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| Success at Sport Exchanges |
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| A Short Guideline For A Lasting Success At Sport Exchanges |

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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 at the risk of ruining yourself even if you have a great talent. Without discipline you have the tendency to bet higher amounts than it would be good for you. One bad run, which will also happen to 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](http://e2cb6i4ny2gd-p9m-8vw236q2c.hop.clickbank.net/?tid=ACTICLE2), [Layer of Profit](http://b5cd2r8gwyk96kdxunybem2n2b.hop.clickbank.net/?tid=ARTICLE2) or [Total Tennis Trading](http://2fc24j3fv3t6sp0nzeie8dvfmd.hop.clickbank.net/?tid=ARTICLE2). Your own discipline can’t be bought!

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

# You can’t stand well on one leg (German saying)

After understanding why discipline is more important than talent we are viewing the next concept: You should organize yourself. 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 written an article about the bankroll management at my website. But I will use the opportunity to give some more details. One cannot 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 not 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 of how big the intervals should be, how many steps exists und how high the bet amount should be is up to each person. Basically just keep in mind to follow the 5 per cent rule. If you feel uncomfortable with too high bet amount just go down a few steps until you reach your comfort zone again.

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

There are two different ways to split it up.

## Separate Bankroll Model.

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

Let’s assume that we have opened a new account at [Betdaq](http://affiliate.cdn.betdaqaffiliates.com/redirect.aspx?pid=3045&bid=1820) or [Betfair](http://ads.betfair.com/redirect.aspx?pid=69255&bid=8143). We are using 3 System and define following starting bankrolls for them:

* [Betgreen](http://e2cb6i4ny2gd-p9m-8vw236q2c.hop.clickbank.net/?tid=ACTICLE2): 1000€
* [Layer of Profit](http://b5cd2r8gwyk96kdxunybem2n2b.hop.clickbank.net/?tid=ARTICLE2): 2000€
* [Total Tennis Trading](http://2fc24j3fv3t6sp0nzeie8dvfmd.hop.clickbank.net/?tid=ARTICLE2): 1000€

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 level of each part bankroll of each system or tipster will regulate itself.

The big disadvantage is that the requirements for the overall bankroll will grow huge rather fast as every system or tipster bankroll has to be added up.

## Integrative Bankroll Model

The integrative bankroll model follows a different approach. Initially the overall bankroll only has to be as big as the biggest one of the system/tipster bankroll. The bankrolls of the different betting strategies are not separated but will overlap each other.

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 and a bad performance of one system can have an influence on the other systems.

Let us look at our example again:

* [Betgreen](http://e2cb6i4ny2gd-p9m-8vw236q2c.hop.clickbank.net/?tid=ACTICLE2): 1000€
* [Layer of Profit](http://b5cd2r8gwyk96kdxunybem2n2b.hop.clickbank.net/?tid=ARTICLE2): 2000€
* [Total Tennis Trading](http://2fc24j3fv3t6sp0nzeie8dvfmd.hop.clickbank.net/?tid=ARTICLE2): 1000€

The overall bankroll in this case would be 2000€ at the beginning, because [Layer of Profit](http://b5cd2r8gwyk96kdxunybem2n2b.hop.clickbank.net/?tid=ARTICLE2) has the biggest part bankroll of 2000€.Of course this would mean that every loss with the systems [Betgreen](http://e2cb6i4ny2gd-p9m-8vw236q2c.hop.clickbank.net/?tid=ACTICLE2) and [Total Tennis Trading](http://2fc24j3fv3t6sp0nzeie8dvfmd.hop.clickbank.net/?tid=ARTICLE2) would reduce the bankroll of [Layer of Profit](http://b5cd2r8gwyk96kdxunybem2n2b.hop.clickbank.net/?tid=ARTICLE2) too as their bankroll is a part of the larger one. The other way around doesn’t mean a reduction because the bankroll of [Betgreen](http://e2cb6i4ny2gd-p9m-8vw236q2c.hop.clickbank.net/?tid=ACTICLE2) and [Total Tennis Trading](http://2fc24j3fv3t6sp0nzeie8dvfmd.hop.clickbank.net/?tid=ARTICLE2) are much smaller than the bankroll of [Layer of Profit](http://b5cd2r8gwyk96kdxunybem2n2b.hop.clickbank.net/?tid=ARTICLE2).

# Progression is Bullshit

Here is the best explanation of loss progression patterns I have found so far. Unfortunate it is in German so you have to use Google Translate: [Wettstern -Verlustprogressionen](http://www.wettstern.com/verlustprogressionen/)

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 load of rubbish and a very good way to ruin you completely. 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 after a loss you calculate the bet amount for the next bet in a way that you win back the previous loss

The reasoning behind this faulty thinking is that if you lose several times you have to win the next bet. But this is nonsense because it assumes a logic that does not exist. 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.

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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 a built in dissipation loss. Let us assume that we have a fixed pool of 100 participants who all have a bankroll of 1000€. One half of these people are laying with an amount of 50€ and the other half are 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. This is wrong. The experiment will come to an end at some point because the participants will run out of money. How could this happen? Well a sport exchange has some built in dissipation loss called the commission. The commission will be raised on winnings 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 else has to lose a lot!

# Treat it like an Investment

You can assume that everyone and it doesn’t matter whether this person is acting tactically 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](http://2fc24j3fv3t6sp0nzeie8dvfmd.hop.clickbank.net/?tid=ARTICLE2). This is around 1050€. Additionally there are monthly running costs. In our example this would be 15 GBP for [Betgreen](http://e2cb6i4ny2gd-p9m-8vw236q2c.hop.clickbank.net/?tid=ACTICLE2) and 25 GBP for [Layer of Profit](http://b5cd2r8gwyk96kdxunybem2n2b.hop.clickbank.net/?tid=ARTICLE2). This is an additional 50€ per month.

In concrete terms 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 withdrawing our initial investment.

To keep track of this we have to define planned settlement dates. The interval should not be too short as trading at sport exchange always having some natural ups and downs. But the interval also should not 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 the month we will make our profit and loss calculations. If we have gross winnings with our betting systems we will deduct our monthly costs from this. In our example this would be the 50€. If we have money left over 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 is recommended that you do not withdraw all of the winnings but use a small part to build up some kind of buffer. This buffer does not have to be very 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 a graphical representation of how it could look like:

Two things are of importance:

1. Keep your books accurately. It does not matter if you are doing this electronically or on paper but keep them up to date.
2. Don’t leave your winings on the betting account. After you have deducted everything from the gross win, filled up you buffer and increased your system bankrolls: Withdraw the remaining winnings from the betting account. Money that is not on your account will not seduce you to use it. If you don’t want too much movement on your banking or credit card account you can first collect it at an e-wallet like [Neteller](http://affiliates.neteller.com/processing/clickthrgh.asp?btag=a_2865b_1) or Skrill.

# 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 ups 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](http://www.wettsystem.at). Do you see that even positive and overall winning system can have a long time where they 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 had uses progression then)?

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

That said I’m of the opinion that you can have a 10 per cent ROI (Return of Investment) average a month. But even with that number you have to be careful. You cannot scale arbitrarily. 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.