

Learning Lessons

The Liv-ex Fine Wine 50 has pushed on once more beyond the September monthly close [Fig 1] and now currently stands at 330, indicating that trading in Bordeaux First Growth remains strong as we progress through the final quarter of 2016.

Here and in other reports, there has been much commentary relating to the currency influence on the fine wine market. It should be stressed that this is not a new topic, nor is it particularly unusual. Currently, what is most fascinating is the fact that it has provided much needed impetus to the Bordeaux market— above all others— which was lacking in momentum and direction .

The extent to which this influence has been felt has been magnified by the more dramatic influences of late on Sterling [Fig 2]. However, if Sterling remains weak, a sense of normality will creep into the market and perhaps the motivation for overseas buyers to purchase Sterling-based Bordeaux stocks will ease. Why would a US merchant buy now, perhaps well in advance of the requirement, if they could buy a month later or three months later? It may be the availability and the prevalence of desirable stocks that continue to drive purchasing.

The current circumstances are providing a good opportunity to re-balance or sell-down portfolios for those who struggled to find a palatable exit price in the last few years. It seems that the majority of Bordeaux trading is driven by this activity, above and beyond an interest from UK investors to buy into the market. Yet if the current rally in prices continues, it could be viewed as a highly beneficial moment to pick off selective stocks. Nothing attracts broader interest like a rising market and the current catalyst looks like it has propelled the market onwards, even though volumes traded are at a far lower level than during the last bull-run.

While it seems certain there is something cyclical about the Bordeaux market and its boom and bust model, other fine wines from different corners of the globe have performed well over the last five years, highlighting the benefit of a balanced portfolio. Certainly lessons are being learned as the fine wine market matures.

[Fig 1] Liv-ex Indices Monthly Close

Index 30/09/2016 (monthly close)	Level	MOM	YTD
Liv-ex Fine Wine 50	321.17	1.19%	21.25%
Liv-ex Fine Wine 100	281.23	1.59%	18.03%
Liv-ex Bordeaux 500	280.29	1.28%	17.69%
Liv-ex Fine Wine 1000	285.30	1.31%	16.34%
Liv-ex Fine Wine Investables	309.13	1.55%	18.88%

[Fig 2] Liv-ex 100 by currency

