

Gemstone Forecaster

NGC P.O. Box 42468 Tucson, AZ 85733 1-800-458-6453 1-520-577-6222



TABLE OF CONTENTS

"Cap" Beesley Challenges Current Gem Labs

Gem News

How much should origin matter to buyers of colored stones?

Auctions results

Burma News

On the trail of rubies and gems

Gemstone Legal News

What The \$9 Million Lawsuit by Saints Quarterback Drew Brees Could Mean For The Jewelry World

"Cap" Beesley Challenges Current Gem Labs

by Robert Genis

The gem laboratory business is booming. In a recent on-line survey, we were asked to review the quality of 22 labs that now examine colored gemstones. Of course, the fact that there are 22 labs is insane. Many of these are known in the trade as "certificate mills" or "junk paper" labs. I remember in the early 80's when only a handful of labs did actual quality assessment grading on colored gemstones. Regretfully, most are now gone, with the exception of American Gemological Laboratories (AGL). Many of these brand new labs have resorted to the "old school" way of pseudo-grading. Instead of having a system or scientifically-based method of grading gemstones, they fall back on meaningless terms like "pigeon blood" or "royal blue". This makes it extremely difficult for the collector, especially those new to collecting gems.

"Pigeon Blood Red"

Why are these labs proliferating? Well, not because they are educating the buying public, but because gem dealer sellers want them. According to Cap Beesley, founder and former President of AGL, "these labs are promoting fantasy terms that are used to mislead the colored gem buyer." Further, "these generic labs terms like pigeon blood and royal blue terms these labs use are strictly marketing hype".

Here is a better way to think about these color grades. Beesley recounts, "I remember looking at published auction results for two 10 carat unheated Burma rubies. One was \$1 million plus per carat and the other \$14,000 per carat. Yes, they both multiple certs." The difference in price is clearly an issue of the absence of meaningful quality assessment information. What good are these certs if they only provide questionable Country of Origin information and cannot tell you anything else that addresses the value of the stones? Any private collector can look at the two rubies and tell they are red. What these reports consistently leave out is relevant quality data. What is the true color? Is the stone vivid red and perfect tone? Is the stone red but too dark? Is the stone really a borderline pink sapphire? You will never know any of these important factors with these limited promotional certs. Not to mention, what about the clarity, brilliancy, cutting, and finish? All of these are value related issues.

A colored gemstone grading report is supposed to expand your knowledge of a particular gemstone to enable you to make an informed decision. The intention of these "bare bones" reports is instead to confuse, limit your knowledge and hype a rock.

Diamond Grading Comparison

When you buy any diamond, think of all the information on a grading report. You get color, clarity, cutting details, and treatment information. Would you buy a diamond if all it said was "white"? Of course not. You want to know if the color is D and the clarity is VVS1 with a fine make. As unbelievable as it seems now, in the beginning the diamond dealer community was vehemently against independent grading of diamonds. However, over the years, they finally accepted that diamonds needed independent grading. Currently, it's very difficult to buy/sell a diamond today without paper.

So why do colored gemstone buyers accept these certs which basically tell you nothing except the gems are red, blue or green? They shouldn't. The consumer is the loser with this skewed terminology.

Country of Origin

Besides the full analysis of a colored gemstone grading report, country of origin and treatment comments are of key priority. Is the stone Burma or not? Kashmir or not? Is the stone clarity enhanced or treated in any way? These are all vital issues.

Beesley states, "Recently, I saw three prominent lab reports on the same stone, each with a different Country of Origin. There are three possibilities for why this occurs. First, some stones are simply too difficult to call country of origin with certainty. In our experience, country of origin can be clearly called in about 70% of stones, and 30% have mixed evidence or cannot be definitively called at all. The second possibility is the experience level of lab personnel is limited and is has not kept pace with the challenges of Origin determination. The third option involves a significant reliance on high-tech tools with low-tech interpretation of data. As Beesley says, "The first 10,000 are the toughest."

Can you trust these 22 labs to accurately analyze the stones that were submitted regarding country of origin, heat, or other treatments? Beesley states, "I don't believe there are 22 people in the world who can accurately determine country of origin. How can the world have 22 labs providing reliable information?"

Some of the major labs that have a proven track record are less prone to bogus country of origin

calls. Our best guess with the others is emphatically no. Why? Under what is known as the Bangkok model, some labs ask the dealer what they want on the certs and they simply write it down. The theory is, the friendlier the certs are to the dealers, the more business and money to the labs. Of course, this is criminal fraud and totally deceptive to the end buyer, who is often a collector or jewelry buyer. In essence, the dealers and the labs are in bed together, and the cert will say whatever makes the stone more valuable, whether it is accurate or not. Truly independent laboratories need to put distance between themselves and the dealers.

Be Careful

Collectors must realize not all labs are equal. Even having multiple certs from numerous labs does not ensure that everything is kosher. Without a quality report, do you know what you really have? You need to compare apples to apples, not oranges.

Unfortunately, it's the Wild West out there. American collectors need to understand the rest of the world is not like America. You cannot simply sue someone if you are wronged in a third world country. Certain gem dealers are masters at getting three relatively inexpensive certs on bluff stones and trying to sell them for big money. How do you protect yourself if you are an American collector? The key is the invoice you receive from the gem dealer. If for example, you are buying a Burma no heat stone, that must be stated clearly on the invoice. Don't accept a vague invoice. That way, if something turns up later, you have recourse. Well, if you and the dealer are in the US you have recourse. If you are buying offshore in third world countries, naturally, you are losing your ability to seek redress. They don't have consumer protection agencies or the BBB. Good luck getting your money back from many overseas dealers. As long as you understand the risk, it's your decision. Caveat emptor.

Bottom Line

It makes sense to get a quality assessment from an independent, trustworthy, third party laboratory before buying gems. After all these years, Chris Smith at American Gemological Laboratories in New York remains the best commercial option to completely grade your stones.

Gem News

How much should origin matter to buyers of colored stones?

South China Morning Post

By Lynnette Lee

May 30, 2018

Excellent. Even a quote from David Marcum! ED

Imagine two big beautiful sapphires, alike in color, clarity and size – but one has a note that says it comes from Madagascar; the other, from Kashmir.

The difference in origin could end up costing as much as US\$80,000 per carat. The branding of gems based on the country they were found in commands a premium that translates into thousands of dollars, and buyers are willing to fork out more for stones with labels such as Kashmir, Colombian or Burmese.

The attention to origin is due in part to the way the gems are named – not just an emerald ring, but a Columbian emerald ring – and increased buyer sophistication.

Buyers aren't just looking at the 4Cs of cut, clarity, color and carat, but noticing that the most desirable gems in the marketplace don't just seem to score highly on all these fronts, they also usually come from certain locations. Those names have become synonymous with quality, history and prestige.

Sapphires from Indian-administered Kashmir are the most highly prized for their perfect velvety blue hue. Among emeralds, those of the purest green are traditionally found in Colombia and display a transparency like honey, known as the *gota de aceite* (drop of oil) effect.

In the world of rubies, Burmese rubies from the region of Mogok are bestowed the name pigeon's blood, and are considered the gold standard.

"The main relationship between origin and value today is one of rarity and history: those origins which famously provided fabulous quality gemstones historically and which today we know are rarely if not producing at all have a premium on desirability," says Helen Molesworth, managing director of Gübelin Academy. The Kashmir and Mogok mines are largely depleted and production has slowed to a trickle, while

Colombian emerald production is plagued by chronic underinvestment, although that is set to change in the coming years with the influx of foreign investment.

However, the rarity of the gems just seems to fuel demand. Just how much more desirable are these "branded" gems?

Auction records in recent years show that Kashmir sapphires have sold for an average of US\$217,000 per carat, compared to Ceylon and Burmese ones which sold for an average of US\$49,000 per carat. Top quality Columbian emeralds can command US\$200,000 per carat, while Zambian emeralds of similar quality have gone for US\$50,000.

In 2015, the Sunrise Ruby, featuring a Burmese ruby, set a new record for colored gemstones when it sold for US\$1.27 million per carat, making rubies the second-most expensive gems after diamonds. In contrast, a pair of ruby earrings from Mozambique sold for just US\$222,481 per carat at Hong Kong last December.

Auction houses tend to perpetuate the glamour of brand-name origins, as they are hesitant to sell stones from less famous sources.

However, it's not just the Big Three precious stones whose origins are of concern. Tanzanite, which only comes from one place in the world, is emerging as a potential rival and drawing heavy interest from the Chinese market.

Touted as "the gemstone of a generation", the gem is celebrating its 50th anniversary since its commercial launch at Tiffany & Co, and supply is expected to run out in 25 to 30 years.

Yet, its prices are much lower than those of sapphires, the nearest blue gem, ranging from the upper hundreds to lower thousands per carat.

Paraiba tourmalines are another colored gem with a premium on pedigree. Paraiba tourmalines from the original location in Brazil are the most saturated in color and hence the most valuable, though similar tourmalines are also produced in Mozambique and Nigeria. However, Paraiba's from Brazil are notoriously small in size and difficult to mine, with only one produced for every 10,000 diamonds. Prices often go beyond US\$10,000 per carat.

Molesworth suggests that the current fascination with origin is part of the buying mentality of transparency or traceability that's so popular at the moment, led by the emphasis on sustainable and conflict-free sources.

"People like to know where what they are buying comes from," she says. "That knowledge in itself adds value, but it is up to the market to attach it to the value chain."

The value attached to labels like Kashmir and pigeon's blood is so strong that sometimes the significance of their origin is obscured.

David Marcum, author of the Dow Jones-Irwin Guide to Fine Gems and Jewelry shared a story on Rapaport about a jeweler who, upon hearing the words "Kashmir sapphire", started gushing over the stone's beauty and rarity, before finally asking where the stone was from.

Experts caution against buying on the sole basis of origin. It only becomes a significant factor after the 4Cs.

If a ruby from Myanmar was a shade too dark or heavily included, it would still be considered an inferior stone to a vivid red Mozambique one.

The country of origin only adds a premium to high quality stones, but the premium is so exorbitant that it often prices out all but the richest buyers. Ignoring the Mozambique ruby could mean missing out on a chance to own a good stone at a good price.

In addition, there is no way to totally guarantee a stone's place of origin. "A beautiful gem is a beautiful gem, no matter where it formed; you cannot simply buy a colored gem off a report, based on where it came from, as any origin can effectively produce any level of quality," cautions Molesworth on any occasion to the loved ones.

Auctions News

Here are some interesting stones recently sold at auction. Instead of highlighting record breaking gems, we thought we would take a look at more affordable, yet still beautiful gems. After all these years, Christie's finally started offering Brazilian Paraiba tourmaline. It's about time, after repeatedly saying their clients only want the Big Three colored stones. Christie's Hong Kong sold a blue 1.35 Brazilian Paraiba tourmaline for \$88,000 or \$65,000 per carat. The stone is not heated, adding to its value.

photo credit Bonham's



At Bonham's in May, a 4.01 no heat vivid red Burma ruby sold for \$547,903 per carat. This comes to over \$136,000 per carat.

photo credit Bonham's



At Bonham's in April, a 5.47 unheated Burma sapphire sold for \$90,000 or almost \$16,500 per carat. The stone was graded by AGL as Burma no heat and no clarity enhancement.

photo credit Christie's



At Christie's Hong Kong show in June, a 7.46 and 6.81 matching pair (these always sell for a premium to single stones) sold for \$2.78 million or slightly over \$194,000 per carat. The stones were graded greenish-blue and heated at low temperatures.



Burma News
The Myanmar Times
by Phyo Was Kyaw
June 12, 2018
On the trail of rubies and gems ...

It is widely believed that depending on sheer luck, some gemstone miners strike it rich without any effort on their part, while others spend their lifetime in the mines unable to find even one valuable gem

When asked which period he misses the most during his mining career in Mogok, U Aung Than, without any hesitation, answered it was during the mid 1970s and around 1990s. In an exclusive interview last week, he described those thriving times as ‘illegal’ and ‘black marketing’ periods.

U Aung Than, who is now 58 years old, is from Maing Thar ethnic group and grew up in Mogok’s mining area since he was a teen. During the British rule, due to scarcity of labor in the mining companies, Shan-Chinese ethnics called Maing Thar, who were industrious and were from the Myanmar-China border, were given jobs, and since that time they were working as miners in Mogok.

Mining is the main lifeline of Mogok, and it is no surprise to find residents from that town mainly working as mining entrepreneurs, laborers or dealing in gems trade.

In 1889, during the British rule, the Burma Ruby Mines Company was established, and with an investment of 150,000 pound sterling value at that time, ruby mining was extensively undertaken. Morgan, the company’s chief

engineer, submitted an underground canal plan 100 feet below the Mogok valley ground surface, with seven feet high, seven feet wide and over one mile long dimensions. The plan was to contain the flooding issue in the mines, and to have excess water from the valley region flow through the canal to a low-lying Yay Ni stream near Kyauk Htat Gyi. Thus, one can imagine how extensive the mining business was in those times.

The underground canal plan was implemented in 1906. Gemstone mines in the Mogok valley, which could be dug only 20 feet in the past, could then be dug 100 feet deep. But, unfortunately, in 1925, the dugout collapsed, flooding all mines in the valley and causing a big lake to emerge. That lake is the origin of the Inngyi Lake that could be seen now in the middle of Mogok.

Mines are of two kinds – ordinary ground mines and hard rock mines, and mining can be done mechanically or manually. Machines used are water pumps, sand pumps or ore pumps. Manual mining is done with conventional methods, and mines have been given various local names, as described later, depending on their size, shape or the method used.

“Every step of mining is dangerous and risky, with mining leaders playing the most critical role,” U Aung Than said.

It can be said that miners who work inside mines have their lives safeguarded by the mining leaders. These leaders, themselves, should be well versed in each step of the mining process, predicting possible dangers in advance and planning ahead in preventing them. Deaths due to collapse of mines or lack of air inside them are the fault of mining leaders who are inexperienced in their field. Local mining leaders from Mogok can speculate which part of the town or land contains ore veins.

Together with miners, there are those who buy individual gems, traders, gem cutters and polishers, and mine owners.

“As I am not wealthy enough, I remained a miner,” U Aung Than reflected.

The local term twinlone is given to a mine dug down from the ground surface, with the hole as wide as a person to go in until a gem ore is discovered. Digging this kind of mine in ground that is not hard enough is not advisable, as

diggers have to follow the ore shoot straight down or sideways, with a risk of having the mines collapsing. When the mining hole becomes deep, mirrors or silver paper foil reflectors are used to view deep inside the mine.

Some seek gemstones from bank reef ores by using powered water pumps (called myawtwin method, locally), others by wriggling inside natural caves (called loo or letkyar method), and these tactics are hard and tedious. Some use dynamite to break open hilly ore veins (called khetwin method), which is somewhat dangerous. When Mogok mining industry was nationalized in 1969 and jobs became scarce, Mogok locals, inexperienced in other occupations, resorted to illegal mining of hilly ore veins, quite distant from the town. If the dynamite quantity used is not exact, there could be dangerous explosions or ineffective. Accidents could hurt miners' eyes and leave their facial skins torn or make their fingers torn apart.

Sharing his experience, U Aung Than said, "I can still remember the time when there was an air supply shortage inside the rock mine. Though workers on the ground used stove heat powered fan to supply air, my coworker fainted inside. At emergencies like this, the people working on the ground surface are vital. They have to be sharp enough to know what's happening to the miners underground."

The laybin and koebin in local terms are square dugouts, where frames of wood, bamboos, tree branches are used at regular depths, at a person's height. Koebin is larger and stronger than laybin with more ore minerals extracted.

Air supply shortage in ground mines are most frequent in hot and dry Myanmar calendar months, such as Tabauung, Tagu, Kason and Nayon. To make sure whether there is air supply or not, one can lower down a candle tied to a string into the mine. If the candle blows out, it means there is a shortage of air supply.

Mining leaders have a tradition of offering themselves and praying to Bo Bo Gyi, a guardian spirit of Mogok gems mining area, before they commence a project. They would chant something like, "We do not depend on our

strength, nor on our relatives, but only on Bo Bo Gyi's seven spouses. Please shower upon us treasure chests and unblemished stones. We pledge to the seven spouses that we will donate quality stones, if we receive them."

Before washing the gems ore or selecting good gemstones, offering to Bo Bo Gyi's spiritual palace at Mogok's Shansu ward has been a tradition since ancient times in Myanmar. They also have customs such as abstaining from consuming meat, prohibiting women folk inside the mines, or spitting chewed betel quid while in the process of mining. On their way to the mining site, they are prohibited from killing animals, and particularly not to kill snakes on the day they wash gemstone ores. Snakes are regarded as good luck, and miners would recount their experience of not even getting low-quality stone ores if they killed one. Also, they have a tradition of not picking up low-quality stones that would obstruct their good luck in getting good-quality ones later.

"When we were doing illegal mining, five neighbors would join together in working on a mine. It depends on nothing but luck alone. If each member of the group is lucky enough, they will get big stones. If the group is divided into two, one group might be lucky and get a good one, while the other might not," U Aung Than reminisced.

According to oral history, handed down through generations, when miners would not have time to pick out gemstones and would leave the cleansed ores in the jungles just covering them up with leaves, no one would take them away. Low quality and average quality stones would be kept inside a bamboo and left in the jungles. People would be so simple and honest that they will not touch or take away the money kept back in the bamboo, after a buyer purchases the stuff they checked out inside the bamboo without anyone around.

The main problem encountered in mines is flooding and not being able to control it. Except for these hardships, nature has also bestowed some unique features. For instance, one would see the wild sunflower plants growing in the town's western and some eastern parts where gemstones are found, and not in the remaining

gemstones are found, and not in the remaining eastern parts where they are not found.

It is widely believed that depending on sheer luck, some gemstone miners strike it rich without any effort on their part, while others spend their lifetime in the mines unable to find even one valuable gem. In 1881, during King Thibaw's period, one 40-year old Mogok resident named U Hmat became very wealthy after discovering many red-colored rubies in a mine near Myawgyi lake that he owned in northern Mogok. He became internationally known as the Ruby King after becoming famous with his generous donations and thriving gems trade. Although the story of Nga Mauk Ruby, discovered by one Nga Mauk from Chindwin area, is well documented in Mogok's history and the priceless gem kept safe by succeeding Myanmar monarchs, it totally disappeared after King Thibaw was forced to abdicate by the British. U Aung Than, no former miner, recounted, "Before leaving, I worked as a miner from age 21 to 40, but I was not lucky enough to find anything valuable. Also, there were no more mines to work on when I left. I did not want to work in other people's mines as a laborer, as you have to risk your own life. Besides, times have changed. In the past, if there is a potential plot, anyone could work on it, as it would not be owned by anyone. Now, we don't even have ownerless plots left in town."

Gemstone Legal News

Forbes

by Roberta Nass

April 4, 2018

What The \$9 Million Lawsuit by Saints Quarterback Drew Brees Could Mean For The Jewelry World

Some jewelers have specific divisions for dealing with collectors/investors. Instead of doubling or tripling prices, they agree to work on mark-ups of 10-30%. Obviously, Drew Brees didn't have the right kind of jeweler. It's much safer to deal with a gem dealer who specializes in high end goods. You will never see a future profit, if you buy with jewelry markups. ED

Today, Mike Florio of ProFootball Talk on NBC Sports, brought to light the fact that New Orleans Saints' quarterback, Drew Brees, is filing a multi-million-dollar lawsuit against a San Diego jewelry – claiming the jewelry he purchased from the retailer was appraised much lower than the price he paid. The lawsuit, filed by Drew Brees and his wife Brittany, will bring to light a host of different issues in the jewelry industry that run the gamut from jeweler markups on precious stone jewelry, to purchasing jewelry as an investment.

Essentially, the Brees' are suing a heretofore respectable jeweler, Vahid Moradi of CJ Charles Jewelry in San Diego, claiming that the approximately \$15 million worth of jewelry Brees bought from Moradi appraised substantially lower (by \$9 million) in an independent jewelry appraisal. Several key pieces of jewelry being specified in the suit include a blue diamond ring that Brees bought in 2012 for \$8.18 million and that is now supposedly appraising for just \$3.75 million. Also a main item in the suit (that specifies eight large-ticket purchases) is a pair of pink diamond earrings bought in 2015 as an investment. Brees paid \$975,000 for the earrings that most recently appraised for just over \$176,000 due to questionable settings that portrayed the stones (according to the lawsuit) to exude a more intense pink shade.

It is important to note here that Brees first met Moradi in 2003 when they were college graduates and were living in San Diego. Over the ensuing years, they purchased watches and "modestly priced jewelry" (as per the lawsuit). In 2010, Moradi became a jewelry consultant to the couple as they looked to purchase investment grade diamonds. All of the jewelry pieces named in the suit were purchased between 2012-2016. Brees had the diamonds re-appraised in 2017 when their financial advisor suggested it be re-evaluated for their portfolio.

While it is early in the lawsuit -- inherent issues need to come to light. Key among them: Did the Brees have the jewelry appraised from someone other than CJ Charles, which issued a GIA certificate on its own stationary? This

matters because the price of gemstones, diamonds and precious metals (gold and platinum) fluctuates according to the market and global economy. It also matters because another jeweler or expert appraiser may have noticed it the craftsmanship was questionable.

When making a large multi-million-dollar diamond purchase, it always behooves the customer to obtain multiple appraisals to be sure they are fairly consistent in pricing and to ensure the quality standards are there. Jewelry is, and has long been, the subject of much scrutiny when it comes to pricing, especially of gemstones and diamonds.

In the announcement of the lawsuit, wherein Brees hopes to win approximately \$9 million, two important things were mentioned. To begin with it seems that the jewelry was purchased as a 10-15-year investment, and according to reports, Moradi's lawyer is saying that the investment did not appreciate in value according to hopeful expectations fast enough. This can be the result of market trends and demands for diamonds and gemstones, or it can be the result of the diamonds not truly being appraised for what the

jeweler had claimed. Many auction houses, though, will admit that buying diamonds strictly for investment purposes can be a challenge because appreciation is largely the result of supply and demand and because it takes a highly trained eye and top procurer of stones to find the best. Easily one of most difficult issues in this lawsuit deals with markup. The lawsuit mentions the high markup that CJ Charles Jewelry took on the sales, particularly of the diamond ring – noting a 118 percent markup. The ring is currently estimated at about \$3.75 million according to reports, and, as mentioned, was sold to the Brees' at about \$8.2 million. The aforementioned pink diamond earrings, according to the lawsuit and recent re-evaluation, depict a more than 400 percent markup.

In the jewelry world, doubling and sometimes tripling jewelry sales at retail has been the norm. This doesn't make it right, but it should be noted that "markup" is the way jewelers make a profit on their hard-invested money – enabling them to pay for continued inventory, rent, sales help, marketing and more.

The information provided in this newsletter has been derived from research and sources believed to be reliable. However, no guarantee is expressed or implied as to their validity. Opinions included herein are subject to change without notice. The gem market is speculative and unregulated. Certification does not eliminate all risks associated with the grading of gems. Recommendations are meant for those who are financially suited for the risks involved. Past performance is not a guarantee of future performance. Neither NGC nor The Gemstone Forecaster guarantee a profit or that losses may not be incurred as a result of following its recommendations. They may also hold positions in areas they recommend. Subscribers should not view this publication as investment advice, nor is it intended as an offer or solicitation with respect to the purchase or sale of any security.

Write: GFN

P. O. Box 42468
Tucson, AZ 85733

Call: 1-(800)-458-6453

1- (520) 577-6222

Name _____

Address _____

City _____

I like the Gemstone Forecaster.

Please send it to me for one year (four issues) for \$49.

Canadian orders send \$69 (US).

International orders send \$79.00 (US).

I have gems I want to liquidate. Enclosed find copies of my AGL or GIA grading reports.