



**CRU  
WINE**

**Fine Wine Market Report**

**Q2 2024  
INVESTMENT  
UPDATE**

**2024 | JULY**

**CRU WINE LIMITED**



# What has affected the global markets in Q2?

## “IMMACULATE DISINFLATION”

The ideal scenario for every central banker is the concept of "immaculate disinflation," in which inflation slows while the economy continues to grow and unemployment remains low. As inflation rates decrease, central banks have begun adjusting their messaging.

During the three months leading up to May 2024, the UK economy surged by 0.9% compared to the previous quarter, marking the most rapid growth in over two years.

With UK inflation hitting 2% in May and economic growth bouncing back more robustly than anticipated, Huw Pill, the chief economist at the BOE, made it clear that he would vote to maintain the official borrowing costs at 5.25%. The market sentiment is now evenly split on the prospect of a base rate cut at the onset of August.

Fuelled by resilient economic expansion and a new Labour government that has prioritized growth as its "national mission", the Sterling reached its highest level in a year against both the Euro and Dollar.

The British currency also gained strength as the dollar weakened following US inflation in June, which came in below expectations at 3%, and a snap French election leading to a hung parliament, which weighed on the Euro.



## THE FINE WINE MARKETS

The fine wine market traded lower in Q2 with the two main benchmark indices, the Liv-Ex 100 and Liv-Ex 1000 both down 2%.

Bordeaux Legends which tracks the price performance of wines from exceptional older vintages was the best performing index in the quarter.

The Burgundy 150 and Champagne 50 indexes presented the poorest performance. Both of these regions are now offering attractive value opportunities priced considerably below their market high price despite being from outstanding vintages and achieving excellent critic scores. We will focus on the Champagne fundamentals later in this report.

Regional Price Performance			
Index	Q2	1 Year	5 Year
Liv-ex 100	-2.4%	-11.6%	12.6%
Liv-ex 1000	-2.4%	-13.2%	9.1%
Bordeaux 500	-1.76%	-12.5%	0.1%
Bordeaux Legends 40	-1.15%	-12.7%	0.8%
Burgundy 150	-3.93%	-17.4%	21.2
Champagne 50	-3.74%	-14.9%	40.8%
Rhone 100	-1.47%	-11%	-7.4%
Italy 100	-1.25%	-4.8%	27.2%
Rest of the World 60	-1.16%	-9.6%	4.1%

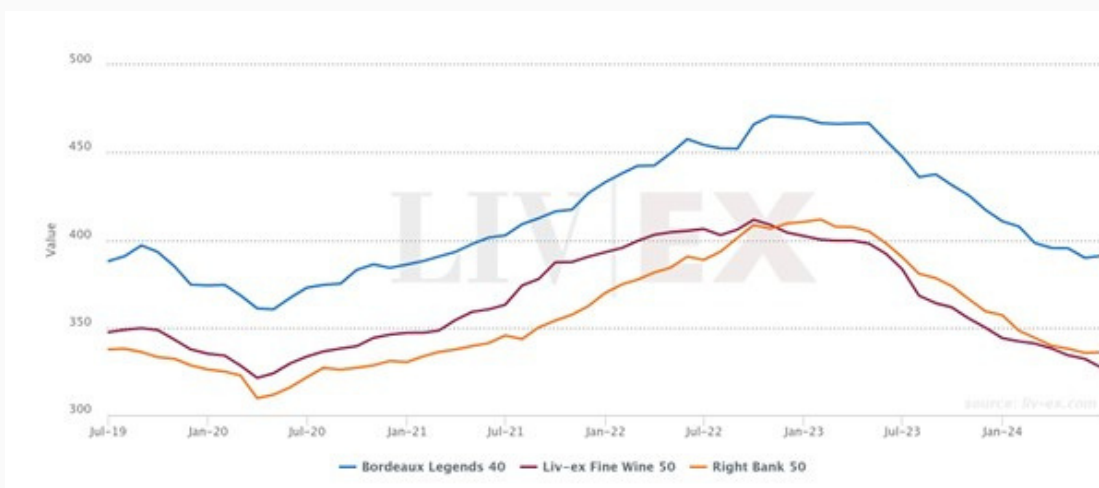
# H1 Trading Overview

The Best Performers in the Liv-ex indices in H1 2024			
Wine	Region	Vintage	Return
Château L'Eglise-Clinet	Pomerol	2012	33.7%
Promontory	Napa Valley	2018	32.2%
Château Grand-Puy-Lacoste 5eme Cru Classe	Pauillac	1995	29.9%
Domaine de la Romanee-Conti, Romanee-Saint-Vivant Grand Cru, Marey-Monge	Romanee-Saint-Vivant	2019	24.8%
Domaine du Pegau, Châteauneuf-du-Pape, Cuvee Reserve Rouge	Châteauneuf-du-Pape	2016	24.3%
Domaine de la Romanee-Conti, Richebourg Grand Cru	Richebourg	2012	23.8%
Château L'Eglise-Clinet	Pomerol	2016	22.8%
Château de Beaucastel Rouge, Châteauneuf-du-Pape	Châteauneuf-du-Pape	2014	22.2%
Château La Conseillante	Pomerol	2013	21%
Clos des Papes, Châteauneuf-du-Pape, Rouge	Châteauneuf-du-Pape	2013	20.5%

Source: Liv-ex.com

Of the top performing wines across all Liv-Ex indexes, four wines are from older Bordeaux vintages.

Since the start of 2017, there has been a clear divergence of the Legends 40, which tracks the performance of 40 Bordeaux wines from exceptional older vintages, compared to the Fine Wine 50 and Right Bank 50 index which track new releases from first growths and right bank (Ausone, Lafleur, Petrus, Le Pin and Cheval Blanc).



It appears that over the longer-term, blue-chip Bordeaux with bottle age can be trusted to hold its value better than the more abundant recent releases.

Historically older vintages are more expensive due to bottle age and scarcity, however recent primary market release pricing has created a disconnect between these secondary market fundamentals. Buyers are now focusing on older, scarcer Bordeaux with attractive pricing relative to younger releases.







## Bordeaux 2023

### En Primeur:

The 2023 Bordeaux En Primeur (EP) campaign has come to a close with a diverse range of feedback from collectors, investors, and industry insiders. The average selling prices were slashed by 30% compared to the previous year, prompting hope for a potential shift in Bordeaux's fortunes. However, following two consecutive inflated EP campaigns, many market participants were anticipating further price reductions.

In our previous market report, we emphasized the importance of conducting a thorough analysis of each release to make informed decisions. This involves breaking down the mechanics of EP and making necessary adjustments to both the release price and secondary market pricing to create a fair basis for comparison.

EP is a futures system where the collector/investor ties up capital for 1-2 years before the wine becomes physical. Therefore, it's imperative to adjust the EP release price for the opportunity cost of capital (risk-free rate). By using this adjusted price, we can then confidently compare the 23 vintage to the cost of back vintages currently on the market with similar critic scores and vintage quality. As back vintages will incur storage and insurance costs, it's vital to adjust the market price for its cost of carry. This fixed cost will have less of a relative impact on higher priced wines than lower priced wines.

With the EP release price adjusted for the cost of capital and the comparable back vintage market price adjusted for the cost of carry, we can now make a much sounder comparison.

Let's delve into a couple of examples from EP 2023 to highlight the differences among releases.

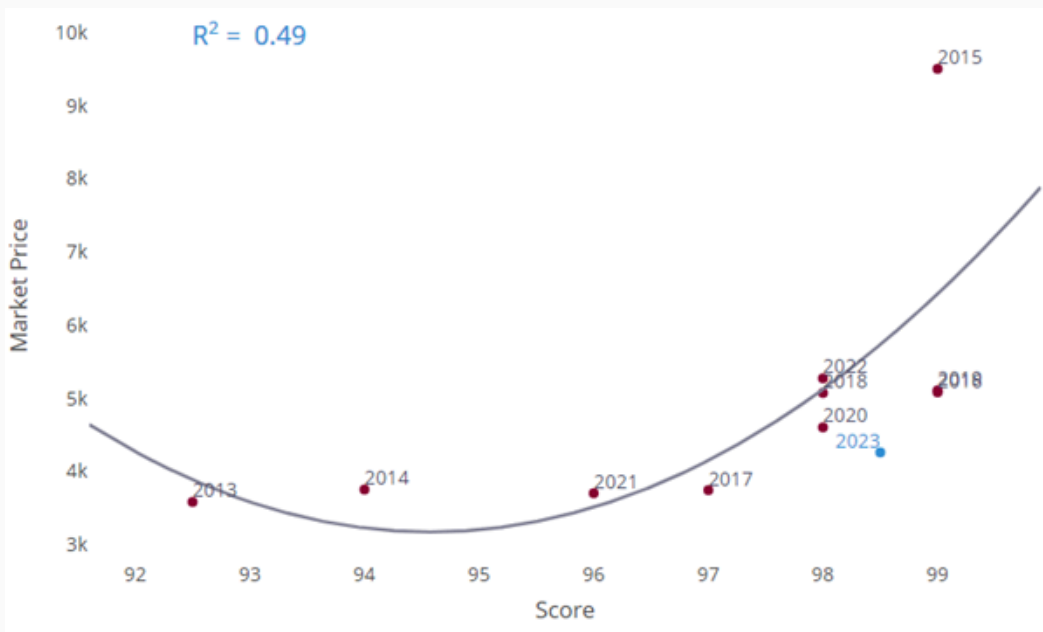




## MARGAUX 2023

According to our analysis using Liv-Ex market pricing and Antonio Galloni's scores, the fair value of a 98+ point Margaux is £477.50 per bottle. Remarkably, the release price of £360.00 per bottle currently stands at a significant 25% below the wine's fair value.

In line with our En Primeur valuation methodology, it is crucial to adjust the release price of the 2023 vintage for the cost of capital forgone investing in EP two years prior to the wine becoming physical. Considering the current UK 2-year gilt yield of 4.1%, the adjusted price for Margaux is £389.40 per bottle, representing an 18% discount to its fair value.



Furthermore, it is important to assess comparable vintages for the cost of carry (storage and insurance) incurred over their lifetime. Notably, our analysis reveals that the 2016, 2018, and 2020 vintages indicate value below the line compared to back vintages.

Vintage	Price per Bottle	Cost of Carry*	Adjusted Price	Discount to Fair Value
2020	£390	£1.65	£388.35	9%
2018	£425	£4.26	£420.74	22%
2016	£425	£6.90	£418.10	22%

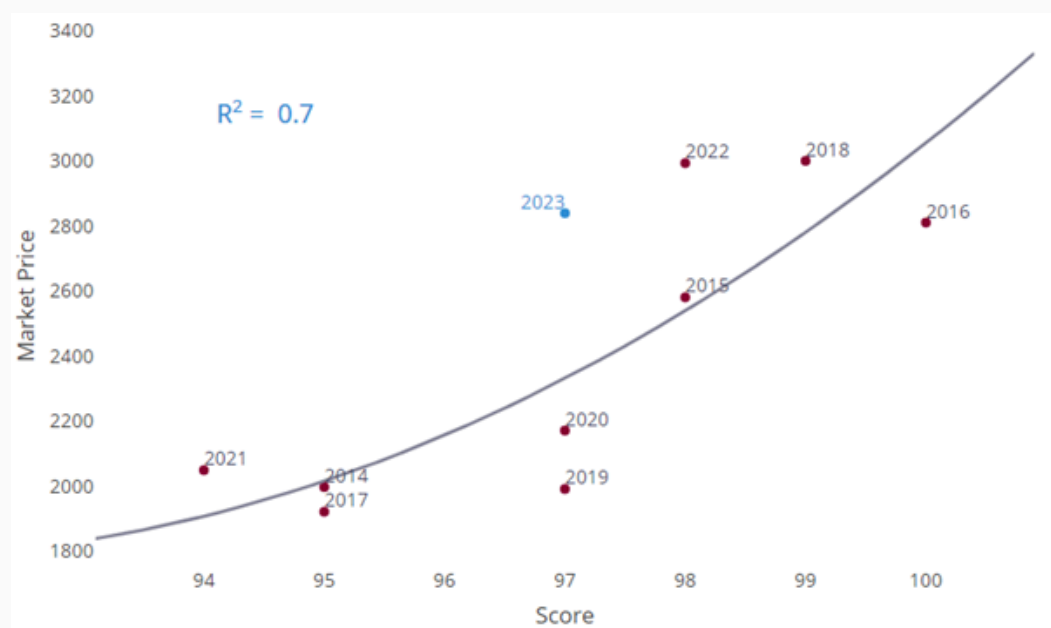
\*Storage and insurance cost at £1.32 per year per bottle.

Based on the table above, it is evident that both the 2018 and 2016 vintages present a 22% discount to fair value, similar to the 18% discount offered by the 2023 vintage.





## PALMER 2023



As we can see, the 2023 vintage is deemed to be expensive and no further analysis of that vintage is required.

Vintage	Price per Bottle	Cost of Carry*	Adjusted Price	Discount to Fair Value
2019	£165	£2.97	£162.03	17%
2016	£232	£6.90	£225.10	12%

\*Storage and insurance cost at £1.32 per year per bottle.

Looking at back vintages the 2019 vintage looks the most appealing from a price and quality standpoint, with the largest discount to fair value.

### IN CONCLUSION

Bordeaux is the largest region by trading volume and value in the wine investment universe and is a cornerstone of any serious collector's or investor's portfolio. Despite recent inflation in primary releases, mastering the mechanics of En Primeur and leveraging secondary market pricing can significantly enhance your investment decisions. For more information on investing in Bordeaux, please get in touch.

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*Mastering the mechanics of En Primeur and leveraging secondary market pricing can significantly enhance your investment decisions.*



# Spotlight on Château Cheval Blanc 2010

## BRAND

Château Cheval Blanc is one of the most iconic wineries among the St-Émilion region. Renowned winemaker Pierre Lurton is one of the most talented of his craft working in Bordeaux today, and has ensured that Cheval Blanc is considered to be one of the most prestigious and sought-after wines in the world. Located in the north-west of the appellation, bordering Pomerol, the estate is divided into a patchwork of plots and a unique combination of grape varieties: 52% Cabernet Franc, 43% Merlot and 5% Cabernet Sauvignon. Each unique plot is blessed excellent terroir, creating highly sought-after wines with elegance, aromatic complexity and velvety tannins.

Leading the way in eco-friendly winemaking, Cheval Blanc has now set a high bar with its focus on sustainable practices and handcrafted production techniques. The last vintage this chateau bottled under St-Émilion Premier Grand Cru Classé A was 2021, after removing their entry from the 2022 classification.

## VINTAGE

The 2010 Cheval Blanc has received 7 straight 100-point scores, making it about as close to perfection as you can get with winemaking.

When comparing the 2010 Cheval Blanc with similar quality back vintages, we can see consistent price appreciation over time.

Vintage	Score (Wine Advocate)	Price per 6*75cl IB
2010	100	£4,250
1988	100	£5,250
1990	100	£6,570

## INVESTMENT CASE

- Older vintage Bordeaux is well positioned for the current market
- Strong brand, quality and vintage
- Currently 17% below peak price, presenting an attractive entry point

We only have a few cases of this prestigious wines available. Please contact your Account Manager or contact us on [sales@cru-wine.com](mailto:sales@cru-wine.com) to secure a case for your portfolio.

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*“The 2010 is one of the most impressive two-year-old Cheval Blancs I have tasted in 34 years in this profession... Pierre Lurton said it tasted like “liquid cashmere,” a perfect expression, despite the wine’s structure and intensity. This is another 50-year wine from this amazingly structured, rich vintage.”*  
100 Points, Robert Parker





## Market Outlook - What we expect:

Fine wine, a luxury asset, can be influenced by macroeconomic factors such as interest rates and currency values. As global inflation decreases, policymakers are concerned about persistent inflation, potentially slowing down interest rate cuts in 2024 due to robust growth. Both the US and UK are expected to experience two interest rate cuts this year, and we anticipate a lag before these cuts impact the fine wine market. Our analysis suggests a return to growth in the first half of 2025.

The Liv-Ex bid: offer ratio which compares the total number of bids to the total number of offers on the Liv-ex exchange, is one measure of market sentiment. When market participants believe prices will rise, they are incentivised to place bids. Given that market participants collectively determine price movements, widespread changes in confidence generally predate trends.

As shown in the chart below, the bid: offer ratio falling below 0.5 has, historically, been predictive of a market downturn. Conversely, a sustained ratio above 0.5 has been followed by an upward trend.

Currently sitting at 0.17, the bid: offer ratio on the exchange has reached new lows. However, the ratio's upward trajectory over the last couple of months may be an early indication of a slightly increasing demand in the secondary market.

The current buyers' market as highlighted by the low bid offer ratio provides a compelling entry point for investors who now have access to the top producers at heavily discounted pricing. We advise periodically buying the dip ahead of the next bull run.

In Q3 the market will focus on releases from around the globe through La Place de Bordeaux. We will be focusing on releases from Opus One, Seña, Masseto, Solaia and Jaboulet Hermitage la Chapelle. As always, we will analyse each release and compare with back vintages to highlight the best investment opportunities from each producer.

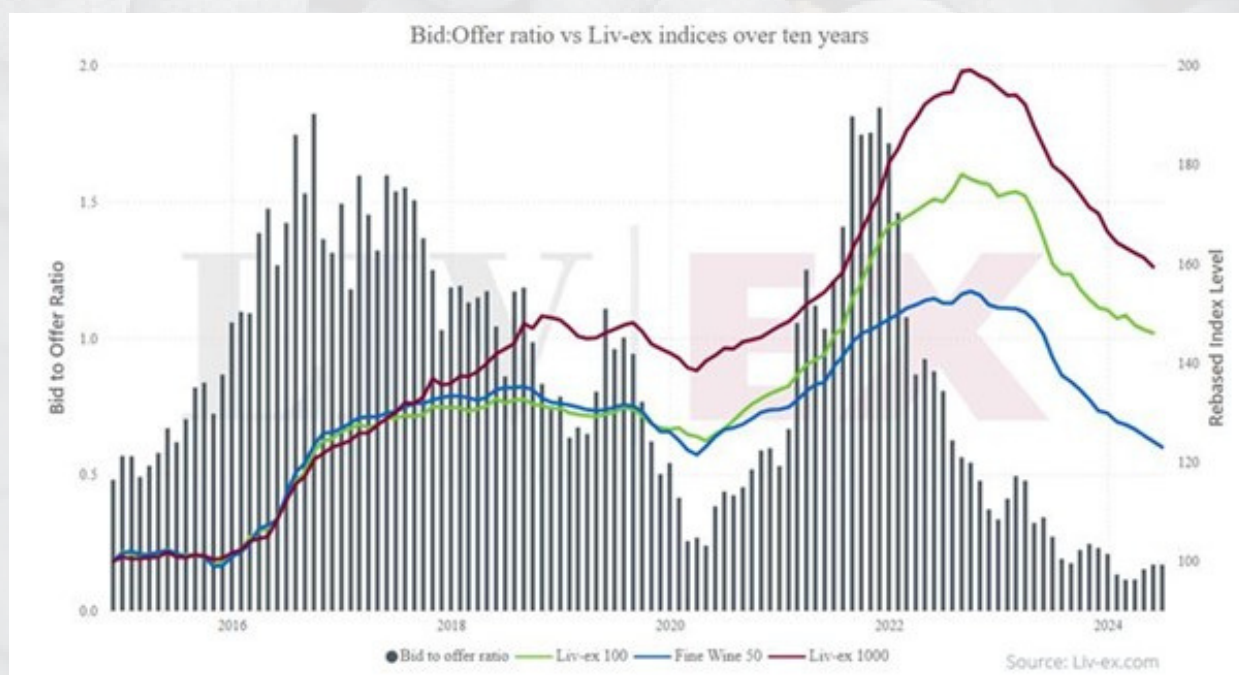


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## Who we are:

Established in 2013, Cru Wine was created with a vision to cultivate and enrich the fine wine buying, collecting and drinking experience through a straight-forward platform. Now comprising of a team of sommeliers, engineers, financial advisors and more, over the past 10 years, we've built a platform where we wish to pass on our vast knowledge to our clients, ensuring we use the best technology to make your fine wine and spirits collecting experience as seamless and transparent as possible.

We pride ourselves on building long-term relationships with our clients, formed through exceptional service, trust and our performance.



*"Making collecting transparent, effortless and available to all."*

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