

Market Report

November 2020

Index	Level (30/10)	MOM (%)	YTD (%)	1y (%)	5y (%)
Liv-ex Fine Wine 50	344	1.3%	2.7%	0.3%	29.7%
Liv-ex Fine Wine 100	314	1.2%	3.8%	1.8%	30.7%
Liv-ex Bordeaux 500	319	0.8%	3.3%	1.7%	33.7%
Liv-ex Fine Wine 1000	352	0.3%	1.3%	-1.2%	43.0%
Liv-ex Fine Wine Investables	341	3.2%	2.5%	-0.4%	29.4%
FTSE 100	5,912	-0.9%	-21.6%	-20.2%	-2.5%
S&P 500	3,363	-3.9%	4.1%	13.0%	75.2%
Gold	1,890	-3.9%	23.9%	26.1%	69.4%

Record value of trade

October saw the highest value of trade in a single month since July 2011. Trade by value was up 17.6% on September and 31.1% on this time last year, while volumes traded fell 1.2%. Due to increased adoption of [trading automation](#), weekend trades also reached an all-time high this month. Activity was centred around the same number of wines as September.

The recently released Taittinger Comtes Champagne 2008 was the most active wine by value, followed by DRC Romanee Conti 2006 and Giacomo Conterno Barolo Riserva Monfortino 2014. Spotswood Cabernet Sauvignon 2017 and Promontory 2013 from the US were also in the mix.

The USA market share hit an all-time high in October, taking 10.8% of the total trade by value. For a third consecutive month, Bordeaux's share held under 40% (at 36.2%), with Burgundy taking 19.6%. Trade shares for Italy and the Rhone dipped to 14.9% and 4% respectively, while Champagne improved slightly, from 8.9% to 9.3%. The Rest of the World took 5.2%, led by Australia (1.9%), Spain (1.1%) and Germany (0.7%). A larger range of Scottish single malts were also active on the exchange. In 2020, trades for whisky have more than doubled compared to 2019, with a corresponding rise in the number of buyers.

The month was also positive for the Liv-ex indices. Prices of physical Bordeaux increased in October which, with the help of the Rhone and Champagne, pushed the Liv-ex 100 upwards 1.16% for the month. The Liv-ex 1000 index rose 0.29%. The Rest of the World 60 was the biggest riser (0.93%).

Liv-ex Fine Wine 50 Index



Liv-ex Fine Wine 100 Index



This newsletter is provided for informational purposes only and does not amount to financial advice or advice as to the value or likely future values of any of the wines it discusses. The opinions expressed are subject to change without notice. Neither Liv-ex Ltd nor any of the authors or editors of this newsletter accept any liability for the accuracy of its contents.

Major Market Movers - The price of performance

October's largest risers came from one of Burgundy's most famous estates, Domaine Romanee Conti. Top of the list was DRC Echezeaux 2012 - the "entry level" wine in this famous stable. Antonio Galloni awarded the wine 94 points describing it as "rich, explosive" and "a real overachiever". The DRC index is also over-achieving, up 4.2% compared to a 2.31% decline for the Burgundy 150. Of the five DRC labels in the Burgundy 150, all but one had a positive month. The one negative return came from the top of the tree, DRC Romanee Conti, which fell 1.3%. DRC Richebourg increased the most, up 3.5% for the month.

Table 1: Top market movers in October

Region	Wine	Vintage	September	October	Change
Burgundy (red)	DRC, Echezeaux	2012	£16,926	£18,578	9.8%
Burgundy (red)	DRC, Richebourg	2007	£23,089	£25,334	9.7%
Burgundy (red)	DRC, Tache	2014	£27,718	£29,714	7.2%
Burgundy (red)	DRC, Grands Echezeaux	2007	£19,790	£21,112	6.7%
Burgundy (red)	DRC, Romanee Saint Vivant	2015	£21,215	£22,519	6.1%

Source: Liv-ex.com / Mid Price per 12x75

Critical Corner - Jancis Robinson Bordeaux parts 1 & 2

Julia Harding MW (JH) and Tom Parker MW (TP) tasted through the [UGCB's offering of Bordeaux 2018](#), presenting insight into how these wines have evolved from En Primeur 18 months ago. Julia found that 36 of her wines went up in score and only 13 went down from her initial scoring. She was most impressed by Graves and Pessac-Leognan. Tom Parker noted the 2018 vintage is very good but not great and far from homogeneous. Of the 128 wines tasted between the pair, three were rated 18/20 points with Leoville Barton being Tom Parker's pick of the bunch. The top scoring wines from the tasting can be seen in Table 2.

Table 2: Julia Harding MW and Tom Parker's MW top-scoring wines

Wine Name	Region	Score	Critic	Market Price
Chateau Leoville Barton 2eme Cru Classe	Saint-Julien	18	TP	£669
Chateau Pichon Longueville Comtesse de Lalande 2eme Cru Classe	Pauillac	18	TP	£1,429
Domaine de Chevalier Cru Classe	Pessac-Leognan	18	JH	£571
Chateau Smith Haut Lafitte Cru Classe	Pessac-Leognan	17.5	JH	£857
Chateau Troplong Mondot Premier Grand Cru Classe B	Saint-Emilion Grand Cru	17.5	JH	£805
Chateau Langoa Barton 3eme Cru Classe	Saint-Julien	17.5	TP	£360
Chateau Pichon Baron 2eme Cru Classe	Pauillac	17.5+	TP	£1,234
Chateau Brane-Cantenac 2eme Cru Classe	Margaux	17++	TP	£545
Chateau Canon Premier Grand Cru Classe B	Saint-Emilion Grand Cru	17++	JH	£1,082
Domaine de Chevalier	Blanc Cru Classe	17+	JH	£753
Chateau Leoville Poyferre 2eme Cru Classe	Saint-Julien	17+	TP	£714
Chateau Lynch Bages 5eme Cru Classe	Pauillac	17+	JH	£1,000
Chateau Phelan Segur	Saint-Estephe	17+	JH	£324

In the news

Bordeaux 2018 presented to the trade and media

The Union des Grand Crus de Bordeaux held their annual tasting this month presenting the wines of the 2018 vintage to the trade and media. While the En Primeur campaign was broadly considered a success (there were some very high scores awarded and some very high prices demanded) it was a vintage shrouded by a lack of consensus. Growing conditions were uneven throughout the appellations, while alcohol and acidity levels were varied. Subsequently there were some sharp differences of opinion among the critics. Of the Bordeaux 500 wines released En Primeur, 43 of 47 have seen their prices drift. (See Critical Corner for updated scores).

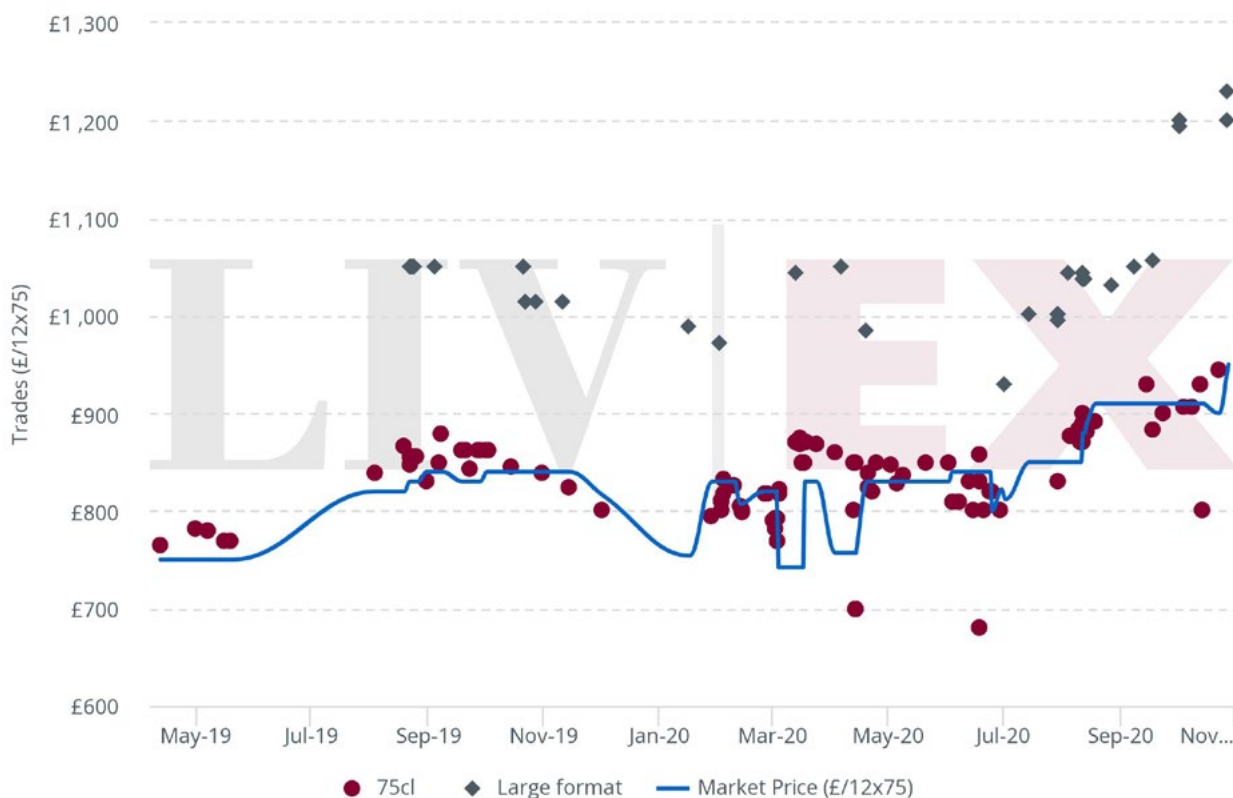
Early releases from Rhone

Wines from the 2019 vintage in Southern Rhone are now being released. [Beaucastel 2019](#) was offered in the UK at £550 per 12x75, up 1.9% on [last year's release](#) (£540 per 12x75). The wine is yet to be scored by major critics but the producer, Famille Perrin, have said that this is "a great vintage of Beaucastel", and an "impressive wine full of complexity".

Chart of the Month

Are people willing to pay more for the same quantity of wine but in a different format? With the 98-point (AG) Tignanello 2016, the answer is unequivocally yes. Seen in Chart 1, trades of Tignanello 2016 in large format have commanded between a 15% to 30% premium over the past 18 months. 150cl bottles currently trade at a 22.57% premium over their 75cl counterparts – the broader market average is 8.33%. Some 320,000 bottles of Tignanello were produced for the 2016 vintage but it is unknown how many of these were magnums. What seems clear though is, the bigger, the better.

Chart 1: Tignanello 2016 - 75cl trades versus large formats



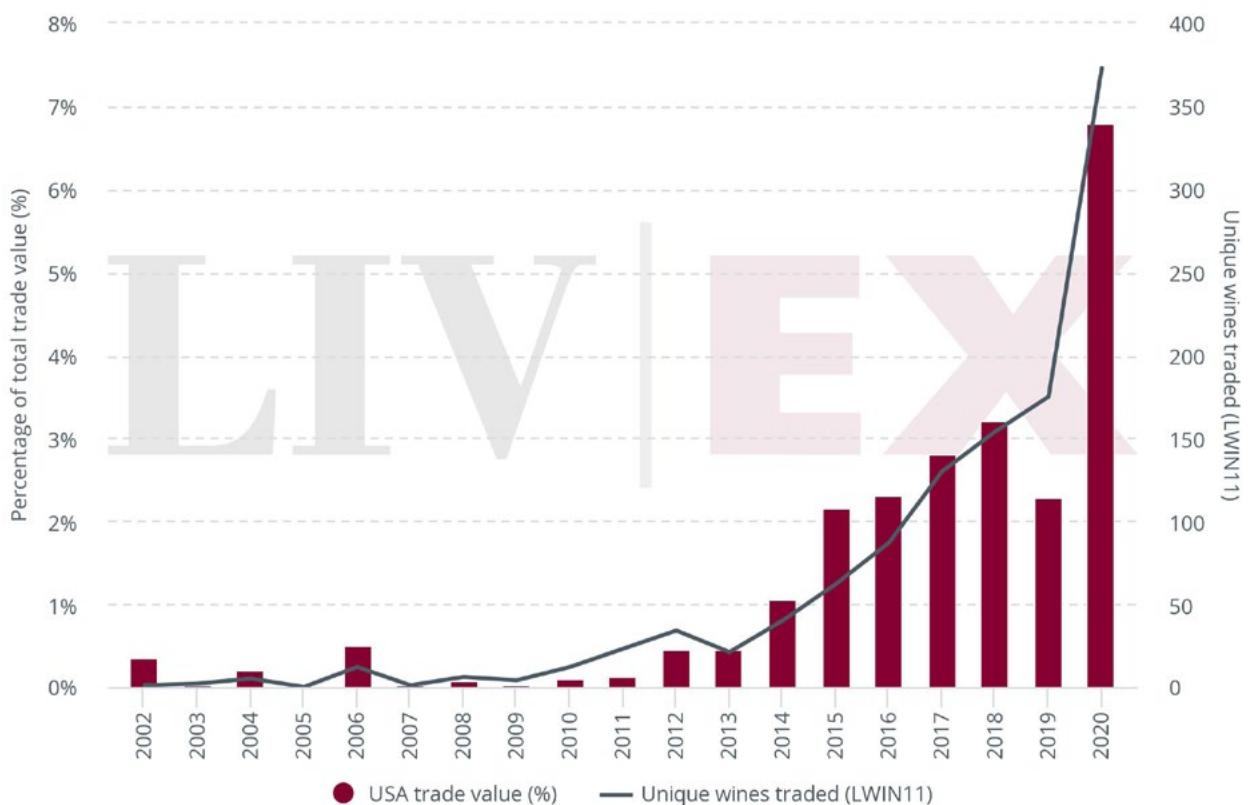
Final Thought

The growing market for US wines

The USA has long been a major buyer of European wines and a significant force in shaping the fine wine market. Wine produced in the States, however, has had less of an impact on the broader market than one might think. Its influence was confined to a few collectible estates. Ten years ago, only four labels saw secondary market trade, and the USA's trade share by value stood at miniature 0.1%. Much of what the US produced was collected and consumed in the US. Today things look very different. American wine has accounted for a record share of trade so far this year, up from 2.3% in 2019 to 6.8% in 2020. Year-to-date, the number of unique American wines traded is more than double that of 2019.

Although wine production exists in all fifty states, California produces [85% of all US wine](#) yet it makes up roughly 98% of USA's trade by value on the secondary market. Ten years ago, California was synonymous with Napa Valley. More recently, the market for California's wines has been diversifying. Napa Valley's market share has fallen from 87.4% in 2019 to 79.6% year-to-date. Increasingly, Oakville (3.7%), Rutherford (2.6%), Sonoma County (1.9%) and Sonoma Coast (0.8%), Santa Cruz Mountains (1.5%), Russian River Valley and Paso Robles at 0.4% each, have been taking trade share.

Chart 2: USA market share by value vs USA LWIN11s traded



Critical recognition

Growing attention from critics has doubtlessly contributed to increased secondary market trade. The Wine Advocate have published 237 articles on California, compared to 170 on Burgundy and 270 on Bordeaux. Most recently (November the 5th), Lisa Perrotti-Brown MW reviewed the "bright, shiny new Napa Valley 2018s", awarding five wines a perfect 100 points. The "undeniably stunning" Screaming

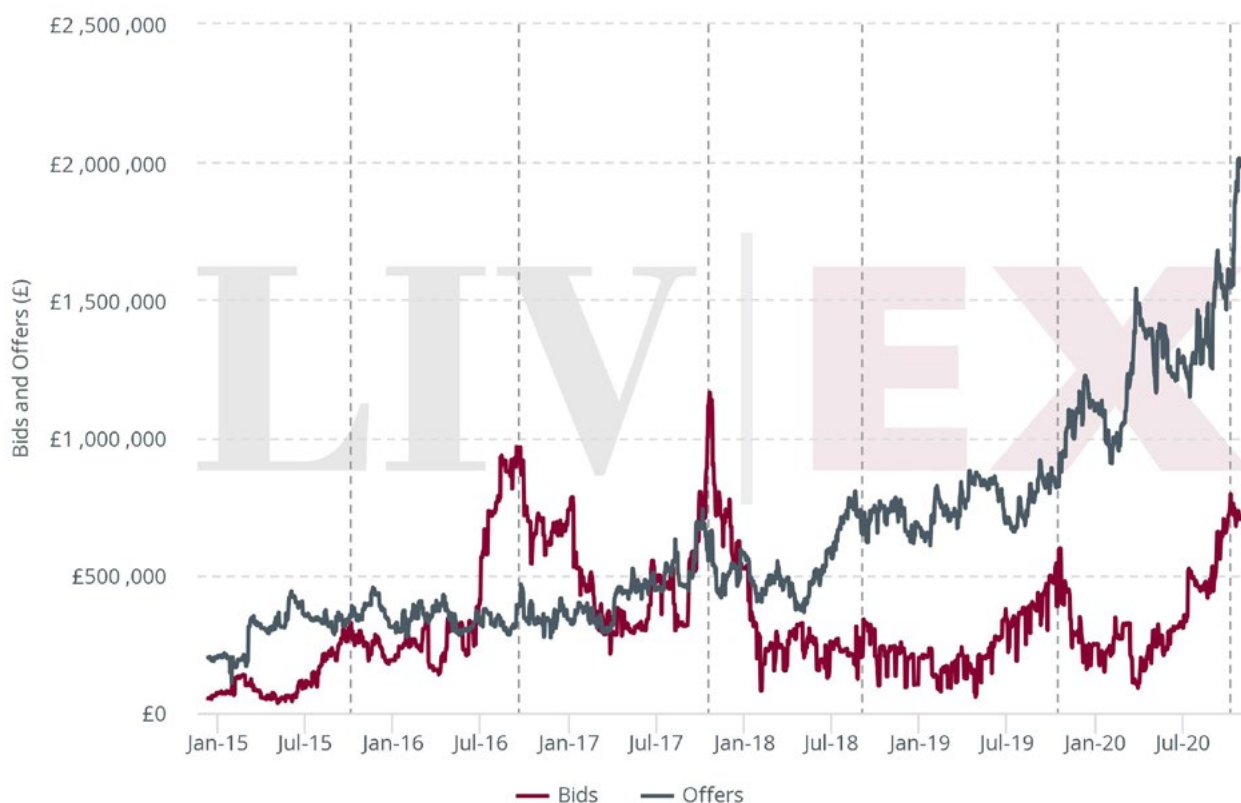
Eagle 2018 featured amongst them and so did Spottswoode Cabernet Sauvignon 2018, which she called “wowers”. According to Perrotti-Brown, the 2018 Napa Valley is “an atypical vintage for our modern times and, paradoxically, a great one”. Just last week, the critic also [completed her initial in-bottle assessment](#) of the 2017 vintage, previously described by her as “[Napa’s Perfect Storm](#)”. Meanwhile, [Erin Brooks](#) covered the Central Coast, Sonoma County and Oregon in a series of articles for the publication. At [Vinous](#), Josh Reynolds reported on the 2018 vintage from Santa Lucia Highlands, while in September Antonio Galloni looked at Promontory and Santa Cruz Mountains. The sheer number and diversity of critical reviews, added to a series of strong vintages, has almost certainly led to greater demand from collectors from all corners of the world.

A surge in demand

Demand for US wines has risen across all major buying regions (UK, Europe, Asia, USA). So far this year, the value of live bids is up 240% on 2019. The biggest buyer of US wines has been the United Kingdom, which has made up 63.3% of sales value in 2020. The second largest buyer, after growing their trade value by more than 1,450% from 2019, is the USA itself. Asia comes next, with strong preference for collectible brands such as Opus One. Europe is the smallest buyer.

The surging demand, however, is not evenly spread throughout the year. Instead, it follows a seasonal rhythm. As seen in Chart 3, live bids tend to peak in September and October of each year. This coincides with the annual New World En Primeur campaign, when new releases of Opus One, Verite, Joseph Phelps and Inglenook enter the market through La Place de Bordeaux. In the months following, demand drifts as focus turn back to European releases in the form of Rhone, Burgundy and in the spring, Bordeaux. But then with the on-set of summer bid exposure begins to recover.

Chart 3: California bids and offers (value) since December 2014



Price performance – has it peaked?

The California 50 had a relatively strong 2014, outperforming both measures of the broader market as the fallout from the China-led bubble rumbled on. Between January 2014 and January 2019, the California 50 index rose 86.1%, compared to 22.4% for the Liv-ex 100 and 43.6% for the Liv-ex 1000.

In early 2019, the trend began to reverse. Offers of US wines hit record levels just as the California 50 began to turn south. Much as we have seen in the Burgundy market, the stellar price increases brought more players to the market – both in the most popular wines but also in the more niche offerings. While this serves to diversify and broaden the market, prices for the leading (usually, the more expensive) labels tend to come under pressure. It is a simple case of supply and demand.

The position of American wines in the global marketplace is still in development. It is too early to know where its natural market share will settle but having played virtually no role only ten years ago, its rise of late is notable. While the focus will doubtless remain on the leading estates, it might well be the emerging estates - the second and third tier producers – that deliver the better returns for collectors going forward.

Chart 4: California 50 vs Liv-ex 100 and Liv-ex 1000 since January 2010

