

The popularity of [diamonds](#) has risen since the 19th century because of successful advertising in spite of a greatly increased supply. Diamonds are not normally used as a mainline [store of value](#) during times of [crisis](#), because of their lack of [fungibility](#) and low [liquidity](#). However, they may still be useful during times of [hyperinflation](#).

Approximately 30% of mined diamonds are used in jewelry and 70% for industrial uses (such as lasers, drill parts and surgical equipment).^[1]

[Chemical vapor deposition](#) is now used to produce [synthetic diamonds](#) which, unlike [diamond simulants](#), inherit all the properties of gemstones formed in nature.

Price fluctuations

Historically, rough diamond prices have been controlled by the [De Beers Group](#), which has a 40% to 50% market share.^[2] [Botswana](#) is currently the largest producer of diamonds by value, with mines operated by [Debswana](#), a joint venture between De Beers and the government of Botswana.^[3]^[dead link] Since the 1980s, other producers have developed new mines in [Russia](#), [Canada](#) and [Australia](#) for example, challenging De Beers' dominance (historically De Beers' market share was considerably higher). De Beers interacts with the diamond market through its trading company [DTC](#).

Polished diamond prices vary widely depending on a diamond's [carat](#), [color](#), [clarity](#) and [cut](#), sometimes referred to as the 4 C's. In contrast to [precious metals](#), there is no universal world price per gram for diamonds. The industry refers to price guides such as the [Rapaport Diamond Report](#), PriceScope,^[4] [Ajediam Antwerp Diamonds Monthly](#)^[5] and The Gem Guide, which are published weekly, monthly or quarterly. Gemstone specialty organizations have varying standards which can be used to aid in diamond identification and pricing, including [GIA](#), HRD^[6] and [IGI](#). These organizations focus on research and education, which they pass on to their members and the public.

Financial feasibility

There is no natural shortage of diamonds. Diamonds can be synthesized at much lower cost than the equivalent natural diamond price^[7] and the chemical and structural purity of a [synthetic diamond](#) can exceed a natural one. However, the chemical composition is not the only factor that determines their value - the quality of the cut is of as much, if not greater, importance.

Polished diamonds



Cut and polished diamonds



A diamond ring

Polished and rough diamonds lack some of the desirable attributes of investment vehicles, including [liquidity](#), homogeneity and [fungibility](#)^{[[citation needed](#)]}. The increasing quality and size, and decreasing price, of [synthetic diamonds](#) is presented as a threat to the value of polished diamonds as a long-term investment, but has never impacted real investment-grade diamond prices. The possibility of low-cost ultra-high-quality diamonds becoming available in industrial quantities at some time in the future has never been a hindrance for long-term investors in diamonds^{[[citation needed](#)]}; synthetic diamonds have been manufactured since the 1950s^{[[8](#)]} and have yet to have a major impact on the market.

An alternative example of such a price fall caused by introduction of a new simulant strongly undermining prices was the permanent fall in natural [pearl](#) prices with the introduction of cultured pearls. The mechanism by which prices were affected was complex. In part because of the social acceptability of wearing cultured pearls to much of the market, customers migrated from the natural to the lower priced cultured product. This altered the supply and demand situation for natural pearls and perhaps the overall prestige of pearls in general was lowered.

In cases where synthetic stones have been much less socially acceptable to the market as a replacement for the natural version, the prestige of the natural stones has been retained. Thus increased availability and lowered prices of synthetics may or may not have major implications for the future price of natural diamonds. In addition, the introduction of synthetic rubies in the late 19th Century did not appear to have a permanent effect on the price of natural rubies.

There are several factors contributing to low liquidity of diamonds. One of the main is the lack of [terminal market](#). Most [commodities](#) have terminal markets, and some form of [commodities exchange](#), [clearing house](#), and central storage facilities. Until recently this did not exist for diamonds. Diamonds are also subject to [value added tax](#) in the UK, EU, and [sales tax](#) in most developed countries, therefore reducing their effectiveness as an investment medium. Most diamonds are sold through retail stores at very high profit margins.

As diamonds in larger sizes become increasingly rare and valuable, any easily visible and readily understood pricing system has been difficult to establish. [Martin Rapaport](#) produces the [Rapaport Diamond Report](#), which lists prices for polished diamonds. The Rapaport Diamond Report is relatively expensive to subscribe to, and as such is not readily available to consumers and investors. Each week, there are matrices of diamond prices for round brilliant cut diamonds, by colour and clarity within size bands, and also other shapes. The price matrix for brilliant cuts alone exceeds 1,400 entries, and even this is achieved only by grouping some grades together. There are considerable price shifts near the edges of the size bands, so a 0.49 carats (98 mg) stone may list at \$5,500 per carat = \$2,695, while a 0.50 carats (100 mg) stone of similar quality lists at \$7,500 per carat = \$3,750. This may appear such a large difference as to defy logic, but in reality stones near the top of a size band (or rarer fancy coloured varieties) tend to be uprated slightly. Some of the price jumps are related to marketing and consumer expectations. For example, a buyer expecting a 1 carat (200 mg) diamond solitaire engagement ring may be unprepared to accept a 0.99 carats (198 mg) diamond.

There are numerous diamond grading laboratories, with each offering investors, consumers and dealers similar diamond-grading and verification services. The standards are high, and when they ever slip, immediate ramifications are felt throughout the diamond industry. When the market-leading [Gemological Institute of America](#) (GIA) saw a number of large, important and valuable diamonds overgraded some time ago, this resulted in legal action by one dealer against another dealer who had submitted them to the GIA for grading. A number of GIA employees left after the scandal emerged, and the GIA immediately changed a number of its procedures to prevent such occurrences from happening again. There are also a number of laboratories affiliated to [CIBJO \(Confédération Internationale de la Bijouterie, Joaillerie et Orfèvrerie\)](#), also known as the World Jewellery Confederation).

The non-linear, exponential pricing of different sizes (weights) of diamonds means that it is not realistic to exchange, for example, two quarter-carats (50 mg) for one half-carat (100 mg). With commodities such as gold, it is clear that one twenty gram bar is worth the same as two ten gram bars, assuming the same quality.

In most terminal markets, there needs to be a readily available standard quality, or limited number of qualities, available in sufficient quantity to be tradeable. This is a major factor which affects liquidity. The large number of variables in diamond quality makes commodity-like pricing difficult, especially with rarer stones that merit special handling above standard-issue diamonds.

There are also fashion and marketing elements to take into consideration. De Beers expends marketing efforts to encourage sales of diamond sizes and qualities which are being produced in relatively large quantities. They have also been known to take steps to discourage investment, primarily because they perceive that bubble prices which are followed by sharp falls are bad for long term consumer confidence in diamonds as a long-term store of value.^[9]

The investment parameter of diamonds is their high value per unit weight, which makes them easy to store and transport. A high quality diamond weighing as little as 2 or 3 grams could be worth as much as 100 kilos of gold. This extremely condensed value and portability does bestow diamonds as a form of emergency funding. People and populations displaced by war or extreme upheaval have utilised this portable asset successfully.^[citation needed] In 2009 an exchange was launched by DODAQ to trade categories of polished diamonds. The DODAQ exchange is intended to be a terminal market for round polished certified diamonds (which is the most liquid part of the market) and hosts its centralised storage facility in a Freezone. The exchange is an attempt to overcome the traditional investment barriers of sales tax and low liquidity on the resale market.

In 2012 DODAQ nv and the Antwerp World Diamond Centre joined forces to create DIAMDAX. It is the first online diamond exchange to report the actual transaction price. The exchange provides its users with a fully automated trading platform and acts as counter party to both buyer and seller, offering anonymity to its users.

Rare "Fancy Colored Diamonds" such as Yellow, Pinks, Blues and Greens have proved to be a secure investment over the past five years. This is based on the principles of supply and demand as well as new economies entering the market. Rio Tinto has announced that they intend to close the [Argyle Mine](#) in Western Australia in 2016-2018 which will impact the dwindling supply.

Funds

In July 2007, Diapason Commodities Management delayed listing a new investment company called Diamond Circle Capital, which aimed to invest in large polished diamonds worth more than \$1 million each. As of 2008, the fund offering was postponed until further notice.^[10]

In June 2012, Finanz Konzept AG launched the worldwide first actively managed physical diamond fund, which invests in natural physical polished diamonds and coloured diamonds.^[11]

In November 2012, PureFunds launched an Exchange Traded Fund listed on the New York Stock Exchange, that invests in companies engaged in the diamond industry, rather than physical diamonds.^[12]

Mining companies

See also: [Category:Diamond mining companies](#)

These do not represent diamonds at all, but rather are [shares](#) in companies that mine diamonds. [Rockwell Diamonds](#), located in [South Africa](#), which is also listed on [Toronto Stock Exchange](#), is an example of a mid-tier established diamond producer.

The largest diamond company in the world is [Alrosa](#), which surpassed [De Beers](#) in carat production in 2008.^[13] Alrosa is currently government owned, so is not listed on the stock market. De Beers is privately owned by [Anglo American](#) (85%) and the [Botswana](#) government (15%), so its shares are not traded on the stock market.^[14] The Oppenheimer family had previously owned a 40% stake in De Beers, but this was sold to [Anglo American plc](#) in 2011.^[15] [Rio Tinto](#) and [BHP Billiton](#) are the next largest producers, but diamond mining is a small part of their commodity portfolio.