OENO

THE FINE WINE & WHISKY MERCHANT

THE OENOGROUP REPORT MAY 2024

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Report by
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Chief Operating Officer

A student of Politics, Philosophy & Economics at Exeter University going on to study US Foreign Policy at Harvard, Sid's background as an commodities trader in the UK brings a macro analytical view to the fine wine market.

Through methodical research, Sid structures fine wine portfolios for Oeno's private client base, enabling them to hold the most desired wines in the global fine wine market.

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The OenoGroup Report May 2024:

May was a challenging month for the fine wine market, with major Liv-ex indices experiencing declines across the board.

The Liv-ex Fine Wine 100, the industry benchmark, decreased by 0.6% month-on-month after a 1.3% drop in April. The Liv-ex Fine Wine 50, which tracks the movement of the First Growths and is updated daily, fell by 0.8% in May, an improvement from its 1.3% decline the previous month.

Similarly, the Liv-ex Fine Wine 1000, which tracks 1,000 wines from around the world, also fell by 0.6% month-on-month.

There were areas of strength, however, with the Rest of the World 60 and the California 50 both rising by 0.8% in May. The Champagne 50 dipped only 0.2% month-on-month, possibly supported by increased sales as summer approaches. Conversely, the recently high-performing Italy 100 saw its second-largest decline since January 2023, dropping 1.5% in May.

Following a whirlwind En Primeur campaign, the outlook for Bordeaux is mixed. The Bordeaux 500 fell by 0.7% month-on-month, with the Right Bank 100 performing better than the Left Bank 200: the former dipped 0.4% in May compared to 0.6% for the latter. Interestingly, the Bordeaux Legends 40 was one of the worst performers, falling 1.4% month-on-month.

Activity in the secondary market was subdued in May, with trade value and volume declining month-on-month, as well as the number of LWIN7s (labels) and LWIN11s (individual wines) traded. The aftermath of the En Primeur campaign will reveal whether buyers find the price cuts sufficient to return en masse – we wait with bated breath.

	Current value	MoM	YTD	1yr	2yr	5yr
Liv-ex Fine Wine 50 (Explore)	331.23	-0.8%	-3.7%	-14.9%	-18.5%	-4.0%
Liv-ex Fine Wine 100 ( )	349.73	-0.6%	-2.9%	-13.8%	-14.6%	13.6%
Liv-ex Fine Wine 1000 ( )	392.86	-0.6%	-5.2%	-14.0%	-16.1%	11.1%
DAX	18,557.27	-1.1%	10.8%	16.4%	34.9%	57.7%
FTSE 100	8,275.38	1.6%	7.0%	9.9%	12.0%	15.6%
S&P 500	5,346.99	2.4%	12.1%	24.4%	33.1%	91.8%
Nikkei 225	38,683.93	1.2%	15.6%	19.9%	39.0%	86.8%

THE REST OF THE WORLD (60) SHINES FOR SPRING

While this might seem like a jab at the British weather, it actually highlights the fine wine market's movements last month. One of May's standout performers was the Rest of the World 60, which rose 0.8% month-on-month.

This index tracks the performance of the ten most recent physical vintages of six wines from Spain, Chile, the USA, and Australia. It was particularly buoyed by its Californian components. In fact, the California 50 (not a sub-index of the Liv-ex 1000 or the ROTW 60) also increased by 0.8% in May.

Aside from Opus One 2019, all the best-performing Californian wines in the index are from 2016 or earlier. By contrast, Dominus 2018 was the worst performer in the Rest of the World 60 last month, down 8.2%, closely followed by Screaming Eagle 2019 (-8.1%) and Screaming Eagle 2020 (-4.5%). Among the top ten best Californian performers, five were vintages of Opus One: the 2012 (12.1%), 2010 (9.4%), 2019 (2.5%), 2016 (1.1%), and 2014 (0.8%). Opus One is the second-most traded Californian producer by value in 2024 so far, accounting for 14.9% of US wines traded.

Screaming Eagle took the top spot as both the best-performing Californian wine in the Rest of the World 60 and the most-traded US producer in 2024 (36.1%). Similar to Opus One, older vintages performed best in May, with the most recent being 2016. While they are down on a two- and one-year basis, Screaming Eagle 2016 is up 14.3% over five years, the 2014 is up 18.9%, and the 2015 is up 10.7%. Buyers appear to be focusing on older, scarcer Californian wines that have proven their value.

Best-performing Californian wines in the Rest of the World 60: May 2024

Wine	Vintage	May Mid Price (12x75)	Month-on-month change (%)
Screaming Eagle, Cabernet Sauvignon, Oakville	2014	£29,000	12.8%
Opus One, Napa Valley	2012	£3,206	12.1%
Opus One, Napa Valley	2010	£3,447	9.4%
Screaming Eagle, Cabernet Sauvignon, Oakville	2015	£27,900	9.1%
Dominus, Napa Valley	2016	£2,438	6.6%
Dominus, Napa Valley	2013	£3,682	3.7%
Screaming Eagle, Cabernet Sauvignon, Oakville	2016	£30,170	3.1%
Opus One, Napa Valley	2019	£2,973	2.5%
Opus One, Napa Valley	2016	£2,990	1.1%
Opus One, Napa Valley	2014	£2,822	0.8%

Source: Liv-ex.com

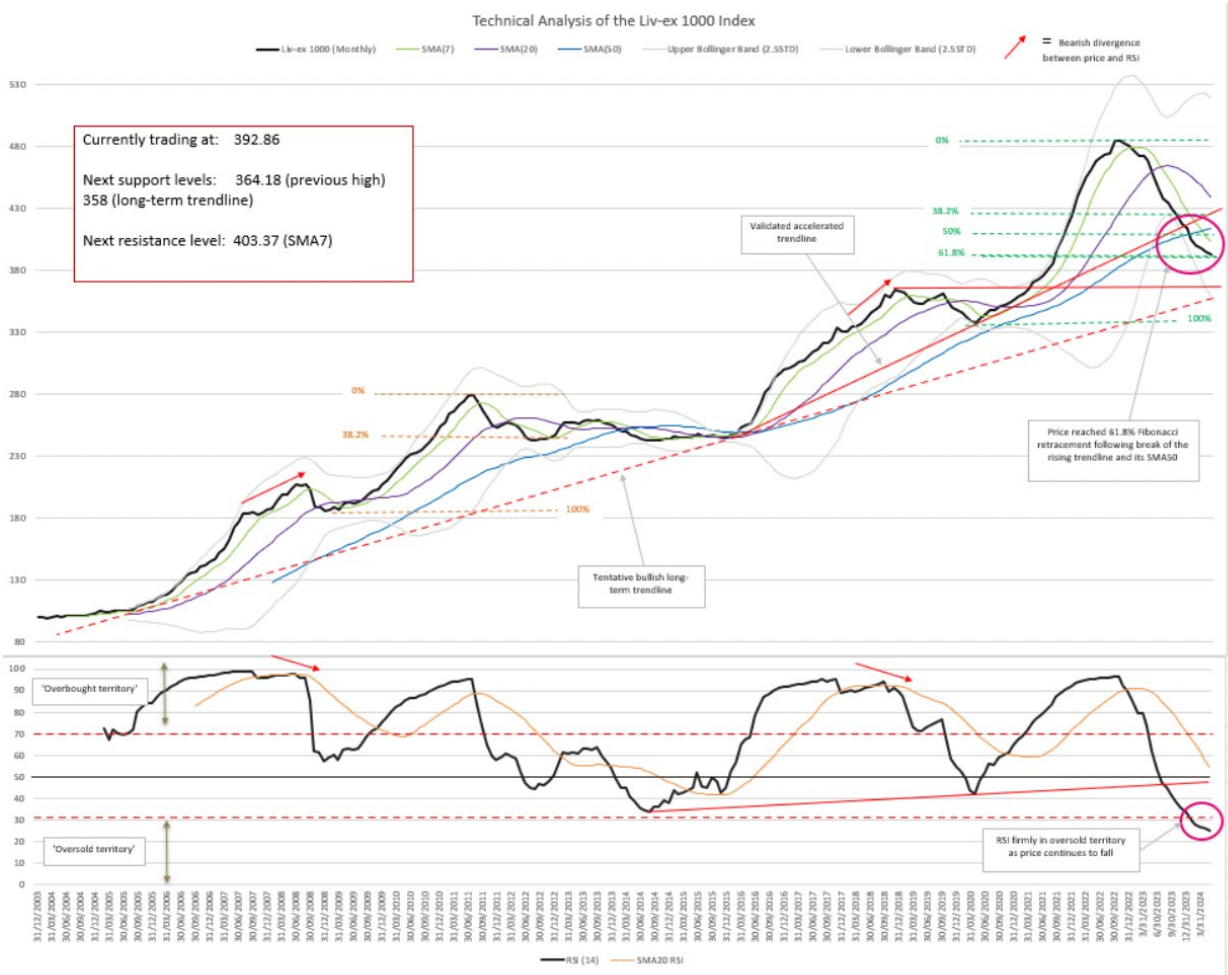
Looking at Californian trades on the secondary market over the last two years, the first quarter typically represents a peak of activity for the region. While first-quarter trade by value in 2024 was lower than in previous years, a noticeable rebound was seen, buoyed by highly anticipated releases from Harlan Estate and Screaming Eagle and a strong dollar.

Will this momentum continue into the latter part of the year?

Even if trade numbers do not remain high, the enthusiasm for fine wine across the pond appears to be unwavering.

LIV-EX 1000 CONTINUES BEARISH TREND

In May 2024, the Liv-ex Fine Wine 1000 recorded its 19th consecutive negative month, falling 19% from its peak in October 2022.



The successive breaks of the ascending accelerated trendline and the Simple Moving Average 50 Months (SMA50) did not trigger any reversal in price action. Instead, the price has accelerated downward, as evidenced by the Relative Strength Index (RSI), which is now firmly in 'oversold territory'—a first since the index's inception.

The next support level is at 364.18, corresponding to the index's 2018 highs. This level will intersect with the long-term rising trendline in the next two to three months, creating a strong potential support area.

It is unclear whether the price will reach these levels without retracing first. While the RSI's momentum remains extremely bearish and the lower Bollinger Band (BB) shows no sign of contracting (a potential indicator of price stabilisation), the price has retraced exactly 61.8% (a critical Fibonacci level) of the most recent upward wave from April 2020. Additionally, the SMA50 is still rising, which might suggest that the index's medium-term bullish trend is intact.

Currently, the Liv-ex Fine Wine 1000 remains firmly bearish. However, technical analysis suggests some price consolidation at or near current levels. We will monitor whether the Bollinger Bands start to contract, the RSI slows down, and whether the 61.8% Fibonacci level provides support for the index.

Should any of this occur, proponents of technical analysis wouldn't rule out a pullback to the SMA50 or the accelerated trendline before the index resumes its bearish short-term trend.

The Markets

In May, international stocks experienced a surge, with developed markets surpassing emerging ones. Investors remained expectant of interest rate reductions, although it's anticipated that the US will implement them later compared to other regions. Oil prices saw a decline during the month.

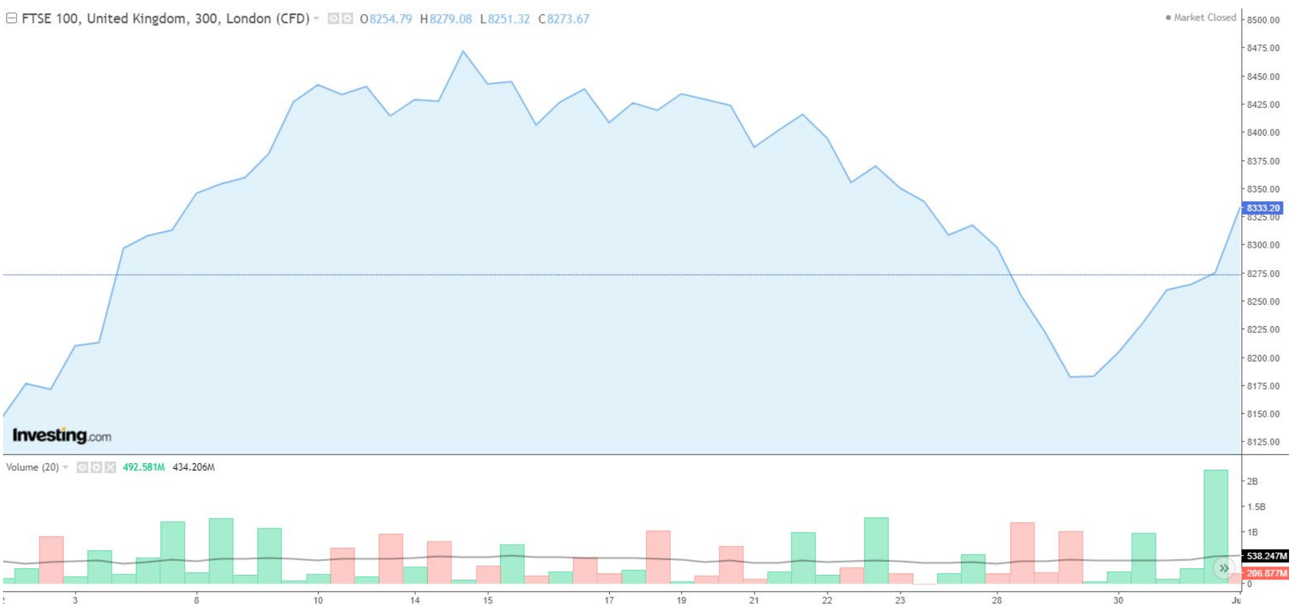
UK

UK stocks saw an uptick during the period, with the FTSE 100 reaching new record highs. Financials and industrials continued their trend as top performers. Small and mid-cap stocks experienced significant growth, fueled by increased bidding activity and optimism surrounding the UK's domestic market.

After a mild recession in the latter half of 2023, the UK economy rebounded strongly in the first quarter of 2024, posting a GDP growth of 0.6%. However, the positive growth news was offset by a lower-than-anticipated decrease in annual consumer price index inflation, which stood at 2.3% in April, delaying expectations for the first rate cut by the Bank of England.

Prime Minister Rishi Sunak initiated the process for the formation of the next government by announcing a general election scheduled for 4 July.

Furthermore, reports indicated heightened bid activity for UK-listed companies in 2024, reaching levels not seen since 2018, largely driven by foreign buyers. This surge in activity fueled hopes that the UK equity market may be undergoing a shift in perception among international investors after years of underperformance.

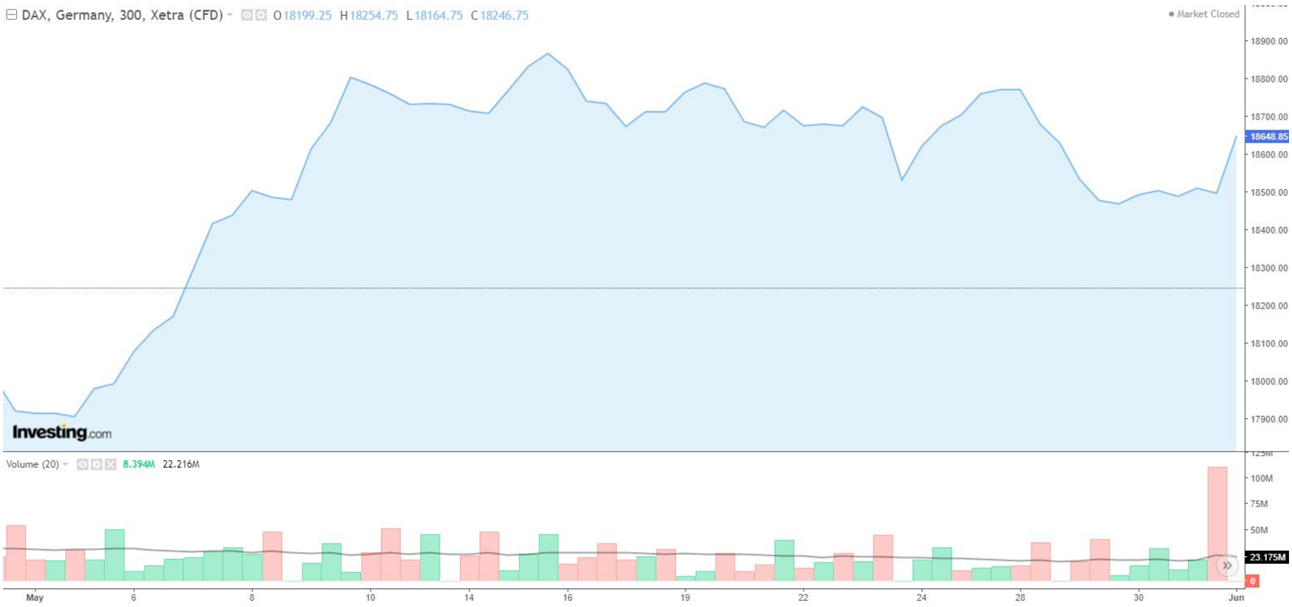


EUROZONE

Eurozone equities experienced gains, with the real estate and utilities sectors leading the way. Investors focused on the upcoming European Central Bank (ECB) meeting in June, anticipating a potential rate cut, which bolstered these sectors. Financials also performed strongly. Conversely, energy and consumer discretionary sectors lagged behind, impacted by lower oil prices and weaknesses in luxury goods and automotive stocks within consumer discretionary.

Inflation in the eurozone, measured by the consumer price index, rose to 2.6% in May from 2.4% in April. Despite this increase, investors maintained expectations of a 25 basis point rate cut at the ECB meeting on 6 June. However, uncertainty prevailed regarding the timing of further rate adjustments.

In Germany, labour market data indicated the fastest wage growth in nearly a decade, with collectively agreed wages up by 6.3% in Q1 2024. Forward-looking indicators pointed towards economic recovery, with the flash HCOB eurozone purchasing managers' index (PMI) for May reaching a 12-month high of 52.3. PMI data, derived from surveys of companies in the manufacturing and service sectors, signifies growth with readings above 50 and contraction with readings below 50.

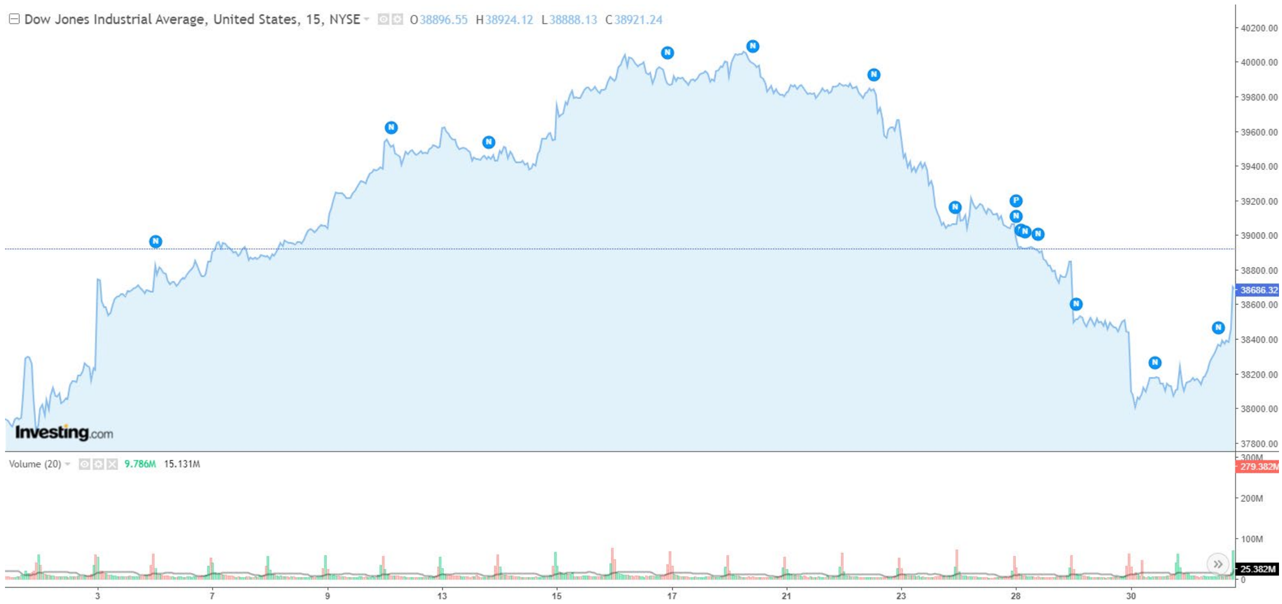


US

US stocks experienced robust growth in May, buoyed by strong corporate earnings and optimism surrounding potential interest rate cuts later in the year. The rally in the equity market was primarily driven by the information technology, utilities, and communication services sectors, while energy lagged behind due to softer oil prices. Several of the “Magnificent-7” stocks performed exceptionally well during the month, driven by solid earnings and heightened demand for AI-related technologies.

Data released during the month indicated that inflation remained persistently elevated, exceeding the Federal Reserve’s 2% target. Fed Chair Jay Powell acknowledged the challenges in reducing inflation, stating that there had been limited progress, but indicated that interest rate hikes were improbable. The core personal consumption expenditures index, the Fed’s preferred measure of inflation, stood at 2.8% for April, following earlier reports showing a slight dip in inflation as measured by the consumer price index, which fell from 3.5% in March to 3.4% in April.

Additionally, there were indications of a slowdown in the US economy elsewhere, with non-farm payroll data revealing that 175,000 jobs were added in April, falling short of consensus expectations.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Investing.com
Volume (20)
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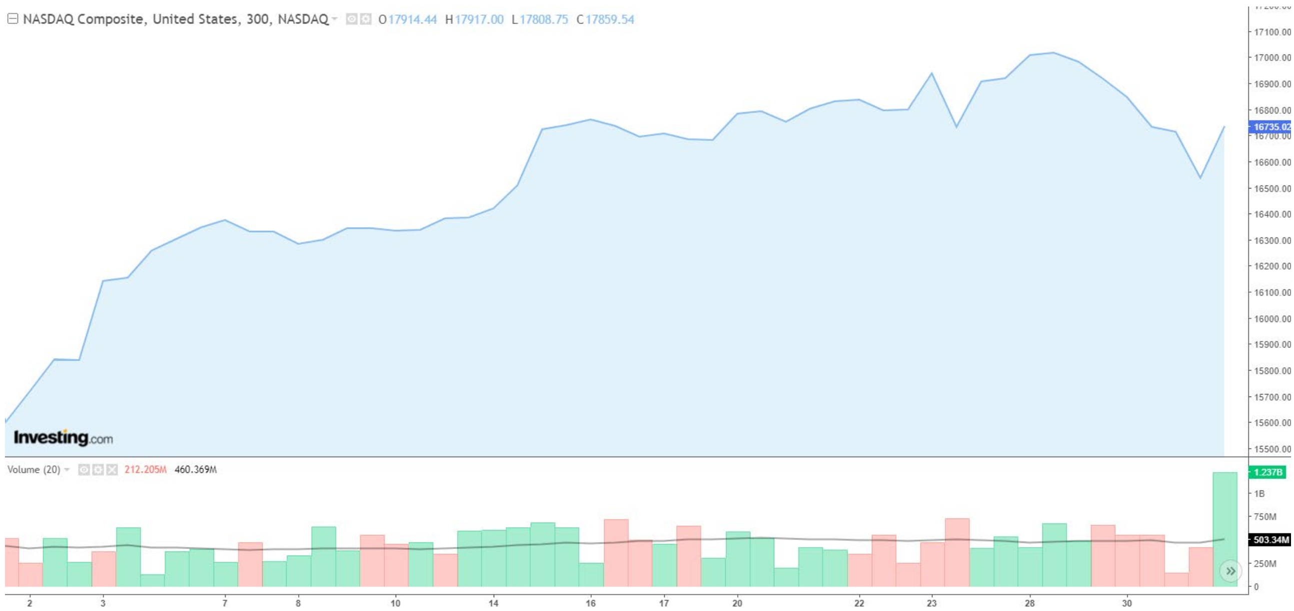
NASDAQ Composite, United States, 300, NASDAQ
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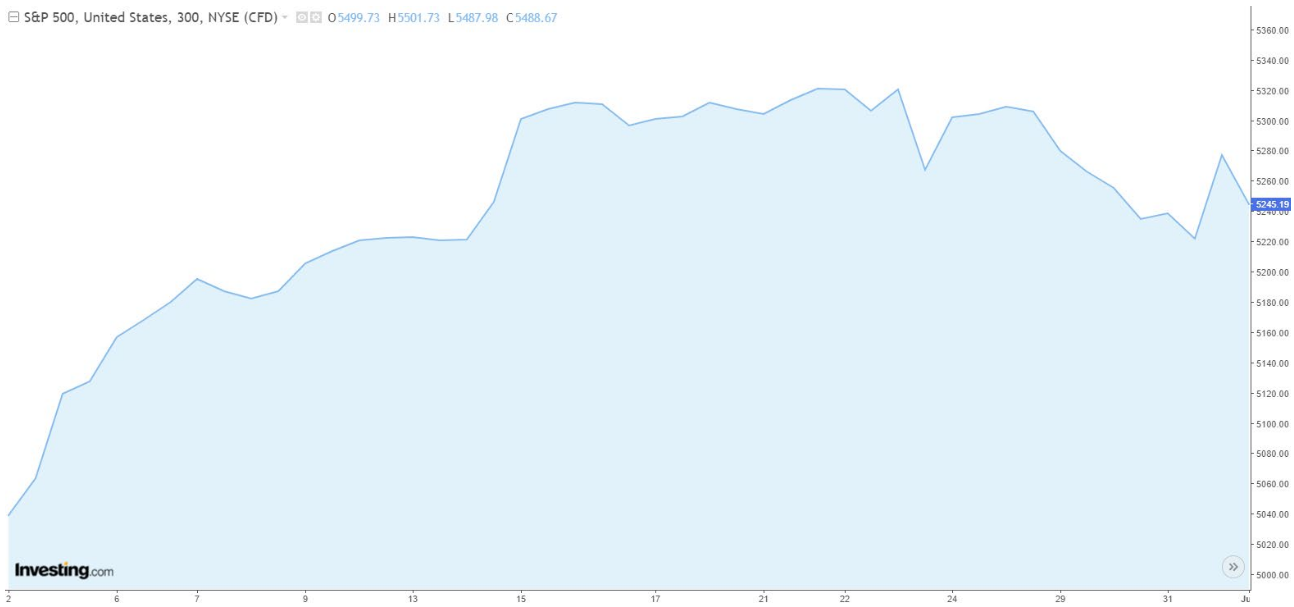
Volume (20)
212.205M 460.369M


S&P 500, United States, 300, NYSE (CFD)
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Investing.com

VIEW ON OIL

Brent crude futures continued to slide in May and early June, as flagging oil demand growth and inventory builds pointed to a comfortably supplied market. Brent futures fell by $6/bbl in May, before tumbling further in early June after the OPEC+ alliance announced plans to gradually unwind last year's extra voluntary output cuts starting in 4Q24. Traders' initial response was overwhelmingly bearish, with prices falling to a low of around $77.50/bbl, but OPEC+ officials quickly reiterated that a rollback of output reductions will be contingent on market conditions. At the time of writing, Brent had rebounded to $81.50/bbl – still about $11/bbl below early April's 2024 highs.

In May, global observed onshore oil inventories swelled for a second consecutive month as lacklustre demand met with robust oil supply. Preliminary, albeit incomplete, data show oil stocks rising by 48.2 mb last month, led by the United States and China. The increase comes on top of a 19.3 mb build in April, when on-land stocks surged by 83.5 mb after eight months of draws. Oil on water plunged by 64.2 mb, however, partly reversing the 112.6 mb increase seen over the previous two months. OECD industry inventories rose in by April 32.1 mb, largely in line with seasonal trends, but remained 94.7 mb below their five-year average. Source.

VIEW ON METAL

Consecutive record highs have unsurprisingly raised questions about the dynamics behind gold's incredible performance. While the growing expectation of the first Fed interest rate cuts has undoubtedly favoured gold, boosting its appeal based on the prospect of decreasing interest rates and Treasury yields, monetary policy wasn't the main driver. We believe that the spring rally was driven by a combination of strong physical demand in Asia, amid a lack of alternatives for safe-haven investment, and speculative action fuelled by increased geopolitical risks. With global ETF holdings at their lowest level since August 2019, the recent surge in gold prices was clearly driven by buyers outside the ETF market: central banks and individual investors purchasing physical gold. Following the strategic use of its currency by the US to impose sanctions against Russia, emerging market central banks were influenced to increase their gold reserves as a more secure asset amid geopolitical and economic uncertainties. According to the World Gold Council, this trend has continued into the first months of 2024, with the Central Bank of Turkey and the People's Bank of China taking the lead. Meanwhile, gold has also become an attractive investment for individual consumers seeking a safe way to store their money in an increasingly uncertain environment. This has been especially true in China, where a property crisis and weak stock market performance have heightened gold's attractiveness relative to other assets. Recent data from the National Bureau of Statistics (NBS) points to a continuing slump in China's house prices, with April marking the tenth straight month of declines, while the CSI 300 remains almost 40% below its peak in 2021. Source.

GOINGS ON AT OENO

We are delighted to announce that our head of Spain, Ivai Sicilia, has been interviewed by Andrea Redondo, owner and founder of the respected YouTube channel El Club de Inversión. You can watch the video here:

Additionally, we are very proud that our Head of Portugal, Tiago Stattmiller, spoke to the esteemed Portuguese financial publication, Jornal de Negócios, where his article titled, “Investment in luxury wines with attractive returns between 10% and 15% profit per year and with very low risk,” can be found here.

If you'd like to know more about our exclusive wine club, click here.

The Wine Club by OENO

Welcome TO *our* Exclusive *Wine Club*

We are thrilled to announce the launch of the Oeno Wine Club, providing members with priority access to delectable wines and expertly made tasting materials, invitations to our exclusive wine events, and fantastic offers and perks at our stylish wine home, Oeno House. Becoming a member welcomes you to the world of fine wine in a truly unique way that can be enjoyed by both those relatively new to wine as well as experienced connoisseurs wishing to further their knowledge and refine their palate even more. Our resident Master of Wine will hand-curate a selection of parcels at their optimum maturity and perfect drinking window for our members to savour from the privacy of their own home.

IF YOU ARE NEW TO OENOGROUP AND WOULD LIKE TO LEARN MORE ABOUT CREATING A BESPOKE PORTFOLIO OF WINE AND WHISKY, PLEASE SCAN TO LEARN MORE OR CLICK HERE

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