

2 November 2010

# Melbourne Cup Strategy

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 four 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 second gets 2 points. Horses nominated to come third get 1 point.

Today the total points provided are: So You Think 11, Americain 6, Monaco Consul 3, Holdberg 2, Descarado 2 and Shocking 1.

In order to generate the value points for each horse, we multiply these points by the odds. The odds in the electronic market at 7am this morning for these horses were: So You Think \$3.00, Americain \$14.00, Monaco Consul \$31.00, Holberg \$21.00, Descarado \$14.00 and Shocking \$11.00.

When we multiply the odds by the most favoured rating, we find that although So You Think is an excellent horse, the market has driven the price down so low as to drive out all value. The results yield: So You Think 33 points, Americain 84 points, Monaco Consul 93 points, Holberg 42 points, Descarado 28 points and Shocking 11 points. This means in order of payoff points we have: Monaco Consul with 93 points, Americain with 84 points and So You Think with 33 points.

In previous years, we would simply prefer the horse with the most points. This is Monaco Consul. This horse is a real chance. It came third in the Caulfield Cup. The problem for it in our methodology is that it is nominated only once by one tipster, whereas Americain is nominated for a win or a place by all four tipsters. On this occasion, we nominate Americain.

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

Hardened thrillseekers might also like an each way bet on Monaco Consul.

## Analyst

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