JF TOBIAS

March 2019

Fine Wine Market Decode: March

Market Sentiment: Enquiries to Sell

- Enquiries to Sell Totaling: £2,675,883
- Number of clients looking to sell increases by 31%
- Positive market speculation leaves investors unmoved

March was always a month of key deadlines.

Despite positive news-flow with both the Trade War and Brexit, a deal looking likely in both cases, there is a sense that fine wine market sentiment is sick of speculation, and remains bearish.

This extends to investors, who continue to shift wines out of their holdings—positive speculation not enough for them to hold through the volatility—with the upward trend in Sterling, as predicted, placing further downward pressure on wine prices.

This is especially true of the Bordeaux First Growths, and top Burgundies; where asking price is highest, the drop is largest in absolute terms.

As a result, both the number of clients looking to sell increased again 31% by number on last month, but by a significant 65% in value.

It is the top tier of investors, who wish to exit in the short-term, who have increasingly looked to liquidate, pocket gains, and not risk portfolios falling further.

At JF Tobias we believe the current upside momentum in Sterling will extend further across the short-term, as will the downward pressure on wine prices. Optimism with both Brexit and the Trade War has not shifted demand significantly enough to mitigate this.

We also believe that long-term fundamentals remain positive. History suggests such volatility has little long-term effect on the fine wine market. The key here is understanding time horizon; if you can take a long-term view, you can largely ignore the volatility.

However, for many of our clients who wish to exit in the short-term, the volatility and increasing downside risk is not worth limited upside potential.

Market Sentiment: Sales

- HK sale share falls 1%
- Trade war optimism fails to affect HK sentiment
- US sale share increases 4%, increases

Whilst the wind is blowing in favour of a trade deal between the US and China, and in favour, at the moment, of the UK achieving a 'soft Brexit', February has been a slow month; prices and demand softened further.

Chinese markets are still cautious—Hong Kong's sale share actually dropped 1% on last month. Until a trade deal is confirmed, demand from mainland China is not expected to increase significantly, and so HK remains bearish.

China's parliament also kicked off its annual meeting on March 5, and ratified the 300 billion stimulus package in tax cuts we reported last month. Whilst a positive measure, it also confirms fears over their slowing economy; they warned China "must be fully prepared for a tough struggle." Akin to saying fine wine must be prepared for a struggle.

Combined with the volatility on Sterling stock, as UK and HK merchants increasingly refuse to take on the risk amidst prices falling quickly across First Growths and Burgundy, the market remains bearish in the short-term.

This holds for the UK, whose sales share fell 4%. The US, however, traded robustly on the news that a deal is likely, increasing their sale share by 4%.

Currency is also playing a key role; especially the Euro-HKD rate. Whilst Sterling has strengthened, the Euro has steadily weakened; Europe (France, Germany, Switzerland and Holland) is now much more competitive in pricing, and this may result in UK prices coming down further.

With First Growths leading the downward price trend, such volatility is testing the high market prices the top brands command. The prices for these have to be very attractive, as merchants are worried about taking too much of a risk position, with prices falling as they are.

Instead, clients are looking towards better value buys, such as the Second Growths.

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.