

## Truth in the numbers?

The Liv-ex 50 continues to inch ahead of its February close, now standing at 341.32. This appears to be in line with the expectations of the trade as evidenced by Liv-ex's 2017 Wine Market survey, in which Liv-ex asks its merchant members to predict the closing position of the Liv-ex 100 (the 100 most traded wines) which currently stands at 1.66% up YTD [Fig 1]. The 440 respondents to the survey have estimated a 7.8% increase this year. Furthermore, 89% expected the index to rise and just 9% that it would fall. The range of predictions differs widely with the most pessimistic respondent suggesting a 15.9% drop and the most bullish response suggesting 31% growth.

So what does this all mean? Clearly viewpoint has a major impact here; the Liv-ex 100 has shown impressive growth over the last 14 months when viewed in Sterling, but the picture is not so rosy when viewed in Dollars. Interestingly each market has risen in unison over the last five months [Fig 2]. Currency implications perhaps are not always considered in fine wine, but weakened Sterling has been shown to be some form of catalyst. The buying opportunities presented by a weak currency have been seen to reinvigorate a market. Could this yet prove the case with the US? The current opportunity derived from weak Sterling has resolved, to some extent, the oversupply issues in the UK, whilst contributing to green shoots in the US. Accessing valid data on the cyclical nature of the fine wine market is near impossible, but it would be interesting to consider how value growth has gained in momentum and spread from one market to next in previous cycles.

If political turbulence and accompanying currency fluctuations have been key to the fine wine market's value growth over the last two year and there is little chance of this abating as the UK moves forward with its Brexit agenda. Leaving politics and exchange rates aside, the fine wine market is well-poised in 2017. Not only are there a number of strong vintages hitting the market, but the headspace created by higher release prices has been a shot in the arm for the market in back vintages. With regard to Bordeaux, 2014 is currently a strong focus, and 2015 will likely receive greater attention as the price gap between the two closes. As to Burgundy, trading in selective 2014s, 2012s and 2010s remains particularly consistent fuelled by the strong demand for the 2015s, even at lofty release prices. Crystal-ball gazing is certainly not a science, but the general positioning of the market is more encouraging than it has been for many a year. Whether the Liv-ex membership's predictions hold water this year remains to be seen, but 7.8% growth in 2017 certainly does not seem outlandish.

[Fig 1] Liv-ex Indices Monthly Close (28/2/2017)

Index 28/02/2017 (monthly close)	Level	MOM	YTD
Liv-ex Fine Wine 50	339.40	0.14%	1.13%
Liv-ex Fine Wine 100	302.26	0.39%	1.66%
Liv-ex Bordeaux 500	295.93	0.43%	0.95%
Liv-ex Fine Wine 1000	303.15	0.63%	1.12%
Liv-ex Fine Wine Investables	327.50	0.50%	1.28%

[Fig 2] Liv-ex 100: Sterling, Dollar, Euro

