



## **STATE DIAMOND TRADER**

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### **Diamond Market Report**

**July – Sep 2016 (Q2 2016-17)**

Market sentiments remained mixed but mostly low as the industry entered its seasonally quite period due to vacations. Polished prices still soft as buyers are pushing for deeper discounts and moving inversely with high rough prices. However, dealers seem to hold their price levels firm to avoid losses. Consequently, polished buyers continue to be very selective and insisting on excellent-shape proportions. Suppliers on the other hand are frustrated at retailers as they taking goods on memo for longer periods and thus shifting to niche products like fancy colour diamonds and large stones.

The U.S. demand however is supporting the market for commercial-quality fancies, especially for sizes less than 1 carat. Although profitability remains tight after a long period of sustained price declines, U.S. polished trading is stable with dealers preparing for holiday inventory. Far East demand remains weak due to slow China economic growth and thus suppliers remained careful not to build up too much inventory before Hong Kong show.

However, positive sentiments were observed towards the September Hong Kong Gem and Jewellery Fair 2016 preparations, with dealers being optimistic and expecting the show to signal market direction. There was an improved movement in the 2-4 carats gem goods as well as the +5 carats, fancy cut – fine quality goods getting more interest. Indeed sentiment improves at show with steady traffic but restrained buying. Good demand was noted for 0.30 to 2 ct, G-J, VS-SI diamonds but sales was limited as suppliers refused very deep discounts.

Rough markets remain stable as manufacturers are preparing production for the holiday season, but profitability is under pressure as rough premiums firmed due to cutters increasing production. Melee goods are still very weak and not moving in the market.

### **Forecast**

Trading difficulties will remain part of the diamond industry for a while. Liquidity continues to be a challenge as financial institutions reduces funding and insist on stricter compliance standards. Producers are expected to continue limiting supply and keeping rough prices stable at least for the next few months while the polished market is uncertain. As a result buyers will likely remain selective and trade to fill order but not for inventory purposes.

#### **Board members**

Mr. M.J. Carstens (Chairperson), Ms. P.N. Zikalala Mvelase (CEO), Mr. I. Goondiwalla, Ms. B. Malinga (Alternate), Mr. M Matlou, Ms. M. McMaster, Mr. F Mokoena, Mr. G de Plessis, Mr. S. M. Motloung, Mr. M W Mabapa Major- General N.H. Mokoena, Major-General P.J. Arendse (Alternate), Mr. K.J. Menoe, Mr. B. Deka

However, the result of the Hong Kong Show has brought about much needed relief for the industry. The outlook for the immediate future indicates that there will be consistent trading towards the upcoming holiday season. The preliminary sentiments are indicative of an improved trading space and a more revitalised industry.