

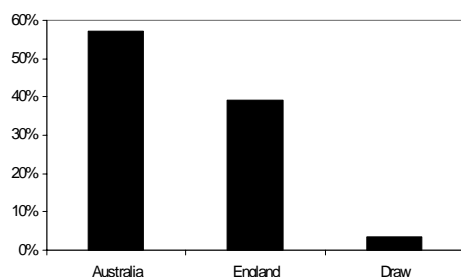
Tuesday 18 November 2003

## Individual factor scores and predicted overall winner of RWC

Factor	Winner
Revisions	Australia
Momentum	England
Value	Australia
Certainty	Australia
Recommendation	England
Proven home advantage	Australia
Weather forecast	Australia
<b>Net winner</b>	<b>Australia</b>

Source: MRE , November 2003

## Historical breakdown of wins: Australia vs England



Source: MRE , November 2003

## Analysts

Raelene de Souza, CFA (612) 8232 8388  
raelene.desouza@macquarie.com

Myles Milston (612) 8232 7162  
myles.milston@macquarie.com

Martin Emery (612) 8232 3147  
martin.emery@macquarie.com

# Rugby World Cup – quant style

## Why the Wallabies will win?

### Event

- The 5th Rugby World Cup final will be fought out between Australia and England on Saturday 22 November.
- We have developed a quant model for predicting who will win.

### Impact

- Our model suggests that Australia will come out ahead (see table at left).
- The multi factor model has been developed using similar factors to our stock screening models.

### Analysis

- The model is based on the following factors:
  - ⇒ Revisions (the change in betting odds over the tournament).
  - ⇒ Momentum (any recent trend of a dominant team).
  - ⇒ Valuation (the team who has been more successful in the long term).
  - ⇒ Certainty (consistency of performance).
  - ⇒ Consensus recommendation (current view on who will win).
  - ⇒ Rugby specific events (home field advantage, weather forecasts).

## Explanation of individual factors

### Valuation

- Valuation is typically a longer term signal. Hence, we have defined it here as the team that has won more matches overall.
- Australia comes out ahead on this factor having won 58% of all matches played versus England 39% (and 2% for drawn matches, see chart at left).

### Revisions

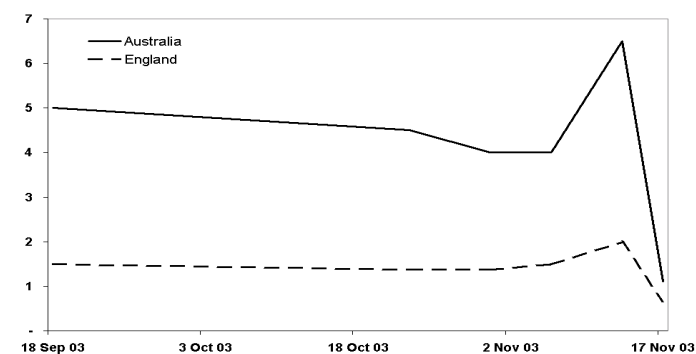
- To measure this signal we looked at the change in betting odds as the tournament proceeded.

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- As can be seen in the chart below, England started the event as clear favourite. However, support has eased off slightly.
- Australia, on the other hand, started off down the pack but has experienced a sharp turn in sentiment.
- We thus say that Australia has experienced “positive betting revisions” and is the winner on this factor.

## Changes in betting odds throughout RWC 2003

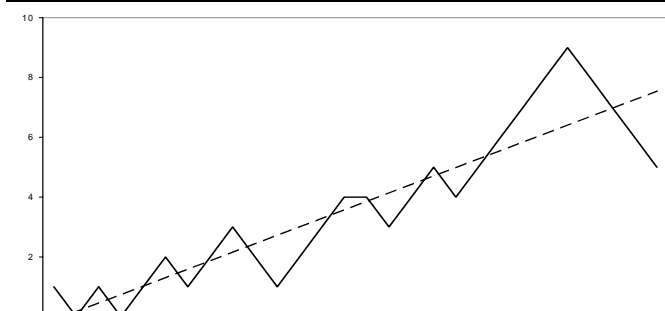


Source: MRE & Bloomberg/William Hill, November 2003

## Momentum

- Momentum is a measure of short term strength. Hence, we have defined it as the team that has won more of the most recent matches.
- England has won the last four games against Australia. This trend can clearly be seen on the following chart of Australia's cumulative wins against England in all international matches played since 1909.

## Australia: cumulative wins over England



\* Note: chart not to time scale

Source: MRE & www.rugby365.com, November 2003

## Certainty

- Here we are measuring the confidence of a consistent performance being delivered.
- This is proxied by Australia's two world cup titles (one of which was the 12–6 defeat of England in the 1991 World Cup), whilst England has won none.

## Consensus recommendation

- This is simply where the market sits on the game outcome and is most easily proxied by the current betting odds on the match.
- According to Bloomberg/William Hill, England is still the favourite to win.

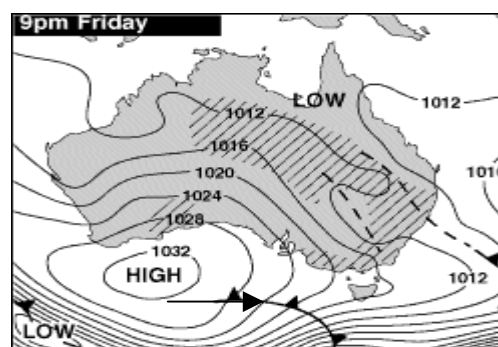
## Home advantage

- Historically, Australia has won over 82% of games played at home (this is significant at a 99% confidence level using a binomial test).
- This strongly suggests Australia has an proven host country advantage (although the stands will be awash with English jerseys that may dampen this affect).

## Weather forecast

- Warm conditions (similar to those of semi final one) may be a disadvantage to the English, who are more acclimatised to cooler rainy conditions (similar to semi final two).
- Unfortunately, the Bureau of Meteorology doesn't publish weather patterns more than a few days out. However, we were able to obtain an accurate forecast for Friday.
- Friday's forecast weather pattern is shown in the following chart. As shown by the arrow, the area of high pressure below Western Australia is moving East. This suggests that Saturday's weather is likely to be similar, if not warmer, to Friday's warm, sunny conditions.

## Weather forecast for Friday 21 November 2003



Source: Bureau of Meteorology, November 2003

## Pulling the model together

- We have added these factors together to determine who comes out ahead overall.
- Australia comes out on top on five of the seven measures, hence we predict the Aussies to win!