

## COLLECTING

# Is Stock Market Volatility Good for the Art Market?

**We're about to find out during May's art fairs and auctions in New York.**

By **James Tarmy**

April 26, 2018, 12:30 PM EDT

Until January, the stock market was on an almost-unbroken bull run for nine years. Now that run appears to be ending and prominent members of the financial community are warning about the possibility of a significant correction <https://www.bloomberg.com/news/articles/2018-03-08/jpmorgan-s-pinto-sees-40-percent-correction-in-equity-markets>, leaving people in the art world wrestling with whether this will affect their sales.

A decade ago, during the last financial crisis, the art market responded to the stock market with a lag of about seven months. Bear Stearns collapsed in March 2008, but the May auctions in New York that year set records. Sotheby's held its largest sale ever; over the course of two weeks, \$1.56 billion worth of art changed hands.

"By April 2008, we knew that the seams [of the stock market] were coming apart," says Asher Edelman, a financier-turned-art dealer who founded the company ArtAssure Ltd. "Everyone who was buying and interested in art was thinking, 'Oh, this is kind of a safe thing to do,' and they didn't pay attention to what was happening in the market."





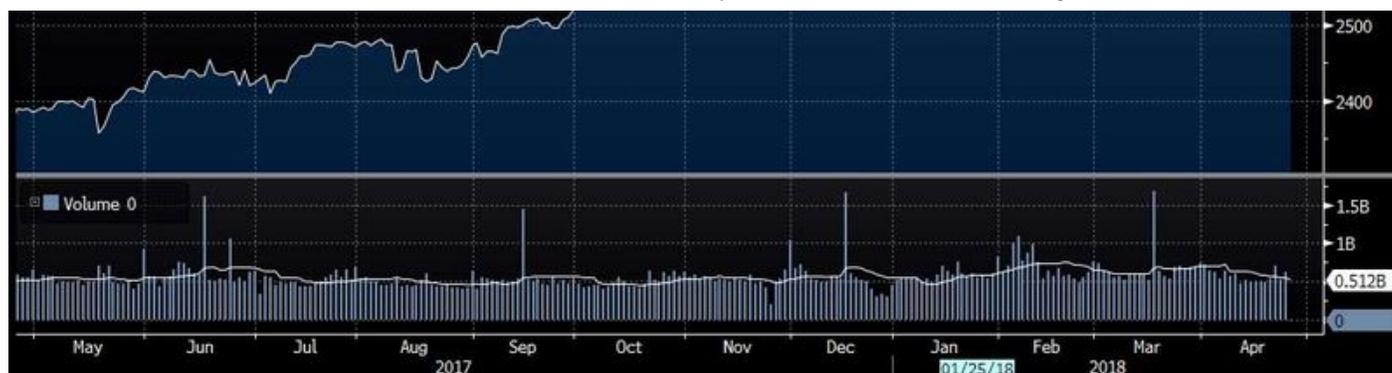
The S&P 500 from 1927 till today, derived from the Bloomberg Terminal on April 25. Source: Bloomberg

By the time the November auctions rolled around, Lehman Brothers had filed for bankruptcy, the stock and bond markets had plummeted, and the art market had imploded.

A third of the lots at Sotheby’s Impressionist and modern art evening sale went unsold. Christie’s evening sale in the same category fared even worse, with 44 percent of its lots going unsold; its total, \$146.7 million, was nearly \$100 million below the auction’s low estimate of \$240.7 million.

The question now is: Should collectors, dealers, auction houses, curators, and everyone else who relies on the art market’s continued success, be worried?





The S&P 500 index over the past year, taken from the Bloomberg Terminal on April 25. Source: Bloomberg

The market's bull run has been sputtering just as New York is poised for record-setting [art fairs](https://www.bloomberg.com/news/articles/2018-03-06/art-fairs-are-popping-up-everywhere-who-profits) (Frieze, Tefaf New York) and auctions, which include the week-long, possibly billion-dollar Rockefeller sale [starting at Christie's on May 8](https://www.bloomberg.com/news/articles/2018-03-07/david-rockefeller-s-estate-sale-at-christie-s-may-hit-1-billion) and Sotheby's May 14 Impressionist and modern art sale, in which a painting by Modigliani is carrying an estimate of \$150 million [. . .](https://www.bloomberg.com/news/articles/2018-04-24/horse-breeder-is-said-to-be-selling-150-million-modigliani-nude)

## Realizing Gains

"In my experience, when the market goes up and down, up and down, that's good for art," says [Christophe Van de Weghe](http://www.vdwny.com/), a New York dealer who will be exhibiting at [Tefaf New York](https://www.tefaf.com/fairs/tefaf-new-york-spring) next week. "Over the last 30 years, volatility has been very good for us dealers, because that's when people want to buy a hard asset." Art, like gold, ostensibly represents a financial safe haven during turbulent times.

Indeed, Van de Weghe says, it's a double-plus: One group of collectors leaves the market in order to realize gains, has cash sitting around, and then puts it back into art.





*Dead End Tunnel Folded Into Four Arms With Common Walls* (1980), by Bruce Nauman, is slated to appear in Hauser and Wirth's booth at Frieze New York. Photographer: Brian Forrest, courtesy of Hauser & Wirth

An additional group, specifically hedge fund managers (many of them Van de Weghe clients) will spend even more on art, “because they tell me that they make more money when there’s volatility in the market,” he says.

Since the market peaked in January, (the Dow is since down about 7 percent), “we’ve been selling more,” he says. “The art market has been very bullish.”

The art that Van de Weghe is bringing to Tefaf reflects that optimism: His booth will have a 1961 painting by Cy Twombly that he expects to fetch from \$4 million to \$5 million; a 60-inch by 60-inch painting by Keith Haring for \$3.5 million; and, among other works, two paintings by Pablo Picasso, estimated, respectively, at \$4.5 million and \$2.85 million.

## Short-Term Liquidity

Other observers have a less positive take.

“I would have given you a different answer three years ago,” says ArtAssure’s Edelman, “and that answer would have been, from observation, that roughly six months from when the stock market gives up its bull run, the art market gives up its bull run, too.”

Not because people lack the money to buy art, he adds. “Anyone who had \$100 million in May 2008 still probably had \$80 million that November,” he says. “These markets are driven much more by psychology than they are by economic factors.”



The exterior of the Frieze New York art fair, which will be held on Randall's Island. Photographer: Mark Blower, courtesy of Frieze

Edelman's no longer so sure about a direct correlation. Despite record gains in the stock market, he says, “the last three years have been a substantially down art market in everything but the night sales at auction.” While this sentiment is debatable—some insist that the middle of the market is doing fine <<https://youtu.be/bHfzA2Jt4js>> —his point is that night sales are a market unto themselves.

This dim view of the current art market darkens even further if U.S. equities falter, he says. “I do not believe that when money comes out of the stock market, it goes into the art market. ... [Investors] tend to run for safety and short-term liquidity.”

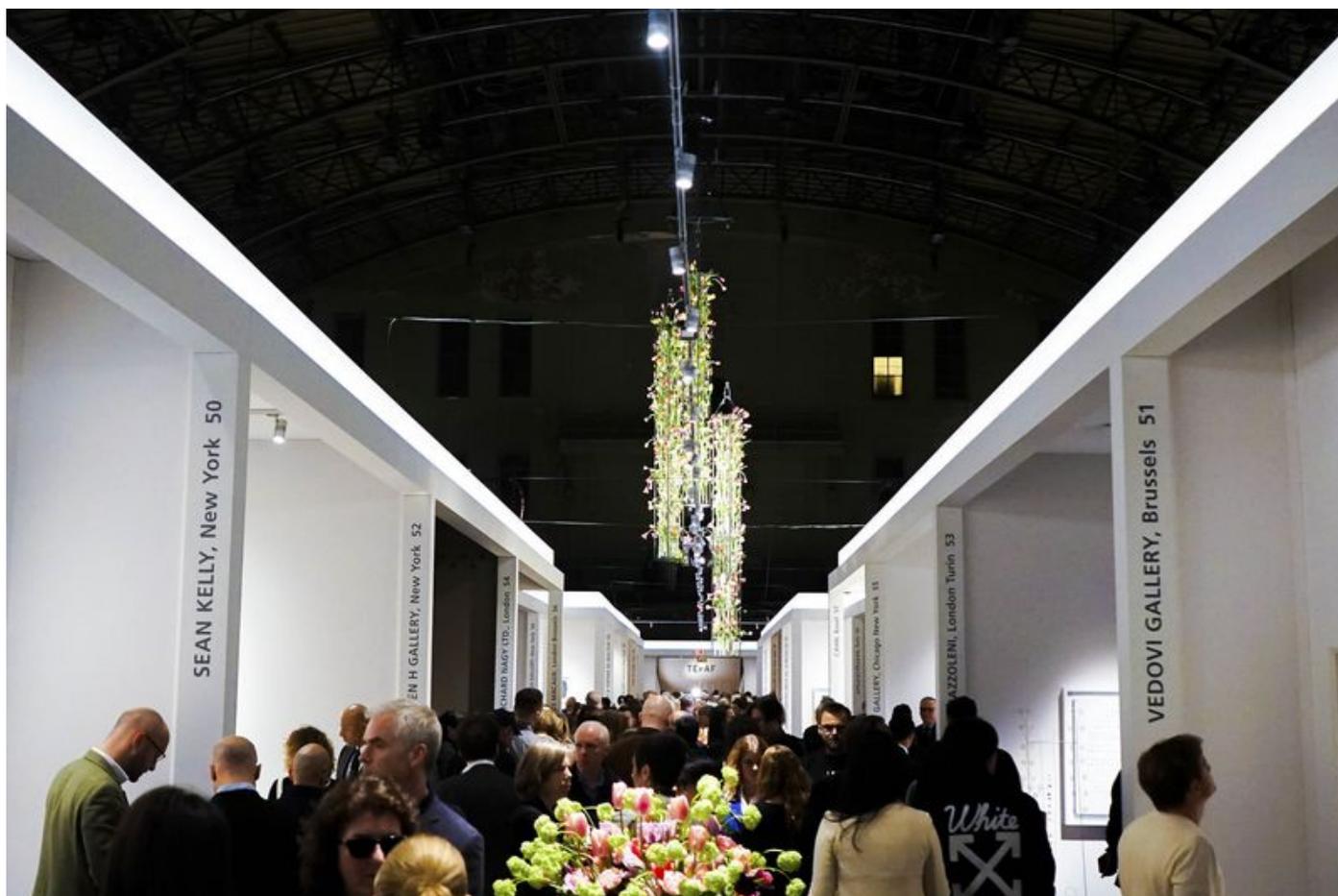
Art could be considered a liquid investment only if sellers were willing to get 60 percent to 70 percent of what they had paid retail, Edelman says.

“I know people like to think that [they can sell art whenever they want], because they try to make a case that the art market is safe and hard,” he says. “But I can tell you, sitting here, that it ain’t easy to sell a piece of art if you’re not putting it at auction at a reduced price.”

## A Middle Ground

Other dealers such as Marc Payot, a partner and vice president of Hauser and Wirth <https://www.hauserwirth.com>, occupy something of a comfortable middle ground in which one man’s credit crunch is another’s opportunity.

When a slumping stock market impacts art collectors whose businesses are more exposed to volatility, he says, “that’s a moment where access to certain pieces is possible. So if you know you want a specific [artwork], a moment where the market is softer is a great time to be active.”



A scene inside the Tefaf New York fair to be held in the Park Avenue Armory. Photographer: Kirsten Chilstrom

Payot points to the very moment that the art market crashed in 2008-2009. “It was a panic,” he says, “but then it turned out to be a fantastic year for us, because of the opportunities for access to works.” Anyone still in the position to buy was able to jump at the material that others needed to sell (or at least thought they did).

“Art is never good for a short term [investment],” he says. “And it’s never good to sell art in the short term if you have to—but then, that’s true for everything, including real estate.”

At Tefaf, Hauser & Wirth will have a booth featuring work by three artists—Louise Bourgeois, Philip Guston, and Eva Hesse—with prices ranging from \$100,000, for a Bourgeois work on paper, to \$5.5 million, for a figurative painting by Guston. At Frieze, the gallery will have a booth with a thematic collection of works from the 1980s, titled “Stop Making Sense.” Its centerpiece will be a massive sculpture by Bruce Nauman from 1980 that Payot says is priced at “over \$8 million.”

For better or for worse, Payot hasn’t seen much of a change since January. “Maybe it’s a little early to say,” he says, “but we haven’t really felt any major impact from [stock] market volatility.”

“Listen,” says Van de Weghe, the New York dealer. “All I can tell you is that if there’s a correction, I want to be owning a Picasso.”



