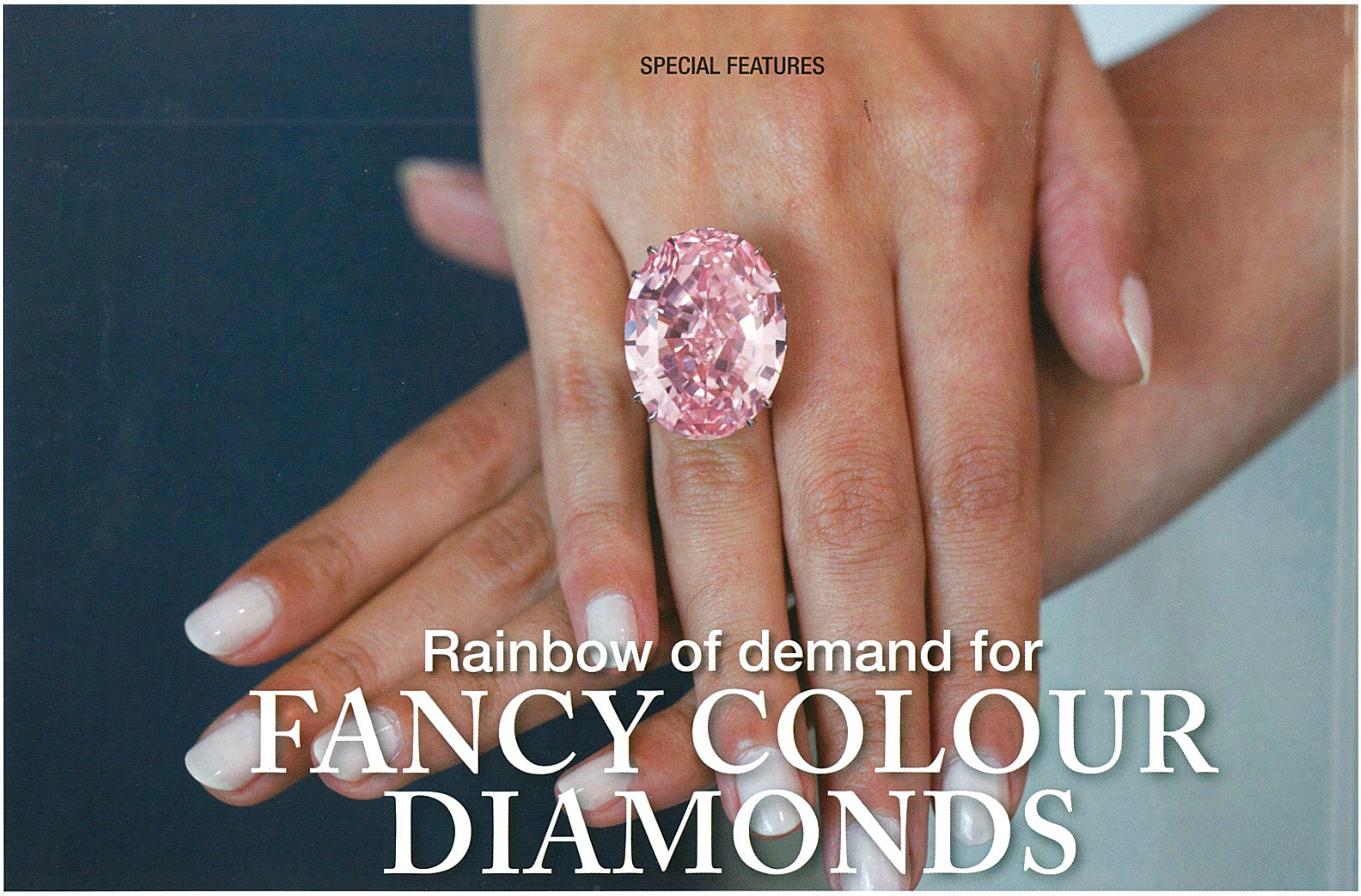

Rainbow of demand for FANCY COLOUR DIAMONDS

Demand for fancy colour diamonds is reaching new heights. The gems' impressive turn at recent auctions underscores their significance for asset preservation among investors and jewellery connoisseurs while convincing affluent consumers of their appeal. Further opportunities abound as lighter-coloured, smaller and more commercial goods increasingly fill different niches in the market.

By Olivia Quiniquini and Bernardette Sto. Domingo

(Top photo) The CTF Pink Star, a 59.60-carat fancy vivid pink diamond ring; (above) The Memory of Autumn Leaves and The Dream of Autumn Leaves earrings with a 14.54-carat fancy vivid blue diamond and a 16-carat fancy intense pink diamond respectively

Fancy colour diamonds have been grabbing headlines by breaking world auction records, but demand for the scintillating gems runs the gamut from high-end, big stones to lighter, smaller and commercial-quality goods.

At one end of the spectrum, collectors, investors and jewellery aficionados are affirming their acceptance of fancy colour diamonds for personal use and as stores of wealth, which is underscored by the records broken at recent auctions.

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> **– Eden Rachminov, chairman, Fancy Color Research Foundation Advisory Board**

Pink diamonds have done particularly well when going under the hammer. The 14.93-carat Pink Promise, an oval-shaped, fancy vivid pink diamond sold at Christie's for US$32.16 million, matching a world auction record price per carat for a pink diamond. The CTF Pink Star, a 59.60-carat fancy vivid pink diamond ring, fetched US$71.2 million at Sotheby's, setting a world auction record for any diamond or gemstone.

Sotheby's record-breaking The Memory of Autumn Leaves and The Dream of Autumn Leaves earrings, featuring a 14.54-carat fancy vivid blue diamond and a 16-carat fancy intense pink diamond respectively, brought in a total of US$57.42 million, the highest a pair of earrings has ever sold at auction. At Sotheby's New York, a 5.69-carat fancy vivid blue diamond ring sold for US$15.13 million, while a rare 4.03-carat blue diamond led Bonham's London auction last September, selling for around US$3.6 million. Meanwhile, luxury jeweller Harry Winston spent US$8.88 million at Christie's Hong Kong for a fancy vivid blue diamond ring by Moussaieff, featuring a 3.98-carat centre gem.

These staggering auction results cast the spotlight on fancy colour diamonds, making them even more alluring to a wider clientele enchanted by their beauty and rarity.

Price index

Pink and blue diamonds also lead the tally when it comes to appreciation in value, according to industry stakeholders.

The Fancy Color Research Foundation (FCRF) cited fancy intense and fancy vivid blue diamonds across all carat sizes as the strongest performing price categories in the third quarter of 2017. FCRF's Fancy Color Diamond Index for Q3 2017 indicated that blue and pink diamond prices rose due to a reduction in supply. Prices of blue fancy colour diamonds in all sizes and saturations increased by 0.4 percent over the second quarter and by 4.7 percent over the same period in 2016.

Eden Rachminov, chairman of the FCRF Advisory Board, said, "As far as supply is concerned, 2017 and the year before were record low years for blue fancy colour diamond production from mines. The majority of the blues that are coming into the market are pre-owned stones. Manufacturers have seen a significant drop in availability across all sizes and qualities, and consequently prices have continued to increase. Going forward, the market will have to adjust to a lower 'new normal' supply level for blue fancy colour and pinks in the high saturation levels."

A 1.41-carat fancy vivid blue, square radiant diamond with VS1 clarity from Leibish & Co

Ephraim Zion, managing director of Dehres

Overall, the FCRF Fancy Color Diamond Index for Q3 2017 indicated a slight increase of 0.2 percent over the second-quarter results for yellow, pink and blue fancy colour diamonds in all sizes and saturations.

Investment factor

Dehres, the fancy colour diamond specialist acclaimed for its exceptional stones and jewellery, is optimistic about prospects for fancy colour diamonds this year. According to Founder Ephraim Zion, business gained momentum last September after a slow start in 2017. Most activities were centred around the Far East namely China, Singapore, Japan, the Philippines, Taiwan, South Korea and Hong Kong; Europe and the US.

"Business is bound to get even better this year because of a rapidly growing base of affluent customers and the positive economic environment, particularly in Asia and the US, that is boosting consumer confidence. More people see fancy colour diamonds as an asset to preserve capital and even as an investment. Very fine, fancy colour diamonds such as intense, vivid blue and pink are looked upon today as a store of wealth and as a form of financial security," Ephraim said.

Recent auction results reinforce consumer confidence in fancy colour diamonds as an investment, the diamantaire noted. "There is a segment in the market of very affluent individuals that appreciate the rarity and value of fancy colour diamonds. They already have stocks, bonds, gold, art and property, and want to diversify their portfolio. They understand that fancy colour diamonds are one of the most portable and valuable assets they can easily carry with them in times of emergency," he explained.

Diamond rings by Dehres

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Growth drivers

Blues and pinks traditionally do well for Dehres, but Ephraim noted a growing surge in demand for green diamonds of late, from fancy light green and fancy green to fancy intense green. Collectors are also partial to the rarer and more valuable stones such as vivid blue, vivid pink, vivid green, vivid red, vivid purple and vivid orange.

Demand has risen significantly too for lighter goods, with the market increasingly asking for light pink, light blue, fancy light pink and fancy light blue diamonds, said Simon Zion, Ephraim's son and Dehres' senior director. "Light-colour goods have gone up in value these last couple of years," he remarked.

According to Simon, light pink and light blue diamonds are favoured mainly by newly affluent consumers, particularly in Asian countries. "They have money and they want to own a pink diamond. They can afford a light pink diamond so that is what they buy," Simon commented, citing 0.50-carat to 3-carat stones as fast movers for lighter goods.

A 2.04-carat pink cushion diamond double halo ring by Leibish & Co

A matching pair of purplish pink Argyle Tender diamonds of over a carat each from Leibish & Co

Dehres Masterpiece emerald bead necklace with a 20-carat vivid yellow marquise diamond, near 4-carat fancy vivid pink pear-shaped diamond and a 22-carat flawless D-colour pear-shaped diamond; and the Masterpiece earrings with four no-oil emerald beads and two D-colour IF 5-carat pear-shaped diamonds

Positive indicators

For Leibish & Co, business has been brisk for finer goods such as pinks, blues and selected greens, disclosed company founder and president Leibish Polnauer.

"The best of the best sells fast. Buyers are looking for an EX EX or VG VG finish and a clarity grade of VS2 and up. Yellow and pink diamonds remain our strongest products," Polnaeur remarked. "The scarcity of blue diamonds is driving prices higher and higher. These goods are more difficult to find, but when they come through, customers are willing to pay the high prices."

The US continues to be Leibish's top market, but the company, which specialises in fancy colour diamonds of premium quality, does well internationally too, Polnauer said. He cited the improved economic situation in the US as cause for optimism this year. Headline-grabbing auction results also work in the industry's favour, he added.

"One-of-a-kind, fine-quality products are magnets for collectors. There is a lot of money on the sidelines looking for investment opportunities. Many are intrigued by the stability of fancy colour diamonds and are happy to invest their money in these gems. The way I see it, 2018 will be a fantastic year for diamonds and jewellery. A greater segment of the market will rediscover diamonds as a vehicle for conserving wealth once again," Polnauer said.

(From top) Ring with a 7.17-carat fancy intense purple pink VVS2 diamond centre gem; ring with a 1.51-carat IF, fancy intense blue diamond; fancy intense yellow diamond earrings; and fancy yellow green, pear-shaped diamond earrings. All jewellery products by Scarselli Diamonds

New horizons

Scarselli Diamonds Inc is likewise bullish about 2018. The New York-based fancy colour diamond specialist is set to unveil another outstanding diamond this year, revealed Managing Partner Bruno Scarselli who describes it as one of the largest-ever graded by the Gemological Institute of America.

The diamantaire also anticipates stronger demand and firmer prices for fancy colour diamonds this year along with renewed activity from China. Scarselli Diamonds' top markets are China, Hong Kong, Southeast Asia and some parts of Europe.

"As many banks have pulled out of the diamond industry thereby changing buying patterns, I foresee a new stream of financing entering the market to fulfill funding needs," Scarselli continued. "Fancy colour diamonds are no longer 'a girl's best friend' but 'a girl's most appreciable investment.' The high auction results for fancy colour diamonds reflect the stones' rarity and scarcity."

Yellow and pink diamonds lead sales at the company, with majority of requests for yellows being for intense and vivid stones, and fancy and intense being the more active categories for pinks. Scarselli added, "Auction sales also generally shape market sentiment so there is greater interest in intense and vivid diamonds in pinks and blues and, to a lesser extent, in greens and oranges."

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Smaller sizes

Demand for small-sized fancy colour diamonds also remains stable as market preference gradually shifts to more vibrant and colourful stones, according to Sohil Jogani of Arihant Star (HK) Ltd. Fancy colour diamonds of 50 points and below move the fastest with blue, green and pink as the most sought-after colours, he added.

"We're seeing a lot of demand for smaller sizes of 10, 15, 20, 25 and 50 pointers because the market is now moving towards fancy colour diamonds and buyers want to have these in their inventories," continued Jogani.

Darker shades of blue, green and pink, among other colours, are more costly, he added. For instance, vivid pink diamonds of 10 points sell for US$30,000 to US$35,000 per carat. "The darker colours are more expensive and highly favoured while prices of high-quality, larger stones fluctuate a lot. We've observed that buyers gravitate towards small-sized stones in darker colours," noted Jogani.

The increase in demand for fancy colour diamonds in smaller sizes is fuelled by conservative buyers who are holding off purchases of bigger and more expensive items. The market is likewise seeking more lively and colourful goods to enhance their product portfolios, disclosed the company official.

"Buyers are diversifying their inventories from colourless diamonds to having at least one variety of fancy colour diamond. Our small-sized fancy colour diamonds are mainly popular in China and Hong Kong, which we consider significant markets for smaller sizes," he said, adding that this buying trend is likely to continue this year.

Jewellery manufacturers use fancy colour diamonds of 20 to 30 points to create illusion settings, he added. "Once they've tried using these diamonds, they fall in love with them and they just continue buying," Jogani explained.

Fancy colour diamonds from Arihant Star (HK) Ltd

Colour-enhanced diamonds from Lotus Colours Inc

Alternative considerations

In contrast, Vivid Jewels (HK) Ltd is seeing greater demand for bigger sizes of fancy colour diamonds, said Sales Manager Rushab Vora. "Buyers want bigger stones but the prices are higher and they are very cautious when it comes to shelling out more money," noted Vora. "They are interested in 5-carat fancy colour diamonds and up but are not willing to pay the price. The main consideration now is the price."

Vivid Jewels offers a wide variety of fancy colour stones from 5 carats and higher, mostly in yellow and pink. Its major markets are Israel and China.

Rahul Karnavat of Lotus Colors Inc said interest in small-sized colour-enhanced diamonds was growing from markets such as the Philippines and Vietnam. The company also has customers from Australia and the US. Majority of Chinese buyers want natural fancy colour diamonds, he added.

According to Karnavat, customers are more inclined to buy blue, yellow and pink colour diamonds of one carat and up. Light blue colour-enhanced diamonds sell for about US$1,000 per carat, while darker blues carry a price tag of US$500 per carat, cheaper mainly as they are made from dark brown diamonds. Similarly, the pinks are pricey because these are difficult to make, he continued.

"Colour-enhanced diamonds are more for fashion jewellery pieces. Our portfolio includes a wide range of products from top-end to lower-quality, lower-priced products. We see a growing interest in these alternative diamond products," he stated.