

Gemstone Forecaster

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



TABLE OF CONTENTS

[Do New Sanctions on Burma Gems Make Sense?](#)

[Latest Gemstone News](#)

[Diamonds are a scammer's best friend](#)

[Interesting Investments: Sapphires](#)

[Gemstone Trends \(1975-2017\)](#)

[2018 Tucson Gem Shows and Pricing](#)

Do New Sanctions on Burma Gems Make Sense?

by Robert Genis

Political activists continue to try to make "blood rubies" into the next blood diamonds, contending the Burmese military is being partially financed by the sale of rubies and other gems.

Burma is a complicated country, with 8 major national ethnic races and 135 ethnic groups. The Burmese Government contends the Rohingya Muslims are not one of its tribes, but are illegal immigrants from Bangladesh. The Rohingya want to be recognized as Burmese.

The reason people want to ban Burma gems this time is the Burmese Army's counter-insurgency operations in northern Rakhine, which have caused more than 600,000 Rohingya Muslims to flee to Bangladesh. We can't tell for sure what is really happening at the Burmese border.

We can however analyze the possible consequences for the gem industry. US Politicians are again talking about embargoing gems from Burma. The previous embargo was in effect from 2008 to 2016, and included jade and ruby. Some luxury jewelry retailers, including Cartier and Tiffanys, are already boycotting Burma gems, ahead of a formal embargo.

The truth is the proposed US sanctions on Burma's gems are unlikely to impact the Burmese gem industry at all (though they will adversely impact US businesses like high end jewelers and gem

collectors). This is because Burma sells most of its jade, rubies, sapphires, and spinels to China, India and Thailand. My contacts indicate Burmese dealers didn't see a significant difference in sales after the US sanctions were lifted in 2016. The Burmese Government recorded gem revenue of \$583 million last year, but loose gems only accounted for \$3 million. The vast majority is jade sales to neighboring China through border trade.

Burma held its 54th annual gem emporium in August 2017, selling US\$690 million worth of 5,197 gem and jade lots. The vast majority of dealers were Chinese. Another recent Burma gem emporium offered 190 gem lots and 6,685 jade lots. More than 2,000 Chinese buyers, 19 Thai buyers and three buyers from Macao attended. Only one Canadian buyer registered to attend, along with zero US buyers. Economic sanctions are often pushed by well meaning but politically naive activists with very little knowledge of how the real world works. Most academic studies show sanctions are not effective, except as symbolic gestures. Shouldn't you care if sanctions actually accomplish the goal? Sanctions on Burmese gems will simply push these rare treasures even further toward the Chinese, and make them unavailable to Western markets. Seems counterproductive to us.

Latest Gemstone News

**Diamonds are a scammer's best friend
Undeterred by the new binary options ban,
Israel's boiler rooms are doing brisk
business. An ex-employee describes how his
company shifted to hawking diamonds
The times of Israel
By Pierre-Simon Assouline
January 4, 2018**

A deep inside look at a diamond investment scam operating in France from Israel. Learn about conversion/retention agents and bogus lab reports. Of course, don't never forget these two old investment adages, 1) If it sounds too good to be true, it probably is and 2) Always take possession of any collectible you buy. Doesn't matter if the investment is diamonds or bitcoins. Remain vigilant. ED

"A diamond is forever," the international diamond corporation De Beers began declaring in its advertising in the late 1940s. Ian Fleming adapted the slogan for a James Bond novel, "Diamonds Are Forever," in the 1950s, followed by the Sean Connery movie in 1971. All true enough, so long as the gems in question actually exist. Of late in Israel, however, scammers have been selling diamonds online and over the phone with promises of a healthy profit, though the promised profits, and even the existence of the stones themselves, are often a matter of conjecture.

Two months after the Knesset passed a law shutting down Israel's binary options industry, job groups, especially for foreign language speakers, are advertising aggressively for its employees to come work in their call centers. "Binary options experience a definite plus!" some of them say. In Israel's French-speaking community, some forward-looking scammers abandoned binary options as long as two years ago, and moved on to scams involving diamond investments.

The Times of Israel spoke to one ex-employee of such a company, "Robert" (he asked that we not use his real name). A year or two ago, the owners of a French-language call center where Robert worked decided that the largely fraudulent binary options industry had received too much exposure, both in the French media

and in a series of exposés by The Times of Israel. They adopted a new scam, one that involves persuading strangers, through telephone conversations, to invest in diamonds. This "business," while nowhere near as large as binary options had been, has developed into an Israeli cottage industry, mainly involving French speakers.

All over the French internet these days, one can see ads for diamond investing. Some have even showed up on BFM TV, France's most-watched news network, in prime time. In November 2016, the Autorité des Marchés Financiers (AMF) — the Financial Markets Regulator — which has a very long list of warnings against Israel-based forex and binary options firms, blacklisted its first diamond investment firm, Blue Stone, Ltd., a company registered in the UK.

The AMF, according to the statement, "has warned French investors against marketing material issued by BLUE STONE LTD via several websites proposing offers to invest in diamonds."

"In view of the uncertainty as to the nature of the activities carried out by BLUE STONE LTD and companies related to it and given the unbalanced character of the marketing materials, notably the absence of a mention of risk, the AMF recommends that investors do not take up these solicitations from said entities and do not communicate them to third parties, in any form whatsoever."

The AMF did not mention this in its warning, but Blue Stone, Ltd., while registered in the UK, operated from Israel.

Since the warning against Blue Stone, about 80 additional diamond-sales websites operated by other companies have been added to the AMF blacklist (French). Consumer protection organizations in France believe that many of these have links to Israel.

The French securities regulator told The Times of Israel that none of these companies are licensed and therefore none are operating legally.

The AMF also says on its website: "It also seems that the prestigious mailing addresses of these platforms or companies are often fictitious."

Transnational fraud

Last March, French media reported the case of Stock Diamond, Ltd., which used the website stockdiamond.com. According to a February 2017 article in the *Républicain Lorrain* (French) newspaper, “hundreds of customers bought diamonds from unscrupulous brokers, presented as a juicy investment with an 8% rate of return.”

The company sprawled across multiple jurisdictions. It had an office in Lyon-Part-Dieu, in Lyon, France, the directors of which were arrested last year (French) by French authorities. French law enforcement had reportedly been alerted to the alleged fraud by a consumer protection organization known as l'Association de Défense des Consommateurs de Lorraine (ADC 54).

ADC 54's president Guy Grandgirard, a civil party in the criminal case against Stock Diamond, Ltd., has conducted an investigation into the company. He found that about 200 customers had paid between 2,500 and 40,000 euros to purchase diamonds, sight unseen, for investment purposes. When the customers asked to see the diamonds, they would be given excuses or the company would cut off contact with them, according to Grandgirard and multiple French media reports including the *Républicain Lorrain* article.

When Grandgirard tried to figure out who owned Stock Diamond, Ltd., he discovered, in his words, “a Frenchman living in Israel, who created a company based in a London building with 956 other companies! The British company had five directors in eight months. The final director is from Cyprus,” Grandgirard told *Le Republicain Lorrain*.

But ultimately, he said, all trails led to Israel. In a detailed investigation on ADC 54's website (French), Grandgirard showed that the website stockdiamond.com was registered by someone in Tel Aviv. The four directors of the British-registered company Stock Diamond, Ltd. were Yonatan Muyal, a Canadian citizen; Jason Hughes, a British citizen based in Cyprus; Joshua Baron, a British citizen who has lived in Israel; and Dan Amouyal, an Israeli.

The Times of Israel contacted all four men, but heard back only from a Joshua Baron — a British citizen who has lived in Israel, and shares

the same birth date, July 31, with the Joshua Baron who was a director of Stock Diamond Ltd., but who insisted he was not the company director: “I have no idea what you're talking about so I think you have the wrong Joshua Baron as I am sure there are many in the world.” Grandgirard wrote that in addition, several of the diamond investment websites he investigated were using the services of a company called IGL LABS, which “evaluated” diamonds for the customers. This company is directed by an Israeli man named Noam Lenzini, according to the UK Insolvency Service. Lenzini provided his services to a number of diamond investment websites, including one selling investments in colored diamonds, according to the Insolvency Service. The UK Insolvency Service said IGL LABS is owned jointly by Lenzini and Israel Or, a mainstay of Israeli gossip columns, who is known as a wealthy businessman who dates models and beauty queens.

On June 8, IGL Labs was wound up by the UK Insolvency Service. The judge at the June 8 Companies Court hearing said that IGL Labs had provided evaluations to a number of fraudulent diamond investment schemes.

“Having regard to the evidence as a whole,” the judge said at the hearing, “in my judgment the IGL certificates were not genuine valuations, but are indeed properly classified as contrived. They were simply designed to support a price at which fancy colored diamonds had been sold to investors and to provide false reassurance that the price paid had an independent professional valuation to support it.”

A spokeswoman for IGL and Israel Or told *The Times of Israel* that Lenzini had been a franchisee of the company in London and that “the IGL chain of diamond laboratories had no part in the transgressions committed by Lenzini. The company was the victim of Lenzini's fraud and no longer has any relationship with him.”

The Times of Israel did not hear back from Noam Lenzini prior to publication.

Working inside the diamond scam

The Times of Israel spoke to Robert, a former Tel Aviv-based employee of a diamond investment company. He told us that the company is perpetrating fraud, using what sounded like

many of the same ruses as the binary options scammers, including using false identities, misrepresenting their expertise and their location, and breaking off contact with customers who sought to withdraw their funds.

As Robert described the scam, the customer responds to an advertisement, usually on Google Ads or on television, by leaving his details on a web page. An employee in Tel Aviv then calls him and offers an ostensibly attractive investment: He can earn an annual return of 6-8% if he purchases a diamond, a part of one, or a batch. (Even in genuine diamond investments, the promise of an 8% return per year on diamonds is "very optimistic," to put it mildly, Grandgirard from ADC 54 told The Times of Israel.)

The broker then explains to the customer what he already knows: the return on investments in France is very low (the rate of the Livret A, a historic financial product offered by French banks, is about 1%). The broker tells the customer that diamonds are a good investment because demand exceeds supply, meaning that the value of any diamond he or she purchases will only go up.

Customers of diamond investment firms who feel that they have been defrauded have posted numerous complaints to the Signal-Arnaque website, a forum for people who think they have been scammed. Among the allegations: once they deposited their money, their diamond broker became very difficult to reach.

Robert, the former employee, told The Times of Israel that his company used to sell binary options. More than a year ago, he said, he saw his employers remove the old logo of the binary options firm and hang up one for the diamond investment firm in its stead. "The offices, staff, computers all stayed in place," he said.

His bosses said at the time that they estimated the diamond investment business had two years to operate before it was exposed, like binary options.

"We must act smart and fast," Robert recalled one of the managers saying. "We have two years to make some real money."

In October 2017, the Knesset voted to ban the entire binary options industry, a vast multi-billion dollar fraud that had persisted for 10 years with little to no action from law enforcement. The law goes into effect later this month. In response,

some binary options operatives have moved their call centers abroad, while others continue to operate call centers in Israel that now sell forex, cryptocurrencies, insurance and other products.

Robert's manager was a serial operator in Israel's underground economy, Robert said. He had previously been involved in false advertising scams and an online casino, followed by binary options. He hinted to Robert and his colleagues that he had had several brushes with the law, but managed to evade any kind of prosecution.

"You are protected," he often told his salespeople, Robert said. "We are accustomed to the Israeli justice system, and we know how to proceed. I'm here for you."

Robert recalled that there was a heavy atmosphere in the office on the day last January when The Times of Israel reported the story of a Canadian man, Fred Turbide, who died by suicide after being robbed by a binary options company based in Israel.

But a few hours later, Robert recalled, the salespeople were reassuring each other that "we don't do binary options," and that therefore what happened to Turbide was unrelated to their own business activity.

The system

"There are around 20 guys who call clients to convince them to invest. They are the 'conversion agents,'" Robert explained. "Their aim is to obtain a first deposit from the client."

Some of these conversion agents are people who had a legitimate employment history before working for the diamond investment company, Robert said. Others are French high-school dropouts who make grammatical mistakes in their speech, yet nevertheless achieve many sales.

After the first deposit, conversion agents transfer the client to a retention agent, a more seasoned salesperson, who asks for additional deposits from the client.

If at some point the client asked for his diamond or his money back, and was very insistent, Robert recalled, the sales agents would press the "compliance" button in the software program. The client would then be directed toward a department in which "two or three young women strive to keep the customer at any cost," said Robert.

One way to do this was to transfer the client from agent to agent until he grew weary.

Another way of dissuading clients from asking to receive their diamonds or the money equivalent was to explain that the diamonds were not stored in France, but in a facility in the free trade zone of Gex on the Franco-Swiss border, and that in order to receive the diamonds, the client would have to pay value-added tax, or VAT, which comes to 20% of their investment. Often that would be enough to dissuade investors.

“The scam is so well designed that they were like puppets in our hands,” said Robert. “Some investors put in 200,000 euros; others even used their life insurance.”

“When I think about it, it was surreal,” he related.

“There was an Orthodox Jew, who studied in yeshiva, with a black yarmulke. He was literally screaming at the clients who hesitated about investing. He would shout at them, saying: ‘You are shit!’ In only one month, he became the biggest portfolio manager of the company — he was number one.”

The scam

No one told Robert in so many words that he was working for a scam. But his doubts about the company’s legality grew quickly.

“Everything was a lie, from the narrative to the very existence of the stones that are being sold.”

For instance, Robert was to tell clients that he was a diamond expert who worked from the Place Vendôme in Paris, a luxurious square filled with shops selling luxury brands. He was told to mention that he visited Anvers, where the main European Diamond Exchange is located, four to five times a month to meet buyers.

In fact, said Robert, the French immigrants sitting in Tel Aviv were not diamond experts, none of them went to Anvers, and he doubted whether the diamonds he purportedly sold existed at all. The client received a certificate from an expert who had supposedly assessed the value of the diamond, but Robert had questions about the authenticity of the certificate as well.

Another lie, said Robert, is that “we tell the client that his investment is only for the purchase of the stone, and that we are not paid for it. But this is wrong. The conversion agents take 4.5% of the

deposits they bring in, and the retention agents take 9%.”

To reassure clients, the diamond brokers could at any time press a “good offer” button that offered an immediate repurchase of the diamond at a price 5 to 10% higher than the investor paid. The client could then choose whether or not to sell the diamond to this virtual buyer.

Since none of the agents in his call center actually went to the European Diamond Exchange in Anvers, Robert wondered if these virtual buyers actually existed. Perhaps these “good offers” were used to create an imaginary demand, he suggested, in order to reassure the client about his investment, and entice him to make further investments.

On to the next

In the absence of effective law enforcement, Israel’s boiler room industries have proven resilient. Many have simply changed their product before or since the Knesset banned binary options and continued with business as usual.

Robert quit his job many months ago. Job-seekers who interviewed in recent months at the company where he worked told The Times of Israel that their interviewers said the firm is still selling diamonds, but that this particular scam is on its way out.

Today, the job-seekers said they were told, there is a new product the company is selling with great vigor: bitcoin.

Asked about how it is addressing the problem of French-speaking call centers defrauding people abroad, Israel Police told The Times of Israel this week: “To the extent that there is suspicion of a crime in general and of this specific crime in particular, the Israeli police operates on the intelligence, investigations and operations planes in collaboration with the relevant authorities in Israel and abroad.”

“We would like to point out that there have been several cases recently involving ‘social engineering,’ and suspicions that scams were being carried out by phone and internet against companies abroad. After the investigations were completed, the state prosecutor indicted several of the individuals involved.”

Interesting Investments: Sapphires
Equities.com
by Avery-Taylor Phillips
March 2, 2018

Good beginning gem article edited for space.ED

Sapphires are mostly known for their more common blue hues, but can in fact come in a range of rare — and valuable, investment-worthy — colors.

Sapphire History

The sapphire has traditionally symbolized nobility, truth, sincerity and faithfulness, and is the September gemstone. While other gems can be blue, including topaz and tanzanite, the sapphire is the standard blue gem. Ancient Greeks and Romans believed jewelry with sapphires protected the wearer from envy and harm, while clergy in the Middle Ages wore the gemstone to symbolize heaven.

The blue gemstone has long been associated with royalty. Princess Diana Spencer's engagement ring, given by Britain's Prince Charles, was famously a sapphire ring.

Sapphires, according to the Gemstone Institute of America, were first discovered in Kashmir in 1881 after a landslide in the Himalayas. The gemstones can also be found in Australia, Thailand, Cambodia, Madagascar, and the United States — specifically Montana.

Colors

While blue is the most commonly known sapphire color, “fancy sapphires” come in a range of other hues, including “violet, green, yellow, orange, pink, purple, black, brown and intermediate hues,” the GIA notes. They can also be colorless. Sapphires are part of the mineral species corundum, composed of aluminum and oxygen. Rubies are also corundum. Imperfections and additional elements like iron or titanium create different colors. A six-pointed star effect, or asterism, can appear in cabochon-cut — dome-shaped — sapphires.

Padparadscha sapphires, found originally in Sri Lanka and later in Madagascar, Vietnam, and Tanzania, are a unique salmon color. These sapphires, also described as “sunset” colors of pinkish-orange, are rare and — important for investing purposes — have a very high per-carat value. Other than identifying if a gem is a

padparadscha sapphire, how can you tell if it is worth investing in? Rely on the Four Cs.

•**Color:** As mentioned above. This is the most important of the Four Cs. For the traditional blue sapphire, you want between a velvety blue and violet blue, in medium or medium dark tones, with strong saturation without compromising brightness. Green sapphires are the least valuable.

•**Clarity:** While blue sapphires will typically have inclusions, the fewer, the better. These often take the form of “needles” in the stone, and scatter light. However, Kashmir stones with needle inclusions can give the gem a velvety appearance, and are coveted. Instead of being less valuable, if there are multiple inclusions that cause a star effect, the value increases. The most common are six-rayed stars, but there are also up to 12-rayed stars, which are very rare and valuable.

•**Cut:** Sapphires can often be cut to create color zoning, with areas of different colors in a single stone. In stones that have a pleochroism, or different colors depending on the orientation of the stone, cutting the stone so that the violetish blue side, instead of a greenish blue, shows when set in jewelry is most desirable.

•**Carat weight:** A 5.00 carat sapphire of fine quality sells for nearly five times that of a fine-quality 1.00 carat stone. Meanwhile, a 5.00 carat commercial-quality stone sells for only about double what a 1.00 commercial-quality sapphire is worth.

Investing

Finally, we come to the investing part. It's worth noting that the largest blue star sapphire, nicknamed the Star of Adam, was found in Sri Lanka in 2015, weighed in at 1,404 carats and sold for more than \$300 million. If you want to deal in blue sapphires, the most desirable tend to come from Kashmir. Myanmar, Sri Lanka, and Madagascar also produce valuable sapphires.

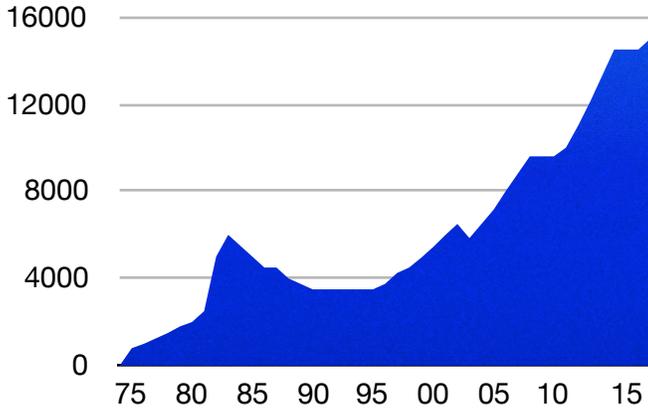
Heat treatment can negatively affect a sapphire's value. Confirmation from an independent laboratory can confirm whether a stone has been heat treated.

To reiterate, sapphires are all about color. A straight orange sapphire in 2008, for example, went for about \$2,000 per carat, while a padparadscha sapphire was valued at about \$12,000 per carat.

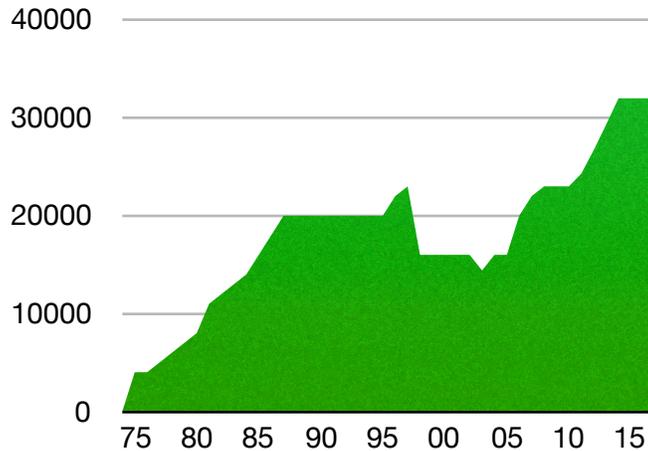
Retail Gemstone Prices (1975-2017)

These charts are indicators only and should be used to decipher the general price trends of a particular market. They are price per carat indications for GIA graded diamonds and AGL colored gemstones only, for standard shapes with ideal parameters. Prices represent high ranges encountered in the US markets. The only true price is what a knowledgeable buyer and seller agree to as a transaction price. No guarantees are made and no liabilities are assumed as to the accuracy or validity of these prices. Copyright 2018 by NGC. Reproduction is strictly forbidden.

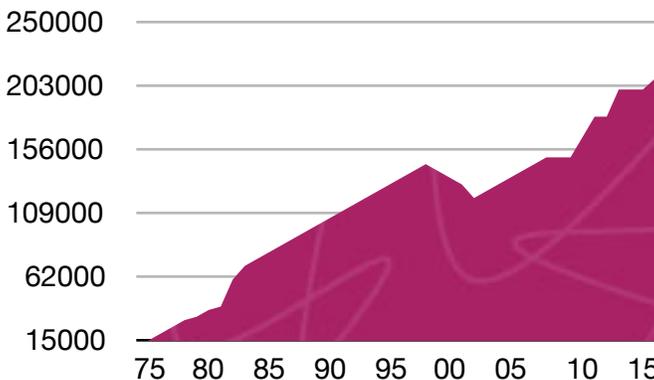
Burma Blue Sapp, 1ct, 2.5/75, LI, no heat



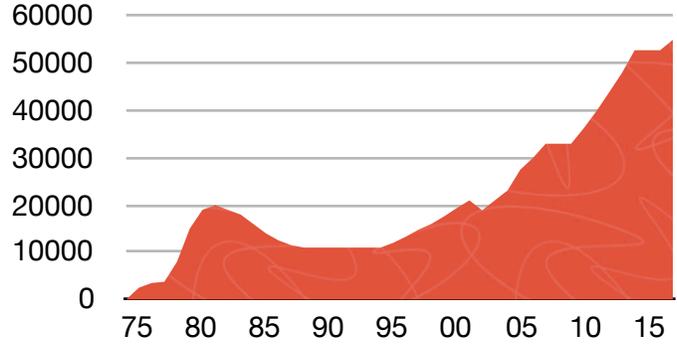
Colombian Emerald, 1ct, 3.5/75, LI, no treatment



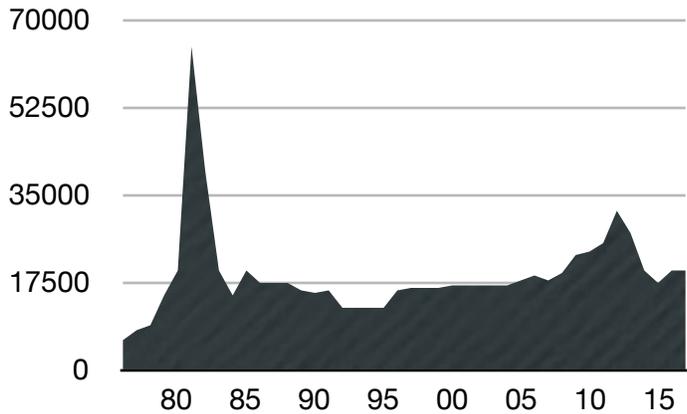
Fancy Intense Pink. 1ct., VS, Round



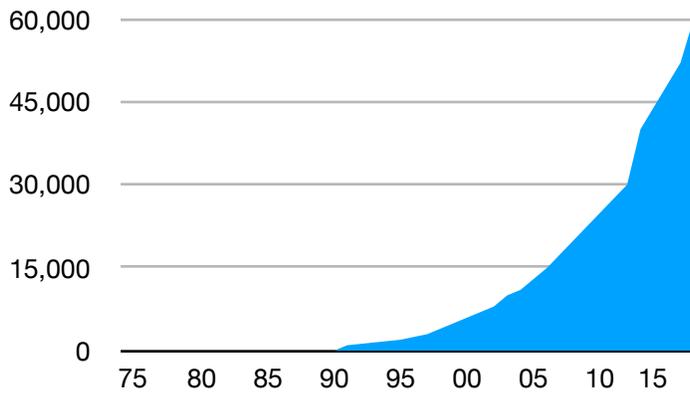
Mogok Burma Ruby, 1ct., 2.5/75, LI, No Heat



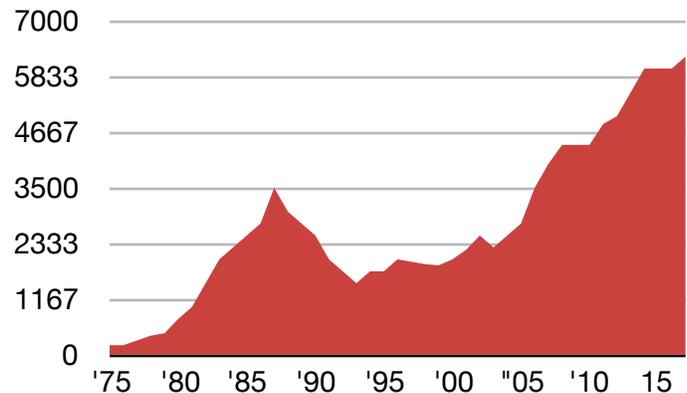
Diamond, 1ct., D-FL, Round



Brazil Paraiba, 1ct., Blue, LI, Low Heat



Burma Spinel, 1ct., Red 3.5/75, LI



2018 Tucson Gem Shows and Pricing by Robert Genis

In the old days, international buyers were smart. They would hammer the overseas sellers, telling them their goods were too expensive and that they could not possibly sell those stones for a profit in Europe, the US or the Middle East. The buyers would then add a mark-up and sell into the international markets, making a profit. As Bob Dylan said, 'times they are a-changin'.

I met with one of the largest Burma dealers while in Tucson. He had never been to Tucson before. He spoke perfect English along with a few other languages. At dinner, he wore a six carat unheated Burma ruby. He was always answering his iPhone X. Not what I expected. He showed me his goods, the most expensive being a 7 carat unheated Burma ruby for \$2.7 million. This was one of his fairer prices. I looked through the rest of his goods, and there was no way I could buy anything from him and sell it into the US markets. The prices were so high, it would be impossible to talk him down enough to make a profit, even if I could find someone to buy at these astronomical prices.

So what happened from the old days? Two events. First, the world is becoming a much smaller place. The advent of the internet and smart phones changed the world. Now

international source dealers can check prices against the auction house catalogs. They believe this is the market, not what the old buyers say anymore. They never consider it may take 6-9 months to sell at auction and the stone may not sell at all. These high prices are what they now expect. Secondly, money from China flew into the gem markets about a decade ago. This was so obvious during the past Tucson Gem Shows. They treated their money like trash. They never negotiated and bought everything in sight. Suddenly, they realized they were not really buying at the real source in Tucson, so they descended on the source countries. They then started paying the outrageous asking prices of the Burmese and others. Why would the Burmese sell cheap to the Americans or Europeans when all they have to do is wait for the next Chinese buyer to come along?

Our dilemma is obvious. Do we price at the new reality of Chinese-driven prices or do we try to keep a lid on US prices? We are holding the line to small increases for now, awaiting the outcome of this battle. There is definite upward pressure on prices of top quality gems. We saw a lot of really high prices at Tucson, but don't know if anything sold anywhere near these numbers. For other reasons, Paraiba tourmaline remains the king of high prices, with no end in sight.

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.