Weighing up the numbers

The major Liv-ex indices continue their steady progress after a minor blip in early May. Each spring we invariably we expect the market to be becalmed as attention is diverted to the Bordeaux *en Primeur* campaign, as clients and merchants consider potential purchases from the new vintage. This year, however, the volume of trade has remained relatively constant with little sign of slow-down as we run up to the half-year point.

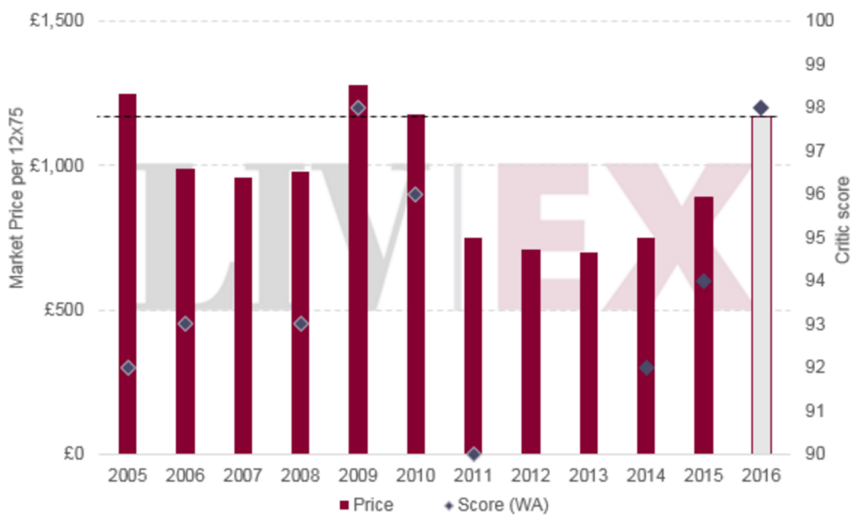
The reasons for this resilience in traded volumes is certainly related to the diverse range of wines traded today; Bordeaux is no longer the sole focus. While this region certainly still dominates the market, it is not as dramatic as it once was. Liv-ex reported that the percentage of trade commanded by Bordeaux on the exchange last week was just 64.6%. It was not so long ago that this might have been in the high 80s. There is also a sense that *en primeur* is not working for merchants as it once did; the compulsion to buy early across a broad range of wines simply does not exist any more given some of the ambitious levels at which release prices are set. Clients and merchants are starting to question what was once a hard and fast habit. To use one example of a wine that has been considered a success this year: Château Lynch-Bages. This well-followed Fifth Growth estate extends over 100 hectares and produces somewhere in the region of 25,000 cases (in dozens) per annum. It was release in London at £1120 per 12 bottle case in bond, the 2009 is available at £1340 and the 2010 at £1145 respectively, with the 2005 at £1250. Are high scores sufficient to suggest this is worth buying on release and storing? Does it make sense from a consumption perspective? Is it compelling on an investment footing? With such a significant volume produced (it is one of the larger estates), the data would tend to suggest there is no urgency to purchase at this moment in time. It is interesting to see this sell well, almost in spite of the data, but then Lynch-Bages is considered the archetypal English claret and is one of the more enduring brands.

This does, however, highlight what is now the great Bordeaux conundrum: Négoçiants can sell specific wines with ease, and we are told Lynch-Bages was considered a success, but other wines stick and they struggle to sell through. Négoçiants then look to implore merchants to assist them with other stocks. At best, *en primeur* is a fluid, efficient chain of distribution with benefits to the Châteaux, merchants and clients. At worst, it is a cumbersome, often frustrating chain of obligation, that works for a small number of Châteaux, who are fortunate enough to hold onto a loyal following. Benefits aside, it is worth adding that these widely-held observations have been borne out in 2015 and 2016, two impressive vintages. What happens with the next less inspiring vintage?

[Fig 1] Liv-ex Indices Monthly Close (31/05/2017)

Index (monthly close)	Level	MOM	YTD
Liv-ex Fine Wine 50	344.68	0.96%	2.70%
Liv-ex Fine Wine 100	303.94	0.41%	2.22%
Liv-ex Bordeaux 500	302.36	1.20%	3.14%
Liv-ex Fine Wine 1000	310.57	1.23%	3.59%
Liv-ex Fine Wine Investables	330.90	0.49%	2.33%

[Fig 2] Château Lynch-Bages— Current Market Prices vs 2016.



Source: Liv-ex