

1 November 2011

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

Today the total points provided are: Dunaden 15, Americain 9, At First Sight 4, Mourayan 3, Lucas Cranach 3 and Niwot 2.

In order to generate the value for each horse, we multiply these points by the odds. The odds in the electronic market at 6am this morning for these horses were: Dunaden \$14.00, Americain \$5.50, At First Sight \$14.00, Mourayan \$13.00, Lucas Cranach \$31.00 and Niwot \$9.00.

When we multiply the odds by the most favoured rating, we find that the standout value in the field is Dunaden. The results yield Dunaden 210 points, Lucas Cranach 93 points, At First Sight 56 points, Americain 49.5 points, Mourayan 39 points and Niwot 18 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
Dunaden	15	14	210
Americain	9	5.5	49.5
At First Sight	4	14	56
Mourayan	3	13	39
Lucas Cranach	3	31	93
Niwot	2	9	18

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



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