

Gemstone Forecaster

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2017 Tucson Gem Shows

by Robert Genis

We didn't arrive at the gem show until the last half but were surprised by the small number of buyers. The AGTA show seemed like a ghost town. The Chinese dealers are still no where to be found.

Gem Prices

Prices for top quality collector stones seemed high at the Tucson Gem Shows. It doesn't mean you cannot find bargains if you have a keen eye and the ability to pay on the spot. You can. However, if you are waiting for large drops in the prices of high end goods, this is not happening. However, prices for middle qualities are lower.

Economics

After all these years discussing gem economics, a new theory has gained favor: that top gem prices rise by demand as expected but seldom fall by lack of demand. How does this even make sense? Don't we learn that the market dictates the price of commodities are based upon supply and demand? Maybe the colored gemstone dealers have taken a cue from the pricing lessons of the DeBeers Cartel? A perfect example is Burma. These dealers are so wealthy (No, they are not listed in Forbes), and

don't care if you buy or not. Their living expenses are nominal in Burma compared to the States or Europe. Coupled with the fact that they would rather have gemstones they cannot replace vs. money, you have a built-in cushion for these gemstones. At least this has been the trend the last few years for Burmese goods.

Expensive Gems

We saw a large 30+ carat padparadscha and 50 carat color change sapphire. Both were from Sri Lanka and were about \$1 million. We also saw a gem blue Paraiba-like 60 carat Mozambique tourmaline for \$35,000 per carat. Not bashful. Brazilian Paraiba's are increasingly rare and expensive. They are fast becoming similar to colored diamonds- the only direction is up.

Summary

As mentioned in previous Forecasters, the "wealth effect" created by the rising stock markets helps hard assets such as luxury cars, real estate, art, colored diamonds and precious gemstones. Don't look for any downward correction in these prices until you see major stock market corrections.



AGL introduces ColorCodex

By Robert Genis

We were shocked by a display of an entire case of red rubies from Africa at the Tucson Gem Show. You could have any size, even matched pairs up to 50 carats. You surely cannot say this about the small amount of Burma ruby displayed in the same booth. They looked beautiful red in their “hot” spotlights; however, they tended to go brown or blackish in sunlight or natural daylight. What disturbed us even more was all of these stones had grading reports stating they were **ALL** pigeon blood ruby. What? There were various colors and tones that should somehow be delineated, yet they were all being sold as “pigeon blood”. We feel sellers are taking advantage of buyers with this misuse of language. Hopefully, the introduction of AGL’s ColorCodex will remedy this situation.

The Past

Ever since we have been in the gem business, many in the industry have been searching for the best way to describe the color in gemstones. Many systems and labs using various systems have come and gone. The numerous attempts include the Munsell Color Order System, Panatone Matching system, Gem Dialogue, GIA ColorMaster, GemSet, GemEWizard, World of Color System and Beesley’s AGL’s ColorScan.

We were lucky enough to buy one of AGL’s Color Scan sets when they first came out. AGL later had serious production issues. Interestingly, gem dealers always want to buy our set for way more than we paid. We still use it today in-house and overseas. Although the sun appears differently around the world, the ColorScan is constant. What is cool about the new ColorCodex is that it’s basically an updated ColorScan with new color foils. It looks similar and is used in the exact same manner.

Back to the Future

We attended a seminar at Tucson put on by Christopher P. Smith, president of AGL and Dr. Cigdem Lule. Smith is very concerned about the color descriptions of many laboratories around the world. Many labs are calling rubies pigeon blood and sapphire royal blue almost willy nilly because that is what gem dealers want. Smith is concerned “we are going back to the future” with these color calls. Further Smith said, “These labs have no boundaries. The market needs structure.” What he means is in the old days before lab reports became important in the gem world, the old time dealers always called their rubies pigeon blood because they thought it helped sell their stones.



Examples of stones described as pigeon blood that are clearly vastly different in color/tone. The only one that might be pigeon blood is #5 (far right). Reprinted by permission by AGL.

Brief History

In the late 1970's and early 80's, the rise of the investment diamond companies and independent grading, primarily from the GIA, changed the gem world forever. No longer would jewelers or dealers call diamonds blue white or top Wesselton. Today we call diamonds D or J color or whatever color the diamond actually is graded.

At the same time, colored stone dealers and investors wanted a similar system for their stones. Many labs with various systems were tried, but AGL became the benchmark with their 3.5/80 descriptions. At that time, the "old guard" didn't like the numerical quantification of gemstones. Eventually, the new dealers won the argument. However, it was a Pyrrhic victory. Like the past generation, many dealers today like the old way better and are much happier with pigeon blood on their grading reports than numerical terms. Ask yourself, would you buy a diamond that was only described as clean and white? If you wouldn't, why buy a colored gemstone stating only pigeon blood or royal blue. Words should have meaning.

ColorCodex System Cost

AGL is producing three basic sets based upon color. Naturally, they are primarily red, blue and green. Red is available now and the other sets will be available before the end of the year. Each set costs \$750 or \$2250 total. This is a deal. Imagine trying to put together a master set of stones for this amount. Not only would it be practically impossible, but would take years and tens of thousands or possibly hundreds of thousands of dollars to recreate.

Using ColorCodex

Anyone can quickly learn how to use this system by holding the stones 20 inches away from your eyes and running the stone along the cards until you find a match. You must think about a gem's window and extinction (blackness) when grading stones with this system. Naturally, well cut stones are easier to grade than poorly cut gemstones. You should also consider transparency. The set also includes brown and grey overlays to deal with stones that have this component.

Each card is individually numbered, for example, 30,32,34, etc.. Each card has 6 color windows, for example, 03, 05, 07 etc. Therefore, theoretically you could say the best color match is 32-7. This will probably be incorporated later in the AGL documents. The system is also purposely created to represent transitional color points. Nevertheless, you can also split the grades to come up with an exact color. For example, you could call the color 32-4, if it falls between the 03 and 05 color card.

Summary

All in all, we see this product as having the ability to dramatically advance a much needed common language system for the colored gemstone market. Shouldn't colored gemstone sellers and buyers be on the the same page, just like diamond dealers? This system has the ability to stop the widespread abuse that is going on right now in the gem business. This consistency might bring some well needed order to the collector/investor market. ColorCodex will be an invaluable tool for appraisers, jewelers, gem dealers and collectors. Contact AGL at 1-212-704-0727 to order.

Burma News

Searching for one life-changing stone: How thousands of miners scratch a living in Myanmar's 'land of rubies' where gems can sell for \$1 million a carat

By Afp and Chris Summers

Mailonline

January 4, 2017

***Myanmar (formerly Burma) produces almost 80 percent of the world's rubies**

***In 2015 the Sunrise Ruby, from Myanmar, sold for a record \$30 million**

***The average miner earns only \$200 a month, so who is making the big bucks?**

***Industry is overseen by the Myanmar Gems Enterprise, run by ex-army chiefs**

***Much of the money probably helps to Myanmar army fighting rebel groups like the Karen National Liberation Army and the Shan State Army**

Every week Aye Min Htun prays he will find the ruby that will change his life. The 19-year-old is one of thousands of people scratching a living in Myanmar's mines set to gain little from the end of sanctions on the military-dominated industry. For centuries emperors, kings and warlords have vied for control over the valley of Mogok, north of Mandalay, once known as the 'land of rubies' for its extraordinary treasure trove of jewels. Its unique 'pigeon-blood' stones are the most expensive colored gems in the world - last year the so-called Sunrise Ruby sold for a record \$30.3million - almost \$1.2 million a carat.

Myanmar produces more than 80 percent of the world's rubies, yet decades of isolation under the former military junta means the industry remains cloaked in mystery. But the focus on it is sharpening. In October, the US lifted sanctions barring imports of the rubies in recognition of the country's shift towards democracy under the new government of Aung San Suu Kyi.

Experts fear any boom will end up lining the pockets of military men and their friends who control much of the gem trade. Aye Min Htun earns less than \$200 a month working in a small, open-cast mine on the valley floor, but if he found a valuable ruby his commission could set him up for life. He said: 'My dream is to set up a

business if I am successful in mining. I believe in spirits...I pray they will give me a big, good quality stone. Behind him a dozen men use high-pressure hoses to dislodge earth from the side of the crater, which is then sorted on wooden tables by barefoot workers. It is dangerous work - landslides are a frequent hazard.

'I'm always reminding the mine workers to be careful... They are just kids,' said the manager, known only as Pauksi.

Every few minutes deep rumbles rise from the belly of the earth. They come from dynamite detonated in the next mine, blasting shafts hundreds of feet into the hillside. Production in Mogok has surged since the mid-90s when the former junta first allowed in private companies, bringing with them heavy machinery and more intensive mining methods.

In 2003 the US imposed its first round of sanctions barring imports of gems from Myanmar in a bid to starve the military government of funds. Today the Mogok valley is pockmarked with mines, but locals see little of the profits.

The industry is overseen by the Myanmar Gems Enterprise (MGE), a state-owned enterprise run by former military men that was taken off the US sanctions list in May. MGE both holds investments in mines and regulates them, giving it a strong hand over a lucrative sector.

But experts believe much of the real power lies with the Myanmar Economic Corporation (MEC), a sprawling military holding company until recently also blacklisted by Washington. A study by the Extractive Industries Transparency Initiative reported the MEC has joint-ventures in almost 100 mines in Mogok and another ruby region in Shan state. Another resources watchdog, the NRGi, says 'military-affiliated companies such as MEC actually dominate the gems market' and are instrumental in allowing 'access by private companies'. MGE did not reply to repeated requests for comment and the MEC could not be reached.

Mining rubies is back-breaking and unglamorous work, which involves being wet, dirty and either very hot or very cold

Many private companies in Mogok are also believed to be operated by businessmen from

Thailand and China, who use shell companies to bypass laws barring any foreigners from running Myanmar's mines. The highest-quality stones are smuggled across the country's porous eastern borders to Bangkok or Hong Kong, where they are polished and made into jewellery. 'Red (rubies) and blue (sapphires) mostly went to the black market in Thailand,' said Tun Hla Aung, from industry body the Myanmar Gems & Jewellery Entrepreneurs Association.

In the tourist hub of Mandalay, dealers are hopeful the end of US sanctions will bring a surge in American visitors looking to buy their wares.

'The (ruby) price will go up in the next three or six months,' Khine Khine Oo speculated at her stall in the city's gems market, where customers sift through small piles of unpolished stones on trestle tables. 'We estimate about a 50 percent increase... [or] at least a third,' she said grinning, adding that dealers were stockpiling the best rubies. For their part, US companies are already sniffing around. Weeks after the end of sanctions were announced, the American Gem Trade Association sent a delegation to visit Mogok and hold talks with the industry. 'US dealers will be returning to do business,' said chief executive Douglas Hucker. All will 'work with licensed dealers' and 'seek to determine that the gemstones they are buying are sourced responsibly,' he said, without giving further details of how.

In a bid to put the brakes on unfettered exploitation of Myanmar's jade and gemstones, the government imposed a moratorium in July on new mining licences. Companies must now meet stricter environmental regulations to get permits -- but exactly how they are allocated is unclear.

Ko Ko Aung, office manager of Myanmar San Taw Win Gems which has around 10 plots in Mogok, said 'most mines are losing money right now' as large-scale excavation has been stopped.

But according to Michael Gibb of advocacy group Global Witness, US buyers must follow stricter international rules to make sure the mines enforce decent working conditions and environmental standards. They must also ensure profits do not fuel Myanmar's numerous conflicts

with rebels like the Shan State Army and the Karen National Liberation Army, who want more autonomy for their ethnic minorities, oppressed by the Burmese majority.

'The onus is on American companies to investigate the risks... knowing that in a country like Myanmar, there obviously are risks,' he said.

Colored Gem News

Sixty carats? That'll be \$60 million! The world's most expensive cut diamond - a flawless oval gem named The Pink Star - is set to go under the hammer

By Jo Tweedy

Mailonline

March 20, 2017

***Sotheby's announces that 'nature's masterpiece' will go on sale again in the Far East on April 4th**

***The Pink Star is a 59.60-carat oval mixed-cut pink diamond last sold in 2013 after being mined in 1999**

***Hefty sparkler that took two years to cut is expected to fetch in excess of \$60 million dollars at auction**

***Gemstone is twice the size of its nearest rival, the Graff Pink, which sold in 2010 for \$46.2 million**

An extraordinarily rare pink cut diamond looks poised to become the world's most valuable gemstone when it goes under the hammer in Hong Kong next month.

Sotheby's has announced that the Pink Star - a 59.60-carat oval mixed-cut pink diamond described as one of the most exquisite natural treasures on the planet - is expected to fetch in excess of \$60 million at the April 4th sale, eclipsing the Oppenheimer Blue diamond, which sold for \$57.5 million last year.

Colored gemstones are currently highly sought after; Kate Middleton's engagement ring carries a 12-carat blue Ceylon sapphire and J-Lo cottoned on to the pink trend early when she wore a 6.1 carat pale pink engagement ring during her ill-fated relationship with Ben Affleck.

However, the Pink Star is currently the rarest of them all, being part of a tiny subgroup of

diamonds known for their unique levels of purity and 'extraordinary optical transparency'.

The stone was unveiled in London ahead of the sale in Hong Kong, as Sotheby's whips potential buyers into a frenzy with details about the flawlessly cut diamond.

The gem's last buyer was New York-based diamond cutter Isaac Wolf, but the purchase ended in farce after he failed to make the payments...leaving it now safely back in the hands of Sotheby's.

David Bennett, Worldwide Chairman of Sotheby's Jewelry Division, said: 'At a time of unprecedented demand for the finest in colored diamonds, I am delighted to be bringing this magnificent stone back to the market.'

The extraordinary size of this 59.60-carat diamond, paired with its richness of color, surpasses any known pink diamond recorded in history.

The Pink Star is a true masterpiece of nature, beyond characterization with human vocabulary.' He added that the gem is the largest internally flawless 'Fancy Vivid Pink' diamond that the Gemological Institute of America (GIA) has ever graded.

The diamond was mined by De Beers in Africa in 1999, recording a whopping 132.5 carats before it was painstakingly cut and polished over two years.

The buyer with the deepest pockets will get a letter issued by the GIA in April last year vouching for its world-beating credentials.

The Pink Star is more than twice the size of the 'Graff Pink' – the 24.78-carat Fancy Intense Pink diamond which currently holds the world auction record for any pink diamond.

Sold at Sotheby's Geneva in 2010, for US\$46.2 million, the Graff Pink also marked an auction record for any diamond or gemstone at the time.

Into the green land: Emerald mining in Colombia

Aljazerra

by Javier Corso

March 20, 2017

The struggle over land is Colombia's oldest conflict.

For decades the mines of Muzo - widely known as the "emerald capital of the world" - have produced great fortunes for their owners.

In the so-called "Green Wars" during the 1980s, territorial disputes escalated into full-blown conflict as the country's leading mining families fought over territory.

In those days, the "barequeros" - emerald seekers who dig through debris - gathered by the thousands around the Muzo Valley, hoping that emeralds would arise from the dark soil to rescue them from extreme poverty.

While the Green Wars are over, there is still a low-level conflict of assassinations and murders as rival groups vie for access to the gemstones.

Although Colombian environmental laws now prohibit the dumping of leftover grit and rocks from mining excavation, some surplus debris continues to be dumped on land and rivers around the mines. A few dozen emerald seekers scour this debris, often using their bare hands. Others mine the area informally.

The barequeros tend to live a tough existence in slums on the hillsides of surrounding mountains, without running water or services.

When a barequero finds an emerald, they can either try to pay a carver to re-work and increase the value of the gemstone or, if the emerald already has a notable value, they will sell it to a merchant who trades the gems directly on the streets of the capital Bogota.

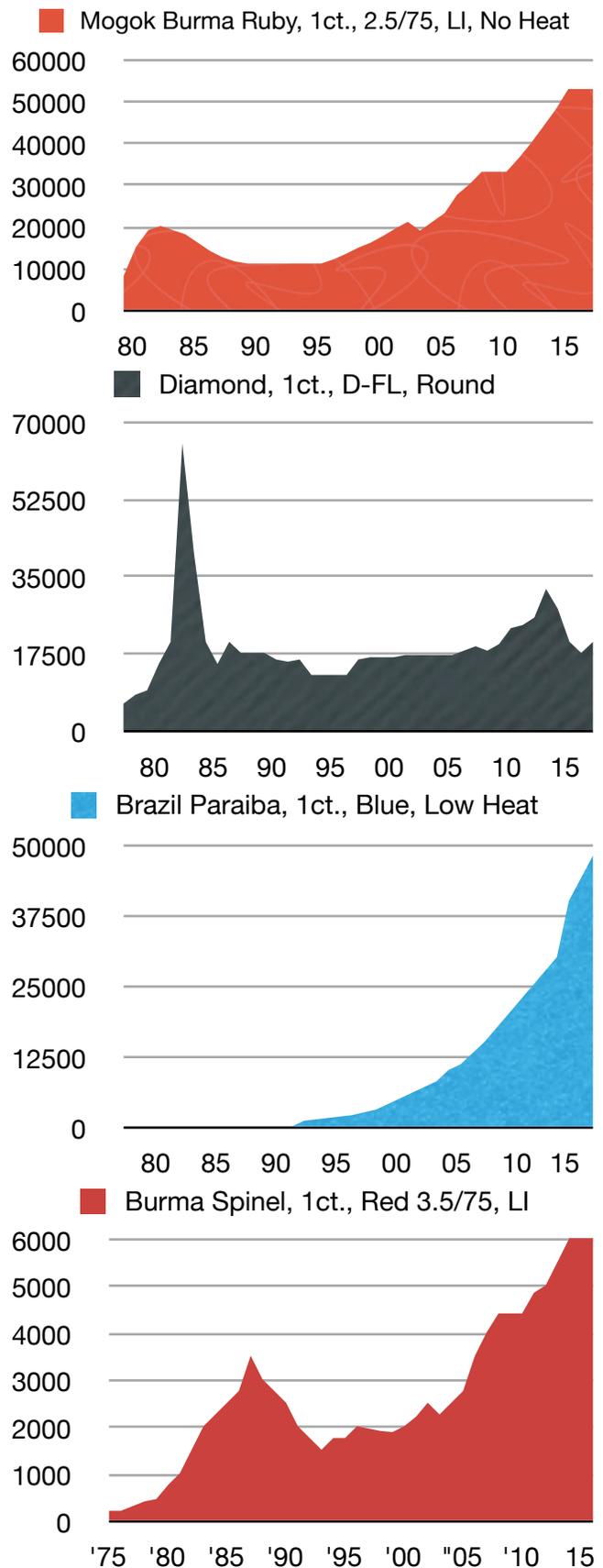
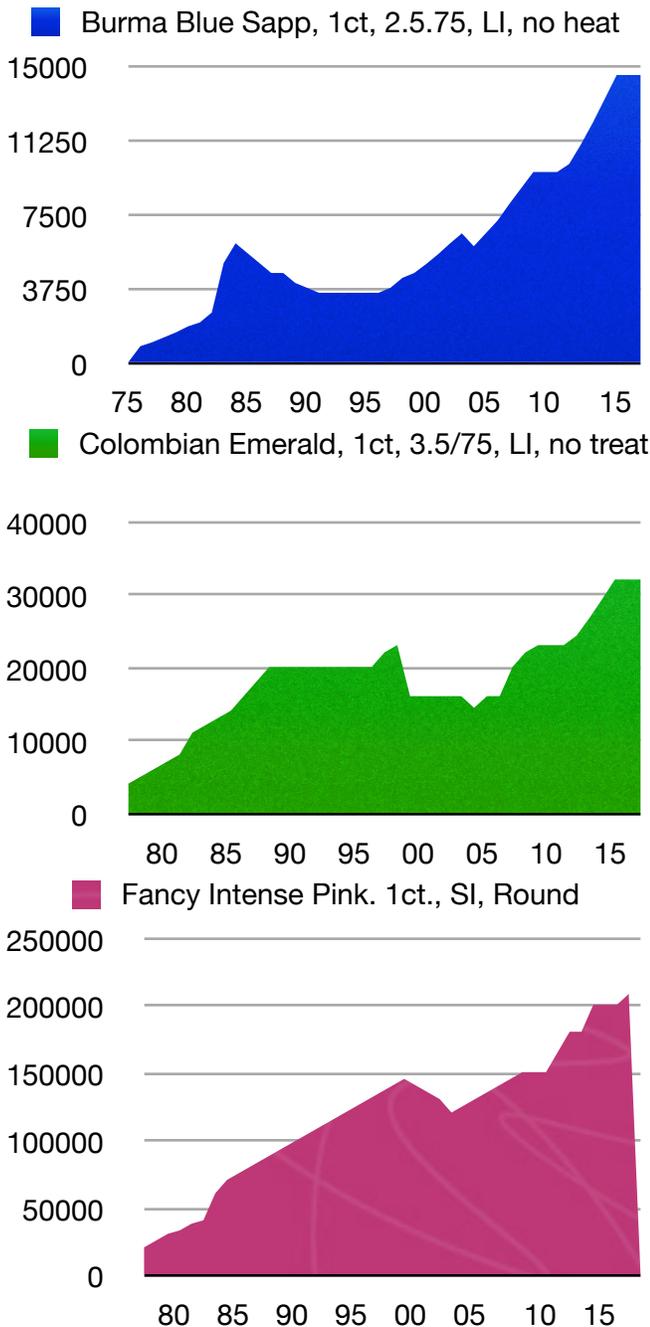
In this system of both legal and informal activities, the wealth extracted from Colombian mines is very difficult to calculate. This also applies to the value of the emerald itself; its price is based on a series of characteristics - such as color, size, carve, and transparency - and varies depending on whose hands hold them.

It is easier to sell the emeralds on the market if they are already cut, but some buyers prefer the raw, uncut emeralds to oversee this delicate process themselves, before selling it on international markets. Around 95 percent of Colombian emeralds are destined for export.

Colombia is a country with a largely poor population living on an incredibly rich soil. The right to exploit its resources is an ongoing struggle in which the weakest have to fight for survival.

Retail Gemstone Prices (1975-2016)

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 2017 by NGC. Reproduction is strictly forbidden.



Akin Gump Helps Clients Resolve Claim to One of the Largest Sapphires in the World
Marketwire
February 27, 2017

Many gemologists we respect say the 59.57 unheated Kashmir is the stolen 65.16 recut. *Nevertheless, the present owner is now the uncontested owner. You can't make this up.* ED

Law Firm Akin Gump has helped clients Auction House 43, Inc.; Modern Pawn Brokers, Inc.; and Boris Aronov successfully resolve a nearly year-long battle involving an extraordinarily rare unheated blue Kashmir sapphire (the "Royal Sapphire"). The Royal Sapphire was set to be auctioned in November 2015 by Phillips Auction House but was withdrawn from auction after representatives of a Geneva-based gem dealer claimed it was the same stone as one that went missing from the Four Seasons Hotel in Milan, Italy in 1996, just days before it was to be auctioned as one of the premier pieces of an auction billed as "The Magical Art of Cartier." That sapphire was the largest faceted Kashmir sapphire ever to be set for auction.

In December 2015, a consortium of insurance companies that claimed to have obtained the rights to the Royal Sapphire commenced an

action in the Supreme Court of the State of New York, seeking replevin of the Royal Sapphire and millions in monetary damages.

Kashmir sapphires of any size are already among the rarest and most-prized type of sapphires that exist, but the plaintiffs also produced evidence -- based on a review of historical records and more than 200 auction catalogues -- suggesting that there are only four other known Kashmir sapphires in the world that weighed over 40 carats, with the largest one being 45 carats. Moreover, while most sapphires are heat-treated by jewelers to improve color, clarity and appearance, the Royal Sapphire is "unheated" and stands on its own natural brilliance and color. Based on these facts and other identifying characteristics, the plaintiffs claimed that Royal Sapphire was the stone that went missing in 1996.

Late last year, after less than a year of litigation, Akin Gump and its clients were able to resolve all of the plaintiffs' and other outstanding claims to the stone in exchange for a limited payment. The plaintiffs relinquished any and all rights, claims and interest in the Royal Sapphire. Auction House 43, Inc. now enjoys uncontested ownership of the Royal Sapphire and has recently begun the process of marketing the stone for sale.

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.

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