



Forget the bookies
— start thinking
stock market

Who needs a form book?

BETTING exchanges have provided us with many opportunities. Thanks to the way they operate we can often get excellent prices when backing our fancies. If we don't like the odds on offer, we can always ask for better odds. If we don't fancy the selection at all we can lay it. We can act as a bookmaker and in certain circumstances even a loss is not a loss. As if that is not good enough, things just got better.

How would you like to turn a profit on a vast majority of races without studying form or making a judgement on the race?

Impossible? Not in this new, exciting, but sometimes counter intuitive world of betting exchanges. I originally started out using betting exchanges by arbitraging between bookmakers and other people on the exchanges. As the volume of matched bets on the exchanges grew a new sort of pattern of activity developed. Rather than attempting to make a judgement on the underlying race or taking on risk as a bookmaker, shrewd punters started to trade the movements in the odds.

This enabled them to make a profit regardless of the form or the eventual winner of the race. Traders, as they are called, look at the odds and make a judgement on the direction of the movement of the odds and make money by correctly predicting this movement. The underlying event, the race, the runners, the course, the going, the form are all generally irrelevant.

Traders work in a very similar manner to the way that city professionals make money

Peter Webb doesn't worry about form — all he needs are price movements to generate a profit

on conventional financial risk markets. On the stock and futures market there are huge amounts of people trading the movement in prices of publicly traded companies, foreign exchange and commodities among other things. They are not trying to figure out if Vodafone PLC is undervalued or overvalued; or whether the world demand is increasing for oil or not. They are just interested in the short-term price movement.

If the price is going to go up then they buy it, if it is going to fall they sell it. They make money by placing buy and sell orders into the market to take advantage of these price movements. Traders on betting exchanges do exactly the same thing.

Thank heavens for traders

Traders now account for a large amount of the bets and volume present on the exchanges. While it seems an alien world to a normal punter they should greet traders with open arms. Traders add liquidity to the market meaning that there is always a full range of odds available to back and lay with sufficient money for the biggest of gamblers. Traders also tend to push the over round close to zero meaning that the book is close on perfect with little margin given away to the bookmaker.

The way that traders make money on exchanges is to correctly predict whether the odds on a horse are going to come in or go

out. Everybody who keeps an eye on the betting market will know how often you see the price of a horse starting to drift or come in and how this pattern often persists till the off. Both price movements tend to reflect people 'feeling' the market knows something they don't and therefore they follow the money in either direction.

If a trader spotted a horse available to back at 2.00 in the market and felt the price was too short and therefore it was going to drift (get larger) they would back and lay at different prices at either end of this price movement to net a sure fire profit.

At the end of those two successful bets you will be left with a risk free bet on that particular runner if it goes on to win. This is because of the fact that you have backed and laid at different liabilities, you effectively net the difference between the two.

One big bonus with this is that you will not lose any money regardless of what happens in the race. Because you have correctly called the drift in price you will have been able to lock in a guaranteed profit and have no possibility of losing money.

Also, by using some clever tricks you can transfer some of this profit to other runners in the race. This means that regardless of what happens in the race and whichever horse crosses the line first, you WILL make money.

It is an interesting fact that most traders never actually watch the race themselves — they finish the race before the off and move seamlessly to the next race. This is because the result is not important to them. They have made their money and move on.

Trading on a race

Time for an example. In this particular race I have placed a series of bets on 'Hidden Jewel'. I correctly forecast that the price would come in and I am watching the race live on television, but only on the basis of needing to know when it is about to start. This is so I can time my exit from the market. I have no interest in the horse, its form, the course or what the going is like. All I have monitored here is the way in which money has arrived in the betting market and how it has flowed from one part of the book to another and how this has changed the price on 'Hidden Jewel'.

By backing and laying different amounts at different prices I have netted a profit on this horse of £24.55. My potential loss is zero, I can't lose on this race, it's a punters nirvana — all I have is 100% upside. The £24.55 is now spare for me to do with as I wish. As things stand, I will win £24.55 if 'Hidden Jewel' wins and if it does not win I will lose nothing. If I wanted I could oppose the favourite and lay 'Hidden Jewel' with no liability. This is because I already have 'free' money at my disposal on this horse. Interestingly if we got this position wrong and made a loss, only if the horse won would the loss mature. If the horse doesn't win we lose nothing. Remarkable!

Total selections:(13)	GBP		Back
Hidden Jewel £24.55	1.99 £79	2 £815	2.02 £573
Our Little Secret £0.00	20 £58	21 £28	22 £55
Ryedane £0.00	8.4 £106	8.6 £11	8.8 £288
Gaudalpin £0.00	15 £20	15.5 £37	16 £12
Open Verdict £0.00	9 £80	10 £99	10.5 £93
Ashes £0.00	10 £75	10.5 £66	11 £48

By trading instead of a betting on a race we have a risk-free bet available on Hidden Jewel

Top traders using advanced strategies can achieve a situation where they will not lose around 90% of the time. This figure relates not to one or two tips in a day but to each and every race. Also advanced traders will often

trade more than one horse in a race. When you consider there are races every 10-15 minutes or so every afternoon throughout the year you can instantly see the potential and why trading is a huge and growing business on the exchanges.

Of course you can trade any sports event, not just horse racing, but anything you wish. The only prerequisite is that you know and understand how and why the odds move. To fail to do so would mean facing a loss making situation for sure.

Each event and the time at which you get involved and why radically changes the way you approach each market.

One interesting aspect of trading is that if you find you have a 'green' P&L, i.e. no losses you can actually 'transfer' the money around and to other selections meaning that whoever wins the race you will be guaranteed to profit.

You can see on the illustration I have 'transferred' money from hidden jewel to the other horses.

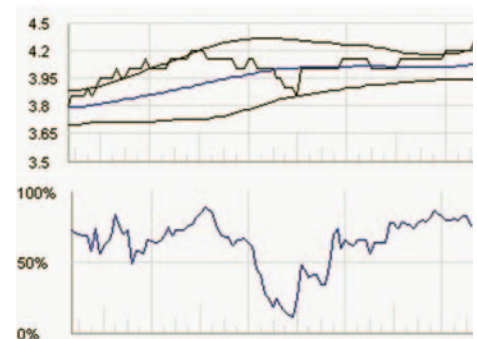
I now know that I will have definitely picked the winner in the next race before it has even started.

Total selections:(13)	GBP		Back
Hidden Jewel £24.55 > £12.28	1.98 £10	1.99 £1746	2 £217
Our Little Secret £0.00 > £12.27	20 £36	21 £19	22 £58
Ryedane £0.00 > £12.27	9.8 £10	10 £38	10.5 £107
Gaudalpin £0.00 > £12.27	15.5 £30	16.5 £71	17 £60
Open Verdict £0.00 > £12.27	9 £175	9.2 £31	9.4 £273
Ashes £0.00 > £12.27	10.5 £177	11 £53	12.5 £391

Using trading we can guarantee that we have a winner in a race before it even starts!

More recently, things have developed further. Now, rather than using the traditional Betfair website to bet on a race, a lot of people are using specially designed software to place bets and monitor positions on the betting exchange. Using this sort of software allows exchange users to monitor the market closely and see exactly where money is coming for a horse and quickly take advantage of that fact. The software will also actively monitor and manage your open bets for you making the chances of a successful series of bets much more likely. Some software vendors offer very comprehensive software but also offer scaled

down versions so you can get your feet wet or at worst at least see and understand the concept.



Specially designed trading software can monitor money coming for a horse and predict the price trend

Trading just the movement in odds on a race may seem strange to those who have done much to understand the form and structure of a race but it is this sort of opportunity that presents many people the chance to finally develop an edge in the market and a level of consistent winnings that has evaded traditional punters for some time.

Currently this type of activity is pretty virgin territory as many have yet to understand its full potential. Certainly if you understand the structure of a race as a traditional punter and you learn how to trade the results could be very good indeed.



Just looking at price graphs on an exchange can confirm if the odds are coming in or going out

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