

6 November 2012

# 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: Red Cadeaux 11, Americain 9, Dunaden 7, Mount Athos 5, Galileo's Choice 3, Mourayan 1.

In order to generate the value for each horse, we multiply these points by the odds. The odds in the electronic market at 7am this morning for these horses were: Red Cadeaux \$10.00, Americain \$5.00, Dunaden \$7.50, Mount Athos \$8.00, Galileo's Choice \$17.00 and Mourayan \$26.00.

When we multiply the odds by the most favoured rating, we find that the standout value in the field is Red Cadeaux. The results yield Red Cadeaux 110 points, Dunaden 52.5 points, Galileo's Choice 51 points, Americain 45 points, Mount Athos 40 points and Mourayan 26 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
Red Cadeaux	11	10.0	110
Americain	9	5.0	45
Dunaden	7	7.5	52.5
Mount Athos	5	8	40
Galileo's Choice	3	17	51
Mourayan	1	26	26

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

#### Analyst

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