

Market Report

October 2020

Index	Level (30/09)	MOM (%)	YTD (%)	1y (%)	5y (%)
Liv-ex Fine Wine 50	339	0.4%	1.3%	-2.7%	26.1%
Liv-ex Fine Wine 100	310	1.4%	2.6%	-0.3%	28.5%
Liv-ex Bordeaux 500	316	1.0%	2.5%	0.3%	31.6%
Liv-ex Fine Wine 1000	351	1.0%	1.0%	-2.6%	42.3%
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%

Fine wine defeats September market fears

Despite a second Covid-19 wave, growing Brexit anxiety and currency volatility, the fine market showed signs of cautious optimism in September, with rising prices and increased activity. Trade was up 22% by value and 9% by volume on the previous month. The number of transactions also surpassed August's record level, rising by an additional 7%. There was an upsurge in European and Asian buying as foreign buyers took advantage of weak Sterling.

Bordeaux's market share increased from an average of 34.9% to 38%. The First Growths accounted for 37.4% of the region's trade by value. Vintages 2016, 2017 and 2009 dominated. Meanwhile, Burgundy and Champagne maintained their shares at 16.8% and 8.9% respectively. The Rhone (4.7%) and the USA (8.5%) gained ground, while Italy's share dipped slightly (17.1%).

But in terms of price performance, Italy had a strong month. The Italy 100 was the best-performing Liv-ex 1000 sub-index, up 2.4%. The Champagne 50 followed, up 2.1%. Both the industry benchmark, Liv-ex 100 (1.4%), and the broadest measure, Liv-ex 1000 (1%), rose in September, and show positive returns year-to-date.

Liv-ex Fine Wine 50 Index



Liv-ex Fine Wine 100 Index



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Major market movers

Tuscany and Champagne

September's Market Movers come from the two best-performing Liv-ex indices, the Italy 100 and the Champagne 50. The two regions have proven solid investments of late, having enjoyed a steady uptick in both prices and market share over the past two years. This September, Tuscany led with various Solaia vintages, rising between 9% and 13% in September. The [latest Solaia vintage](#), the 2017 (WA 95), was released through La Place on September the 10th, at a similar price level to the 2011 and 2013, but below the perfectly-scored 2015. Taittinger Comtes Champagne 2004 also moved up 10.2% in value – its latest [2008 vintage](#) was released at the end of the month and saw a flurry of trade.

Table 1: Top market movers in September

Region	Wine	Vintage	August	September	Change
Italy	Sassicaia	2007	£1,800	£2,125	18.1%
Italy	Solaia	2011	£1,608	£1,806	12.3%
Champagne	Taittinger, Comtes Champagne	2004	£930	£1,025	10.2%
Italy	Solaia	2013	£1,753	£1,929	10.1%
Italy	Solaia	2015	£2,463	£2,693	9.4%

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

Critical Corner

Jane Anson on Bordeaux 2005 Second Wines

Second wines have a long history in Bordeaux, with the first reference dating back to 1792 in the estate diary of Chateau Latour manager Marc-Antoine. In his journal, he noted that the planting of new vines “should certainly give eight tonneaux of a good second wine within seven to eight years”. Last month, [Jane Anson](#) of Decanter re-tasted six of the best second wines from the Bordeaux 2005 vintage. Her top-scoring wine was Le Petit Mouton de Mouton Rothschild, which she awarded 94 points, and described as “always the most exuberant of the First Growth second wines”.

Table 2: Jane Anson's six best Bordeaux 2005 Second Wines

Wine	Region	Vintage	Score	Market Price	Discount to First Wine
Le Petit Mouton de Mouton Rothschild	Pauillac	2005	94	£2,600	50.0%
Carruades de Lafite	Pauillac	2005	93	£2,700	61.2%
Pavillon Rouge du Chateau Margaux	Margaux	2005	92	£1,606	72.1%
Pagodes de Cos	Saint-Estephe	2005	93	£448	71.3%
Croix de Beaucaillou	Saint-Julien	2005	91	£500	71.4%
Reserve de la Comtesse	Pauillac	2005	91	£600	50.0%

In the news

The changing nature of fine wine buying

Our latest special report, titled “The changing nature of fine wine buying” has been published. Based on an exclusive Liv-ex survey amongst its global merchant membership, the report identifies key trends, challenges, and opportunities around sourcing fine wine. It examines the relative strengths and weaknesses of wine merchants’ preferred buying channels and the increasingly important role of technology in the trade. You can claim your copy [here](#).

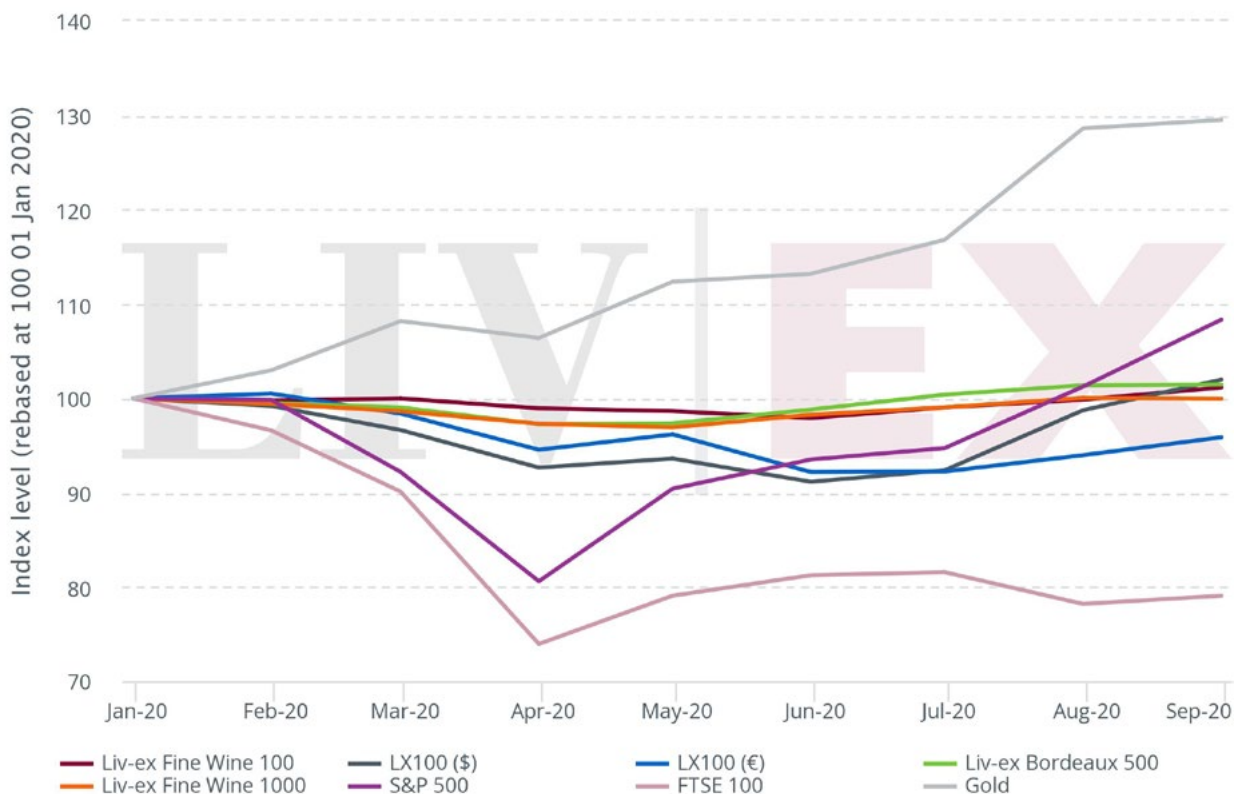
The latest on post-Brexit wine trading

With the UK due to leave the EU Single Market and Customs Union at the end of the year, Liv-ex has been campaigning hard with members of the UK trade to ensure that we do so on the best possible terms. Last month, the Wine and Spirit All-Party Parliamentary Group published a [report](#) on “The impact of wine import documentation (VI-1s) from 1 January 2021”, featuring Liv-ex evidence provided by James Miles earlier in the year. For more information on how you can help the UK wine trade secure the best possible outcome for trading post-Brexit, [click here](#).

Chart of the Month - Stability amid volatility

In the past nine months global markets have been through everything from single day crashes to full scale bull markets. However, fine wine prices, much like the physical bottles stored deep in underground cellars, have remained largely unaffected by events. The Liv-ex 100 is up 2.6% to the end of September, far outpacing the FTSE100 (-21.6%) but trailing the tech-led S&P500 (4.1%) and traditional risk hedges like Gold (23.9%). Amidst 2020’s turbulence, the fine wine market showed its strength – steadfast returns and low volatility.

Chart 1: Liv-ex indices vs equities year-to-date performance



Final Thought - Sweet but serious

Sauternes and Port on the secondary market

Sauternes and Port boast a reputation for being festive tipples, with increased buying in the months before Christmas. As the seasonal pattern plays out, we examine what 2020 has brought for these two regions on the secondary market.

Earlier this year, Port houses Taylor's and Sogrape (Sandeman, Offley and Ferreira) [declared 2018](#) a classic vintage. Consequently, Croft, Fonseca and Symington Family Estates [offered their 2018](#) single Quinta vintage Ports. This autumn, the wine world welcomed two sweet releases from Sauternes: Yquem and Rieussec 2018 were sold through La Place, and at considerable discounts on last year (but still priced above many physical vintages).

Despite general interest surrounding these new releases, Sauternes and Port's market shares have remained under 1% in 2020. In Sauternes, Yquem has accounted for over half the trade by value (52%), with Rieussec and Suduiraut both taking just 10%. On a vintage level, 2009 and 2015 have dominated. Meanwhile, Port trade has been led by Taylor's (16%), with Graham (12.3%) in second place. 1994, 2017 and 2011 have been the most traded vintages.

Although perennially minor players when viewed in terms of trade share, Sauternes and Port offer buyers enormous bang for their buck with a combination of consistent quality and relatively low prices. There are few regions more affordable when considering the fine wine market.

Bordeaux's "Liquid Gold"

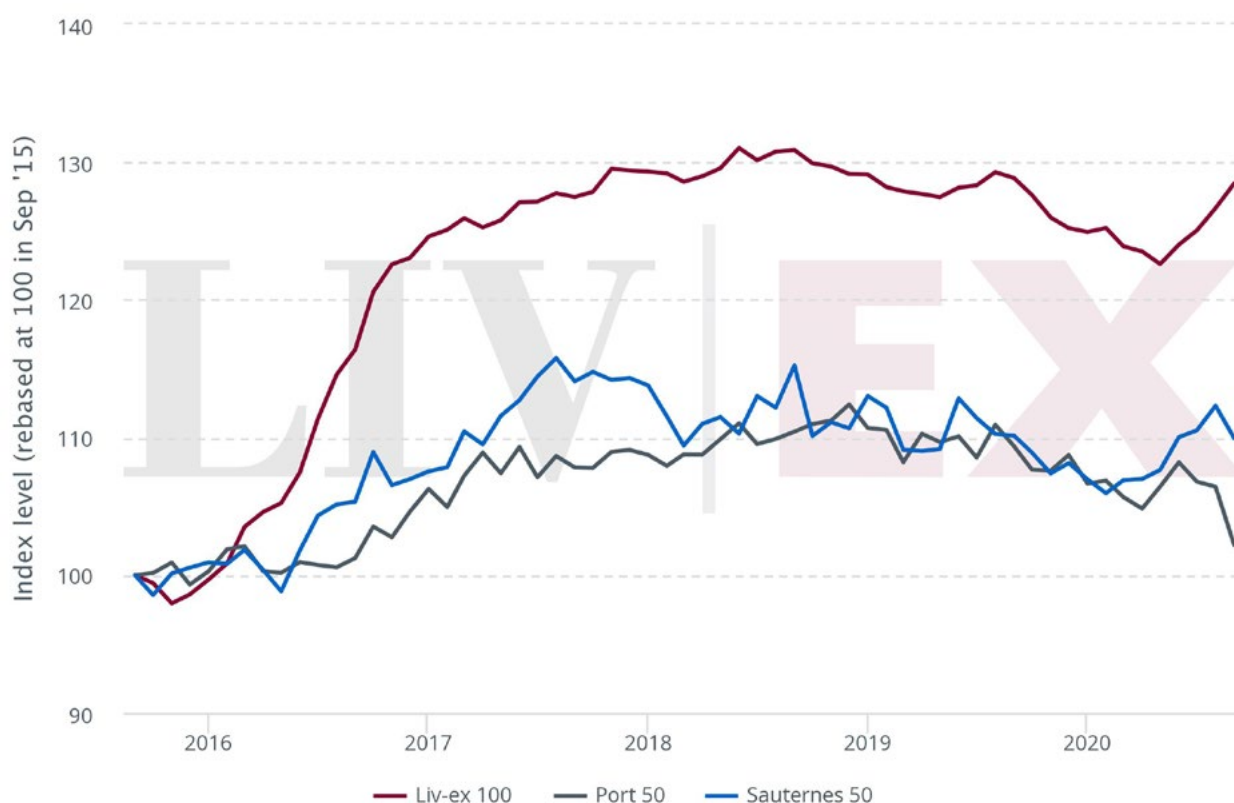
Sauternes is the most expensive wine to make in Bordeaux. Production costs are high compared to other wines as the vines need to be harvested several times in any one vintage to select grapes as they are attacked by noble rot. The yield from a single vine is said to be a glass, rather than a bottle. Sauternes tends to show less vintage variation than red Bordeaux and the wines can generally be enjoyed with bottle age or drunk young. Lisa Perrotti-Brown, Editor in Chief of the Wine Advocate, who along with other critics bestowed high praise upon the 2015 vintage suggested drinking dates from 2018 to 2050.

But Sauternes holds an allure not just for its consistent quality. Despite being expensive to make and often having links to prominent red Bordeaux producers, the top wines of Sauternes continue to provide the cheapest entry point into the fine wine market. On average, in 2020 one could buy five cases of Sauternes "First Growths" for the same price as one case of red Bordeaux First Growths.

Over the past decade or two it has become common practice from some of Bordeaux's major chateaux to release their Sauternes linked to their more famous (and popular) reds. This has led to "over pricing" as the Sauternes soon get discounted in the physical market. The result? Buyers can often find incredible value years after release. The highly rated 2007 vintage for example trades at 24.8% discount versus its release price in 2008. By comparison, the Liv-ex 100 is up 19%. Now that is worth pondering as one considers the fast approaching Christmas festivities.

As Chart 2 shows, over the past five years, the Sauternes 50 index has risen just 10% compared to a rise of 28.5% for the industry benchmark, the Liv-ex 100.

Chart 2: Liv-ex 100 vs Port 50 vs Sauternes 50 since September 2015



Portugal's finest dessert

Although Portugal is increasingly being recognised for its dry wines by critics and the trade, on the secondary market it is still largely represented by its Port houses. The number of Port wines traded (LWIN11) has increased by 103% over the past five years. However, the Port 50 index, which tracks the price performance of Dow, Taylor's, Fonseca, Warre and Graham, has risen just 2.2% over the same period. Year-to-date, Port prices have dipped 4.1%, underperforming even Sauternes. But unlike Sauternes, Port is best consumed many years after harvest.

As supplies remain intact for longer prices tend to languish and therefore there is incredible value to be found for those who love this most famous tippie. Taylor's 1994, which features in the top five most active Ports in 2020, is only 10% more expensive than it was ten years ago. The highly praised (JR18+) Graham 2007, released in the UK eleven years ago at £380, is still available today at £420. Indeed, you can buy the 1983 (JR18) at a mere £680. Buyers have plenty of vintages to ponder this year. With Sauternes or Port, one thing is clear – it is drinking time!