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RAPAPORT WEEKLY REPORT®

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Dealing with Vegas

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Expectations are rising for next week's **Las Vegas** shows. The various diamond and jewelry trade events that take place each year toward the end of May tend to signal the mood of the highly important **U.S.** market. That message affects all aspects of the diamond distribution chain.

By many accounts, diamond trading is not expected to boom at this year's shows. However, the shows are expected to restore some confidence within the trade. After all, U.S. diamond demand has been stable in a weak global market place in 2014-15.

That should not be taken lightly given that the U.S. accounted for an estimated 45 percent of global consumer diamond jewelry demand in 2014, according to **De Beers**. More importantly, the U.S. is projected to maintain its market share through 2018, despite continued growth in **China** and **India**.

Diamond market sentiment has been weak as those emerging markets have experienced some growing pains this year and last. While growth in China stimulated industry growth in previous years, its apparent slowdown has naturally influenced an industry slowdown. The trade has consequently turned [back] to the U.S. for support. As the quintessential mature market, the U.S. tends to remain fairly constant, giving an appearance of underperforming in good times, and outperforming in weaker market conditions.

In truth, there remain some questions about the state of the U.S. diamond and jewelry market. While the positive accounts have been largely anecdotal from within the trade, reports from the retail sector have been mixed. Certainly **Christmas** was disappointing and government data suggests that jewelry sales have consistently fallen below previous year levels each month since October (see graph).

U.S. jewelry sales fell 1.1 percent year on year to $24.4 billion in the fourth quarter of 2014, and by 1.5 percent to $14.2 billion in the first quarter of

Weekly Highlights

All eyes on Vegas with rising expectations for JCK Show. Far East demand weak. Polished shortages supporting prices and improving dealer demand as Indian factories close for summer vacation. Rough stable even though cutting center profit remains problematic. Letšeng Jan.-May sales -9% to $77.1M, average price -21% to $2,146/ct. Asian Star 4Q sales -12% to $138M, profit -1% to $4M. India April polished exports -11% to $1.6B, rough imports -31% to $1.4B. Belgium April polished exports +1% to $1B, rough imports -32% to $907M. Hong Kong 1Q polished imports -2% to $4.8B, polished exports -1% to $3.5B. Rapaport Vegas Breakfast, Sunday May 31, 8-10 a.m.; register diamonds.net/jck. R

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this year, according to **Rapaport** estimates based on government data. Sales in specialty jewelry stores fell 5.6 percent to $6.3 billion in the first quarter, separate government data showed.

The numbers are far from encouraging. Some have suggested that the value of sales are down but volume is up as consumers are shifting to lower price points. It's not clear whether volume has in fact increased as there are no official reports available to confirm the premise.

What is recognized is that the U.S. market is weighted toward smaller, lower-quality diamonds. The trade tends to refer to I1 to I2 clarity diamonds as "American" items, while De Beers estimated that about 75 percent of goods sold in the U.S. by volume are small sizes below 0.18 carats. Approximately 15 percent of goods sold are 0.18-carat to 0.99-carat sizes, and the remainder are larger than 1-carat in size. In contrast, about two-thirds of total diamond jewelry sales in China consist of those medium-size, 0.18-carat to 0.99-carat diamonds, according to De Beers.

The disparity in the U.S. signals a continued shift toward lower price points, particularly as middle income households remain under pressure despite the economic recovery.

Stephen Lussier, De Beers executive vice president of marketing, acknowledged in a March 2015 interview with *Rapaport News* that middle-income households in the U.S. continue to be frugal but the market is being lifted by strength in the bridal sector and by affluent consumers who earn more than $150,000 a year.

"The shows very much provide an opportunity for U.S. jewelry wholesalers and retailers to find stock for the rest of the year, and for jewelry manufacturers to showcase their designs that cater specifically to the U.S. market."

Declining retail jewelry sales suggest that the core middle-income U.S. consumers are opting for lower diamond content in their jewelry purchases, perhaps with the exception of bridal. Non-diamond related jewelry sales appear to be more robust. Gold jewelry demand in the U.S. rose 4 percent to 22.4 tonnes in the first quarter of 2015, according to the **World Gold Council**, while a recent survey by **National Jeweler**, which is owned by **Jewelers of America**, showed that average silver jewelry sales increased 17 percent in 2014.

Still, there are mixed reports out there. **Blue Nile** noted weak demand from its high-end customers with declining sales of products priced above $50,000 during its first quarter that ended April 5.

Perhaps next week's scheduled earnings release from **Signet Jewelers** and **Tiffany & Co.** will shed further light on such trends. The market will be waiting to hear from the respective jewelers about which of its lines are selling and which segments are strong, or weak.

Rapaport calculations based on government data.

However, while those comments and reports will be telling, the market will gain far more from observations and conversations in Las Vegas. The shows very much provide an opportunity for U.S. jewelry wholesalers and retailers to find stock for the rest of the year, and for jewelry manufacturers to showcase their designs that cater specifically to the U.S. market.

Diamantaires will be hoping both wholesalers and retailers will be looking to build some inventory for the rest of the year. After all, the first quarter diamond buying to replenish inventory sold during the Christmas season didn't happen this year as it usually does. The weak government data hints at why that was the case.

U.S. independent jewelry retailers, at least, are managing with lower inventory levels and are no longer building up excess stock as they did in the past. They have had to focus on holding the right type of inventory as they have wrestled with lower margins since the 2008 downturn, Lussier explained.

However, there is a sense that they might now need goods for the rest of the year. After all, many will already be thinking of the upcoming Christmas shopping season, planning what lines to focus on for the various segments of the market.

Whether that will happen in Vegas remains to be seen. There is generally a lot of traffic and activity around the diamond pavilion at the **JCK** show, and there's no reason that this shouldn't be the case this year.

However, the first indicators about the state of the U.S. market will start at the **Couture** and **JCK Luxury** shows, which will signal how the high end is shaping up. The wider JCK show will subsequently point to how general retailers are interacting with their jewelry wholesale suppliers, perhaps most importantly in the bridal sections.

Consequently, the most important measure of a successful show for diamond dealers should not be the volume of trading conducted, but the prospects of doing business thereafter. That at least is what this writer will be looking out for in conversations with jewelry wholesalers, retailers and diamantaires in the coming weeks. After all, the U.S. has been good relative to other markets, even if it hasn't been great. Therefore, one cannot underestimate the importance of the U.S. in what is expected to remain a tough global environment moving forward.

E X P A N D   Y O U R   H O R I Z O N S

RAPAPORT CONFERENCE

Sunday, May 31st, 2015
JCK Show - Las Vegas

8:00/10:00 am — **Rapaport Breakfast**
Martin Rapaport "State of the Diamond Industry"
South Seas Ballroom, Level 3

10:00/11:30 am — **Rapaport Diamond Grading Conference**
Banyan B Meeting Room, Level 3

3:00/4:30 pm — **Rapaport Responsible Sourcing Conference**
Banyan B Meeting Room, Level 3

THE CONFERENCE IS FREE AND OPEN TO ALL

Register: www.Diamonds.net/JCK2015
Email: conference@diamonds.net
Visit: JCK Booth B 5447

RAPAPORT®

Hong Kong: Diamond Trade Contracts in 1Q

Hong Kong's Net Import Countries										
Data in U.S.$ Millions	Imports		Y2Y Change	Exports		Y2Y Change	Net Imports		Y2Y Change
India	$	2144	1%	$	807	8%	$	1337	-3%
Israel	$	662	-6%	$	450	1%	$	212	-19%
Belgium	$	577	9%	$	468	-1%	$	109	99%
U.S.	$	399	-23%	$	419	-5%	$	(20)	Positive in 2014
UAE	$	324	-18%	$	339	-10%	$	(15)	

Figure 2

Based on data published by the Diamond Federation of Hong Kong, China.

Hong Kong's diamond trade contracted in the first quarter of 2015 with its net diamond account declining by 11 percent year on year to $1.24 billion.

The net diamond account represents the value added to a country's diamond trade during a period, which in Hong Kong's case is calculated as total polished and rough imports minus total exports. Hong Kong is a net importer of diamonds, despite its status as a distribution hub for the region, since goods are also imported for its relatively large local consumer market.

The Polished Trade

Hong Kong's polished imports fell 2 percent to $4.84 billion during the quarter. By volume, polished imports declined by 12 percent to 4.892 million carats as the average price of the imports grew 11 percent to $990 per carat.

Polished exports were flat at $3.5 billion, although volume was down 11 percent to 3.46 million carats. The average price of the exports rose 12 percent to $1,013 per carat. Hong Kong's net polished imports, which is the excess of imports over exports, decreased by 6 percent to $1.34 billion (see Figure 1).

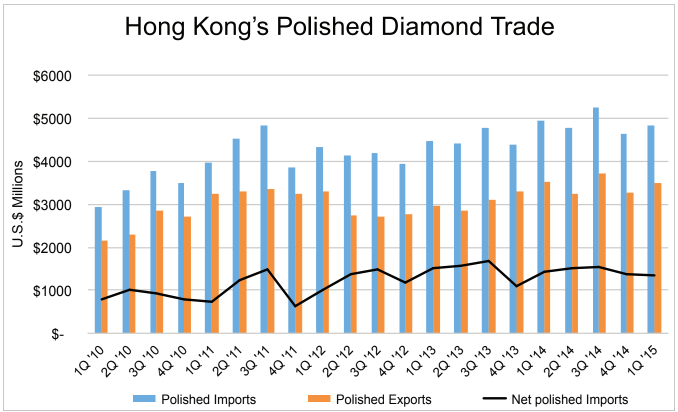


Figure 1

Based on data published by the Diamond Federation of Hong Kong, China.

Trade by Country

Hong Kong is essentially an importer of polished from the major trading and manufacturing centers for distribution to **China** and Hong Kong-based jewelers, as well as other **Far East** jewelers.

Polished imports from **India** grew 1 percent to $2.14 billion, while exports to India rose 8 percent to $807.5 million. As a result, net polished imports from India fell by 3 percent to $1.34 billion, indicating a slight contraction of Hong Kong's trade with India. Similar trends were evident in Hong Kong's trade with other supplier countries, with the exception of **Belgium**, from which net polished imports nearly doubled to $109.3 million (see Figure 2).

Similarly, there were declines recorded in Hong Kong's net exports to Mainland China, its largest market for polished diamonds. Polished exports to China fell 17 percent to $519.1 million during the quarter while imports from China grew 5 percent to $269.3 million. Consequently, net exports to China slumped 33 percent to $249.8 million. Net exports to other countries in the region were mixed (see Figure 3).

Hong Kong's Net Export Countries									
Data in U.S.$ Millions	Exports		Y2Y Change	Imports		Y2Y Change	Net Exports		Y2Y Change
China	$	519.13	-17%	$	269.30	5%	$	249.83	-33%
Taiwan	$	22.99	62%	$	4.07	652%	$	18.92	38%
Thailand	$	118.46	7%	$	102.13	3%	$	16.33	41%
Malaysia	$	20.80	-6%	$	12.69	-3%	$	8.10	-11%
Singapore	$	36.05	3%	$	37.89	0%	$	(1.84)	36%

Figure 3

Based on data published by the Diamond Federation of Hong Kong, China.

Rough imports to Hong Kong fell 18 percent to $437.1 million and rough exports declined 3 percent to $531.2 million. Net rough imports slumped five-fold to negative $94.2 million as exports exceeded imports.

Weak Sentiment

Sentiment was fairly weak in Hong Kong's diamond trading community and dealers were cautious during the quarter. Global diamond demand and prices softened as China's economic growth has slowed.

Furthermore, the government's campaign against corruption and conspicuous consumption continued to affect open displays of wealth and spending. Luxury sales were reportedly soft during the **Chinese New Year Spring Festival** but sales of commercial-quality gem-set jewelry were steady.

Still, the season failed to inspire stronger trading. Hong Kong trading continued to be based on inventory replacement for existing orders and jewelers have avoided unnecessary buildup of inventory. Diamond trading at the **Hong Kong International Diamond**, **Gem and Pearl Show** in March was slow.

Outlook

Anecdotal reports suggest that Hong Kong's diamond market continues to be relatively quiet. The second quarter tends to be a slower period with no major trade shows taking place in the Far East to stimulate import and export numbers. Similarly, there are no major holidays to boost jewelry retail sales. As a result, Hong Kong diamantaires continue to exhibit caution in their diamond trading.

Titan Company: 4Q Sales Decline, Profits Rise

Titan Company, considered among the largest jewelry retailers in **India**, reported a slump in jewelry sales, noting that consumer sentiment remained sluggish in the three months that ended on March 31, 2015.

Bhaskar Bhat, Titan's managing director, stressed that consumer demand was lukewarm during the period, despite the positive economic outlook for the year 2014-15.

Consumers in India appear to still be reeling from weak economic growth during 2014 following the May elections.

Titan's latest results were, in fact, pegged against a weak comparative period last year and it appears that the company underperformed. The **World Gold Council (WGC)** reported that India's gold jewelry demand by volume rose 22 percent year on year to 150.8 tonnes in the first three months of calendar 2015. The WGC explained that growth was more a reflection of unusual weakness during the first quarter of 2014 more than of any particular strength in 2015.

The first quarter of last year saw a combination of factors discouraging jewelry purchases, the WGC explained, including:

- gold import restrictions;
- uncertainty due to the approaching government elections; and
- temporary restrictions placed on the free movement of cash and assets such as gold.

The WGC noted that conditions were more encouraging in the most recent quarter.

Bhat noted that Titan's brands witnessed good growth from April to September 2014, but growth slowed after the **Diwali** season in October.

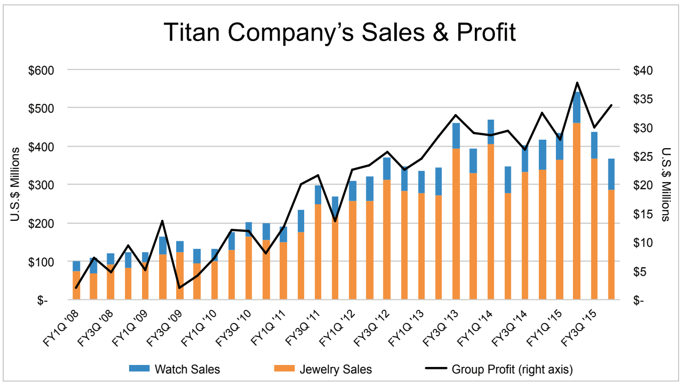
During the March quarter (Titan's fiscal fourth quarter), sales fell, although profits grew.

Titan's Numbers

The group, which owns the **Tanishq** brands, reported that sales fell 11 percent to $388.5 million (INR 24.74 billion) during the quarter. Jewelry sales declined 15 percent to $287 million (INR 18.3 billion), while watch sales grew 2 percent to $80.2 million (INR 5.11 billion). Sales of other products, which includes eyewear and precision engineering, increased 13 percent to $25.9 million (INR 1.65 billion).

Baht added that sales were adversely affected by the termination of Titan's **Golden Harvest** savings program, which had boosted sales in the previous year.

Profit improved 4 percent to $33.8 million (INR 2.2 billion) (see graph).



Based on data published by Titan Company in Indian rupees and converted to U.S. dollars at the copnsistent rate of INR 63.69 = $1 recorded on May 20, 2015.

Profit rose as the company cut expenses by 11 percent to $350 million (INR 22.5 billion). Within its expenses, Titan's purchase of stock-in-trade declined by 18 percent, while the company also reported a significant change in the inventory of finished goods, which largely accounted for the decline in expenses. The company may have been holding some excess inventory in January that was worked through during the quarter.

Full Fiscal Year

Titan maintained steady growth for the full fiscal year, despite the weak final quarter.

Group sales rose 9 percent to $1.85 billion (INR 118 billion), with jewelry sales up 9 percent to $1.48 billion (INR 94.29 billion), while watch sales increased 7 percent to $301.6 million (INR 19.21 billion). Group profit rose 11 percent to $128.2 million (INR 8.16 billion) for the year.

Bhat stressed that the company continues to invest in strategic initiatives that align with its long-term growth plans.

Tracking Trends

C.K. Venkatraman, CEO of Titan's jewelry division, explained at the **World Diamond Conference** in November that the company is tracking three broad trends in diamond jewelry demand that he believes will spur growth. These include:

- the opportunity to harness greater self-purchases of jewelry by the rising number of women pursuing careers in India;
- a rising appreciation for "the finer things in life" within Indian households and growth in demand for exclusive products; and
- the continued strong association that Indian consumers have between diamonds and relationships and the need to make solitaires affordable to harness that trend.

While sentiment is still fairly cautious, Titan is expecting to restore its quarterly sales growth. India's economic growth is expected to rebound in the current fiscal year with gross domestic product (GDP) projected to rise 7.7 percent in 2016, according to a recent **U.N.** report.

Sentiment is slowly improving with stronger domestic consumption and investment, the report stated. Much depends on whether the government can maintain the boost to consumer confidence that the election brought. Titan will be looking at such factors in the short term but continues to bank on positive trends in India's jewelry consumer space to stimulate long-term growth.

The diamond industry turned its attention to the U.S. ahead of next week's Las Vegas shows. Luxury begins on May 26, while JCK Las Vegas opens on May 29, both at Mandalay Bay Resort until June 1. The Couture Show runs from May 28 to June 1 at the Wynn. The Antique Jewelry & Watch Show is from May 28 to June 1 at the Paris Hotel.

Heritage Auctions sale of fine jewelry achieved $5M earlier this month in New York. The top lot, a 5ct., fancy light pink diamond ring by Chopard, sold for $605,000, or $121,000/ct.

Asian Star, an India-based diamond manufacturer, reported that revenue fell 12% year on year to $138M in the fourth quarter that ended March 31. Diamond sales fell 12% to $130M, while jewelry sales dropped 9% to $12M. Group profit fell 1% to $4M.

India's polished diamond exports fell 11% to $1.6B in April, according to provisional data. Polished imports plunged 41% to $244M. Rough imports fell 31% to $1.4B and rough exports rose 5% to $112M. India's April net diamond account in April rose to $133M from a deficit of $662M in April 2014.

Kingold Jewelry, a China-based jewelry manufacturer, reported that revenue fell 33% to $206M in the first quarter of 2015, primarily due to weak demand for gold products. Profit fell 59% to $7M as gross margins fell to 5% from 9% a year ago.

Zalemark Holding Company signed a memorandum of understanding with Super Bell Jewelry Company to distribute its jewelry products to independent and major chain jewelers. Zalemark intends to launch several jewelry brands in the second quarter using Super Bell's distribution platform.

Global gold jewelry demand fell 9% to $23.5B in the first quarter of 2015, according to the World Gold Council (WGC). By volume, gold jewelry demand declined 3% to 600.8 tonnes. Global gold demand, including jewelry, investment, technology and central bank orders, fell 7% to $42.3B.

Platinum production plunged 21% to a 15-year low of 4.7M ounces in 2014, according to Thomson Reuters' GFMS Platinum & Palladium survey. Palladium production dropped 7% to 6.04M ounces during the same period. GFMS anticipates platinum prices to drop 16% to an average at $1,170/oz. this year, while palladium is forecast to remain at $800/oz.

Zimbabwe's diamond output declined 34% to 5.9M carats in 2014, according to Mines and Mining Development Deputy Minister Fred Moyo, as cited in The Herald. By value, production fell 23% to $350M with declining volumes partially offset by rising prices received at tenders.

De Beers has placed its Kimberley mines tailings operation in South Africa on the market. The company said it has sought options to extend the life of mine beyond 2018. De Beers anticipates wrapping up a sales agreement in just a matter of months.

Gem Diamonds reported that its sales of diamonds from the Letšeng mine in Lesotho fell 9% to $77M during the first three tenders this year held between January and May 20. The average price of diamonds sold at the tenders declined 21% to $2,146/ct.

Lucapa Diamond Company sold a fourth parcel of diamonds from its Lulo diamond concession in Angola, achieving $2M or $1,500/ct. The parcel included a 63.05ct., D, type IIa stone. Proceeds from the four parcels, totaling 3,856 carats, reached $8M, or nearly $2,000/ct.

Scott Kay, a jewelry brand, appointed Michael Benavente as the company's president. Benavente has 25 years of experience in luxury brand management. He was most recently the managing director of Gucci Group's watches and jewelry division in the America's.

British police arrested nine men suspected of involvement in the Hatton Gardens safe deposit burglary in London's diamond district last month. The suspects, who are between the ages of 43 and 76, were arrested during raids on 12 addresses in London from which several bags of stolen goods were found.

The Israel Diamond Exchange (IDE) said members are permitted to trade the 424 stones that were subject to a Gemological Institute of America (GIA) trade alert last week if the diamonds have been re-graded and inscribed with new GIA numbers.

The World Federation of Diamond Bourses (WFDB) is recruiting an executive director to manage future projects for the organization. The position will entail planning and coordination with multinational corporations as well as bodies within the jewelry, mining and luxury goods industries.

The Week Ahead...

❖ May 26-28	**Rapaport Single Stone Auction**	Dubai
❖ May 27	**Tiffany & Co. 1Q Results**	New York
❖ May 28	**April Swiss Watch Export Data**	Biel/Bienne
❖ May 28	**Signet Jewelers 1Q Results**	Hamilton
❖ May 28-31	**Las Vegas Antique Jewelry & Watch Show**	Las Vegas
❖ May 28 - June 1	**Couture Las Vegas**	Las Vegas
❖ May 29 - June 1	**JCK Las Vegas**	Las Vegas

Building Relationships in Australia's Small, Competitive Market

Q&A with Rami Baron, President of the Diamond Dealers Club of Australia

Australia's diamond trading community is relatively small but it operates in a stable and mature market. The Diamond Dealers Club of Australia (DDCA) aims to facilitate trade between local wholesalers and retailers while representing their needs as a member of the World Federation of Diamond Bourses (WFDB). *Rapaport News* spoke with Rami Baron, president of the DDCA and owner of the Australian Jewellers Consortium and Q Report, about the market in Australia and some of the challenges facing the trade:

What is your background in the industry?

I'm the third generation in a family of jewelers. My parents had jewelry stores and when I took them over I recognized a real problem relating to jewelry insurance claims.

Whenever people had jewelry claims, insurance companies used a methodology that was foiled with problems. So we created a company called the Australian Jewellers Consortium through which we act as a consultant to insurance companies to assist them in managing their jewelry claims.

At the outset, we realized that we had to take ourselves out of the supply chain as there was a conflict of interest in being a supplier and providing advice to the insurer. We made a fundamental decision not to supply goods for replacement in jewelry claims, and we would solely become their adjuster on jewelry claims.

We do the validation process, working out what the client lost and a fair replacement value, and we assist the insurance companies to provide an equitable settlement. We also always try to send people back to their original jewelers, with whom they already have a relationship.

What is the Q Report?

After 10 years, we realized that insurers don't understand or appreciate the jewelry market. For them, jewelry is just another item of value, part of the household insurance. They don't want to differentiate between jewelry and a TV.

There are always contentious issues involved with insurance claims. The biggest problem with the jewelry and insurance industries related to valuations. Consumers were constantly being provided inflated valuations by jewelers, which would cause problems at the time of a claim. Insurance companies wanted to deal with specific jewelers so the traditional jeweler would lose their best customer to some unknown jeweler without getting a chance to participate in the replacement. Consumers inevitably felt cheated as the true replacement amount was often lower than what they were told their insurance policy covered.

From this experience we developed the Q Report, which is a quick and efficient online jewelry product for consumers. The report is offered by the jeweler when the sale is made and combines elegant documentation with a comprehensive insurance policy for that piece of jewelry.

There are various undertakings in the policy, including that you can always go back to your original jeweler in the case of a claim. We also insure for the purchase price, not an inflated value. Therefore, in the case of a total loss we pay out the full amount, and no discounts are ever requested from the jeweler. In addition, we offer 125 percent cover as a hedge against exchange rate volatility since diamonds are valued in U.S. dollars. The idea is to make sure the client is put back in the same position they were prior to the loss.

The claim has to be a positive experience for the consumer, not a nightmare.

What is the makeup of the Australian industry?

The Australian industry is very similar to the U.S. except that it is smaller. We have a large number of small jewelry wholesalers and a small number of diamond wholesalers. All the goods are imported from overseas and there is very little diamond manufacturing done in Australia.

We have a solid small-business jewelry industry with a considerable number of jewelers in manufacturing. However, it's predominantly custom-made jewelry and no one produces high volumes.

The dominant retailer has about 600 stores under different brands. We have three or four other large chains and a few that have three to 10 stores. We see growth among independent jewelers, which make up about 40 percent to 50 percent of the market. Many of those are a combination of bench jewelers and retailers, who have shifted online. They're often operating in the vertical retail space, with offices and showrooms in inner city buildings, and many have left strip malls and shopping centers.

How is the market in Australia?

Fundamentally it's a strong market. There's pressure from overseas, in particular at the upper end, as diamond prices have become more transparent and consumers have easy access to the web and prices. The market here is small but competitive so there's very little information sharing within the trade.

Wholesalers compete with overseas suppliers but their other big challenge is the credit demand of retailers who stretch out payment for extended periods. Both wholesalers and retailers are struggling to gain margin.

My belief is that consumers are there on mass, but we have to excite them to buy diamond jewelry. That's only going to be accomplished if the trade earns better margins and if we create credibility and a positive environment for consumers to buy diamond jewelry. If we compete strictly on price, then we're dead. The successful wholesaler and retailer recognizes that there's always someone who will sell cheaper and will look at other ways to differentiate themselves.

Australia is a mature market, but we don't have as great acceptance of lower-quality goods as there is in the U.S. The quality of goods demanded in Australia is generally higher. We don't have a big market for piqué goods, while SI's are the stronger category. The market is educated for better-color diamonds.

What is the function of the DDCA and how did you get involved?

I was invited to one of the meetings when the club was first being considered. I was excited by the idea because I'm passionate about diamonds and jewelry. I was happy to become a founding member and felt that I offered a different perspective because I understood retail and wholesale. The club was founded in 2006 and I was elected president in 2007.

The aim of the DDCA is to facilitate growth between diamond wholesalers and jewelry retailers. We try to assess the differential of the Australian wholesaler. It's very difficult for them to compete on price as retailers have easy access to supply from the major trading centers, and they can easily travel to the trade shows in Hong Kong to source goods.

We decided to create a diamond trading platform exclusively for local merchants based on goods in the country. This is a fairly new initiative but is proving successful. It's a platform for retailers and the local trade to interact. The club is in no way involved in the final transaction.

We have an aggressive drive toward the diamond retailer. We believe that our members need greater exposure to consumers so we're focused on promoting the retailer, largely through search engine optimization.

The other benefit that we offer our members is a connection to a global network through our membership in the WFDB. We plan to bring the World Diamond Mark (WDM), which is a project of the WFDB, to Australia in the very near future. I believe that will take the DDCA to another level.

How did you get involved in the World Diamond Mark Foundation?

A few years ago I was part of a trade and promotion commission and felt that there was a real need for the WFDB to reach out to retailers, who are the face of diamond selling. De Beers had stopped its generic marketing campaigns and we weren't seeing anyone pick up the baton regarding diamond marketing.

I believe that the WFDB is in the best position to fill the void. It has credibility as a global body, and there could be an excellent exchange of information and education with retailers.

I gave a presentation on that basis at a 2010 diamond conference in Moscow and we asked who would be interested in getting involved. We started to get a bit of a groundswell of people and it was really quite exciting. From that seed the idea evolved.

Alex Popov, the current chairman of the foundation, then approached me and Suresh Hathiramani to rethink the program. We brought in a consultant Nicolas Chrieten and the concept of the World Diamond Mark morphed to a whole other level.

Can you give us an update regarding the WDM?

The most recent development is that Peter Cheng, chairman of the Chow Tai Fook Foundation, has joined our board. This is a testament to our vision and goals, and recognition for what we've accomplished to date.

We had a very successful conference in India, which generated buzz about the WDM and also brought in retailers to engage with us.

Since then, we hosted a diamond week in Dubai where 3 million tickets were sold, participated in a jewelry show in Turkey, and a fashion show with Vincenza Oro in Dubai. We're creating enormous energy in terms of generic marketing. We believe that we're going to step up another level when we have the presidents meeting in Israel in June.

We're looking to engage with key stakeholders to share our vision and involve multiple entities. We want to be inclusive as everyone seems to have the same goal of finding ways to promote diamond sales to the consumer. So let's all use our expertise and finances for the same purpose.

What's your long-term vision for the DDCA and your business in the next decade?

I am confident that the DDCA will grow. We will bring the WDM to Australia and wholesalers and retailers will be proud to be a member of the club and part of the WFDB.

It's difficult to predict what will happen in the next 10 years, but I would say that the next decade is going to be about how we weave the latest technology into the most important aspects of our industry. However, personal relationships are still at the core, as it is for any industry that involves buying and selling, or offers a service as we do with the Q Report.

The relationships that we develop, be it with friends, business associates or our customers, defines our success. Technology and computing power continue to develop at an incremental rate, but nothing will substitute the strength and value that a personal relationship can build.

This Week in Stocks

USA	May 21st	May 14th	Change
Birks Group	1.25	1.25	0.00%
Blue Nile	27.70	27.29	1.50%
Charles & Colvard	1.41	1.54	-8.44%
Costco	143.49	143.24	0.17%
DGSE Companies	0.75	1.13	-33.63%
Movado Group	28.10	28.39	-1.02%
Scio Diamond Tech.	0.70	1.02	-31.37%
Signet	135.94	135.23	0.53%
Sotheby's	45.54	44.45	2.45%
Tiffany	86.41	86.93	-0.60%
Wal-Mart	75.90	78.16	-2.89%
India			
Asian Star	989.00	820.00	20.61%
Classic Diamond	1.52	1.77	-14.12%
C. Mahendra	7.60	7.85	-3.18%
Gitanjali Gems	42.50	41.60	2.16%
Goenka Diamond	1.44	1.45	-0.69%
Goldiam Intl.	21.75	22.95	-5.23%
Lypsa Gems	65.60	65.55	0.08%
Rajesh Exports	230.00	230.50	-0.22%
Ren. Jewellery	90.15	85.60	5.32%
Titan	375.50	363.00	3.44%
Vaibhav Global	765.00	772.50	-0.97%
Winsome Diamonds	0.34	0.42	-19.05%

Mining	May 21st	May 14th	Change
ALROSA	65.34	68.15	-4.12%
Dominon Diamond	23.38	23.66	-1.18%
Kennady Diamond	4.95	4.5	10.00%
Lucara Diamond	2.11	2.15	-1.86%
Mountain Province	5.02	4.85	3.51%
Peregrine Diamonds	0.33	0.34	-2.94%
Rockwell Diamonds	0.21	0.21	0.00%
Shore Gold	0.21	0.22	-4.55%
Stornoway Diamond	0.71	0.72	-1.39%
Anglo American	1064.50	1104.50	-3.62%
Firestone Diamonds	27.40	25.65	6.82%
Gem Diamonds	149.25	146.12	2.14%
Gemfields	60.31	59.81	0.84%
Petra Diamonds	173.40	173.00	0.23%
Rio Tinto	2867.00	2929.00	-2.12%
Stellar Diamonds	0.87	0.98	-11.22%
Other			
Chow Sang Sang	17.50	17.66	-0.91%
Chow Tai Fook	9.16	9.24	-0.87%
Damiani	1.39	1.39	0.00%
Richemont	86.10	81.35	5.84%
Swatch Group	400.30	387.60	3.28%
Michael Hill	1.18	1.14	3.51%
Sarine Technologies	1.94	2.00	-3.00%

Commodities			
Gold	1209.80	1215.10	-0.44%
Silver	17.08	17.09	-0.06%
Platinum	1154.00	1147.00	0.61%
Palladium	775.00	789.00	-1.77%

Currencies			
Euro	0.90	0.88	2.27%
Pound	0.64	0.63	1.59%
Yuan	6.20	6.20	0.00%
Rupee	63.68	63.93	-0.39%

This Week on RapNet

PRICES FOR ROUNDS

0.30-0.39ct. – Mixed Trend
Best discounts: -35% / -45%
Average discounts: -20% / -25%

0.40-0.49ct. – Mixed Trend
Best discounts: -35% / -45%
Average discounts: -20% / -25%

0.50-0.69ct. – Stable
Best discounts: -35% / -45%
Average discounts: -15% / -25%

0.70-0.89ct. – Stable
Best discounts: -30% / -40%
Average discounts: -15% / -20%

0.90-0.99ct. – Stable
Best discounts: -35% / -40%
Average discounts: -15% / -20%

1.00-1.49ct. – Stable
Best discounts: -35% / -45%
Average discounts: -15% / -20%

1.50-1.99ct. – Mixed Trend
Best discounts: -35% / -40%
Average discounts: -15% / -20%

2.00-2.99ct. – Stable
Best discounts: -35% / -40%
Average discounts: -15% / -20%

3.00-3.99ct. – Mixed Trend
Best discounts: -30% / -35%
Average discounts: -15% / -20%

4.00-4.99ct. – Mixed Trend
Best discounts: -15% / -25%
Average discounts: -10% / -15%

5.00-5.99ct. – Mixed Trend
Best discounts: -15% / -25%
Average discounts: -10% / -20%

PRICES FOR PEARS

0.50-0.69ct. – Mixed Trend
Best discounts: -30% / -40%
Average discounts: -20% / -25%

0.70-0.89ct. – Mixed Trend
Best discounts: -35% / -45%
Average discounts: -15% / -20%

0.90-0.99ct. – Downtrend
Best discounts: -35% / -45%
Average discounts: -20% / -30%

1.00-1.49ct. – Downtrend
Best discounts: -45% / -50%
Average discount: -20% / -30%

1.50-1.99ct. – Downtrend
Best discount: -25% / -35%
Average discounts: -15% / -20%

2.00-2.99ct. – Mixed Trend
Best discounts: -35% / -45%
Average discounts: -15% / -20%

3.00-3.99ct. – Mixed Trend
Best discounts: -30% / -40%
Average discounts: -15% / -20%

4.00-4.99ct. – Mixed Trend
Best discounts: -10% / -20%
Average discounts: -10% / -20%

5.00ct.+ – Mixed Trend
Best discounts: -10% / -15%
Average discounts: -10% / -15%

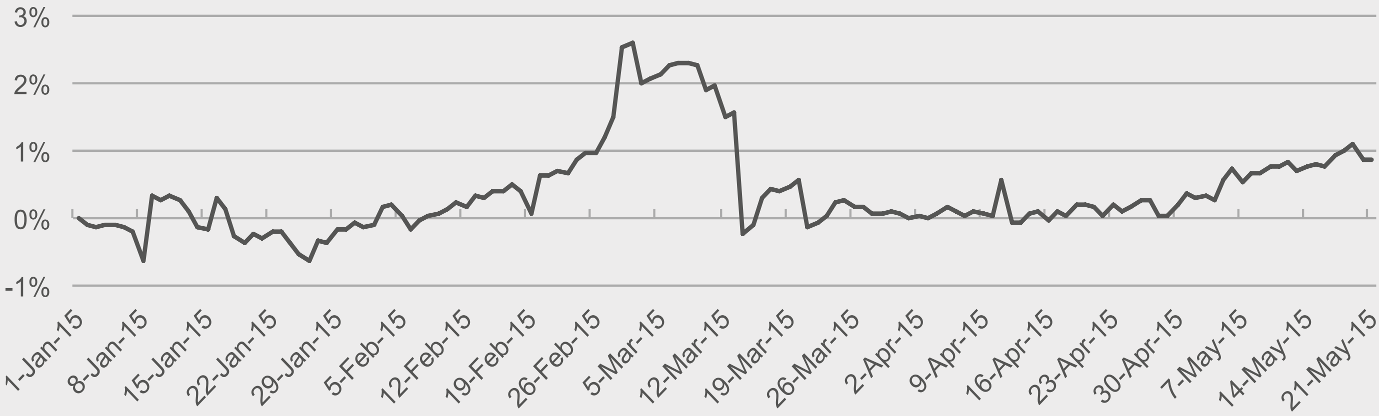
Note: There is limited availability on RapNet for rounds and pears ranging from 3.00- to 5.00-ct. RapNet prices for these larger sizes frequently represent memo prices with significantly higher asking prices (30% or higher) than those given for cash purchases.

The RapNet Diamond Index (RAPI) has been revised to reflect the average price of the 10 best priced diamonds in each category.

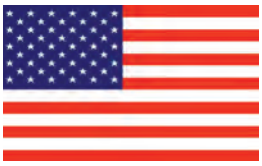
RAPI: RapNet Diamond Index

	Weekly: May 14 - May 21, 2015	**YTD**: Jan. 1 - May 21, 2015	**Y2Y**: May 21, 2014 - May 21, 2015
RAPI 0.3 ct.	-0.8%	-6.6%	-22.2%
RAPI 0.5 ct.	0.1%	-4.5%	-10.1%
RAPI 1.0 ct.	**0.1%**	**0.9%**	**-13.4%**
RAPI 3.0 ct.	0.1%	-3.5%	-14.2%

RapNet Diamond Index (RAPI™) for 1 ct.



Global Diamond Markets



United States: Sentiment has improved in New York's diamond district but trading remains relatively slow. Activity is geared toward preparing for the various Las Vegas shows taking place next week and most diamantaires have positive expectations for the shows. Buyers are less selective than before as there is a shortage of goods in the market. There is steady demand for below 1-carat, G-J, SI-I2 diamonds. Some dealers have been cautious following the recent recall by the Gemological Institute of America (GIA) of goods treated to temporarily improve their color. While recent government reports indicate relatively weak U.S. jewelry sales, retailers note steady sales in their engagement ring and bridal lines.

Belgium: Trading has slowed slightly as buyers are pushing for lower prices but suppliers are holding firm. There is steady demand for 1-carat, D-G, VVS, triple EX goods. There is a shortage of nice goods in the market and dealers note that they have lowered their expectations on the quality of available supply. There is good demand for 0.50-carat to 1-carat, G-J, VS-SI diamonds, while trading in large diamonds above 3 carats is relatively weak and there are a lot of these goods on the market. Demand for fancy shapes is relatively weak.

Hong Kong: Polished trading remains slow with relatively weak local demand. Jewelry retailers note that tourist traffic from Mainland China has dropped, which has affected sales. Store rentals in the city have been lowered as general retail is slow amid weak economic sentiment for the year ahead. Diamond dealers report steady demand for 0.50-carat to 0.60-carat, F-G, VVS2, triple EX goods. In general, there is good demand for nice-make triple EX diamonds, which are in short supply.

India: Polished trading in Mumbai is stable but relatively quiet as many diamantaires are on summer vacation. Dealers have positive expectations for the upcoming Las Vegas shows and hope they will signal a strong U.S. market for the rest of the year. There is steady U.S. demand for piqué goods, while Far East demand remains cautious. There is good demand for parcels of 0.20-carat to 0.50-carat, SI diamonds. There is stable demand for 1-carat, I-K, SI-I2 diamonds, while demand is relatively weak for large stones above 3 carats. In fancy shapes, there is good demand for pears, VS-SI, and steady demand for marquise, princess and oval shapes below 1-carat, SI and lower clarities. Rough trading has stabilized as prices have gradually softened. However, manufacturers are maintaining lower production levels through the ongoing vacation period until the end of May.

Israel: Sentiment has improved as dealers hope the Las Vegas shows will stimulate stronger activity in the trading centers. There has been steady U.S. demand, while Far East demand remains weak. Dealers are concerned that the discovery by the GIA Israel lab of goods that were treated to temporarily improve their color will have wider implications. Trading confidence has been slightly affected and many are waiting to see how the issue will be resolved by the police and bourse investigations. There is good demand for 0.20-carat to 0.40-carat, H-J, SI-I diamonds, as well as for 0.30-carat to 0.99-carat, D-H, IF and VS diamonds. Demand is relatively weak for diamonds above 3 carats. In fancy shapes, there is good demand for pears and ovals, and improving demand for emerald dossiers, F-H, VVS-VS.

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