

A Window of Burgundian Opportunity?

As the trade prepares to build marketing campaigns on Burgundy 2015, it provides an opportune moment to consider how Burgundy stands as a category today.

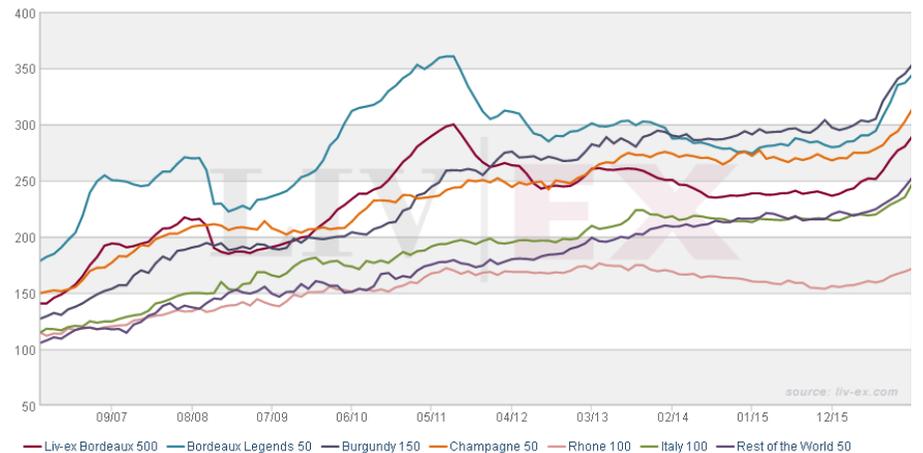
The Liv-ex Burgundy 150 (an index of the ten most recently shipped vintages of 15 red and 15 white Burgundy) stands at 353.11 having moved 19.75% year-to-date [Fig 2], yet perhaps this does not tell the whole story; Burgundy is difficult to track in terms of value as production is far lower than a given Bordeaux Cru Classé by comparison. Equally, so often a rare Burgundy may well be sold in split units, odd three bottle or even single bottle lots. Essentially, Burgundy pricing solidifies when an offer is made to gauge market interest—just take a look at major auction lots of rare Burgundy and you will see a comparative broad spread in reserves. When we auctioned a rare Romanée-Conti collection in Hong Kong a few years back, it was clear that we needed the right buyers in the room who were motivated to make a sizeable purchase.

While values of Burgundy (as judged by the Burgundy 150 Index) lag behind the Bordeaux First Growths — and even one broader Bordeaux-based index by a few percentage points — it is the five year view that is perhaps most interesting [Fig 2 and 3]. Over a five year view, Burgundy has made largely unfettered progress, registering an increase of 36.42% albeit based on this narrow sample from Liv-ex. The question is, however, with escalating secondary values and consistent demand for Grand Cru Burgundy from the most famous estates, how will things progress from here? Much is made of the more emotional attachment that collectors have for a Burgundy portfolio as opposed to Bordeaux, and it is true a high proportion of production of the great and good rapidly goes to ground and nestles quietly in collections. Is that, however, set to change with the eventual release of the 2015s? We have previously commented on the higher release prices that we anticipate for the 2015 vintage, with perhaps as much as a 15% increase expected at source which translates to a 30% or more increase to the client when the shift in Sterling/ Euro exchange rates is factored in. This is unlikely to dissuade clients who buy more modest price estates for eventual consumption and given the high general quality for the reds in this vintage, it is fair to assume that the greatest domaines in Burgundy will not have any trouble in selling through at whatever price materialises. Those collectors with one eye on speculation may well be inclined to look at back vintages as by comparison, wines from the 2014, 2013 and 2012 vintages in particular will look increasingly well-priced. The next three or four months will surely provide an opportunity to the canny buyer who assesses value.

[Fig 1] Liv-ex Indices Monthly Close

Index 31/08/2016 (monthly close)	Level	MOM	YTD
Liv-ex Fine Wine 50	332.32	3.47%	25.46%
Liv-ex Fine Wine 100	291.36	3.60%	22.29%
Liv-ex Bordeaux 500	289.22	3.19%	21.44%
Liv-ex Fine Wine 1000	293.60	2.91%	19.73%
Liv-ex Fine Wine Investables	319.13	3.23%	22.72%

[Fig 2] The Burgundy 150 against the other components of the Liv-ex 1000



[Fig 3] Selected components of the Liv-ex 1000

Index 31/10/2016 (monthly close)	Level	MOM	YTD	1yr	5yr
Burgundy 150	353.11	2.34%	19.75%	16.24%	36.42%
Champagne 50	313.57	3.65%	16.11%	16.06%	25.80%
Rhone 100	171.68	1.57%	10.58%	11.71%	3.51%
Italy 100	247.12	5.08%	15.17%	14.26%	27.82%