

# Preface

I used to bet professional football in a strictly technical fashion. I was not a true fan. I knew next to nothing about the players and how they matched up. In fact, I've seldom watched a game I didn't have money on. I did, however, recognize the true significance of professional betting lines. They had nothing to do with a sports book's opinions about the outcome. Their only purpose was to entice half the gamblers to bet one way, and half the other. If the bookies achieved that ideal, they were automatic risk-free winners because the losing side paid an additional 10 percent "vigorous" (or "juice.") of their betting amount.

Such logistics convinced me that any fundamental information about the players, the teams, the coaching, the weather, the stadium, or anything else was going to be reflected in the lines. You weren't likely going to out-Einstein the odds makers or come up with something brilliant that they didn't consider.

There seemed to be only one potential winning path, and it's the same one I follow in markets. The path of past performance. How did the teams do against the lines and under what circumstances? You'd get these little imbalances, like home teams covered a greater percentage on Monday nights than during the season at large. Home underdogs tended to reward more than average during most years. Some teams covered more on grass, others more on AstroTurf. Many small groups of stats. Sometimes the tendencies held up into the future, and sometimes they became anti-stats

It was all one big win-loss hopper, and when the smoke cleared, I had overcome the five percent bookie edge. That it wasn't by much should hardly be surprising. Five percent over many trials is huge. Ask Vegas.

This is part of where I learned about the beauty of simplicity. I wasn't great, but I tended to do no worse than the season ticket holder who knew everything about the rosters--much to their annoyance. Fan-oriented analysis too often comes more from the heart than the head. Besides, it didn't seem too attentive to the only thing that mattered-- the lines.

Stats are fascinating but elusive little animals. If you put too many biased trials together, you can lessen your sample size to unreliable levels. Combining raw elements doesn't automatically make them better, nor even commensurate with what the sum of the individual parts would suggest.

Complexity usually implies advancement—higher levels, but markets are frequently unlike the world at large. I got an inkling of that as a 20-something trading hopeful in the pre-computer age, noting the dozens and dozens of trend lines a chartist had meticulously penciled in. He had filled his page almost to the point where every tick was on a support or resistance line—the whole sheet was almost solid gray. I think of that image when some giant like Elaine Garzarelli (or even the Fed for that matter) makes their pronouncements. What is behind these master mechanisms? Automated rotating compass points and belching computers? Labs that look like a James Bond villain lair? Obviously I'm oversimplifying the point, but not by much. How much more right can

Alan Greenspan be if he has an extra dozen computers backing him? Certainly not 12 times as accurate as before. In market analysis, you see near instantaneous application of the law of diminishing returns.

When I wrote **Market Beaters** and interviewed 13 mechanical and technical experts, I asked each of them to give me one mechanical system for promo purposes—just one system no matter how simple. Not one complied, so I abandoned the idea. In looking back, maybe I was asking for something unreasonable. It's too easy for even a well performing system to look bad. It could hit an air pocket just as it's printed and released. There will always be debatable points even about good performance summaries. Nothing gives you a smooth perfect return.

Winning systems depend on many things, including money management and the temperament of the trader himself. (A system loses if the operator loses his nerve prematurely—"woulda-shoulda" doesn't count). The more you break something down into a basic component, the less extenuating circumstances you'll have.

I offer raw stats the same way Al O'Donnell does in his fabulous "Point Spread Playbook"—my bible during my football involvement. Like O'Donnell, I'll suggest you use it as a tool in conjunction with whatever else suits you. You might want to consider whether to take a trade fighting against some a given bias, for example, or maybe you'll decide that your own input overrides that. On the other hand, I will be presenting several complete effective stand-alone systems. My only caution there is, follow them 100 percent exclusively as they're designed.

The choice is yours. Regardless, you certainly can't object to having the facts made available.

