



## **November 2008 Newsletter**

### **Pastor-Genève News**

As the world governments work through the global credit crunch, several global economies have slowed down as unemployment rises and sales revenues decline. However, the luxury market has still held up reasonably well, with Harry Winston and Bulgari reporting reasonable results based on last years earnings. The colored diamond market is well positioned in countries such as India, China and the Middle East, where significant wealth funds are being used to cushion the economic slowdown.

The colored diamond market also has the advantage of being in the hands of wealthier buyers who are certainly not immune but will generally be less affected by the impending economic slowdown. This is evidenced by the strong sales at the auctions so far this year in New York and Hong Kong as well as the Argyle pink diamond tender, where all the pieces were sold and the entire sale was oversubscribed.

We will be quite busy in the coming months as we approach the busy Christmas and holiday season. We will be publishing several reports on the market in the coming months to keep our clients informed of market activity, including a recent report on the auction market along with a new colored diamond chronicle on vivid yellow diamonds.

### **Diamond News**

#### **Harry Winston Results**

Sales for the quarter ended July 31 were \$186.1 million, compared to a year-ago \$173.3 million, while earnings from operations increased to \$73.4 million from \$56.2 million.

The company said net earnings for the second quarter of 2007 were reduced by a \$11.8 million foreign exchange loss as a result of the strong Canadian dollar, while the current quarter saw a \$5.3 million foreign exchange gain.

"The international cachet of the Harry Winston brand has proven its strength despite difficult trading conditions in both the U.S. and Japanese markets," said chairman and CEO Robert Gannicott.

Gannicott added that strong pricing for the company's rough diamond sales helped to offset lower than anticipated production from the company's Diavik mine in the Northwest Territories.

## Colored Diamond Engagement Market

Every girl dreams of her engagement ring, but these days, brides-to-be are dreaming in color. That's because the newest trend in engagement rings is fancy colored diamonds in almost every shade imaginable – green, yellow, orange, pink, blue and even red.

Traditionally, these rare stones were only seen on the hands of Fifth Avenue shoppers and the J-Lo's of the world. (Who doesn't remember the pink diamond at the center of the Bennifer engagement?)

More recently, Jerry O'Connell won the hand of Rebecca Romijn with a six-carat yellow diamond. In early May, Brittany Murphy walked down the aisle wearing her own yellow diamond engagement ring. Spencer Pratt and Heidi Montag, from MTV's *The Hills* were reportedly engaged with a pink diamond.



While celebrities may account for the sudden popularity spiral, fancy colored diamonds are popping up on the ring fingers of soon-to-be brides across the country.

"Many brides today are looking for a way to make their engagement ring truly unique," said Blue Nile Diamond Expert John Baird. "There's no better way to achieve that than with a colored diamond."

## Increase In Diamond Investment Demand

Deutsche Presse-Agentur, MADRID: Spain's economic crisis has spurred the demand for precious stones, especially large diamonds, gemologist Adolfo de Basilio said Friday.

"The price of diamonds and gold is going up, probably because people are worried about the fluctuations of the stock market and prefer to invest in tangible goods," said de Basilio, who heads a new Gemological Institute in Madrid.

People interested in investing in diamonds should find out their real rather than current market value, because "the losses can be enormous if you later try to sell" a diamond that had been bought above its value, he advised.



## **Eastern European Market Update**

Consumers across the Czech Republic have benefited from a stronger currency when it comes to buying diamonds. As a result, diamond jewelry is growing in popularity -- especially with the younger consumer, according to a story in The Prague Post.

The story revealed that local jewelers have experienced double and triple digit growth in sales during the past two years and that consumers are buying diamonds as a sound investment.

“The number of orders for exclusive diamond jewelry is growing mainly due to the strong crown, so Czech clients are starting to invest money in luxurious jewelry and watches,” Michaela Jetmarová, marketing director of Dušák told the Post.

## **Middle Eastern Market Update**

Gulf News, DUBAI: Dubai consumers are willing to shell out more to purchase expensive and branded diamond jewellery.

Gold is still considered a better option in terms of investment, but the aesthetic value of diamonds is gaining popularity in the maturing jewellery market. Besides, the growing segment of upscale consumers, those with ample discretionary income, is driving diamond sales up.

According to Karim Merchant, managing director and CEO of Pure Gold Jewellers, the growth rate of diamond sales has outpaced that of gold jewellery, although the latter's sales output is still higher in terms of volume.

"I can't say that diamonds have taken over the gold jewellery sales, but for sure the growth rate for diamond jewellery is higher than gold jewellery, but in terms of volume, gold is much higher," Merchant said.



The Dubai-based jewellery group reported that its diamond sales this summer rose 60 percent over a year ago.

The increase has topped the 50 percent total growth for all of Pure Gold's jewellery sales during the first half of 2008.

"Middle East consumers in the last five years have become more brand conscious. They are willing to pay top dollar for design. Resale value of the jewellery is still an important factor, but not so much anymore, especially for the young buyers," Merchant told Gulf News.

### **Grading Colored Diamonds**

Colored diamonds are ones in which this molecular arrangement has been contaminated by a chemical reaction with some other element. A diamond that is made from pure carbon and has no structural flaws would be as perfectly transparent as pure water ice. However, no such 100% flawless diamonds have ever been found in nature.

Colored diamonds range in color from pale blue and storm gray to dark amber and even black. Pink, purple, reds and oranges have also been found. The color depends on the nature of the chemical impurity; amber and brown diamonds result from nitrogen; when internal flaws are present, they may be pink or red. A grey coloration is caused by boron, whereas a deep blue diamond may be the result of hydrogen.



### **Are They More Valuable?**

Colored diamonds are not necessarily more valuable than clear or colorless ones, although they may be. If a collection of loose diamonds includes gemstones with a yellowish tinge, they may have less value; jewelry retailers often discount the price of such gems. On the other hand, pink and red diamonds are exceedingly rare, and command high prices on the open market when they are available at all.

### **Argyle Pink Diamond Tender**

For the 24th consecutive year, Rio Tinto's Pink Diamond Tender is once again one of the premier natural color diamond events, and the round-the-world preview exhibition of the 65 selected stones is already over. This year, the exhibitions took place in six locations: Perth, Australia, August 21 and 22; New York, September 2 to 5; London, September 9 to 11; Hong Kong, September 15 to 20; Tokyo, September 24 to 26 and back to Australia in Sydney, October 1 to 2.

Even though neither the names nor the winning offers submitted by the new owners of the 65 stones in this tender will be released, market specialists have no doubt that record prices will be reached, with an expected minimum of plus 30 percent and maximums in excess of 50 percent.

“The European market for Argyle pink diamonds is very important. For example, in the past year, we have seen such developments as the significant commitment by La Serlas, the renowned luxury Swiss jeweler to be the flagship for Argyle pink diamonds in Zurich; the luxury Danish jeweler Hartmanns’ use of Argyle pink diamonds in its signature Shambala bracelet; the international debut of luxury Australian jeweler Calleija with the opening of its new store in London.



### **Auction News**

Despite a dour Dow Christie’s Jewels: The New York Sale fared well with five of the top ten lots soaring over the million dollar mark to bring the auction total to \$29,423,450.

Overall, bidding was competitive with buyers in the full sales room vying with phone bidders from around the globe, leading to a sale that was sold 82 percent by value and 69 percent by lot. Of the 254 lots offered, 183 were sold.

The Sotheby’s Hong Kong auction saw strong activity at the mid-range level of the market, with goods in the five-figure range selling particularly well. Several yellow and pink stones in the 1 to 3 carat size sold for above the reserve estimate and mid-range buyers dominated the sale.

<b>City</b>	<b>House</b>	<b>Lot #</b>	<b>Size</b>	<b>Shape</b>	<b>Price</b>
NY	Sotheby's	278	3.05	F. Light Prp. Pink	\$59,375
NY	Sotheby's	425	18.78	Light Yellow	\$122,500
<b>City</b>	<b>House</b>	<b>Lot #</b>	<b>Size</b>	<b>Shape</b>	<b>Price</b>
HK	Sotheby's	1702	1.15	Fancy Light Pink	\$74,359
HK	Sotheby's	1702	1.01	Light Pink	\$74,359
HK	Sotheby's	1702	0.81	Light Pink	\$74,359
HK	Sotheby's	1709	1.57	Intense Yellow	\$42,250
HK	Sotheby's	1709	1.55	E Color	\$42,250
HK	Sotheby's	1715	1.01	Intense Pink	\$252,200

City	House	Lot #	Size	Shape	Price
HK	Sotheby's	1715	3.90	Pink & White Diam.	
HK	Sotheby's	1738	2.32	Fancy Yellow	\$42,250
HK	Sotheby's	1738	2.13	Fancy Yellow	
HK	Sotheby's	1739	7.06	Fancy Yellow	\$109,460
HK	Sotheby's	1752	8.88	Intense Yellow	\$260,000
HK	Sotheby's	1754	5.44	Fancy Yellow	\$205,400
HK	Sotheby's	1754	5.02	Fancy Yellow	
HK	Sotheby's	1756	2.72	Very Light Pink	\$93,080
HK	Sotheby's	1756	1.2	Fancy Yellow	
HK	Sotheby's	1756	0.27	grayish Blue	
HK	Sotheby's	1758	3.05	Fancy Yellow	\$68,120
HK	Sotheby's	1758	3.03	Fancy Yellow	
HK	Sotheby's	1759	3.01	Very Light Pink	\$80,600
HK	Sotheby's	1796	2.14	Very Light Pink	\$35,750
HK	Sotheby's	1894	10.53	Fancy Yellow	\$236,600
HK	Sotheby's	1894	1.31	Fancy Yellow	
HK	Sotheby's	1894	1.31	Fancy Yellow	
City	House	Lot #	Size	Shape	Price
NY	Christie's	37	9.93	Fancy Light Yellow	\$104,500
NY	Christie's	66	22.95	Fancy Yellow	\$320,000
NY	Christie's	75	4.01	Fancy Pink	\$542,000
NY	Christie's	79	46.72	Fancy Yellow	\$842,500
NY	Christie's	85	5.6	Intense purplish Pink	\$2.714 M
NY	Christie's	107	14.23	Fancy Yellow	\$206,500
NY	Christie's	121	7.02	Intense Blue	\$3.610 M

## Mining News

### BHP Billiton Supply Declines

BHP Billiton reported a 24 percent fall in diamond production to 773,000 carats in the first quarter of its fiscal year ending September 30, 2008, compared to the same period a year earlier.

The company explained in its quarterly production report, that the decline was due to lower grades and a change in ore source expected as it transitions its Ekati mine from open pit to underground mining. Ekati is BHP Billiton's only diamond producing mine and is located in Canada.

BHP Billiton, the world's largest mining group, posted weaker production figures in a number of key commodity groups but said the quarterly figures were consistent with its previously stated outlook.

## **Rio Tinto Supply Declines**

Rio Tinto reported Wednesday that its rough diamond production fell 9.7 percent to 6.110 million carats in the third quarter of 2008, compared with one year ago.

The drop came as a result of declines in production at its flagship Argyle mine in Australia and at its Diavik mine in Canada. Rio Tinto's third operating mine is the Murowa alluvial mine in Zimbabwe.

For the first nine months of the year, Rio Tinto's total diamond production fell 23 percent to 13.962 million carats.

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