

FINANCIAL SERVICES

## Savigny Luxury Index posts strong performance in November

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*After months of negotiations, LVMH recently revised its deal to buy Tiffany for \$15.8 billion. Image credit: Tiffany*

By LUXURY DAILY NEWS SERVICE

The unveiling of a trio of COVID-19 vaccines as well as better-than-expected performances by **Tiffany & Co.**, **Richemont** and **Brunello Cuccinelli** fueled optimism for the luxury sector in November.

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Last month, as hopes for a COVID-19 vaccine became reality, the **Savigny Luxury Index** (SLI), which measures the market capitalization of 17 of the biggest public luxury groups, posted its largest monthly gain since October 2011. Its 16 percent rally outpaced the performance of the MSCI World index, which gained almost 10 percent.

Hope on horizon

Despite an industry update from the consulting group Bain which suggests that the luxury market shrank 23 percent in 2020 ([see story](#)) its largest-ever drop and the first contraction since 2009 the feeling is that the nightmare is almost over, according to Savigny.

All of the SLI stocks posted gains in November, most notably luxury brands that had been lagging behind in valuation terms, such as Capri Holdings (+67 percent), Tod's (+43 percent), Safilo (+39 percent), Ferragamo (+36 percent) and Ralph Lauren (+28 percent).



*The SLI index outpaced the MSCI index in November. Image credit: Savigny Partners*

Adding to the brightness were strong recent performances by a number of luxury brands. Tiffany's Chinese business grew by 70 percent in the last quarter while Richemont's six-month sales in China were up 83 percent.

Shares in Richemont also gained 31 percent in November on the back of its pivotal deal with Alibaba and Farfetch as well as its strong trading performance in China and a return to sales growth from August this year.

The most widely-discussed deal in November was Richemont and Alibaba's \$1.1 billion investment in Farfetch. The tie-up paves the way for Farfetch to launch luxury shopping channels on Alibaba's platforms Tmall Luxury Pavilion, Luxury Soho and Tmall Global and gain access to Alibaba's 757 million customers.

In other China-related news from last month, Yatsen, a Chinese digitally native direct-to-consumer beauty group raised \$617 million in an IPO valuing the company at \$4.5 billion.

Additionally, Singapore-based watch distributor and retailer Cortina Holdings acquired local watch retailer Sincere Watch Limited.

Despite the optimism, investors in luxury brands should remain somewhat cautious about the outlook for the Christmas trading period, per Savigny's research. A number of the big shopping destinations are likely to face further lockdowns over the next few months, even though global vaccinations are expected.

Retail spending by travelers has also been curtailed for many luxury brands and is not likely to get a second wind for some time.

"Equity markets have already largely factored in the good news and we may continue to see some short-term volatility in the SLI," according to Savigny.

Despite the turmoil which has hit luxury brands in 2020, even in the darkest months, there has been a silver lining: double-digit sales growth in China.

The repatriation of China's luxury spending is not a recent development, but the stay-at-home economy, lockdowns and the ongoing travel restrictions helped to accelerate it ([see story](#)).

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