

The calm before...what exactly?

As we approach mid-December, it appears that there is a levelling off in value across the major Bordeaux-driven Liv-ex Indices [Fig 1 and Fig 2]. Such seasonal calm is not uncommon and, perhaps given value growth in Sterling Year-to-Date, it is necessary for the market to pause for reflection.

The rate of US purchasing has eased and, while Sterling has gained ground against the Dollar, we are still at 1.27 compared to the 1.45 level that was prevalent in the first half of the year. The big question for the US market concerns whether the buying opportunity created by favourable prices on stocks in the UK market will kick-start a broader trend. Throughout the year Asian trade has been fairly consistent, if a little unpredictable in their targets. Certainly there is a sense of some re-engagement with the wines of Bordeaux in the Asian market.

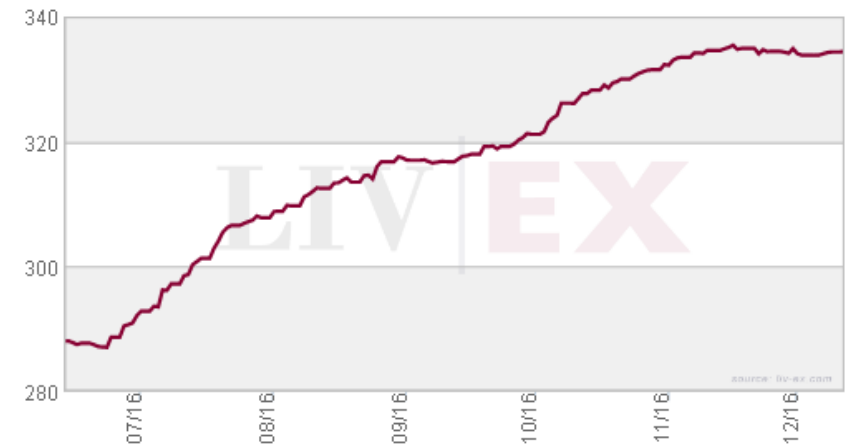
Will 2016 be seen as a year where exchange rates provided a singular opportunity for overseas buyers to access UK-based stocks at competitive prices? Or will it actually lead to market growth outside of the UK? A true catalyst or a blip on the radar? The fine wine market has enjoyed a particularly strong second half of the year following the Brexit referendum, which rendered exporting stocks attractive to buyers who had not entered the fray for several years. It also provided a welcome exit for clients who had been holding Bordeaux stocks whose value had fallen back during the post 2011 slump. Yet it has not led to a major restocking by major merchants in the UK yet, nor has it led to a surge in private client interest, driven by the opportunity to speculate widely on the future values of Bordeaux stocks.

Global economic issues are making people wary, not least the expectation of greater foreign exchange turbulence in 2017. In fine wine, however, there are good news stories aplenty lining up for 2017; a remarkably strong red Burgundy 2015 campaign, an exceptional 2013 Barolo vintage and the prospect of both quality and quantity when May and June come around and we see the releases of 2016 Bordeaux *en primeur*... not to mention the release of numerous 2008 Champagnes. On the secondary market, stocks are not overly plentiful and demand remains consistent. The comment has been made before, but the first quarter of 2017 will be very instructive on market health and is likely to clarify if value growth in UK fine wine prices was merely a currency-led anomaly or if it has legs to run.

[Fig 1] Liv-ex Indices Monthly Close

Index 30/11/2016 (monthly close)	Level	MOM	YTD
Liv-ex Fine Wine 50	334.88	0.77%	26.43%
Liv-ex Fine Wine 100	296.19	1.66%	24.31%
Liv-ex Bordeaux 500	290.16	0.33%	22.73%
Liv-ex Fine Wine 1000	296.60	1.02%	20.95%
Liv-ex Fine Wine Investables	322.79	1.15%	24.13%

[Fig 2] The Liv-ex 50—Levelling off at year end



50 component wines: the last ten “physical” vintages of the five Bordeaux First Growths: Haut Brion, Lafite Rothschild, Latour, Margaux and Mouton Rothschild.