

Differences in Perspective

The Liv-ex 50 (the Index of the 10 most recently released vintages of the five Bordeaux First Growths) continues its upward trajectory despite a slight bounce in Sterling's fortunes as judged against the Dollar or Euro.

The opportunity to either Dollar or Euro-based buyers remains. This is highlighted most clearly by Fig 2.—a chart published by Liv-ex last week showing a percentage of value growth for the biggest movers in the Liv-ex 1000 in Sterling terms. All of the wines shown have barely moved if viewed in Dollars and must surely offer good value to US buyers? There will be much higher priced stock physically available in the US market and therefore new buyers of UK-based stock will enjoy a price advantage. There may be some pain for US merchants as they may be obliged to clear inventory down at cost or below in order to be free themselves up to re-load at a preferential level. All of the machinations take time and, as the market in the UK struggled to find its feet across the period 2012-2014 with a few false dawns along the route, the same is likely to be true of the US market.

As commented at a recent Atlas investment seminar, Sterling's weakness may prove to be an unusual catalyst for the fine wine market, but a catalyst it may well be if overseas clients start recognising value in fine wine. Oddly, there have been comparatively few articles on the fine wine market in the mainstream press as of yet, but one would assume they will materialise in coming months if price growth continues. The issue is assessing where the market is headed and how it will be affected by the broader economic backdrop.

However, with all the economic uncertainty that currently surrounds us, will there be another broader swing towards acquiring tangible assets? We have certainly seen that before. In 2012 there was plenty of talk about S.W.A.G. assets, (Silver, Wine, Art and Gold) - an acronym first used by economist, writer and analyst, Joe Roseman, but these comments were made in a period where monetary policy embraced quantitative easing almost the world over. In this period, wine values struggled to grow, as they were held back by specific market concerns, issues of oversupply and stocks held at the wrong price. Today things look different; volumes of trade are moderate but consistent, the oversupply issue is not such a major issue in the UK where many stocks have been cleared down and there is positive pressure on price. It certainly is going to be an interesting few months for fine wine.

[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%

Source: Liv-ex

[Fig 2] Leading performers in the Liv-ex 1000 as measured in Sterling and compared against Dollar values

Wine	Vintage	Change (£)	Change (\$)
Margaux	2000	24.20%	-0.02%
Latour	2010	24.20%	-0.03%
Angelus	2010	24.10%	-0.05%
Pontet Canet	2004	24.10%	-0.08%
Latour	2006	24.00%	-0.17%
Mouton Rothschild	2009	24.00%	-0.19%
Haut Brion	2010	23.80%	-0.29%
Masseto	2011	23.50%	-0.57%
Haut Bailly	2012	23.30%	-0.72%

Source: Liv-ex