

Market Efficiency and Investment Strategies, a case study of Hong Kong racetrack betting

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Abstract:

This talk contains two related but independent parts: market efficiency and investment strategy. We review the definitions of information efficient market hypothesis and the basics of horse racing betting markets. Different ranking models can be used for testing the efficiency of horse racing betting markets. We conclude that the racetrack betting market is possibly weakly efficient but definitely not strongly efficient. Kelly formula and constant rebalanced portfolio investment strategies can be used in actual investment. Hong Kong Jockey Club horse racing data were used to show how the strategies work in real investment.