

COMMENTS ON THE ART MARKET

VOLUME 177

Rehs Galleries, Inc.
Rehs Contemporary Galleries, Inc.
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Upcoming Events

We have a very busy fall/winter season ahead of us.

Reflecting the Real --- an exhibition that will run from October 3 – 23 at the gallery and feature the works of 19 very talented artists who are all connected to the Grand Central Atelier. Each artist will be presenting new, never before seen, works --- this is going to be an impressive group exhibit and hope that you will be able to attend. The opening will take place on Saturday, October 3, from 11 – 4 pm.

Antiques & Modernism Winnetka --- the gallery will be heading to the Chicago area for this show which features 45 dealers and runs from November 5 – 8, 2015. For more information on this exhibition, please check our Upcoming Events page.

New York Art, Antique & Jewelry Show --- a couple of weeks later we will be back in NYC at the 67th Street Armory (November 20 – 24, 2015) at a show featuring 80 national and international dealers. We will be posting tickets as soon as they are available.

Palm Beach Jewelry Antiques Design --- right on the heels of the New York show we will head down to Florida for a new exhibition that runs from December 3 – 7, 2015. We will post complimentary tickets when they become available.

No rest for the weary!

Julien Dupré Catalogue Raisonné

We have some big news. This summer, Professor Janet Whitmore agreed to work with us on the biographical research part of the Catalogue Raisonné. Janet will be in France from mid-September through December combing through all the archives that are available in Paris, Grenoble and Narbonne. In addition, she will meet with one of Dupré's relatives to learn what information he has uncovered over the years. If all goes as planned, we will be able to complete the biographical aspect of this project. I will keep you posted on the progress.

Rehs Contemporary News

Mark Daly – 5 weeks ago Mark joined our roster of artists and since that time we have sold every work he has sent (5 in all). During August, Professor Janet Whitmore interviewed Mark for an updated biography ... if you are interested in learning more about this very talented artist, please click on the link

below – I think you will enjoy his story. We have also added 2 new works to our web site – they should arrive at the gallery next week.

Erik Koeppe - this summer Erik participated in the Plein Air Rockies 2015 landscape painting competition and took home 4 awards: 1st Place in the Quick Draw Competition (completing a work in 90 minutes), The Silver Award from the Town of Estes Park, The People's Choice Award and the Artist's Choice Award.

Ken Salaz – we were pleased to learn that 2 of Ken's paintings will be included in the upcoming ARC Salon exhibition to be held at the MEAM Museum in Barcelona, Spain (November 17 – December 28) and at the Salmagundi Club, New York (January 18 – February 4).

Todd Casey – Todd's *Birth of a Kamikaze* will be featured in the upcoming Allied Artists of America's 102nd Annual Exhibition at the Salmagundi Club, New York, from September 3 – 13. His *Acorn Squash* will be included in the 2015 national Heirloom Exposition at The World's Pure Food Fair, Santa Rosa, CA from September 8 – 10 and his painting *Live and Let Die* will be part of The Still Life Show (September 18 – October 16) hosted by The Eleventh Street Arts.

The Cortes Exhibition in France

I mentioned in a previous newsletter that the exhibition "Edouard Cortès et la Normandie" is currently taking place at the Musée Charles Léandre. Well, Amy and I will be heading to Europe next week and one of our stops will be in Condé-sur-Noireau to see the exhibit and pick up a few copies of the catalog. We will post a few images of the exhibition on our web site.

Stocks

By: Howard

Oh My! This was one wild month and I am sure most of us wished we had sold everything before the middle of August (Monday morning quarterbacking is so much fun). We returned from the Baltimore show pretty late on Sunday the 23rd and by the time I checked the market on the 24th, I was shocked to see the market was down another 650 points --- it was only a few minutes later that I learned it had opened down more than 1000 points – holy crapoly! It was also interesting to watch its gyrations during the day ... almost climbing back to even, before dropping like a rock near the end (down 588). I am very happy that I do not "need" the money I have left anytime soon!

Near the middle of June we were over 18,000 and just 2 months later we are below 15,700 (about a 13.5% correction from the June high). Since so many of my stocks were in the red, I called my ophthalmologist and got a prescription eye-drop medication I needed something must stronger than Visine – so far, it seems to be helping!! By the close of business on the 28th (3 trading days after the low) the market was heading north again and closed at 16,643 (down about 8%) ... really crazy!

Anyway, here are this month's closing numbers for some of my favorite stocks: JP Morgan (\$64.13 – down 6.98%), Exxon (\$75.07 – down 9.71%), GE (\$25.16 – down 4.19%), AT&T (\$33.29 – down 4.04%), Verizon (\$46.07 – down 1.05%), Wal-Mart (\$64.94 – down 10.09%), Coke (\$39.45 – down 2.81%), DuPont (\$51.84 – down 6.53), Merck (\$55.37 – down 5.42%), Disney (\$102.48 – down 14.49% - wow), Citi (\$53.28 – down 9.57%), Intel (\$28.42 – down 2.03%) and Bristol-Myers (\$60.61 – down 6.60%) --- all DOWN! It will be very interesting to see what September brings.

Tales from the Dark Side

By: Alyssa

Theft of two N.C. Wyeth paintings – two years ago one of the largest property thefts in Portland, MA, occurred when six paintings were taken from Joe Soley's apartment. Since then, four have been recovered and the FBI has posted a \$20,000 reward for any information leading to the recovery of the other two works. Both paintings, valued at over \$1 million apiece, are by N.C. Wyeth. Since the 2013 heist, three men have been arrested: Oscar Leroy Roberts, who received 28 months in federal prison after he was picked up for attempting to use the four recovered works to secure a \$100,000 loan at a Beverly Hills pawn shop; Lawrence Estrella, 65, received seven years and eight months in prison after he was pulled over for a traffic stop with the paintings in his car and later arrested at a hotel in North Carolina for interstate transportation of stolen property and Dean Coroniti, 55, who plead guilty to possession of stolen property in March and has yet to be sentenced.

Police are still investigating and seeking help to recover the following two works: N.C. Wyeth's "The Encounter on Freshwater Cliff" and "Go, Dutton, and that right speedily..." If you have any information that may lead to their recovery contact the FBI at 1-800-255-5324 or provide details through tips.fbi.gov. Here is your chance to make a quick \$20K!!

Stolen Picasso Returned – The United States has returned a \$15 million Picasso to France that was stolen from a major Paris museum fourteen years ago. "The Hairdresser," a 1911 cubist-style painting, was recovered after a US customs agent targeted its shipping package in Newark, NJ. The multimillion dollar work was sent from Belgium bearing a shipping label claiming the work to be a \$30 handicraft in December of 2014. Once the work was authenticated, French officials were notified and the process of returning the Picasso to its home began.

"The Hairdresser" entered the Centre Pompidou's collection in 1967, donated by the French art collector, Georges Salles, who specialized in Cubism works. The painting was formerly owned by Ambroise Vollard, a French art dealer who played a large role in promoting Picasso and other 20th century artists.

Two unknown men – dressed as tourists entered the Ny Carlsbeg Glyptotek museum, Copenhagen, in mid-July and within twelve minutes were out the door with a \$300,000 sculpture. "The Man with the Broken Nose" by Auguste Rodin was dismantled from its base, stashed in a bag and exited the museum before the museum security or visitors noticed it was missing. According to reports, Rodin made several versions of this sculpture during his lifetime, however this one dates back to 1863 and has been part of the museum's collection for almost 100 years.

Really!

By: Amy

Hope everyone is enjoying the last few weeks of summer. Although the summer months are a bit quiet, I found some remarkable results as strong prices were realized for sports memorabilia. A pre-civil war baseball card featuring the founding members of the Brooklyn Athletics, circa 1860, sold for \$179,250! (Yes, baseball was around back then; the first official team to play under modern rules was founded on September 23, 1845...the New York Knickerbockers... Really!!) The Athletics card was passed down through the family of Archibald McMahon, one of the members of the team and was consigned by his great-grandniece. Her mother had given her the card, in hopes that someday it would "take care of her," and now I guess it really will!! ☺

A few more pieces of sports history were also auctioned off... a Mickey Mantle 1952 rookie card brought \$382,400, along with one of his game-worn jerseys from the NY Yankees (1966) which sold for \$322,650. Baseball isn't the only sport bringing strong results; a 1985 Chicago Bears Super Bowl XX Championship ring, given to William "The Refrigerator" Perry garnered \$203,150, the second highest price at auction for a Super Bowl ring, but I will add, it was the largest Super Bowl ring ever made, a size 25...Really?

Now for some items that are little more *artsy*...In an old royal chateau, known as the Chateau de Vincennes, a porcelain workshop was established in 1740 (France, not China!!). Porcelain continued to be made there until 1756 when a new factory was built at Sevres. Recently a sucrier (sugar bowl) from the Vincennes workshop was auctioned, a rare find as there may only be about 30 of these known to still exist. The sugar bowl was catalogued as a piece from the Sevres factory, dated early 19th century and was estimated at £150-250 (\$232-390). Well if you haven't guessed, two potential buyers thought differently from viewing a 'double Louis' factory mark for 1753 and a painter's mark for the artist AV Vielliard on the bottom of the bowl. A battle ensued on the phone and it finally hammered down at £45,000 (\$70,000- plus the buyer's premium) REALLY!!

A remarkable Luba figurative bow stand was the highlight of a recent sale. Luba sculpture is an artistic tradition of sub-Saharan Africa and was greatly admired in the west during the nineteenth century for its beauty and grace. The greatest Luba pieces were created for kings and reflect a high level of Luba spiritual consciousness and cosmology. This sculpture was created by one of the two most famous Luba artists, Warua Master. It more than doubled its £1.5 – 2.5M (\$2.3-3.9M) estimate when an anonymous phone bidder triumphed and bought the piece for £6,130,500 (\$9,440,970)! That was really impressive!

The Art & Other Markets

By: Howard & Lance

Well, thankfully there was very little going on in the public arena during the month of August --- it was time for a well needed break! It will be very interesting to see what happens during the fall season after all the unwelcome action in the financial markets. If history repeats itself, we may all want to buy some art.

I remember back to that faithful day in October of 1987 when the market corrected more than 22% and we all thought the world was going to end. That month turned out to be the best in our firm's history until that point. A number of Wall Streeters came to the gallery and bought a lot of great art – turns out, they made some smart moves – wish we had some of those Bouguereau's now. Then we had the crash of 2008 and once again nobody knew what was going to happen. Luckily for us, we had come off a very busy summer season and were cash rich ... so we went into the market and bought a great deal of art during the dark month of October; turned out to be a smart move since the art market recovered rather quickly. So, will we see a similar scenario play out in 2015? Time will tell.

My biggest concern for the immediate future of the art market is: will there be panic selling by people who have leveraged their collections? And will those people who bought into those expensive 'hot young artists' be able to hold on through the rough patch? Over the years we have had clients ask our opinion of leveraging their art --- our response has always been the same: why? I do not believe that a collector should borrow money against their art just to buy more art. The only way borrowing money for art makes sense to me is if you are a dealer and plan to use the money to buy more art to sell; but even then, I believe it is a risky endeavor and is not something we have ever thought of doing. Let's face it, when the tough times come, those dealers (and private collectors) who are heavily leveraged end up in serious financial trouble ... not the kind of issues we are looking for.

Another concern is: how much art will hit the market during the fall/winter season? If too much art is thrown into the market, we may see some weak sales ... this is exactly what happened in 2008 since many of the fall/winter sales were already set by the time Lehman Brothers declared bankruptcy (you can read our art market coverage in volumes 94, 95, 96 & 97). If cool heads prevail (which is probably unlikely) then all should be ok ... slim/strong sales with realistic estimate are what is needed.

Having said my piece, Lance decided to chime in on the financial world and the art world ... so here are his thoughts:

The summer is always rather slow in the art world and without much major activity in the auction realm, I decided to turn to a more pressing matter that is likely affecting everyone reading this – The stock market and the impact of China.

Prior to the summer, China had been experiencing significant growth... so much so that this developing country became the second largest market in the world with the Chinese consumer becoming a powerful force in global consumption. According to Bloomberg, companies in the S&P 500 generate more than 40% of their sales overseas with Asia accounting for roughly 8% of revenues. That figure is actually much higher for some large American companies, such as Intel and Yum! Brands (Taco Bell, KFC, Pizza Hut) who attribute as much as 18% of overall sales to China alone! In the past year however, the Chinese consumer has faced not one, but two market crashes in succession; the over-developed real estate market followed by the stock market. It is typical for the average Chinese family to have roughly two-thirds of their wealth tied to their homes. As home prices began to fall, Chinese investors started pouring money into the stock market, bringing about the exorbitant gains seen over the past year. The boom in the Chinese stock market, which saw the Shanghai index climb more than 150% since last June, was further fueled by heavy speculation, buying shares with borrowed money and a state-sponsored media campaign promoting stock buying. Unfortunately, in the early weeks of this summer, China's stock market began to crumble with growth falling to its lowest level since 2009 (not to mention that Beijing may be fudging the official numbers – this means that investors may be worse off than they actually think). In those weeks, the market slid a dizzying 32% with prices for oil, gold and copper tumbling, wiping out \$3.3 trillion worth of wealth. The sell-off forced the Chinese government to step in to help stabilize things... but how?

On July 8th, China's stock regulators announced that any senior management or controlling shareholder with a stake greater than 5% was forbidden from selling shares of a listed company for 6 months, essentially freezing trillions of dollars in assets. Disturbingly, the future guidelines to resume selling would be announced later... meaning that mandate may extend beyond 6 months. More troubling is the de facto legalization of insider trading of shares that had fallen more than 30% (most companies trading in Shanghai and Shenzhen had fallen by at least that much when this was announced), where insiders are now legally allowed to buy shares during earning season. Finally and possibly most disconcerting, was that the China Securities Finance Corporation, which is a joint stock company owned by all the major exchanges in China, was given ¥2 trillion in lines of credit which financed its purchases in the equities market. Essentially, when the crisis hit, the Chinese government turned the CSFC into a bailout fund, channeling bank loans into the stock market. Not only is the CSFC's borrowing illegal, but this act essentially inflated market prices that were already inflated in the first place from investors borrowing to buy shares. This should be seen as a testament to what the Chinese government is willing to do to maintain stability or at the very least, to give the impression of stability... That stability was short lived. On July 27th, the Shanghai Composite fell 8.5%, its largest single day slide since 2007.

So, how does this affect us? Well, since June, the U.S. Dollar has gained 3% as investors value the safety of the U.S. economy... and while a strong currency sounds good, the net effect is seen as a price increase on U.S. goods being sold abroad. With the dollar already strengthening before this last event, the S&P 500 profit growth has slowed from nearly 10% last year, to less than 1% this year. That carries over to U.S.-China trade, which over the next two years is projected to surpass U.S.-Canada trade, currently the largest in the world. The strengthening of the dollar coupled with a major slowdown in the Chinese economy could result in a loss of appetite for foreign, specifically American, products. Worrisome scenarios are already being reflected in the U.S. indexes as we have seen in the past few weeks. The DJIA has shed more than 10%, oil dropped below \$39 a barrel for the first time since 2009 and the 10-year treasury yield slid below 2% (the lowest level since April and a sign that investors are looking to the safety of U.S. Government debt). Long term, the outlook for the U.S. and Global market is a bit murky but many analysts feel this "correction" is healthy when you remember that we are in the midst of a tremendous bull run starting in 2009, where the S&P has gained 220% in that timeframe, essentially bringing the financial markets closer to a level that is justified by the fundamentals.

What does this mean for the art market? Something interesting is happening... Artnet claims that the global auction market is in a recession, down 6% from the same period in 2014. That drop is attributed to

a 30% reduction in auction activities in China and Hong Kong. At that same time, Christie's reported buyers from China had actually increased a dramatic 47%. On the surface, this appears to be conflicting data but what it really is telling us is that high end Chinese collectors are forgoing collecting Chinese art and have turned to Western art. We saw something very similar back in the 80s & 90s with Japan just prior to their economic crisis where collectors started buying Impressionist works and actually set some impressive records in the process. In 1987, Van Gogh's *Sunflowers* sold for almost \$40 million to a Japanese collector... Three years later, another Japanese collector bought a van Gogh for \$82 million! On the flip-side, the domestic Japanese art market was hit hard, as it was valued at just a fraction of what it was before the crash. It is very likely that some of China's biggest collectors are looking back at this and have decided to shield themselves from the volatility of the Chinese market by buying Western artwork, essentially changing the currency of their wealth.

The Rehs Family

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Gallery Updates: The gallery's hours for September are Monday – Thursday from 10 am – 5:30 pm and all other times by appointment ... and feel free to make an appointment if you are going to be in NYC.

Web Site Updates: A few pieces passed through the gallery this month, including works by Cortes, Blanchard, Daly and Salaz. We have also added new works to our web site; below is a small selection of the recent additions:

TRADITIONAL



Edouard Cortes – Rue Royale, Madeleine

CONTEMPORARY



Mark Daly – *Old Trinity with Flags*



Mark Daly – *Windy City*



Ken Salaz – *Stone Barns Pasture, Westchester, NY*



John Kuhn – *Five Iris*



Justin Wood – *Green Glass with Lemon*

Next Month: Too early to tell.