

Gemstone Forecaster

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Tucson Gem Shows-2015

by Robert Genis

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Gemstone Trend Analysis

The new anti-money laundering laws in China appear to have affected the Asian presence at the Tucson Gem Show. In recent years, Asian buyers had been dominating the Show, literally buying everything they could get their hands on, without even negotiating. You hear a lot about the Yuan becoming the next reserve currency but Chinese buyers always acted like they wanted to get rid of their currency as fast as they could. I always figured they simply trusted hard assets such as gemstones more than their currency. In hindsight, money laundering may have played a significant role. We estimate Asian attendance was down at least 50% this year compared to years past. However, some Asians were still buying and even negotiating with dealers.

I'm amazed how many people come here with real money to spend, irrespective of economic conditions. People wait all year to look for specific items either they or their clients want. You can find anything here and the world knows it. When people see what they want, they buy immediately. Even with a reduced Asian input, the gem market is strong and rising. I was shell shocked by the prices at the

show. The dealers were not bashful about their prices. Most of these dealers are biting the bullet and paying the newer, higher prices overseas. Naturally, this translates to higher prices here.

Hot, New Stones

The two hottest stones at the gem show were pink tanzanite and Cambodian blue zircon. Blue tanzanite has been languishing in price for decades, but the unheated greens, blues, yellows and especially the pinks are hot.

A relatively new find of Cambodian zircon was present at the show. Many dealers, jewelers and collectors scooped these stones up. Some dealers contend these stones are as beautiful as Paraiba blue tourmaline. Ok, that's a stretch but these are really poppy, electric stones and are presently available for hundreds of dollars per carat. Even though zircon is heated, the prices seem too inexpensive to pass on.

Summary

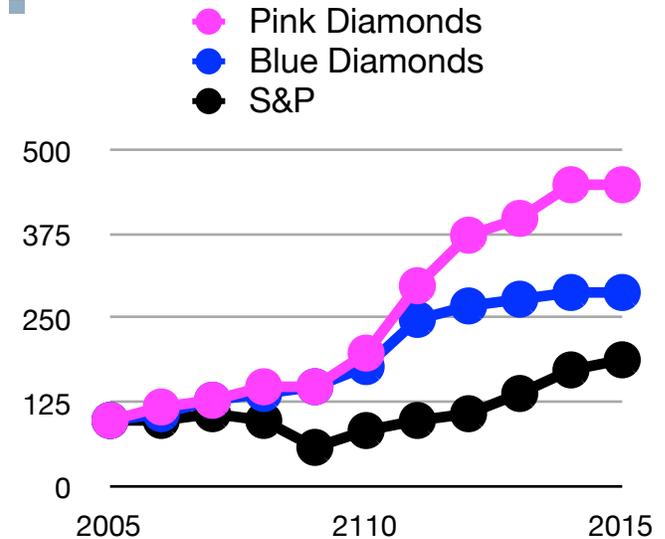
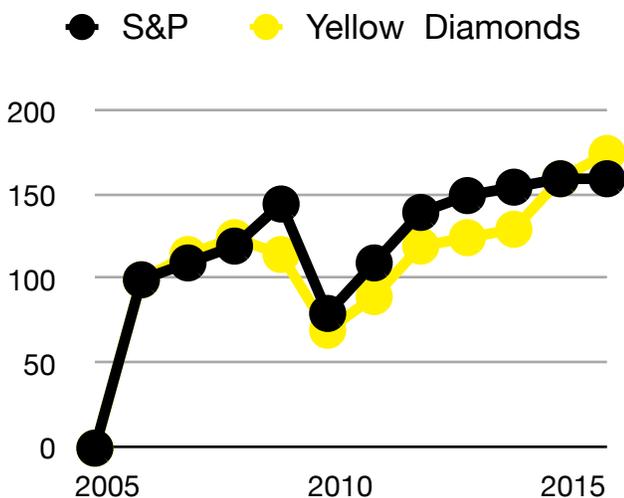
This show is the rock star of all gem shows. With the pathetic Tucson airport, it seems like a miracle people from all over the world even get here. If you ever get a chance, try and see it at least once in your lifetime. You won't regret the experience.

Fancy Color Diamond Investment Analysis

The Fancy Color Research Foundation recently published its first update of the Fancy Color Diamond Index. They monitored the behavior of fancy color diamonds over the past decade and observed some striking changes in their value. The data revealed correlations between investment patterns and national economies, all against the backdrop of a slowly recovering global economy.

Let's take a brief look at these charts. The chart below shows the relationship of yellow colored diamonds to the the S&P. All data is indexed to 100. What is interesting is this price of yellow diamonds seems to be highly correlated with the stock market. Both crashed during the financial crisis of 2008-2009. After the crash, both have recovered. The obvious conclusion is that the yellows are not as rare as the other fancy colors, which can lead to downward price action during times of financial crisis. It's easier to sell yellow diamonds during bad times due to the fact so many are held by investors/collectors. We know this is not true with the rarer colors.

However, these yellows still rise in tandem with the bull market of the other rarer diamond colors. These yellow diamonds continue to outperform colorless, white diamonds, which have become very weak, especially recently. Also, yellow diamonds have are still appreciating in the face of major declines in oil and most other commodity classes.



The above Chart plots the price of blue and pinks diamonds since 2005. It shows the differences between fancy color diamonds and the stock markets. Take a look at the prices of these colored diamonds during the financial crisis of 2008 and 2009. Fancy color diamonds held their value or increased while the stock markets turned sharply lower. Importantly pink and blue diamonds outperformed practically all investment classes as collectors and investors view them as a long-term safe haven, an effective hedge against their own currencies and an opportunity to experience portfolio gains. Based on this data, between January 2008 and January 2010, pink diamonds appreciated 18% and blue diamonds 10%. Meanwhile the S&P500 crashed by 22% and the and NASDAQ 9 percent.

Summary

Fancy colored diamond prices are simply a product of supply and demand. We all know these colored diamonds are ultra-rare. Almost geological mistakes. Prices have been driven upwards largely by growing demand in the emerging economies of the Far East. This demand was practically nonexistent a decade ago. These new players have joined Middle Eastern, American and European collectors to propel these stones upward. Hardly anyone collects white diamonds anymore, unless they are of major size. The bottom line is fancy color diamonds vastly outperform colorless white diamonds. It probably won't hurt your portfolio to own a few of these.

Rubies, Blood-Red Beauty
New York Times
By Victoria Gomelsky
March 17, 2015

This article was written by Victoria Gomelsky, one of my favorite authors. As far as collectors are concerned, Burma will always be the ruby king. This is obvious by the four carat stones now trading for over \$100,000 per carat wholesale. ED

TUCSON — Alfred Jiang, a young Chinese entrepreneur, clutched a gemological report as he made the rounds of this city's convention center during the gem shows last month. The report, issued by the [Gubelin Gem Lab](#) in Hong Kong, served as a proxy for a stone Mr. Jiang's parents were holding for safekeeping in Beijing: a free-form ruby crystal of 424.84 carats, about the size of a tangerine. According to Mr. Jiang, the ruby is an heirloom that has been in his family for more than three generations. He was in Tucson to find someone who could help him establish a value for the specimen, and lead him to a potential buyer. A gem specialist that Mr. Jiang consulted in Thailand told him the crystal could be worth as much as \$100 million, but other people had given contradictory appraisals, and Mr. Jiang was at loose ends. "I don't know who I can trust and who I cannot," he said. His frustration was justified. As the custodian of a giant crystal Gubelin described as "natural corundum"— the mineral family to which both ruby and sapphire belong — with an origin of "Burma (Myanmar)," Mr. Jiang was looking at a potential windfall. That the stone bore "no indications of heating" was the cherry on top. Heating rubies to remove traces of bluishness, thereby enhancing the red, is an age-old practice. The technique is so prevalent that unheated rubies now fetch a considerable premium due to their rarity. On his second day in Tucson, Mr. Jiang was introduced to Stuart Robertson, research director for [Gemworld International](#), a publisher of pricing and market information. After studying the report, Mr. Robertson said there was at least one red flag (no pun intended) he felt compelled to mention. In a business

driven by the desire to maximize sparkle, "the economics are very simple," Mr. Robertson explained. "If the crystal had potential, it would not be a crystal, it would be a cut stone."

Such is the cold calculus of the gem trade — especially when the specimen in question is a colossal ruby. Name-checked in the Bible, ancient Sanskrit texts and "The Travels of Marco Polo," July's birthstone has long been considered the king of precious stones. In the hierarchy of the trade, no gem commands more money, earns as much respect or spawns as many imitations.

With a hardness of nine on the Mohs scale, second only to diamonds, rubies boast one of the key requirements for a gem: durability. It is their fabled beauty, however, that has captivated history's biggest collectors, from Mughal emperors to modern-day captains of industry.

Natural unheated specimens with a Platonic red hue are more sought after than diamonds — and exponentially more difficult to find.

"If you said to me, 'Rahul, find me a 10-carat D flawless diamond,' I'd probably call you with six stones in 48 hours," said Rahul Kadakia, international head of Christie's Jewelry. "If you said, 'Find me a 10-carat gem-quality Burma ruby, maybe I'd call you in six months, but maybe I wouldn't.'"

While rubies have been mined in Afghanistan, India and Tajikistan, those from the valley of Mogok, a district in Upper Myanmar, are — like sapphires from the Himalayan region of Kashmir and emeralds from Colombia — the perfect distillation of aesthetics, culture and history.

"Buying a Mogok stone is like buying a painting from a famous artist," said Richard Hughes, author of "Ruby & Sapphire: A Collector's Guide."

The most coveted rubies are described, poetically, as having the color of "pigeon's blood." Like their doppelgängers, spinels, the gems owe their red coloring to chromium. What sets the rubies of Mogok, as well as those found in Mong Hsu in Myanmar's Shan state, apart from most other rubies is their low iron content.

The mineral "adds a darkness to the stone and quenches its fluorescence," said Shane McClure, director of west coast identification

services for the Gemological Institute of America in Carlsbad, Calif.

Rubies from Burma — the trade refuses to call it Myanmar — are electric. “If you shine a strong light on them, they have a red body color but they will also fluoresce red, supercharging the color,” said Mr. Hughes.

In “The Curious Lore of Precious Stones,” a 1913 reference book by the famed gemologist George Frederick Kunz, he noted the ancient belief that “an inextinguishable flame burned” inside the stone. “If cast into the water, the ruby communicated its heat to the liquid, causing it to boil,” he wrote.

Today, finding a pot of Burmese rubies — boiling or otherwise — is as likely as witnessing an episode of spontaneous combustion. Gems from Mogok, particularly in larger sizes, are so scarce as to be virtually unattainable. And when they do surface, usually at auction, they earn staggering sums. Take the Graff Ruby, an 8.62-carat cushion-shaped gem that sold for \$8,600,410 at Sotheby’s Geneva in November, setting a world auction record for a ruby.

“Rubies, especially untreated Burmese rubies, have gone bananas,” said Rolf von Bueren, chairman of Lotus Arts de Vivre, a Bangkok-based jeweler. “The very rough rule of thumb is that any stones close to and above four carats have special value and are rare and are quoted like a telephone number — which is to say that any price can be quoted.”

In the United States, trade in Burmese rubies is stymied by another factor. In 2003, the United States government placed an embargo on products from Myanmar, including rubies and jadeite, in response to the country’s human rights violations. As a result, luxury jewelers such as Tiffany & Co. have reflexively shunned the gemstone

None of this would bode well for future ruby sales were it not for an astonishing find of rubies discovered six years ago in the Montepuez area of northern Mozambique.

“We’ve never seen as much fine ruby in the market as has been found in Mozambique,” Mr. Hughes said. He recalled visiting the deposit in December 2009, after the government had cleared out the unlicensed miners, and finding ruby crystals littering the earth. “The only reason

they’d leave ruby on the ground is because they were finding so much better stuff.”

In 2012, Gemfields, the London-based mining company that is a majority owner of the Kagem emerald mine in Zambia, struck a deal with its Mozambican partner, Mwiriti, to break ground at Montepuez. After holding two auctions of rough rubies in Singapore last year, the goods from Gemfields — a proponent of ethical and transparent sourcing — have helped breathe life into a market that had begun to atrophy.

To understand how differently the trade values the Myanmar and Mozambique origins, it pays to speak to seasoned gem dealers such as Jack Abraham. At a jewelry show in Scottsdale, Ariz., in February, the cowboy-hat-wearing New Yorker displayed two similar-looking ruby rings in his showcase.

The first was a 3.06-carat oval-shaped Mozambique ruby set in platinum and accented by two half moon diamonds totaling 1.02 carats. “The ask is \$45,000,” Mr. Abraham said of the ring’s wholesale price.

He pointed to another platinum ring, this one featuring a 4-carat cushion-shaped Burma ruby center stone (imported before the 2003 embargo) framed by 1.85 carats of diamonds. Mr. Abraham nearly caused a reporter to choke when he revealed its wholesale price: \$450,000. “Burma is the norm against which everything is judged,” Mr. Abraham said. “It’s always on the pedestal.”

But even the most nostalgic ruby buyer has to acknowledge the increasing scarcity of Myanmar material — a situation compounded by competition from dealers in China, where the color red has deep cultural resonance.

The Montepuez deposit, meanwhile, has “at least a 50-year life of mine, and maybe double that,” said Ian Harebottle, the Gemfields chief executive.

The company is debuting an advertising campaign this month featuring rough-cut Mozambican rubies alongside a black-and-white photo of the actress Mila Kunis shot by Peter Lindbergh.

Ms. Kunis, a Gemfields ambassador since 2013, debuted the rubies on the red carpet in early February for the premiere of her film “Jupiter Ascending.”

In anticipation of the increased demand such exposure will bring, Gemfields has partnered with a number of jewelry dealers and manufacturers to make more ruby jewelry available at retail. For the 27th [Biennale des Antiquaires](#) in Paris last September, Cartier used a 15.29-carat Mozambican ruby at the center of its Reine Makéda necklace, an ornate draperie-style neckpiece reminiscent of the Belle Époque. At this week's Baselworld luxury watch and jewelry fair in Switzerland, the Danish brand Georg Jensen will introduce its first-ever ruby collection.

Sutra, a high-end colored stone design house based in Houston, is using Gemfields' Mozambican rubies in increasingly bigger sizes, while at Jaipur, India-based Amrapali Jewels, carved Mozambican rubies will figure prominently in a 2015 collection designed around the house's signature lotus symbol.

Mozambique may indeed be filling in where Myanmar left off, but soon, it will not be the only new ruby player in town. True North Gems, a Canadian mining company, has spent the past decade preparing to mine a new ruby deposit in the unlikeliest of places: Aappaluttoq, on the southwest coast of Greenland.

"The history of gemstones is feast and famine. You have beautiful goods and then you don't see them again," said True North's president and chief executive, Nick Houghton. "But I know my production for the next nine years."

"There's confidence coming back into the market because people feel there's a consistent supply of goods," he continued. "The market went flat. Diamonds bullied their way through. But now, people who see the growth opportunities in rubies understand this is for longevity."

Mogok Miners Hold Out Hope for Remaining Rubies

The Irrawaddy

By Kyyah Hsu Mon

March 4, 2015

MOGOK, Mandalay Division — Krishna took a mid-day break from his long and arduous shift digging for rubies in the vast San Taw Win mine in central Burma's Mogok. A descendant of Gurkha soldiers, born in Burma and now in his

50s, Krishna said the work is hard but he holds out hope of landing that one giant gem that would make him rich.

"Looking out for high-quality rubies is my only purpose in my life as a miner," he said, sitting on the sidelines of the gaping hole where he spends much of his time.

Located about 202 kilometers (126 miles) north of Mandalay city, Mogok is a rich valley known the world over for its fine rubies and other gems such as sapphire, lapis lazuli and moonstone. The area is peppered with dozens of varieties of other semi-precious stones, but some said the deposits are noticeably thinning.

Locals have mined the area by hand since the British colonial era, setting up modest mining operations and marketing some of the world's finest gems on their own. Those small businesses began winding down around 1988, when the then-ruling military junta offered up large-scale mining concessions and forbid small, independent digging.

But while joint venture mining firms have been striking it rich, locals said they got a rough deal. After two decades of large-scale mining, many said, they have seen severe environmental and health impacts, a decline in local employment opportunities and a shortage of the finest quality stones that they once found in abundance.

"I haven't seen any of the best quality rubies here recently," Krishna said, sitting down on a mid-day break to speak with The Irrawaddy. "I've been working here for 25 years. I received 1 million kyats (US\$1,000) for gems I found in the last 20 years, but now, I earn very little."

The San Taw Win mine, where Krishna now works, is one of Mogok's biggest at more than 10 acres across several villages. Their plots are known especially for their richness in rubies and sapphire. Hard work is incentivized with a 20 percent commission for those who find the finest products. This often accounts for their entire salary in lieu of daily wages.

The downside to this payment scheme, a site manager admitted, was that the mine is no longer producing much high-quality material.

"We hire and pay them a percentage of the value," said Htet Aung Naing, manager of San Taw Win's Le Oo site. "If they find precious stones by working hard, they will earn a lot of

money. But recently we're not finding fine rubies and sapphires here."

Htet Aung Naing explained that the site is still producing a lot of material, but none of it matches the quality of the stones they found in the past. Other nearby mines, he said, are facing the same difficulty, after paying enormous license fees to the government that grant them the rights to explore for three years. Htet Aung Naing said that San Taw Win paid 15 million kyat for a license on the 5-acre plot he oversees, while some companies paid up to 300 million.

About 10 miles down the road is another mine near Chaung Gyi village, where Zaw Win has been overseeing operations for the last five years. He said that during that time, his deposits have also proven barren, and with the costs of operations he worries that his company will not even be able to work through their contract.

"We're using eight to 10 barrels of oil per day to power our generators," he said, explaining that the site requires a lot of energy for pumping water so the drills can operate. A single barrel of oil costs him about \$120, he said. Beyond the operational expenses and licensing fees, he also pays taxes up to 20 percent for all of the extracted goods.

"Finding gemstones totally depends on our luck," he said, "so whatever we spend every day, if we don't have good luck we won't make that money back."

'It Depends on Our Luck'

Gem mines in Mogok are usually one of two kinds: Myay Twin (mud hole) and Ge Twin (rock hole). But there is a third place left for gem-seekers.

Zaw Naing, 51, sifts through waste water to pick out small stones flushed out of company equipment. He said it is common for hand-pickers like him to have an informal agreement with site managers, and there is even a word for the job—Khanwe Saychin, roughly, man who collects stones by sifting.

He said that on some days he can find up to \$10 worth of pebbles.

"Some people get rich by collecting these stones in the water. The owners allow us to pick, it just depends on our luck," he said while sifting through a pan of water for bits of valuable waste. "I hope I will get rich someday."

Those who get lucky take their wares to the local gem market, called Hta Pwe, which translates to 'a plate for showing.' Hordes of traders rush in around noon every day, and are usually out by about 3pm. Traders either rent or buy a chair and an umbrella, under which they smooth-talk prospective clients. Many at the market also observed a drought in the finest quality products. Mining firms auction off the assets within their plots to competitive traders, said local buyer Phyu Phyu Myit, who then take them to market to turn them around again. She said the business is becoming risky because traders no longer know what to expect from a given deposit; if a trader makes a deal with a miner, he or she could be stuck with imperfect goods or less valuable types of stone. Like the mine owners, like the day laborers, and like the hand-pickers, Phyu Phyu Myint turned a familiar phrase: "It depends on luck."

Mining in Mogok is posing more than just financial risks, activists said. Soe Myint, chairman of local conservation group Mogok Sein Lan, told The Irrawaddy that mining waste is among their chief concerns.

"There are a lot of big holes around town, and gem miners throw heaps of soil in piles near residential areas," he said. While locals are not yet sure what types of health risks such waste could lead to, they are sure in their belief that the changing landscape could cause danger. While many fear long-term environmental effects, in the immediate future locals are worried about landslides.

The combined risks of large-scale mining operations in Mogok have made the area unlivable for many locals. Mogok Sein Lan said that a huge percentage of the area's population—which is now around 166,000 according to the 2014 census—has left over the past decade. Working on corporate mines is rarely as profitable as locals had initially hoped, and they are no longer permitted to run their own small, independent mining projects. Coupled with the possibility of landslides or work-related accidents, some 135,000 people from Mogok were believed to have sought work elsewhere.

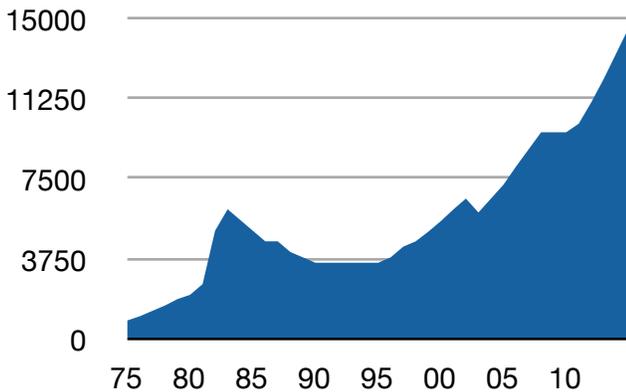
Some stand strong, however, in hopes that the ground is still hiding the elusive treasures.

"I dream that I will be rich soon," said Krishna. "I hope my luck will come."

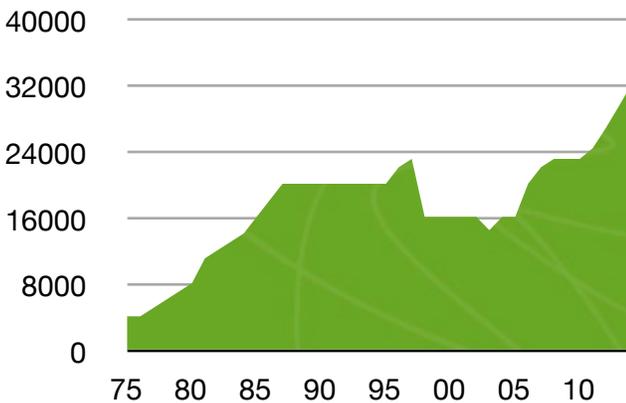
Retail Gemstone Prices (1975-2014)

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 2015 by NGC. Reproduction is strictly forbidden.

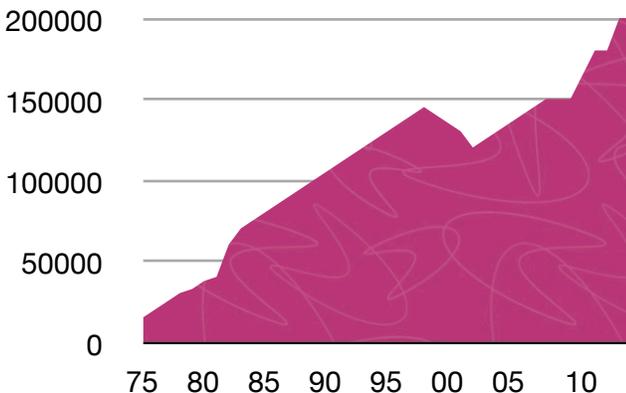
■ Burma Blue Sapp., 1ct., 2.5/75, LI, No Heat



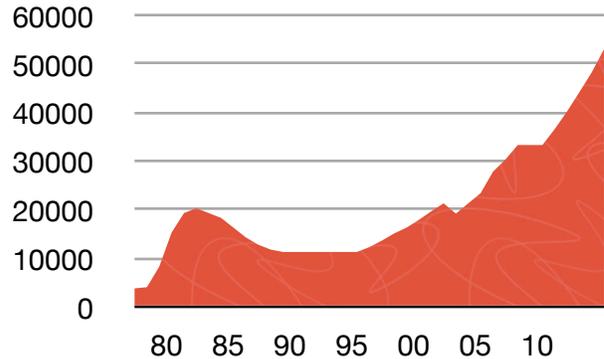
■ Colombian Emerald, 1ct., 3.5/75, LI, No Treatment



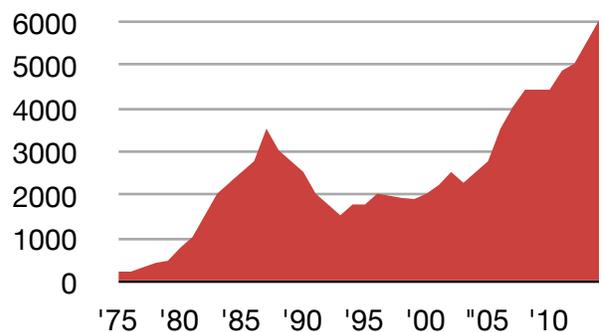
■ Fancy Intense Pink. 1ct., SI, Round



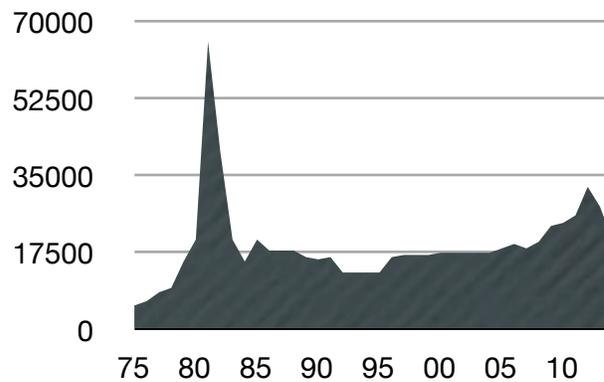
■ Classic Burma Ruby, 1ct., 2.5/75, LI, No Heat



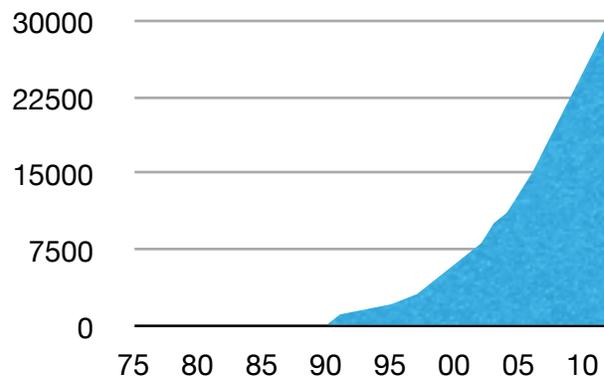
■ Burma Spinel, 1ct., Red 3.5/75, LI



■ Diamond, 1ct., D-FL, Round



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



Gemstone Trend Analysis

The precious gemstone and colored diamond market remains strong. This is reflected in our most recent charts.

Some will notice we have taken down the blue tanzanite chart after tracking prices since 1975. Tanzanite peaked in the mid-80's at \$2500 per carat for ten carat sizes. Since then, tanzanite has been sideways and down. These stones have been in the hundreds of dollars range ever since.

We have replaced Tanzanite with the new Paraiba windex blue chart. It may look unusual, but remember this material did not hit the market until 1990. It's rise has been stratospheric. We have been informed by reliable sources that 5 carat blues were selling for \$100,000 per carat at the recent Hong Kong Show. Strange as it may seem, this stone is now part of the Big Four (ruby, emerald sapphire and Brazilian Paraiba). No one foresaw this when the material first surfaced.

White diamonds have also recently moved downwards. You can buy a plethora of D-FL diamonds on Blue Nile for \$20k per carat or less. As we stated before, diamonds and gold track with an almost perfect correlation. Most collectors have moved away from these stones, preferring rarer colored diamonds.

Of course, colored diamonds are all the rage with new stones breaking auction records consistently. I have been thinking these stones are in a bubble for some time, but, so far, I've been wrong. Similar to the recent stock market, it's hard to be a bear. We are keeping our price fancy pink diamond price chart the same as last year.

Burma goods remain the place to put your gem assets. It doesn't really matter if the stones are Burma ruby, sapphire or spinel. Production remains dismal and the world's appetite for these gems unquenchable. With the exception of Kashmir sapphire, these stones remain at the pinnacle of gemstone hierarchy. We saw a Chinese buyer write a check for approximately \$30,000 per carat for a two carat stoplight red Burma ruby. I don't see anything in the future to slow down these goods, with the exception of a worldwide depression.

Colombian emeralds are starting to move again. Of course, we are specifically talking about untreated emerald. Emeralds are treated because the vast majority are cursed with horrible inclusions. To find a lightly included emerald with top color is analogous to the proverbial needle in a haystack. Yet, this is what collectors want today. Our recommendation is to buy the largest ones you can find.

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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