

Press release

December 2019

LIV|EX
THE FINE WINE MARKET

The fine wine market in 2019



Market summary

Fine wine tackling headwinds and whirlwinds

2019 was a mixed year for the fine wine market: the first half was marked by well-received Burgundy 2017 and Bordeaux 2018 En Primeur campaigns and steady secondary market prices. But in the second half, the market was hit by intensifying headwinds: added to the persistent Brexit uncertainty were the US-China trade war, political and economic strife in Hong Kong, and most recently, the introduction of US tariffs on European wines.

As a result, the Liv-ex indices, denominated in sterling, dipped: the Liv-ex 50, which tracks the performance of the First Growths, suffered the most (-3.6%), while the industry benchmark, the Liv-ex 100, fell 2.5%. More positively, 2019 saw an increase in liquidity, as technology continued to connect the market players, leading to a broader and deeper pool of wines traded.

Table 1: Liv-ex indices

Index	Level (30/11)	MOM	YTD	1yr	5yr
Liv-ex Fine Wine 50	337.65	-1.58%	-3.58%	-4.02%	27.58%
Liv-ex Fine Wine 100	304.42	-1.28%	-2.45%	-2.86%	27.60%
Liv-ex Bordeaux 500	310.14	-1.03%	-2.47%	-2.72%	30.77%
Liv-ex Fine Wine 1000	350.40	-1.74%	-3.56%	-3.78%	43.47%
Liv-ex Fine Wine Investables	335.38	-1.09%	-2.23%	-2.33%	31.24%

Table 2: Liv-ex Fine Wine 1000 sub-indices

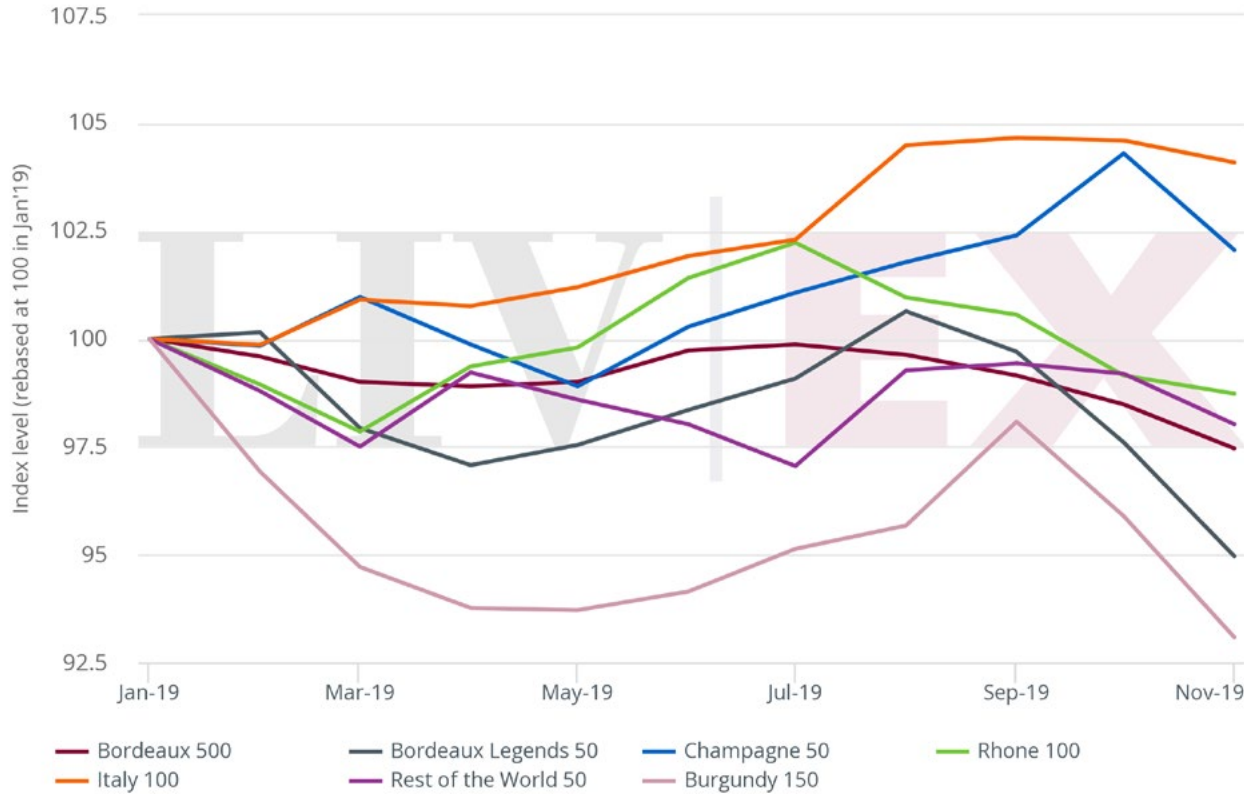
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Bordeaux Legends 50	374.50	-2.70%	-6.34%	-7.00%	35.74%
Burgundy 150	553.56	-2.93%	-7.29%	-7.74%	88.34%
Champagne 50	393.47	-2.15%	2.15%	1.90%	42.82%
Rhone 100	191.73	-0.42%	-2.26%	-1.01%	18.37
Italy 100	296.18	-0.49%	4.57%	5.47%	38.48%
Rest of the World 50	291.14	-1.18%	-1.92%	-2.55%	34.84%

Fine wine prices fall in 2019

In our summary of the year 2018, we suggested that “the relentless rise of Burgundy might soon be curtailed”. As discussed in our January report [Burgundy – in the spotlight](#), prices for the region had begun “to show increased volatility – often a sign of a turn”. Year to date, the Burgundy 150, which hit an all-time high last December, outperforming global equities and Gold, has been the worst performing index, falling 7.3%. Its parent index, the Liv-ex 1000, fell 3.5%. The Bordeaux 500 has dipped by a more modest 2.5%.

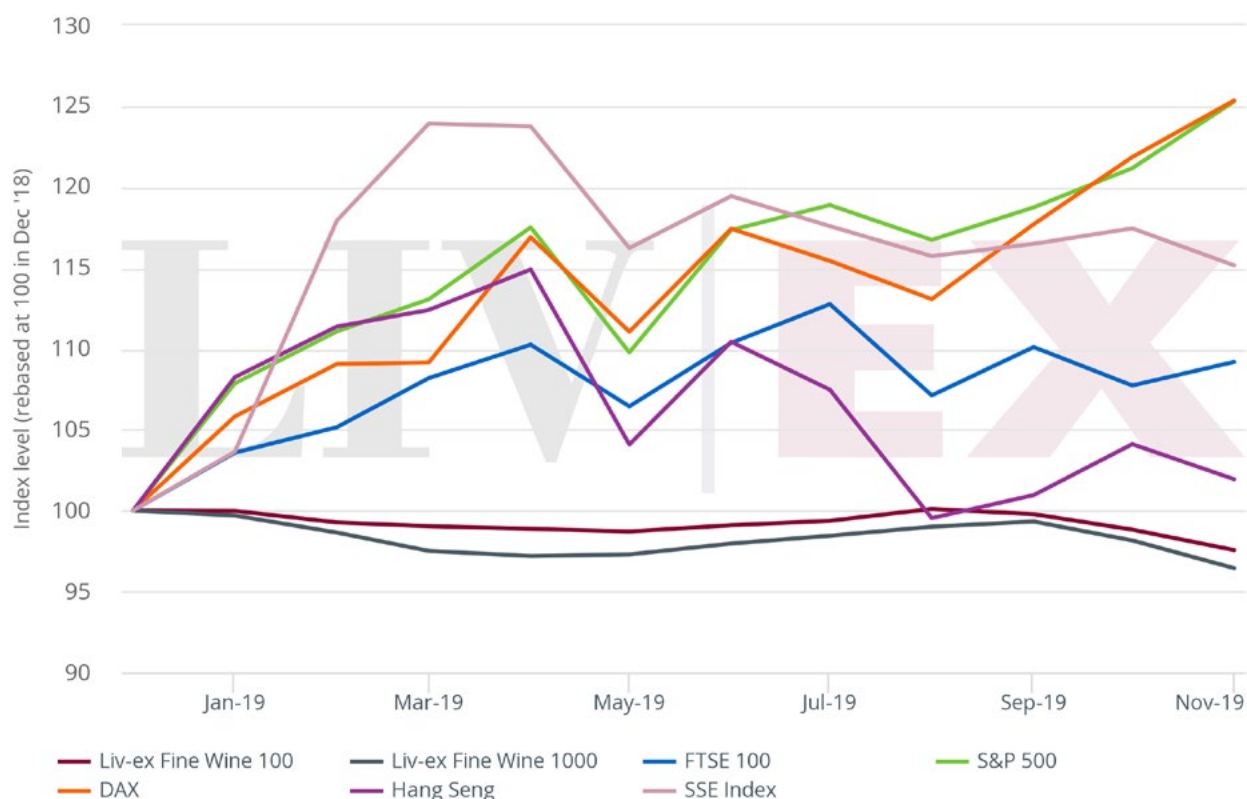
The Champagne 50 and the Italy 100 were the only regional indices to make gains, rising by 2.2% and 4.6% respectively. Our two reports, [Champagne – a market without bubbles](#) and [The fine wines of Italy: past, present and future](#), explored their place in the market in some detail. Their price performance over the past year has been a reflection of increased attention from trade and critics alike - brand strength, heritage, a series of excellent vintages and comparably low entry points into the market have combined to avert the market’s eyes from Burgundy and Bordeaux. Both regions were excluded from the 25% US import tariffs and have benefited as a result.

Chart 1: Liv-ex Fine Wine 1000 sub-indices year-to-date



To put the performance of fine wine into perspective, Chart 2 compares the Liv-ex 100 and the Liv-ex 1000 against global equities. While the fine wine indices have been relatively stable, they have significantly underperformed global equities as interest rate cuts have upped investor's risk appetite. Hong Kong, a major source of fine wine demand, is notable for the Hang Seng's more modest performance. Both it and the Shanghai Composite Index have been drifting since the spring.

Chart 2: Liv-ex indices versus equities



In the past, we have noted a correlation between wine and Gold – both considered to be tangible safe-haven assets and hedges against inflation. This year, Gold performed far better than fine wine, rising 14.3%. As both the Fed and the ECB loosened the purse strings in an effort to counter the negative effects of global trade tensions, inflation fears were again stoked, increasing demand for the metal.

Ongoing political and economic headwinds also led to much volatility in currency markets, and consequently, the price of wine. Sterling's recent strength, in anticipation of a possible Conservative majority and with it, a Brexit deal, has led to declines in the industry benchmark as Euro and Dollar buyers have retreated. This is reflected in the falling value of bids and the rising value of offers, seen in Chart 5

Chart 3: Liv-ex Fine Wine 100 versus Gold

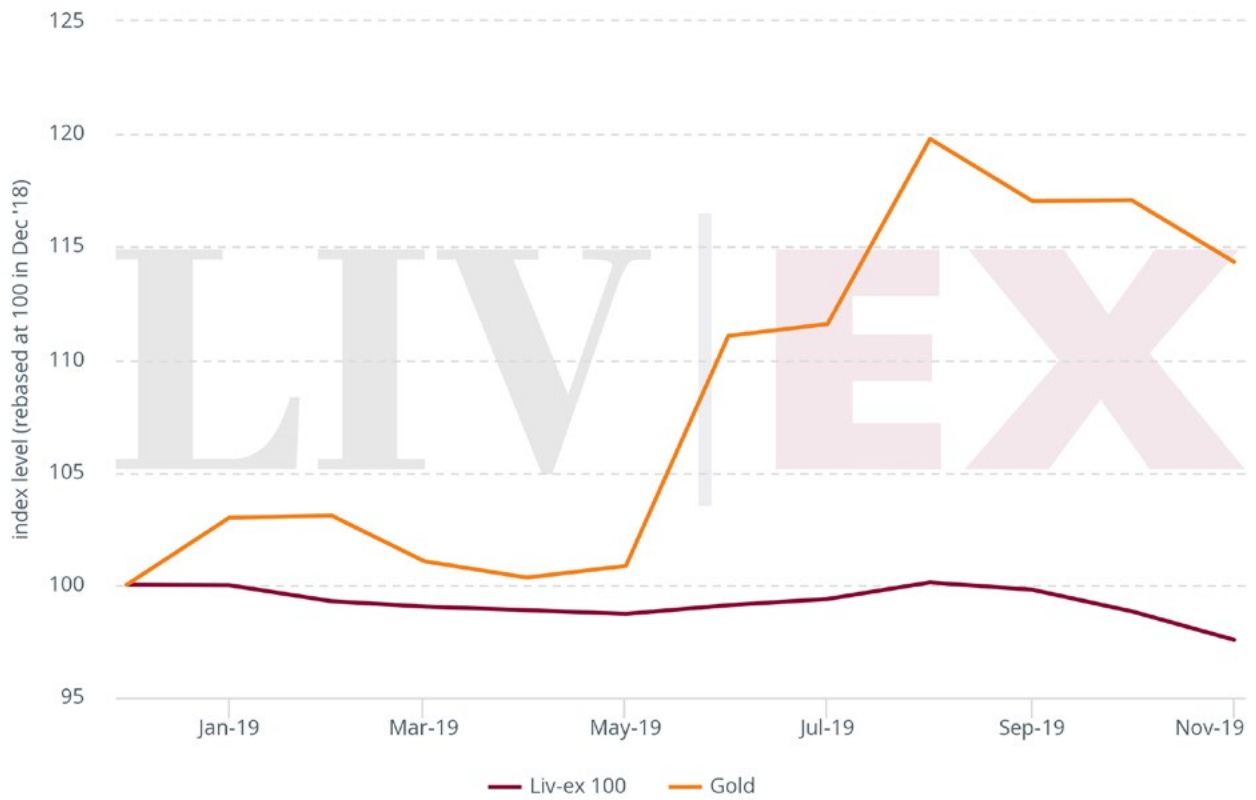


Chart 4: Liv-ex Fine Wine 100 month-on-month movements

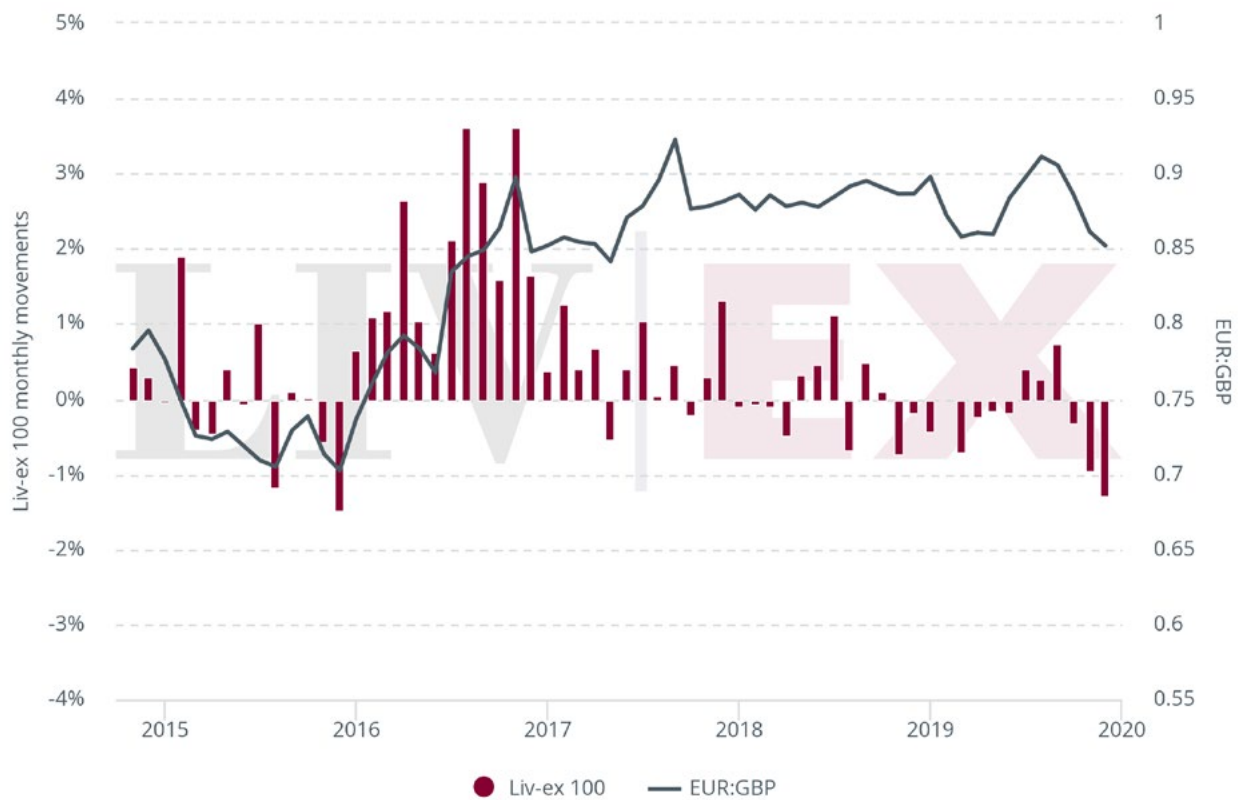
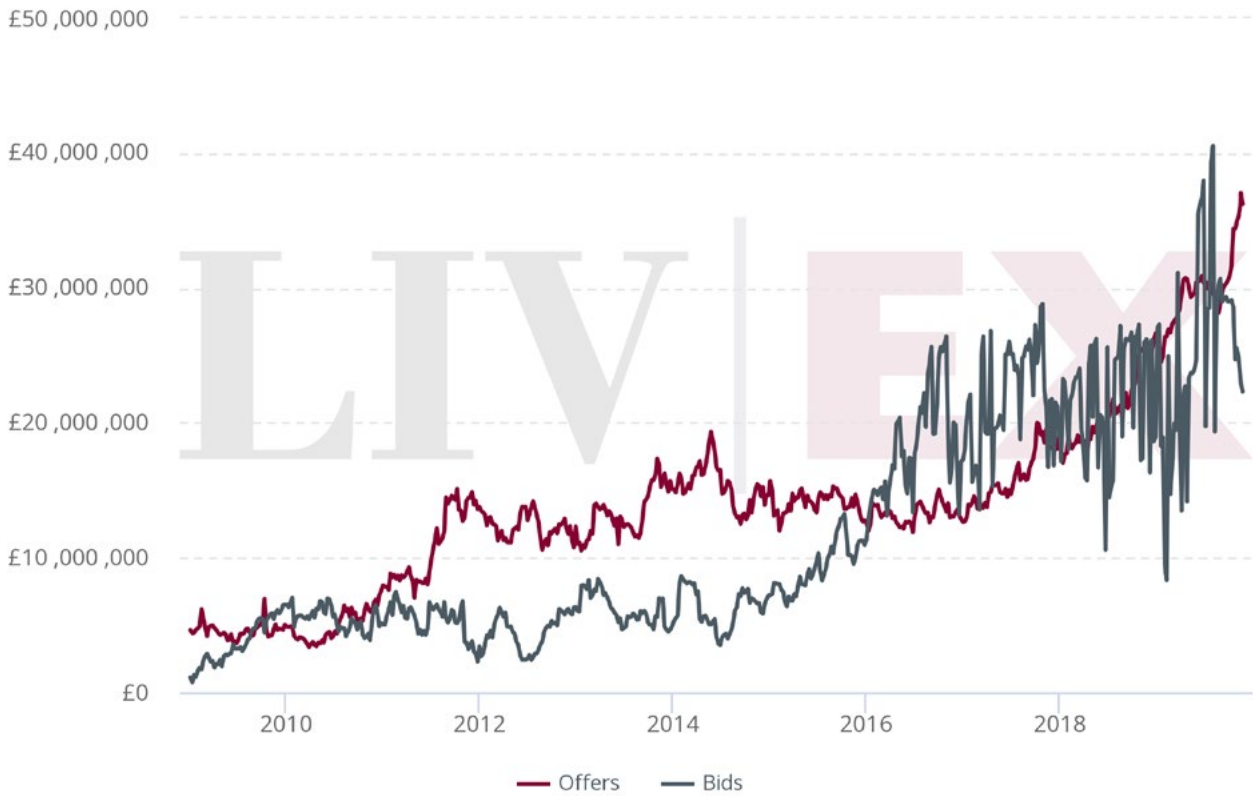
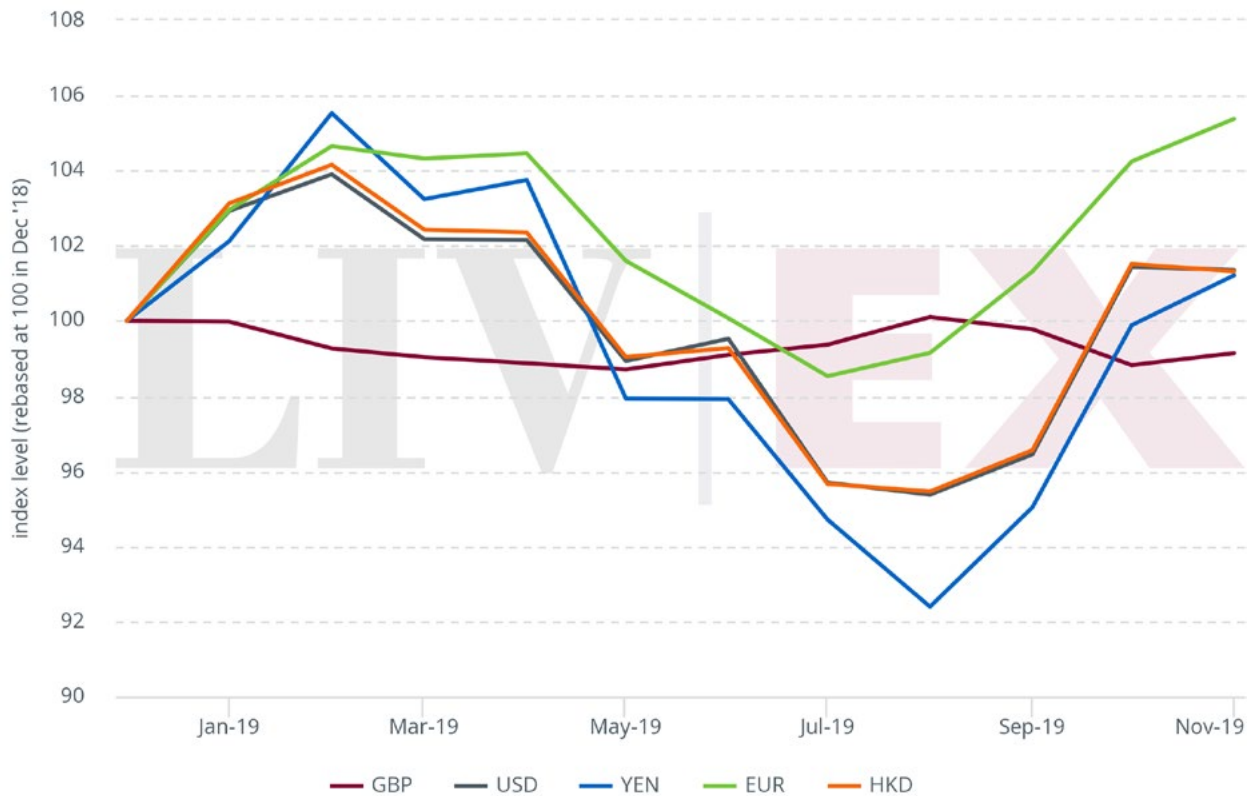


Chart 5: Value of bids and offers on Liv-ex over ten years



Viewed in other currencies, the Liv-ex 100 is up 5.4% in euro terms, 1.3% in US dollars and 1.2% in HK dollars and Yen.

Chart 6: The Liv-ex Fine Wine 100 index performance by currency

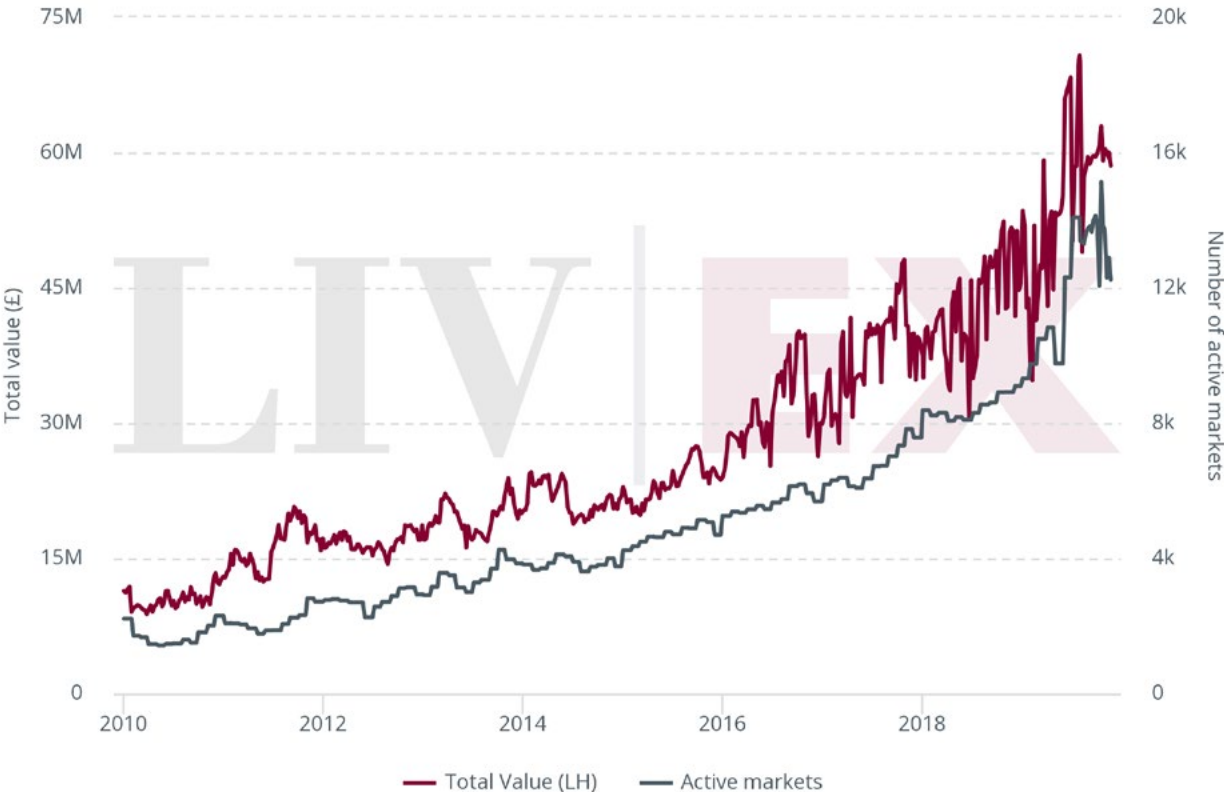


Breaking records: Exposure and active markets

In 2019, the total value of LIVE bids and offers on the market reached record-breaking levels, [surpassing £70million](#) at the end of July.

Meanwhile, the number of active markets surpassed 14,000 - the ever-rising number a reflection of a broadening market. Contributing to these record-breaking figures is technology, in particular [automated trading](#), which has helped to clear some of the bottlenecks faced by the wine trade and allowed for a greater number of wines to be offered to a greater number of people, from wholesalers through to consumers.

Chart 7: Total value of LIVE bids and offers versus active markets on Liv-ex

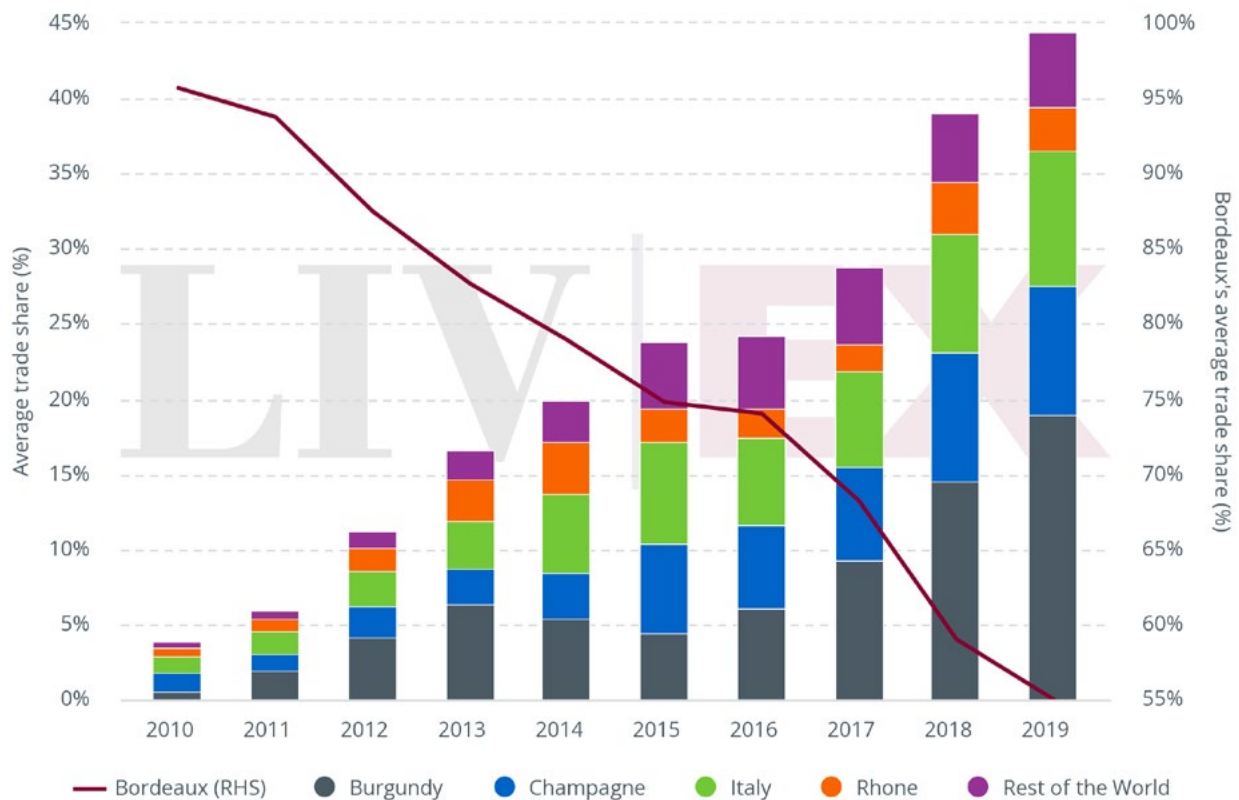


The broadening of the fine wine market

Bordeaux's market share, which has been steadily falling since 2010, dropped from 59% in 2018 to 55% this year. It reached an all-time monthly low in August, when the region accounted for 45% of the total trade by value. Burgundy hit a record monthly high of 24% the same month. Its 2019 average share of trade currently stands at 19%, up from 15% in 2018. Italy and Champagne also saw increased activity, taking up 9% each of the total trade by value.

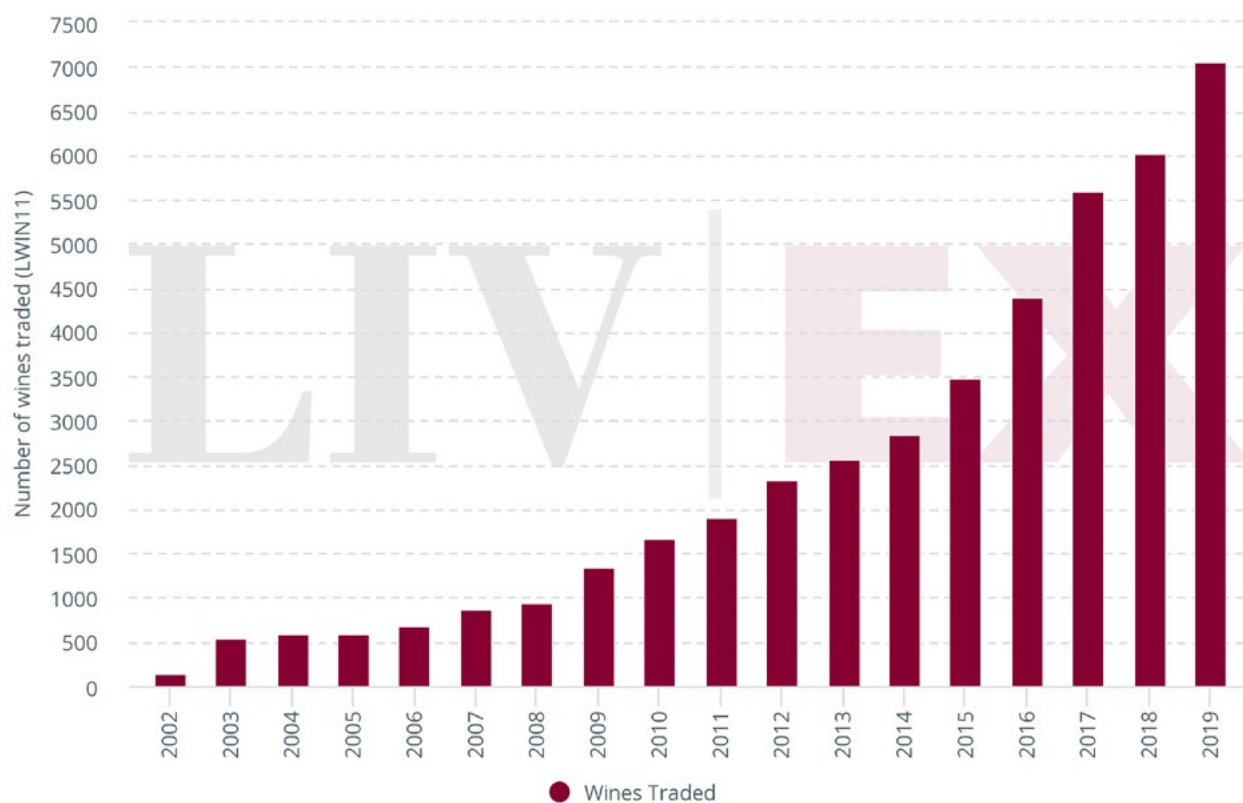
[Since the US tariffs](#) were announced on the 2nd of October, the shift in regional activity has become even more evident. Italy and Champagne have benefitted, accounting for 11% each. The Rest of the World's share, led by gains for California's premium wines, has risen from a 5% share (ytd) to a November figure of 9%.

Chart 8: Regional market shares on Liv-ex from 2010 to 2019 (YTD)



Over 7,000 different wines traded through the secondary market in 2019, compared to 5,700 in the previous year. Since 2015, the number of brands trading alone has increased by 115%. Wines traded this year have come from Germany, Switzerland, China, England and Hungary – not regions commonly associated with a vibrant secondary market.

Chart 9: Number of unique wines traded (LWIN11)¹ on Liv-ex reaches new high



1. LWIN - the Liv-ex Wine Identification Number - is a unique seven-digit code that corresponds to wine names. It helps to improve the accuracy of databases by simplifying and standardising wine names into a language that is easily understood by computers. Each seven-digit LWIN (LWIN7) refers to the wine itself (i.e. the producer and brand, grape or vineyard). Additional information, such as the vintage, pack and bottle size can also be appended to the LWIN. In this instance, LWIN11 refers to the wine plus its vintage. For more information, [click here](#).

Top performers in 2019

Unlike last year, when all the biggest price risers from the Liv-ex 1000 came from Burgundy, this year's top ten movers showcased the changing face of the fine wine market, with only one wine from the Cote de Beaune. The list below is a reflection of the regions that steadily gained momentum in 2019 – Italy, Champagne and the Rhone.

The top performer is Giacomo Conterno, Barolo Riserva Monfortino 2002, leaping 75% in value over the past year. Prices for Piedmont's finest have been driven not only by the wines' quality, but also by their rarity and exclusivity. Three wines from Gaja also feature in the top ten as the brand has [made a comeback](#).

Table 3: The top ten performers in the Liv-ex Fine Wine 1000 index in 2019

Rank	Region	Wine	Vintage	Jan-19	Dec-19	Change
1	Italy	Giacomo Conterno, Barolo Riserva Monfortino	2002	£5,940	£10,390	75%
2	Rhone	Chapoutier, Ermitage Pavillon	2007	£850	£1,300	53%
3	Champagne	Bollinger, Grande Annee	2004	£600	£820	37%
4	Rhone	Auguste Clape, Cornas	2011	£800	£1,080	35%
5	Italy	Gaja, Barbaresco	2007	£1,300	£1,750	35%
6	Italy	Gaja, Sori San Lorenzo	2008	£2,696	£3,600	34%
7	Italy	Gaja, Barbaresco	2011	£990	£1,300	31%
8	Champagne	Louis Roederer, Cristal Rose	2009	£3,032	£3,750	24%
9	Rhone	Vieux Telegraphe, Chateauneuf Du Pape	2008	£330	£408	24%
10	Burgundy (white)	Bonneau Martray, Corton Charlemagne	2007	£1,459	£1,800	23%

Prices shown are Liv-ex Mid Prices. For more information, [click here](#).

What to expect in 2020?

A major question for 2020 is whether the headwinds of the past year will unwind. As seen throughout 2019, macro-economic concerns, geo-political machinations and directly targeted tariffs have all combined to increase risk aversion in the wine market.

The eyes of producers and international merchants are squarely on Hong Kong and China. If the Hong Kong situation can be resolved, demand from that region is likely to quickly come back into play. The recent elections, while largely symbolic, saw an overnight uptick in buying from the SAR. Hong Kong remains the regional hub of the fine wine trade – confidence in it, goes beyond the bigger question of China-US trade relations.

Depending on UK election results in the coming days, and the passing of a Brexit deal at the end of January, Sterling might well see further strengthening, leading to competing forces: first, a potential headwind for Asian and European buyers as prices rise; second, renewed confidence and vigour amongst UK collectors.

The impact of the US tariffs on European wines has [already been felt](#). Italy and Champagne look likely to continue to benefit in the year ahead both in terms of price performance and growing trade share. Burgundy remains vulnerable due to its relatively high prices: it is notable, that despite a general drift in Bordeaux prices, the [DRC:First Growth ratio](#) is showing signs of contracting. However, Bordeaux is also vulnerable. Early indications are that the 2019 vintage will be yet another good year for the region, perhaps better than 2018. With the much lauded and aggressively sold 2015, 2016 and 2018 vintages showing little in terms of return (early days admittedly), next year's En Primeur campaign is certain to test the market's willingness to buy, and US tariffs are hardly likely to help.

The world of wine criticism also continues to evolve. Late November brought with it the announcement that [Michelin Guide has now acquired outright](#), the Wine Advocate, after Robert Parker fully retired in the summer. Neal Martin, the most trusted wine critic for tasting Bordeaux En Primeur according to Liv-ex members, will be back for the 2019 UGC tastings having missed the 2018s in the spring due to a medical condition. Meanwhile, Jeb Dunnuck, James Suckling, the Wine Spectator team and others have been publishing their wines of 2019. [Wine Spectator's top 100 wines of 2019](#) has had the greatest impact on the market again this year, with Leoville Barton 2016 seeing a flurry of trade in the hours ensuing the announcement. Indeed, the most interesting aspect of these year-end summaries has been the universal acknowledgement of the greatness of Bordeaux 2016. A vintage to keep an eye on.

As markets become more unpredictable, increased transparency is vital. Technology and its application to the fine wine market is certain to bring the benefits of transparency to growers, merchants and collectors alike. As seen throughout 2019, while facing considerable headwinds, the market has become broader and deeper, putting it on a firm footing to meet the challenges of the year ahead. Regional price performances and market shares will vary according to the fundamentals presented to those with an interest in fine wine. Regions, somewhat overlooked in the past, will likely continue to emerge. Due to a combination of relatively low prices and comparable quality, Champagne and Italy have been the stars of 2019. Whose turn will it be in 2020?

Press: Further information

For further information or comment, please contact Nicola Graham (nicola@liv-ex.com) on +44 (0)20 7062 8777.

About Liv-ex

Liv-ex is the global marketplace for the wine trade. We have over 470 members from start-ups to established merchants and we give them the tools they need to price, source and sell wine more efficiently.

Liv-ex exists to make the wine market more transparent, efficient and safe for the benefit of everyone in the trade.

We publish the actual prices at which wines are transacted at and our database contains over 644m current and historic price points. It is relied upon by the world's biggest fine wine players and quoted by media outlets including Bloomberg and Reuters.

Our platform contains over £70m worth of firm buying and selling opportunities in over 15,000 wines. Members of Liv-ex can buy and sell wine with both speed and confidence among the world's largest pool of vetted merchants.

If you're a registered wine business and interested in Liv-ex membership, please [get in touch](#).

Background

Liv-ex, the London International Vintners Exchange, was founded in 2000 by two stockbrokers, James Miles and Justin Gibbs. It started with a group of 10 founding members in London, and a vision to make fine wine trading more transparent, efficient and safe.

The founders believed that by creating an online exchange they could grow the size of the market for the benefit of Liv-ex's merchant members and everyone with an interest in fine wine. For more information, [click here](#).