



Bonas

Diamond Brokers & Consultants

# Market Report

July 2009

## Rough

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Rough prices continue quite strong as the major producers enjoy firm demand:

**BHP Billiton** was the first in July to sell at higher prices with a reported 13% increase on average in the spot tender. The biggest increases were reckoned to be in clivage and coated while top range goods like Z White were thought to have seen smaller increases. Resellers of BHP goods had difficulty recouping their cost.

**DTC** followed up with some significantly higher box prices; some areas saw double-digit increases on paper, however this was tempered by improved assortments. The net effect was an average increase of approximately 5%. Z 3grs +7, Chips 4-8grs and some Indian article goods increased the most whilst large goods were the least affected. The sight was small due to De Beers' dramatic slowdown in production at the end of 2008 and resulting reduced availabilities. The major mines in Africa have resumed production and the flow of goods is expected to resume by the August sight. Resellers of DTC boxes achieved lower premiums from the previous month and typically sold slightly above or below cost.

**Arosa** began selling again after a long hiatus, though the quantity of rough delivered to clients has been small so far. Although people have paid for first shipments, now, some two weeks later, some still haven't received any goods. In the meantime they are being asked to sign for the second shipment and people without a contract are being invited to come and view goods, some say at cheaper prices although that hasn't been confirmed. Some smaller goods – i.e. 3grs down – are starting to appear in Antwerp.

Demand for rough is mainly fuelled by:

- Gaps in manufacturer's inventories
- Indian manufacturers who must generate exports to keep existing credit lines
- Banks who feel more comfortable with the lower level of debt and are enabling businesses to go back to work
- Better sales of pointers and caraters in India

The result of rough price increases over the last few months has been a significant disconnect between rough and polished prices, and they have also calmed rough demand. Many in the industry believe rough prices will correct themselves in September as more goods enter the pipeline.

## Polished

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Polished is moving better in some markets and slower in others:

**Antwerp** – moving a bit better in July however demand is mainly driven by local wholesalers who are taking their cues from the movement in rough. 2 caraters are moving surprisingly well.

**Tel-Aviv** – June was a relatively strong month but in July sales slowed significantly due to the lack of retailer demand and the approaching summer holiday. Demand for soft-edge fancies is very slow while square-edge is better. There is an increase in cash transactions as the liquidity crunch has eased somewhat. There is also a noticeable decrease in memo sales as suppliers are less eager to be the retailers' de facto financier.

**Mumbai** – moving fairly well, especially in I2/I3 clarity from 0.70 – 2 cts, stars and melees. Fancy shapes are moving better, especially princess cuts in lower qualities. Prices are a bit higher but not in line with the increase in rough. There is a noticeable influx of buyers from Hong Kong. Diamantaires are preparing for the important IJJS show which starts August 6. New products, web sites and marketing packages will be launched at the show.

**New York** – The economy seems to be improving and the stock markets are showing impressive growth. The diamond market however is moving slowly except for caraters where shortages are keenly felt, especially in higher colours. Retailer stock levels are reportedly low and traders are hoping for strong orders for the upcoming season.

**Hong Kong** – moving slowly with many jewellery manufacturers struggling to survive. The June show exceeded sellers' low expectations. GIA Certified 0.50 ct is moving well, especially in VVS clarity. The market expects business to be slow until the important September show.

## ■ Industry News

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- De Beers posted first half results with rough sales down 57% to \$1.4b.  
<http://online.wsj.com/article/SB124843717961478855.html>  
<http://www.diamondintelligence.com/magazine/magazine.aspx?id=8090>
- The International Diamond Board (IDB) is established to harness the cooperation of major industry players to jointly promote consumer diamonds sales.  
<http://www.israelidiamond.co.il/english/News.aspx?boneID=918&objID=5580>
- After five strong years of growth, Swiss watch exports in the first half of 2009 are down 26%. The strongest market, Hong Kong, is down 22% while the second strongest, the U.S, is down 43%.  
<http://www.fhs.ch/en/news/news.php?id=713>
- Mr. Sergei Vybornov, the President of Alrosa, has been fired following a “comprehensive” audit of the company’s books. Mr. Vybornov is replaced by new board member Fyodor Andreyev.  
[http://www.idexonline.com/portal\\_FullNews.asp?id=32654](http://www.idexonline.com/portal_FullNews.asp?id=32654)