



Fine Wine Market Decode: July

Market Sentiment: Enquiries to Sell

- Enquiries to Sell Totalling:
£1,924,021
- Number of clients looking to sell increases by 90%
- No-deal Brexit fears keep Sterling subdued

Heading into July, the fine wine market remains delicately poised.

Sterling has fallen towards its lowest levels in more than two years, against the backdrop of a worsening economic outlook and rising fears about a no-deal Brexit with a new Prime Minister.

Boris Johnson, the frontrunner, has said Britain will leave the European Union on Oct. 31 deal or no deal. But he has also said there is only one chance in a million of leaving without an agreement in place.

Such uncertainty is, in the short term, good news for the fine wine market. A weak Sterling has mitigated the poor demand from a Chinese market still reeling from the trade war.

Heading into July then, the fine wine market remains delicately poised, if just optimistic enough for the Liv-ex 1000 to rise for the first time in 2019. Despite this, a real risk of downside continues.

Were we to leave the EU with an agreement, an appreciating Sterling combined with a sluggish Chinese market would see further downturn. The fact that the Liv-ex 1000 only rose by such a small amount on the back of such a weak Sterling reinforces this.

In June, we saw both enquiries by value increase, as well as by 90% in number. This was led largely by the continued uncertainty surrounding fine wine investments heading into the second half of the year, as well as by storage fee renewals, prompting many to review their holdings and seek to redress balance and risk.

With the volatile macroeconomic events of both Brexit and the trade war still unresolved, it is unlikely the market will remain so delicately poised as we head into the second half of the year.



Market Sentiment: Sales

- HK sale share recedes 11%, US sale share increases 1%, UK 2%
- Resumption of trade talks do not affect sentiment
- CNY strengthens against the HKD

Trade has, despite positive overtones, remained dovish throughout June. Although a weak pound has helped to mitigate weak demand, HK sale share still receded 11% on last month.

Off-vintages and the Second Growth's continue to trade fairly, whilst the First Growth's and Burgundy producers are still struggling. Despite the market widely cheering a resumption of talks between Washington and Beijing, this has yet to affect demand in Asia.

With tariffs remaining in place while negotiations resume, many still question whether the two sides will be able to build enough momentum to breach the divide and forge a lasting deal. Indeed, both Washington and Beijing appear to have very different ideas of even what was agreed to in Osaka.

With both sides preparing for a protracted battle as key issues remain far from settled, if anything the hurdles to an agreement look higher now than they did when talks broke down in May. Suggestions that another long stalemate lies ahead do not look wrong.

A weak Sterling then very much in favour of overseas markets, as well as a CNY strengthening against the HKD, have not formed the usual tailwinds to the market one would expect.

This was only worsened by the riots in Hong Kong, with millions of people taking to the streets

to protest against the now-suspended extradition bill that would allow people to be sent to mainland China to face trial in courts controlled by the Communist Party.

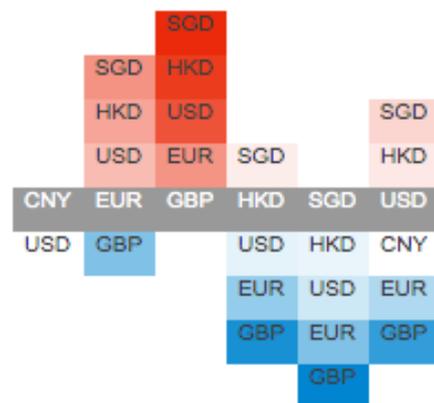
Looking towards August, it will be hoped that Sterling remains as weak as it has done, whilst sentiment improves in Asia. With fundamental factors pointing to a weaker pound, with downward momentum still intact across the short-term, it could yet form the headwind needed to see the market finish 2019 on a high.

HK sale share has now receded two months in a row, and it will be hoped that a weakening sterling will be the easiest way to buck this trend, when coupled with meaningful progress in the trade talks.

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.



-2.12% +Infinity%