

Coming around again?

Trade remained strong last week at Atlas and in the broader market as measured by Liv-ex. Indeed, the Liv-ex 50 (measuring the value growth of the five First Growths) has nudged ahead to its highest level since May 2013, currently standing at 319.23, a couple of points ahead of the August monthly close [Fig 1].

If there were any need to reconfirm that the fine wine market — or perhaps more specifically the Bordeaux market— is cyclical, consider Liv-ex analysis based on the Investables Index [Fig 2]. This graph, which was constructed some months back, shows the CAGR (Compound Annual Growth Rates) excluding on-costs such as cellarage and sales commission. Liv-ex utilised their 'Investables' index which goes back to 1988 to produce this graph. To analyse the cyclical nature of the market further, Liv-ex enlisted the help of various auction houses to compile data going back to 1975. Liv-ex Founder and Director, Justin Gibbs commented; *'we clearly saw five different boom and bust cycles over this period'*. He went on to add that *'the average CAGR over this period was calculated to be just under 12%, which mirrored our findings from the study that focused on our Investables Index.'* Perhaps more interesting still was the fact that calculating CAGR in the five year period following the lowest point in the trough saw the average CAGR for that fixed period rise to 17.6%.

Clearly, this study cuts off in July 2015 but recent market moves will show that we appear to be in the foothills of another period of value growth for Bordeaux. While initially driven by the exchange rate scenario, it seems that this catalyst has given the Bordeaux market a much needed impetus. When Liv-ex produces the data relating to the end of September close, we may well see the broader indices, such as the Bordeaux 500, return to near positive territory as judged over a five-year period (currently just under 5% adrift). Investors who have maintained portfolios across a turbulent period may just be considering re-entering the fray. Certainly one would assume those so inclined have taken the opportunity to sell down certain stocks into a more favourable market... but will they now seek new opportunities and take on inventory? A telling quarter ahead.

[Fig 1] Liv-ex Indices Monthly Close

Index 31/08/2016 (monthly close)	Level	MOM	YTD
Liv-ex Fine Wine 50	317.4	3.11%	19.82%
Liv-ex Fine Wine 100	276.8	2.88%	16.19%
Liv-ex Bordeaux 500	276.8	3.01%	16.21%
Liv-ex Fine Wine 1000	281.6	3.04%	14.84%
Liv-ex Fine Wine Investables	304.4	2.85%	17.06%

Source: Liv-ex

[Fig 2] Liv-ex analysis of the Bordeaux Market (based on the Investables index) - Two year rolling average CAGR vs. five year.



Source: Liv-ex