

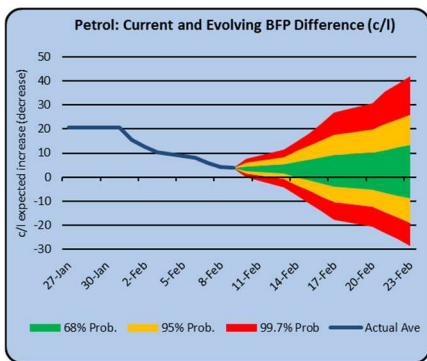
March 2017 price forecast remains near zero, range of price change forecast reduces
10 February 2017

Observed prices remain very close to the current BFP, meaning that the potential price change for March remains near zero. Currently we estimate a price hike of 2c/l for Petrol and 4c/l for Diesel. This is much the same as last week’s forecast, however the margin of error on this forecast has nearly halved from 20c/l to 11c/l and 18c/l to 10c/l for petrol and diesel respectively.

Last week we suggested that political events would dominate this pricing cycle. We re-affirm that view. The State of the Nation Address last night did not meaningfully affect the currency market, sadly suggesting that the breakdown of debate in parliament is becoming normal and expected. However, rumours of a cabinet reshuffle remain and tensions around the Treasury may escalate ahead of the budget speech, causing the currency to weaken.

Outside of the statistical analysis then, the risk of a shock is certainly to the upside.

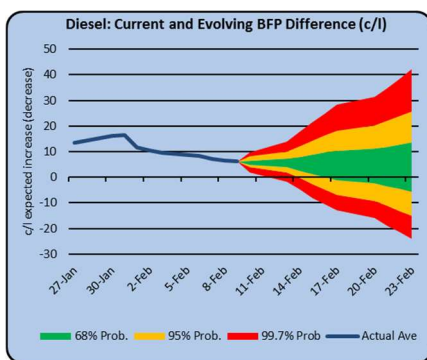
Next price change takes place on 01-Mar-17	Inland Price (R/l)	Current (Under)/Over recovery (c/l)	Probability of increase	Probability of decrease	Price Change Expected (c/l)	Margin of error (c/l)
Petrol 95 Retail	13.62	(3.81)	55.7%	44.3%	2	11.0
Diesel 500ppm Wholesale	11.63	(6.11)	63.9%	36.1%	4	9.6



The graphs to the left show the current average price difference between market rates and the current Basic Fuel Price (BFP) and varying ranges of future outcomes based on 1,2 and 3 standard deviations.

They are based on market data from 27 Jan – 9 Feb, comprising 10 of the 20 data points in the current cycle, and 10,000 possible price scenarios for the remaining 10 business days.

The forecasts are formulated based on actual historical moves, using specifically designed forecasting tools, and not on subjective market predictions for the oil price or the USD/ZAR exchange rate.



As with any statistical forecast, as more data becomes available, the forecast will become increasingly accurate, and the range of possible price changes will reduce.

Back testing of our forecasts shows that at this stage of the cycle our forecast is within the margin of error 65% of the time, as opposed to the statistically expected outcome of 68%.

All data is sourced from data published by CEF, including historical data from March 2014. <http://www.cefgroup.co.za/petrol-price/>

Contact Jayson Dunne on 082 900 1561 or 010 900 4951 for more information.

Rubicon Risk Advisory Services specialises in Monte Carlo simulation, assisting executives in their decision-making processes, avoiding many common psychological traps such as Confirmation Bias, Cognitive Dissonance and Group Think.