

Extended Report

March 2019

LIV|EX
THE FINE WINE MARKET

Bordeaux 2018 - Keenly poised



Executive summary

A benign market for Bordeaux

Bordeaux has a highly desirable vintage in barrel but for a mixture of geopolitical and region-specific factors the market environment is likely to be relatively benign during the En Primeur campaign this spring. 2018 saw Bordeaux prices hold steady, while its share of trade continued to decline, reaching a new annual low of 59%. After two great vintages in 2015 and 2016 and a less successful one in 2017, both collectors' cellars and négociant warehouses are well stocked with young Bordeaux. These factors make it improbable that buyers will chase Bordeaux 2018 at any price.

2018 – “a devilish year”

While it is still too early for generalisations, the commentary around the upcoming campaign has so far been positive. The growing season – a rainy start followed by a prolonged period of drought – suggests that we can expect “high impact” wines. Jane Anson has described the wines as big, bold, with high tannins and alcohol. However, with some areas affected by mildew and hail damage the vintage is by no means homogenous and is sure to divide critical opinion. As Gavin Quinney put it, “2018 is a vintage that will be remembered with dismay by some châteaux but as one of the greatest by others”.

Where is the volume?

The question of how much wine is being produced versus how much is coming to market is always a crucial one. In 2018, Bordeaux saw a return to decent size yields after frost affected production levels in 2017. Still, some of the top Left Bank appellations, including Pauillac, Saint Estephe and Saint-Julien, had lower yields in 2018 than the previous three vintages on average. After the market boom of 2006-2011 when Bordeaux sold most of their wine to meet rising demand and prices, châteaux have more recently been restocking by holding some of their production back with the hope of achieving higher prices at a later date. The medium- to long-term impact of this strategy is difficult to compute but the rather lukewarm reaction to stellar in-bottle scores for the 2016 vintage hints at a possible supply-side cap on prices.

The need for accurate pricing

Political uncertainty has stalked the market for the past few months. The 2018 campaign will unfold with the question of Brexit still unanswered. This additional uncertainty will doubtless affect demand for Bordeaux 2018 – UK collectors remain the single biggest buyers of Bordeaux En Primeur. Neal Martin's announcement that he will not be tasting the wines until later in the year further complicates the price setting process. It is therefore more important than ever that release prices reflect the reality of the vintage's quality, current market conditions and the very real political and economic uncertainties.

Market Summary

The fine wine market: Bordeaux in context

Bordeaux is, and always has been, the most important region in the fine wine market. Its wines account for the majority of trade and its price movements greatly influence the broader market.

In 2018, the Bordeaux 500 index rose 0.6%. The Liv-ex 50, which tracks the daily prices of the First Growths, dipped by 1%. As fine wine prices are inextricably linked to currency exchange rates, any fluctuations can affect the level of demand in the Bordeaux market. In 2018, a steady sterling rate against the euro contributed to flat Bordeaux prices.

The Liv-ex 100 – the industry benchmark, which is 69% weighted towards Bordeaux – closed 2018 down 0.2%. It experienced very little volatility, trading within a narrow 2% range. This marked a period of consolidation for the index after two strong years.

At the same time, the broader Liv-ex 1000 saw an increase of 10%, reaching an all-time high. The index was driven by a very strong performance from Burgundy, which makes up 26% of its value. The Burgundy 150 has been thriving the past five years and broke all records in 2018, rising 35%.

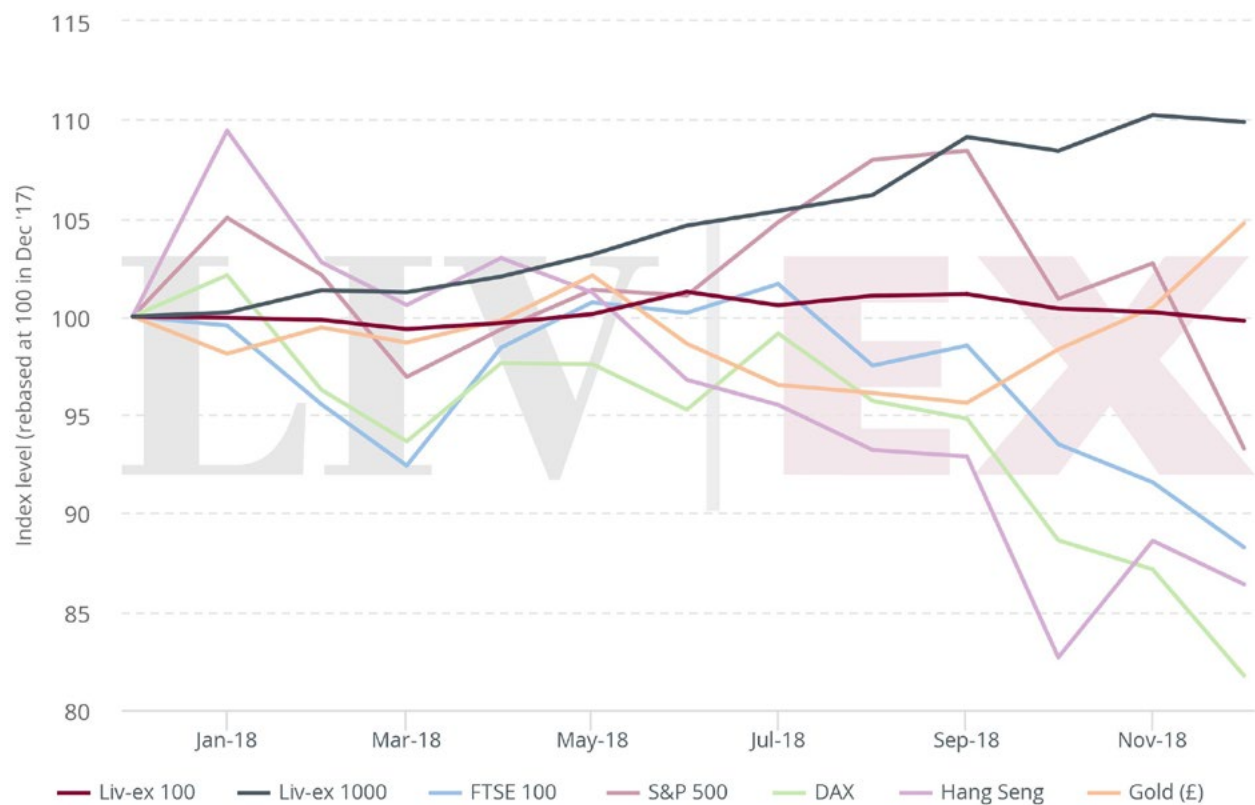
Chart 1: Liv-ex 100 index (in sterling, euros and dollars)



To put the performance of fine wine in perspective, chart 2 compares how the Liv-ex 100 and the Liv-ex 1000 fared against global equities in 2018. Both fine wine indices have outperformed European, Asian and US equities, which came under considerable pressure at the end of the year.

The start of 2019 saw an upward trend in global equities, but small declines in the Liv-ex 100 and 1000. While the trade largely expects a continuation of the course taken in the previous year – a steady Bordeaux market and growing strength in Burgundy – the upcoming En Primeur campaign will certainly help shape the fine wine market's direction.

Chart 2: Fine wine outperforms equities in 2018



Bordeaux in a broadening market

Although Bordeaux remains dominant, its market share has been in decline. Last year, it reached a record annual low, falling to 59% of overall trade by value compared to 96% in 2010. In February 2019, its trade share on a monthly basis dipped to 57%.

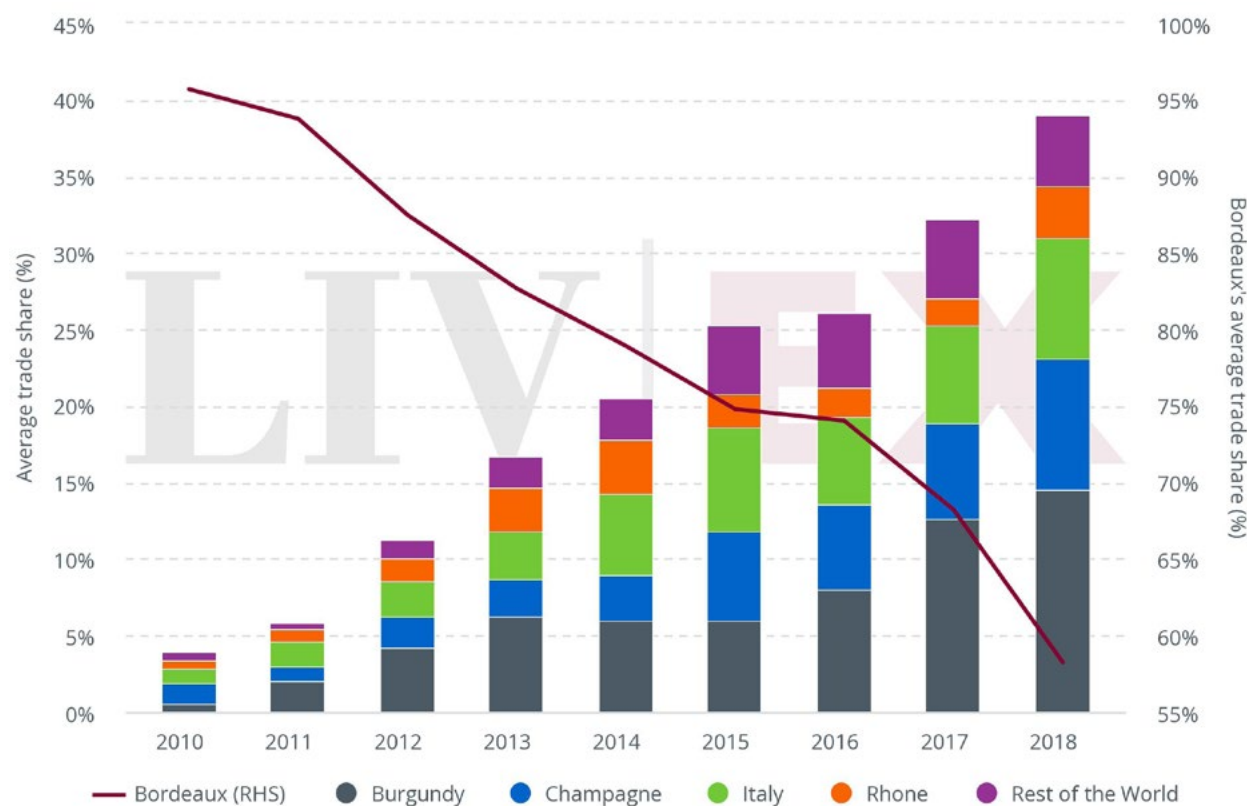
There are several reasons for this. First, Bordeaux's share is being led lower by a fall in the value of First Growth trading. Activity for these five wines has more than halved from 59% of total trade in 2010 to 22% in 2018. Latour's withdrawal from En Primeur in 2011 has contributed to this, reflecting the reduced volume of this wine in the market.

Second, Bordeaux's decline is a consequence of the fine wine market becoming broader and deeper; more than 5,700 different wines traded through the secondary market in 2018 compared to 4,500 distinct wines in the previous year. Since 2015, the number of brands trading on Liv-ex has increased by 252%. Other regions are now stealing the spotlight and seeing increased activity.

As chart 3 shows, Burgundy's share by value rose from 12.7% to 14.5% in 2018. Champagne (8.6%) and Italy (8.1%) are in third and fourth places respectively. The USA has maintained a high share of the 'Rest of the World' category and overtook the Rhone in terms of value traded.

Falling trade share for Bordeaux was initially accompanied by falling prices between mid-2011 and mid-2014. Over the past three years, however, the Bordeaux 500 has risen by 30.4%.

Chart 3: Market share by region

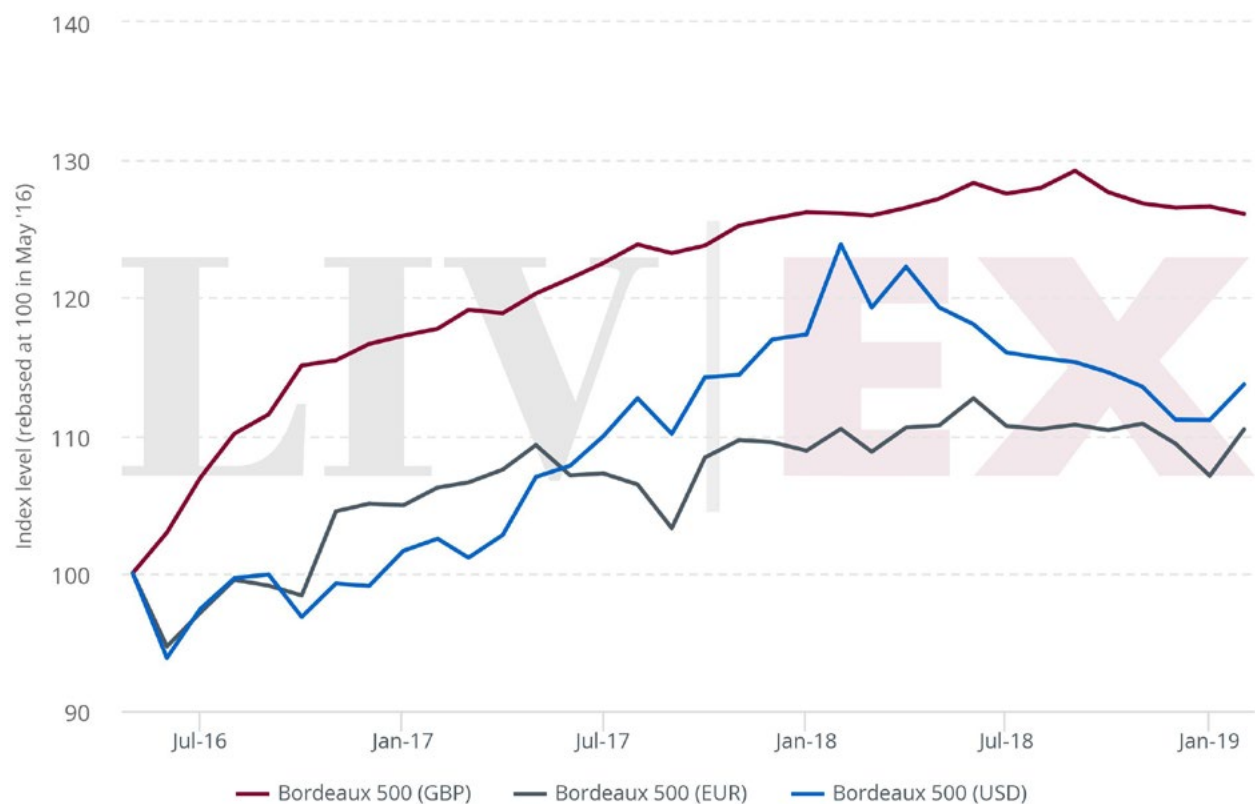


The question of Brexit

As we write this report, the outcome of Brexit negotiations is still not entirely clear. Sterling is looking for direction, influenced by votes in Parliament, but much uncertainty remains. The 2018 En Primeur campaign will unfold shortly after the scheduled Brexit date, and the decision will likely affect currency rates and impact the direction of Bordeaux fine wine prices.

A strong sterling could benefit the UK market – one of the biggest En Primeur buyers – and contribute to a successful, well-sold campaign. While sterling devaluation could mean diminishing UK appetite, it could stimulate Bordeaux trade driven by euro and dollar-based buyers in the secondary market and impact sterling-denominated indices. This already happened around the time of the Brexit referendum in 2016. The Bordeaux 500 is up 27% in sterling since then but only 10% in euros.

Chart 4: Bordeaux 500 since Brexit (GBP, EUR, USD)

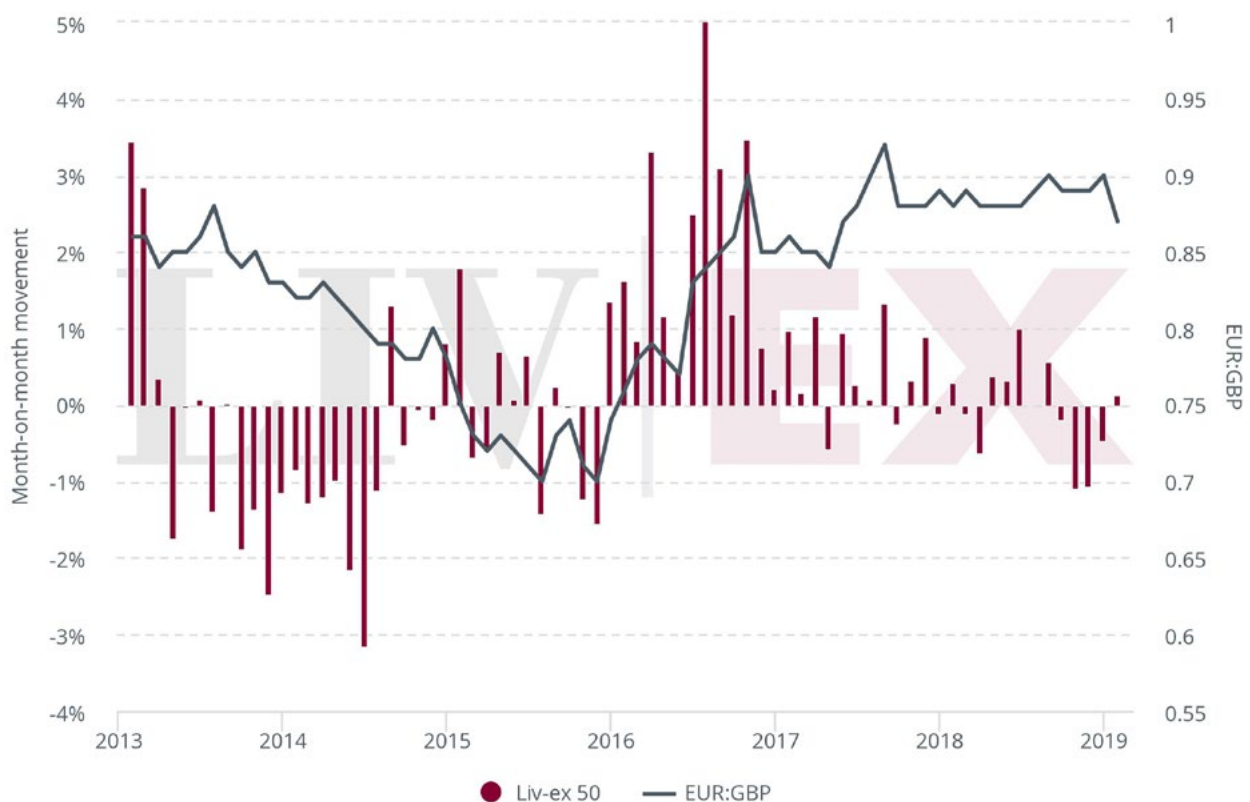


Price movements

Merchants from 41 countries trade on Liv-ex. With members trading in multiple currencies, activity can be catalysed by favourable exchange rates. As chart 5 shows, wine prices were particularly sensitive to currency fluctuations around the time of the Brexit vote: in early 2016, the Liv-ex 50 rallied as the euro appreciated against sterling. This continued in 2017, with the month-on-month movements of the Liv-ex 50 proving very sensitive to the EUR:GBP rate, rising and falling with the euro.

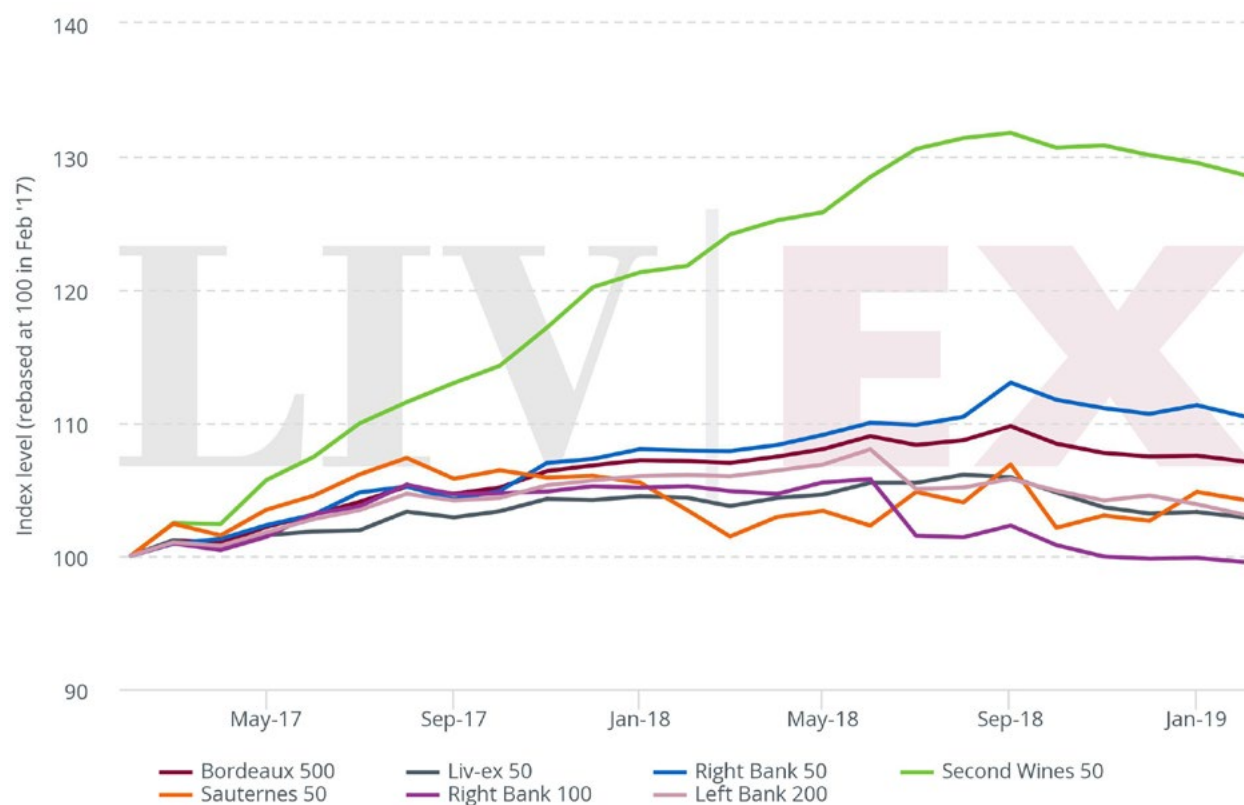
In 2018, the exchange rate stabilised and month-on-month price changes became relatively muted. The end of March 2019 might be a point of greater price volatility. The current demand for Bordeaux is very price-sensitive and more volatile than Burgundy where a combination of restricted supply and ever-growing demand keeps pushing prices higher.

Chart 5: Liv-ex 50 month-on-month movements vs. EUR:GBP



Mixed performance within Bordeaux

Chart 6: Bordeaux 500 sub-indices two years



Within Bordeaux, the Second Wines 50 index has fared particularly well, rising by 29% over the past two years. Buying in this area of the market is generally driven by strong brands at lower prices than the Grand Vin. The Right Bank 50 – comprising of the big players: Le Pin, Petrus, Ausone, Lafleur and Cheval Blanc – has also improved by 10.5%. At the same time, the First Growths have been among the slowest risers (+3%).

Table 1: Bordeaux 500 sub-indices performance

Index	10 years	5 years	3 years	1 year
Liv-ex 50	60.0%	21.3%	28.3%	-1.7%
Bordeaux 500	69.6%	28.6%	30.4%	0.0%
Second Wine 50	226.5%	73.7%	69.5%	6.0%
Left Bank 200	71.6%	29.2%	25.5%	-2.5%
Right Bank 50	63.4%	29.4%	32.2%	2.6%
Right Bank 100	90.5%	20.1%	20.2%	-5.1%
Sauternes 50	-10.2%	0.7%	11.2%	0.6%

As chart 7 shows, Lafite has been the best-performing First Growth (+5.6%), boosted by revived interest of brand-conscious buyers from Asia. Latour, which has only risen by 2%, has seen significant differences between the performance of its vintages: the 2003, for instance, is up 234% since release, while the 2009 has dipped by 10%. The Château chose to leave En Primeur in 2012 (2011 was its last En Primeur vintage) and release wines only when they felt they were ready. Since then, several vintages have been offered by Latour ex-Château, with its 2008 released earlier this month. Ex-châteaux stock often applies a premium to the Market Price due to provenance and storage considerations.

Chart 7: First Growth indices over two years



Rising stars

Individual châteaux indices have seen more significant price movements. Guard Larose, part of the Left Bank 200, has risen by 23% over the past two years, while the Pomerol star Petrus is up 19%. While the Right Bank 100 has been underperforming since Brexit, its constituent Clos Fourtet index is up 16%. Driven by solid price performance, the brand moved up the rankings in our 2018 Power 100 – from 75th place to 48th.¹ Outside the Bordeaux 500, Clerc Milon (+32%) and Figeac (+18%) have been in collectors' sights.

1. Liv-ex, "The Power 100 2018 – Power Rangers", accessed 21 March 2019. <<https://www.liv-ex.com/news-insights/reports/>>

The En Primeur Market

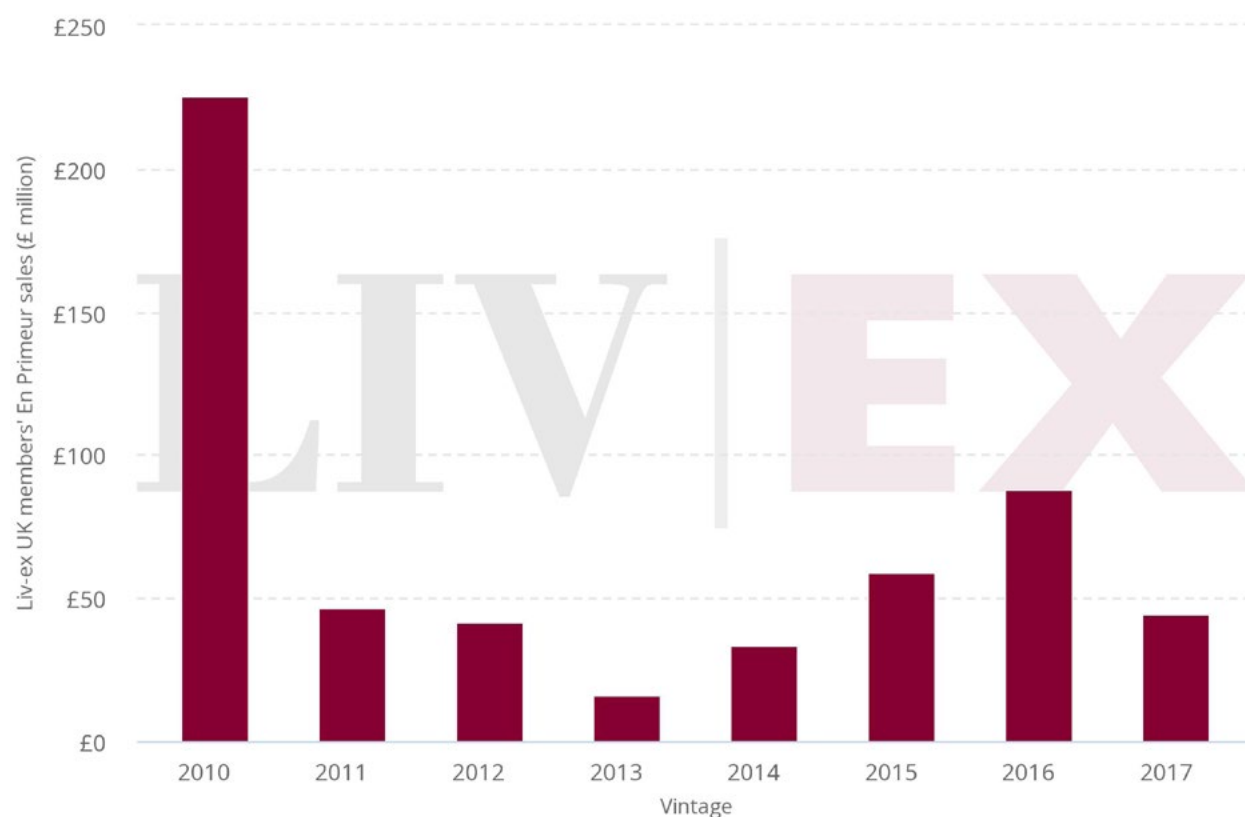
Liv-ex UK members' En Primeur sales

En Primeur has a history of mixed response, but price transparency has always been crucial to its success. The higher quality and prices of the 2015 and 2016 vintages improved confidence in the system, which was declining after a string of lacklustre campaigns between 2011 and 2014. Last year, UK sales dropped by almost a half – from £82 million generated by the 2016 campaign to £45 million by the 2017. Collectors had lost some interest after two exceptional vintages, and there was also a reluctance to pay 2015 prices for a quality that was judged to be at or below 2014.

As Farr Vintners, one of the UK's leading En Primeur merchants, noted in their 2016 and 2017 annual reports: "There has been a marked fall in the demand and appetite for buying Bordeaux vintages En Primeur [...] it is not likely to return to levels of demand seen for the 2009 and 2010 vintages."

Lower sales figures are also a reflection of reduced volumes of wine coming to market as demonstrated by smaller allocations of several key wines in recent campaigns. The danger for châteaux that withhold stock is that they create an overhang in supply that keeps a lid on future prices. The question of production, price and volume will be discussed later in this report.

Chart 8: Liv-ex's UK members' En Primeur Sales



En Primeur returns and margin formation

For many, buying En Primeur is an investment. In return for tying up capital and taking on risk, the buyer is left to hope that they have secured the best price for the wine. Table 2 offers an overview of the extent to which purchasing has been worthwhile for this purpose.

In just over half of the campaigns since 2005, wines have been cheaper at physical release (delivery) than at En Primeur. This was the case for the 2009, 2010 and 2011 vintages, which left many questioning the value of the system. Since then, the picture has been mixed: 2012, 2014 and 2015 all rose between En Primeur and physical release. The two most recent vintages – 2016 and 2017 – however, remain available below En Primeur release.

Looking at returns to date also suggests that most campaigns have been underwhelming for buyers. Five of 13 have produced negative returns. Even where returns are positive, buyers would have made more money investing in physical stock in some instances: the Bordeaux 500 Index has outperformed En Primeur purchases from 2005, 2006, 2013. There are just five years where prices have risen faster than the broader market: 2007 (narrowly), 2008, 2012, 2014 and 2015.

Table 2: Bordeaux 500 En Primeur returns and margin formation

Vintage	Ex-chat	Ex-nég	Ex-Lon	SC	Mid Price at delivery			Current Mid Price		
	€/btl	€/btl	€/btl	Margin	€/btl	Return	IR	€/btl	Return	IR
2005	116	143	179	35%	299	67%	49%	244	36%	96%
2006	104	130	153	32%	115	-25%	-17%	154	1%	36%
2007	85	105	112	24%	105	-6%	5%	146	31%	30%
2008	60	76	93	35%	176	89%	47%	157	69%	62%
2009	180	225	293	39%	257	-12%	6%	259	-12%	27%
2010	202	250	281	28%	233	-17%	-8%	254	-10%	4%
2011	111	138	152	27%	119	-22%	-4%	140	-8%	10%
2012	85	106	111	23%	125	13%	12%	139	26%	16%
2013	80	101	109	27%	103	-6%	5%	122	12%	19%
2014	86	108	118	27%	136	15%	3%	136	15%	5%
2015	132	157	181	27%	206	14%	11%	203	12%	7%
2016	147	175	202	27%	-	-	-	192	-5%	-2%
2017	123	148	169	27%	-	-	-	158	-7%	-3%
Average	116	143	166	29%	170	10%	10%	177	7%	30%

Ex-chat = Ex-chateau, Ex-nég = Ex-négociant, Ex-Lon = Ex-London, SC = Supply Chain, IR = Index return

Where is the value?

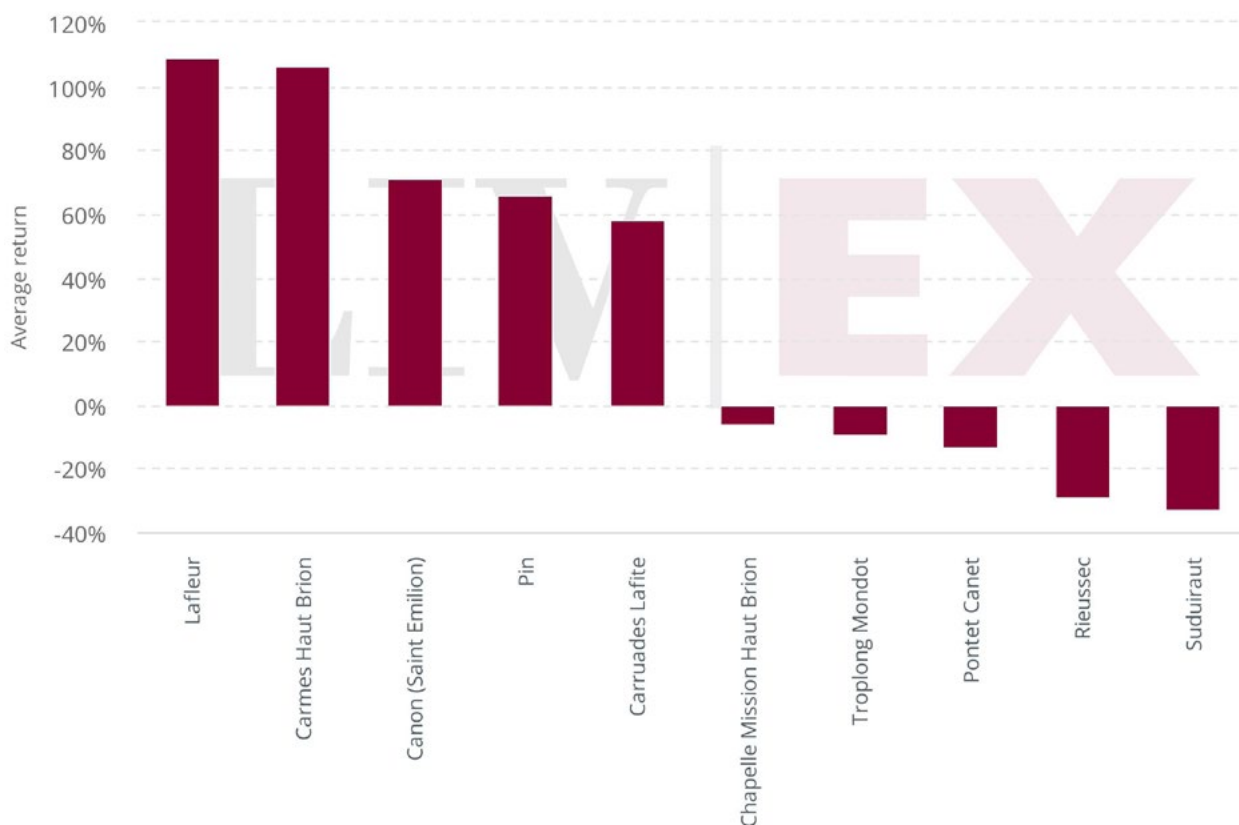
However, there is still value to be found. Looking at the average return masks the fact that picking wines that have been priced fairly has become more important than ever over recent campaigns. The popular wines sell through, while the rest remain in Bordeaux. The success of wines can easily be determined if fair pricing – using information about the secondary market – is properly harnessed.

Consider the 2016 vintage. Although the average index return is -5%, the returns of the individual wines in the Bordeaux 500 range from -33% to 109%. The chart below highlights the best and worst performing Bordeaux 2016s. Lafleur, the best performer, has increased in price by over 100%.

Other wines that have performed well include Carmes Haut Brion (+106%), Canon (+71%) and Carruades Lafite (+58%).

As has been the case for a number of vintages, the sweet wines of Sauternes continue to struggle in the secondary market: Suduiraut and Rieussec are the worst performers, down 33% and 29% respectively. Pontet Canet 2016, a wine that was deemed to have been poorly priced on release in June 2017 (17% above its 'Fair Value') is down 12.5%.

Chart 9: Best and worst performing Bordeaux 2016s



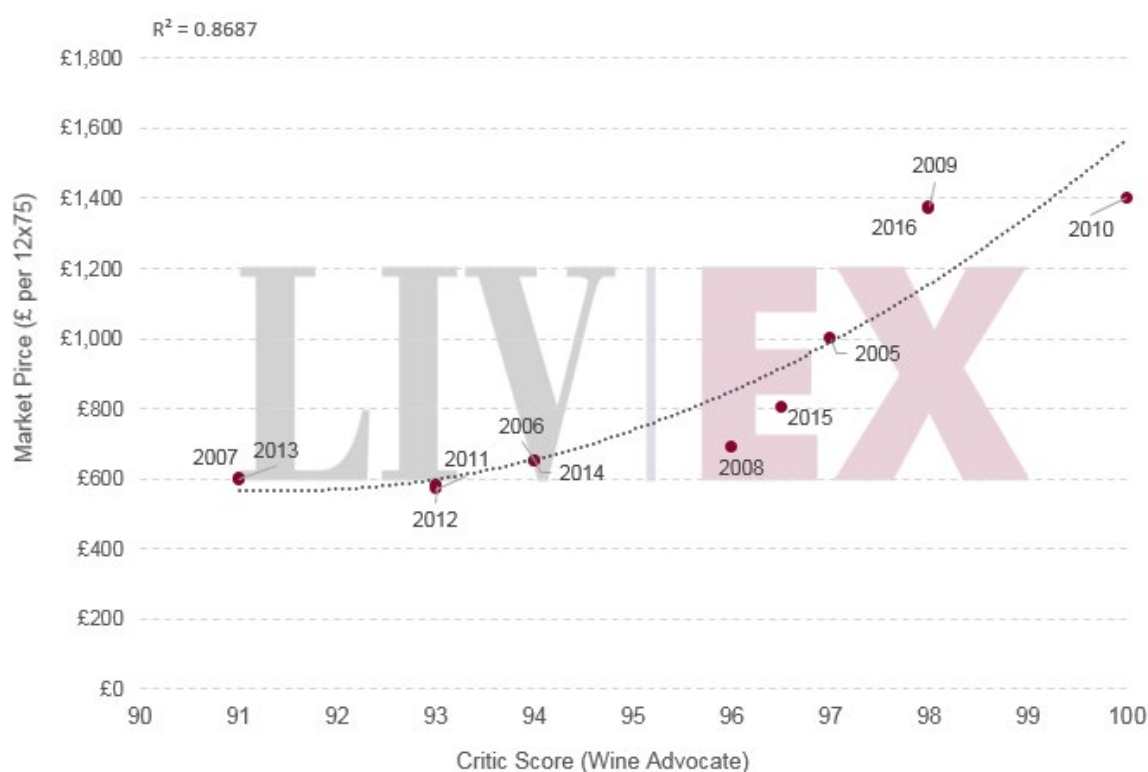
How to pick winners in 2018?

Liv-ex's 'Fair Value' methodology represents a useful approach to pricing wines. It measures the relationship between price and quality to establish the fair price of a wine based on its critic score and vintages already available in the market. Where there is a correlation (R-squared) between the scores and prices of over 50%, the trend line suggests a wine's 'fair value'. Despite Parker's retirement in 2015, Wine Advocate scores – comprised of Robert Parker, Neal Martin and Lisa Perotti-Brown – still show the closest correlation to Liv-ex Market Prices.

'Fair Value' is a more rigorous way of assessing the price of a newly released wine rather than the antiquated focus on year-on-year price change. For instance, a wine can go up in price from the previous year and still be undervalued if the quality of the new release is markedly better. Returning to the example of Pontet Canet 2016, a collector or merchant using our methodology during the En Primeur campaign could have identified that the wine priced 17% above 'Fair Value', as seen in the chart below, was not a sensible purchase at the time.

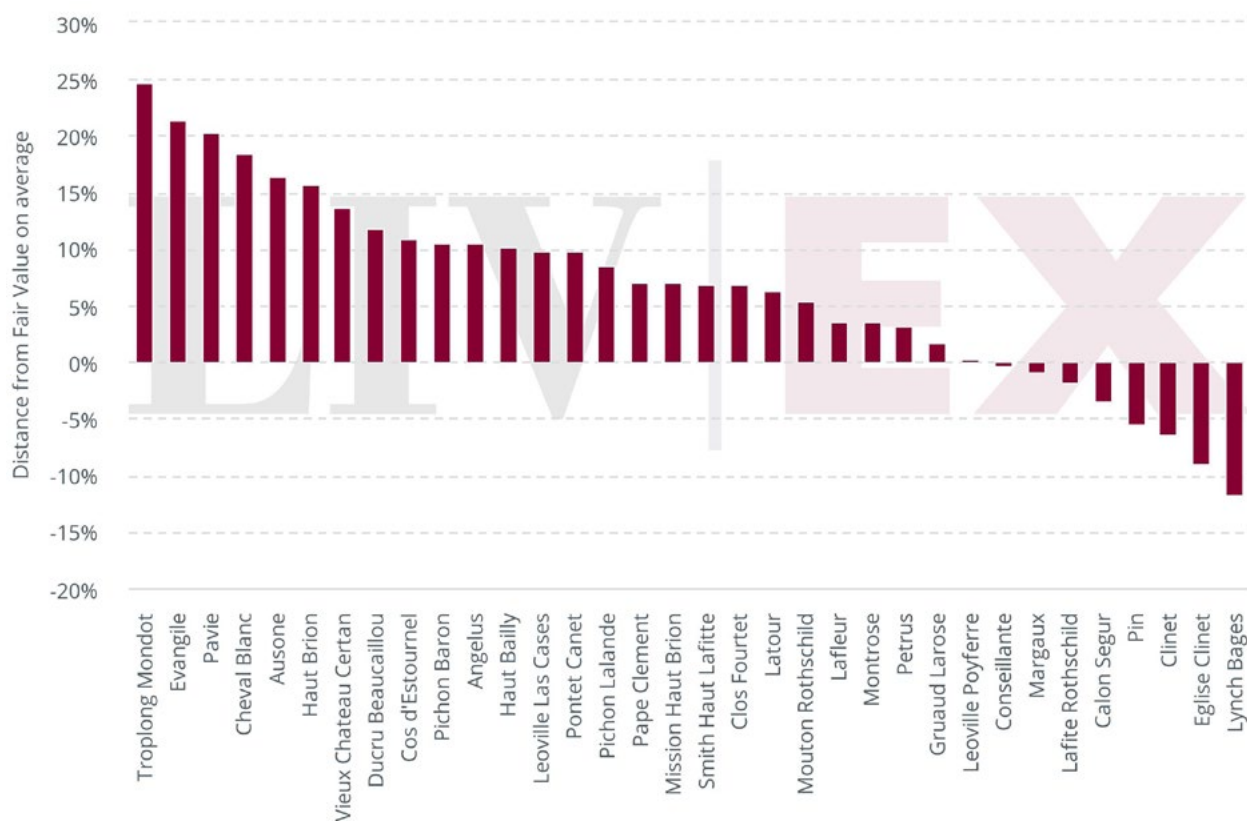
We hypothesise that, over time, wines will tend toward their 'Fair Value' price. Hence, wines offering more value should be bought at En Primeur. Typically, though not always, the most 'undervalued' wines provide the best returns as the price moves up to 'Fair Value' in the secondary market whereas 'overvalued' wines provide the worst return.

Chart 10: Pontet Canet 2016 regression



As a guide, the chart below shows which wines, on average, have offered more or less value at release over the last ten En Primeur campaigns. For instance, it suggests that Lynch Bages has been released at around 15% below 'Fair Value' on average, with Le Pin and Clinet also offering very good value for money.

Chart 11: Bordeaux châteaux, most overvalued and undervalued on average on release



The changing face of wine criticism

Robert Parker was the world's top wine critic and will always be remembered as such. Parker made wine criticism relevant to the market, to the producer, to the consumer. His impact on prices for wines is still deeply engrained, as divergent as the opinions of other, now influential, critics may be.

But, the reign of Robert Parker is over. A few critics – following in his footsteps or reinventing wine writing and reviewing – have demonstrated an ability to move the market, but never to the same extent.

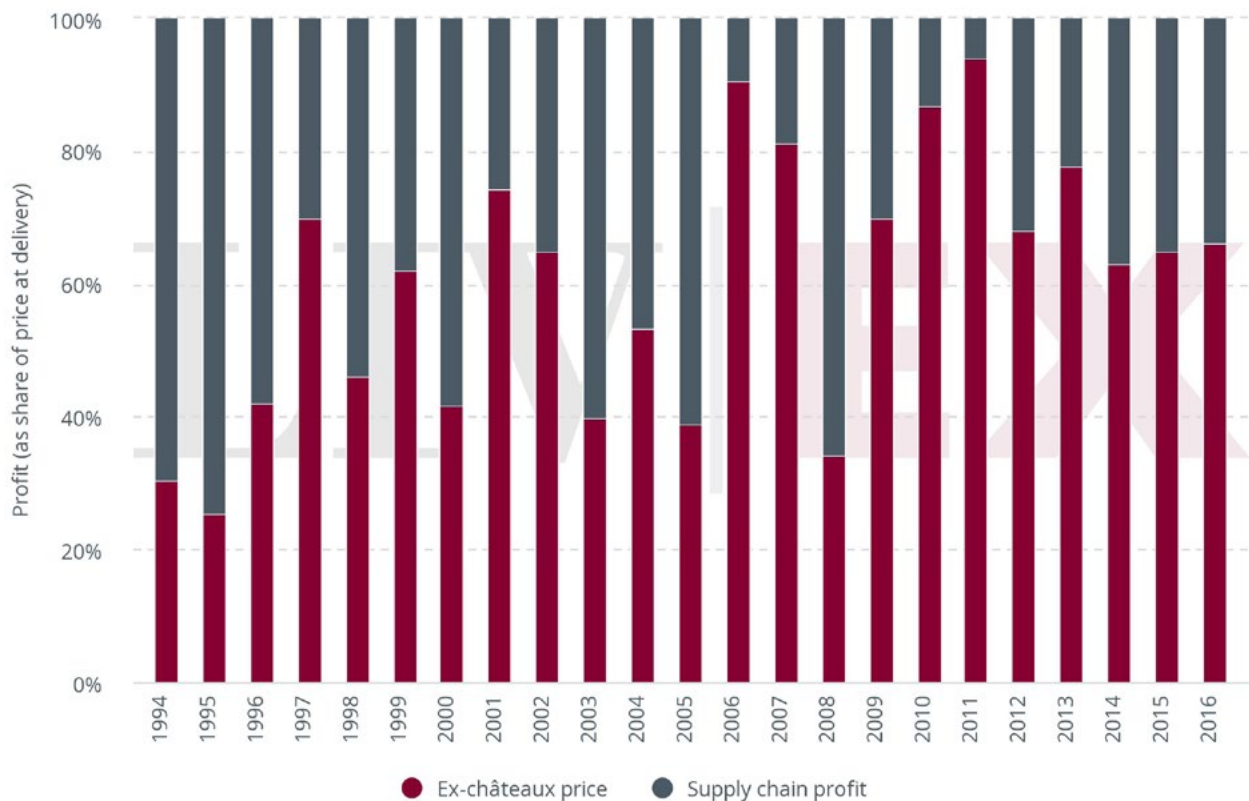
With the changing face of wine criticism, the market has shown an inclination to follow Neal Martin – Parker's nominated successor – as seen in the results of a recently conducted survey by Liv-ex. Due to his medical condition, Martin will not be tasting the 2018 vintage in April this year, marking his first missed En Primeur campaign since 1997. He has postponed his En Primeur report until the summer.

This lack of a dominant figure, and direction, might further dilute critical influence, which has been an important driver behind Bordeaux prices since Parker's times. This also complicates the price setting process for the 2018 vintage. The supply chain may choose to give focus to the highest scores regardless of the critic who awarded them, but would that be enough of a guarantee for quality?

Is En Primeur attractive for the trade?

The chart below measures the division of profit between the châteaux and the supply chain, including the courtier, the négociant, the international trade and the consumer. The châteaux's share of profits has remained above the long-term average since the 2008 vintage; hence, these campaigns have been less profitable for the supply chain.

Chart 12: Ex-château price as % share of market price at delivery

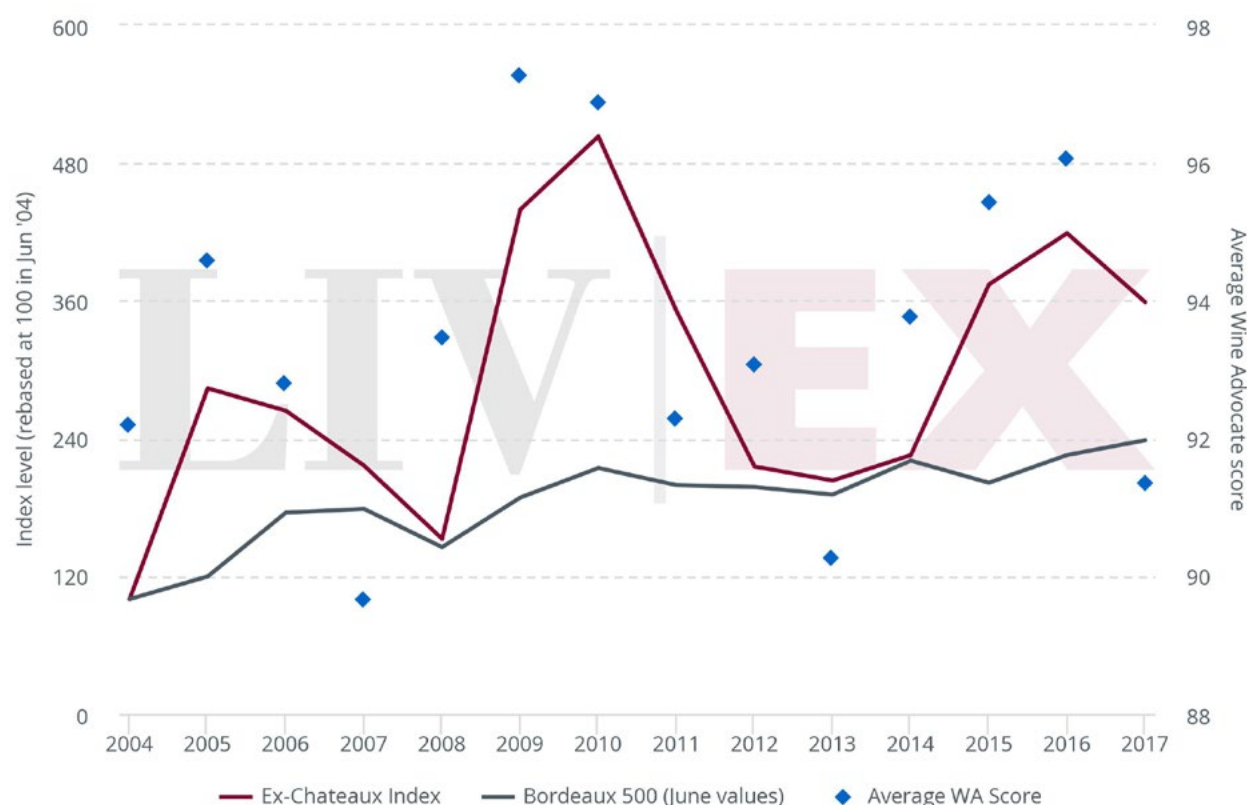


Bordeaux 2018 outlook

Release prices

En Primeur prices do not move in line with the market but are instead influenced by the overall quality of the vintage. Using Wine Advocate's scores as a proxy, there is a marked difference between the release prices of critically acclaimed and less successful vintages, with those for 2007 and 2013 at less than half the price of the 'great' 2009 and 2010. En Primeur prices thus cannot be predicted by the direction of the Bordeaux 500 index, but rather by looking at production and quality changes.

Chart 13: Bordeaux 500 and ex-châteaux index vs. Wine Advocate score



Quantity and quality

After a reduced Bordeaux production in 2017 due to frost, 2018 saw a return to decent yields overall. The harvest was slightly below the ten-year average of 507,000hl, which has been reduced by two small crops in 2013 and 2017. Some growers suffered from isolated hailstorms and mildew which mainly affected quantity rather than quality. This meant that there was enormous variation between yields from one vineyard to another. In a recent production update, Gavin Quinney commented that "while it was a glorious year for some growers, [...] for others the size of their crop was indeed the stuff of nightmares".

There were no record-breaking highs and lows within the top appellations (10% of Bordeaux vineyards), though individual estate figures differ. On average, Pauillac, St-Estephe and St-Julien had smaller crops than in 2015, 2016 and 2017, while Margaux, Pessac-Leognan, Pomerol and St-Emilion enjoyed a return to decent-sized yields.

Chart 14: Bordeaux yields 1996-2018

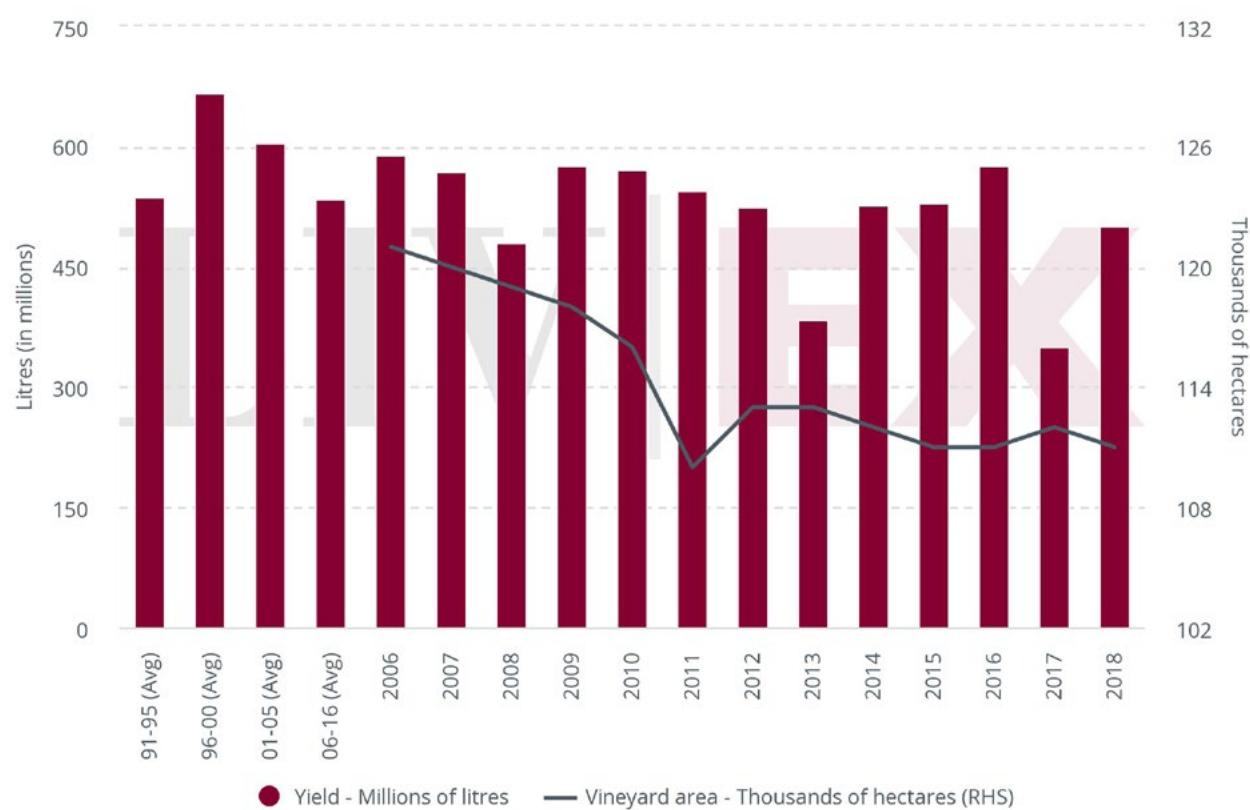


Chart 15: Yields by appellation

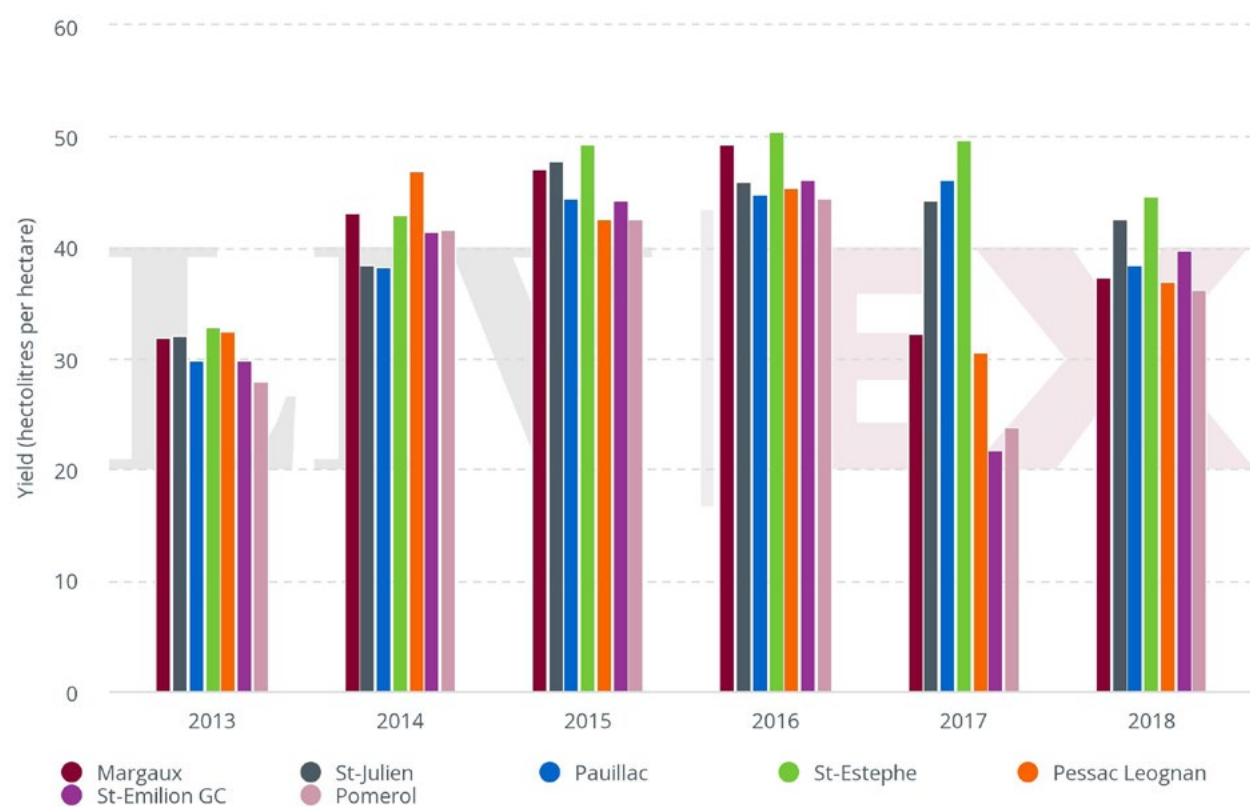
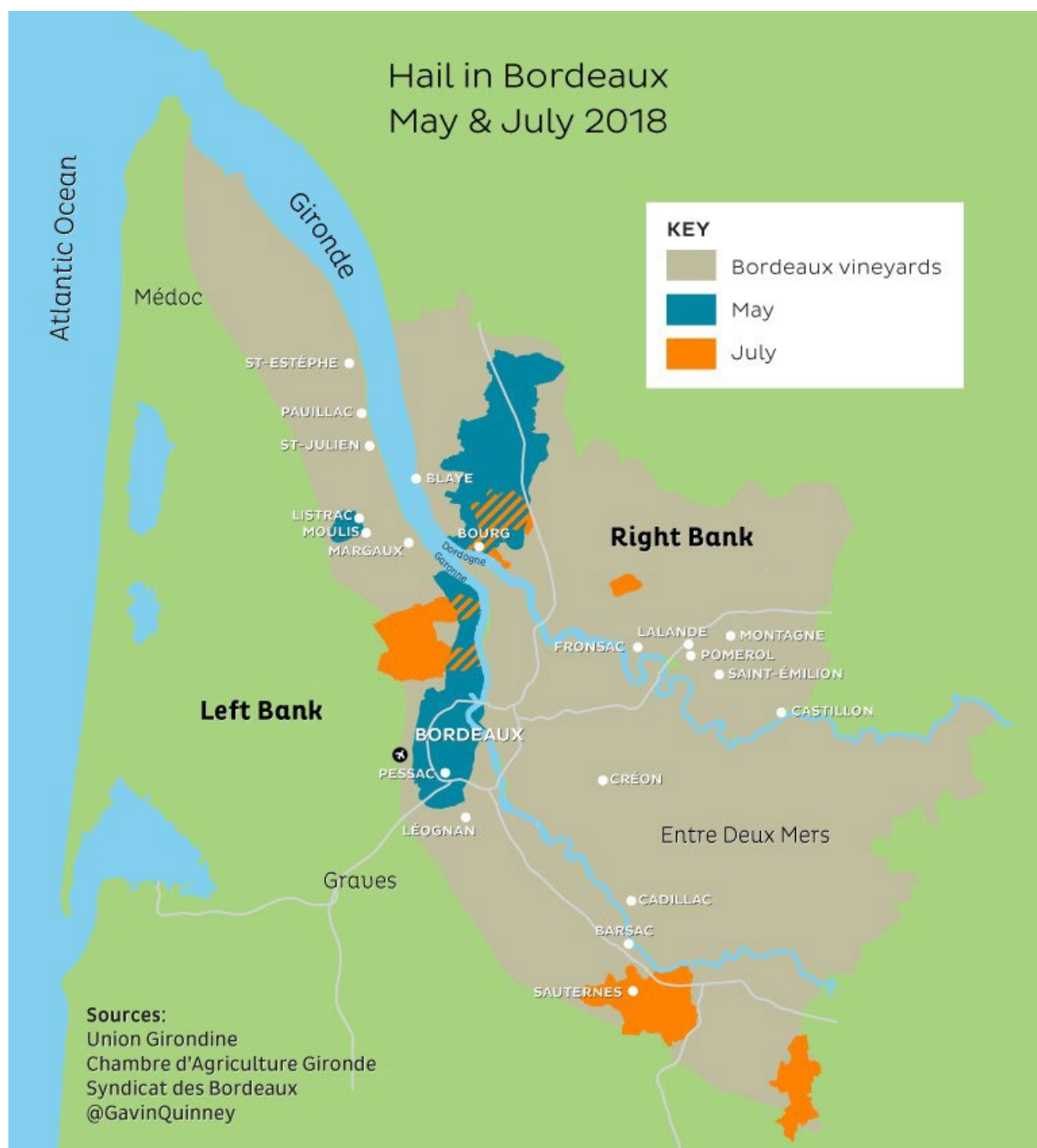


Chart 16: Gavin Quinney's yield map of Bordeaux 2018



As Gavin Quinney's hail map on the next page shows, hail occurred at different times and was not uniform across the region. In late May, a storm affected several thousand hectares in the vineyards of Bourg and Blaye. Despite this, both appellations managed “a creditable 37hl/ha and 40hl/ha respectively against a maximum permitted yield in 2018 of 52hl/ha”. Sauternes and the southern end of the Haut Medoc were also damaged by hailstorms in July.

Chart 17: Gavin Quinney's hail map of Bordeaux 2018



Mildew, which affected about a third of the vineyards, presented a more serious problem to volume, especially for organic and biodynamic producers. Vines needed two to three times more treatment than usual, with an average of 18 times more for organic vineyards. Quinney suggested that this impacted several famous estates in Pauillac and Margaux that switched to organic and biodynamic viticulture, resulting in considerable losses. While those affected by mildew will see reduced volumes, the quality should not be affected. As Château Latour's Frederic Engerer said: "Mildew dries the berries and is visible to the eye. This means it can be dealt with through sorting in the vineyard and cellar".²

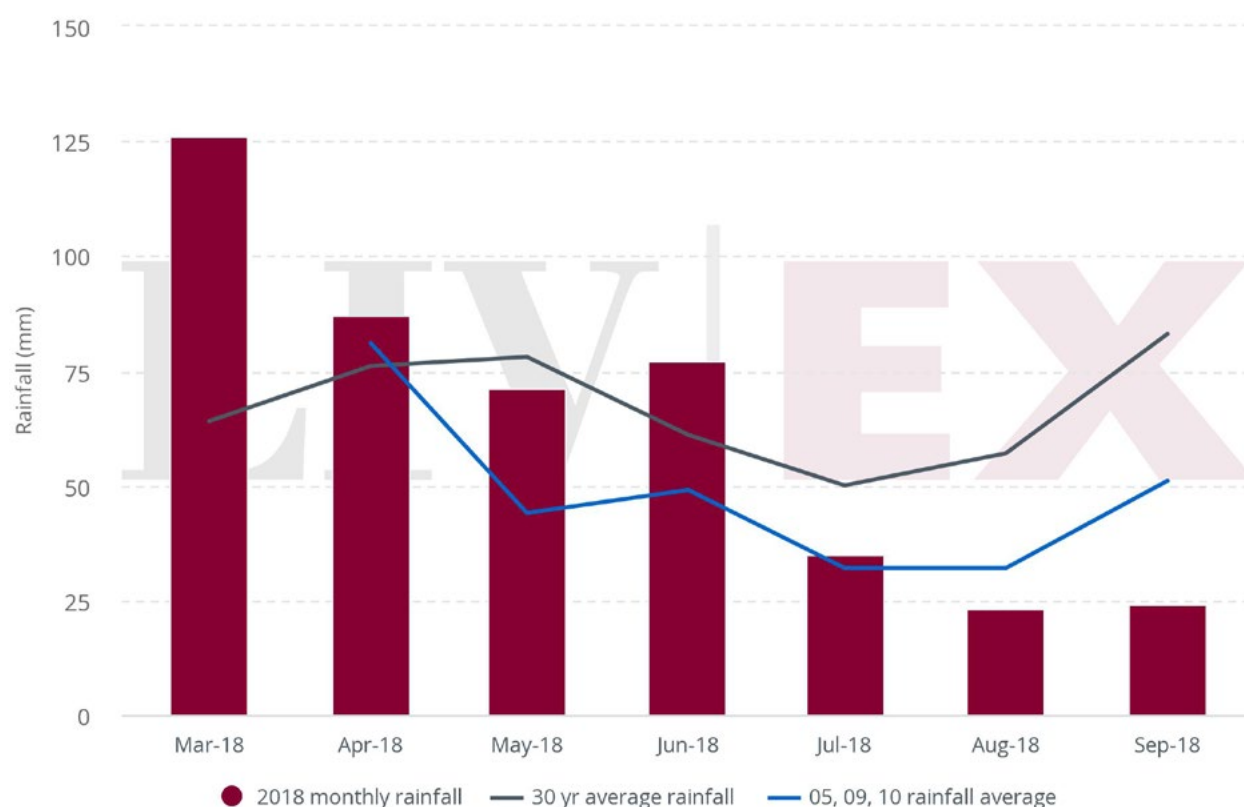
2. Jane Anson, Decanter, "Anson: How is the Bordeaux 2018 vintage shaping up?", 21 February 2019, accessed 14 March 2019. <<https://www.decanter.com/en-primeur/bordeaux/bordeaux-2018-vintage-expect-409342-409342/>>

A vintage marked by climate more than terroir

In her report on Bordeaux 2018, Jane Anson suggested that the vintage is not going to be “Left or Right Bank”. According to Patrick Meynard, the owner of Châteaux Lalaudey and Pomeys, 2018 is “a vintage marked by climate more than terroir” that “will deliver the most structured wines since 2010”.³

2018 was a complicated year, with cooler winter and warmer spring than average. It saw more rain than 2015 and 2016, but less than 2017 and under the 30-year average when looking at March to September. Budding was late but prolific because the wines were compensating after the frost of 2017. July, August and September were marked by fine sunny weather, which has been unusual for the region. The conditions suggest that the grapes have lots of concentration, high sugars and experienced very little risk of rot. Anson also revealed that “the harvest was perfect”, relaxed and spread out. However, big stylistic differences between individual wines are expected due to the long harvesting window. The full picture will emerge in April once the trade and critics have visited Bordeaux to taste En Primeur.

Chart 18: 2018 rainfall vs. average⁴



3. Jane Anson, Decanter, “Anson: How is the Bordeaux 2018 vintage shaping up?”, 21 February 2019, accessed 14 March 2019. <<https://www.decanter.com/en-primeur/bordeaux/bordeaux-2018-vintage-expect-409342-409342/>>

4. Rainfall data taken from figures collected and supplied by Gavin Quinney

Stocks for the cellars and later releases

Bigger production volumes do not necessarily mean that there will be more wine coming to the market at this early stage. The days of châteaux selling 90% of their production are long gone. Despite above average yields in 2015 and 2016, most top châteaux chose to hold stock back – an increasingly popular strategy, especially with vintages that boast what is deemed to be excellent quality.

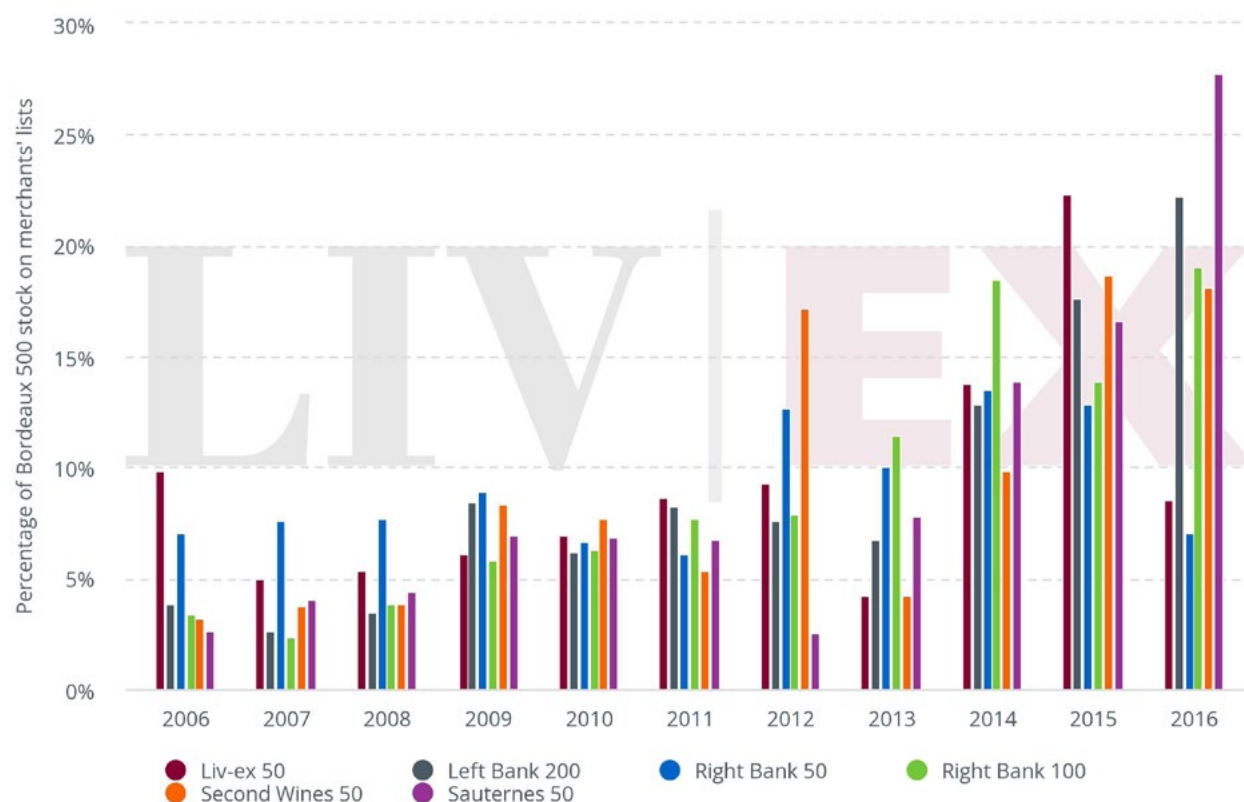
Châteaux have positioned themselves in various different ways. Famously, Latour exited the En Primeur system in 2012. The Château only releases wine when ‘ready to drink’, and the equivalent of a vintage every year one month before the campaign. Angelus also announced it would keep more bottled wine back from the market in 2015 and previously stated that it has held back 20% of its stock since 2011. Palmer has held back half of its wine since 2010, with the intention to sell the rest ten years on.

The purpose of this strategy is not entirely clear. On the one hand, it may simply be part of a normal restocking cycle, made necessary by an elevated level of sales between 2005-2010, combined with the impact of poorer harvests. On the other, it might be an attempt to maintain (and manipulate) price levels.

The supply chain

Further down the supply chain, chart 19 shows that merchants’ lists are still heavily stocked with wines from the 2014, 2015 and 2016 vintages, which account for about 50% of the available wine. Despite lower production levels, the 2017 campaign, which did not sell through, will add additional stock to the supply chain that is already heavily weighted to young Bordeaux.

Chart 19: Stock levels as a % of the Bordeaux 500 by vintage



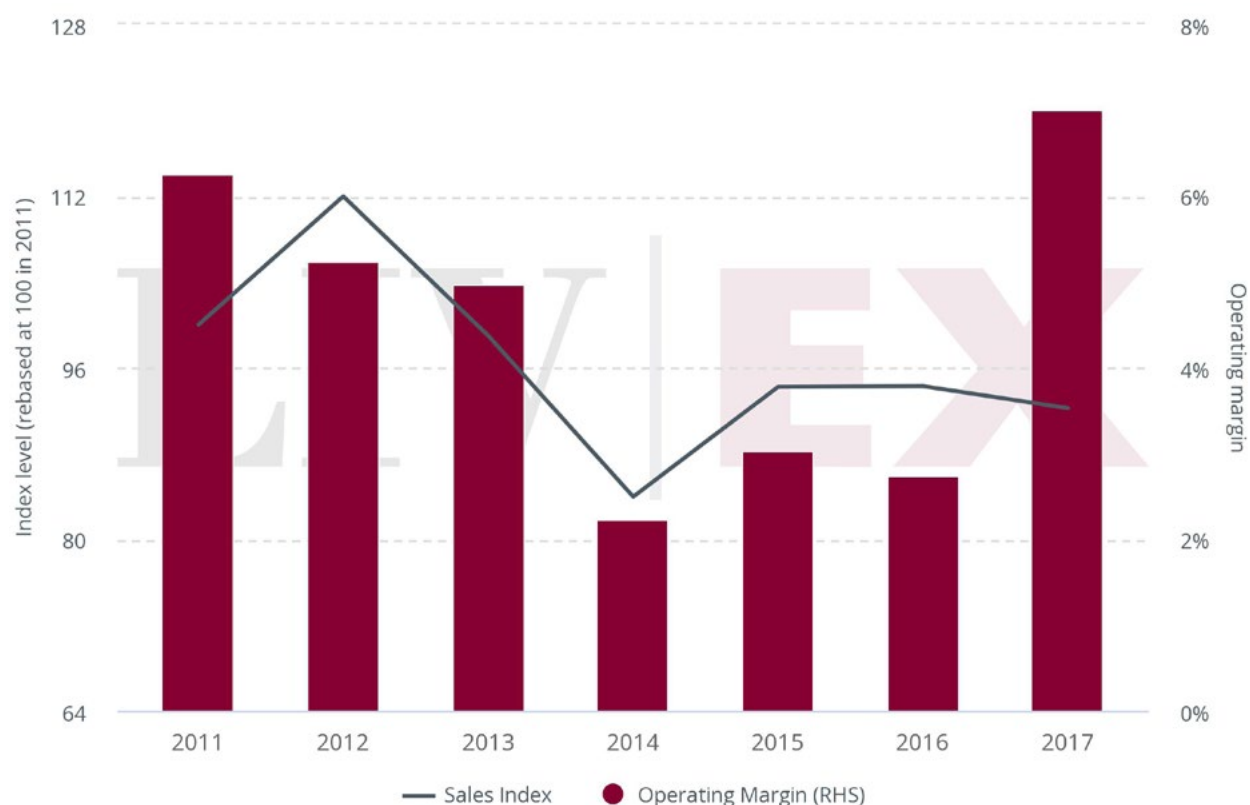
The interests of the châteaux and the supply chain may diverge once again. If the quality is low, the châteaux may want to sell as much stock now at the highest possible price. Slowly climbing interest rates additionally might encourage them to sell. If the quality is high, as seems likely, they are more likely to decide to withhold stock with the view to sell it in the future for a higher price. This would mean that the supply chain might struggle to get enough 2018 stock.

However, demand for Bordeaux has been rather muted. There is some appetite for certain sections of the Bordeaux 500 in the secondary market, such as the Second Wines and keenly priced 2015s and 2016s, but overall it remains low. If the 2018 vintage is not priced fairly for the supply chain, this campaign could struggle with broader implications for confidence.

The trade's stance

The charts on the following two pages show the current situation in the UK and French wine trade. While sales of the 2017 vintage have fallen in France, the Bordeaux négociants' operating margin – their profit before tax – has risen. The picture for the UK merchants seems less rosy as they have had smaller returns on sales from the 2017 campaign.

Chart 20: Bordeaux négociants - sales and profit margins



Neither the UK trade, nor the négociants, can bear to take on large volumes of overpriced stock. The UK trade operates a net cash model, with an average of 43 days in stock. This is not a stock holding model. If En Primeur prices are unattractive the wines will remain unsold in Bordeaux. Rather than buying and holding stock, the UK trade may choose to forgo turnover.

Chart 21: UK trade - sales and profit margins

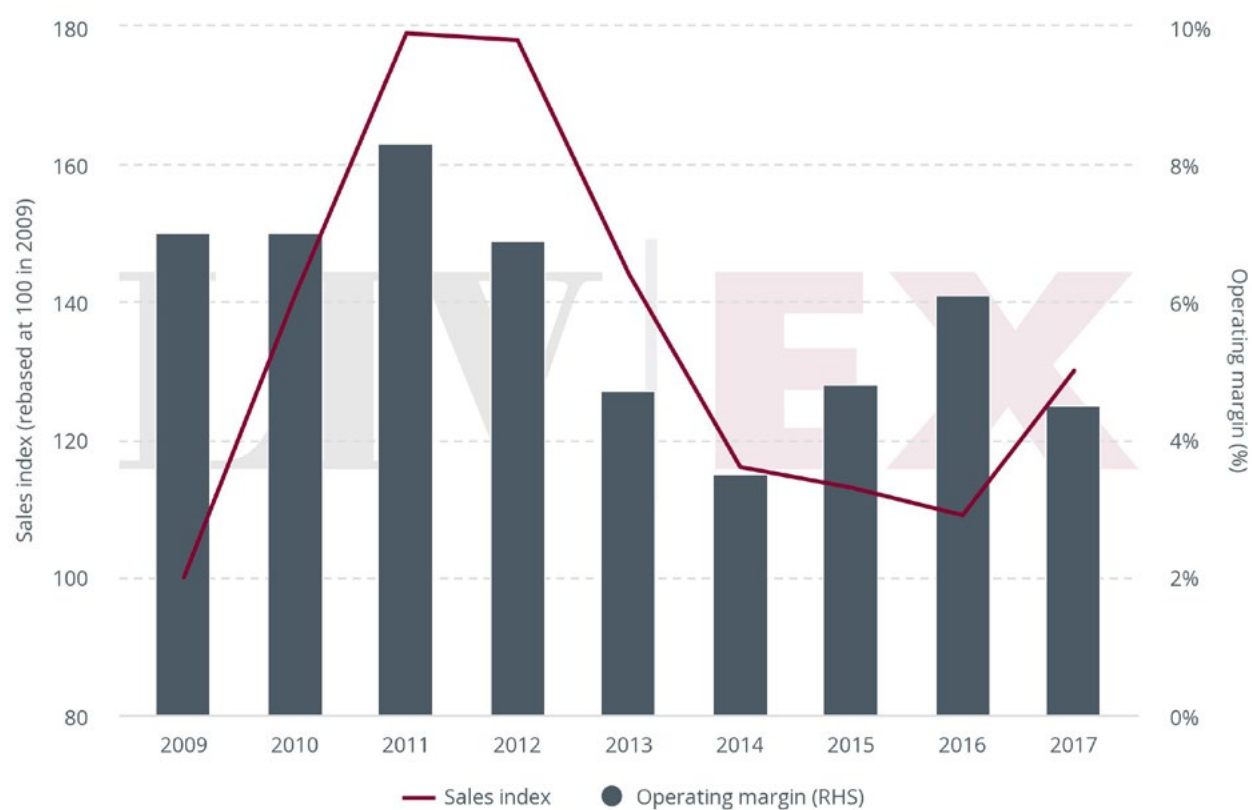
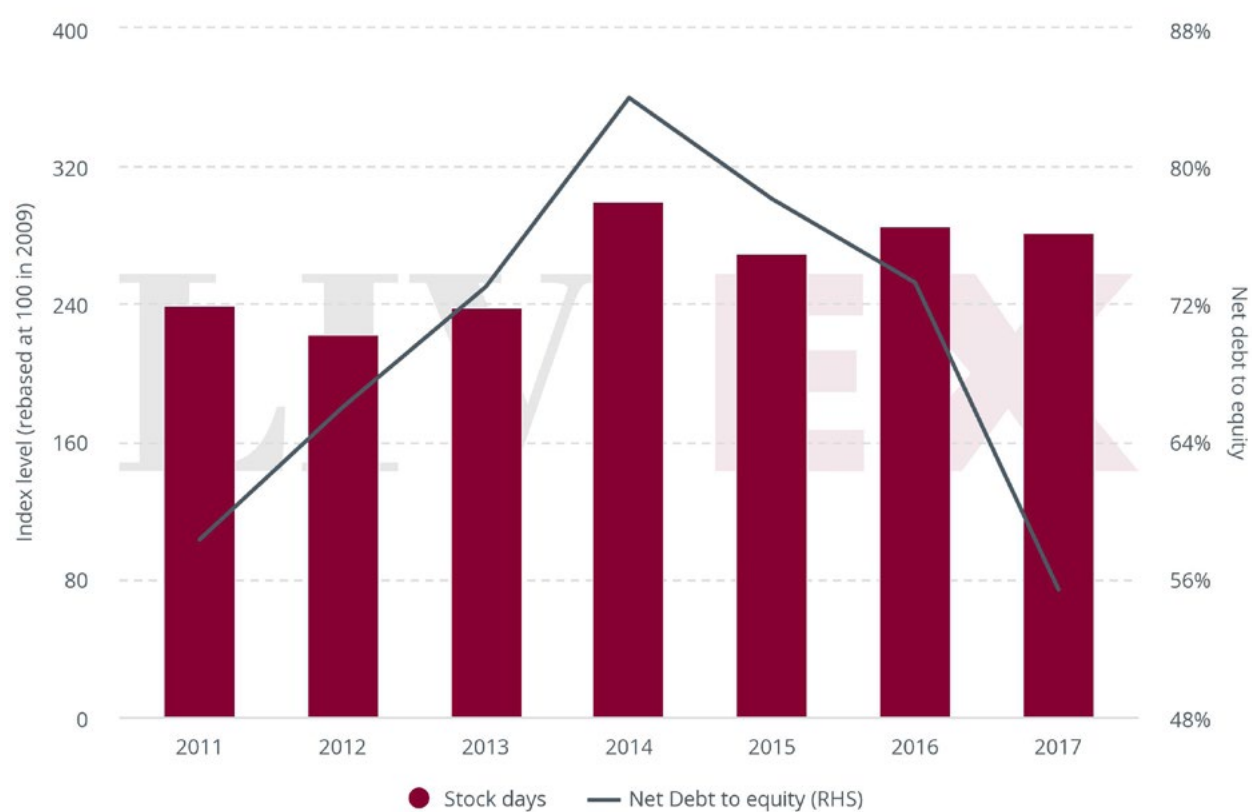
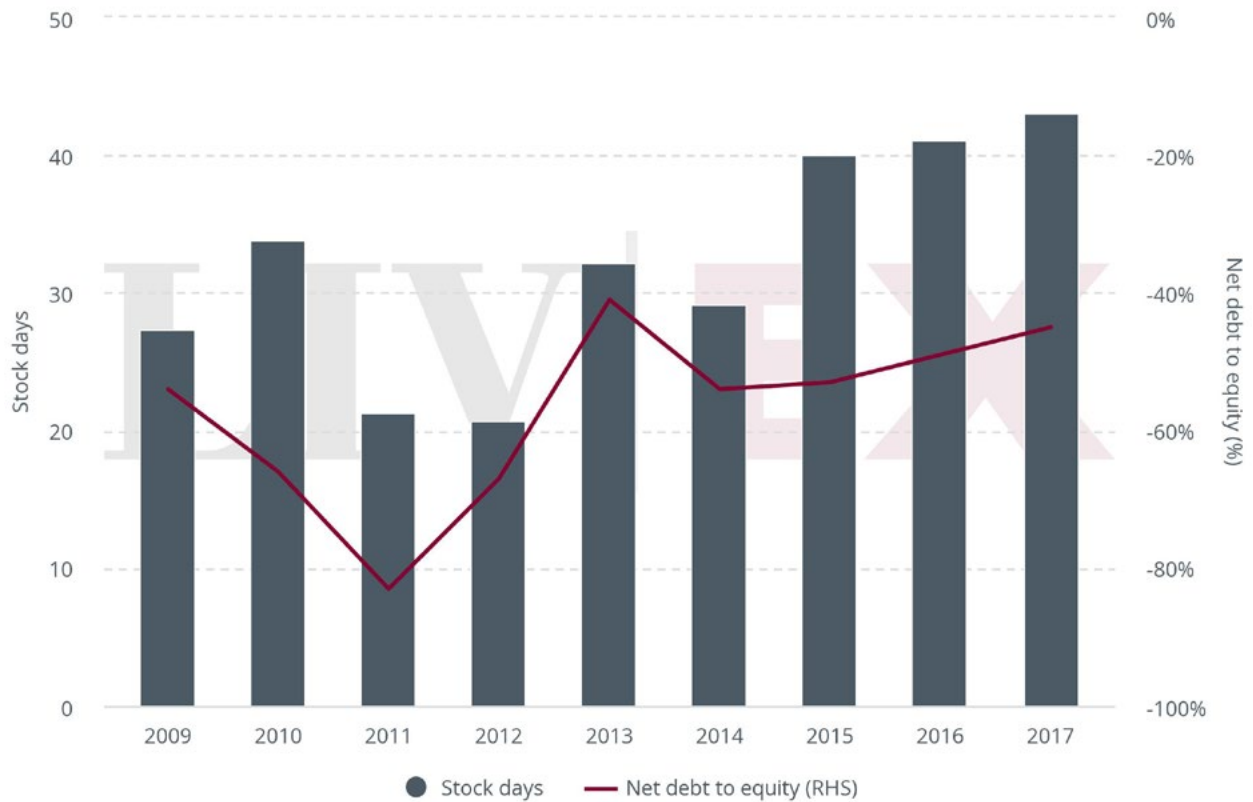


Chart 22: Bordeaux négociants balance sheets



Négociants, however, have little choice but to accept their allocations for fear of losing them in the future. While recent financial statements show improved profitability after strong 2015 and 2016 campaigns, stock days of 280 remain at elevated levels. This leaves négociants exposed to a downturn in demand and rising interest rates.

Chart 23: UK trade balance sheets



Conclusion

Pricing power at En Primeur is rarely evenly distributed between buyers (the consumer and international trade) on the one hand, and sellers (the châteaux and négociant) on the other. Most of the time, it is heavily skewed towards sellers in great vintages and buyers in less good years, but 2018 seems to be keenly poised between the two. Bordeaux believes it has a highly desirable vintage in barrel, but for a mix of region-specific and geopolitical factors the market environment is likely to be relatively benign. The style of the vintage, which we are told is “big and bold” - in keeping with the long dry summer - may divide opinion amongst some critics and members of the trade, but the best wines will likely attract high scores. Normally, this would guarantee a healthy level of demand and prices to match.

There are perhaps more reasons for sellers to pause for thought than normal this spring. At the time of writing, it seems unlikely that the Brexit question will be settled before the 2018 En Primeur campaign gets underway. This may impact the sterling exchange rate and by extension sentiment in the UK market, which remains Bordeaux's largest for En Primeur, although it is fair to say this could go either way. Bordeaux has also lost considerable market share to other wine regions in the last decade, which makes collectors less inclined to follow the region year in, year out. Indeed, after two great vintages in 2015 and 2016 and a less successful one in 2017, both collectors' cellars and négociant warehouses are well stocked with young Bordeaux. These factors make it unlikely that buyers will chase Bordeaux 2018 at any price.

The Parker question and more precisely, who or what is going to replace him, remains largely unsettled. The consensus view is that no critic will ever again command such influence in the market. This is a view that we share, but there is still a small group of critics, who command enough influence to move the market on their own. One of these, Neal Martin, Parker's nominated successor, who Liv-ex members tell us they follow more closely than the others, is going to sit out this campaign due to ill health. This undoubtedly adds additional complexity to the price-setting process and may lead to lower engagement of his followers with the current release until Martin returns to work later in the year.

The conditions do seem ripe for a sensibly priced campaign. Both buyers and sellers have never been better equipped to make informed decisions. The market is more transparent today than it has ever been. Liv-ex's 'Fair Value' methodology will be of use for buyers (to identify good opportunities) and for sellers (to price their wines correctly) alike. Liv-ex will, as usual, be publishing assessments for each wine as they are released.

Press: Further information

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About Liv-ex

Liv-ex is the fine wine market. Merchants from around the world use its trading, data and settlement services to grow their fine wine businesses.

Liv-ex was founded in 2000 by former stockbrokers James Miles and Justin Gibbs. The growth of the internet provided them with an opportunity to bring together a fragmented marketplace and make fine wine trading more transparent, efficient and safe. Today, 427 merchant members from 41 different countries trade on Liv-ex.

Liv-ex's fine wine indices are quoted by Bloomberg and Reuters. The Liv-ex Fine Wine 100 – composed of wines from eight different regions – is recognised as the industry benchmark. The broader Liv-ex 1000 index tracks 1,000 wines from across the globe and its performance can be broken down by region.

Liv-ex is the largest, most comprehensive source of historical and real-time fine wine price data. It provides access to the 60,000 price changes that occur in the market every day, including live bids and offers, transaction prices, merchant list prices and auction hammer prices.

Website: www.liv-ex.com

Market analysis: www.liv-ex.com/news-insights/