



## **October 2009 Newsletter**

### **Pastor-Genève News**

As articles from the New York times, the Sovereign society and other periodicals continue to report, the colored diamond market continues to hold up well at the top end of the market as sophisticated buyers continue to acquire rare pieces at a time when supply is under an enormous amount of pressure. Our editorial in the October issue of the Sovereign Society discusses how colored diamonds have always been an important holding during times of currency devaluation and potential inflationary pressure.

With the autumn auctions upon us, a number of important pieces are expected to sell for very healthy prices over the next two months, as demand for rare colored diamonds continues to increase.

We have just completed the sale of a very important 1-carat deep purplish pink diamond as well as an important, large vivid yellow diamond. We are also looking at a very interesting  $\frac{3}{4}$  carat Fancy Deep Yellow Orange diamond, a true pumpkin piece. For more information on offerings, please feel free to contact us.

### **DiaMine News**

DiaMine Explorations Inc. is pleased to announce the completion of an important potential gold property in the Red Lake district of Ontario. The claims area totals 3,760 acres of property and is in close proximity to the red lake gold camp, which is one of the most important gold camps in North America. The Red Lake mining region has produced over twenty four million ounces of gold since 1926 and most recently Goldcorp acquired mining operations in the region for \$1.5 billion dollars. The DiaMine properties are adjacent on the Western side of the GoldCorp. Property.

The Northern part of the DiaMine claims covers a very interesting interlayer sequence of older and younger volcanic rocks. Work has already been carried out on the property between 1998 and 2002.

DiaMine has also come up with a secondary drill program for the Coral Rapids project area. The heavy mineral sampling drill program for kimberlite indicator minerals will be targeted up ice from abundant multi-mineral KIM's. Based on the initial drill program, the DiaMine exploration team has targeted further sampling up ice and should commence further drilling in the fall. For further information, please ask DiaMine for the Coral Rapids Drilling Proposal.

## **Diamond News**

### **Trade Show Activity**

Diamond markets are more optimistic with improved outlook for economic recovery. Positive reports from Vicenza and Shenzhen shows fuel higher expectations for Hong Kong Show.

The first two days of the September Hong Kong Jewellery & Gem Fair met exhibitor's expectations as participants reported that a steady stream of serious buyers have passed through the event.

### **Cartier Diamonds**

"I think China will be the number-one market for Cartier in three to four years and that is our aim. Our strategy was to prepare Cartier for the worst when everything was going well. In 2006 and 2007, the sky was blue and everyone was bullish, but you could be sure one day there would be a bearish trend. We made a real start with the intention of becoming a leader in China then. We began putting in the right money and invested in products, public relations, boutique networks and communications and this has paid dividends."



### **Diamond Supply**

S. Africa July diamond production declined 53 % and experts predict the production numbers will be under pressure well into 2010. Reports coming out of major cutting centers around the world indicates that the supply of colored diamond rough has dramatically declined and good quality, rare colored good will be even more scarce next year. At the annual Argyle Pink Diamond Tender, only 42 stones will be made available for sale, compared to 65 last year as Argyle production has dramatically declined, including a 83 % second quarter decline.

### **Jewels Continue To Drive The Auction Market**

LONDON — Some miracles have a way of going unnoticed. Gems and jewels have been doing brilliantly at auction for months, as if bidders had never been told that there is a recession. And yet this has not aroused much commentary.

Could this silence be due to the fact that global sales in the first half of 2009 dropped by 54 percent at Christie's and Sotheby's alike, compared with the corresponding period of 2008? Probably. That leaves a nasty impression. But this abrupt fall of global figures reflects the drastic shrinking of supplies, not a dip in demand, which remains as strong as it has ever been, in a striking parallel to what is happening in the art market.

At Christie's, which has been leading the market for years, worldwide jewelry sales during the first half of 2009 went down to \$103 million, spectacularly less than the \$226 million posted in the first six months of 2008, and at Sotheby's the 2009 total, \$70 million, likewise looks miserable when compared with the \$150 million of 2008. This may have cowed into uncharacteristic silence the propaganda machinery of the two international auction houses. It sounds rather unconvincing to admit that you have taken a big step back, and to say in the same breath that your sales are brilliantly successful.

Unconvincing maybe, but true. **No one can reasonably argue that the market is faring poorly when earth-shattering world records are set.**

On Dec. 10, when the mood in London was at an all-time low, Christie's sold the most expensive jewel ever. The 35.56-carat blue diamond rose to \$24.31 million, or to be strictly accurate, £16.39 million. (In the jewelry market prices are always quoted in dollars, and even the presale estimate for the blue diamond, stated only on request, was given as a flat \$15 million.).



The faceting of the diamond was dazzling and the delicate ultramarine blue exceedingly rare, but this was more than just a beautiful gem. Its history went back to the 17th century, when Philip IV of Spain gave it to his daughter Margaret Theresa on her betrothal to Leopold I, the ruler of the "Roman Germanic Empire." Later, it belonged to the Princes of Wittelsbach in Bavaria. To round it off nicely, the stone can be shown today to have been cut by Sa'ida-ye Gilani, the Iranian poet, calligrapher and jeweler employed at the Moghul court by the emperor Jahangir (who reigned from 1605-1627), thus multiplying its potential value manyfold. However, the catalog did not mention this, since it was not known at the time of the sale.

The world leader in diamonds, Laurence Graff of London, finding the blue diamond irresistible, paid a world record price, the highest for any stone ever auctioned.

Five months later, another extraordinary price within its range was realized at Sotheby's in Geneva. This confirmed that the market was indeed exploding at the top end. Once again, the subject of the excitement was a fancy blue diamond.

With its "fancy vivid blue" color, the 7.03-carat gem dazzled connoisseurs out of their wits. It brought a staggering \$9.48 million, just over \$1.34 million a carat, making the

diamond the most expensive stone per carat ever sold in any category. Unlike Christie's fabulous historic diamond, it had no distant past. The bauble was cut from a 26.58-carat rough diamond recovered the year before at the Cullinan mine in South Africa. It was solely the lure of the stone that determined the prodigious price.

Sotheby's press release announced that the buyer, Joseph Lau Luen-hung of Hong Kong, had acquired the diamond, and given it a name, "The Star of Josephine." Josephine being his wife's name, dealers were ecstatic. This really was a private acquisition, fully demonstrating the vibrancy of the market.

Other extraordinary prices were fetched at Sotheby's Geneva auction, which netted a cool \$35.76 million. A rare "fancy pink" diamond cut in the shape of a pear soared to \$2.04 million, a huge figure for a 5.29-carat stone.



When asked about the atmosphere as perceived by the man wielding the hammer, David Bennett, chairman of Sotheby's jewelry departments in Europe and the Middle East, said that it felt like being back in the good old days of the mid-1990s.

Perhaps the astounding bullishness of the jewelry market is best illustrated by the prices achieved much further down the financial scale. Here one might have expected the recession to work havoc. Lower incomes have taken a nasty knock, and uncertainty about the future might have an inhibiting effect. Yet, consider what happened on June 10 as François Curiel, the international director of Christie's jewelry department — and chairman of Christie's Europe — was conducting the company's late spring London sale of jewelry.

An interesting pattern became apparent from the very beginning. Signed jewels set with good quality stones sold like hot cakes regardless of style or period.

The proceedings opened with a necklace of gold swan heads clutching in their beaks blue sodalite disks. The jewel, adorned with the name of Lalaounis and dated 1995 by its London hallmark, went up to \$24,450, two and a half times the high estimate.

Later, a necklace made from oval gold links joined by diamond-set clasps and signed Cartier Paris excited bidders, who sent it climbing to \$42,750, more than triple the estimate. A gold and diamond "panthère wristwatch," also by Cartier, which came next, managed to match the high estimate at \$16,700, even though dozens of that type can be found.

When an important period jewel appeared, the attendance enthusiastically responded as it had done at Sotheby's. Christie's "superb antique diamond brooch" was an unusual

composite piece. Made up from magnificent 18th-century pear-shaped diamond drops hanging from an inverted lotus chalice (a “canopy” in Christie’s terminology), it exceeded the high estimate as a private collector from Britain footed the \$374,824 bill. The “I want it” mood that prevailed was never more evident.

If any difference with the pre-recession jewelry market could be detected this year, this is perhaps the even greater attention paid to famous provenances or renowned signatures. In other words, there is an intensified search for aura and its reassuring quality.

Clearly, the sheer pleasure taken in gazing at beautiful stones is the secret weapon that allows the jewelry market to triumph at every level. And the fact that so many buyers find it possible up and down the financial ladder to succumb to the attraction without going bankrupt suggests that the recession, devastating though it is to some, leaves essentially intact countless private fortunes, from very large to relatively small.

When the glitter of a jewel makes it hard to resist temptation, money suddenly becomes available. There might be a lesson here for those who are in charge of the broader economy.



## **Diamond Market Report**

“There are a lot of people and it seems that interest is back in the diamond market,” said Hanan Rapaport, the Far East sales manager for Avlas Diamonds. “There are serious buyers at the show who want to see goods and make an offer.”

The show that features raw materials, such as diamonds, colored gemstones, pearls, as well as equipment began Monday at the Hong Kong Convention & Exhibition Centre, whereas a separate venue for finished jewelry will open Wednesday at the Asia-World Expo. Organizers have already reported a record number of exhibitors for the event this year.

In contrast with the September 2008 event, which coincided with the start of the economic collapse, participants reported that there has been a positive mood at this year’s show, reflecting the general optimism in the market.

### **Demand, Prices Holding Firm**

Reports from the show indicate strong demand for 1.00 carat, G-I, VVS-VS goods. There is also good demand for 0.30 to 0.90 carats, J+, SI1 stones and significant demand for diamonds above 3 carats in J+, SI+. H-I colors and lower are selling well in general.

Hanan Rapaport (who is not associated with the Rapaport Group) noted that the price

gap between buyers and sellers had narrowed, with sellers experiencing greater success by holding firm on price levels. Alon Garty, general manager of Windiam Hong Kong, added that buyers were still seeking deep discounts, but sellers were able to strategize on whether to hold out or close the deal. Others indicated that prices have been strong for sellers at the show and are trending upward on 1.00 to 2.00 carat, G-I, VVS-VS stones.

### **Many Chinese, Indian Buyers**

Traders noted the strong presence of buyers from India and China at the show, with others coming from southeastern Asia, such as Malaysia, Singapore and Indonesia and some from Australia. Traffic is expected to increase on Wednesday with the start of the Asia-World Expo for finished jewelry, as exhibitors expect that more buyers would rather combine the two events. Exhibitors have reported very little interdealer trading at the show so far.

Arnav Mehta, a director at Blue Star Diamonds, said he was expecting a good show because the Far East market has been less affected by the recession than other markets, while those in the U.S. and Europe are lagging behind.



“We’ll have to see how Christmas turns out to evaluate if there are any signs of recovery [in the U.S. and Europe],” he said. Mehta added that he felt the market had placed too much emphasis and hope on the Hong Kong show since business there has carried on as normal in the weeks leading up to this show. “What the show has given us is an opportunity to pick up some new clients,” he stressed.

### **Some Caution & Optimism**

Mehta reported that demand from the Far East has even held up very well during the past three to four months.

Mehta noted that inventory levels appeared to be high at the show, while at the same time, there were shortages in certain goods. He reasoned that dealers have been exclusively buying rough in the past few months and only manufacturing certain goods, which has led to shortages of other makes.

Still, reports from the opening days proved positive overall, as exhibitors appear happy just to be conducting business again, compared with the very quiet first half of 2009.

“There’s clearly a market,” Hanan Rapaport said. “It’s much more optimistic and people are doing business.”

## **Elite Magazine – Colored Diamond Sale**

September 17, 2009 - A real-life treasure trove of five fancy color diamond rings—including an extremely rare Natural Fancy Red diamond and a rare Natural Fancy Intense Blue diamond—were sold in an auction yesterday at the World Diamond Tower in New York City.

Not only is this one-of-a-kind collection beautiful, but it also comes with a fascinating back story. The limited-edition rings were commissioned by Treasure Trove, Inc. for the release of *Secrets of the Alchemist Dar*, a sequel to the New York Times bestseller, *A Treasure's Trove: A Fairy Tale About a Real Treasure Hunt for Parents and Children of All Ages*. Written by Michael Stadther and released in 2004, the illustrated children's book included clues as part of a nationwide treasure hunt for tokens hidden across the U.S.: Once found, each token could be traded in for a unique jewel representing one of twelve characters from the text. Designed by Aaron Basha and christened the “Fairy Rings of Eternal Life”, the five-ring collection was to be at the heart of a new worldwide treasure hunt sparked by the story's sequel.



President of the Gemological Appraisal Association Donald A. Palmieri, who appraised the rings in 2006, acted as auctioneer. The rings were sold almost immediately for the reserve price of \$400,000.

## **Iconic Argyle Pink Diamond Tender is showcased for the first time in India**

Rio Tinto's 2009 Argyle Pink Diamond Tender is celebrating the 25th anniversary of its iconic offering of rare pink diamonds with its first ever viewing in India.

This exceptional collection comprises 43 of the rarest diamonds in the world and has been showcased in Mumbai to a select group of Indian diamantaires, collectors and high net worth individuals.

Commenting on the inaugural Mumbai viewings, Jean-Marc Lieberherr, General Manager for the sales and marketing for all diamonds from Rio Tinto's mines says,

"Presenting the Argyle Pink Diamond Tender in Mumbai is a reflection of the emerging importance of India as a source of demand for coloured diamonds. Whilst India has traditionally been a manufacturing centre for the champagne diamonds from the Argyle mine, we are now seeing signs of latent domestic demand for coloured diamonds in India. Earlier this year we had a great response from Indian diamantaires to our tender of rare

blue diamonds from the Argyle mine and this encouraged us to look to Mumbai as a 2009 Pink Diamond Tender viewing location."

Titled Grand Passions, this year's tender collection comprises 43 stones, including a magnificent 2.61carat intense pink heart shaped diamond named Argyle Amour™ . One of four hearts in this year's collection, the Argyle Amour™ is the most valuable heart shaped pink diamond ever produced from the Argyle mine. Exuding passion, romance and warmth, this extraordinary diamond captures all that is Amour. The two other "hero" stones set to captivate bidders are Shalimar™, a 1.25 carat purplish pink round diamond named after the exotic garden sanctuary built by Indian emperor Jahangir for his beloved wife, and in the theme of legendary passions, Scarlett™, a 1.10 carat red oval diamond.



Josephine Archer, Business Manager for Argyle Pink Diamonds, comments on the 2009 collection, "These diamonds are for appreciators of the truly exceptional and with around 10 years remaining of the Argyle Diamond Mine, these rare pink diamonds will be keenly contested by investors, collectors and diamond experts from around the world."

The Argyle Pink Diamond Tender will travel to a number of locations before concluding in Perth in late September.

### **US Dollar**

The dollar will weaken and the U.S. risks seeing a crash of the currency unless it does more to control the deficit and reduce debt, said New York University Professor Nouriel Roubini, who predicted the financial crisis.

"If markets were to believe, and I'm not saying it's likely, that inflation is going to be the route that the U.S. is going to take to resolve this problem, then you could have a crash of the value of the dollar," Roubini said in an interview today in Cernobbio, Italy. "The value of the dollar over time has to fall on a trade-weighted basis, but not necessarily relative to euro and yen."

Roubini said he didn't see a risk of a dollar crash in the "short term." The value of the U.S. currency relative to currencies such as the yen or the euro "cannot change too much compared to current levels because if the dollar were to weaken a lot and the euro strengthen a lot, that's going to warp any chance for the European economy to recover, same argument as to the yen," he said.

"Most of the adjustment of the dollar in the future has to occur relative to China, relative to emerging Asia and relative to some of the other commodity exporters in the world, whether these are advanced economies or emerging markets," he said.

Foreign creditors need assurances that the U.S. will address its deficit, Roubini said.

“Unless in the medium term these issues of fiscal sustainability are addressed, and unless we mop up that excess liquidity from the financial system, eventually the financial markets and the foreign creditors of the United States might get more concerned about the sustainability of the U.S. fiscal deficit and about the U.S. being tempted to use the inflation tax as a way of resolving its private and public debt problems,” he said.

The information in this newsletter is for entertainment purposes only. The information contained in these quotes is believed to be from reliable sources. Pastor-Genève cannot be held liable for any misrepresentations on behalf of the sources we use. The quotes used only represent part of the article. For full viewing of any article, please contact your advisor. Prices paid by the client will likely be higher than those paid at the dealer to dealer level. Pastor-Genève has the right to accept or refuse purchase or sale instructions from its clients at any time whenever Pastor-Genève at its sole discretion, deems it necessary for its own protection. Colored Diamonds are a long-term investment and are subject to price fluctuations. Pastor-Genève cannot guarantee that past performance of colored diamonds will continue in the future and that a colored diamond purchased from Pastor-Genève will provide a net gain. They are not as liquid as traditional investments. They are not necessarily appropriate for every individual. Pastor-Genève is not an investment advisor nor are they licensed to give investment advice.