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IN THE PURSUIT OF PERFECTION

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GEM TRENDS 2

Emerging trends shaping the consumption of color gemstones melee.

OPINION 3-4

What is driving the increase in gems prices?

COLOR STORY 5

Discover gems in the fashion trend colors for winter 2022.

CREATIVE REVIEW 6-7

Feeling of harmony and immortality expressed in the marine motifs.

CRAFTMANSHIP 8

Silk-like inclusions in rubies and the fight for clarity.



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DRAMATIC RISE IN FINE GEMSTONES PRICES AS HIGH-END RUBIES, EMERALDS AND SAPPHIRES SALES SOAR

By Dr. Adolf Peretti



Janna Semenova, 2021,
Rough ruby from Montepuez deposit, Mozambique, Gemfocus

While being tested at gemological laboratories, gemstones are also evaluated for the purpose of insurance. Fine gemstone appraisal and especially valuation of important gems exceeding \$100,000 USD in insurance value, also known as the wholesale average value, is a complicated process which requires cooperation with the stone owners in order to obtain important pieces of information which are usually not available to the public. A unique opportunity to interview key players in the gem trade industry, along with my observations of the escalating change in the value of colored gemstones during the COVID-19 pandemic, provides an interesting insight to the record-breaking rise in global gem industry sales.

WHAT IS DRIVING THE INCREASE IN GEMS PRICES?

The scale of the change in value of colored gemstones that occurred in the last year (2020–2021) compared to 10 years ago is unprecedented, especially for high-value rubies, sapphires and emeralds.

“Gem business was good during the pandemic”, one well-known Bangkok-based gem dealer explains. Normally, he would exhibit

at many Gems & Jewelry shows, but since trade shows have been cancelled throughout the pandemic, gems were simply shipped to existing customers for viewing and selection. It worked very well, until the end of 2021 when restrictions were lifted for a short period of time, and he went to Sri Lanka and Columbia to replenish the inventory of sapphires and emeralds. What he discovered, is that prices he sold his inventory in Bangkok was below the price for buying new stones at source, and that he can't replace sold stones with profits he made. The gemstone prices had increased by about 50% from March of 2020 to mid of 2021.

Meanwhile, Gemfields reported the latest auction delivered an all-time high of US\$88.4 million for Montepuez Ruby Mining (MRM) Limitada's ruby auctions. Selected lots were made available for in-person and private viewings by customers in Bangkok, Dubai and Jaipur, and one Bangkok-based experienced gemstone buyer had to increase his offer by 20% above his normal offer that he would make at the auction just to find out that he could not even get a single lot. The prices at this most important ruby auction had exceeded the previous Gemfields ruby auction by 35%–50% in less than a 6 months period.

The COVID-19 pandemic has shaken most of the foundational aspects (excavation, cutting, retail and marketing) of the gem industry in ways that are difficult to model and assess. The mining excavation was heavily influenced by a shortage of labor. Migrant workers missing in most African countries, including Madagascar. Rise in fuel, repair and replacement of equipment prices increased the cost of mining. Lock down of gemstone cutting centers during intense covid out-breaks, directly affected production and demand, creating supply chain and market disruptions. Disturbance of retail and cancelation of trade shows and auction viewings, and traditional for gem industry in-person sales strategies have been forced into digital transformation. It remains a daunting and costly challenge for many gem industry players, but gemstones do get exposed via websites, social media and online market places in different countries and to a much wider audience than ever before, driving demand and prices up, while supply chain remains disrupted by the pandemic.

Another factor affecting high-value gemstones supply, is the U.S. sanctions on Myanmar's gem mining industry, which not just effectively banned Burmese gems, but might push many global luxury brands to disengage from Burmese rubies and sapphires.

These are major factors that caused short-term colored gemstone price increases, and most probably will be responsible for the long-term trend as well.

MOZAMBIQUE RUBIES

At least 50% increase in value in the last 3 month.

TIME	CARAT	PRICE PER CARAT (\$USD)
2012	5ct	20,000
2021	5ct	50,000
End of 2021	5ct	100,000 (top quality)
2012	10ct	25,000–50,000
2021	10ct	150,000
End of 2021	10ct	250,000

Gemfields digitally transformed and moved to an online auction platform which permits customers from multiple jurisdictions to participate in a sealed-bid process. More participants and more inexperienced buyers overbidding the lots, while big players driving prices up to increase their inventory value.

COLOMBIAN EMERALDS

Large stones of 20ct or higher completely disappeared. Demand is up.

TIME	CARAT	PRICE PER CARAT (\$USD)
2020	10ct	20,000–25,000
End of 2021	10ct	35,000–40,000

Shortage in supply of rough emerald, despite that more miners are currently occupied by the major producers. Findings are erratic and a rarity of findings is a key element of it. Known reserves do not always translate into gem findings. Quality and uncontrollable settings in the mines with irregular veins. According to an important emerald buyer, December 2020

was the last big production and sales from important mines which was closed bidding by local dealers.

SRI LANKAN AND MADAGASCAR SAPPHIRES AND PINK SAPPHIRES

Large pink sapphires over 15cts completely disappeared.

TIME	CARAT	PRICE PER CARAT (\$USD)
2020	20ct	25,000 (Royal blue)
End of 2021	20ct	30,000 (Royal blue)
2020	10ct	15,000 (Pink)
End of 2021	10ct	30,000 (Pink)

Export of gemstones from Madagascar seem to have halted or at least facing political and export obstacles. Shortage of rough material.

FORECAST

Investment into colored gemstones of high value has turned out to be a true bonanza for those who believed in gemstones as hard assets.

The prices of gemstones can be either based on the liquidation value, the money you can get if you are forced to sell quickly at bottom price, or per insurance value – the money you have to pay to replace a stone at the current asking price. And while pricing can be challenging due to different market forces, insurance value usually is more than double the liquidation.

My prediction is that the insurance value of today will become the liquidation value of tomorrow. In other words, what you insure investment grade ruby, sapphire or emerald today, can be realized by a quick sale tomorrow. And if current trends persist, this will happen sooner rather than later.



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