Bordeaux no longer has the monopoly on liquidity

The monthly close for the major Liv-ex Indices [Fig.1] shows modest growth across the piece in January. It would appear that Bordeaux trade has held up well despite the UK trade's focus being almost exclusively devoted to Burgundy 2015 *en primeur*.

In last week's Market Update, we drew your attention to the diversification of trade as witnessed on the Liv-ex exchange. Without labouring a point, Liv-ex analysis [Fig 2] reveals just how dramatic this shift has been. As judged by individual wines traded, Italy revealed quite remarkable growth, with the volume of wines traded up 534% since 2010. While no-one would expect there to be vast growth in the number of wines traded in Bordeaux (given that the market for Bordeaux has enjoyed good and relatively broad liquidity for some time) the data for other regions has greater significance and indicates building liquidity.

For those who have been drawn to speculate in less mainstream regions and categories, this is welcome news. Back in the day, many wine funds focused exclusively on Bordeaux for fear of having no ability to trade out if they bought further afield. Furthermore, some barely ventured outside of the five First Growth, and then perhaps only to La Mission Haut-Brion, Petrus, Le Pin and Cheval Blanc.

It is fascinating to consider just how different the wine market looks today. There has always been a concern that paper values for leading wines from smaller scale regions may flatter to deceive as price growth may not be driven by huge buying interest, but rather the enthusiastic purchasing of a narrow band of clients. While this latter concern may potentially persist for some, data should allay [Fig 2] - or at least, begin to allay concerns. Yes, it is possible that a number of individual, low volume trades have influenced these figures, but there is a clear trend here. Most of this diversification relates to the hunt for value. With escalating wine prices at release, potentially less regional supply given a more globalised market where stocks are being allocated more widely, buyers have been obliged to take off the blinkers. Today, it would be difficult to argue how this diversification could rescind.

It would be fascinating to see the data in Fig 2 next to the average value traded by region. One would have to assume that Italy and the Rhône Valley would be at the lower end, along with perhaps the Rest of the World. Not only do such regions now offer greater liquidity, but the liquidity they offer is borne out of a demand that is perhaps more representative of consumption trends rather than pure speculation.

[Fig 1] Liv-ex Indices Monthly Close

Index 01/31/2017 (monthly close)	Level	MOM	YTD
Liv-ex Fine Wine 50	338.91	0.98%	0.98%
Liv-ex Fine Wine 100	301.08	1.26%	1.26%
Liv-ex Bordeaux 500	294.65	0.51%	0.51%
Liv-ex Fine Wine 1000	301.24	0.48%	0.48%
Liv-ex Fine Wine Investables	325.87	0.78%	0.78%

[Fig 2] Individual wines traded by region

Index	2010	2015	2016	Since 2010	YOY
Bordeaux	1126	1713	1928	71%	13%
Burgundy	248	768	1206	386%	57%
Champagne	38	150	179	371%	19%
Italy	61	276	387	534%	40%
Rhône	70	233	291	316%	25%
Rest of the world	101	334	405	301%	21%
Total	**1644**	**3474**	**4396**	**167%**	**27%**

The chart above shows the growth in the volume of individual wines traded on Liv-ex, stating the percentage growth since 2010 as well as year on year levels.

Source: Liv-ex