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Investigating the Efficiency of Thoroughbred Racing

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Abstract

Problem Statement: Ever since Fama (1970) produced his paper defining the three forms of market efficiency, there has been considerable interest in the efficient markets model. Many researchers have identified the similarities between financial markets and the thoroughbred racing industry. Like the financial markets, sports betting offers an opportunity to study economic decision making under conditions of risk and uncertainty. This paper attempts to illustrate some of the models and strategies in gambling-type decision making with specific reference to the horse race betting markets.

Research Method: The data, bookmaker odds for Port Elizabeth racing clubs were collected from the Herald newspaper and the Sporting Post. Observed and subjective probabilities as defined by Affleck-Graves, Money and Miedema (1987) were determined and then we examined evidence of insider trading as suggested by Crafts (1985).

Results and Conclusions: The analysis has yet to be concluded. However it is hoped that the results will support the findings of Cain, Law and Peel (2001) who provide empirical evidence of insider trading in the British thoroughbred racing market.