

## The truth in the numbers

The major Liv-ex indices inched ahead in November, with all of those featured now showing over 20% increases Year-to-Date [Fig 1]. What is most noteworthy is the fact that the Liv-ex 100 has risen for 12 consecutive months and now stands at its highest level for five years. There is a sense that the broader market is calming; this is normal as we enter December, although purchasing ahead Chinese New Year (28th January 2017) often lends some impetus to trade.

The indices are a good guide when they are Bordeaux-focused, as there is a good volume of trade and multiple listings for Liv-ex to report on, yet the outlying components of the broader indices can be variable in their reliability. Take the Burgundy 100 which counts as a sub-index of the Liv-ex 1000. This Index comprises the ten most recently shipped vintages of 15 wines (red and white Burgundy) including six wines from Domaine de la Romanée-Conti. Is the performance of Burgundy's most iconic brand, DRC, indicative of broader trends in Burgundy? Even if it were, the absence of sufficient sealed units in the market necessitates basing such price tracking on loose bottle rates which may possibly trade at a deficit to sealed units. The energy in the Burgundy market is felt much more widely than this might suggest.

The issue of tracking the price movements of fine wines outside of Bordeaux is tricky to say the least, hence the fact that most of these categories are based on a narrow range of wines and count purely as a sub-index contributing no more than 10-15% to the Liv-ex 1000. The Italy 100 comprises the ten most recent vintages of the five Super Tuscans plus 'five other leading Italian producers.' Just how does this tell us about the health of the Barolo market? The Champagne sub-index is perhaps more straight-forward to track given the availability of stock from the Grande Marques. The Rest of the World sub-index is a remarkably bizarre and eclectic category, which tells us very little about the performance of fine wine outside of the key European areas.

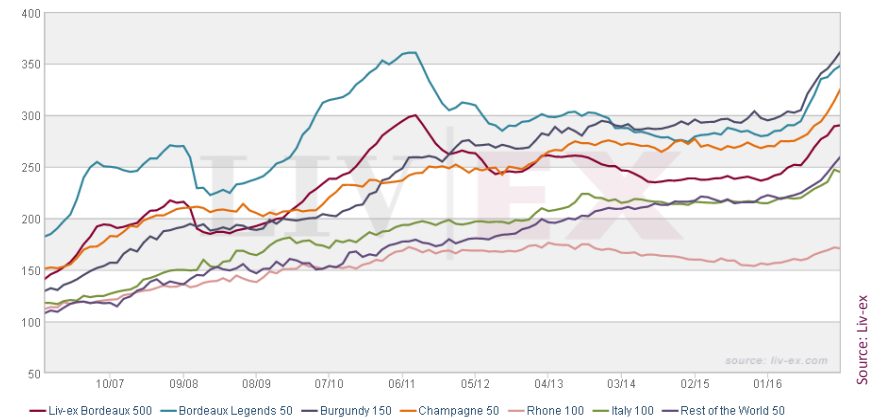
What does this all mean? It highlights that Bordeaux dominates the data and the headlines when it comes to the health of the fine wine market. It also suggests that the performance of other emerging sections of the market is not widely reported on with any great reliability. The health of markets such as Burgundy or Barolo may surprise, as does their ability to hold value in periods of broader downturn. Scarcity and demand underpin each market even if they do not offer quite the same prospect of liquidity as Bordeaux. How long will it be before these other areas receive as much attention and analysis as Bordeaux?

[Fig 1] Liv-ex Indices Monthly Close

Index 30/11/2016 (monthly close)	Level	MOM	YTD
Liv-ex Fine Wine 50	334.88	0.77%	26.43%
Liv-ex Fine Wine 100	296.19	1.66%	24.31%
Liv-ex Bordeaux 500	290.16	0.33%	22.73%
Liv-ex Fine Wine 1000	296.60	1.02%	20.95%
Liv-ex Fine Wine Investables	322.79	1.15%	24.13%

Source: Liv-ex

[Fig 2] Components of the Liv-ex 1000



Source: Liv-ex

### Wines that make up the component indices

**Bordeaux 500:** the ten most recently physical vintages for 50 top Bordeaux chateaux (2004-2013)

**Bordeaux Legends 50:** a selection of 50 Bordeaux wines from exceptional older vintages (from 1982)

**Burgundy 150:** the ten most recently physical vintages for 15 white and red Burgundy, including six Domaine Romanée Conti labels

**Champagne 50:** the most recently physical vintages for 12 Champagnes

**Rhone 100:** the ten most recently physical vintages for five Southern and five Northern Rhone wines

**Italy 100:** the ten most recently physical vintages for the five 'Super Tuscans' and five other leading Italian producers.

**Rest of the World 50:** the ten most recently physical vintages for five wines from Spain, Portugal, the USA, and Australia.