

- ✓ **U.S. market** mixed as Black Friday approaches. **Big stones cooling** off in China as Chairman Xi Jinping implements anti-corruption campaign. It ordered the disciplinary agencies to conduct routine checks on the enforcement of new guidelines set out at its last meeting, calling on party members to reject extravagance and rein in bureaucracy. The guidelines also said members should forge closer bonds with the people, should travel light with a small entourage, conduct shorter meetings, shorten speeches and reduce media coverage of officials' activities. "There needs to be real results," said the state media, citing a statement issued after the Politburo meeting. Yesterday's Politburo statement described the fight against corruption as "arduous under the new circumstances. It also said a small number of party members had a "weak sense of responsibility". It criticized the formalism, bureaucratism and extravagance that were features of some officials' work style. The statement urged the entire party to strengthen "**a sense of hardship, risk and responsibility**", exert more efforts to handle corruption and prevent corruptive behavior from spreading. **Only in Europe and USA the market still growing.**
- ✓ **Christie's** sold \$111M worth of goods at its Hong Kong jewelry auction. The top lot was a diamond necklace, comprising 52 stones weighing 104.84 carats and a circular-cut, D, FL diamond, which sold for \$8.1M (\$77,680/ct.). The auction was 86% sold by lot. Christie's London sale totaled \$11M and was 76% sold by lot.
- ✓ **Diamond dealers and manufacturers** noted improved trading in the past week but official news from the trading centers remains mixed. India's polished diamond exports increased 56% to \$2.2B in October, while polished imports rose 53% to \$585M. However, rough imports fell 18% to \$1.2B, while rough exports jumped 71% to \$170M. **Belgium's polished exports** grew 26% to \$1.3B in October, while polished imports rose 15% to \$1.2B. Rough imports fell 3% to \$1.2B during the month and rough exports dropped 4 percent to \$1.2B.
- ✓ **Indian market improving.** Cert shortages, due to GIA delays, supporting prices. De Beers November sight sells out at \$480M, large Dec. sight expected. India's October polished exports +56% to \$2.2B, rough imports -18% to \$1.2B. **Chow Tai Fook** 1H revenue +49% to \$4.8B, profit +90% to \$464M. **Tiffany & Co.** 3Q revenue +7% to \$912M, profit +8% to \$95M. **Zale Corp.** 1Q revenue +1% to \$363M, net loss narrows 3% to \$27M. **Signet Jewelers** 3Q sales +8% to \$771M, profit -4% to \$34M. **Signet Jewelers** saw revenue rise but profit fall in the third quarter as it continues to integrate its Ultra Stores business. The company acquired Ultra Stores Inc in late 2012 and has been slowly converting the Ultra retail locations into Kay Jewelers stores. The jewelry retailer reported that group sales rose 8 percent year on year to \$771.4 million in the three months that ended November 2, 2013 (see Figure below). Same store sales increased 3.2 percent.
- ✓ **Petra Diamonds** is on track to meet its goal of 3 million carats in the current fiscal year and will slowly ramp up production to its target level of 5 million carats in fiscal 2019. The company is also well diversified in the range of goods it produces with its high volume of commercial, lower-quality supplies supplemented by its sporadic recovery of exceptional diamonds at Finsch and Cullinan. **The company noted that exceptionally large diamonds have added \$16 million to revenues during each of the past five years.** Part of the risk associated with the company is the impact of labor disruptions in South Africa, which impacted all its operations, except Finsch, during the first quarter. As long as its **production ramp-up continues uninterrupted, revenue is expected to rise.** The company reported that at its most recent October tender, it sold 442,566 carats for \$55.7 million, or \$126 per carat, which was higher than the group's average for the first quarter. However, in the long term, the average price per carat is expected to remain relatively low as an increasing volume of production from Finsch and Cullinan come to market. Petra has one more tender scheduled before the end of the year. As the company has noted that market conditions have firmed, both production and revenue are expected to increase in the ongoing second fiscal quarter.

- ✓ **The major jewelry retailers** provided some pre-Black Friday cheer, posting solid growth in the quarter that ended October 31. Tiffany & Co.'s revenue grew 7% year on year to \$911M while profit surged 50% to \$95M. The company expects mid-single digit sales growth in the fourth quarter and earnings to rise by 10% to 20%. **Zale Corporation**, which has stores in the U.S. and Canada, reported revenue rose 1% to \$363M, and the company narrowed its loss by 3% to \$27M. Signet Jewelers revenue rose 8% to \$771M while profit fell 4% to \$34M (see page 5 of this report). **Hong Kong-based Chow Tai Fook**, considered the world's largest jewelry retailer, reported revenue jumped 49% \$4.9B while profit soared 90% to \$464M for the half year that ended September 30. Gem-set jewelry sales rose 15% to \$664M and gold product sales jumped 74% to \$3.2B.
- ✓ **Swatch Group** raised its stake in Rivoli Investments, a Dubai-based retailer, from 40% to 58% through its Technocorp subsidiary. Rivoli has a network of more than 360 retail businesses with about 1,500 employees in the Middle East.
- ✓ **Watch wholesaler Movado** reported that third quarter revenue increased 18% to \$190M but profit dropped 33% to \$23M on higher costs. The company raised its full year guidance ahead of the holiday season.
- ✓ **Sino-Africa Diamond** secured a \$330M credit line with China Construction Bank mainly for the purchase of rough diamonds and the establishment of a new rough trading center in Shenzhen. Sino- Africa is a consortium of diamond and jewelry companies and is hoping the new access to credit will help grow China's manufacturing sector.
- ✓ **Lucara Diamond Corp.** raised \$23M at its tender of large diamonds recovered from the Karowe mine in Botswana. The sale consisted of 14 single stone lots, weighing a total of 1,028 carats, and the sale achieved an average price \$20,280 per carat. The company recently recovered a 167-carat diamond and a 122-carat diamond at Karowe that will be sold via tender in 2014.
- ✓ **Rockwell Diamonds** recovered a 287-carat rough diamond from its Saxendrift property in South Africa. The diamond will be sold into the company's beneficiation joint venture with Steinmetz Diamonds at market value.
- ✓ **Firestone Diamonds** secured an \$82M debt facility spanning 6.5 years to build the main treatment plant at its Liqhobong mine in Lesotho. The company reported that initial costs for the plant's development are expected to reach \$185M.
- ✓ **Mountain Province Diamonds** raised \$28M in a non-brokered private placement of 5,889,200 common shares. The funds will be used to cover capital expenses at the Gahcho Kué project in Canada, a deep drill program at its Tuzo pipe and for general corporate purposes. Mountain Province owns 49% of Gahcho Kué with De Beers holding the rest.
- ✓ **Botswana Diamonds** narrowed its loss by 11% to \$837,000 for the year that ended on June 30. The company will ramp up exploration of its PL117 mining license in Botswana in January 2014 following its joint venture agreement with ALROSA.
- ✓ **Angola** was appointed vice chairman of the Kimberley Process (KP) for 2014 at the KP annual plenary meeting. China will serve as chairman next year, having held the vice chair position in 2013. The KP lent its support to lifting the UN embargo on diamond sales from Cote d'Ivoire.
- ✓ **Rapaport Group** launched a synthetic diamond detection service in Ramat Gan and Mumbai via its RapLab business. The service, which will utilize the De Beers DiamondSure® and DiamondView® technology, will begin on December 2. Additional service centers will be opened in New York and Surat in the near future.

Ecommerce sale: the real revolution

Ecommerce sales are expected to **increase by 14 percent to 17 percent this Christmas shopping season**, analysts at *Jefferies & Co.* estimated. Researchers projected that sales on **Cyber Monday**, which falls this year on December 2, will rise 20 percent compared to last year.

Jefferies predicts that a frenzy of deals and the use of digital coupons will be a definitive factor during the season, which is shorter than usual as **Thanksgiving**, which traditionally triggers the start of the Christmas shopping season, is relatively late this year. Intense competition with early promotions and store openings is again expected to push more shopping activity to Thanksgiving Day and Black Friday both in brick-and-mortar stores and online.

Ecommerce is also expected to impact shopping trends in stores this season with more consumers using their mobile phones or tablets while in the store. A survey by *Forest City Enterprises* indicated that **91 percent of holiday shoppers plan to integrate the use of a digital, social, or mobile device into their in-store shopping experience**, slightly up from last year. The biggest jump is among those who plan to use a mobile app for price research, *Forest City* noted.

Forest City expects that the average spending in-store will be about \$774, while the average online expenditure will be about \$330. The group reported that 39 percent of holiday shoppers are planning to reduce spending on fine jewelry, while 32 percent expect to trim spending on luxury brands. However, jewelry ranked among the top self-purchase items this season.

Meanwhile, website traffic related to Christmas shopping already increased in October, including for jewelers and other luxury items, according to **comScore Inc.**, a digital analytics company. The group reported that the number of **unique visitors to jewelry and luxury goods websites rose 9 percent to 18.7 million visitors in October**. Traffic to other retail websites in October was up significantly as well.

“Online shopping over the Thanksgiving weekend continues to be more popular as retailers tout special holiday savings through their mobile apps and websites,” said Prosper’s Consumer Insights director Pam Goodfellow. “With limited budgets this year, holiday shoppers will continue to make very thoughtful decisions about when and where they shop the remainder of the season, making sure to compare prices and keep up with retailers’ advertisements for special sales.”

The gold jewellery market trend

Gold jewelry demand rose by volume in the third quarter but declined by value as prices dropped compared to last year. The **World Gold Council’s (WGC)** quarterly **Gold Demand Trends** report noted that **China** established itself as the unrivaled largest market for gold, while India’s position weakened due to government measures to curb supply.

The trends observed by the WGC are expected to continue as **consumers seek value** in the cautious economic environment. Indian jewelry demand is projected to increase in the fourth quarter driven by sales during the **Diwali** holiday, although these were reportedly weaker than previous years. India’s self-imposed supply constraints continue to hurt the local jewelry industry. Future demand is projected to be driven by higher karat products, growth in China and **Middle East** markets – as was evident in the third quarter, and U.S. holiday shopping.

More info at: http://www.gold.org/download/pub_archive/pdf/GDT_Q3_2013.pdf

Local markets

Rough market: Trading is stable with dealers focused on filling U.S. demand for the Christmas season. While demand has not been as busy as previous years, dealers are hoping Black Friday will spur strong, last-minute orders in December. There is steady demand for 0.30-carat to 0.50-carat, H-, VS- diamonds and for goods above 1-carat, D-K, SI1-SI2. Demand for fancy shapes is stable, while demand for fancy color diamonds remains strong. Rough dealers note good demand for large diamonds at rough tenders.

United States: Wholesale trading continues to improve as dealers fill orders for the Christmas shopping season. While jewelry retailers are making slightly larger orders for stock inventory, demand remains selective and the market is focused on SI goods. Overall, there is **strong demand for commercial diamonds F-H, SI-I2** and there are some shortages of these goods in the market. There has been an increase in consignment buying ahead of the holiday season, and there is concern that a large volume of goods will be returned unsold in January. Retailers are focused on gold jewelry, while bridal remains the strongest category among diamond jewelry lines.

Europe: The market is quiet with many still cautious about prices and concerned about liquidity in the manufacturing sector. Dealers are disappointed that overall demand was below previous years in November. There is good demand for dossiers between 0.30-carat to 0.90-carat, F-H, VS-SI, with a **strong emphasis on Triple EX** and VG goods. Demand for fancy shapes has been steady. Rough trading is stable with some premiums in De Beers boxes on the secondary market since the November sight.

China: Wholesale trading is stable but relatively slow as the busy selling season is expected to emerge after Christmas ahead of the Chinese New Year on January 31. There is good demand for 0.30-carat to 0.50-carat, G-I, VS-SI goods. Demand has slowed for large, better quality diamonds. Retailers continue to focus on gold jewelry products which spurred growth in recent months. Some are experimenting with different diamond designs, using more colored diamonds in their jewelry.

Hong Kong: The market is slower than expected as dealers are waiting to see how the U.S. Christmas season evolves. There is good demand for certified 0.30-carat to 0.40-carat, VS2- SI1 diamonds. Demand for melee has slowed as many are concerned about undisclosed synthetic goods being mixed in melee parcels. Jewelry retailers note steady demand from Asian and western tourists while Chinese consumers remain focused on gold jewelry in their purchases.

India: Polished trading has improved with both domestic and foreign buyer activity back to regular levels after the Diwali break. Dealers note an increase in demand from Chinese buyers. There is good demand for -2 sieve, 0.08-carat to 0.18-carat diamonds and for dossiers in VS and lower clarities in the local market. There are reported shortages in the market as many smaller manufacturing units are still not operational and there have been delays in bringing new polished goods to market. Rough trading is relatively slow and selective with decent demand for rough goods that yield SI polished goods. Domestic jewelry demand has also improved slightly during the ongoing wedding season.

Sources: Rapaport, Reuters, Bloomberg, Commodity Online, New York Times, Il Sole 24 Ore, Minig.com, Polished Price, Miningweekly.com, www.business-standard.com, South China Morning Post, Federorafì, Borsa del diamante.

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The stone of the week

Natural BLUE diamond

Weight	1,04
Colour	NATURAL FANCY DEEP BLUE
UV Fluorescence	None
Clarity (10 X)	VS2
Polish	VERY GOOD
Distribution	Even
Symmetry	GOOD
Cut	Oval
Measurement	7.52 x 5.81h 3.40 mm



Diamond Report by GIA n. 14807324. 8 Sept 2011

Investment value:

Market value (price per carat):	\$ 680.000 / € 501.975	
Special price per carat for Vitale Client's:	\$ 540.000 / € 398.630	Stone price: 561.500 \$

Short term investment level 4

Medium/long term investment level 5

Speed reselling level 3

Scale: 1 to 5 lowest value = 1 ; highest value = 5

Note: this stone is very rare! The color is perfectly deep blue. For seriously interest clients the stone can be available in Monaco for viewing and evaluation within 3 working days. Various payment offers can be considered.