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MANAGEMENT

THREE THINGS TO KNOW TO START YOUR WEEK

ART WEALTH MANAGEMENT AND FINANCING SERVICES

'Three Things to know to start your week' is a weekly look at the most important art market related news, macro-economic trends and analysis

Artnews.com reported that from August 2019 to July 2020, auction houses made \$7.8 billion through sales—a number well below the \$11.1 billion made during the same period between 2018 and 2019. This remains still above 2009's figure (\$5.5 billion). And comes in just above the 2010 total of \$7.3 billion, the second-lowest in the last decade.

<https://www.artnews.com/art-news/market/auction-houses-second-quarter-losses-coronavirus-1202696203>

Meanwhile, old habits die hard. Current market conditions seem to have, so far, hardly impacted speculative behavior in some of the art market's 'hottest' contemporary areas. We observed, as confirmed by auction houses, that sought-after young contemporary artists, valued below the EUR500,000 price level, still enjoy a very healthy turnover, both at digital auctions and in private sales. Speculation on black artists remains equally intense, as the Christie's "Say It Loud (I'm Black and Proud)" sale proved. 22 emerging and mid-career Black artists consigned directly their own artworks to the sale, an online selling exhibition at Christie's on July 31, dedicated to the promotion of Black art. In order to prevent buyers from flipping the works shortly after for a profit, Christie's decided to impose strict conditions preventing short-term resales (no auction resale for 5 years, first right of refusal of artists, and a 15% profit participation in case of a sale to a third-party).

<https://news.artnet.com/market/say-loud-show-christies-1901685>

Looking towards future trends: Morgan Stanley's chief US equity strategist Mike Wilson believes that the aggressive monetary and fiscal response to the coronavirus crisis in the US could trigger a burst of inflation that the Fed might struggle to control.



Source: Financial times, August 10, 2020, Robin Wigglesworth

While he acknowledges that the severity of the shock makes deflation the most likely short-term outcome, Mr Wilson argued that there is now a "greater likelihood for inflationary pressures to build". The current, far more aggressive, fiscal response from the government sets it apart from the financial crisis of 2008, where fears of faster inflation failed to materialize.

<https://on.ft.com/3ijhVOG>

If Gold's run is anything of an indication that inflation threats are taken seriously this time around, then the high-end of the art market should fare pretty well, as masterpieces continue to be considered as a safe haven. The big question mark remains for the short-term evolution of the mid-market; thus, the next auction season will be an important indication of its potential resilience.

More to follow next Sunday.

The LINK Management team