

Questions, questions and...clichés

As expected, the monthly close for the major Liv-ex indices revealed significant steps forward with nearly all of the five main indices up 20% + year-to-date [Fig 1].

With two months remaining in 2016, it looks likely that the fine wine market will have enjoyed a year of considerable value growth. Indeed, if key exchange rates remain at similar levels, it is hard to see the current climb in value abating as we head into 2017. The fillip of Chinese New Year is yet to take effect and over the past few years this has boosted activity and demand. As mentioned in a previous Market Update, the critical question is the influence on price once the UK is obliged to re-load with stock from euro-based suppliers. In truth, this is already occurring... albeit in a selective and notably piecemeal manner.

In terms of activity, UK investors are picking off specific stocks and interest seems to be present, yet it is a far cry from the surge of interest that was felt in the heated run up to 2011. Currently, the rise in value is providing existing stockholders with a welcome opportunity to either sell down or rebalance portfolios. It is not currently clear how much new money is coming into the market, but it is unlikely to match the broader uptake encountered between 2007-2011. Anecdotally, it would seem that clients are generally selling into the curve of Bordeaux interest and re-balancing their portfolios by redeploying funds into Burgundy, Barolo and Champagne.

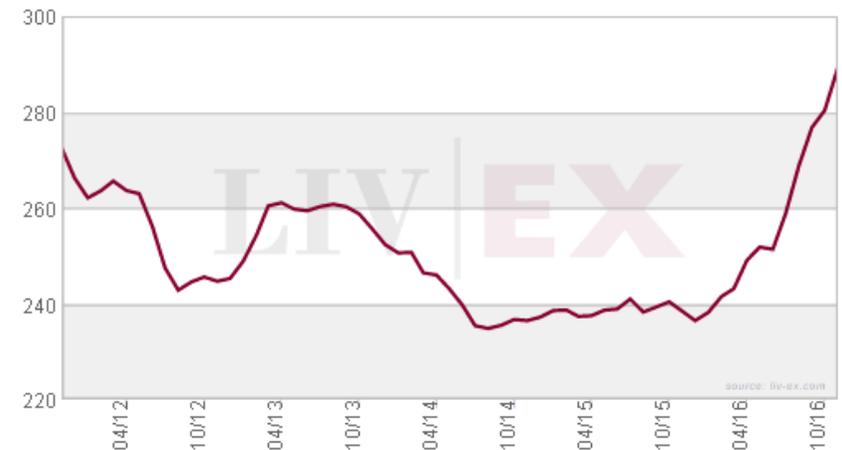
Looking forward into next year— and assuming that positive news stories surrounding a resurgent fine wine market continue — it is more than likely that new entrants and new money will be drawn closer to the market. With the level of current liquidity, as evidenced by £19.2 million of bids and £14 million of offers, on the Liv-ex Exchange, surely fine wine’s attraction will be heightened? We certainly have a ‘hockey stick’ graph on our hands [Fig 2], with the fine wine market (or perhaps more specifically, the Bordeaux market) taking a sudden change in direction after a flat or faltering period. We know that currency has been the catalyst and that the leading indices do not look as inspiring if viewed in dollars, euros and Hong Kong dollars. Merchants, brokers, négociants and private clients are all grappling with the big questions: Does this current shift represent a more fundamental change? Does it have ‘legs’ or is it an unusual occurrence brought about by unusual circumstances? The debate may not have so long to run as we are likely to know more as we edge further down the track in the New Year. To end with a couple of clichés, time will tell, but will fortune favour the brave?

[Fig 1] Liv-ex Indices Monthly Close

Index 31/10/2016 (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] The climb of Liv-ex Bordeaux 500



Source: Liv-ex