

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 eight 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: Yucatan 19, Cross Counter 10, Muntahaa 9, Magic Circle 6, Best Solution 2, Rostropovich 1, Youngstar 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 Yucatan \$6.00, Magic Circle \$8.00, Cross Counter \$9.00, Mutahaa \$12.00, Best Solution \$12.00, Youngstar \$16.00, Rostropovich \$21.00.

When we multiply the odds by the most favoured rating, the results yield: Yucatan 114 points, Muntahaa 108 points, Cross Counter 90 points, Magic Circle 48 points, Best Solution 24 points, Rostropovich 21 points and Youngstar 16 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
Yucatan	19	6	114
Muntahaa	9	12	108
Cross Counter	10	9	90
Magic Circle	6	8	48
Best Solution	2	12	24
Rostropovich	1	21	21
Youngstar	1	16	16

SOURCE: Morgans

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

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