Success at Sport Exchanges

A Short Guideline For A Lasting Success At Sport Exchanges

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Foreword

Since I have released SXTrader I am regulary receiving mails with the question if I could offer some tips how to be successful at sport exchanges.

To be blunt: There is no magic bullet! And if I would know of one I wouldn't tell because such things have the unfortunate tendency to stop working if too many people are using it.

Never the less I want to share some common guidelines and insights which helped me a lot in the past.

These concepts have come to me step by step over the years and I'm doing my best to follow them. Likely like the most I've started the adventure Sport Exchanges without really having a plan what I'm doing. After I burnt around 2000€ I forced an ultimatum on myself: Either start to dig into the principles and make a plan or stop it!

As you can see I'm still around and SXTrader is a result of that ultimatum.

Some of you may be bewildered that those concepts are not dealing with certain markets or betting strategies but are more abstract.

The background for this is fairly simple: It doesn't matter on which market or which strategy you are trading (as long as they are positive). What matters in this case is the procedure model.

Discipline beats Talent

By length! Well, the background for this can also be explained easily: If you don't have any discipline you are always on the risk of ruin yourself even if you have a great talent. Without discipline one you have the tendency to bet higher amounts than it would be good for you. One bad run, which will also happens the greatest talent eventually, and you will have burnt your whole bankroll.

In addition one can buy talent, for example in the form of tipsters like Betgreen, Layer of Profit or Total Tennis Trading. Own discipline can't be bought!

So keep in mind: If you don't apply discipline when participate on sport exchanges then you will ruin yourself sooner or later.

You can't stand well on one leg (german saying)

After clearing why discipline is more important than talent we are viewing the next concept: You should line up broadly. This means that you shouldn't rely on one sport or one strategy. The reason behind this is also very evident. You are spreading the risk and are able to balance out fluctuations because you can't rely on one strategy to be successful the whole time. Also different kinds of sports have different seasonal fluctuations like winter breaks or summer breaks.

Bankroll Management

I've already wrote a whole article about the bankroll management at my website. But I will use the opportunity to give some more details. One can say it too often: The Bankroll Management is the key factor for having success at sport exchanges. It is the central element of applied discipline.

As a rule of thumb it can be said that you shouldn't use more than 5 per cent of your bankroll for one bet. For back bets this is the bet amount and for lay bets the risk of the bet. Careful individuals can use a lower per cent value. But even experienced sport exchange traders should use more than 10 per cent of their bankroll.

Because it is very troublesome to calculate the bet amount or risk it advisable to define ranges. For an example see this table:

0€	150€	5€
150€	500€	10€
500€	1000€	25€
1000€	2000€	50€
2000€	5000€	100€
5000€	999999999999999999€	250€

The details how big the intervals should be, how many steps existis und how high the bet amount should bei s up to each own. Basically just keep in mind to follow the 5 per cent rule. If you feel uncomfortable with too high bet amounts just step down a few steps until you reach your comfortable zone again.

One more important aspect of your Bankroll Management, if you are using several Systems or Tippster, is how you split up the bankroll. With splitting up you keep an eye on the performance of each System/Tippster. Also the betting high adjusting themselves according to the individual performance.

There are two different ways how to split up.

Separate Bankroll Model.

The separate Bankroll model is planning that initially for each strategy or tipster a fixed segment of the complete bankroll will be split up for exclusive use.

Let's assume that we have opened a new account at Betdaq or Betfair. We are using 3 System and define following start bankroll for them:

- Betgreen: 1000€

- <u>Layer of Profit</u>: 2000€
- <u>Total Tennis Trading</u>: 1000€

Bankroll

- Betgreen
- Layer of Profit
- Total Tennis Trading
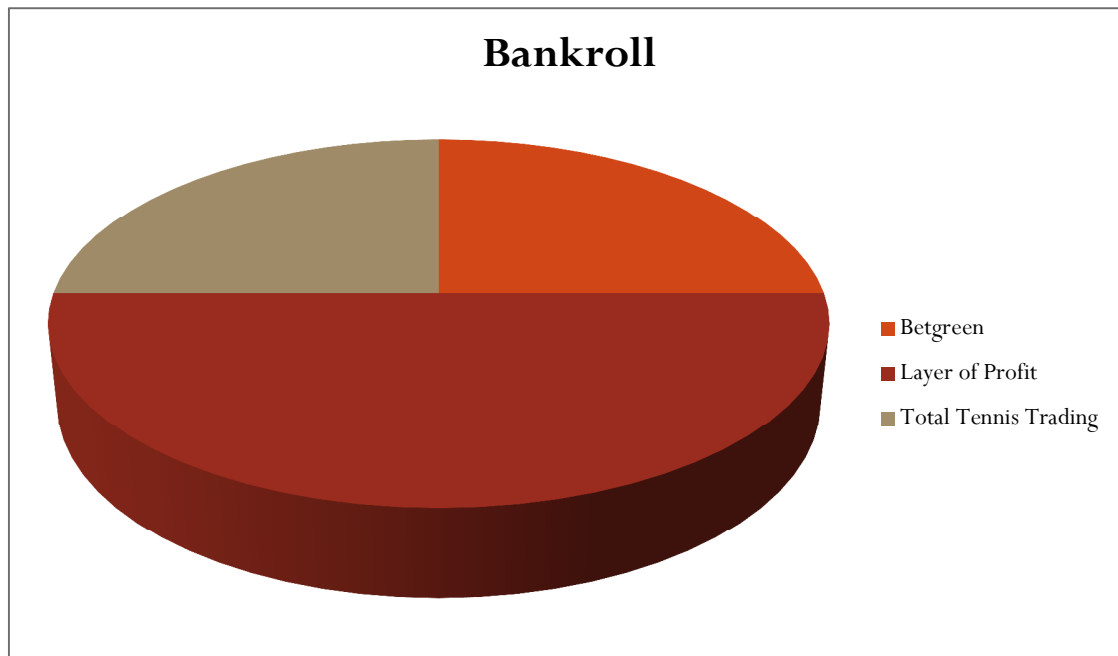
This means that we would need a start bankroll of 4000€. The advantage of such an approach is of course that each betting system can be viewed separately and will not be influenced by the other ones. You can easily follow the performance of each system. Additionally the betting high of each part bankroll of a system will be regulate itself.

The big disadvantage is that the requirements for the overall bankroll will grow big rather fast.

Integrative Bankroll Model
The integrative bankroll model is following a different approach. Initially the overall bankroll only has to be as big as the biggest part bankroll. The bankrolls of the different betting strategies are not separated but will overlap each other's.

Overall
Bankroll

Layer of Profit

Betgreen

Total Tennis
Trader
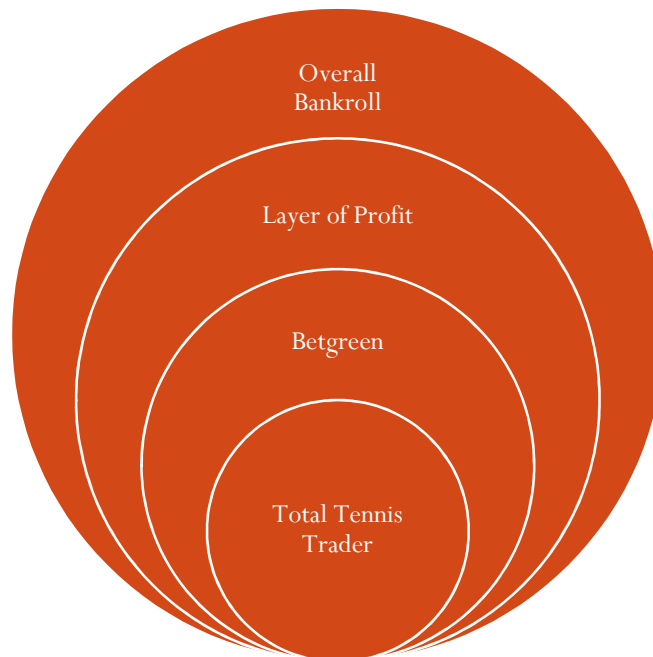
The big advantage of such an approach is of course that the requirements for the overall bankroll are not as high as it would be in the separate model. The disadvantage is of course that the different betting systems are not separated from each other's and a bad performance of one system can have an influence on the other systems.

Let us look at our example again:

- Betgreen: 1000€
- Layer of Profit: 2000€
- Total Tennis Trading: 1000€

The overall bankroll in this case would be 2000€ at the beginning, because Layer of Profit has the biggest part bankroll of 2000€. Of course this would mean that every loss with the systems Betgreen and Total Tennis Trading would reduce the bankroll of Layer of Profit too as their bankroll is a part of the later one. The other way around doesn't mean a reduction because the bankroll of Betgreen and Total Tennis Trading are much smaller than the bankroll of Layer of Profit.

Progression is Bullshit

I've often got the question why SXTrader does not support a progressive betting pattern. Well, here is the answer: I think progression is a big bullshit and a very good way to ruin you thoroughly. It does not matter which kind of progression (like Marginale, Super-Marginale or Fibonacci) you are using. They all have the same flaw.

But first things first: What is progression or loss progression to name it exactly? Loss Progression means that you after a loss calculate the bet amount for the next bet in a way that the win of that bet would cover the loss prior to this bet.

The base behind this is the erroneous assumption that if you are losing several times you has to win the next bet. But this is nonsense, because it constructs causality where there isn't one. Each bet is independent and the odds whether you will win or lose a bet are not influenced in any way by the number of bets you have won or lost beforehand.

Perhaps I should give a Poker-Example to make this point clear. If you play Texas Hold'em and have AA as starting hand. Then you have a chance of around 80 per cent to win against any hand. If you lose that AA-Hand and getting AA anew then you will have a chance to win about 80 per cent again. If you lose 32 times with an AA-Hand and will get an AA for the 33rd time then how high would your win percentage be? Still 80 per cent!

You have to be perfectly clear that there is no God or a similar sky fairy who is saying "That poor guy lost 5 times in a row so I will give him extra luck next time and let him win".

To show how fast progression could crash a bankroll I will give an example

Let us assume that we have a bankroll of 1000€. According to our Bankroll Management we are betting 50€. To make the example easier let us say that the odds are fixed at 3.0. We want to cover our loss with progression. So Lets start:

1st Bet – Amount 50€ - Bankroll 1000€

2nd Bet – Amount 25€ - Bankroll 950€

3rd Bet – Amount 37.5€ - Bankroll 975€

4th Bet – Amount 56.25€. – Bankroll 887.50€

5th Bet – Amount 84.38€ - Bankroll 831.25€

6th Bet – Amount 126.32€ - Bankroll 746.87€

7th Bet – Amount 189.48€ - Bankroll 620.55€

8th Bet – Amount 248.22€ - Bankroll 431.07€

9th Bet – Amount 408.05€ - Bankroll183.43€ - And stop! We can place this bet anymore because our bankroll is now too low. It took only 8 lost bet to destroy a Bankroll of 1000€! Could it be any worse? Yes, if you try progression with lay bets.

Same assumption as in the Back-Example but now we are laying the bets.

1st Bet – Amount 25€ - Bankroll 1000€ - Risk to lose 50€

2nd Bet – Amount 50€ - Bankroll 950€ - Risk to lose100€

3rd Bet – Amount 150€ - Bankroll 850€ - Risk to lose 300€

4th Bet – Amount 450€ - Bankroll 550€ - Risk to lose 900€. And stop. Only 3 Bets to get to the point where the risk would exceed our bankroll by the factor of 2.

To make this short: Don't use progression.

Trivial wisdom about sport exchanges

To be successful at sport exchanges you have to know how they are working. In the beginning there are 2 simple truths:

1. A sport exchange has an built in dissipation loss. Let us assume that we have an fixed pool of 100 participants who all have a bankroll of 1000€. The half of this people are laying with an amount of 50€ and the other half

is backing those bets. The backers will always win. The two groups are always switching between offering laying. You could assume that this would be a zero sum game and each one will remain at an average bankroll of 1000€ and you could continue this indefinitely. You are wrong. The experiment will come to an end at some point because the participants are running out of money. How could this happen? Well a sport exchange has some built in dissipation loss: The commission. The commission will be raised on winning and therefore remove money from the system.

2. A Sport Exchange is a closed System (except for the dissipation loss). At a sport exchange money will not be created out of the void. This means: If we want to win a lot someone other has to lose a lot!

Tread it like an Investment

You can assume that everoney and it doesn't matter whether this person are acting tactical or not, is hoping to win money at a sport exchange. So are we. We want to invest at a sport exchange and then generate winnings which we will draw from the system.

But to see whether we are winning or are losing it is necessary to keep books. First we will have a big minus in our books. These are our starting investments which are hopefully a onetime thing. For an example this could be our start bankroll of 1000€ and 77$ for Total Tennis Trading. This are around 1050€. Additionally there are running monthly costs. In our example this would be 15 GBP for Betgreen and 25 GBP for Layer of Profit. This are around additional 50€ per month.

Concrete this means, if we forget the monthly costs for a moment, we have to win 1051€ to have an overall winning of 1€. Before that we are just withdraw our initial investment.

To keep track of this we have to define planned settlement date. The interval should not be too short as trading at sport exchange always having some natural up and downs. But the interval also should be too large because we want to react according to the performance. The first of each month would be a natural selection.

At the first of a month we will do our profit and loss calculations. If we would have a gross winning with our betting systems we will deduct our monthly costs from this. In our example this would be the 50€. If we would have money left after the deduction of our monthly cost this would be our net winnings. These net winnings will be split up. One part will remain at the betting system bankroll to increase it. The other part will be removed from the system. In the beginning it would be recommendable that you are not withdraw the whole part of the assigned winning but use a small part to build up some kind of puffer. This puffer does not have to be that big. Perhaps around 30% of the initial bankroll. It could be used to cover some unusual bad performance of a betting system or for test runs for a new betting system. Here is some graphical representation how it could look like:

Overall Bankroll

Legend:
- Betgreen
- Layer of Profit
- Total Tennis Trader
- Puffer
- Winnings
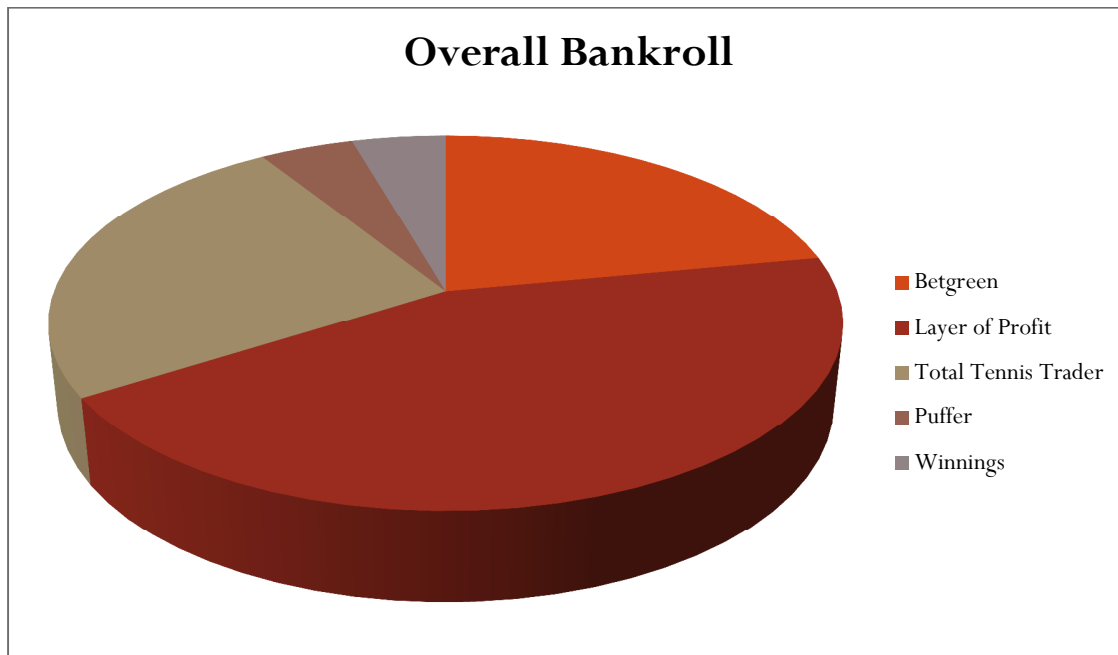
Two things are of important:

1. Keep your books. It does not matter if you are doing this electronically or on paper but keep them.
2. Don't leave your wins on the betting account. After you have deducted everything from the gross win, filled up you puffer and enlarged your system bankrolls: Withdraw the remaining win from the betting account. Money that is not on your account will net seduce you to use it. If you don't want to much movement on your banking or credit card account you can first collect it at an e-wallet like Neteller.

And what can I earn now?

This of course is the crucial question. I don't think someone will implement all the steps I described above without expecting some earnings. But how high could they be?

First: You should not expect a fixed amount a month. Trading on sport exchanges is not like being an employee where you get a defined salary. It is more like dealing on stock exchanges. You have up and downs. Sometimes you will have big winnings on the end of a month. Sometimes you will have a loss.

I recommend everyone to look at the diagrams at wettsystem.at. Do you see that even positive and overall winning system can have a long time where they are barely break even? Can you see that now and then you can have long losing streaks (and imagine what would happen to your bankroll if you would use progression then)?

Trading on sport exchanges is a business of long term thinking.

That said I'm the opinion that you can have a 10 per cent ROI average a month. But even with that number you have to be careful. You cannot scale arbitrary. 10 per cent might be the value you can get with a bankroll of 1000€ or 10,000€ but with a bankroll of 100,000 things might look different again. This is because every market has its liquidity. If this is reached then you can't place any more money at it even if your bankroll management would allow this.