



WINE SELECTION SIMPLIFIED



February Market Update

The fireworks a couple of weeks back for Chinese new year could as well have been a metaphor for the first 2 months trade of 2010. Despite a down month for January in capital markets, wine enjoyed an unprecedented surge as traders and individuals in Asia bought heavily for the new year celebrations. Interestingly, the universe of wines purchased was wider than ever before, with several Chateaux enjoying more than incremental sales growth in the region.

Whether this is representative of any shift in the market is a little more tricky to predict at this stage. Such was the demand for Lafite, stock available for physical delivery within the shipping period was sold through very quickly leaving traders in HK to diversify into other brands just to keep up with demand. It will be illuminating to observe whether some of these traders return to re-stock the non-Lafite lines over the next few weeks.

Most notable was the rise of Margaux and Latour, with turnover considerably stronger than for the same period in 2009. Indeed looking at the numbers, there is now little to separate Latour / Margaux / Mouton in terms of sales. In line with our prediction, demand is spiking for the 2000 vintage leading up to the 10th anniversary tastings this year and as clients exploit perceived value discrepancies that exist between the different Chateaux.

Further encouraging news for the super premium sector as the demand for Petrus shows little sign of waning, 2001 features in our top 10 YTD and looks set to continue its march up in the coming months. DRC sales maintain their growth after a bumper Q4 2009 and though prices remain relatively static, we suggest it is only a matter of time before the dynamic of restricted supply exerts itself and we start to see gains.

Buoyant markets have led to speculation that the much anticipated 2009 vintage may be the most expensive release ever. This is driving a surge in demand for 'relative value trades' as consumers and investors look to buy up any top wine that appears to offer potential for growth. We suspect that the appearance of wines such as Latour 1996, La Mission 2000 and Lafite 2003 in our top 10 support a certain level of speculation at this point.

On the subject of 2009, the question on everybody's lips seems to be 'will China buy?.' It's a good one and worth a few thoughts. It's certainly fair to say that precedent indicates a preference for physical assets in the Chinese/HK market. That said we're optimistic that this year will see a significant jump in participation for the following reasons:

1. They tell us they will - Plenty of firm interest expressed from both private and trade clients.
2. Level of familiarity/sophistication with the practices of the wine trade has increased rapidly (good merchants with proper customer relationship and substantive infrastructure, as well as the efforts of the major Chateaux to raise their profiles).
3. Some of the recent surging demand from China/HK has been driven by investors, and there's no doubt that the 2009 EP campaign will be a big attraction to those looking to speculate.
4. China is enjoying a period of very loose monetary policy. Assets have and will continue to attract capital looking for yields in this type of environment.

Given the above it is certainly likely that we will see further useful gains over the next quarter and we expect returns on both the 2000 vintage and separately Latour and Margaux to underwrite a strong portion of the growth.