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THE NEXT ERA OF FANCY COLOR DIAMOND SUPPLY

Fancy Color Diamond Research Team

Secondhand Market Takes The Lead Over Mining

Over the last decade, traditional mining has failed to satisfy the market demand for exceptional Fancy Color Diamonds. At the same time, following the natural succession of generations, the pre-owned market for rare Fancy Color Diamonds seems to be taking the lead. The low volume of exotic, unearthed rough, doesn't always land in the manufacturer's hands.

Calculating the approximate volume of diamonds above and underground gives us a finite number of carats that we can ever trade with. Only a fraction of a percent of this number is represented by Fancy Color Diamonds. [Considering the staggering number of wealthy jewelry collectors added annually worldwide, and the financial organizations buying Fancy Color Diamonds to preserve wealth, there won't be much left to trade with.](#)



"The Family Portrait" Picture contains one of each color in naturally occurring diamond, plus olive.
Courtesy: Fancoldi

The New Trend for Mining Companies



A superb piece of blue rough diamond
Courtesy: M. Vainer & Sons

In recent years, public mining companies have looked at new ways to increase the value of their publicly-traded shares. One of these ways had been promoting occasions when they found exceptional Fancy Color rough diamonds in the media and then trying to sell them downstream.



Fine examples of fancy-color rough
Courtesy: Rainbow Gems

Several mining companies are now looking to cut and polish their Fancy Color rough diamonds in-house, and market the resulting polished diamonds through tenders to the trade. The Argyle mine has been the first to sell its polished pink diamonds through silent auctions or quarterly allocations to select companies. Since 2017, a similar business model has been carried out by the Russian mining company ALROSA. The publicly-traded Russian company was looking for new ways to brand its diamonds, so it started cutting and polishing Fancy Color rough diamonds in Moscow and then sell the polished production through diamond tenders to the trade. Other mining companies look to occasionally partner up on special Fancy Color rough diamonds with manufacturers that can polish and potentially sell them down stream.



12.03 ct Blue Moon Diamond
Courtesy: Sotheby's

For example: A whole production of yellow Fancy Color rough from the Ellendale mine in Australia was sold directly to a large, American jewelry brand, who cut, polished, and incorporated it into its jewelry collection. The miner 'Petra' partnered with a group of dealers on the ownership of a large blue rough diamond (The "Blue Moon" in the polished), eventually sold through Sotheby's. Dominion, the Canadian mining company, partnered with a US-based dealer on the ownership of a large, yellow rough diamond. The polished result was purchased by the owner of the mine. Many other examples regarding privately owned mines could be mentioned as well. This practice adopted by mining companies has created a market shortage for exceptional Fancy Color rough diamonds at the wholesale level, causing a supply chain anomaly.

The "Secret Sauce"

Planning and cutting Fancy Color Diamonds requires deep understanding in areas mining companies don't always excel in. For example, being able to have a long and intimate understanding of the high-end market and its specific diamond-demand parameters. Only after one acquires this knowledge, one can then match the make, clarity, and size of a Fancy Color Diamond, in order to achieve a 'charming stone'. Yield considerations are deprioritized when it comes to rare Fancy Color Diamonds, unlike with white diamonds.

Because mining companies lack this knowledge, "crossing" the lines to the 'polished side' doesn't always generate optimal results. Evidence to that notion is the large amount of diamonds returning to the polishing wheel after they are sold in miner tenders, due to wrong planning decisions or basic polishing mistakes. Diamond dealers, who bought polished Fancy Color Diamonds directly from mining companies, will either improve the overall aesthetic of the diamond, or improve the color grade. In other cases, the poor polished outcome is irreversible and the stone cannot be "saved". In both cases, the original potential of the rough diamond is wasted.



A three line band, featuring a center line of intense orange-yellow diamonds
Courtesy: Fancoldi (left)



A single stone design, using an intense orange diamond of 1.27 carats
Courtesy: Fancoldi (centre)



A twin band design, using intense brown-orange marquises
Courtesy: Fancoldi (right)

Platforms of The Future

For the reasons mentioned above, the circulation of Fancy Color rough diamonds is slowing down at the wholesale level. As such, the preowned polished diamond market is turning out to be an alternative arena to source rare Fancy Color Diamonds.

Wealthy European, Middle-Eastern and American individuals that bought these gems during the 1970's through the 1990's, the 'golden age' of supply for large and special Fancy Color, passed on their jewelry collections to next generations over the last decade. Savvy descendants hold onto these diamonds, others are in need of cash and will sell them. A recent example illustrates the reincarnation of these rare Fancy Color Diamonds. During 2018, a batch of rare blue diamonds, owned by a member of the Saudi royal family, was sold back to the wholesale market following the passing of the owner. In a very short time, most of this blue collection was sold downstream in jewelry creations and gained new life.

For many years, the main outlet for these goods were prominent auction houses. However, the high commission dealers leave on the table (approximately 20%), and the long time a private seller needs to wait to be paid (6 months on average), create an opportunity for new platforms that can offer better commercial terms for both sides.

Offline and online platforms including Premier Diamond Group Ltd. have emerged to facilitate the trade of these pre-owned diamonds, especially for private individuals looking to profit from their jewelry in a timely manner. And as dealers outbid each other on these platforms, they generate higher returns for these private sales.

To Conclude

As the years go by, the supply of Fancy Color Diamonds becomes thinner. The Premier mine in South Africa doesn't produce as many exceptional blue diamonds as it used to. The Argyle mine has closed and with it a whole 'species' of fine pink and red diamonds have become all but extinct. Alrosa Fancy Color rough diamonds no longer reach the conventional distribution channels of production. The few gems other mining companies unearth are being pushed towards partnerships and do not enter the traditional trading cycle.

Fortunately, with the energy conservation law coming into play, the infrastructure for recycling Fancy Color Diamonds begin to materialize. Most important Fancy Color Diamonds will pass from one generation to the other, a small number will eventually appear back on the market through new platforms. Some goods will gravitate from private collections and will return to the wholesale market. **Diamonds that were produced before this millennium will undergo a "face-lift" on the polishing wheel and will gain a second life through new jewelry creations or wealth preservation investments. Looking at underground rough diamond deposits, we realize that the secondhand market, relatively speaking, is in fact the largest available "mine". This new "mine" could become the only significant source for future Fancy Color trading.**



Fancy yellow-green pear shape Second highest per carat price ever paid at auction for a single stone 1988
Courtesy: Sotheby's

EXCEPTIONAL UNHEATED VIVID RED BURMESE RUBY SELLS AT SOTHEBY'S, HONG KONG

Forbes.Com, Anthony DeMarco

A 6.41-carat unheated Burmese 'Pigeon's Blood' ruby mounted on an 18k yellow and white gold ring surrounded by French-cut diamonds sold recently at Sotheby's Hong Kong auction for \$2,832,903 USD or \$441,950 per carat. The jewel was designed by Hong Kong high jewelry house, Forms. It is accompanied by a report from the American Gemological Laboratories that states the gem hasn't been treated while receiving one of the highest color grade determined by the lab: Vivid Red. "Less than 1% of all gem-quality rubies are unheated, making them both rare and impressive," the auction house said and even fewer are untreated and Vivid Red in their color saturation! "Darker rubies are often heated to enhance their shade, but unheated rubies are naturally intense and vibrant." Its estimate was \$2.2 million - \$2.8 million.

[This sale highlights the esteem that untreated vivid color gemstones pose in the market in all sizes.](#)



6.41-carat unheated Burmese 'Pigeon's Blood' Ruby mounted on an 18 kt yellow and white gold ring
Courtesy: Sotheby's



Pair of ruby and diamond earrings each set with a cushion shaped ruby weighing 3.32 and 3.04 carats respectively
Courtesy: Sotheby's

Lot 1644 at the same auction, a pair of Burmese Untreated Rubies of 3.04 and 3.32 carats easily outpaced their presale estimate of \$360,000 USD and sold to a client who did not wish to be identified.

THE WEALTH ACCUMULATION POTENTIAL OF UNTREATED GEMSTONES

With export restrictions currently in place against the Myanmar (Burma) government run by the military junta, the flow of quality Vivid Blue Sapphires and Vivid Red Rubies has slowed to a standstill. [The only steady source of material available to the Trade is from dealers with stockpiled inventory.](#) The great majority of these gemstones are quality, treated thermally enhanced stones destined for the jewelry trade. The supply of top color Untreated Vivid Blue Sapphires and Vivid Red Rubies lay with a handful of dealers as well as in the second-hand market in decades old jewelry pieces that occasionally end up in Tier I & II Auction Sales. It is our assumption that 1 carat Untreated stones are at the present time among the most significant opportunities for Wealth Accumulation among all Hard Assets. When a 6 plus carat Untreated Vivid Red Ruby sells at auction for \$441,950 per carat, [a 1 carat Vivid Red Untreated Ruby at only 10% of that price represents incredible Asset value.](#) With demand increasing for the best goods and supply decreasing over the foreseeable future we expect prices to rise dramatically!



Diamond brooch with untreated 2 ct Burmese ruby