



Fine Wine Market Decode: May

Market Sentiment: Enquiries to Sell

- Enquiries to Sell Totalling:
£2,840,005
- Number of clients looking to sell decreases by 8%
- Trump's threat reawakens trade war fears

That positive market speculation left investors unmoved was ratified by the surprise threat from Trump to China this week: he will raise tariffs on \$200 billion worth of Chinese goods to 25% from 10% on Friday, and will soon target remaining Chinese imports.

Whilst this hit Asia-exposed financial stocks and currencies, it may well hit the Asia-exposed fine wine market. This has checked any of the optimism JF Tobias warned against last month, and, amidst such highly sensitive market conditions, volatility will likely be the order of the day.

Currently there seems a much greater chance of volatility extending across the short-term and into the medium-term, were tariffs imposed. Friday may well confirm that. And, whilst we saw an 8% decrease in enquiries to sell, by value we saw an increase of 74%, as the top tier of investors continue to reduce risk.

Despite markets finding little positive in the latest cross-party Brexit talks, the prospect of an appreciating Sterling remains.

The best-performing major currency in 2019, Sterling remains finely poised, trapped between downside domestic political risk and the ongoing upside of a deal being reached.

Sterling's upside potential remains a threat across the medium-term (as UK stock would become more expensive to overseas buyers), and with demand likely to soften further from mainland China, prices look set to fall further.

This week will largely shape risk-sentiment for the coming months, although we expect to continue to see investors move towards reducing stock holdings. Any nuance in China-US talks, indeed if they even go ahead, are likely to trigger further reactions from investors.



Market Sentiment: Sales

- HK gains 14% sale share, UK sale share recedes 8%
- US-China trade war reescalation reveals fragility of market
- CNY weakens significantly against HKD

The market remains slow, with cases trading below where we would expect, as both investors and collectors look to shift stock quickly.

In some instances, this is leading to market saturation, with a sudden liquidity that is further weakening prices.

A sharp deterioration in negotiations between the world's two largest economies also looks set to further test appetite for risk and prices, as top U.S. trade officials claim China have backtracked on substantial commitments made during trade talks; Trump's tweeted threat to further raise tariffs this Friday being the result.

This sent shock waves through HK's stock market and further weakened confidence. Any reescalation of the trade war, and especially heavier tariffs, will have serious consequences for the fine wine market.

Of these, the FX rate between the CNY and HKD remains important, as this largely affects demand from mainland China which underpins HK imports from the UK.

Whilst the CNY has strengthened against the HKD significantly in recent months, it weakened significantly on Sunday, in a stark reminder of just how fragile the current Asia-exposed fine wine market is to macroeconomic events.

With En Primeur continuing to steal focus and demand away from the secondary market, many will be hoping that when attention returns to it, tariffs will have been avoided, and trade talks progressing positively towards a deal once again.

The alternative will be a further reluctance to hold riskier and pricier assets, with First Growth's and Burgundy already leading the fine wine market lower. Investors and merchants will wish to mitigate the risk of holding stock in a falling market with a moderating growth outlook over the medium-term.

As a result, prices look set to soften further in HK, as will their purchasing power. This in turn is likely to further affect UK prices.

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.

