



Fine Wine Market Decode: June

Market Sentiment: Enquiries to Sell

- Enquiries to Sell Totalling:
£1,624,112
- Number of clients looking to sell increases by 1%
- Sterling pressured as hard Brexiteers emboldened

With Teresa May having set out a departure date, concerns have risen that she is likely to be succeeded by a Eurosceptic leader, potentially increasing the chances of a 'no-deal' Brexit.

Those concerns have pulled the rug from under the pound, prompting the currency to weaken dramatically against the euro and dollar, having now lost ground for four straight weeks.

Whilst a weak pound is good news for the UK wine market, as stock becomes cheaper to overseas market and buoys interest, it is currently

the proxy for a 'no-deal' scenario, and set against the backdrop of a Sino-US Trade War escalating dramatically.

Whilst demand from Asia, and thus Hong Kong, has remained fairly steady, the double risk of an appreciating sterling and weakening Yuan remain real threats.

At JF Tobias, we believe markets are assigning too high a probability to 'no-deal' scenario. Were a deal to be reached the upside risk of sterling would be significant.

Were this to come into play, it would no doubt further weaken demand from Asia and Hong Kong, prices falling further as a result.

Weak economic readings from China, as a result of the trade conflict, have also dampened the outlook for most regional players that depend heavily on the world's second largest economy as a trading partner.

Although robust long-term, downside risks over the short and medium term have increased. We expect to see more clients take bigger steps to decrease exposure to these in the coming months; now looks increasingly like a good time to exit.



Market Sentiment: Sales

- HK sale share recedes 3%, US sale share increases 6%, UK 2%
- Trade war continues to affect sentiment
- CNY continues to weaken

Trade has remained choppy but buoyed by a weak pound, with HK receding slightly, and the US increasing its sale share.

En Primeur continues to stumble along, although has not greatly affected secondary market demand heading into June.

Off-vintages and the Second Growth’s continue to trade fairly, whilst the top Bordeaux estates and Burgundy producers are still struggling. This is amidst persistent fears of a global slowdown, with the intensifying US-China trade war looking further set to trouble Hong Kong into the third and fourth quarter.

Saturday marks the latest twist with China’s tariffs on \$60 billion worth of American goods taking effect, in response to Trump’s abrupt decision to raise tariffs in early May.

There are worries internationally that as trade tensions prevail, weaker links may be exposed and trigger problems such as those that caused the 1997 Asia financial crisis. With the fine wine market so highly globalised, any weakening demand from Asia will have direct and negative consequences on UK prices.

Whilst a weak sterling has proved a tailwind to Asian trade heading into June, the weakening of the Chinese Yuan may well yet form a headwind, with HK sale share receding slightly on last month in response.

Although the yuan has stabilized in recent weeks as authorities voiced support for the currency, following a rapid sell-off that pushed it near a level not breached since the global financial crisis, it still lost about 2.5% in May.

At JF Tobias, we believe there is a strong need to watch economic fundamentals and tariff policies’ impact on the Yuan in the mid-to-long term, given the backdrop of souring relations between Washington and Beijing. China may well welcome a weakened Yuan, and not take the usual steps to rectify it, as it would mitigate the effects of tariffs on exports.

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.

