Bordeaux Index Market Report: October 2011

BI Index: -4.3%
FTSE: 8.1%
DJI: 9.5%
WTI: 8.4%
Gold: -5.6%

October marked another turbulent month for wine prices. The BI LiveTrade Index fell 4.3%, taking the pull back since July to around 10%. The largest declines were seen in 2008 First Growths, where prices have fallen by as much as 40% from their previous peaks and in prime vintages (e.g. 2000/2003) of Lafite, where prices have dipped by some 20% from previous highs. Unsurprisingly, these were also some of the top performers in the preceding months/years.

There are several reasons for the decline but the most important are:

- Concerns about the financial environment
- Stocking and distribution issues in key markets, and
- Some push-back after the 2010 EP campaign

Our view is that the sellers are likely to have the upper-hand for the next few months but that the most dramatic price falls are likely behind us. November and the New Year are traditionally strong times (cyclically) for the fine wine market and, if the period continues well, then a great deal of 'offered' stock will be swept away by the end-user. **We're confident that by this time next year we will look back on the period as a strong 'buy' opportunity, as there are undoubtedly deals to be had.**

Worth considering are **Super Seconds from the most consistent performers** and **First Growths from off-prime vintages** where the price is right. The character of the buyer/consumer hasn't changed dramatically in the immediate past, so we think this will be best place to allocate in the short-to-mid-term. It is important to consider that since Jan 2009, the uptick in speculatory interest has been more than matched by one of the largest consumption cycles of the last 2 decades. Aside from the 2009/2010 EP vintages (where poor initial pricing leaves a bleak outlook at best), the recovery will draw on a dramatically diminished pool of stock while selling into a market that is still expanding.