

## Diamond Prices Soften, Caution Urged in the Market

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Source: National Jeweler

New York--Polished diamond prices were down for all diamond sizes in January, and the Rapaport Group sounded a warning about excessive exuberance in the market following a holiday season it says was decidedly average.

The RapNet Price Index (RAPI) for 1-carat, Gemological Institute of America-graded diamond fell 0.9 percent in January and are down 7 percent year-over-year.

For half-carat stones, the index was down 2 percent (7 percent year-over-year); for 3-carat diamonds it fell 0.5 percent (down 8 percent year-over-year); and for 0.30-carat diamonds it was down 0.3 percent (down 5 percent year-over-year).

In its February report, released Wednesday, the Rapaport Group struck a decidedly less upbeat tone than it has in recent months.

In its January report, Rapaport Group said that initial indications from the holiday season were “encouraging” and said that diamond dealers were optimistic about U.S. demand for polished diamonds in the year ahead, citing exuberance around Donald J. Trump’s election victory and his promises to reduce taxes and create jobs.

In February, however, Rapaport Group dialed it back following the release of disappointing holiday sales for two major U.S. jewelers, Signet Jewelers Ltd. and Tiffany & Co.

It called the holiday season “mediocre” and “unexceptional,” citing online competition and declining mall traffic as two of the factors impacting brick-and-mortar stores’ sales, and noted that there is a need to stimulate diamond jewelry demand among middle-income consumers.

Rapaport Group stated that: “Hopes ran high that a wealth effect would influence stronger spending as Donald Trump’s victory in the U.S. elections pushed stock markets to record levels, while the Federal Reserve’s interest rate hike reflected an optimistic economic outlook. However, spending turned out to be restrained.”

The report sounded warning bells about increasing rough prices and decreasing polished prices again cutting into diamond manufacturers’ already-tight margins following a year of improved profitability.

Rapaport Group also said it is “concerned” that holiday retail sales did not justify the significantly higher demand for rough seen in January--De Beers saw its sales climb 32 percent in its first sales cycle of the year--and the subsequent increased in polished supply that it’ll generate.

The industry, it said, needs to “tread cautiously” in the rough market like it did last year.