-blue diamonds, pink and blue diamonds, orange diamonds and yellow diamonds. Experts say the diamond price momentum is expected to continue, especially in the fancy color category. The supply will be flat, while demand is expected to rise by up to 50 percent and the current inventory levels will drop.

The Commodity Supercycle: Myth or Reality - Rapaport Diamond News

Since 2001, commodities have experienced a powerful bull market. Precious metals, base metals, diamonds, uranium, oil, gas and grains have all gone up in price. With a powerful bull market now in its eighth year, commentators are wondering if this is a commodity supercycle or a very long bull market.

One authority is the CEO of BHP Billiton, the worlds largest miner. The WSJ compares the present boom in prices to those that occurred during the Colonial Age or after the 2nd world war. With several countries entering the new industrial ages and with massive urbanization underway, commodity demand should continue to grow significantly over the next decade.

Another report from McKinsey Global Institute predicts that China will add 350 million people to their urban population by 2025 and that the population of China's cities will grow to 1 billion by 2030. There will be 225 Chinese cities with populations of more than 1 million. The expected GDP growth will be 5 fold over the next 20 years.



Another firm bullish on commodities is US Global Investors, which projects strong commodity demand based on globalization, urbanization and wealth creation.

Population growth coupled with rising affluence and urbanization creates demands for all kinds of goods, in turn raising demand for commodities. Living standards still have a long way to go to reach Western standards, thus the growth of luxury items with strong demand in the west should continue to grow exponentially in the Asian markets.

Record Auction Sales Continue In The Spring - Sotheby's

The market for jewelry and gemstones has seen remarkable strength in the last year with significant sales around the world. These sales have seen strong interest from both the trade and private buyers. Over the past few years, average prices have increased along with overall sale value.

The market today is driven, on the one hand, by fascination with diamonds. This interest falls into two different categories, large white diamonds and extraordinary examples of colored diamonds. For both types of diamonds, there is a limited supply in the face of increasing international demand. Naturally, prices have gone up. On the other hand, the jewelry market is also taking off, based on the increasing sophistication of our clients who recognize the value of important well-made jewelry, particularly with a provenance, as miniature works of art.



During the Geneva sale, an important auction record of \$1.328 million per carat was established when a Fancy Vivid Blue pear-shaped diamond ring, weighing 3.73 carats, was sold for \$4.955 million. This per carat record eclipses Sotheby's own record of \$1.321 million set in Hong Kong in October of 2007 for another Fancy Vivid Blue diamond that was 6.04 carats and sold for \$7.98 million.

At Christie's, the two most valuable gems were a 13.39 carat Fancy Intense Blue colored diamond that sold for \$8.87 million (or approximately \$660,000 per carat) and a Fancy Vivid Yellow diamond of 21.40 carats that sold for \$3.17 million (or slightly more than \$148,000 per carat.)

Christie's Geneva sale totaled \$56.96 million from 265 lots sold out of 365 offered or 73% of the sale. Christie's sale also featured large white diamonds.

Significant Sales

Rising prices for gemstones is one of the clearest measures of the growing interest in jewelry. The market for large white diamonds (over 10 carats) and large colored diamonds of high quality-especially blue and pink colored diamonds-has astonished even long-standing members of the trade. There is clearly a new group of buyers focused on these rare stones.

"The colored diamond market is a very particular market," says David Bennett, Chairman of Sotheby's International Jewelry Division, Europe and the Middle East. "The fact that blue diamonds come principally from only one mine in the world means there is not a large stock that can suddenly appear on the market."

The result is price acceleration for colored diamonds. "This is especially true of the most prized of the colored diamonds, the vivid blues and vivid pinks," Bennett adds.



Significant Buyers

The Geneva sales and the jewelry market attract a broad international spectrum of buyers representing both the jewelry trade and individual collectors. Given the location, it is no surprise to find that 50% of the lots were bought by Europeans. But what is remarkable in the buyer data is the fact that UK residents were buying lots of greater than average value. North American buyers showed a similar, but less pronounced, pattern. North Americans won 19% of the lots; they took home 24% of the sale's total value.

The jewelry market has also seen an influx of buyers who are new to Sotheby's Jewelry sales. In the Geneva sales, 20% of the buyers had never purchased a lot from Sotheby's before. The new buyers were evenly distributed among the regions represented in the sale with the largest group coming from the Middle East. New buyers from Asia, however, bought lots far in excess of their overall numbers. They acquired 12% of the lots that went to first-time buyers.

The Geneva sales are gaining in all measures. The two most recent sales have come closest to reaching the record total value set in 1993. With a consistent sale value around \$57 million, the average lot value fell slightly between November and May.

This, no doubt, reflects the composition of the November sale. During that that sale an 84.37 carat white diamond sold for \$16.2 million, significantly adding to the total value of the sale and raising the average lot value substantially. The market for large white diamonds is very strong but hampered by a lack of supply, as mentioned above. The records for per carat price have gone to colored diamonds, specifically vivid blue diamonds.



The May sale in Geneva was able to surpass that November 2007 sale total even though the top lot was just under \$5 million or less than a third of the value of the November's top lot. One of the reasons for this increased price volume has been Sotheby's use of provenance to distinguish jewelry lots. Large gem stones have become increasingly important in the market for jewels but items with an identifiable provenance become unique works. And unique works are generally more valuable in jewelry as they are in the market for paintings and sculpture.

When the Geneva results are put in the context of the rest of the world auction market for jewelry at Sotheby's, we see a consistent pattern of average lot values consolidating around a point comparable with the Spring of 2007 after a surge in the Fall of 2007. This consolidation shows the market retaining its growth over the previous two years. Only time will tell whether the Fall surge was a seasonal, economic or a long-term trend in the jewelry market.

Auction News

The Christie's Hong Kong auction in May exceeded the pre-sale estimates and recorded sales of around \$50 million dollars. Buyers were stretched from around the globe but several notable sales went to European and Asian privates.



City	Size	Color	Shape	Price USD
Hong Kong	2.27	Fancy yell. Brown	Marquis	\$12,872
Hong Kong	2.27	F Lt. Gray	Marquis	\$22,526
Hong Kong	1.14	Intense Yellow	Rectangle	\$19,308
Hong Kong	1.39	Fancy Pink Brown	Pear	\$17,699
Hong Kong	0.89	Deep grey bluish Green	Rectangle	\$34,947
Hong Kong	2.69	Light pinkish Brown	Heart	\$50,394
Hong Kong	0.28	Vivid Yellow	Brilliant	\$4,425
Hong Kong	0.28	Vivid Yellow	Brilliant	\$4,425
Hong Kong	0.27	Vivid Yellow	Brilliant	\$4,425
Hong Kong	0.24	Vivid Yellow	Brilliant	\$4,425
Hong Kong	6.35	Fancy Yellow	Rectangle	\$88,689
Hong Kong	5.78	Fancy Yellow	Rectangle	\$97,632
Hong Kong	11.28	Intense Yellow	Square	\$371,679
Hong Kong	1.00	Deep Pink	Brilliant	\$333,063
Hong Kong	2.22	Fancy Pink	Pear	\$1,022,487
Hong Kong	2.01	Fancy Blue	Pear	\$1,022,487
Hong Kong	2.65	Intense Purple Pink	Shield	\$1,166,654
Hong Kong	1.61	Intense Blue	Shield	\$1,166,654
Hong Kong	10.36	Fancy Green	Square	\$3,502,149

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