



Fine Wine Market Decode: August

Market Sentiment: Enquiries to Sell

- Enquiries to Sell Totaling:
£2,076,619
- Number of clients looking to sell increases by 14%
- Sterling remains significantly weak

In August, volatility continues to underpin financial markets, fine wine no different. Escalating trade tensions between the US and HK, the fear of a no-deal Brexit, and the effects of both continue to pose real risk.

Following the election of Boris Jonson, Sterling has depreciated significantly as investors increase their expectations of a no-deal, and increased political uncertainty.

The perceived increase in these risks, alongside fears of a global economic recession, are worrying signs for fine wine.

Despite Sterling's unprecedented weakness giving the market a broad boost, which saw prices stabilise somewhat, there is a feeling that this does not tell the whole story.

That the market has only made such small gains on the tailwind of this weakness is of concern, raising direct questions as to both demand and appetite from China. Looking to Asia, we see a market ravaged by trade tensions with the US, and the gateway to this market, Hong Kong, disrupted by political unrest.

Across the short and medium-term, the risk of an appreciating Sterling remains high. At JF Tobias, we believe the upside to be significant, and any uptick in Sterling, if movement towards a deal, or a delay, was reached, would drive prices downwards.

We have seen clients across the spectrum respond. In July, we saw again both an increased number of enquiries from clients looking to exit, or rebalance their portfolio, as well as increase in value; it is not simply the top tier of investors wishing to move on their portfolios before Brexit, who increasingly are seeking advice on mitigating risk, but also those with mid-sized or small sized investments, that typically have a shorter investment horizon relative to their size.



Market Sentiment: Sales

- HK sale share recedes 17%, US 19%
- HK political unrest affects demand
- Severe escalation in trade war

In a slow month, there is a sense that September may prove a decisive bellwether for the health of the market heading into the latter part of the year.

Whilst Europe takes its customary month-long break in August, political unrest in HK and escalation in the Sino-US trade war have marked Asian markets. Both HK and the US recorded their largest recede of sale share in response.

HK reported further weakened demand from China, led largely by Beijing allowing its currency to weaken past the psychologically important point of 7 RMB to the Dollar for the first time in over a decade, in response to Trump imposing an additional 10% tariff on the remaining \$300 billion worth of Chinese imports.

This marks a dangerous escalation of the Sino-US trade war, with Trump's Treasury Department formally labelling China a currency manipulator, as Chinese enterprises stopped making new purchases of American farm goods.

For the fine wine market, in real terms, this is worrying. A weaker currency can make goods cheaper to sell abroad, allowing businesses and consumers to help offset the additional tariffs, but it all has a knock on effect for imports, as purchasing power weakens, lessening both demand and appetite.

The devaluation of the currency suggests China has determined a deal with the US is unlikely, and is digging in for a stalemate, reflecting weaker fundamentals; the fine wine market will follow in

consequence. Although the UK market deals in Sterling, the performance of fine wine as an asset within a global market depends largely on the RMB.

To that end, the Mid-Autumn Festival, the second grandest festival in China after the Chinese New Year, will serve as a barometer in real terms. Traditionally, HK merchants use this festival, and the increased or decreased sales prior, as a good judge of Chinese demand for fine wine, and adjust their demand accordingly.

Given the macro-economic turmoil engulfing Asian markets, it is likely that we will see a decrease; further tough months may well remain ahead.

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.

