

The Underpinning Value of Rarity and Demand

We enter the New Year with the fine wine market in far better shape that most observers would have expected at the beginning of 2016. While some uncertainty remains, revisiting the predictions of the Liv-ex membership makes for interesting reading. In March 2016, Liv-ex published their results of an annual merchant survey in which members are asked to predict the closing level of the Liv-ex Fine Wine 100. Even though 86% of merchants predicted that the index would rise over 2016, the average prediction came in at 251.21, representing an increase of 5.4% on the 2015 close of 238.26. The actual increase over last year was an impressive 24.8%, with much owed to Sterling’s weakness.

It will be fascinating to learn just what merchants expect from 2017 when this year’s questionnaire is collated. Certainly 2017 has started well with the 2015 Burgundy campaign not only resulting in a clamour for leading stocks, but also fuelling demand in back vintages. The ceiling price for various back vintages of specific wines has effectively been increased given the loftier release prices of the 2015s. Increases in price to the collector of as much as 30-50% initially caused a little concern among merchants, but this has rapidly been extinguished as demand from clients appears to be as robust as ever.

Equally, it would seem that Burgundy interest is continuing the spread, perhaps on two counts. Firstly, the increase in pricing for the 2015s is forcing clients to track down value elsewhere and secondly, clients are encouraged by the reviews of the 2015 vintage—specifically fine for red Burgundy and are therefore keen to increase their purchases. This recent surge of interest also reveals a more globalised demand than we have witnessed in recent years. All in all, it has made for a rapid start to 2017.

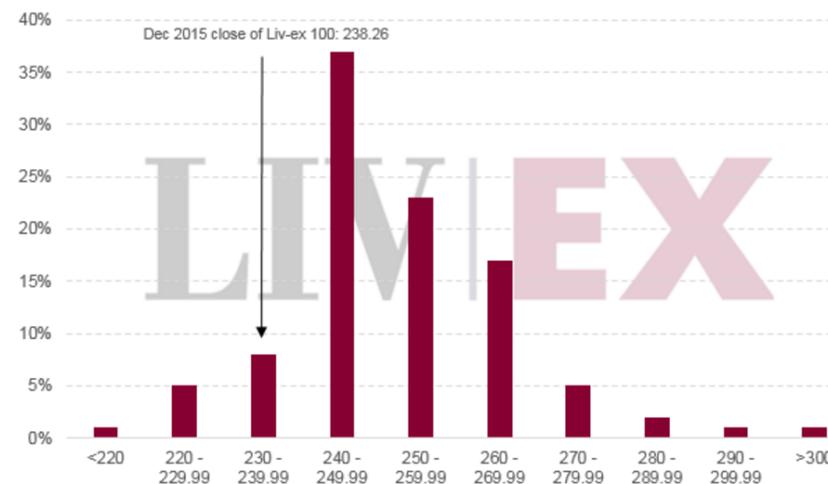
Top end Burgundy has enjoyed an impressive run and, despite the naysayers who have long since anticipated some overheating of the market and subsequent correction, wines from leading Burgundian domaines have performed well in the market. Indeed, the Burgundy 150 is the leading Liv-ex Index and is pipping the Bordeaux 50 (the First Growth Index) to the post with a gain of 25.95% over the last 12 months. The one drawback could be the ever increasing values on paper leading to reduced liquidity with eye-watering prices only making sense to a fortunate few. And additional caveat: value growth in Burgundy is invariably linked to a remarkably loyal following for a domaine heightened by increased demand for a five-star vintage and therefore lower echelons may prove hit and miss in terms of value growth.

[Fig 1] Liv-ex Indices Monthly Close

Index 31/12/2016 (monthly close)	Level	MOM	YTD
Liv-ex Fine Wine 50	335.61	0.22%	0.00%
Liv-ex Fine Wine 100	297.33	0.38%	0.00%
Liv-ex Bordeaux 500	293.15	1.03%	0.00%
Liv-ex Fine Wine 1000	299.80	1.08%	0.00%
Liv-ex Fine Wine Investables	323.35	0.17%	0.00%

[Fig 2] Merchant predictions for Dec 2016 close of Liv-ex 100 Index

The graph below reveals the predictions of the Liv-ex merchant community with regard to the closing position of the Liv-ex 100 as of 30th December 2016.



Source: Liv-ex