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The long-term financial drivers of fine wine prices:**The role of emerging markets****Jean-Marie Cardebat**

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Highlights

- An cointegration analyze of the long-term relationship (21 years) between the fine wine market and stock markets is proposed.
- Results suggest a significant cointegration between emerging markets, especially Asia, and fine wine markets.
- Mainland China appears to be one of the main drivers of fine wine markets, and more precisely, the leading Bordeaux wines.
- The slowdown of economic growth in emerging countries can be a risk to the fine wine market.

Abstract

We analyze the long-term relationship between the fine wine market and stock markets, from world level to specific countries, by applying a cointegration approach on a 21-year monthly database. Our database includes the Liv-ex Fine Wine Investables Index, 6 Liv-ex sub-indices, 25 MSCI Indexes and 10 national stock market indexes. Results suggest significant cointegration between emerging markets, especially Asia, and fine wine markets, and also causality from the former to the latter. As a result, the slowdown of economic growth in emerging countries can be a risk to the fine wine market. Furthermore, Mainland China appears to be one of the main drivers of fine wine markets, and more precisely, the leading Bordeaux wines. We suggest that along with single-index analysis, our approach can be taken into consideration in fine wine price forecasting and portfolio diversification strategy.

Key words: Wine, cointegration, financial markets, emerging markets

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