

Annual Market Report

Q4 2020

LIV|EX
THE FINE WINE MARKET

The Fine Wine Market in 2020



A catalyst for change

The unusual nature of the past year has tested the wine industry and challenged much of what is taken for granted. It required great effort and adaptability from the global wine trade to maintain contact with its customers to ensure sales continued as the world was locked down. Already buffeted by existing headwinds – the Hong Kong conflict, US wine tariffs and ongoing Brexit uncertainty – Covid-19 presented a major new challenge. The global pandemic led to the cancellation of Bordeaux's UGC tastings, the postponement of ProWein, Vinexpo and other international wine fairs, and shut down large parts of the hospitality and retail sector.

But 2020 also accelerated change and brought about timely innovation. As the sector was forced to adapt, its members considered anew the role of technology in buying, selling, presenting and tasting wine. Bordeaux En Primeur 2020 became the virtual success that few imagined was possible. For the first time in years, an active secondary market developed for the new releases, as attractive pricing lured back many in the trade (and their customers).

For some, wine sales soared during the first European lockdown. Merchants with a private client focus reported sales numbers that were stronger than during the busy Christmas period. This surge was facilitated by digital technology. Those merchants with an online presence made hay, while those without, struggled. This digital connectivity was enhanced by the wholesale market. By connecting customers to the broader market, merchants were able to offer their customers a far greater range of wines than ever before. By November this year, with much of Europe in a second lockdown, automated trades accounted for a record 40% of transactions in the secondary market, a threefold increase on 2019. The marketplace expanded (17,000 active markets) and deepened (£83m of live bids and offers) as the global wine trade grasped the opportunities within this complex landscape with both hands.

In terms of prices, the fine wine market was a picture of calm, remaining remarkably stable while mainstream assets first swooned and then rocketed. The market continued to adjust to the reality of the 25% US tariffs, introduced in October 2019, moving its focus to regions that were exempt. Champagne stood out in terms of price performance, while Italy nearly doubled its market share. Demand for different regions became more widely spread than ever before. There was diversification within the regions too, as buyers sought out value beyond the top labels. Critics also played a key role in broadening the focus, with increased coverage of wines from the USA, Germany, Portugal and more.

In what has been a turbulent year for all, fine wine offered some welcome stability, variety and of course, pleasure. According to [the Guardian](#), we are drinking more wine than ever before. The following pages present the key themes that shaped the fine wine market in 2020. Regional trends, pricing and trading patterns are analysed, as we look back and give some thoughts on what might lie ahead.

Market Summary

Fine wine prices rise in 2020

2020 was a positive year for the wine market with all major Liv-ex indices showing gains. The Liv-ex Fine Wine 50, which follows the daily price movements the Bordeaux First Growths, rose 3.26% this year. The industry benchmark, the Liv-ex 100, which tracks the top wines from around the world, managed a rise of 4.65%. In November, the index reached its highest level in two years, while trade by value touched a ten-year high. The broadest measure of the market, the Liv-ex 1000, increased 1.31%.

Both the Liv-ex 100 (-1.06%) and Liv-ex 1000 (-1.32%) recorded their biggest dips for the year in March, on the back of the outbreak of Covid-19 in Europe and the national lockdown in many parts of the world. This hardly came as a surprise, as March 2020 saw billions wiped off equities across the globe, with the S&P 500 hitting a low on [the 23rd](#). Fine wine was a picture of calm by comparison. Despite an early dip, the market quickly recovered and gathered momentum in the second half of the year. The industry benchmark has risen every month since June.

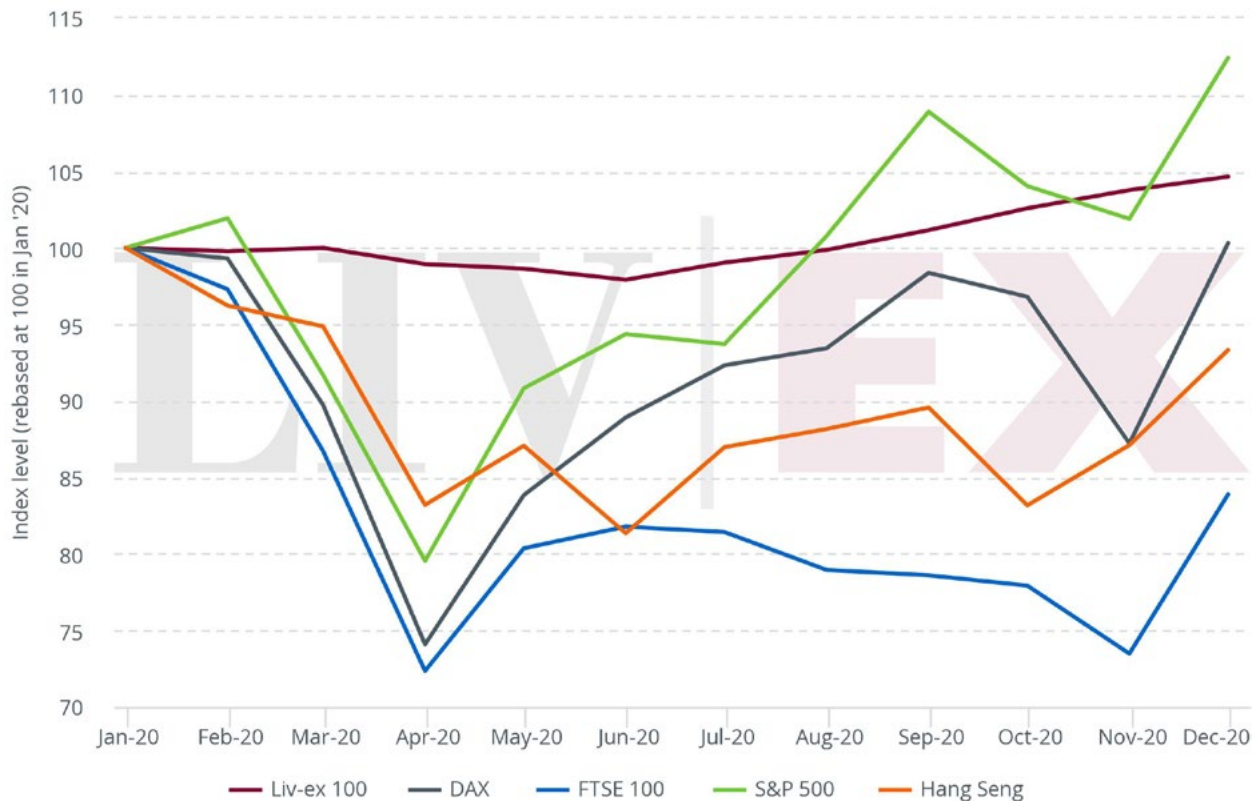
Table 1: Liv-ex indices

Index 30/11/2020 (monthly close)	Level	MOM	YTD	1yr	5yr
Liv-ex Fine Wine 50	345.98	0.53%	3.26%	2.47%	32.24%
Liv-ex Fine Wine 100	316.63	0.84%	4.65%	4.01%	33.76%
Liv-ex Bordeaux 500	317.71	-0.32%	2.96%	2.44%	34.38%
Liv-ex Fine Wine 1000	352.68	0.06%	1.31%	0.65%	44.22%
Liv-ex Fine Wine Investables	348.30	0.83%	4.64%	3.85%	34.58%

Fine wine outperforms equities

Not only have fine wine prices risen, but wine has offered unmatched stability in this year of volatility. Chart 1 compares the Liv-ex 100 performance to financial and stock market benchmarks: Germany's DAX, the tech-led S&P 500, the London Stock Exchange FTSE 100 and the Hang Seng. At the close of November only the S&P 500 and the Liv-ex 100 were in positive territory for the year. The DAX was flat, the FTSE and Hang Seng remained in negative territory.

Chart 1: Liv-ex 100 vs equities year-to-date



Stability in the face of volatility

While fine wine prices quietly rose, volatility remained relatively subdued. Wine traded within a very narrow price range, as indicated by the standard deviation in Chart 2.¹

A contributing factor to the market's stability has been an increase in liquidity. As more participants (and their wine) were drawn into the market, buying and selling became easier, reducing the drastic price movements often created by illiquidity. This liquidity is reflected in the rising value of bids and offers. The total exposure (total value of bids and offers) reached a record high of £83 million, a £33 million increase on last year.

At the end of November, the bid to offer ratio (i.e. the total value of bids divided by the total value of offers) stood at 0.62. Traditionally, a bid-offer ratio of 0.5 or higher suggests positive sentiment.

1. The monthly change shows the percentage (%) move of the Liv-ex Fine Wine 1000. Standard deviation measures the monthly volatility of those movements and annual volatility annualizes the data.

Chart 2: Fine wine market volatility: 2015-2020

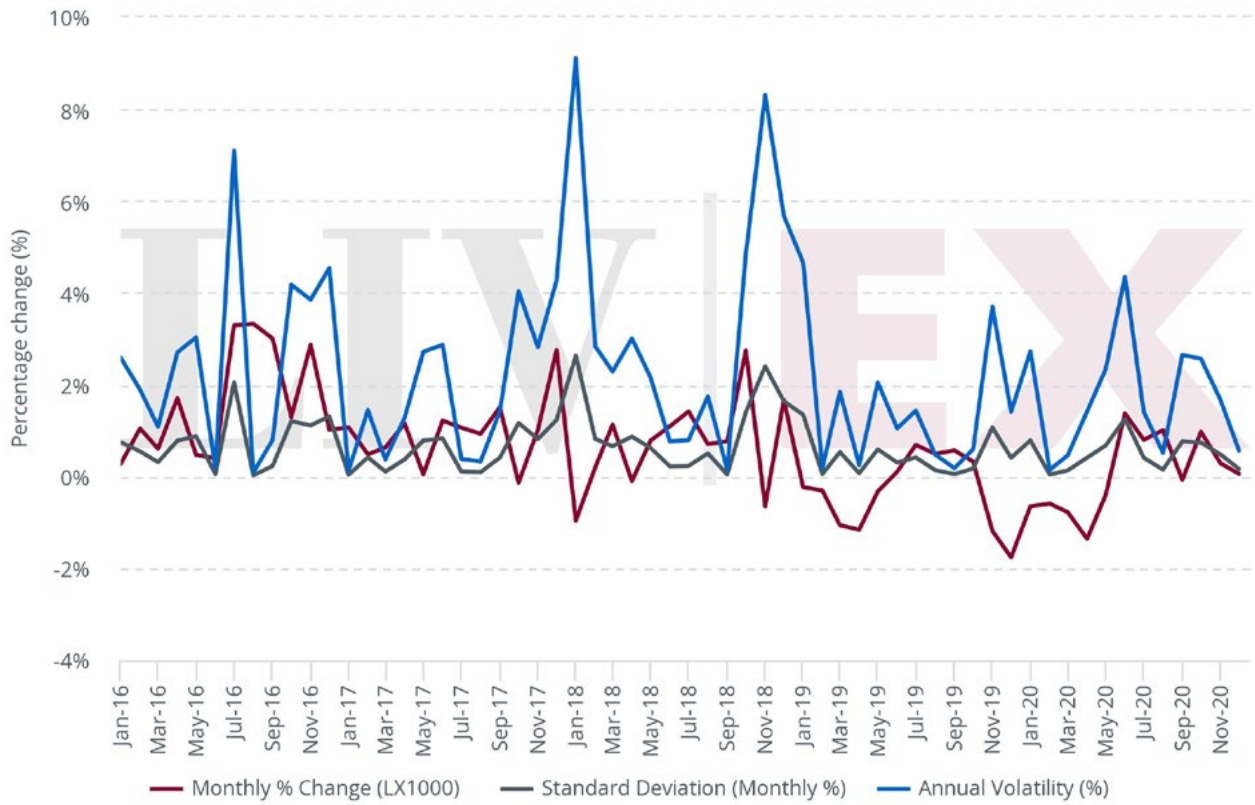
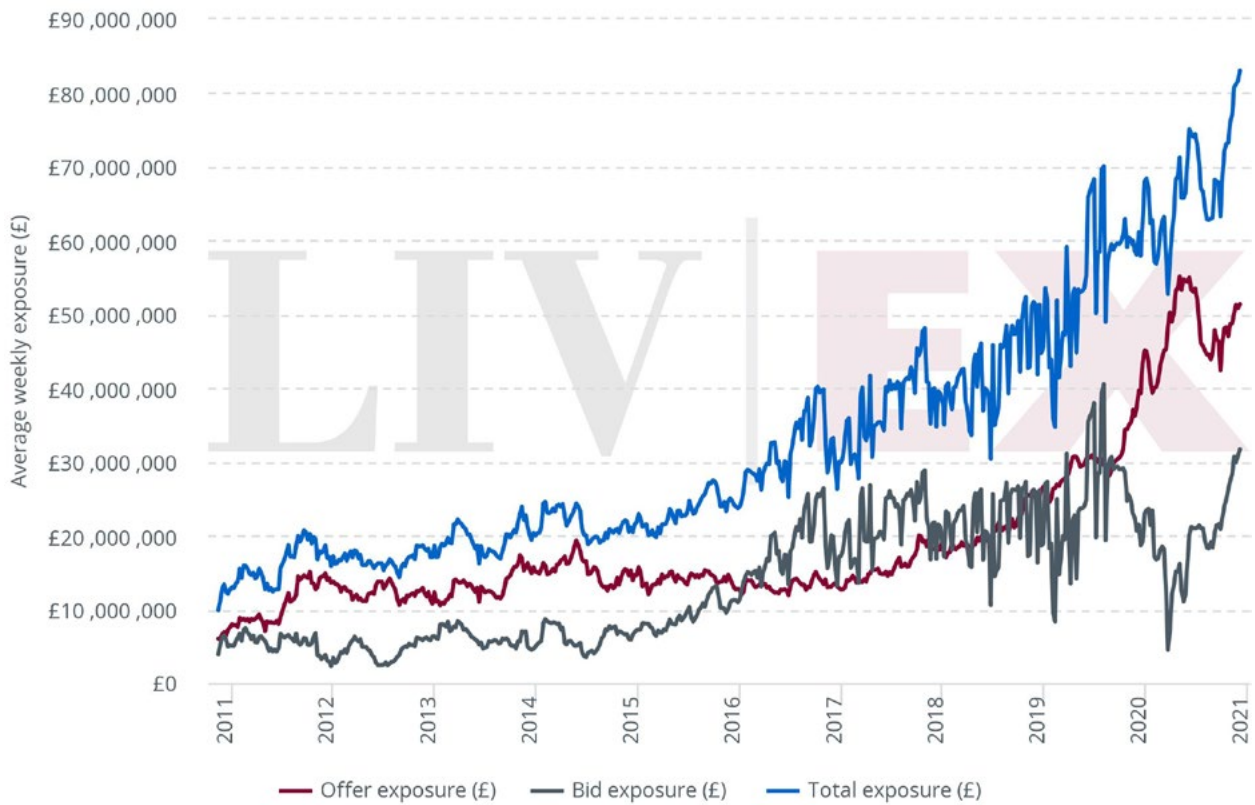


Chart 3: Liv-ex bids, offers and total exposure – ten years



Currency and buying appetite

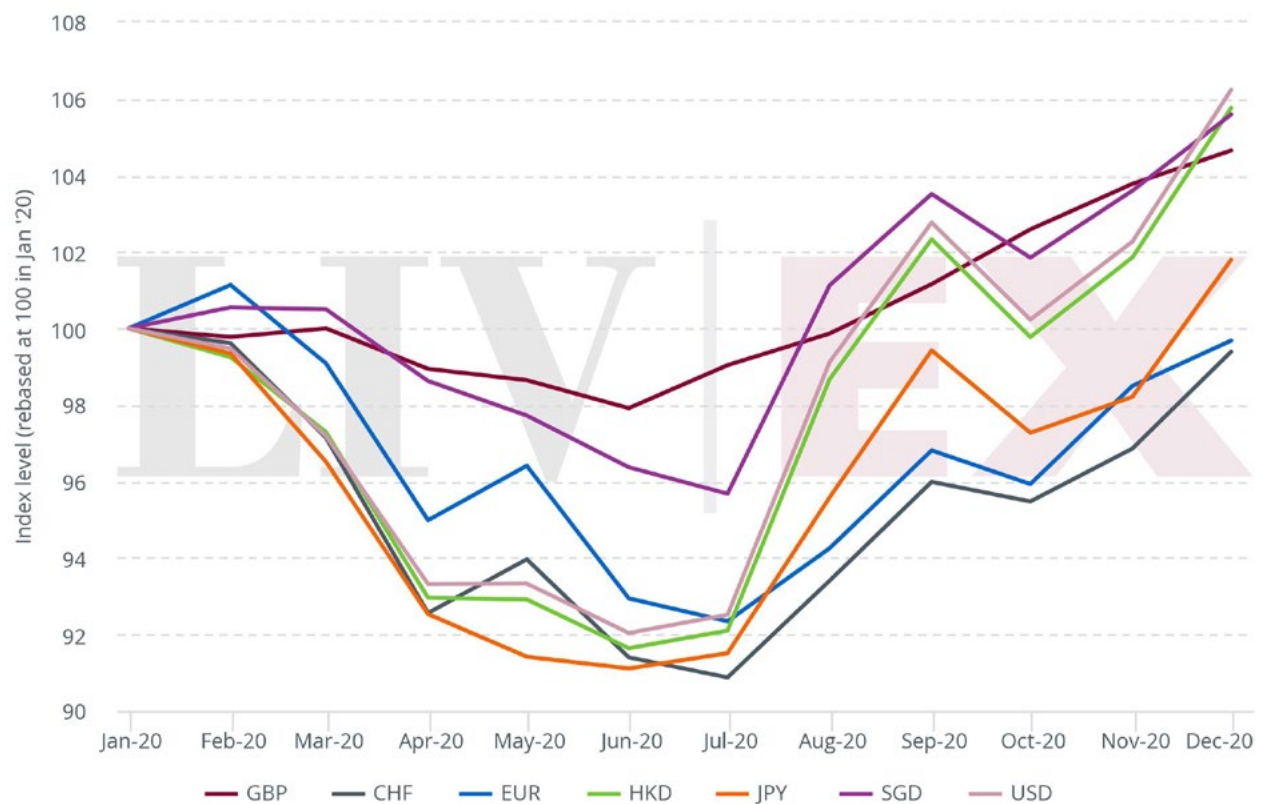
Sterling weakness against other currencies made fine wine an increasingly attractive proposition but this was not the only reason why demand for fine wine rose in 2020.²

With the indices denominated in Sterling, any weakness in the currency helps lift prices as buyers from Europe, the US and Asia are drawn to the market. But the increased appeal of wine as an alternative asset also played its part in this growing interest. As central banks pumped liquidity into the global economy in order to avert a crisis of confidence, inflating everything from residential property to junk bonds, collectors began to eye up the tangible, low-volatile fine wine market.

Tangible assets like fine wine often find their moment in times of financial upheaval. Deloitte's Director, Adriano Picinati, affirmed this in a recent interview: "From all the surveys we conducted for our Deloitte Art & Finance report over the last ten years, we find that collectibles indeed represent a sizable and growing portion of the worth of wealthy individuals."³

Not only has fine wine proven itself a safe and stable (if at times, dull) investment over the medium term, it also holds allure to imbibers who are locked down and deprived of their usual wining and dining. As Michael Strobaek, Global CIO of Credit Suisse, puts it: "The key motivation of clients to collect is either pure passion and emotion, or emotion with a financial motivation/gain in view. Hardly any of them regard their collectibles as pure investments – there is more to it than that".⁴

Chart 4: Liv-ex 100 in different currencies: year-to-date



2. Year-to-date, the Liv-ex 100 index has dipped 0.3% in euros and 0.6% in Swiss franc. It has risen 6.2% in US dollars, 5.8% in Hong Kong dollars, 5.6% in Singapore dollars, and 1.8% in Japanese Yen.

3. Credit Suisse, Research Institute, "Collectibles: An Integral Part of Wealth", October 2020.

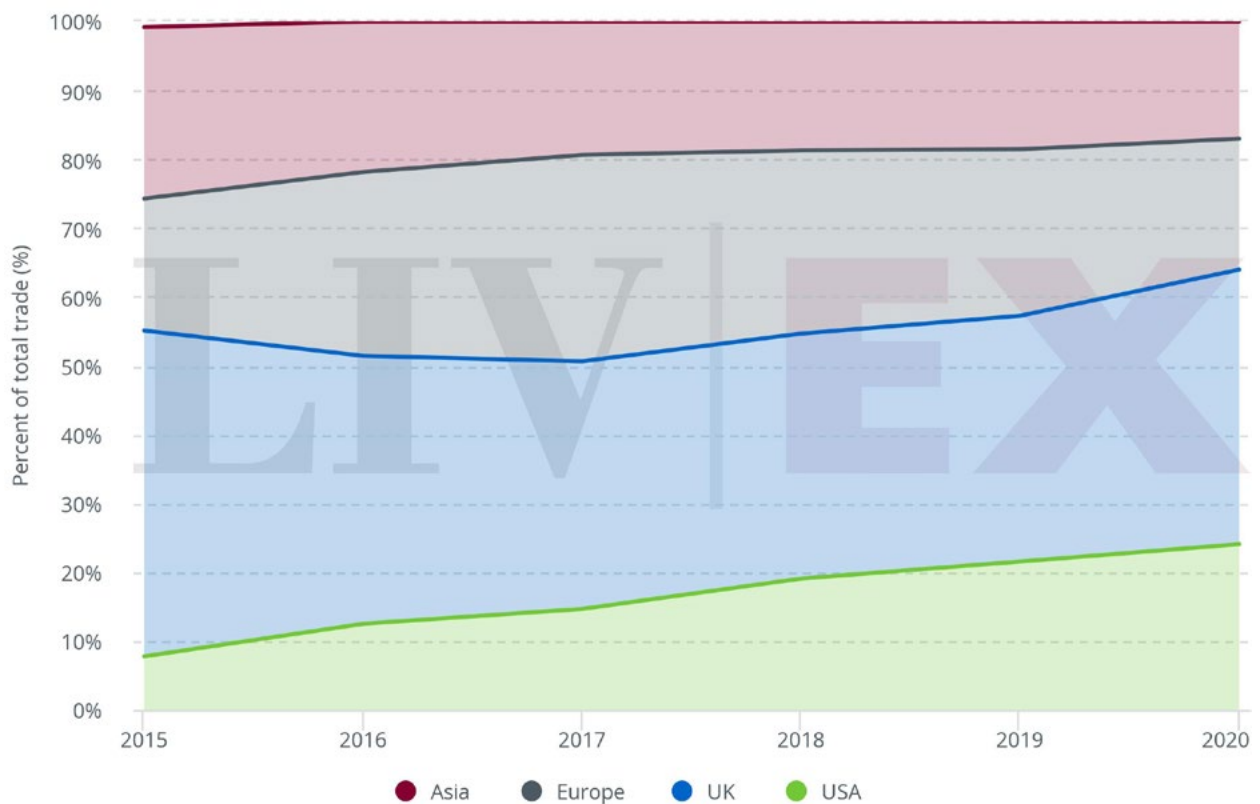
4. Credit Suisse, October 2020.

Demand by purchasing regions

How has fine wine demand changed across the main purchasing regions in 2020? To put the year into perspective, Chart 5 shows regional buying over the past five years. Two main themes emerge: the Asian slowdown, with Asia's share down from 25% in 2015 to 17%, and an uptick in US activity, up from 8% to 24%.

As a question mark hovers over the future of Hong Kong as a fine wine hub, a shift in the market can be observed, with the emergence of more active sellers from the region. The Asian buying appetite has also shifted from Bordeaux towards Champagne, more affordable Burgundy labels, and Italy. However, as China becomes the first region to return to post-pandemic normality (coupled with buying preparation for Chinese New Year), it is expected that the region will soon re-affirm its role as a major source of demand. Meanwhile, US appetite for fine wine, buoyed perhaps by record equity prices, has steadily increased, with Italy, Champagne and the Rhone firmly in buyers' sights in 2020.

Chart 5: Regional buying as a % of total trade by value: 2015-2020

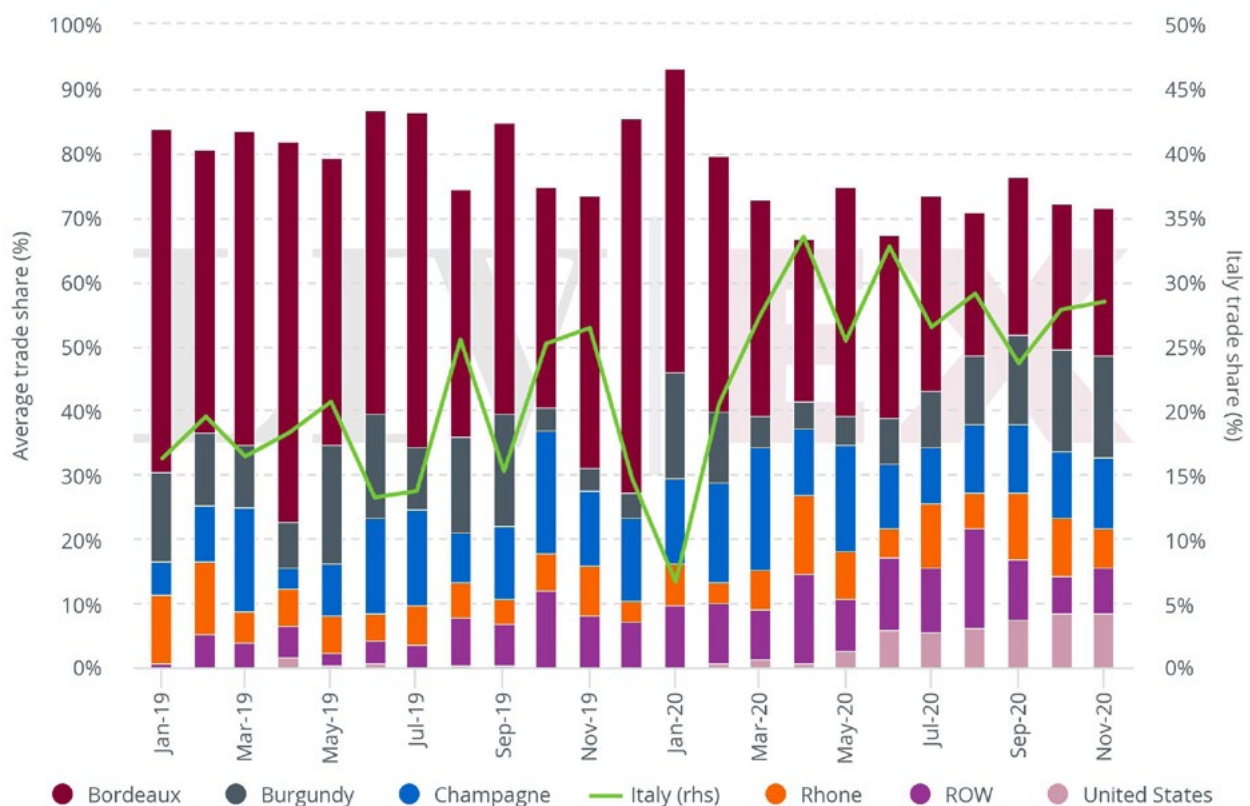


The Trump effect: USA tariffs

A major theme in 2020 was the impact of the 25% US tariffs on European goods, including wine over 14% abv, which came into effect on 18th October 2019, and the threat of additional 100% tariffs. These were linked to disputes over France's digital services tax and the WTO's ruling on the Airbus/Boeing dispute. They had an impact on demand, prices and regional market shares.

Chart 6 shows how US purchasing of fine wine has changed since the beginning of 2019. Before the tariffs were introduced, Bordeaux accounted for 48% of the trade by value on average (Jan 2019 – Oct 2019). Since October last year, Bordeaux's average share of US buying has fallen to 33%. Burgundy's share has also declined – from 13% before the tariffs to 8%. Conversely, demand for Champagne (from 10% to 14%), Italy (from 18% to 25%) and the Rest of the World (from 4% to 10%) has risen significantly.

Chart 6: USA regional buying habits as a % of total USA trade share



Regional price performance: made in America

Regions exempt from the 25% US tariffs saw the biggest price appreciation in 2020.

For the first time on an annual basis, Champagne outperformed all other fine wine regions. Within the Liv-ex 1000, the Champagne 50 sub-index was the biggest mover, up 8.27%. The region was supported by successful and critically acclaimed releases of its 2008 and 2012 vintages.

The Italy 100 sub-index followed suit, up 6.72%. Like Champagne, the Italian market benefited from tariff exemption and critical acclaim, as strong Barolo '16 and Brunello '15 campaigns grabbed the trade's attention. Collectors increasingly turned to the Piedmont for exclusivity, with the names of Gaja, Giacosa, Conterno, Vietti and Luciano Sandroni making waves.

The Rhone 100 index was the third biggest riser, up 3.64%.⁵ Although the Rhone is subject to tariffs, many of its wines achieve over 14% abv, making them suitable for exclusion. As recently examined, many of the Rhone wines have a strong following amongst US buyers, in part driven by Jeb Dunnuck and Robert Parker's critical influence. In 2020, US buying accounted for over half (55%) of the Rhone's market share by value.

Prices for physical Bordeaux also rose this year, led by increases for 'off' vintages like 2008 (4.7%), 2013 (4.2%) and 2012 (4.2%). As investment interest in Bordeaux has started to revive, prices for top vintages have also started to move. The critically acclaimed 2010 vintage is a prime example, rising 3.8%. Within it, the wines featuring in the Left Bank 200 increased 5.6%, with those from the Right Bank 100, up 5.2%.

Meanwhile, interest in Burgundy somewhat waned. Prices for many of the region's top names held steady but trades dried up as fewer buyers were willing to commit at the lofty price levels. While the release of the relatively abundant Burgundy 2018 vintage was met with steady demand, there was a discernible shift in secondary market buying patterns. Demand shifted from Burgundy's trophy assets to more affordable second and third tier growers. This was reflected in a loss of market share by value, while overall volumes traded held steady. Year-to-date, the Burgundy 150 index is one of only two sub-indices to be in negative territory - down 1.22%.

While prices for its brightest star, Domaine de la Romanee Conti, rose slightly, volumes traded fell. When compared to the First Growths of Bordeaux, DRC's premium just might be hinting at a ceiling reached. The DRC/Fine Wine 50 ratio touched a high of 9.86 in [July of this year](#) (meaning that one can buy almost 10 cases of First Growths for the same price as one of DRC) but has not been able to break the 10x barrier since.

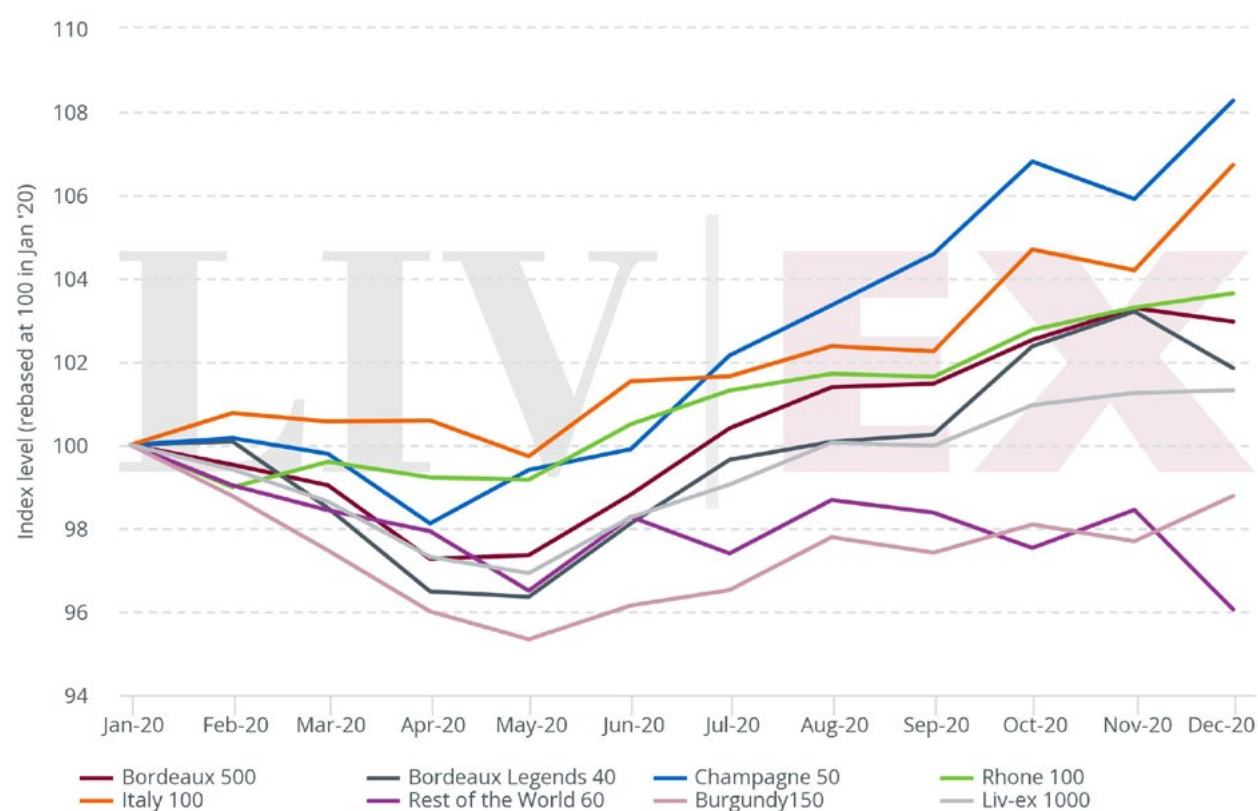
Prices for the Rest of the World category, which was subject to increased attention in 2020, drifted throughout the year. The Rest of the World 60 index, which tracks the performance of the ten most recently physical vintages of six top wines from Spain, Portugal, the USA, and Australia, slipped (-3.95%). While the ROW category gained market share through 2020, buyers were seeking out value at the lower tiers.

⁵ The reasons behind this recent growth are examined in our Q4 extended report, [The Rhone: Solid as a Rock](#).

Table 2: Liv-ex 1000 sub-indices

Index 30/11/2020 (monthly close)	Level	MOM	YTD	1yr	5yr
Liv-ex Fine Wine 1000	352.68	0.06%	1.31%	0.65%	44.22%
Liv-ex Bordeaux 500	317.71	-0.32%	2.96%	2.44%	34.38%
Bordeaux Legends 40	381.01	-1.32%	1.84%	1.74%	36.29%
Burgundy 150	538.08	1.11%	-1.22%	-2.80%	81.09%
Champagne 50	426.41	2.23%	8.27%	8.37%	59.14%
Rhone 100	196.99	0.33%	3.64%	2.74%	26.20%
Italy 100	316.48	2.43%	6.72%	6.85%	47.41%
Rest of the World 60	278.3	-2.43%	-3.95%	-4.41%	26.47%

Chart 7: Liv-ex 1000 sub-indices year-to-date



Regional Trade in 2020

The broadening of the fine wine market continued throughout 2020, once again primarily at the expense of Bordeaux's share of trade, which fell from an average of 54.4% in 2019 to 42.2% in 2020. It has more than halved from its peak in 2010, when Bordeaux accounted for 95.7% of secondary trade by value, driven by an insatiable demand from China.

Burgundy was the first and main benefactor of Bordeaux's decline; its trade share rising from 0.6% in 2010, to a record high of 19.6% in 2019. But it has also dipped this year to 17.7%. The Rhone and Champagne have maintained their trade shares, at 3.3% and 9% respectively.

Italy has been the big winner of 2020. Having taken a solid 8.8% in 2019, Italy's trade share nearly doubled in 2020 to 15.3%. The USA also had a great year. It accounted for just 0.1% of trade in 2010. Last year, it reached 2.3%. Year-to-date, it stands at 7%.

The increasingly diverse Rest of the World category has also seen greater demand than ever before. Up from 0.8% in 2010 to 5.6% in 2020, ROW trade so far in 2020 has been led by Australia (1.8%), Spain (1.4%) and Germany (1%), though wines from Argentina, Austria, Chile, and Portugal are seeing increased activity.

Chart 8: Regional trade share on Liv-ex over ten years

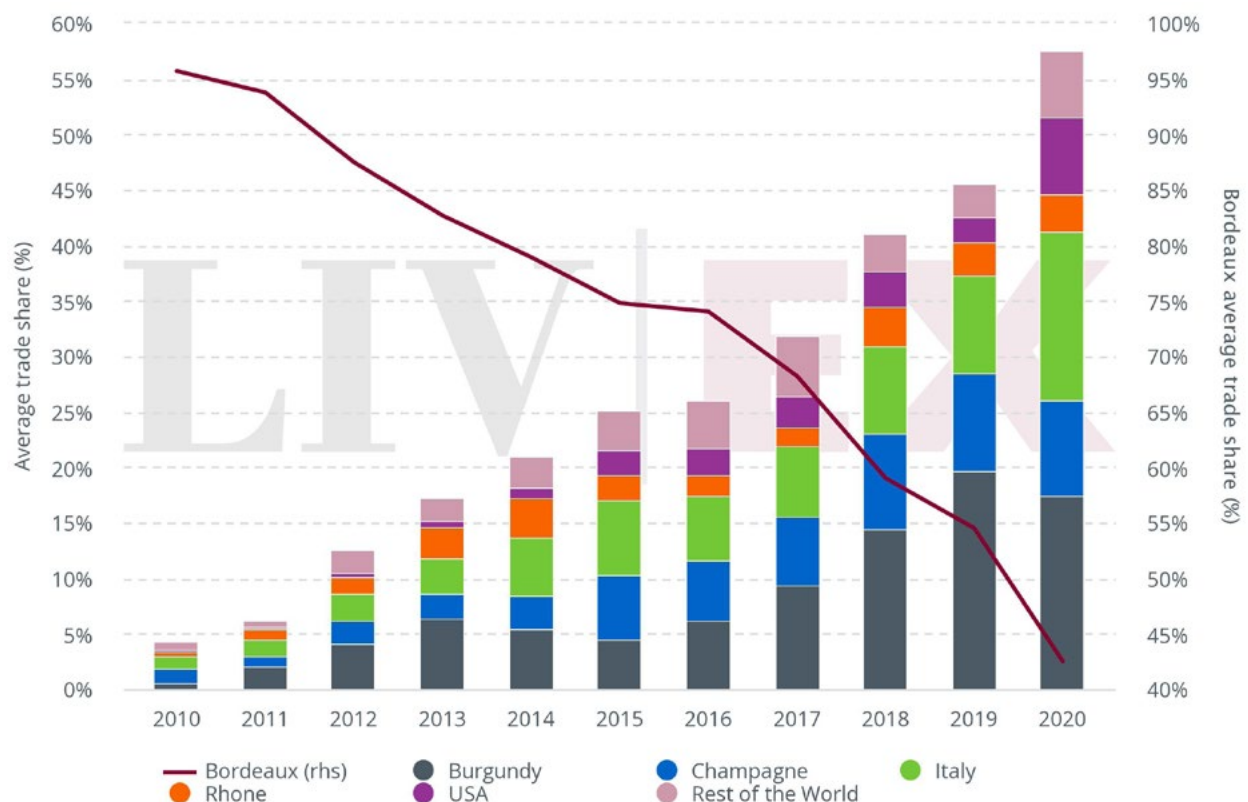
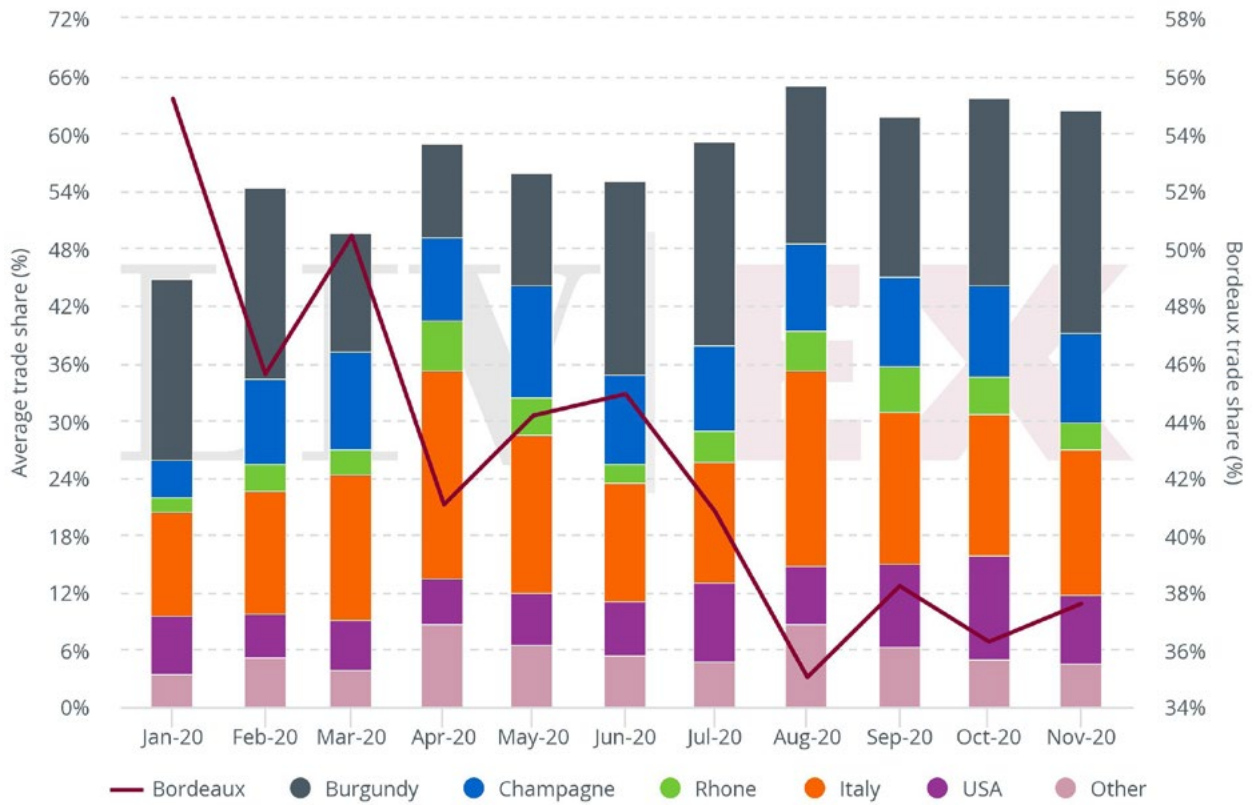


Chart 9 offers a glimpse into regional trade share on a monthly basis, giving perhaps an indication of the future direction of travel as we enter 2021. Bordeaux, for instance, was in decline until August when it hit an all-time low of 35%, but has steadied since. Might this be the beginning of a turnaround? 2020 has seen Italy very much in the spotlight, but is 15% its limit? And is the Rhone hinting at better things to come?

Chart 9: Regional trade breakdown in 2020



Driven by automation

[Trading automation](#) happens when merchants use technology to put their systems in sync with the global marketplace. It enables them to list stock automatically – direct from their stock system – or extend the marketplace’s offering direct to their customers, who can then make instant purchases via their website.

While purchasing wine manually is often dependent on office hours and a finite set of physically available wines, automated trading is open 24 hours a day, and draws upon stock from the aggregated network of merchant lists. This is because all systems – a merchant’s stock system, website, and Liv-ex – stay in sync automatically. This year, the number of weekend trades is up threefold on 2018.

Chart 10: Record number of automated trades



Automation has been a key driver behind the broadening of the market. It has made it easier for merchants to list stock for sale, exposing their diverse inventory to an ever-growing marketplace. More wines (and vintages) from more regions are now available to more collectors at the click of a button.

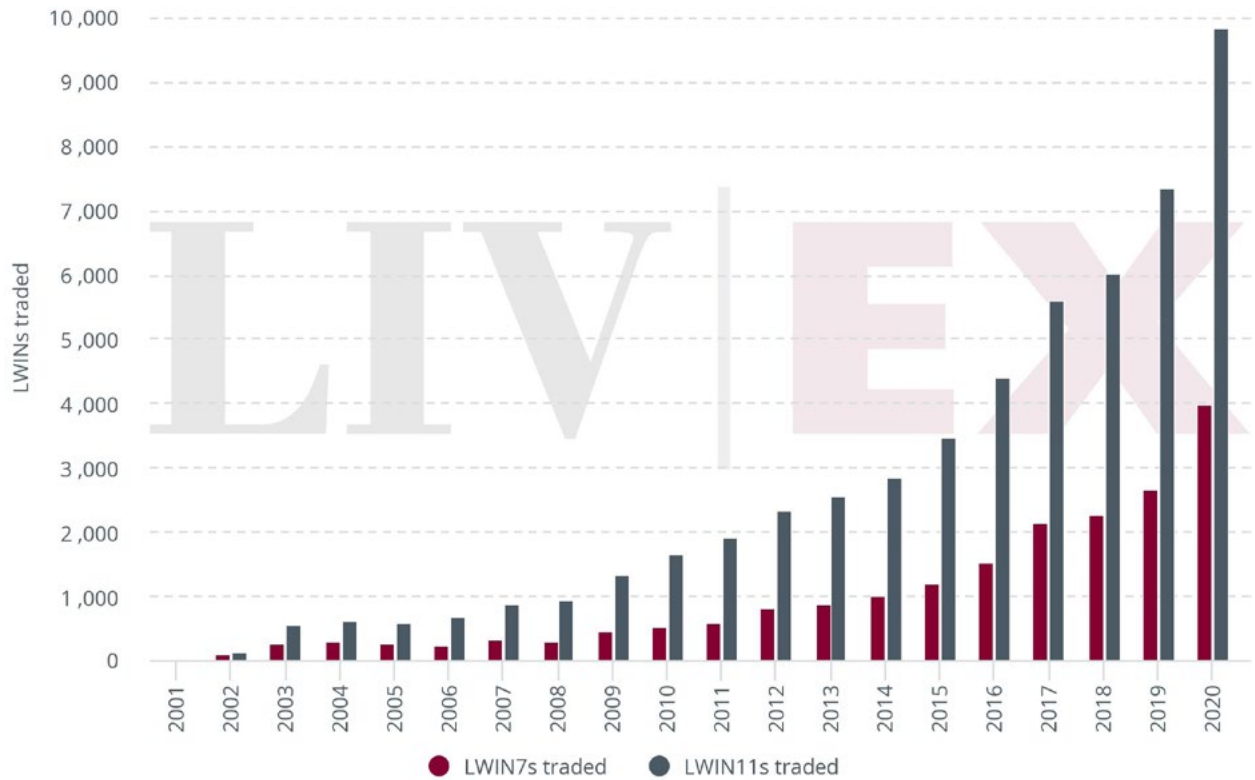
As can be seen in Chart 11, a record number of wines and vintages traded in 2020. The number of unique wines traded (LWIN11 - wine and vintage) is coming close to the 10k milestone.⁶ This is a 183% increase on just five years ago. Over the same period, the number of wine labels (LWIN7) traded has risen 231%.

6. LWIN is the universal identifier for wine and spirits. LWINs are unique 7, 11, 16 or 18-digit codes. The 7-digit code refers to the wine itself (i.e. the producer and brand, grape or vineyard). The longer codes include information about the vintage, bottle and pack size. To find out more, [click here](#).

Wines bought in 2020 come from more traditional fine wine regions like Bordeaux and Burgundy, but also from England, China, Hungary, Switzerland, Austria, Germany, Chile, Argentina and more. Prices per bottle range from £4 to £21,000.

Spirits have also seen higher levels of demand than ever before, as their secondary market has evolved. In 2020, the number of whisk(e)y trades on Liv-ex has been ten times higher than in 2016, with the number of unique buyers also doubling. The whiskies on offer have also expanded, with a 50% increase in distinct whiskies traded (LWIN11) this year.

Chart 11: Number of unique wines trading on Liv-ex since 2002

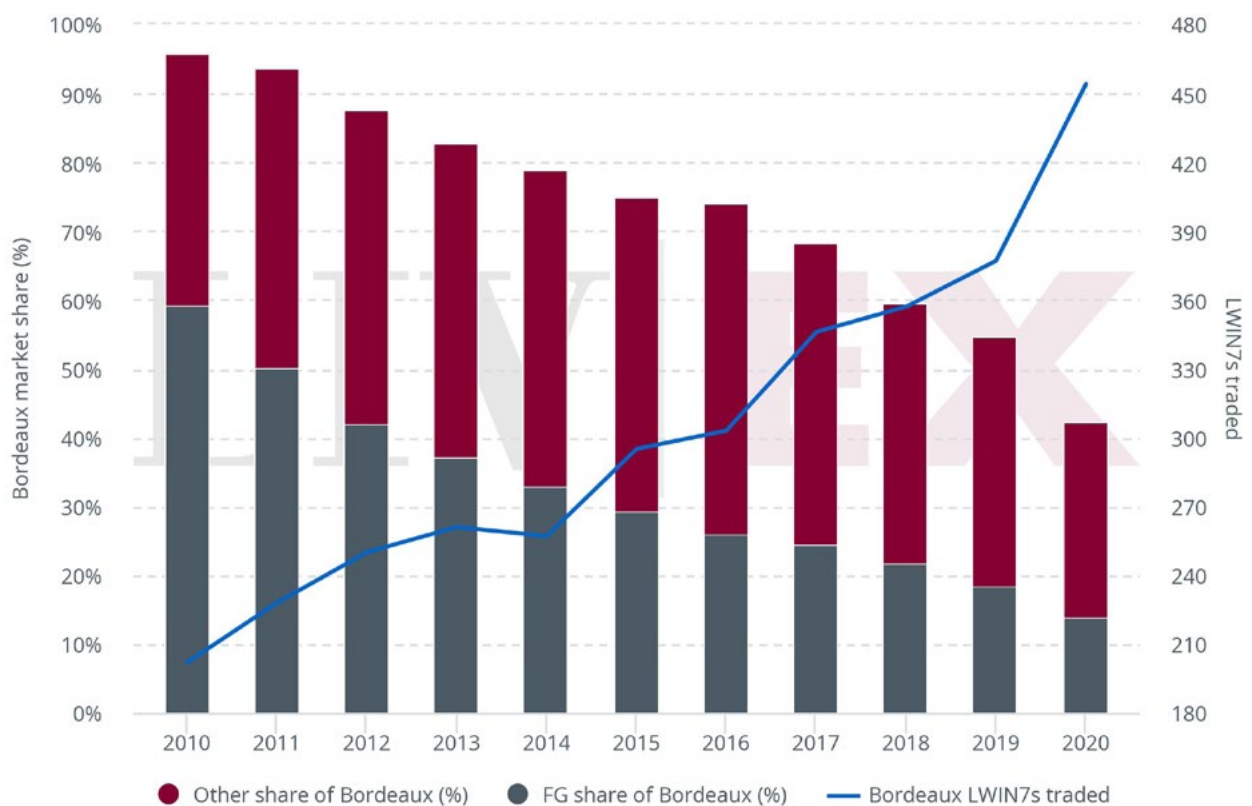


Diversity within regions

There has also been greater diversity within the regions themselves. Take Bordeaux, for instance. The number of Bordeaux names that have traded on the secondary market has doubled over the past decade. Subsequently, the First Growths' share of Bordeaux's trade by value has halved. Back in 2010, the First Growths made up 61.9% of Bordeaux's total market share. Year-to-date, they have accounted for 32.6%. Lower value Bordeaux wines have attracted increased trade, as buying interest has extended beyond the leading names.

In Burgundy too, there has been a broadening. The number of unique wines traded has increased 20% this year. And while the total value of Burgundy traded is down year on year, the volumes remain steady, suggesting collectors are searching for value among the lower tiers.

Chart 12: First Growth market share vs Bordeaux's trade share vs distinct Bordeaux wines traded



Fine wine: the biggest winners

Reflecting the market's broadening, the top ten most traded wines by value in 2020 came from four regions: Italy, Bordeaux, Champagne and the USA.

The 2013 vintage of Giacomo Conterno Barolo Riserva Monfortino (WA 98-100, JS 99, AG 99), which currently commands a Market Price of £8,196 per 12x75, took the top spot. Although trading in far greater volume, the Super Tuscans Sassicaia 2017 and Tignanello 2016 came in sixth and ninth places respectively. The popular 2008 and 2012 Champagne vintages also featured prominently in the rankings. From the Napa Valley, the 100-point Lisa Perrotti-Brown MW and James Suckling's Harlan Estate 2016 made it into the top ten.

Table 3: The most traded wines by value in 2020

Rank	Wine	Vintage	Market Price (12x75)
1	Giacomo Conterno, Barolo Monfortino Riserva	2013	£8,196
2	Chateau Lafite Rothschild, Pauillac	2016	£6,600
3	Taittinger, Comtes de Champagne Blanc de Blancs	2008	£1,070
4	Dom Perignon	2008	£1,332
5	Louis Roederer, Cristal	2012	£1,516
6	Tenuta San Guido, Bolgheri Sassicaia	2017	£1,556
7	Chateau Lafite Rothschild, Pauillac	2010	£7,300
8	Antinori, Toscana Tignanello	2016	£974
9	Petrus, Pomerol	2016	£34,000
10	Harlan Estate, Napa Valley	2016	£11,250

The broadening definition of fine wine is also showcased in the best-performing wines, seen in Table 4. Only two years ago, the top ten biggest risers from the Liv-ex 1000 came from Burgundy. This year, the list was dominated by Italy and included two wines from Bordeaux, two from Champagne, one from Chateauf-neuf-du-Pape and one from Spain. The Italian wines that led the charge were all Super Tuscans. The top performers from Bordeaux came from its top vintages: 2010 and 2009. Vega Sicilia Unico 2008 is a "triumph for the vintage conditions", according to the Wine Advocate's Luis Gutierrez (96).

Table 4: Top ten price performers within the Liv-ex 1000 index in 2020⁷

Region	Wine	Vintage	Dec-19	Nov-20	Change
Bordeaux (Red)	Chateau L'Eglise-Clinet, Pomerol	2010	£2,300	£3,150	37.0%
Italy	Tenuta San Guido, Bolgheri Sassicaia	2013	£1,500	£1,960	30.7%
Champagne	Bollinger, La Grande Annee	2008	£860	£1,096	27.4%
Bordeaux (Red)	Chateau La Conseillante, Pomerol	2009	£1,360	£1,692	24.4%
Italy	Antinori, Toscana Solaia	2013	£1,610	£1,998	24.1%
Spain	Vega Sicilia, Ribera del Duero Unico	2008	£2,280	£2,800	22.8%
Italy	Antinori, Toscana Tignanello	2013	£780	£950	21.8%
Rhone	Vieux Telegraphe, Chateauf-neuf-du-Pape La Crau Rouge	2016	£450	£544	20.9%
Champagne	Dom Perignon	2006	£1,160	£1,392	20.0%
Italy	Antinori, Toscana Tignanello	2016	£814	£970	19.2%

⁷ Based on Liv-ex's Mid Price. For more information on Liv-ex's pricing data, [click here](#).

A toast to 2021

A recent article in [The Economist](#) proffered the hypothesis that 2020 was the year that “wasn’t”, with plans postponed and initiatives left in the dust. The robustness of the fine wine market and developments within it, however, suggest otherwise.

The wine industry showed remarkable resilience despite the headwinds. The fine wine market continued to offer steady returns and low volatility, to broaden, diversify and grow. All Liv-ex indices rose and trade by value touched a ten-year high in November. The market saw a record number and volume of trades. Buying interest continued to broaden towards the USA, the Rhone, Champagne, more affordable Burgundy labels, and Italy, which doubled its market share in 2020. The number of distinct wines and premium spirits traded came close to 10,000, with increased activity in regions that attracted secondary market for the first time, like Slovenia. A testament to the market’s increased liquidity was record-breaking exposure, which hit a high of £83 million in November.

Technology played a key role in achieving all this, connecting buyers and sellers from across the globe, as the move to digital applications accelerated during the global pandemic.

As the world emerges from the crisis, all those involved in the wine market, from grower to imbibers, look forward to sharing its joys in a more tangible and physical manner. But until that happens, it would seem the market is more than capable of living in the *Cloud*.