



Fine Wine Market Decode: February

Market Sentiment: Enquiries to Sell

- Enquiries to sell totaling:
£4,717,639
- Number of clients looking to sell decreases by 32%

For the fine wine market, few things could be more alarming than the continued spread of Coronavirus cases; especially when set against the backdrop of protracted Brexit talks, a Sino-US trade deal only just ratified, and Trump's tariffs on wine imports.

With pricing already soft, repercussions were felt immediately. With the success of containment strategies came logistical realities for supply chains into China. With the border between Hong Kong and China closed, the route through which almost all wine sold to Asia from the UK passes, has meant trade has lurched further down.

With merchants in Hong Kong reluctant to take on stock-owned positions without knowing when they can ship stock, soft pricing has softened

further. Given the relative success of containment, it is to be hoped that this is a short-term issue for supply chains. If borders can reopen, trade can begin to tick back over—this leaves the larger question of sentiment.

Even optimists agree that global growth is fragile. If the disease continues to spread and governments take additional measures to contain it, this could lead to major changes in consumer behaviour, in China and beyond. Less travel, fewer purchases, cancelled holidays – the potential list is extensive, with luxury markets the first hit.

If it does prove contained, there is also no doubt that set against the other macro-economic factors at play, this represents a further setback to sentiment in the medium-term. For those able to look long-term, market fundamentals remain positive; price increases look at least this far away.

We have seen a significant increase in the value of enquiries to sell as top-tier investors look to cut positions. At JF Tobias, our advice remains the same, with our forecasts now being evidenced. Across the short and medium-term prices will continue to fall. With portfolios having shed an average of 5% since last November, any further delay will only incur further loss.



Market Sentiment: Enquiries to Buy

- A fantastic liquid opportunity for those looking to build defensive diversification
- HK sale share recedes 7%, UK picks up 12%

This month we want to go back to basics and discuss the fundamentals of wine as an asset. With so much negative volatility spread throughout financial markets, it may be time to consider bolstering the defensive portion of your portfolio. To that end, we will take a brief look at the virtues of including wine as a defensive part of your portfolio and why now may be a good time to start building.

The central construct of wine as a protective asset is that it is an object. This guarantees a number of alluring investment traits to those looking for stability.

The first is wines resilience to inflation; a trait that may well become very necessary in the near future. As governments exhaust quantitative easing measures and inflation rates fail to perform their systemic function, significant levels of inflation could become a reality.

This stability extends into wine as an assets mitigation of another possible risk—the potential for the devaluation of currencies. Thanks to a truly global market and transportability of the asset, investors are unshackled from the constraints of a particular currency or exchange rate, with different regional markets mitigating each other in terms of wholesale risk (USA, Asia, UK).

Another key element is wines lack of correlation to the central markets. When tested against a

range of commodities, correlation was found to be negligible at less than 0.04.

Furthermore, data has shown wine to display late cyclical downturns in times of economic stress, whilst also being an early riser as the economy turns upwards.

Finally, wine has two key functional traits. First, unlike other physical assets it can be valued with great ease and no expense. Second, should you wish to exit from part of your position this is an option—whereas you may upset someone were you to take scissors to a Picasso. As a result, wine represents a superb store for capital in uncertain times.

Through a combination of merchant’s fire selling stock to bolster year-end figures and the price slide caused by an absent Asian market, prices across large swathes of the market stand at a three-year low. Whilst the markets may be in turmoil, this represents a fantastic liquid opportunity for those looking to build diversification for the long-term.

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.

