

Diamonds Make the Cut with Domestic Investors

<http://www.thehindu.com/news/national/diamonds-make-the-cut-with-domestic-investors/article22580502.ece>



The growth in trading volumes at ICEX has been healthy.

Trades double less than five months after India opens world's first diamond futures exchange

It's been five months since the world's first diamond futures exchange began operations in India. If the trading data are any indication, it will appear that more and more investors are making diamonds their best friend.

The Indian Commodity Exchange Ltd (ICEX), backed by the Anil Ambani-owned Reliance Capital, commenced trading operations in diamond futures on August 28 last year. Data show the exchange, which saw trading worth ₹142 crore in September (its first full month of operations), witnessed trading worth ₹330 crore in the current month (as of January 25). In terms of volume, the exchange registered a rise from 4.39 lakh lots to 10.7 lakh lots in the same period.

ICEX offers trading in diamonds of two sizes: 50 cents and 1 carat (1 carat equals 100 cents). An investor can buy diamonds through the systematic investment plan (SIP) route by buying as low as 1 cent in one trade, for as little as ₹3,200, and continue to buy further. One can seek physical delivery of the diamond after accumulating at least 50 cents.

A good option

“We have seen a healthy growth in trading volumes, which shows that it has emerged as a good investment option for common investors, enabling them to diversify their portfolio,” said Sanjit Prasad, managing director and chief executive officer, ICEX.

Market participants attribute the rise in trading to an anticipated rise in the price of diamonds later this year. The world’s two largest diamond-mining companies, De Beers and Alrosa, have predicted an increase in diamond prices. They expect a significant supply shortage by 2018-end, which could trigger a substantial rally in diamond prices in the current year.

“The bullish fundamentals coming from the world’s two largest diamond-mining companies suggest that the domestic diamond investors are here to gain,” said Ramesh Patel, Director, Ratnakala Exports. “The small lot size of diamond trades enables all kinds of investors to build their position,” he added.

India’s diamond industry, too, expects prices to go up by 10% within the next three months. The strong projections are on the back of a predicted increase in global diamond prices due to strong growth in the leading global economies, surging demand, and falling supply.

Price may go up

“The IDEX diamond index has recovered from its five-year low and almost touched a 52-week high. All these factors are indicating that the price of diamonds

could increase by 4-7% or even up to 5-10% on outer-limit estimates, by the next quarter," said Ashish Mehta, Director, A.S. Exports.

Interestingly, India is the world's third largest diamond consumer, accounting for 8% of the global market. It exports 95% of the total imported rough diamond, as per statistics from the Gems and Jewellery Export Promotion Council (GJEPC).