

Melbourne Cup Strategy

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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 seven 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: Preferment 13, Fame Game 12, Trip to Paris 4, Bondi Beach 4, Max Dynamite 3, Our Ivanhowe 3, Almoonqith 1.

In order to generate the value for each horse, we multiply these points by the odds. The odds in the electronic market at 7.30am this morning for these horses were: Fame Game \$4.60, Trip to Paris \$7.50, Preferment \$9.00, Max Dynamite \$12.00, Almoonqith \$16.00, Bondi Beach \$21.00 and Our Ivanhowe \$21.00.

When we multiply the odds by the most favoured rating, the results yield Preferment 117 points, Bondi Beach 84 points, Our Ivanhowe 63 points, Fame Game 55 points, Max Dynamite 36 points, Trip to Paris 30 points and Almoonqith 16 points.

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

Horse	Most Favoured Rating	Odds Ratio	Value Points
Preferment	13	9.0	117
Bondi Beach	4	21.0	84
Our Ivanhowe	3	21.0	63
Fame Game	12	4.6	55
Max Dynamite	3	12.0	36
Trip to Paris	4	7.5	30
Almoonqith	1	16.0	16

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

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