

Pricing of Diamonds - A Study with Multiple Linear Regression

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January 2021

Abstract

In this Bachelor thesis the selling price of diamonds is empirically examined. We use a sample of 308 certified diamonds collected from brilliance.com in July 2001. The models that will be analysed are linear models and the method that is used is multiple linear regression. We find that the relationship between the price of diamonds and the explanatory variables is actually not linear, but is better explained when transforming it to a quadratic model. We also find out that the price of diamonds increases markedly with the carat weight. What is also interesting is that a diamonds certificate is proved to be a significant factor for the price, even though it is in theory believed that the price is independent of which certificate the diamond has.

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