

### Rapaport Introduces New 10-Carat Price List Issues Trade Alert Regarding Trade Speculation for Large Diamonds

**February 28, 2008, New York**—The Rapaport Diamond Report has introduced a new price list for ten-carat polished diamonds. The new ten-carat prices will be included in the existing Rapaport Price List that is distributed to Rapaport members worldwide and incorporated into the RapNet®-Diamond Trading Network.

Martin Rapaport, Chairman of the Rapaport Group, has also issued a Trade Alert, warning that high price levels for large diamonds based solely on interdealer speculation are not sustainable. The text of the trade alert and a video presentation are available on the home page of [www.diamonds.net](http://www.diamonds.net). Members of the diamond industry who wish to comment on the new price list or trade alert are encouraged to email [prices@dimaonds.net](mailto:prices@dimaonds.net).

“We are pleased to present our new 10-carat polished diamond price list. The rapid globalization of diamond demand and global wealth along with the decline of the U.S. dollar have significantly increased trading levels for large diamonds. We have also issued a trade alert warning that diamond price levels based solely on speculative demand within the diamond trade are not sustainable,” Rapaport said.

The full text of the Rapaport Trade Alert is provided below. The following URL links to the video broadcast by Martin Rapaport. <http://www.diamonds.net/news/NewsItem.aspx?ArticleID=20720>

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#### **About The Rapaport Group**

The Rapaport Group is an international network of companies committed to providing added value services that support the development of free, fair and competitive global diamond markets. Established in 1978, the Rapaport Diamond Report is the primary source of diamond prices and market information for the diamond industry. Group activities include publishing, internet information and trading networks, rough and polished diamond trading services, international buying, quality-control and compliance services, shipping and financing services and research and marketing services. Additional information is available at [www.diamonds.net](http://www.diamonds.net).

## PRESS RELEASE

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### **Rapaport Trade Alert Regarding Speculative Pricing**

**The diamond industry** is undergoing a period of great opportunity and challenge as a rapidly expanding global economy creates unprecedented wealth. Demand for large, fine quality, diamonds has increased significantly over the past few years while supply has remained stable due to natural scarcity. In some instances scarcity and the resultant higher prices have increased demand for very expensive conspicuous consumption diamonds.

**Surging global growth** combined with a rapidly declining U.S. dollar has pushed commodity prices to record highs while destroying confidence in the dollar as the primary international store of value. Over the past year, India and Israel have witnessed a 20% decline in the dollar while Belgium has seen a 13% decline. Many diamantaires, having lost confidence in the dollar and expecting increasing large diamond prices due to a consistent imbalance between supply and demand, now prefer to keep their wealth in diamonds instead of dollars. This natural and rational development is having a noticeable impact on the price level of large diamonds.

**While higher price levels** that reflect the long term imbalance between supply and demand are sustainable, higher prices brought about by internal diamond industry speculation are not sustainable and may result in significant financial loss. Members of the diamond trade are encouraged to consider at what price level they are buying diamonds. If the price level reflects reasonable sustainable broad based external consumer or investment demand, the level of risk is mitigated. On the other hand if a significant component of the price level is based upon internal diamond industry speculation that prices will continue to rise, then even a slight short term decline could cause a collapse.

**All prices are unpredictable** and therefore all market positions carry risk. Diamantaires that buy diamonds in order to sell them to specific customers through well established marketing channels have limited risk. Those that buy diamonds to hold them in hopes of ever increasing prices are subject to severe risk. Volatile market conditions dominate the global economy and at some stage it is reasonable to expect a temporarily price decline. Trade speculators, particularly smaller players are not well equipped to handle a downturn and many can be expected to dump and run.

**The current market situation** evidences a relatively high level of trade speculation in large diamonds. It is therefore prudent for us to advise members of the trade to carefully consider the sustainability of the current price level before investing in diamonds. There is nothing wrong with trade speculation/investment in large diamonds and it is reasonable and given the current supply demand ratio it is rational to expect higher prices in the future. However, when the trade pushes prices to levels well above what consumers or "normal" external investors are willing to pay and when the only incentive for buying is an addiction to yet higher prices, the stage is being set for trouble.

**While we are confident** that diamond prices will increase significantly over the long term, there is no assurance that they will continue to do so in the short or medium term. What we do know is that global economic uncertainty and volatility is rapidly increasing and a slowdown if not a downturn in demand is most likely. The diamond trade will be challenged to justify the price level of diamonds and how well they do so will depend on the industry's ability to sell diamonds to customers that are not in the trade. So speculators beware.

**When the music stops, will you have a chair?**