



Where is the Good News?

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GICC, Gaborone, Botswana
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Conflicting News

- Ben Bernanke, 'Concerns about a sustainable recovery are not limited to the dynamics of the immediate cyclical recovery..' 3.6.09
- Robust output data boosts markets', FT 1.6.09
- 'The fashion group's demise (Christian Lacroix), like Friday's horrible results from Tiffany's- brings a dose of reality to a sector that specialises in fairytales...'
Lex, FT, 29.5.09
- 'Bank of England cuts growth forecast', FT 13.5.09
- Record price for the Petra Blue,\$1.3 million per carat
May 2009.



Green Shoots of Recovery, Recession, Deflation, Inflation or some Fairytale?

Who Knows?

The Lex column in the *Financial Times* described the performance of the Bank of England in its latest quarterly review as “we simply don’t know, neither do our models; everything is all over the place.”



“ I was convinced that I was totally incompetent at predicting market prices- but that others were generally incompetent also but did not know it, or did not know that they were taking massive risks.”

Nassim Taleb 'The Black Swan'.

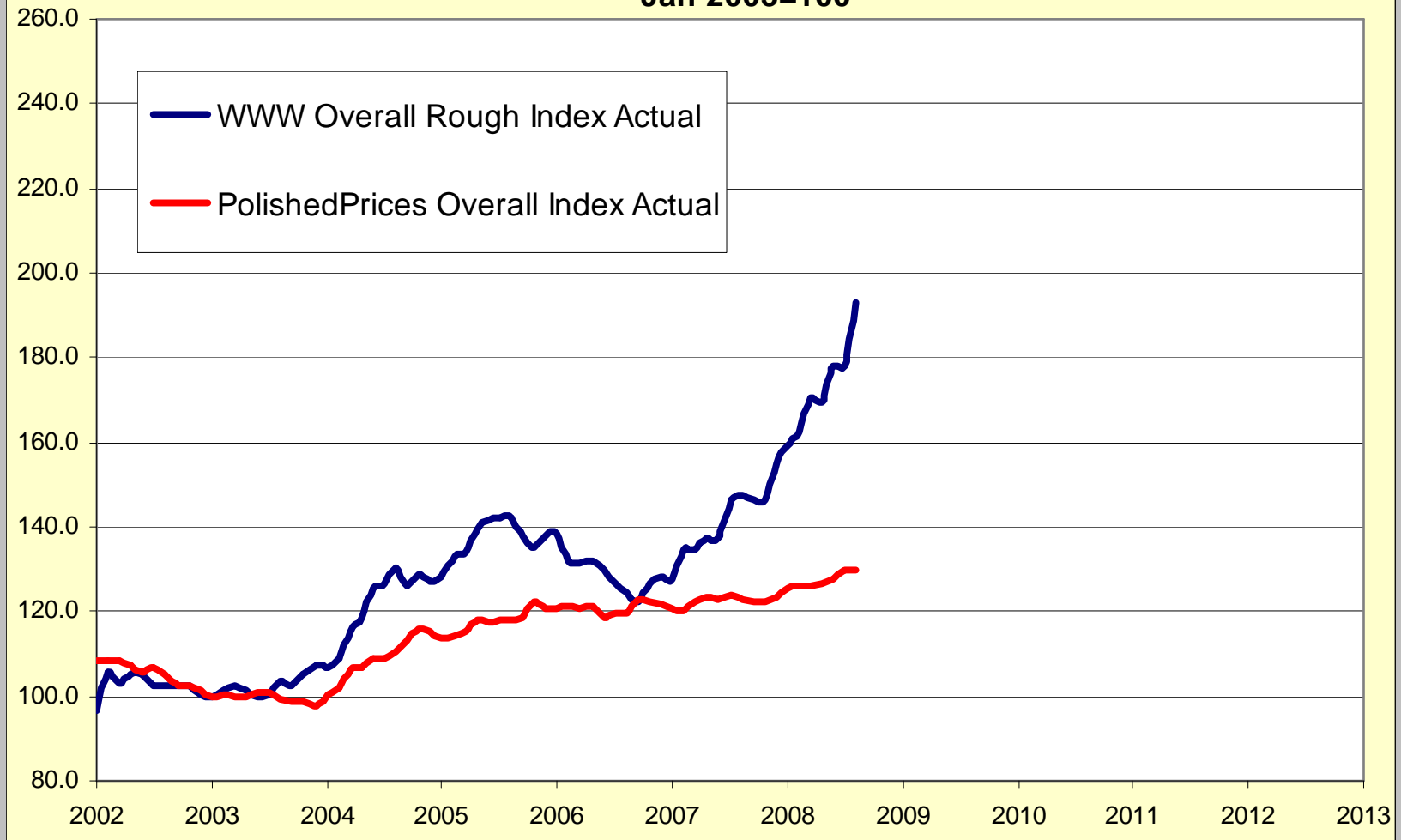


What has happened to diamonds since the peak of mid 2008, or more specifically from August 2008?

What is the impact of the financial crash on our current forecasts?



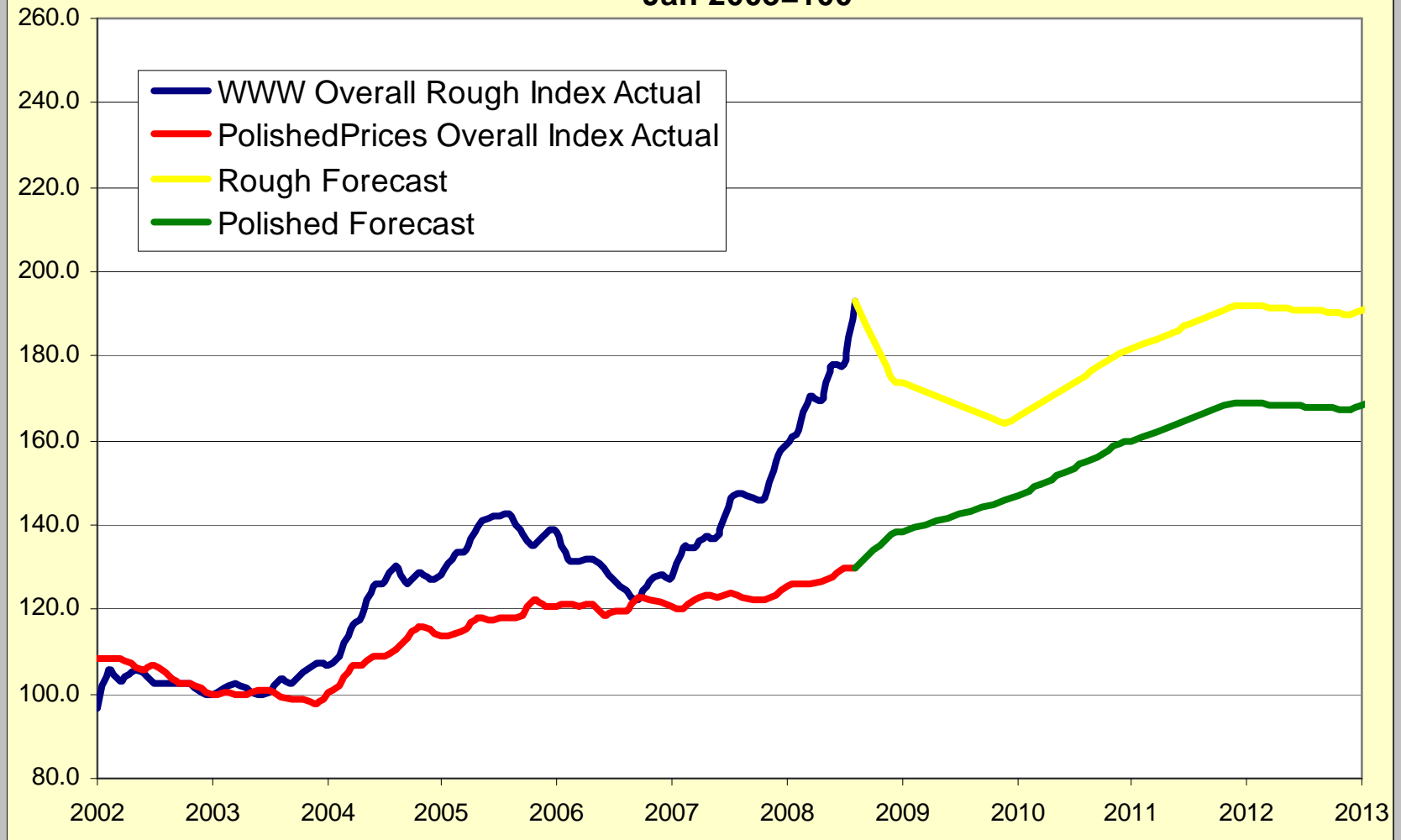
Rough and Polished Prices Jan 2003=100





Rough and Polished Prices

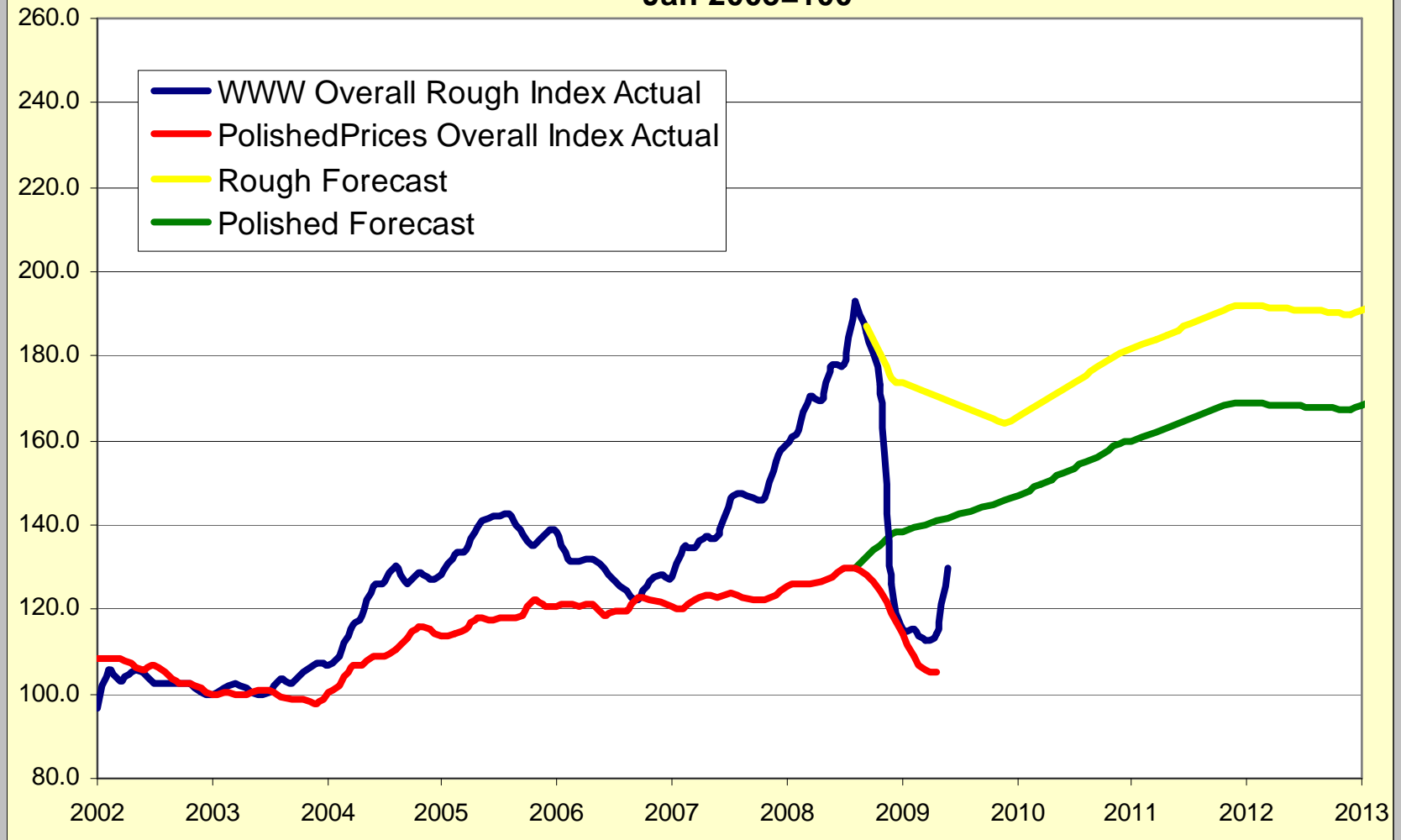
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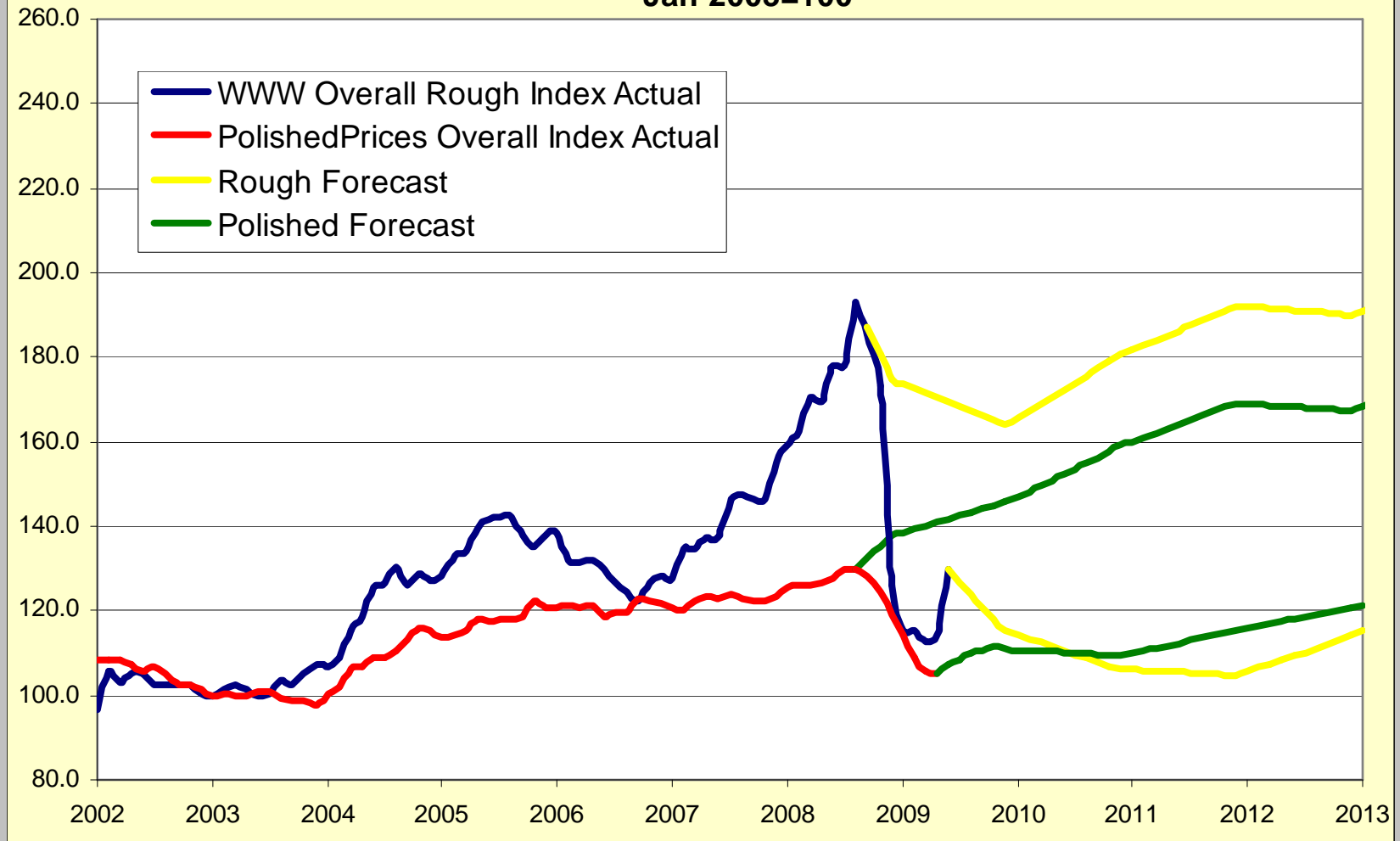
Rough and Polished Prices

Jan 2003=100



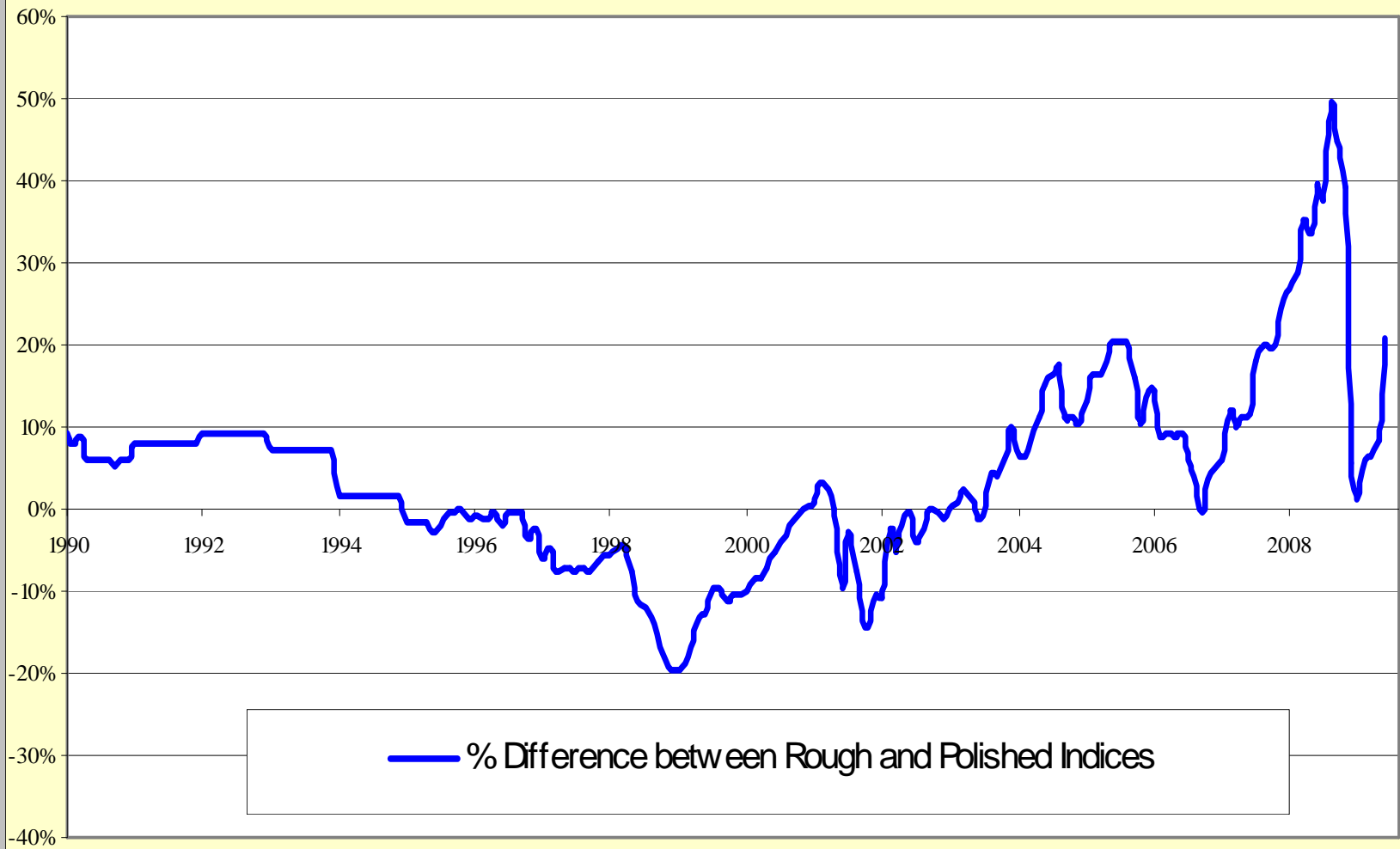


Rough and Polished Prices Jan 2003=100





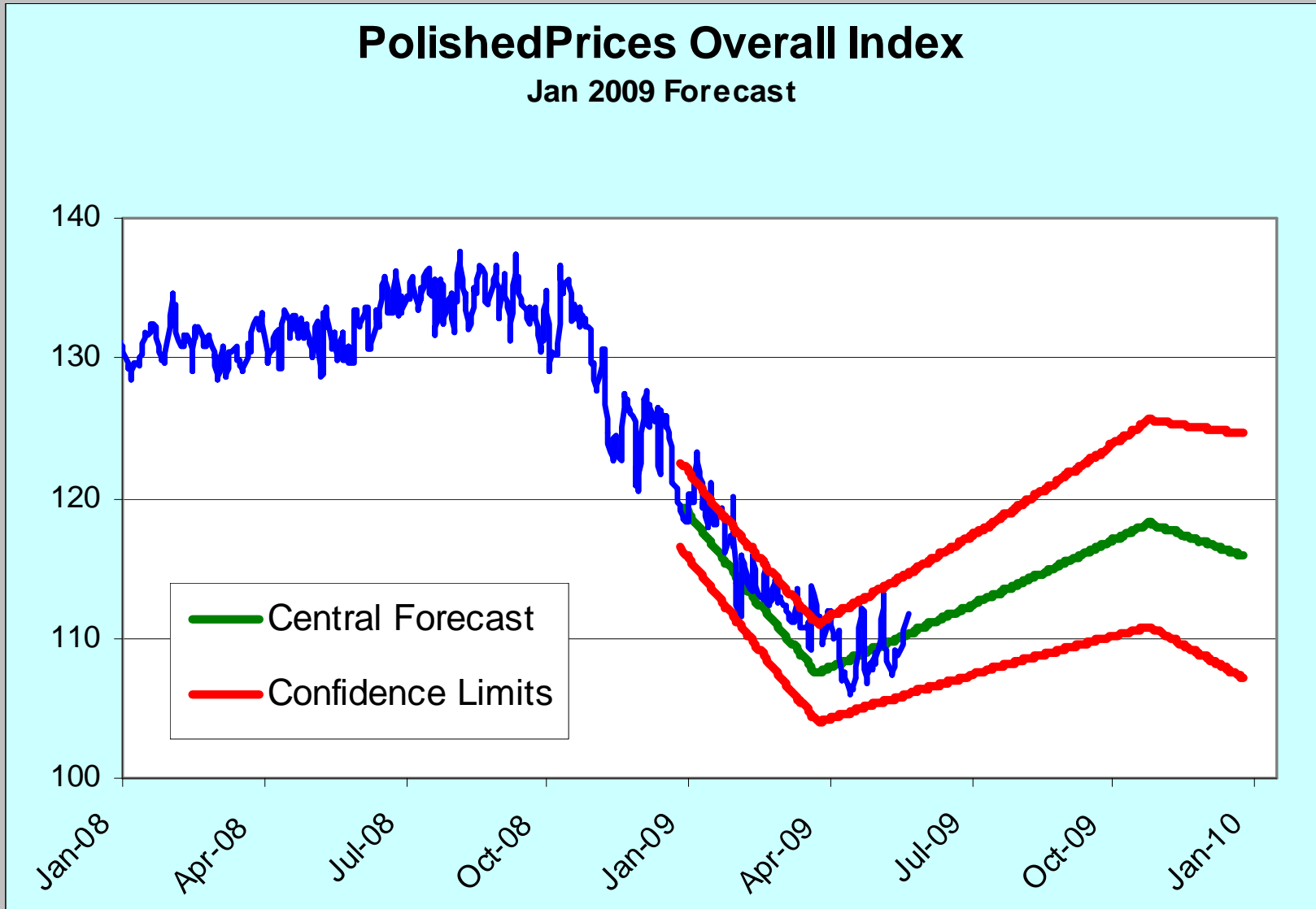
Rough and Polished Disparity





PolishedPrices Overall Index

Jan 2009 Forecast





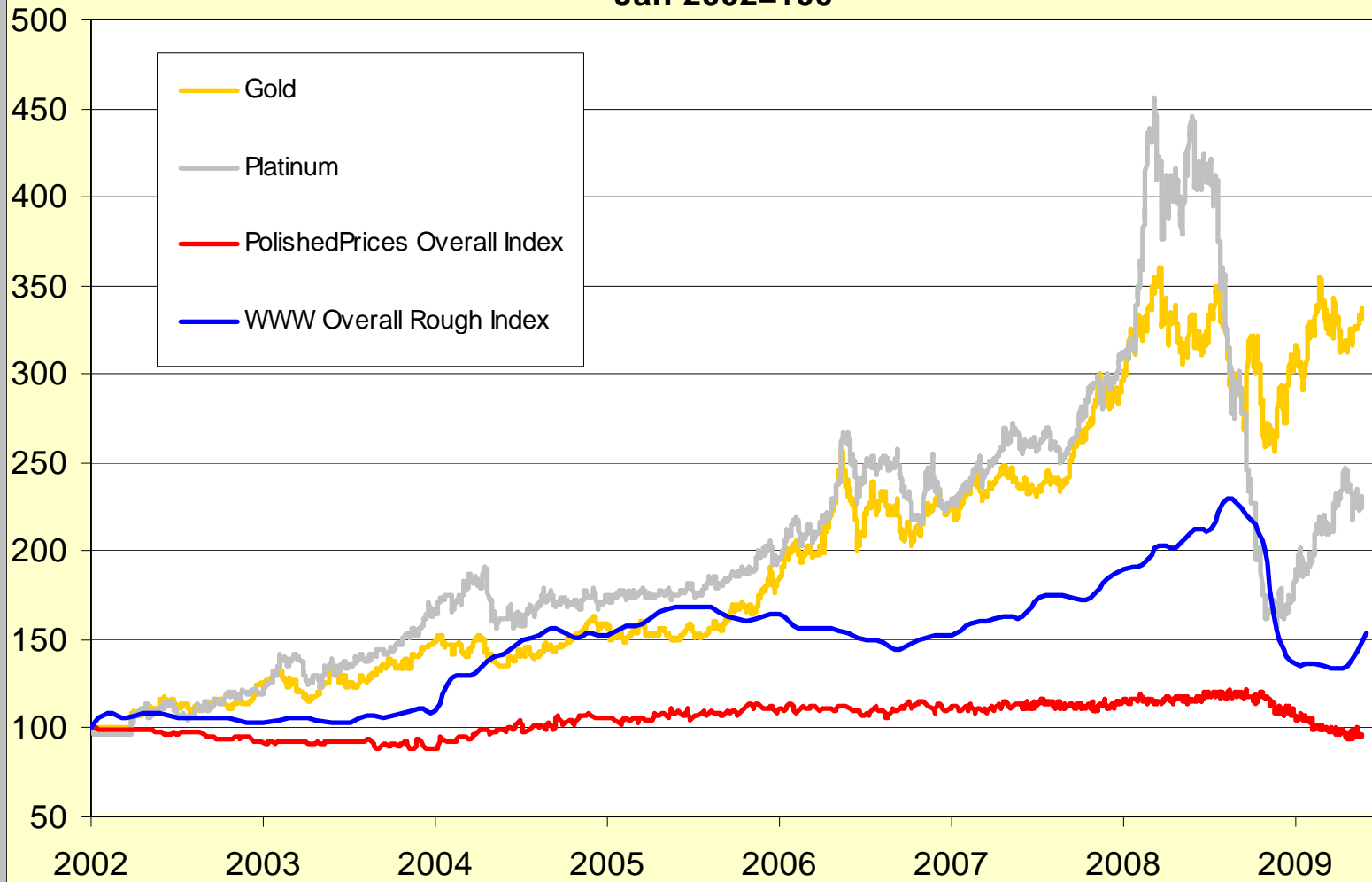
So where are we now?

- The financial crash has had an unsurprisingly major and adverse impact on the industry.
- The recent surge in rough prices should be treated with caution.
- We do not believe that the problems facing luxury products has suddenly disappeared
- But is it only the financial crash that has affected the performance of diamonds?



Precious Metals and Diamonds

Jan 2002=100





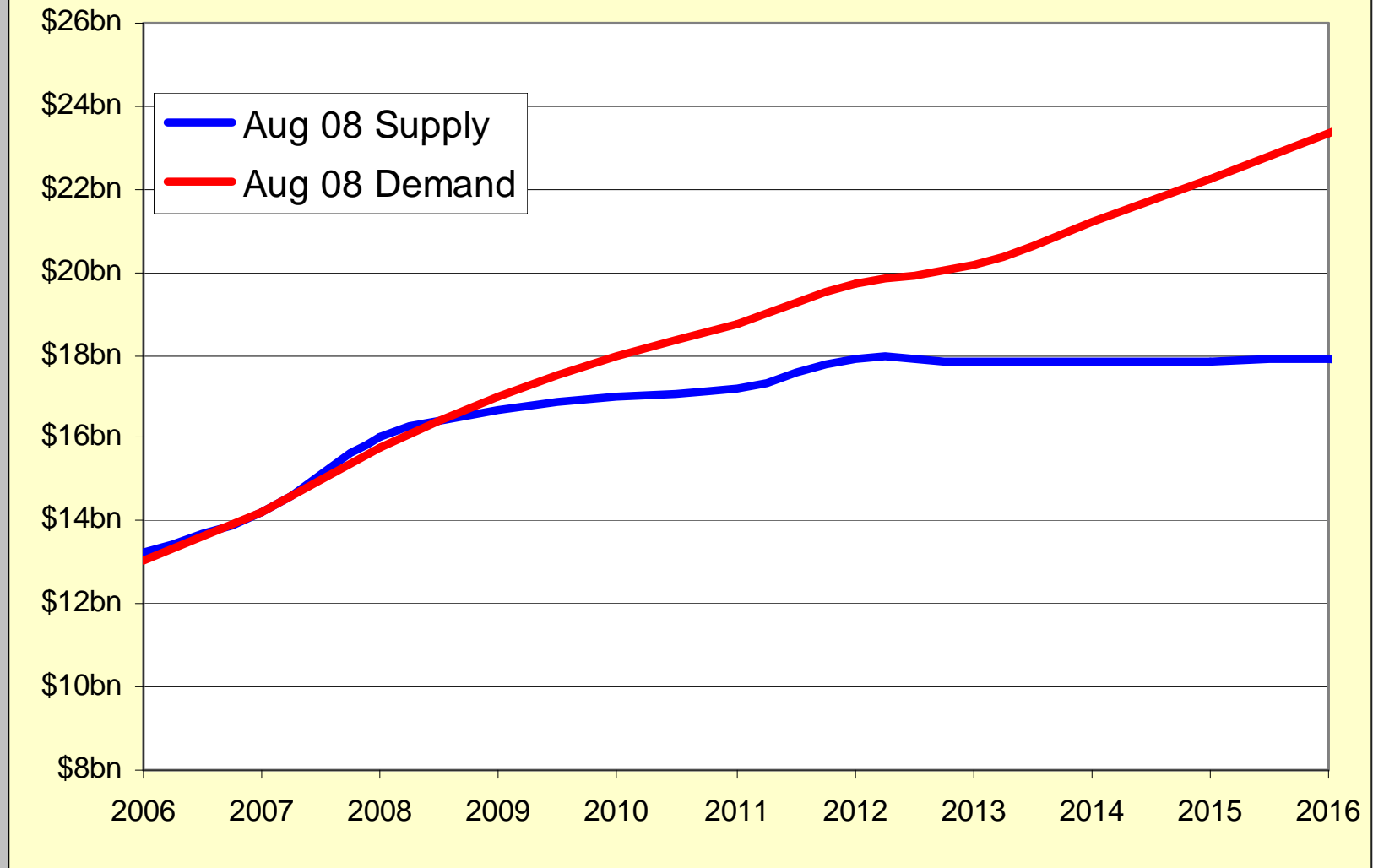
Diamond Jewellery Sales/World GDP





Supply and Demand in Rough Terms

(Aug 08 at H1 2008 values)

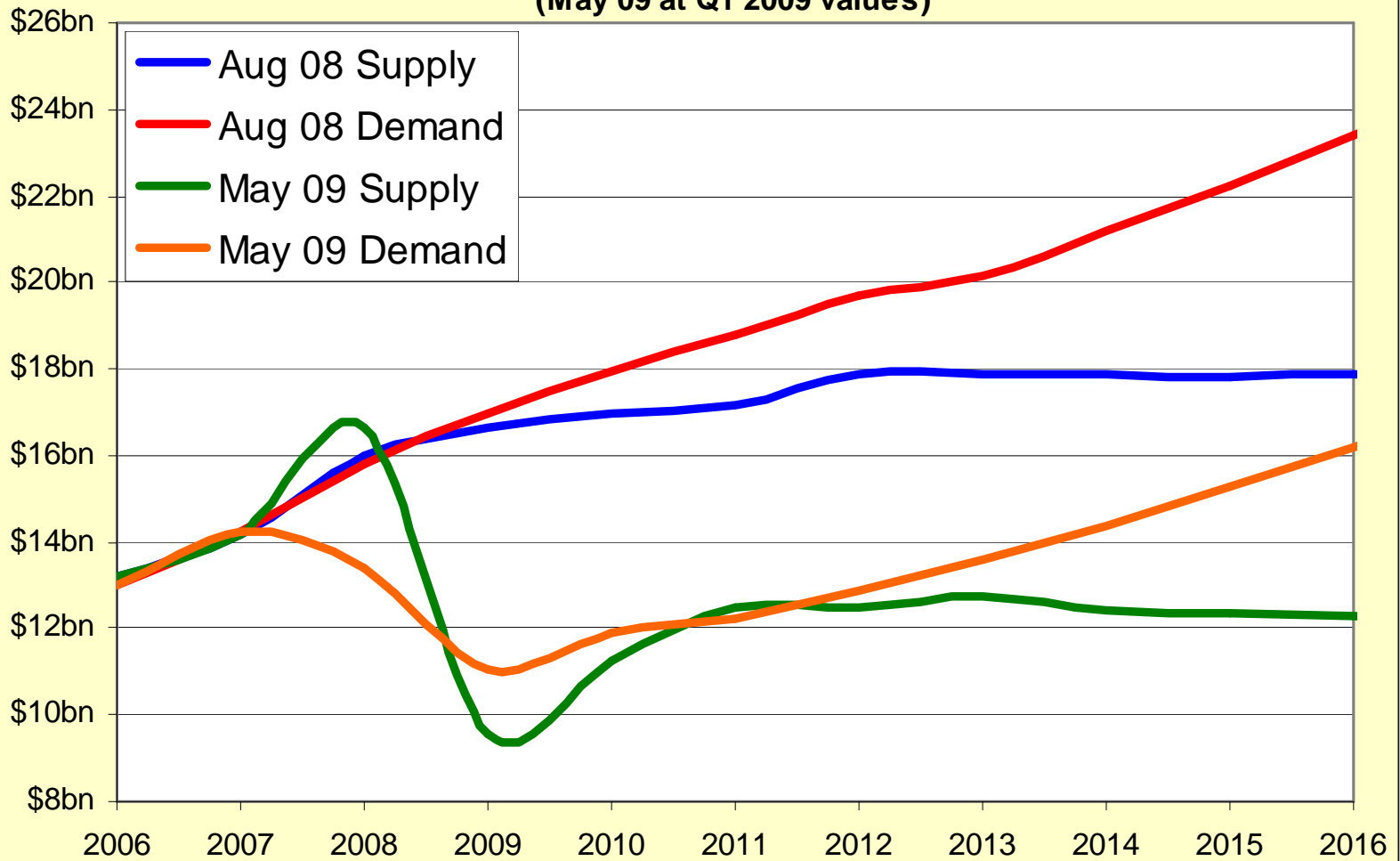




Supply and Demand in Rough Terms

(Aug 08 at H1 2008 values)

(May 09 at Q1 2009 values)





Is there a magic bullet?

Can the Far East or more specifically
China solve all the industry's problems?

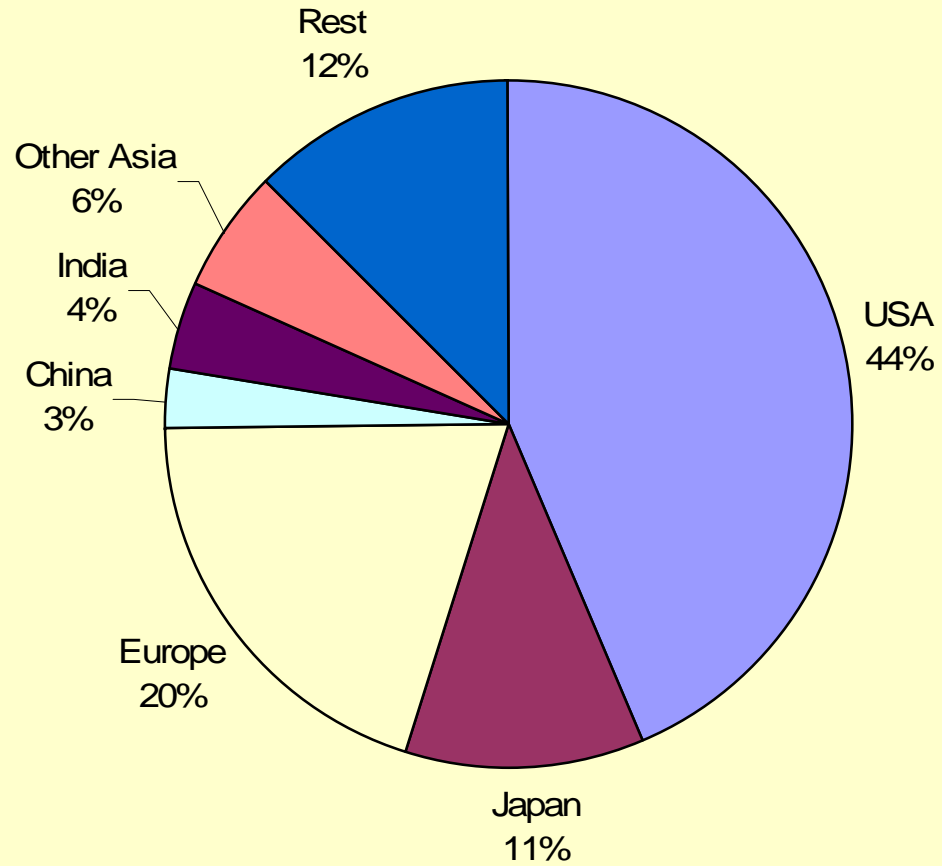


1st Quarter 2009 Real GDP

- USA -6.1%
- Japan -15.2%
- Germany -3.8%
- UK -1.9%
- China +6.1%
- India +5.3%



2008 Retail Diamond Jewellery Sales





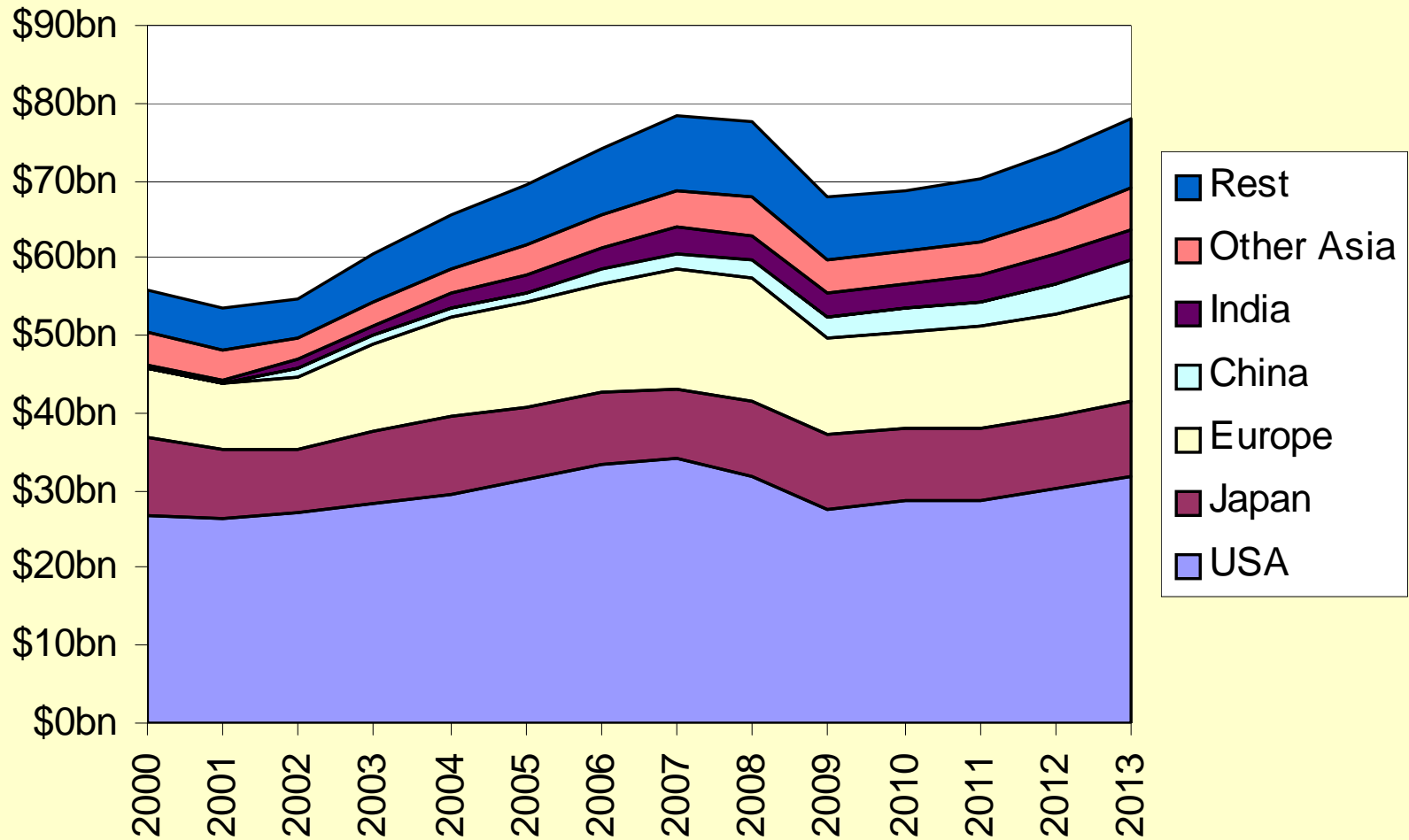
What about Japan?

‘Japanese fall out of love with luxury’, FT 3.6.09

‘The downturn is forcing customers in Japan to scale back purchases of luxury goods, accelerating a long term shift in consumer attitudes....the market (will) shrink further this year...shrinking to levels last seen 20 years ago before it entered its era of strong growth...’



Diamond Jewellery Retail Sales





Conclusions

- The performance of diamonds has been disappointing well before the financial crash
- The structure of our industry has got to fundamentally change if it is to take full advantage of what remains a highly promising long term supply / demand scenario.
- Diamonds have to be treated for the commodity that they are, which in turn, above all else, demands transparency be it in the rough or polished sides of the industry.
- Control has limited the growth of the industry in the boom years and is adversely affecting the industry's ability and flexibility to cope with the current crisis
- There is no magic bullet that is going to achieve this for the industry, the industry itself has got to change.
- The good news, that is apart from the huge opportunities that exist if only the structural restraints are swept away is.....



I have finished.....

Thank you very much.