JF TOBIAS

January 2020

Fine Wine Market Decode: January

Market Sentiment: Enquiries to Sell

- Enquiries to sell totaling: £1,412,239
- Number of clients looking to sell increases by 32%
- Sterling set to continue on the front foot

As the UK prepares to slip away from the club it joined in '73, moving into a transition period that preserves membership in all but name until the end of this year, serious questions remain posed for the UK fine wine market.

The first is of Sterling. At JF Tobias, we predicted a strengthening Sterling would place further pressure on prices heading into 2020, and as the market continues to fall, with portfolios shedding percentages led lower by top Bordeaux and Burgundies, this continues to prove true.

More ominous is the Bank of England's decision to keep interest rates unchanged at their January 30 meeting. The reason: they saw early signs that the UK economy was picking up fresh momentum in the wake of the December 12 General Election, and expect further recovery in near-term growth amidst reduced Brexit uncertainties and expectations for a fiscal boost to the economy in the forthcoming March budget.

That Sterling advanced further against rivals on Thursday, means Sterling is set to exit January on the front-foot, ensuring that a multi-month period of appreciation for the currency ultimately remains intact.

Should Sterling continue on the front foot, which looks likely given the period of transition in place, the UK fine wine market is set to shed further percentages—significant upside in Sterling means significant downside in prices across the short to medium-term.

Our advice: seek an updated valuation, and if you are considering an exit in the short to medium-term, the sooner the better or be prepared for further losses.

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Market Sentiment: Enquiries to Buy

- Despite positive start to 2020, coronavirus tests market sentiment
- Prices set to come under further pressure
- UK sale share increases 9%, HK recedes 14%

Trade from the East this month began very positively. Tensions in Hong Kong appeared to have peaked, and the penning of a preliminary US-China trade agreement saw merchants returning to business with money to spend.

Overall value and volume even began to look like it may help put the brakes on a falling market. However, this week's coronavirus outbreak has, understandably, stunted what looked to be a revival in Eastern appetite. A retracement of any growing currency advantage and the change of priorities to market participants has impacted trade.

With $200 billion wiped from European stocks at the start of the week, the deadly coronavirus has prompted investors to cut back exposure to companies with a strong presence in China, the world's fastest-growing consumer market. Prices are likely to be tested further, as the market remains China-centric.

So what does this mean if you want to buy wine?

One of the most lauded skills in the investment world is the ability to "pick the bottom". One month ago we were confident that the bottom was going to be found through the remainder of this quarter. Key signals around the world were beginning to align, allowing for some tentative optimism. However, that confidence has taken a bit of a knock this week; prices will continue to be exerted to downward pressure.

It is highly likely that without the returning strength of Eastern trade and the momentary strength of the pound, the indices could step down a percent or two further.

Bordeaux wines continue to bleed value. Without the regions central consumer base to step in, and merchants undercutting each other in a race to the bottom, losses have been considerable. While there are still some safe havens in the region, these wines are few and far between.

Currency Corner: FX Decoded

In the global fine wine market, relative currency strengths play a big part in performance. Red swatches show those currencies that have gained in value against the base currency; blue those that have fallen lower in value.