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Diamonds vs. precious metals: What shines brightest in your investment portfolio?

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Highlights

- International analysis of precious metals and diamonds as safe haven investments
- Precious metals provide better protection in times of global financial distress.
- Diamond gemstones of 1 carat and above exhibit safe haven and hedge properties.
- Diamonds should be included in investment portfolios as effective diversifiers.

Abstract

Several studies explore the use of gold and other precious metals for protecting investors'™ wealth during periods of market turmoil. However, alternative investments, although increasing in popularity, still remain unfamiliar to the majority of investors. We explore the safe haven and hedging properties of diamonds versus precious metals in an international study to evaluate diamonds as a viable investment alternative. Furthermore, we compare the performance between the returns of physical diamonds and diamond indices. Our analysis indicates superior performance by precious metals compared to diamonds. However, investors enjoy greater benefit from directly investing in physical diamonds rather than diamond indices. For investors looking to protect their assets against highly volatile market conditions, precious metals remain a better option. Investors should continue to keep abreast of developments with the evolution of the diamond investments industry and physical diamonds can be included in a portfolio for their downside diversification potential.



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JEL classification

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Keywords

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