



Fine Wine Market Decode: August

Market Sentiment: Enquiries to Sell

- A Stagnant Market Stimulated Through Desperation
- Bordeaux Shows Sign of Recovery
- The R.O.W Remains Stagnant

Typically, August is a sleepy month for the wine world, with European merchants shutting up shop and heading to the beach. However, in keeping with 2020 so far, this August was an altogether different affair. The wine world had lost ground to make up and as such the trade were at their desks and busy.

June and July this year saw a stagnant wine market, with participants choosing to sit on their hands, not daring to risk the possibility that the market had not quite reached “the bottom”. A combination of the threat of further COVID headlines and some residual scar tissue from 9 months of continual losses ensured trade volumes across the globe caveated at low levels.

As a result, merchants were left needing an unseasonably large August to rescue their summers.

The market responded choosing to test the waters with low risk items. Subsequently the significant uptick in trade volumes came almost solely across high quality Bordeaux.

This regional theme is likely to extend through the mid-term. With those in the market unlikely to want to take a chance on exotic or low-quality items. Until the wider socioeconomic picture can create some stability and confidence, prices outside of the top BDX sector are unlikely to be positively affected, further perpetuating this period of stable but low prices.

This market reaction is however in keeping with our prior prediction, adding weight to the suggestion this correction has in fact been necessary, returning the market from a position of overvaluation. We envisaged a situation where only the best items would recapture their prior months losses which is now playing out.

As a result of all of this we once again encourage you to cut the dead weight in your portfolio.



Market Sentiment: Sales

- A Market Tentatively Testing Higher Prices
- The New Normal is Awash with Opportunities
- Fear Vs. Greed

The wine market may have a glossy consumable product at its core, but it should not be forgotten that it operates in much the same way as any other money market, albeit a little slower. Subsequently wine prices, just like that of oil or FX rates, perfectly encapsulate and interpret human sentiment. Therefore, just like any other asset class, the drivers can be distilled down to two emotions, Fear and Greed.

It does not take a wealth of experience to infer that at the moment the predominant theme in the wine market is one of Fear. The effect of months and months of losses have left a market raw and a little reluctant to reengage. As a result, it is not the effect of Fear but Greed that we want to look at this month, both in reference to portfolio preservation and creation.

Greed has been a costly force for many wine owners throughout this year. Some will have refused to accept advice that the market was falling, and are likely to have suffered significant losses. We can only advise now that those in this situation reframe their perspective, and consider the values they now see as normal. A failure to do so will only serve to cloud judgement and further impact the financial health and resilience of portfolios.

For clients to preserve remaining capital and to reposition effectively for the coming months, an objective acceptance of change is required.

Accepting that there is not a rising tide coming, and as such many ships will remain beached incurring opportunity cost hand over fist is key.

Then we turn to those whose Greed is well timed; those who have patiently waited for the opportunity to expand their portfolios and fill their boots at rock bottom prices.

The bottom appears to have been confirmed and the market is now awash with rare and exotic stock at fire-sold prices, in combination with a host of merchants looking to make up for lost time. You can be sure there will be an array of deals to be done and bargains to found.

The smart money buys at the accumulation phase of the market cycle which we are most certainly in. Contact your broker and make hay while the going is good. The wine market has moved into a new phase where old rules and preconceptions are no longer applicable. We encourage our customers and to take this onboard and move with the market.

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.

	EUR	USD	AUD	GBP	NZD	CAD	CHF	JPY	HKD	SGD
EUR		0.42%	0.32%	-0.35%	0.03%	0.14%	0.59%	0.37%	0.42%	0.3%
USD	-0.38%		0.09%	-0.8%	-0.4%	-0.29%	0.19%	-0.05%	0%	-0.12%
AUD	-0.3%	0.12%		-0.66%	-0.28%	-0.16%	0.31%	0.07%	0.1%	-0.06%
GBP	0.38%	0.79%	0.69%		0.38%	0.3%	0.97%	0.76%	0.76%	0.66%
NZD	0.02%	0.46%	0.34%	-0.36%		0.18%	0.64%	0.42%	0.34%	0.29%
CAD	-0.08%	0.3%	0.17%	-0.47%	-0.04%		0.49%	0.26%	0.32%	0.17%
CHF	-0.6%	-0.16%	0.25%	-0.94%	-0.58%	-0.49%		-0.21%	-0.41%	-0.32%
JPY	-0.35%	0.08%	-0.05%	-0.72%	-0.31%	-0.24%	0.15%		0.1%	-0.08%
HKD	-0.39%	0%	0.12%	-0.75%	-0.35%	-0.31%	0.21%	-0.05%		-0.14%
SGD	-0.14%	0.19%	0.06%	-0.61%	-0.2%		0.39%	0.13%	0.13%	