



# MELBOURNE CUP STRATEGY

From the Desk of the Chief Economist

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*Economists generally have enough sense to know that they know nothing about horse races. There are people who do. They are called tipsters. Every Melbourne Cup Day, their tips are published in major newspapers.*

Today we have taken the tips published in The Australian newspaper. There are six tipsters in all. From these tipsters we construct our most favoured rating. Every horse nominated to win gets 3 points. Every horse nominated to come in second gets 2 points. Horses nominated to come in third get 1 point.

Today the total points provided are: Admire Rakti 10, Protectionist 8, Fawkner 8, Singoff 5, Lucia Valentina 3 and Araldo 2.

In order to generate the value for each horse, we multiply these points by the odds. The odds in the electronic market at 9.00am this morning for these horses were: Admire Rakti \$5.50, Fawkner \$7.50, Protectionist \$8.00, Singoff \$8.00, Lucia Valentina \$7.00 and Araldo \$26.00.

When we multiply the odds by the most favoured rating, the results yield Protectionist 64 points, Fawkner 60 points, Admire Rakti 55 points, Araldo 52 points, Signoff 40 points and Lucia Valentina 21 points.

The most favoured rating, the odds and our calculation of value points is shown in Table 1 below.

**Table 1**

Horse	Most Favoured Rating	Odds Ratio	Value Points
Protectionist	8	8.0	64
Fawkner	8	7.5	60
Admire Rakti	10	5.5	55
Araldo	2	26.0	52
Signoff	5	8.0	40
Lucia Valentina	3	7.0	21

Our recommendation this year is for an each way bet on Protectionist. Remember our recommendation is for the best value bet rather than for the highest probability of winning.

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