

Fine wine market: the worst is behind us



One year ago this week the world watched as investment-banking firm Lehman Brothers collapsed, marking the largest bankruptcy ever in the US and the start of a dash for cash which hit the most liquid and highest value fine wines first.

However, one year on and fine wine volumes are now approaching levels achieved just before the global financial market meltdown of 2008.

Buoyed by Asia's seemingly insatiable demand for Bordeaux First Growths, above all Lafite Rothschild, the latest figures from Liv-ex, covering the month of August, make for surprisingly upbeat reading.

The Liv-ex 100 Fine Wine Index had its best month for more than two years, gaining 4.6% to 225.5, meaning the index is now up 10.0% in 2009 – although still down 14.2% year on year.

Much of this bounce back can be attributed, [as previously reported by *the drinks business*](#), to the demand for Lafite Rothschild.

For example, Liv-ex valuations for Lafite Rothschild 2000 and 2004 were up 15% on July, while, highlighting the strength of 'brand Lafite', second wine Carruades de Lafite reached a new high in August.

But the gains have not been limited to one First Growth and Mouton Rothschild has also experience price increases, with valuations rising by 8% during August.

It appears that "the worst that this global crisis can throw at the fine wine market is behind us," to quote Wine Asset Manager's latest report on its Fine Wine Fund.

As for the source of demand for these wines, the strongest activity is without doubt in the Far East. And, crucially for the future performance of fine wine as an investment, this wine is being drunk in Asia – it will not re-enter the market when more mature.

Miles Davis, partner at Wine Asset Managers noted: "The fine wine market strengthened significantly in August, with particularly strong demand coming from Asia."

Explaining further, he writes, "This is consumer demand, as opposed to investment demand, and the wine going out to Asia, and China especially, is being drunk. This means the supply of fine wine is drying up quicker than ever before.

Concluding, he asks, "Historically (the last 50 years) fine wine investment has yielded double digit annual returns on average – is this about to increase?"

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