



Vintage Wine Market Update - 2020 June

COVID-19 and Trade Wars

So far the fine wine market has shown some resilience compared to the global equity and commodity markets. Looking back at the GFC in 07/08 when the Liv-ex 100 fell more than 30%, the impact of COVID-19 and associated negative effects do not seem to have been fully experienced as yet. Although various Liv-ex indices have been down 1-4% year-to-date, a weaker pound sterling has helped stabilize the market but has not led to a boost in volume.

The current pandemic and global economic slowdown might have more important negative consequences on both demand and supply in the longer term. Disruption of traditional distribution channels such as top-end restaurants could lead collectors and restaurant owners to sell parts of their collections or stocks to compensate for lack of income. This would put downward pressure on prices, with varying extent of the effect felt by different wine regions, appellations, vintages and also depending on the rarity of the wines.

Another important factor affecting the fine wine market is the repercussions of the trade wars between China, the US and Europe. Higher tariffs applied to French wines by the US, for example, has had a negative impact on French wine exports across the board and has contributed to increased sales of top Italian wines in the US market. The political situation in China, and Hong Kong in particular, has also led to a decrease in demand for high-end wines. Bordeaux wines have been especially affected.

Focus on Italy

Interest in Italian wines continues to be on the rise. In 2019, the Liv-ex Italy 100 index was the best performing amongst all Liv-ex indices with a +3% gain, whereas the Liv-ex Bordeaux 500 was

-3.6%. It is also important to note that Italy is the third most actively traded wine region on Liv-ex, behind Bordeaux and Burgundy and before Champagne, Rhone and Rest of World. Super Tuscans such as Sassicaia, Ornellaia and Tignanello are not new on the wine scene and over the past few years have acquired investment grade status. Meanwhile, wines from another important region, Piedmont, are catching up and are among the best performing on Liv-ex. Top Barolo and Barbaresco wines from producers like Giacomo Conterno and Bruno Gisacosa are fetching prices doubles those of the Super Tuscans. Reds wines from Piedmont are made uniquely from Nebbiolo, a demanding varietal and indigenous to Piedmont. It is a late ripening grape with high levels of tannins and acidity giving them long aging potential. Undoubtedly, the increased interest and demand for quality Italian wines is not a fad.

Bordeaux 2019 - A Very Unusual En Primeur Campaign

The verdict is out: the 2019 Bordeaux vintage is very good to excellent. Red wines from both left and right banks look fairly classic in style and the dry whites are judged to be excellent as well. The "en primeur" campaign usually starts in April with hordes of wine journalists and the trade flocking to Bordeaux for the new vintage tastings. Of course this year, due to travel restrictions, this did not happen and the tastings were done in isolation with samples sent directly to the press or merchants. Zoom interviews and tastings, as odd as it may seem, became the norm, for this year anyway. Releases just began in the past week with Chateau Pontet Canet 2019 opening the grand ball of the Grands Cru releases. So far, it seems that Bordeaux is finally getting wiser and listening to the market. 2019 prices are down 15-30% compared to 2018 despite the high quality vintage as we pointed out earlier. Cos d'Estournel 2019 is 24% lower than last year although it

received scores of 98/99 points. Palmer 2019 is 33% cheaper and even Chateau Lafite is showing reason with first release priced at €394, a 16% discount from last year. However, it is too early to tell whether these price-sensitive release prices will assure success for this year's campaign.

The Auction World

Spring is usually a busy time for the major auction houses. Things are different this year with bidding done online. This new approach seems to have worked well with results showing a high numbers of lots sold and prices in the middle to high estimates for the most sought after wines. Eyes are now on Sotheby's and Christie's first live auctions since Covid-19. Sotheby's have scheduled June 18 for New York and July 5-7 for Hong Kong, whereas Christie's is slated to hold theirs on July 12 and July 28 in in Hong Kong and London respectively.

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