



SNAPSHOT

| | January 31, 2018 | MoM | YoY |
|-----------------------------------|------------------|------|------|
| Rough Price Index | 90.64 | 0% | 2% |
| Index Polished Price Index | 119.22 | -1% | -1% |
| Precious Metals | | | |
| Gold | 1345.05 | 4% | 11% |
| Silver | 17.23 | 2% | 0% |
| Platinum | 1003.00 | 8% | 1% |
| Palladium | 1051.00 | 0% | 32% |
| Exchange Rates | | | |
| USD/EUR | 0.80 | -3% | -13% |
| USD/RUP | 63.60 | 0% | -6% |
| USD/HKD | 7.82 | 0% | 1% |
| USD/NIS | 3.41 | -2% | -10% |
| USD/PUL | 9.58 | 3% | -9% |
| USD/ZAR | 11.89 | -4% | -12% |
| USD/CAD | 1.23 | -2% | -6% |
| Diamond Stocks | | | |
| <u>Mining</u> | | | |
| Alrosa | 81.50 | 9% | -16% |
| Diamcor | 0.53 | 13% | -53% |
| Firestone | 8.85 | -9% | -82% |
| Gem | 89.60 | 26% | -27% |
| Kennady | 3.18 | 4% | -8% |
| Lucapa | 0.23 | 5% | -43% |
| Lucara | 2.55 | -9% | -13% |
| Mount. Prov. | 2.80 | 2% | -34% |
| Peregrine | 0.14 | 8% | -30% |
| Petra | 60.00 | -23% | -60% |
| Stornoway | 0.56 | -15% | -34% |
| <u>Retail</u> | | | |
| CTF | 8.76 | 7% | 32% |
| Luk Fook | 28.00 | -17% | 23% |
| Signet | 56.22 | 7% | -28% |
| Tiffany | 106.65 | 3% | 35% |

Market Roundup

Polished Market

Positive momentum returns to global polished markets after better than expected Holiday Season and steady-to-strong trading activity in January. The rebound in sentiment is being driven by the higher end retail sectors after luxury retailers post robust Holiday Season sales results.

With polished inventory levels reduced to more realistic working levels over the last few months, the increase in demand has underpinned price increases particularly in certified larger and better quality goods.

+3 carat polished goods have been selling particularly well and +SI qualities have been strong across the board. There has been a rebound in small 'Pointers' that were weak throughout 2017.

U.S. traders pointing to continued positive sentiment in the lead-up to Valentine's Day whilst Asian markets are stable leading into the Chinese New Year Season.

Rough Market

Robust trading activity across global rough diamond markets causing prices to firm during January.

Manufacturing activity in India ramps back up to near full capacity although no real improvement reported on manufacturing profit margins.

Strong demand across the board with the exception of smaller (-7) and cheaper (below \$50) goods where supply far exceeds demand requirements.



Rough Market Outlook

Positive momentum set to remain into the near-term as rough markets realign to the rebound in polished and retail diamond jewellery markets. There is some concern regarding the exceptionally large quantities of rough goods that entered the market in January at higher prices. The litmus test will be the demand and activity at the upcoming Hong Kong Show.

Chart 1. Rough Price Index

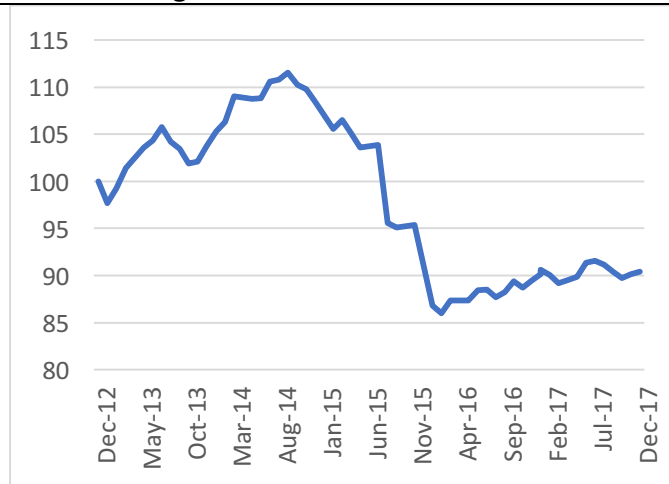


Table 1. Rough Demand Level Indicator

| | Gem | Commercial | Near-Gem |
|------------|-----------|------------|-----------|
| 2-5 carats | Improving | Improving | Improving |
| 4-8 Grns | Improving | Improving | Improving |
| < 3 Grns | Stable | Stable | Weak |

The major producers have echoed the more upbeat sentiment with large sales cycles and selective price increases in certain categories in January. Attendance at tenders remains very strong with many manufacturers preferring to make selective purchases at tenders during the period of an upward swing in demand and prices.

Retail Sector Highlights

- Retail jewellery sales up in both U.S. and Asian markets. Online purchases post strong double-digit growth.
- Tiffany & Co.'s worldwide net sales increased 8% to \$1.05 billion in the two months of the holiday period ended December 31, 2017 and comparable store sales rose 5%.
- Chow Tai Fook reported a 5% year-on-year increase in same store sales (SSS) for the three-month period ended December 31, 2017 in its key markets of Mainland China and Hong Kong & Macau.
- Revenue from jewelry and watches at LVMH Moët Hennessy Louis Vuitton jumped 10% in 2017, with growth across each of its key global markets.



- Signet's total sales for the 9 weeks ended December 30, 2017 were \$1,881.7 million, down \$59.2 million or 3.1%, compared to \$1,940.9 million in the prior year. Same Store Sales (SSS) decreased 5.3%.

General Highlights

- Diamond Producers Association (DPA) expects to increase marketing spend to \$70m in 2018 up from \$57m in 2017.
- EU takes over chairmanship of the Kimberley Process in 2018 with Hilde Hardeman, the European Commission's Head of Service for Foreign Policy Instruments, assuming the role of chair.
- The Indian government raises import duty on cut and polished diamonds and coloured gemstones from 2.5% to 5% in the Union Budget 2018-19.
- Diamond Dealers Club (DDC) of New York moves to the International Gem Tower on West 47th Street from its historical home at 580 Fifth Avenue.
- ALROSA announces plans to open an office in India to monitor the local market.

About Us

I. Hennig Tenders is the leading independent international diamond tender and marketing service provider. Having conducted over 300 hundred tenders across 5 continents our tender experience and expertise is unmatched. Being part of the I. Hennig & Co we have offices in all major diamond trading centres and have active participation throughout the diamond pipeline providing us with tremendous market insight as well as superior network of the world's best diamond buyers.

Contact Details

David Kuchler

CEO, I. Hennig Tenders

Email: david@ihennig-tenders.com

Tel. #: +32-3-234-0804