INDUSTRY

Prediction Markets

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CONTENTS PAGE

Executive Summary

The Rise of Prediction Markets

Prediction markets are surging as a transformative trend, letting everyday users trade on everything from elections or sports to Fed rates and geopolitical strikes, mirroring society's obsession with real-time foresight, yet quietly transforming how we price uncertainty and crowdsource truth with unprecedented accuracy. Their flexibility is embodied in a triad of roles: elite information aggregators (often outperforming polls), sleek financial instruments with binary probability pricing, and addictive entertainment platforms; it is this very multifaceted nature that defies easy categorization, much like crypto and blockchain's resistance to old rules. Governments and regulators are completely unprepared, trapped in endless "gaming vs. investing" debates with no framework to handle them, CFTC gridlocks on event contracts, fragmented EU bans such as Polymarket in France, and thin liquidity fuels unchecked manipulation exposing a system in total turmoil, desperately struggling to contain these $50B+ volume powerhouses. As valuations soar to $10B+, will they redefine collective intelligence or collapse under ethical, bias-driven fault lines?

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Prediction Markets: Growth and Structure

From Emerging Platforms to Financialized Forecasting

Leading up to the 2024 US presidential election, the prediction market platforms Polymarket and Kalshi reached a trading volume of over $13b[1]. Not only, these platforms were regularly cited as an information source alongside major referents such as Financial Times and Bloomberg. What was once considered a niche sector of online betting has increasingly become a reference point for real-time expectations.

This rise in visibility has been accompanied by rapid expansion in participation and capital. Polymarket, founded in 2020, has raised approximately $2,3b in venture funding to date, including its latest $2b Series D round from Intercontinental Exchange (ICE), the parent company of the NYSE, in October 2025. Polymarket's trading volume has experienced exponential growth, expanding from roughly $73 million in total volume in 2023 to over $50 billion as of February 2026. This growth represents a jump of over 29,000% from 2023 to 2025, driven largely by the 2024 U.S. election and a subsequent massive pivot into sports betting.

On the other hand, Kalshi, founded in 2018, has raised over $1,59b over 8 funding rounds, including a Series E for an undisclosed amount on February 2026.

1 ”Betting on prediction markets has exploded over past two years. Financial Times 2025” https://giftarticle.ft.com/giftarticle/actions/redeem/5862b0eb-4a84-4d54-8738-d2757091ff70

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With their latest fundraising rounds, Polymarket has a $9 billion valuation and Kalshi is valued at $11 billion[2]. Therefore, Kalshi is the biggest player in prediction markets in terms of volume and valuation, despite constant Polymarket's efforts to overtake its competitor. To compare, they represent a close to 30% of Las Vegas Sands (largest gambling company, valued at around $32b) in terms of size but with much higher growth rates.

Geographical availability differs substantially between platforms. According to its official compliance documentation, Polymarket restricts access in the United States and approximately forty to fifty additional jurisdictions, primarily countries subject to U.S. sanctions or heightened regulatory scrutiny (EU, Canada...). Outside these restricted regions, the platform remains accessible to a over 100 countries through its blockchain-based infrastructure. Kalshi presents a contrasting regulatory trajectory. The platform initially operated exclusively within the United States and became the first federally regulated event contracts exchange after receiving designation from the Commodity Futures Trading Commission (CFTC). This approval positioned Kalshi as a formal financial marketplace rather than a betting platform under US law.

2"How prediction markets actually grew in 2025" Forbes
https://www.forbes.com/sites/boazsobrado/2025/12/16/how-prediction-markets-actually-grew-in-2025/#

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Prediction Markets: Growth and Structure

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In 2024, the company announced a valuation of approximately $5 billion amid plans for international expansion, signaling substantial investor confidence and accelerating growth beyond its original US base. This shift from a strictly domestic, regulated platform toward broader global participation reflects a wider trend: prediction markets are increasingly seeking institutional legitimacy while expanding their geographic reach.

Financial markets are often described as mechanisms for aggregating information. More specifically, a prediction market is a platform where users trade contracts on the outcome of future events. The main websites operate following a binary structure, that is, users pay 1$ if said event takes place, and 0$ in case it does not. Through the opening and closing of bets, all users collectively forecast the prospect of a range of situations, from elections, to sports, to Fed rates. Moreover, the price of the contract reflects the expected probability of an event taking place. As per Polymarket's website: If a contract trades at $0.20, the market is assigning a 20% probability to that outcome.

"*What Is a Prediction Market?* Polymarket Help Center," https://help.polymarket.com/en/articles/13364272-what-is-a-prediction-market.

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Its functioning resembles that of traditional financial markets in some areas, such as the method to gain profits. Participants trade based on their expectations, therefore, if they believe the probability of an event occurring exceeds its current market price, they will buy shares. In case they are right on the outcome, each share yields 1$, generating a profit. Another common point is the possibility to sell before the contract's maturity. Shares can be bought or sold at any time prior to the resolution of the event. For example, if the market appears overpriced relative to one's expectations, they can be sold. This stems from the need of users to respond accordingly to the shift in market prices, which are dynamically modified as new information emerges. This way, prediction markets become a concentrated source of real-time information, as they reflect an explicit, collectively formed probability.

Polymarket emphasizes that it operates as a peer-to-peer exchange, meaning participants trade against one another rather than against a centralized bookmaker. Unlike in traditional betting sites, prices are determined by supply and demand through a blockchain-based automated market maker, which provides liquidity and ensures continuous pricing.

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Prediction Markets: Growth and Structure

From Emerging Platforms to Financialized Forecasting

As prediction markets scale up, the structural and regulatory questions tied to them do as well. While some of their characteristics, such as the binary payoff, resemble financial derivatives, others recall online betting platforms. This report aims to understand prediction markets as a mechanism for pricing beliefs, rather than a mere novel approach to trading or betting. Specifically, it is analyzed whether they function primarily as financial instruments, informational tools, or speculative entertainment, while assessing their implications for market efficiency, behavioral biases, and political signaling.

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Regulatory Grey Area: Gaming or Investing?

Prediction markets are currently in an unclear position between gambling rules and derivatives law

Prediction markets are currently in a regulatory grey zone. While regulators argue that many of the event contracts listed constitute “gaming”, bypassing state law, the platforms that offer such contracts continue to grow in user count and bet volumes. Loosely defined as a derivative, the market continues to question if these platforms can be an informational, functional tool that works as a financial product, or if the contracts traded are purely a disguised gambling product. Currently most popular in the United States, several emerging markets have already begun to open more prediction markets.

Although prediction markets have been around for centuries, their popularity has increased over the past two years. Increase in the sheer volume of contracts and bets made on these markets has surprised regulators, who now scramble to define their position on whether some contracts can be listed at all or not. In the United States, prediction markets are regulated by the Commodity Futures Trading Commission (CFTC), which define event contracts as derivatives whose payout depends on the outcome of a specified event. Institutions can seek the CFTC to acquire a Designated Contract Market (DCM) certificate which allows them to self-certify which their new contracts and list them publicly without explicit approval from the regulators.

CFTC
COMMODITY FUTURES TRADING COMMISSION

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“Currently 25 exchanges hold an active DCM status.”

Regulatory Grey Area: Gaming or Investing?

Prediction markets are currently in an unclear position between gambling rules and derivatives law

Sports and political contracts, specifically elections, have come under scrutiny from the CFTC due to their nature. The CFTC Regulation 40.11 specifically prohibits event contracts that reference gaming, activities that are unlawful under any State or Federal law, or that the CFTC deems to be contrary to public interest. These two topics are key drivers of total volume on prediction markets and having them outlawed would significantly impact their total volume. For reference, in the week ending on January 11th 2026, which was a heavy week for US football, sports were 91% and 40% of Kalshi and Polymarket's volume that week, respectively. Politics is still a large market specifically on Polymarket occupying a double-digit share, although its bets are more periodical and episodic.

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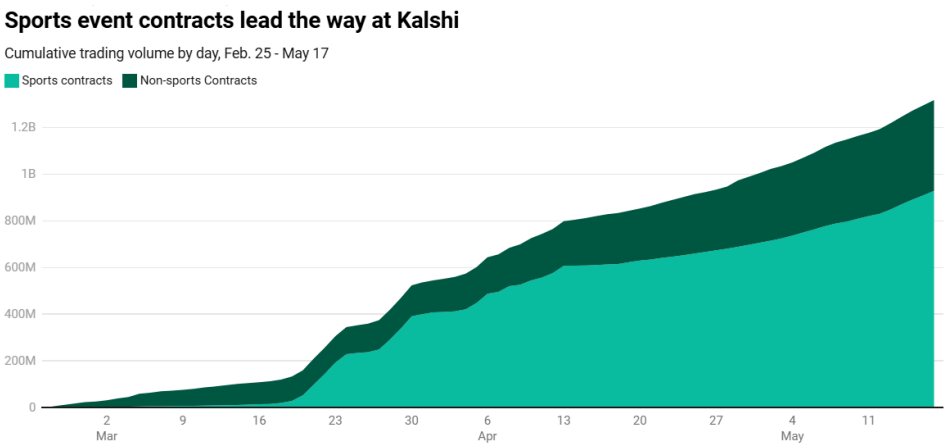

"*Prediction Markets are booming. Here are the risks* Finimize (2026)"
https://finimize.com/content/prediction-markets-are-booming-here-are-the-risks

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Regulatory Grey Area: Gaming or Investing?

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The CFTC argues that these contracts should be terminated based on three arguments that are linked. Firstly, that both contracts fall under “gaming”, as these contracts bet on election outcomes or victor in sports, which goes against 40.11. Secondly, sports wagers are illegal in several states in the USA. Finally, the CFTC also argued that they go against public interest.

Prediction markets continue to operate normally, and the CFTC continues to rethink its position. The regulatory battle is to determine whether these federally regulated derivatives can be treated as sports gambling products.

In the European Union, regulation is much more fragmented, as apart from going through a product definition phase, if it is found as a gambling tool, than it is up to each member-state’s national law. Polymarket recently attempted to enter the French market, but regulators found that many of the platform’s activity constituted as gambling more than as a financial product. Regulators moved to remove them from France, stating that the company’s operations constituted more gambling than financial market.

“*Polymarket blocks French users amid regulatory scrutiny over $80 million Trump election bet* The Block (2024)”
https://www.theblock.co/post/327864/polymarket-blocks-french-users-amid-regulatory-scrutiny-over-80-million-trump-election-bet

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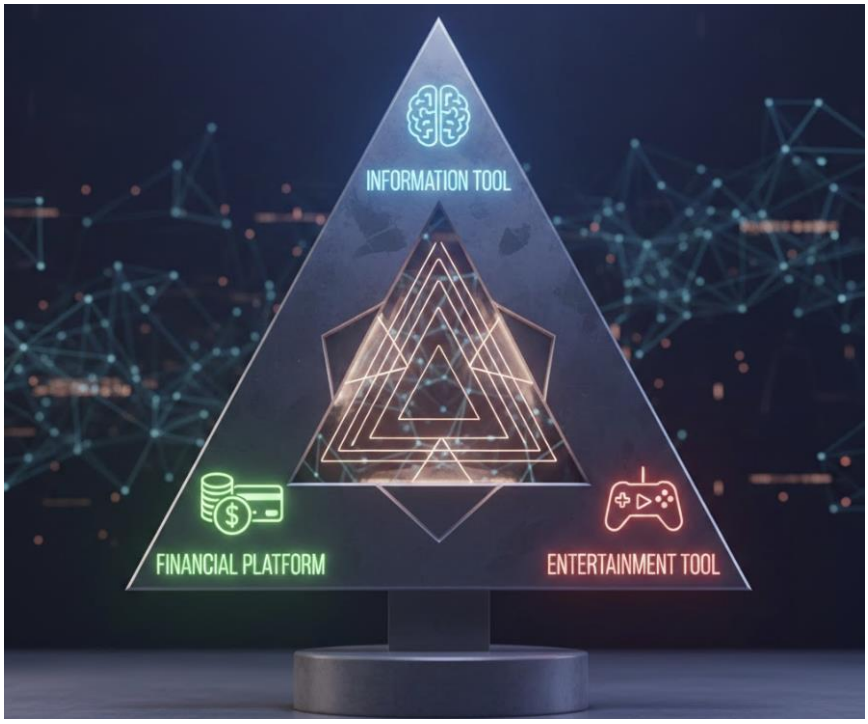
The Triad of Prediction Markets

Information Source, Financial Instrument, or Entertainment Platform?

Prediction markets operate at the intersection of three dimensions: information aggregation, financial investment and entertainment. This positioning also reflects the psychological contrast between the ways human mind operates. Hence, the triangular dilemma where prediction markets are situated, is not only related to definitions, but also to cognitive mechanisms.



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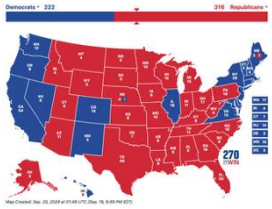

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The Triad of Prediction Markets

Information Source, Financial Instrument, or Entertainment Platform?

Information Dimension

The same way individual and institutional investors collect information from markets or media before placing their trades, predictive markets could also be considered as an additional source. Prediction markets aggregate dispersed beliefs into explicit probabilities, which serve as signals for political outcomes or macro events or stock prices amongst others. Unlike traditional financial markets, where expectations are embedded in price and must be inferred, prediction markets make probability explicit. That transparency allows them to be an input, for example of sentiment indicators, to use on traditional financial markets.

In addition, several academic studies suggest that prediction markets may outperform traditional opinion polls in forecasting certain outcome types, such as political ones.

More specifically, the first prediction market; Iowa Electronic Markets, launched in 1988 by the University of Iowa, was found to provide lower error frequency than polling data at the time (Berg, Nelson & Reitz, 2008).

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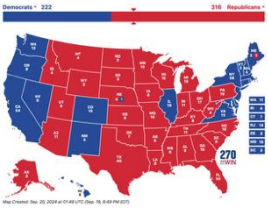

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While polls measured stated voting intention in a certain moment, prediction markets aggregated and monetized expectations, supplying much more detailed information of last-moment swings and overall opinion. In fact, it was further argued, that the existence of a financial incentive could enhance the quality of information, allowing prediction markets to synthesize common opinion more effectively than traditional surveys.

Nonetheless, that openness comes with its drawbacks. The quality of the information can be dubious, as it is widely conditioned by three main factors: liquidity, participant sophistication and bias presence. In terms of liquidity, prediction markets are particular. While they present the opportunity to open or close a contract relatively fast, they also show low liquidity traits. Thin liquidity may cause probabilities to fluctuate due to contract volume rather than new information. That, in conjunction with the possibly low knowledge of the market by traders, and the biases they may suffer from, generates significant noise in the data.

All these aspects could influence how informative prices truly are, and whether they are to be used or not as an effective source.

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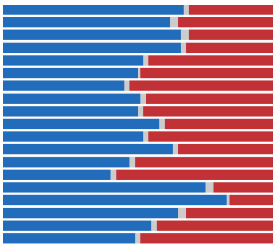

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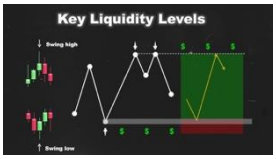

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Financial Dimension

In addition to being recognized as an information source for financial markets, predictive markets could be perceived as a financial instrument themselves. In fact, they share a notable amount of traits with the traditional marketplaces, such as tradable contracts, continuous pricing, volatility or arbitrage opportunities amongst others which could resemble derivatives.

Some other attributes could lead them to be questioned as financial instruments. Equity markets operate with continuous payoffs and valuation based on discounted fundamentals, while prediction contracts offer binary outcomes and price discrete probabilities. Moreover, while traditional exchanges operate within fixed trading hours (8 hours a day) and deep institutional liquidity, prediction markets function continuously (24/7) and liquidity is thinner.

In financial markets, traders do not always trade based on personal belief about the underlying outcome, as profit tends to be the main driver.

"Prediction Market Accuracy in the Long Run." International Journal of Forecasting (2008) https://www.biz.uiowa.edu/faculty/trietz/papers/long%20run%20accuracy.pdf

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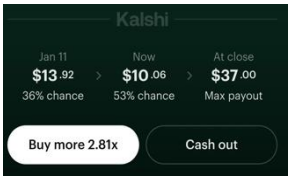

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The Triad of Prediction Markets

Information Source, Financial Instrument, or Entertainment Platform?

It is to be analysed whether in platforms such as Polymarket, the same phenomenon occurs, or if, on the contrary, personal conviction is leading. Many view them as 'belief polls', presenting them as a low sophistication financial tool. However, if correctly dissected, they follow a regular market logic. If the participants goal is profit making, they will trade on their first-order belief (what they think will win) and second order beliefs as well (what the market is under or over pricing). This approach follows the Second System, the more analytical and deliberate one according to Kahneman, where traders analyse expected values to exploit the mispricing windows. Therefore, a more stable, rational side does exist and positions predictive markets as any other financial trade.

<u>Entertainment Dimension</u>

The third vertex of predictive markets is the one that defines them as pure betting sites used for entertainment. They share indeed many features with said websites, such as Bet365 or Betway. They offer binary payoff (win $1 or $0) mirroring sports betting outcomes around discrete, headline-driven events. Additionally, the short time horizons in which bets/contracts are placed, both encourage speculative positioning. Even the platform interfaces resemble online sportsbooks.

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The Triad of Prediction Markets

Information Source, Financial Instrument, or Entertainment Platform?

Apart than surface similarity, the type of event contracts are placed on can be related as well. Attention tends to be drawn to emotionally charged topics and aligned with personal identity or belonging such as the outcome on a football match, or even political elections.

Yet, unlike bookmakers that set fixed odds and act as counterparties, prediction markets rely on peer-to-peer price discovery (as opposite to betting 'against the house'), with probabilities determined by supply and demand. Participants may exit positions prior to resolution, blurring the distinction between wagering and trading.

Despite the profit some players make from this type of betting, the main purpose tends to be far from the financial one, it leans more towards entertainment and emotional reactions. In this case, immediate answers to recent information, narrative excitement and identity reinforcement are the main drivers. Traders react immediately to news, so headlines drive price movements, which is further amplified by social media.

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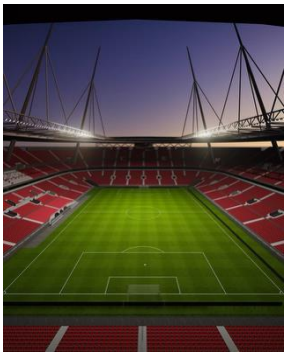

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The Triad of Prediction Markets

Information Source, Financial Instrument, or Entertainment Platform?

Emotion-driven participation increases volatility and short-term price sensitivity, yet it also provides the liquidity necessary for continuous pricing and active trade. In this sense, speculative engagement may simultaneously introduce noise and sustain market functionality.

Biases and behavioural finance dimension

After recognizing the simultaneity of financial/logical reasoning and emotionally driven speculation in the different applications of predictive markets, a common thread arises. That is, the substantial influence cognitive processes of those involved exert on the overall functioning. The main reason for that can be explained by a peculiarity; in traditional asset markets, expectations are embedded within prices and must be inferred indirectly. Prediction markets differ, as they make probability explicit, providing a unique setting where biases are directly observed. Traders alternate between fast, intuitive reactions and slower, analytical reasoning.

The number of biases can be infinite; however, informational cascading appears to be the main one. When the price of an event moves, traders interpret that as information.

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The Triad of Prediction Markets

Information Source, Financial Instrument, or Entertainment Platform?

In today's society, media platforms amplify movements, therefore, more traders follow and execute their order, subsequently selling or buying. This becomes a vicious cycle, creating a behavioral phenomenon known as herding, where investors disregard their own information and mimic the actions of a larger group. Individuals might base decisions on the actions of others, believing they have superior information, creating a domino effect and often causing asset prices to diverge from their fundamental values.

The fact that these beliefs are expressed through a visible number also creates anchoring dynamics: traders may treat the current probability as a reference point, react disproportionately to round thresholds, or interpret small changes as meaningful signals even when underlying information is ambiguous. While monetary stakes should, in theory, discipline beliefs, they do not eliminate these cognitive shortcuts, instead, they translate them into order flow and price changes. In thin liquidity markets, this feedback loop becomes stronger because limited depth means each trade has a larger impact on the displayed probability, making this phenomenon even more visible and psychologically attractive.

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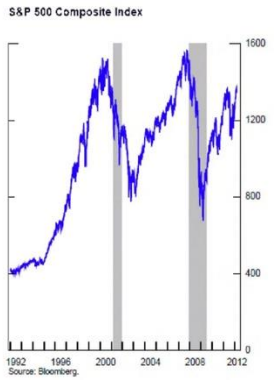
The Triad of Prediction Markets

Information Source, Financial Instrument, or Entertainment Platform?

Similar reactions have been the root to relevant crises in the past, such as the dot-com crisis or the 2008 crash, thus, they are certainly dangerous.

All in all, prediction markets cannot be reduced to a single definition or use. They simultaneously operate as information sources, financial markets and speculative betting tools, and are conditioned by rational and emotional reactions. Their structure draws both those who search for profit making through arbitrage and those who seek entertainment and identification. Their accessibility and explicit probability expose them to cognitive bias and feedback dynamics, which may question their efficiency and shed more importance to the regulating efforts some countries are doing. The resulting prices therefore reflect not only aggregated information, but also the composition of participants, the depth of liquidity, and the behavioural forces at play.



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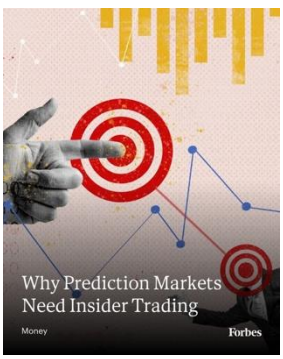

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Event Contracts: from Listing to Resolution

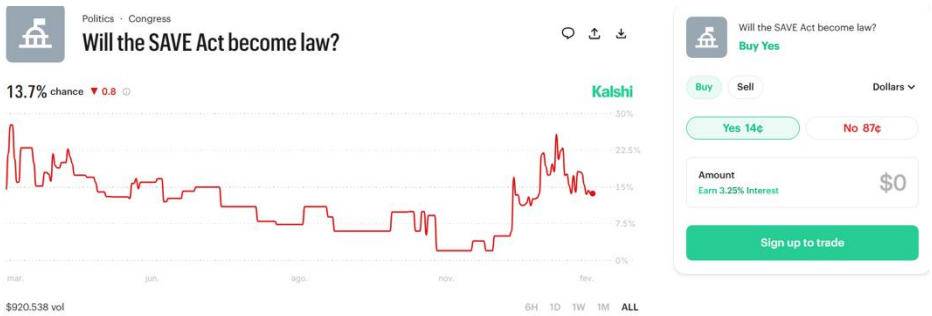
How are the prices displayed on contracts formed and what do they imply?

A prediction market price is the amount traders are willing to pay for a claim that pays out if the specific event happens. These contracts are binary, with YES shares that pay $1 if the event happens (and $0 otherwise) and NO shares that pay $1 if it doesn't (and $0 otherwise). The trading price can be read as the implied probability of the event. So, a 50-cent price for a yes is the same as a 50% chance of the event happening.

The process for new derivatives is standardized: when a new market is launched, there is no initial price. When two limit orders are matched; for example, when a yes buy and a no buy are placed at complementary prices, such as 60 cents and 40 cents, then that becomes the firs public price.

1. Someone places a limit order to buy Yes at a price (e.g., `$0.60`)
2. Someone places a limit order to buy No at the complementary price (e.g., `$0.40`)
3. Since `$0.60` + `$0.40` = `$1.00`, the orders match

When matched, `$1.00` is converted into 1 Yes token and 1 No token, each going to their respective buyers.



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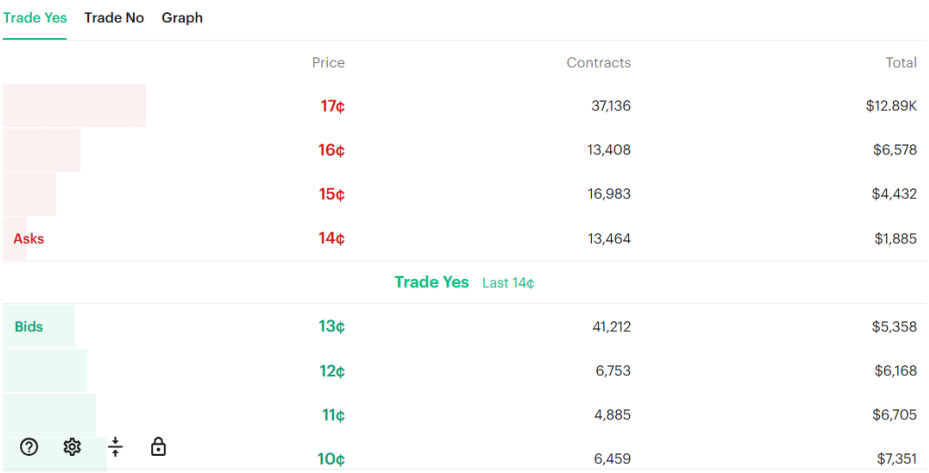
Event Contracts: from Listing to Resolution

How are the prices displayed on contracts formed and what do they imply?

With more participants and information, the order book gains depth, and the quoted price moves toward an equilibrium, reflecting the probability of the event happening. If we see new information coming in, more buy orders consume the available sell orders and push the price up, like with any other financial market. In less liquid markets, larger spreads and small trades can shift the price strongly, and the implied probability loses meaning. In these cases, the probability reflects the market structure's constraints more than a crowd consensus.



Finally at resolution, the event will have a yes or no outcome, where 1$ is paid for the winning outcome per token.

"*Will the SAVE act become law?* Kalshi (2026)"
https://kalshi.com/markets/kxsaveact/will-the-save-act-become-law/kxsaveact-27
"*Prices & Orderbook* Polymarket (2026)"
https://docs.polymarket.com/concepts/prices-orderbook

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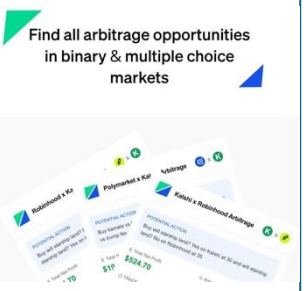
Prediction Market Structures and Institutional Investors

Thin markets can distort prices and probabilities, although the real concern is information advantage and not price control

As with other markets, any player with a large amount of capital can shift the prices. Especially in markets with lower liquidity, where the order book is shallow. If the top orders depth is small, a large order can affect the price and therefore the implied probability of the event. The difference here is that shifting the price away from its equilibrium probability will create a difference in markets which opens an arbitrage opportunity for other players to exploit.

As a relatively new type of market structure, one of the key issues is that contracts across venues are not connected in price or volume. This creates a market inefficiency which can be exploited. If we have the same event on two listed contracts and a trader decides to shift the price strongly on one of the markets, then traders can sell at the overpriced market while buying the underpriced market. In practice, this acts as an advantage to retail investors, as the underlying event and probability will correct themselves over time. Price control only works for investors when they have superior or privileged information, giving them an advantage over other investors.



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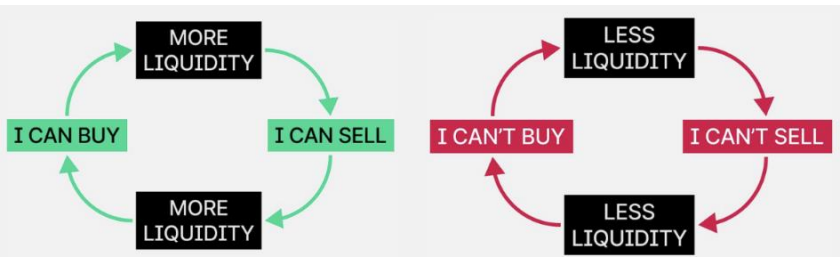
"Online ad for an arbitrage tool across event contract exchanges."

Prediction Market Structures and Institutional Investors

Thin markets can distort prices and probabilities, although the real concern is information advantage and not price control

Institutions can also participate in Kalshi and Polymarket through other ways. Both platforms explicitly allow institutions to trade on their platforms, and some can even participate in their market making programs, providing liquidity and spreads to the public.

A key issue that arises is regarding the information asymmetry. Especially around contracts on politics and policy, it becomes an integrity problem when traders begin to use their confidential information to their advantage. Both Kalshi and Polymarket have explicit rules prohibiting the use of non-public information, but the enforcement of such rules is extremely difficult. An ongoing debate has been established, if certain individuals such as government officials should be barred from trading.



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"*Unravelling the Probabilistic Forest: Arbitrage in Prediction Markets* Saguillo, Ghafouri, Kiffer and Suarez-Tangil (2026)"
https://arxiv.org/pdf/2508.03474
"*Kalshi Market Maker Program* Kalshi (2026)"
https://help.kalshi.com/markets/market-maker-program

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"Susquehanna International Group, joined Kalshi as the first institutional market maker in 2024."

Market Manipulation in Prediction Markets

Current market conditions allow all individuals to trade on anything – sparking issues with liquidity and insider information

Prediction markets are especially vulnerable to market manipulation due to their inherent nature. Thin liquidity in many contracts allows small capital to shift probabilities significantly, while the same event can be traded across many markets, allowing arbitrage. The clearest market integrity in prediction markets usually is related to volume. A Columbia report found that roughly 25% of Polymarket's volume could be attributable to artificial trades, inflating the market's liquidity and usage than it is. A lack of liquidity across has been brought up by Yale Insights, arguing that the displayed odds reflect recent orders more than a consensus. In general, the main manipulation risk is that these markets can be extremely noisy and signal driven, which degrade user trust.

Insider trading is defined as trading on non-public information about an event outcome or timing. However, enforcement is different from usual SEC equity insider trading because many of the prediction markets aren't securities. As such, it is treated as a market integrity issue, not a defined legal category. The CFTC can bring cases involving the use of non-public information, but definition around the fraud is difficult. This goes against one of the platform's main objectives which is to reflect an informative price, harming the retail investor and losing trust from them.

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Are Markets better off or not?

Prediction markets provide an innovative product for investors to trade on while also serving as an informational tool – but it comes with its risks

Prediction markets were widely based on the argument that there was a general benefit for consumers. On one side, that is correct, as prediction market force consumers to argument their position, seeking information to consolidate their position. It also benefits outside viewers, as in theory a larger sample of people will average out the correct, single probability of an event. Empirically, prediction markets have been successful in forecasting data correctly, such as corporate earnings and interest rates decisions, surpassing Bloomberg consensus and analyst predictions. Finally, some investors have viewed event contracts as possible hedging tools.

However, prediction markets also come with their own unique risks. If the entire market is following a few signals and basing their opinion of that, prices and the probability can be misleading and incorrect. Depending on the event, event contracts can incentivize people to guarantee and make that event happen, manipulating the market. If exchanges can reduce arbitrage opportunities by consolidating same contract prices and volumes, while also providing liquidity to most markets, then the market would be more efficient.

"*Kalshi and the Rise of Macro Market* Federal Reserve(2026)"
https://www.federalreserve.gov/econres/feds/files/2026010pap.pdf

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Prediction Markets in Political Processes

Bandwagon Dynamics, Underdog Effects, and Institutional Intertwining

Apart from being relevant in financial terms, prediction markets can have a great tie and impact in political events as well. They present a singular case as opposed to the previously presented. Unlike sports, political outcomes directly influence macroeconomic expectations, as they affect tax regulation and trade laws. Furthermore, unlike corporate earnings, they are highly narrative-driven, making them especially sensitive to behavioural dynamics. This brings up a diverse set of risks, such as the bandwagon and underdog effect or possible feedback loops.

The bandwagon effect explains how when perceived probability of a candidate winning increases, additional support follows simply because the candidate appears more likely to win. This relates to the biases previously mentioned, such as herding and information cascades. When a poll on a presidential or local election is placed on a platform such as Kalshi, users trade. Probability may rise on a candidate. This will be reported by media, making voters and activists update expectations. Eventually more support flows to the leading candidate and market probability rises further. Political science literature has long documented bandwagon effects in polling contexts.

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Prediction markets intensify this because probabilities are framed as financial signals rather than opinion surveys. Consequently, markets may not only reflect expectations, but they may also shape them.

Conversely, underdog effect is also documented, by which voters may support lagging candidates as a result of sympathy, fairness or even as an attempt to counterbalance the dominant one. Therefore, prediction markets may not only reinforce momentum but also incentivize some type of 'fair compensation'.

The link between prediction markets and politics goes far beyond polls. In today's information era, major outlets cite prediction platform odds alongside polls, become almost a benchmark for electoral expectations. Despite, as previously mentioned in this report, polls measure opinion while markets measure monetized expectation, media blurs the distinction.

What is more, campaign teams monitor polls constantly. This enhances prediction market's role as a correcting tool.

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Prediction Markets in Political Processes

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As elections take place much later than initial polls, parties may use markets to guide their strategic actions before the voting starts, as they provide continuous feedback.

A clear example is the 2024 US election, period during which prediction markets boomed and became part of the voting narrative. Traders heavily supported Trumps victory, which resulted to become a reality. After that, their strategic edge was discovered, and they are becoming included in politics to the point of Trump Media & Technology Group (TMTG) launching their own platform; “Truth Predict”. Furthermore, Donald Trump Jr is known to hold advisory roles at Kalshi and Polymarket, which coincided with the reduced regulatory scrutiny on these platforms under the Trump administration, including the CFTC’s decision to drop its appeal against Kalshi and the closing of investigations into Polymarket.

Political prediction markets are becoming ingrained in political narratives, regulations, and even campaign-related goals. They no longer function only as forecasting tools within democratic systems. The line between forecasting political outcomes and taking part in political processes is becoming opaque due to bandwagon and underdog dynamics, media amplification, strategic adjustment, and now institutional engagement.

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Conclusion

Prediction markets are set to be ingrained in our lives, giving most large events an implied probability

General market sentiment around prediction markets has been positive. The largest prediction markets have exploded in popularity, with their probabilities being used across news and sports events. There is a general optimism that prediction markets will serve their purpose as an informational tool well for major global events. Event contracts with high coverage also tend to be very liquid, which allow prices and spreads to efficiently work, providing a stable consensus on the probability of the event. These are the optimal conditions for trading, fulfilling the platform's use as a financial product / vehicle to trade on major events. Lastly, the forecasting accuracy of these prediction markets is certainly as good if not better than current alternatives, beating analysts at company earnings, polls for elections and consensuses for macroeconomic data.

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"The largest prediction markets have both partnered with large news outlets to display their odds."

Conclusion

Prediction markets are set to be ingrained in our lives, giving most large events an implied probability

Many concerns still exist surrounding prediction markets, which prevent them from being a perfect tool. It is still unclear as to whether these platforms end up incentivizing gambling and entertainment. The large volume of bets in sports is certainly amongst the platforms' most popular topic and debates of whether prediction markets are just a workaround for online gambling are existent. Politically themed contracts have sparked discussions around insider trading, with notable examples of users achieving large wins at an early stage. Meanwhile, some contracts have raised ethical questions, as users can bet on events like strikes, country invasions, and other sensitive topics.

Prediction markets are one of the most innovative markets to have popularized in recent times. As prediction markets evolve, will they redefine truth, or expose new fault lines in trust and regulation?

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