

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's Melbourne Cup is remarkable for the number of horses receiving the top rating. Today the total points provided are: Oceanographer 9, Bondi Beach 9, Jameka 9, Almandin 6, Hartnell 3, Wicklow Brave 3, Big Orange 2, Exospheric 1.

In order to generate the value for each horse, we multiply these points by the odds. The odds in the electronic market at 8.30am this morning for these horses were: Oceanographer \$9.00, Bondi Beach \$10.00, Jameka \$8.50, Almandin \$10.00, Hartnell \$5.50, Wicklow Brave \$16.00, Big Orange \$13.00, Exospheric \$21.00.

When we multiply the odds by the most favoured rating, the results yield Bondi Beach 90 points, Oceanographer 81 points, Jameka 77 points, Almandin 60 points, Wicklow Brave 48 points, Big Orange 39 points, Exospheric 21 points, and Hartnell 17 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
Bondi Beach	9	10.0	90
Oceanographer	9	9.0	81
Jameka	9	8.5	77
Almandin	6	10.0	60
Wicklow Brave	3	16.0	48
Big Orange	2	13.0	39
Exospheric	1	21.0	21
Hartnell	3	5.5	17

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

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