JF TOBIAS

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Fine Wine Market Decode: June

Market Sentiment: Enquiries to Sell

- En Primeur reinforces correction.
- Trade embraces the campaign and sees raised value and volumes reciprocated elsewhere in the market.

Each year June spells one thing for the wine market: En Primeur. With the world turned upside down, the Bordelais pitched their tents and another new vintage.

Despite a short campaign that will be remembered for the wrong reasons, many estates produced outstanding quality; although masters of selling each vintage as "the best ever", when Neil Martin says similar, ears begin to prick.

This year was more than a chance to purchase the latest vintage, but served as a barometer for the health of the market. The headline? Undoubtedly the prices. Across the board releases were reduced by an average of 21% compared to 2018. An acknowledgement by those in Bordeaux of a number of things.

First and rather obviously, the world is not feeling rich at the moment. If estates wanted to clear their quota some sensitivity here was a necessity.

Second, during the last couple of campaigns both trade and consumer alike have voiced dissatisfaction; EP is too expensive, and perhaps not the best way to purchase wines. Regardless of quality, the prices were simply becoming untenable.

Finally, a respect for the market correction underway for the last 10 months. Our suggestion that this has been necessary and that we now find ourselves at a reasonable point of value, has been validated by this campaign's pricing structure.

This positive sentiment has been replicated and compounded elsewhere in the market, with steadily increasing value and volume of enquiries for all regions at all price points. These green shoots of recovery seem sturdy and batted off some seismic geopolitical wobbles. Even a volatile Sterling, looming China-US tensions and a hard Brexit scare appear to be priced in and unable to shake the markets commitment to keep trading.

This relative stability and positivity should not be interpreted as a sign that things are going to get better quickly. They are "relative" to the environment within which they are sitting.

Market Sentiment: Sales

- How to interpret these economic signals in relation to your collection.
- Simple application of a timeline and a value investing review.

Elsewhere the world's market commentators are all beginning to sing from the same gloomy song sheet. Our economic future will not include a V-shaped recovery and the various timelines for the recovery being suggested all find congruence in their projections of a slow and hard-fought retracement.

Even with the initial shock of COVID dissipating, the effects are going to be seismic and lasting, and as such you should plan and take action to prepare yourself and your entire portfolio for the tests ahead.

With this in mind, we thought we would suggest a plan of action for those of you wishing to know, should I hold or should I sell?

The first step is to identify your timeline for recouping the capital held within your collection. The two thresholds you should be considering are less than 1 year and over 3 years.

If you are holding a collection and you see your total exit from wine as less than a year away then call your broker and get a quote. There is little point in wasting your time wishing for a rapid bounce that is not coming. Reduce your risk exposure and repurpose the capital.

For those already holding a collection whose maturity timelines extend beyond a year, but perhaps not 3, either yourself, or a broker you trust, should carry out an honest and thorough review.

The intention here should be to strip out the deadwood from your portfolio, the items that are likely to sit stagnant at their current value. Anything sub 95 points is likely to fall into this category. Once again, call your broker and ask for a quote on this portion of your collection. Holding onto these items is creating enormous opportunity cost for yourself and your collection.

If you have your sights set on a close beyond 3 years then we would still advise that a review is sensible. The difference here is you have the opportunity to rebalance your portfolio at a time when prices are the lowest they are likely to be for some time.

Stripping out the deadwood and replacing a slew of mid-level cases with no price potential, with one or two quality items that currently sit at a discount to their true value means your portfolio will stand you in good stead to recover lost value by tracking the economic recovery and hopefully outperforming it.

Wine has shown throughout this economic period to be an incredible harbour for tumultuous conditions. Stable and predictable with a surprising level of liquidity, even to those of us in the trade. The value of holding a proportion of your wealth within physical assets remains high and perhaps will become even more key as we move through the coming years.

However, one thing we have learnt from the past year is that those people who have sat on their hands have lost out. Those that listened to their trusted market professionals have either saved themselves a considerable loss, or even made money. Wine is a niche market with a variety of odd parameters and inputs, all of which requires expertise to navigate safely.