

Prediction Markets

The **Next Frontier** of
Financial Markets

Keyrock

 **Dune**



Dune is the leading onchain data platform, powering how teams access, analyze, and build with blockchain data. Serving over a million users across 100+ chains, Dune makes crypto data accessible, queryable, and programmable. Its products span the full data lifecycle from analytics and visualization to data engineering, enterprise integration, and real-time app development.

Products at Dune include the Analytics Hub, API & Connectors, Datashare, and Sim. Sim is a developer platform powering onchain apps with real-time APIs.



Founded in Brussels in 2017, Keyrock is a global crypto investment group leading in market making, asset management, OTC, and options trading for digital assets. Providing liquidity to over 85 centralized and decentralized venues worldwide, their 200-strong team operates across 37 countries, with entities in Belgium, the UK, Switzerland, France, and the U.S. Keyrock's commitment to the industry is practical, not theoretical. They offer in-depth industry insights, co-create DeFi ecosystems, and actively support Web3 startups.

With Keyrock, the future of digital assets is not just envisioned; it's actively being built.

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Foreword

Information is the most valuable asset in financial markets. Yet for most of modern history, our ways of forecasting the future have relied on static models, delayed reports, and opinion-driven narratives. Prediction markets are changing that equation.

By turning uncertainty into a tradable signal, prediction markets allow collective belief to be expressed as real-time prices. Each trade reflects conviction, each price update reflects new information. What emerges is a living probability that continuously adapts to reality.

At Keyrock and Dune, we observe this transformation from complementary angles. From trading floors where event risk is increasingly treated as a hedgeable exposure, to the onchain data layer where every position, every probability shift, and every resolution is transparently recorded, prediction markets offer something entirely new. A global, verifiable record of how the world prices the future in real time.

This report explores prediction markets as a new financial primitive. We begin by tracing their historical roots and modern architectures, before mapping today's landscape through platform-level data on volume, users, transactions, open interest, and predictive accuracy. From there, we examine how these markets are evolving into tools for institutional hedging, corporate forecasting, and retail participation, and how they are becoming embedded across finance, media, sports, and crypto-native applications. Finally, we outline the four forces shaping the next phase of growth, namely liquidity, retention, regulation, and integration.

We present this report not just as a snapshot of a fast-growing sector, but as a framework for understanding a deeper shift, the emergence of markets for information itself. As prediction markets continue to move from standalone venues into the fabric of global decision-making, they are poised to become one of the most important financial and media infrastructures of the coming decade.

We hope this report serves as a guide for institutions, builders, policymakers, and investors seeking to understand and participate in the next frontier of financial markets.

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Table of Contents

1 Introduction: What's a Prediction Market?

1.1 Historical Context

1.2 Platform Overview

1.2.1 Polymarket

1.2.2 Kalshi

1.2.3 Crypto.com

1.2.4 MYRIAD

1.2.5 Limitless

1.2.6 Opinion

2 Prediction Markets in Numbers

2.1 Volume

2.2 Transactions & Unique Users

2.3 Open Interest

2.4 Accuracy

2.5 Calibration

3 The Rise of Event-Level Hedging

3.1 Institutions

3.1.1 Prediction Markets as The New Options

3.1.2 Hedging Pre-IPO and Pre-TGE

3.1.3 Prediction Markets Mirror Institutional Pricing

3.1.4 Hedging the Event, Not Its Proxy

3.1.5 Prediction Markets as Leading Indicators

3.2 Protocols and Corporations

- 3.2.1** Pricing TGEs
- 3.2.2** Corporate Forecasting
- 3.2.3** Protocol Governance

3.3 Retail

4 Emerging Opportunities

- 4.1** Liquidity
- 4.2** Retention
- 4.3** Regulation
- 4.4** Integration

5 Conclusion

Key Insights

- Since early 2024, **monthly notional volume** on prediction markets has surged from under **\$100 million** to over **\$13 billion**, a **130x** increase that places prediction markets among the fastest-growing sectors in the world.
- In 2025 **volume and open interest growth is being led by non-sports categories**. Economics (10x) and Tech & Science (17x) show the strongest volume gains, while Economics (7x) and Social & Culture (6x) lead the expansion in open interest.
- On Kalshi, Politics, Elections, and Economics combined hold **2.5x** the open interest of Sports, while on Polymarket, Politics outpaced Sports by **400%** in 2025.
- Polymarket correctly prices outcomes **90-95%** of the time, and its accuracy improves with deeper liquidity. Across Polymarket and Kalshi, Brier scores cluster around **0.09**, outperforming polls, expert judgment, and even weather models.
- Prediction markets function as **leading indicators** for macro risk, repricing in real time and anticipating macro shifts before reactive models like the Cleveland FedNow, which is **4.3x** more volatile than Kalshi's inflation market.
- Traders on Kalshi show strong **risk aversion**, with high-probability markets drawing over **35%** of volume despite being just **14%** of listings, while long shots make up 31% of markets but capture only **3%** of trading; Polymarket shows a similar pattern.
- Adoption is not only accelerating, it is proving **durable**. Polymarket **outperforms +85% of crypto protocols on user retention** across a sample of over 275 projects.

About This Report

In 1945, Friedrich Hayek **argued** that the real challenge in economics is not simply a problem of logic or optimization, but **how to work with knowledge that is fragmented, time sensitive and spread across many individuals**. No single planner or model can ever possess all the relevant, context-specific information. Instead, prices step in as the communication system for this scattered knowledge, allowing people to adjust their decisions even when they see only a small part of the full picture.

Prediction markets apply this principle. Each participant brings their own fragment of knowledge, private models, or access to local information, and expresses it through trades. The prices that result work like an **information network** that compresses these scattered and incomplete signals into a single probabilistic forecast.

Because information is constantly changing, prediction market prices update in real time to ensure forecasts adapt dynamically rather than remaining static snapshots. In this sense, prediction markets are **a way to discover prices for information itself**. They turn many independent judgments into a single estimate of how likely different outcomes are.

Prediction markets often outperform **statistical models** because they do not require perfect knowledge from any single participant and instead thrive on the partial and imperfect knowledge scattered across society. They **reward** participants for bringing their best insight and **penalize** them when they are wrong.

The result is what Hayek called a “**marvel**.” Without central coordination, thousands of individuals, each acting on their own limited perspective, collectively generate forecasts that tend to sit closer to the truth.

- **Section 1** defines prediction markets, sets them in historical context, and provides an overview of the major platforms.
- **Section 2** maps the current landscape by analyzing platform activity through a wide range of data, comparing performance across categories, and assessing accuracy with measures such as Brier scores.
- **Section 3** explores how prediction markets reshape decision making for institutions, corporations and protocols, and retail across hedging, forecasting and entertainment driven finance.
- **Section 4** highlights four levers for the next phase of growth, namely liquidity, retention, regulation, and integration.



1

What's a Prediction Market?

- **Prediction markets convert information into price signals.** By creating incentives for individuals to disclose their knowledge, they aggregate dispersed and hidden insights into real-time probabilities that often surface shifts in sentiment ahead of headlines and expert forecasts.
- **Prediction markets trace their roots back centuries,** from 1503 papal election wagers in Renaissance Italy and 1700s political betting in London's coffeehouses, to the New York Curb Exchange, the Iowa Electronic Markets, and ultimately the first ICO on Ethereum with Augur.
- **The four architectural layers** that underpin prediction markets: market creation, trading, custody, and resolution, span a broad design space. The choices platforms make across each layer determine how prediction markets weave into finance, media, sports, and the onchain economy as a distributed information.

What's a Prediction Market?

Prediction markets are **information-based exchanges** where participants trade contracts whose payoff depends on the outcomes of future events. By buying and selling contracts or **shares**, traders reveal what they believe different outcomes are worth. In practical terms, **they let people back their views on real world events**, from elections and economic data to sports or the weather. They **aggregate dispersed knowledge** and make it tradable, measurable and economically meaningful.

For example, on a prediction market a trader might buy or sell contracts on “Will candidate X win the election” or “Will inflation exceed five percent this quarter.” **Any clear and well specified question can become a market.**

Traders buy and sell these claims, and the **prevailing price** reflects the crowd's aggregated knowledge of how likely that outcome is. Prices usually sit between \$0 and \$1, so a contract trading at 70¢ can be read as an **implied probability** of 70% that the event will occur.

Like other exchanges, they rely on incentives to discover prices, **but what is traded here is the probability of any discrete event.** Markets can be created for almost any well defined outcome, and participants with better **information arbitrage opportunities** tend to buy contracts that look cheap or sell those that look expensive, nudging prices toward more accurate probabilities.

This aligns with James Surowiecki's concept of the '**wisdom of crowds**,' where diverse participants, motivated by conviction and profit, often outperform individual experts. It also echoes Ethereum co-founder Vitalik Buterin's idea of “**info finance**,” where information flows and incentives for truth are economically aligned. Robin Hanson's concept of **futarchy** similarly imagines governance systems guided by market-driven forecasts.

Prediction markets stand apart from existing mechanisms:

- **Sports betting** is entertainment-driven, zero-sum, and structurally adversarial. The house earns by setting lines that embed a margin against the player. There is a conflict of interest between the house and the player. Prediction markets, by contrast, are exchanges where incentives are aligned around accurate pricing rather than defeating a bookmaker.
- **Polls** measure sentiment, not commitment; without financial stakes, they're prone to bias and low engagement.

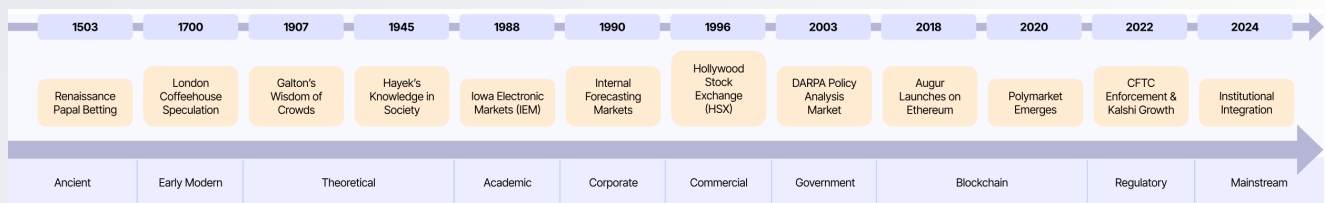
Seen through this lens, prediction markets aren't simply places to wager on events, they're prototypes of a broader information infrastructure, one that **organizes knowledge into tradeable signals.**

1.1

Historical Context

Prediction markets resemble the early origins of modern finance. While today's leading prediction markets feel novel, **they trace their roots back centuries.**

Prediction Market Evolution Timeline



Source: Keyrock, @gusik4ever

One of the first recorded prediction markets appeared in **Renaissance Italy**. During the **1503 papal conclave**, nobles and merchants reportedly placed wagers on who would become the next pope. These early **information markets** allowed people with insider knowledge or strong beliefs to put money behind their predictions. The markets became so influential that Pope Gregory XIV **banned** them in 1591, threatening excommunication for participants not out of moral opposition but because public betting exposed collective expectations about a supposedly divine decision.

By the 18th century, organized prediction markets reemerged in **London's coffeehouses**, which had become gathering spots for merchants, journalists, and aristocrats. At Jonathan's Coffeehouse, later the site of the **London Stock Exchange**, patrons actively traded bets on parliamentary votes, ministerial appointments, and maritime risk. In fact, those wagers eventually evolved into a structured system for underwriting maritime risk and became **the foundation of modern insurance**, one of the pillars of today's financial system.

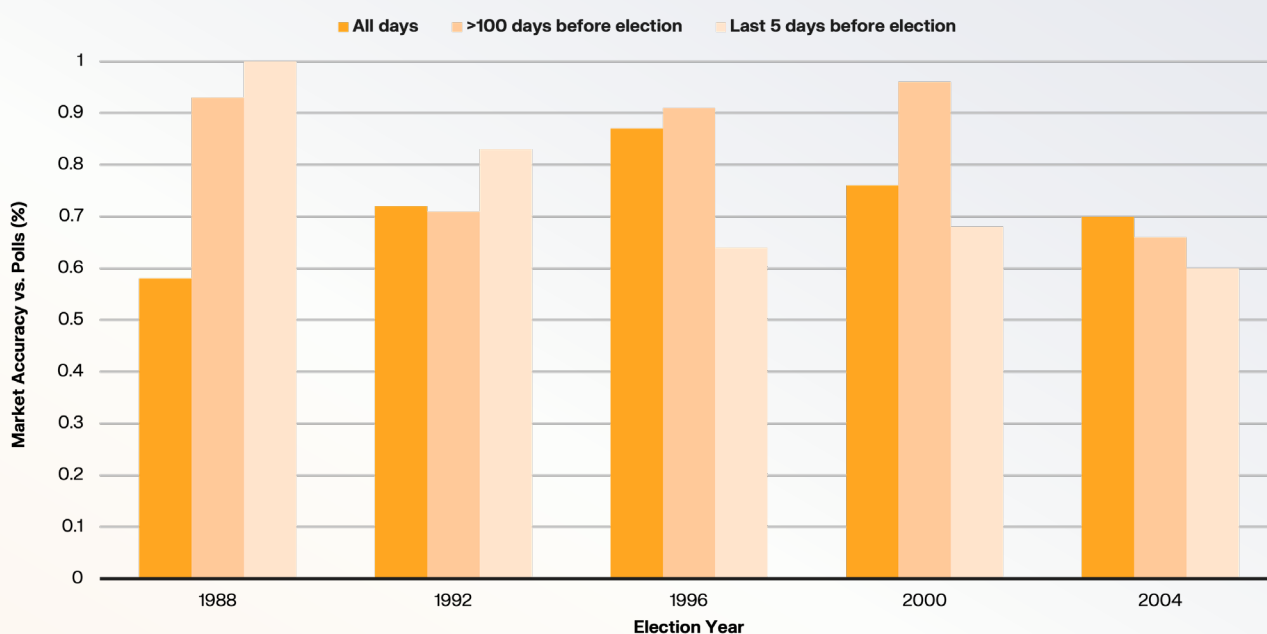
Newspapers published these odds, and betting became so embedded in British political culture that the saying **"Bet or be silent"** captured how conviction was proven only through wager.

In the young United States, election betting gained momentum in the 19th century. Americans routinely wagered on presidential and local elections, and newspapers reported betting odds alongside political coverage. At its peak, the sums wagered on political contracts on the **New York Curb Exchange**, a precursor to the NYSE, sometimes **exceeded** the volume of trade in stocks and bonds.

The modern revival of prediction markets began in 1988 when economists at the University of Iowa launched the **Iowa Electronic Markets**, a real-money exchange **created** to forecast political events. Over several election cycles, IEM demonstrated impressive accuracy. A study covering five United States presidential races from 1988 to 2004 found that **IEM forecasts beat traditional polls** in roughly **three quarters of all observations**, including far in advance of election day and in the final week.

Around the same period, prediction markets also began taking shape within formal U.S. derivatives regulation. In 2004, **North American Derivatives Exchange, Inc. (NADEX)** was founded as a **direct-to-retail exchange** and became the **first CFTC-regulated prediction market** offering contracts on the outcomes of financial indicators such as the Consumer Price Index. NADEX established a compliant framework for event-based contracts in the United States and later became the legacy exchange acquired by **Crypto.com** in 2022.

Prediction Market Accuracy vs. Polls (Iowa Electronic Markets, 1988-2004)



Source: George Mason University

As interest in predictive forecasting grew, developers eventually turned to blockchain as a way to build globally accessible markets. **Augur**, which held **Ethereum's first initial coin offering (ICO)** in 2015, launched its mainnet in 2018 as the first fully onchain prediction market. It aimed to remove intermediaries and broaden access to prediction markets through smart contracts. In practice, however, Augur **struggled** with controversy over so-called **death pool markets**, gas costs, poor user-experience, and slow multi-step settlement.

By the early 2020s, **Polymarket**, **Kalshi**, **Crypto.com**, **Limitless**, and **MYRIAD** led a new generation of platforms that finally overcame the bottlenecks of the first wave. Their architectures can differ, but together they mark an industry reaching real product-market fit and pursuing the same centuries-old goal: aggregating dispersed information into a single, tradable signal. Regulatory progress, broader distribution, and blockchain's naturally global access, now supported by more reliable oracles, have made today's markets far more scalable than earlier versions.

With that foundation now firmly established, a newer wave of entrants is now experimenting with novel mechanics and user experiences. **Opinion**, built on BNB Chain, is experimenting with AI for oracle design and markets resolution; **XO** is pairing user-generated “conviction markets” and liquidity with an AI oracle for instant resolution, reviving the spirit of early projects like Augur, but with modern usability and automation; **Melee** merges the viral simplicity of memecoins with the structure of prediction markets, using bonding curves to reward early bettors, blurring the line between speculation and social coordination, and **Trepa** reimagines prediction as a game of precision forecasting rather than binary bets, rewarding how close you are to the value, not just which side you picked.

The prediction-market sector is entering its most creative and competitive phase yet. The infrastructure is in place, cultural awareness is rising, and demand is broadening from retail to institutions. Prediction markets have reached a point of **real momentum**.

1.2

Platform Overview

Before turning to individual platforms, it’s helpful to outline the basic structure shared across most prediction markets. Regardless of venue, these exchanges rely on four architectural layers: a **market-creation layer** that can be either permissioned or permissionless, a **trading layer** where users price risk, a **custody and settlement layer** that escrows collateral, and a **resolution layer** that determines the final outcome. Together, these layers govern how markets are created and traded, how positions are held, and how event contracts are ultimately resolved.

1.2.1 Polymarket

Built on **Polygon**, Polymarket allows users to trade shares in real-world events where each share resolves to \$1 (true) or \$0 (false). It rose to prominence during the 2024 U.S. presidential election, where it proved far more reactive to shifting dynamics than traditional polls, which broadly held a 45–50% forecast for a Kamala/Biden win throughout much of the race.

When Harris announced her campaign, Polymarket odds on a Trump win fell sharply before recovering by October and settling near 65% in the final days before the vote. For many, this was the first moment they visibly saw prediction markets outperform the polling tools they had long relied on.

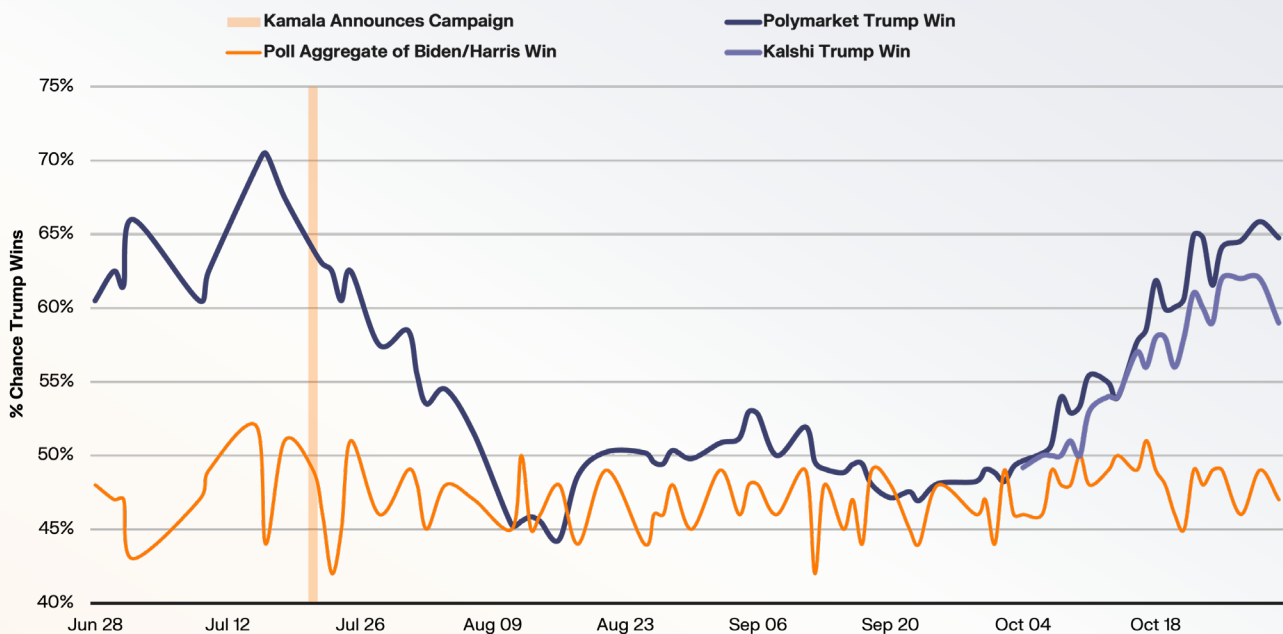
This surge brought its 2024 volume to over **\$6 billion**, catalyzing mainstream recognition of prediction markets as a serious forecasting tool. Its success is particularly remarkable given that it is the **first onchain protocol to achieve mass-market scale**, matching the performance of centralized exchanges while preserving transparent, verifiable settlement.

"Polymarket has spent years building the world's largest prediction market. Now we're just getting started bringing that power to the mainstream. More to come."

— Matthew Modabber, CMO, Polymarket

Polis vs. Prediction Markets

2024 U.S. Presidential Election



Source: Kalshi, Polymarket, and Real Clear Polling

"For most users, the main value of prediction markets isn't placing a bet, it's consuming information. People visit Polymarket to see probabilities. That distilled insight, a single number representing the market's belief, is incredibly powerful."

— Stefan George, Co-Founder, Gnosis

Polymarket operates as a non custodial platform built on the **Gnosis Conditional Token Framework (CTF)**, where each yes or no outcome is tokenized into **fungible ERC-1155 tokens**. Each market ("Will X happen?") creates outcome tokens (YES/NO), tradable like any asset and enables **composability**, supporting multi-outcome and conditional markets. In its early design, Polymarket used an automated market maker (AMM) that set prices along a bonding curve; however, by 2022 the platform shifted to a **Central Limit Order Book (CLOB)** model that pairs **offchain order matching for speed** with **onchain settlement through signed orders for transparency**, keeping custody with users while improving capital efficiency.

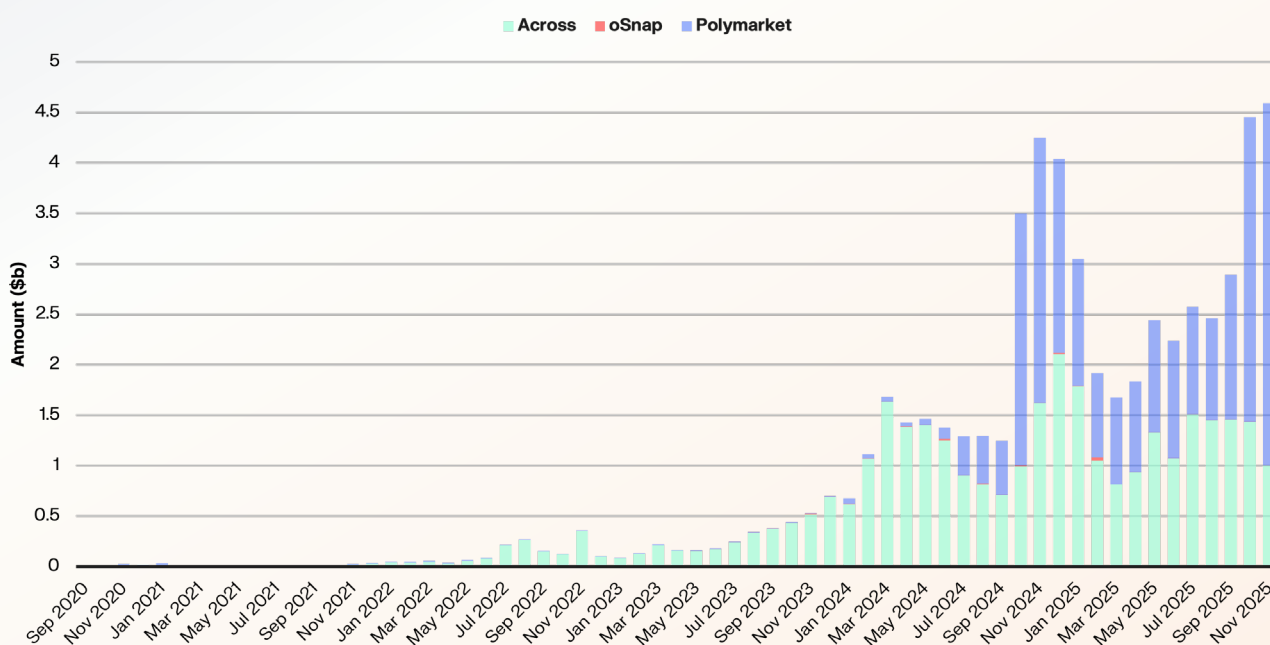
With the move to a CLOB, Polymarket introduced programs to encourage **liquidity**. Any user who posts **limit orders** is a market maker and earns rewards based on how close their prices sit to the mid price and how much volume they facilitate. This liquidity incentivization scheme, inspired by earlier models on derivatives venues such as **dYdX**, pays daily USDC rewards to encourage deep order books and tighter spreads.

Polymarket's resolution layer is handled primarily by **UMA's Optimistic Oracle**, which secures ~80% of Polymarket's markets, and **Chainlink** for rapid crypto price markets (e.g., 15-minute windows). Out of 197 million total transactions and \$54 billion in value processed by UMA, Polymarket accounts for **88%** of its transactions and **39%** of the value processed. It also represents over 106,000 assertions and 1,500 disputes out of UMA's total 127,000+ assertions and 1,500 disputes.

"At UMA, our focus is twofold. First, scaling alongside Polymarket's rapid growth: markets have increased 10x this year, so we're pushing for higher efficiency by lowering dispute rates and cutting infrastructure costs. Second, we're building differentiated resolution pathways on top of the Optimistic Oracle. Because topics, objectivity, and timelines vary widely, resolution can't stay one-size-fits-all. We're tailoring pathways to fit specific market types and sizes."

— Lee Poettcker, Product Manager, UMA

Polls vs. Prediction Markets 2024 U.S. Presidential Election



Source: @Dune, Risk Labs

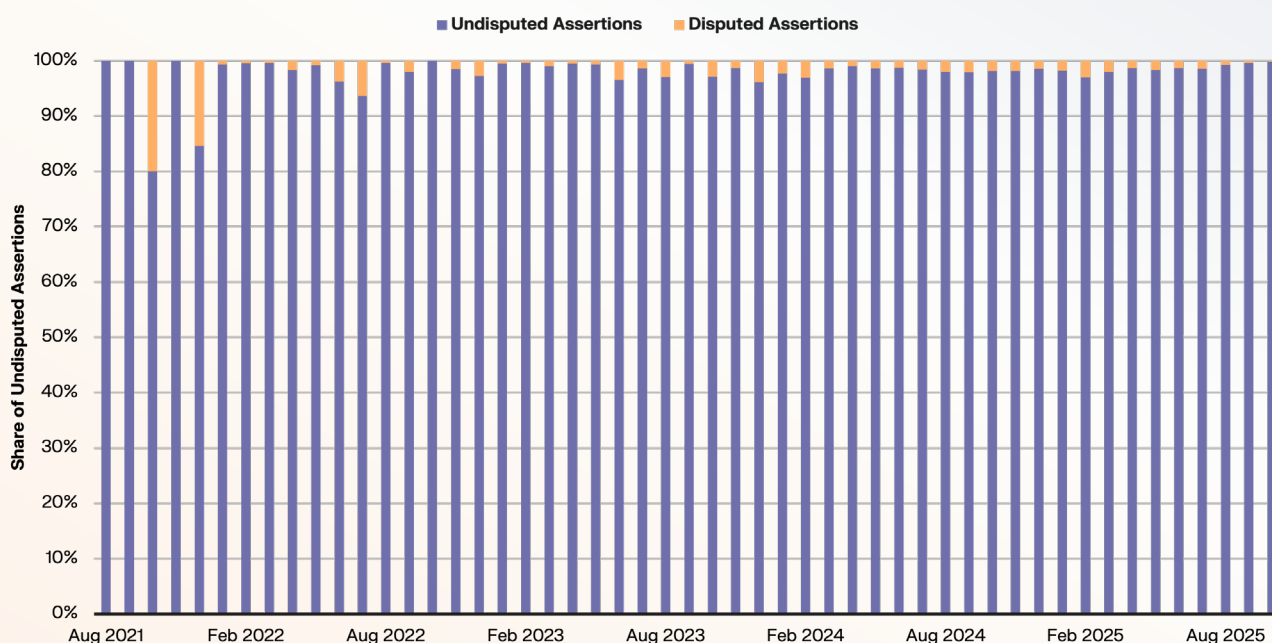
UMA brings real-world results onchain so markets can settle and acts as the source of truth for the outcome of the event. When a market closes, Polymarket's adapter submits a query to UMA that effectively asks, "What was the real outcome?"

If a dispute does occur, UMA's wider community of tokenholders step in to vote on which side is correct. Dispute votes must reach 65% consensus based on the staked tokens at the start of the commit round. This threshold helps prevent unclear outcomes when voters are split. Historical data from UMA reveals that since 2021, about **98% of >11,000 market assertions go undisputed**.

"The dispute rate on UMA resolutions has been steadily declining over the past year. In Q3 2025, we introduced a proposer whitelist made up of historically accurate proposer addresses, which reduced incorrect proposals by 60% while keeping disputes fully permissionless. This also cut the overall dispute rate by 50%. We also shipped LLM summaries in the oracle app to aid in voter research of disputes."

— Lee Poettcker, Product Manager, UMA

On Average, ~98% of Assertions Go Undisputed on UMA's Oracle

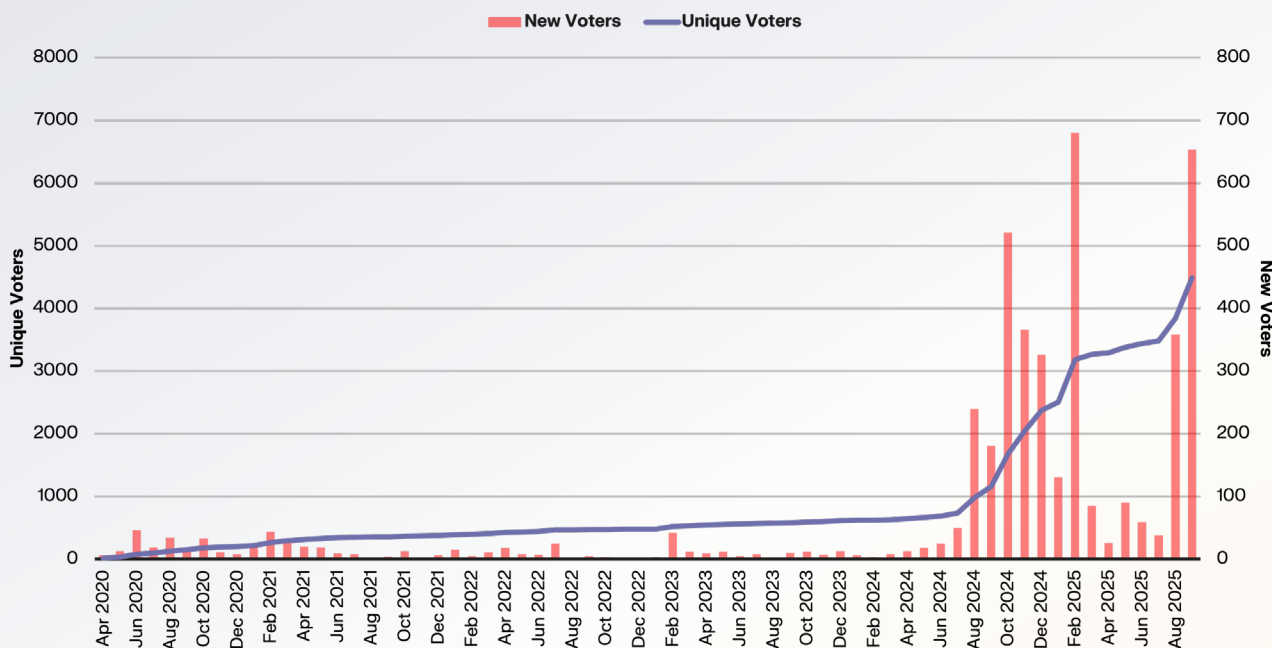


Source: @Dune, UMA

Because participants earn rewards for accurate votes and lose stake for incorrect ones, the system strongly encourages honest behavior. This “**optimistic**” design assumes most actors will act truthfully, which allows for fast resolution with a robust backstop when disagreements arise. UMA's design, which relies on human proposers and disputers, allows Polymarket to support a broad range of subjective event types, including **nuanced questions** that purely automated systems can't easily verify.

This design becomes more powerful as participation grows. Participation in UMA's oracle network has expanded sharply since 2024, with unique voters up more than 600% to around 4,500. This growth matters for prediction markets like Polymarket because as its markets increasingly proliferate, a larger and more active voter base improves the oracle's capacity and resilience, enabling it to handle a wider set of markets with quicker settlement times.

UMA Voters Over Time

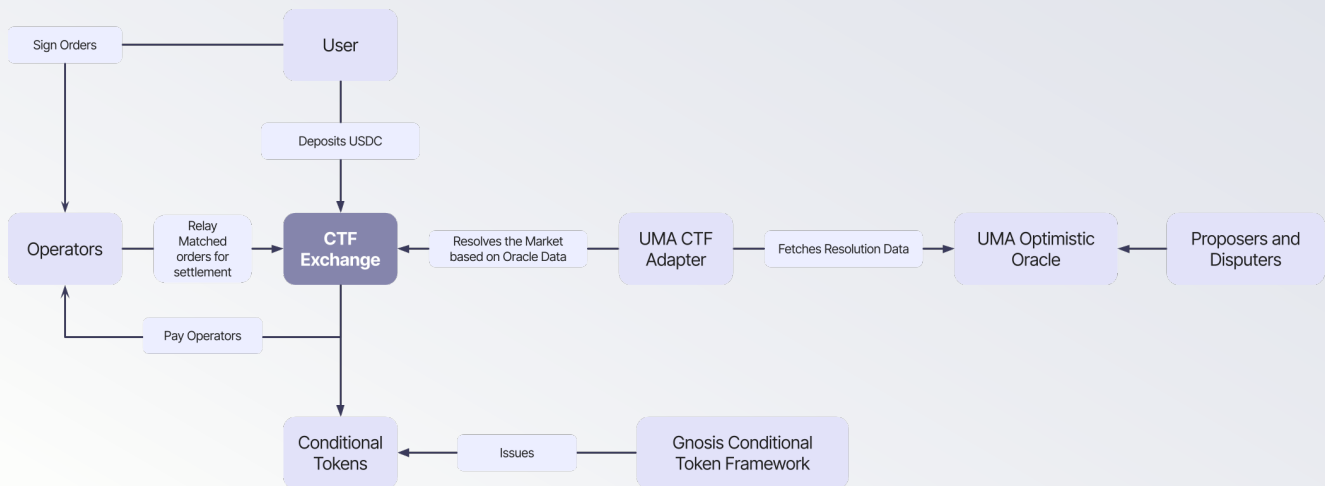


Source: @Dune; elaborated by Keyrock

Oracles, whether centralized or decentralized, are ultimately the **backbone of prediction markets**. Improvements in resolution frameworks and settlement logic will make markets feel more responsive and trustworthy, which in turn pulls in more liquidity and keeps traders active.

This is especially important for **long-tail** and **fast-resolution markets**, where the experience hinges on outcomes being settled quickly, cleanly, and without ambiguity, even when the underlying rules are more nuanced. This is one of the key areas where prediction markets will **meaningfully evolve** in the coming years.

Polymarket's Architecture



Source: @filarm

Separate from its market architecture, Polymarket has advanced on the **regulatory** and **institutional** front. **A more crypto-friendly U.S. administration in 2025 helped accelerate this progress**, during which Polymarket resolved its CFTC case and acquired **QCEX** to strengthen compliance, enabling its re-entry into the U.S. market.

Building on this foundation, Polymarket has rapidly expanded its mainstream footprint. In early November 2025, **Google Finance** integrated prediction market data from Polymarket (alongside Kalshi), allowing users to track event-based probabilities like election outcomes directly within the platform. **Yahoo Finance** soon followed, naming Polymarket its exclusive crypto prediction market provider, featuring a dedicated hub for real-time, event-driven data and insights.

In the sports arena, **Polymarket became the official prediction market partner of the UFC** through a multi-year agreement with TKO Group, bringing real-time odds into broadcasts, in-arena displays, and fan experiences, with planned extensions to Zuffa Boxing. These milestones add to earlier collaborations, including its integration with **X**, embedding real-time odds and Grok AI sentiment into posts; and partnerships with **Stocktwits** for earnings markets.

"Polymarket has become one of the first crypto-native apps to break into mainstream culture, influencing how people follow and interpret global events. We're proud that it runs on the speed, reliability, and low fees of the Polygon network, which consistently supports high volumes at scale."

— Marc Boiron, CEO, Polygon Labs

1.2.2 Kalshi

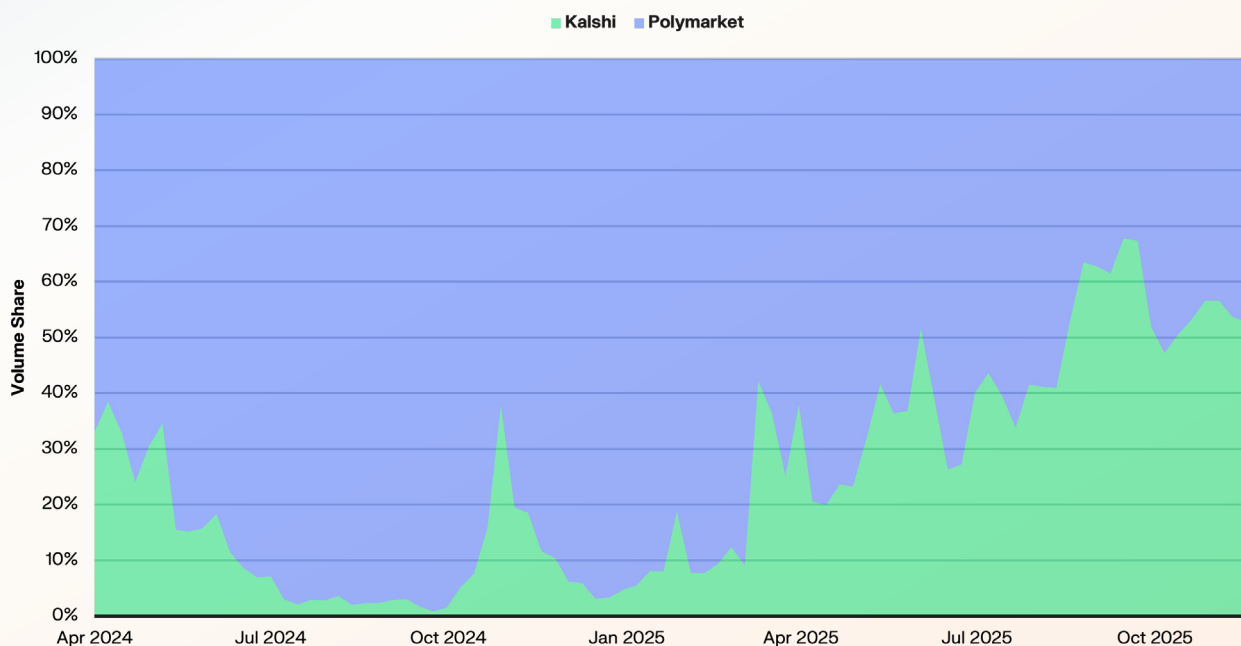
In contrast to Polymarket, **Kalshi** was founded in 2018 and launched in 2020 as the first CFTC-approved financial exchange for event contracts, registered as a **Designated Contract Market (DCM)** under U.S. derivatives law. In 2024, Kalshi reached a milestone by becoming the **first fully regulated platform to offer legal election trading in the U.S.**, following a landmark federal appeals court ruling. The decision overturned the CFTC's earlier denial and affirmed Kalshi's right to list contracts on political outcomes. This ruling not only legitimized election markets but also set a **precedent** for event-based financial instruments under U.S. law.

Traders are routed through Kalshi's exchange infrastructure, which manages custody, matching, and clearing internally. Once a trade is executed, **Kalshi Klear**, the clearinghouse, novates the position and **stands** as a buyer to every seller and a seller to every buyer, with all positions fully collateralized and held in segregated U.S. bank accounts.

Kalshi, like Polymarket, also runs on a **Central Limit Order Book (CLOB)** where traders post bids and offers for "Yes" and "No" contracts, with each matched pair **representing** \$1 of total risk. Unlike traditional futures exchanges that rely on margin and default funds, Kalshi clears only **fully funded** trades, which eliminates counterparty exposure.

Each Kalshi event specifies a **verifiable data source or publication**, such as a government report or certified election result, that the exchange uses to settle outcomes. In this sense, Kalshi effectively functions as its own oracle, with settlement governed by pre-approved rulebooks rather than external networks. This structure has enabled Kalshi to operate reliably while expanding market scope and reach.

Polymarket and Kalshi's Notional Volume Share



Source: @Dune, @datadashboards

As that core infrastructure matured, Kalshi's momentum accelerated further in 2025, marked by a **multi-year NHL partnership** that made it one of the league's official prediction market partners alongside Polymarket, granting them access to official NHL data, marks, and broadcast placements. In October, **Jupiter** launched its prediction market product powered by Kalshi. The integration allows Jupiter to tap into Kalshi's liquidity, verified event data, and settlement infrastructure, enabling sports and macro event trading with greater depth and efficiency.

In a major move in December 2025, Kalshi expanded its offering by launching tokenized versions of its event-contracts on Solana, meaning users can hold and trade prediction positions as onchain tokens via DeFi-native platforms. This move gives **onchain traders access to Kalshi's CFTC-regulated liquidity** with the benefits of onchain composability, pseudonymity, and permissionless trading.

Together, these developments carry out **Kalshi's ambition to become a global liquidity layer for prediction markets**, creating a hybrid off/onchain ecosystem that connects crypto-native platforms to regulated market infrastructure. **It is the first prediction market in the world that aggregates onchain and offchain, US and international into one liquidity pool.**

"Kalshi is becoming the de facto liquidity layer for onchain prediction markets, starting with Jupiter on Solana. Every major crypto app will have native prediction markets powered by Kalshi within the next 12 months. We want to grow a thriving crypto ecosystem of builders, Dune wizards, and creators."

— John Wang, Head of Crypto, Kalshi

Combined with its **Robinhood FCM integration**, which opens regulated event trading to tens of millions of retail users, and its **KalshiEco Hub** an initiative linking the exchange to Solana and Base to bridge traditional finance with onchain participation, Kalshi has evolved into the first **convergence point between traditional finance, regulation, and crypto innovation.**

All of this expansion rests on the infrastructure Kalshi built. Kalshi took the hard path in its early years, spending several yields building its compliant infrastructure and securing CFTC approval before launching a single product. By laying that foundation first, it made **prediction markets legally viable in the United States and paved an easier path for those that followed.**

The resulting clarity validated Kalshi and helped shift how event contracts are legally viewed in the U.S. Alongside parallel efforts from other platforms pursuing regulated or globally accessible models, prediction markets are now establishing themselves as **legitimate financial instruments.**

1.2.3 Crypto.com

Crypto.com has positioned itself as one of the main providers powering prediction market functionality for social, gaming, and entertainment platforms. Through its affiliate **Crypto.com Derivatives North America (CND)**, the firm runs a fully centralized stack that includes a CLOB based exchange, permissioned market creation, and real time settlement sourced from official data feeds. CDNA serves as both the exchange and the clearinghouse for all partners, which allows the same regulated liquidity pool to support Crypto.com's native interface as well as any third party front end that integrates its rails.

In 2025, Crypto.com expanded this infrastructure through a series of partnerships that embedded prediction markets **directly into platforms people already use**. **Truth Social** became the first social media platform to offer event contracts through Truth Predict, which lets users trade politics, macro events, and cultural narratives inside their feed. **MyPrize** followed on the social gaming side with **MyPrize Markets**, which merges gaming, livestreaming, and prediction markets into a single environment. **Hollywood.com** adopted CDNA's rails to introduce entertainment focused markets tied to film, television, celebrity activity, and other cultural moments.

This dynamic gives rise to what can be understood as **Entertainment Finance**, a model in which media and markets share the same interface and where **financial services live inside non-financial products**.

As this model spreads across media and gaming, sports platforms are also adopting it in ways that fit their own risk and engagement needs. **Underdog** integrated CDNA powered sports markets alongside its fantasy and wagering products while using event contracts as a **hedging tool** for managing exposure. This marked the first time a **major sports gaming operator incorporated prediction markets** into its core experience. Fanatics has also begun incorporating CDNA functionality into its broader fan and commerce ecosystem, using the infrastructure to test new forms of engagement without building its own market stack.

Prediction markets can price almost **any measurable outcome, and this makes any platform with culture or news reach a potential surface for prediction market infrastructure**. Social media apps, gaming hubs, entertainment portals, news outlets, and sports platforms all fit that profile. As prediction markets spread across everyday consumer interfaces, prediction markets are in a strong position to expand with them and to **embed markets directly into the ways people watch, read, and interact with content**.

"Partnering with innovative platforms enables us to reach a diverse group of consumers beyond our own users. For example, with Underdog, we are reaching a group who are interested in sports. With Hollywood.com, we are reaching an audience interested in cultural events, Broadway, movies, music, etc. With Truth Social, we are reaching an audience interested in news and current events, and with Myprize, we are bringing prediction markets to social gamers. As the demand and interest in prediction markets increases, we will see more collaboration and partnerships"

— Travis McGhee, Global Head of Predictions, Crypto.com

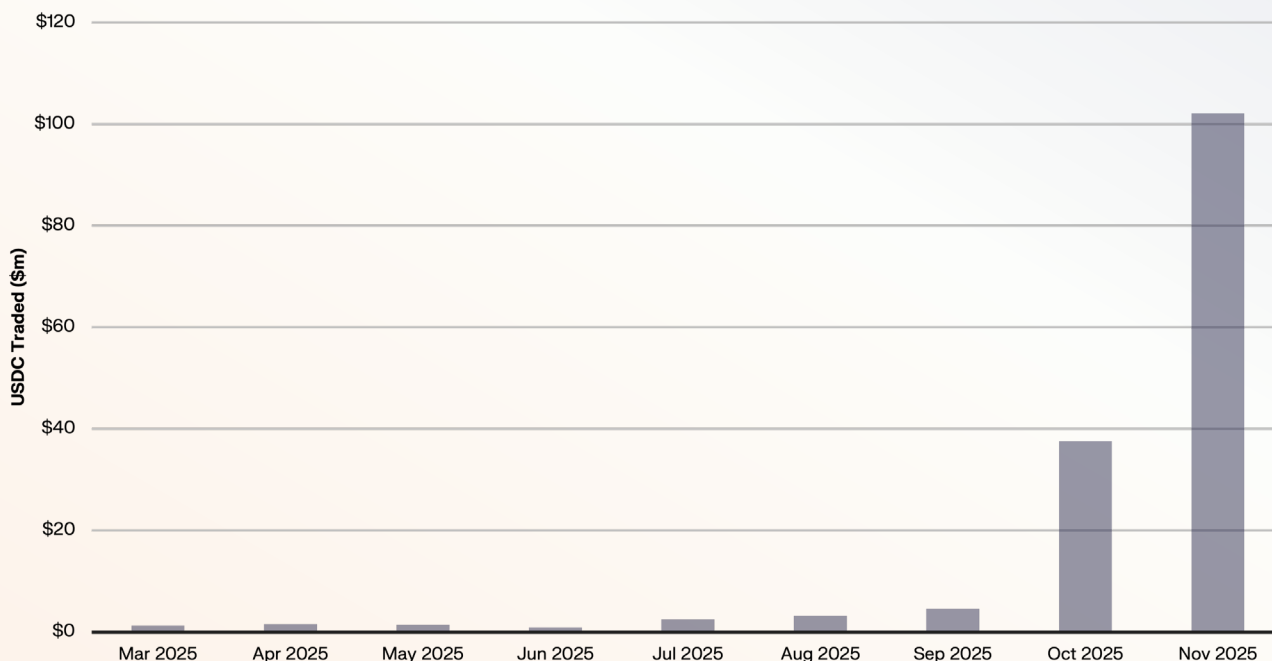
1.2.4 MYRIAD

Crypto.com represents the centralized path to embedding markets inside sports and consumer experiences. Another group of builders is pursuing the same trend through fully onchain, permissionless systems. **MYRIAD** is one of the clearest examples of that approach. Launched by **DASTAN** (parent of Decrypt and Rug Radio), MYRIAD is a multichain, decentralized prediction-market protocol live on Abstract, Linea, and BNB Chain.

Unlike other prediction markets, MYRIAD's core approach is **content-native integration**, embedding prediction markets directly into media, turning news and discussions into tradable opportunities. Users can participate seamlessly while reading or watching content.

Markets are powered by AMMs for liquidity, with support for both points-based and USDC-settled systems. Protocol operations, from market creation to resolution, are being progressively decentralized. More recently, MYRIAD launched its **Sentiment markets** and **Automated Markets**. Unlike traditional prediction market event contracts that expire, sentiment markets never resolve. Instead, they track the live pulse of public mood onchain and remain perpetually liquid. The rise and fall of confidence around people, tokens, or ideas are expressed and financialized in real time.

Monthly USDC Traded on Myriad



Source: Surfquery

"For us, the future is embedding MYRIAD as a protocol, prediction markets at a protocol layer, everywhere we can. MoonPay got big because they started embedding crypto on-ramp/off-ramp, everywhere they could, and that's our goal. The day you see prediction markets odds live on national television, on CNBC, on Fox, in The Washington Post while you're reading it, that's where we are headed. What we're doing is getting our prediction markets into the faces and hands of everyone, and it's seamless, that's where prediction markets are going to go."

— Farokh Sarmad, President & Co-Founder, DASTAN

Beyond the technical integration, MYRIAD's **launch on BNB Chain** forms part of a **broader expansion into Asian markets**, with a Mandarin-language version of MYRIAD scheduled for release in the coming weeks, along with localized markets designed specifically for those audiences. On top of this, MYRIAD also launched 5-minute, recurring Automated Markets, designed around auto-resolution, short timeframes, and continuous flow, making it easier for users to participate in fast-paced prediction or trading environments without waiting for long settlement cycles.

Its go-to-market leverages **DASTAN's crypto native media and creator network**, Decrypt, Rug Radio, Lucky Trader, to drive organic discovery and participation.

"Prediction markets are simple to use and a whole lot of fun, which is why they're one of the first clear winners to break out of the consumer crypto segment. With the technical details of blockchain abstracted away from the end user, prediction markets are a clear wedge for tens of millions of net new consumers to come onchain without even realizing it. We've been thrilled to work with MYRIAD and others building in the prediction market space on Abstract, and we can't wait to see what else will be unlocked by building consumer-friendly crypto rails."

— cygaar, Abstract

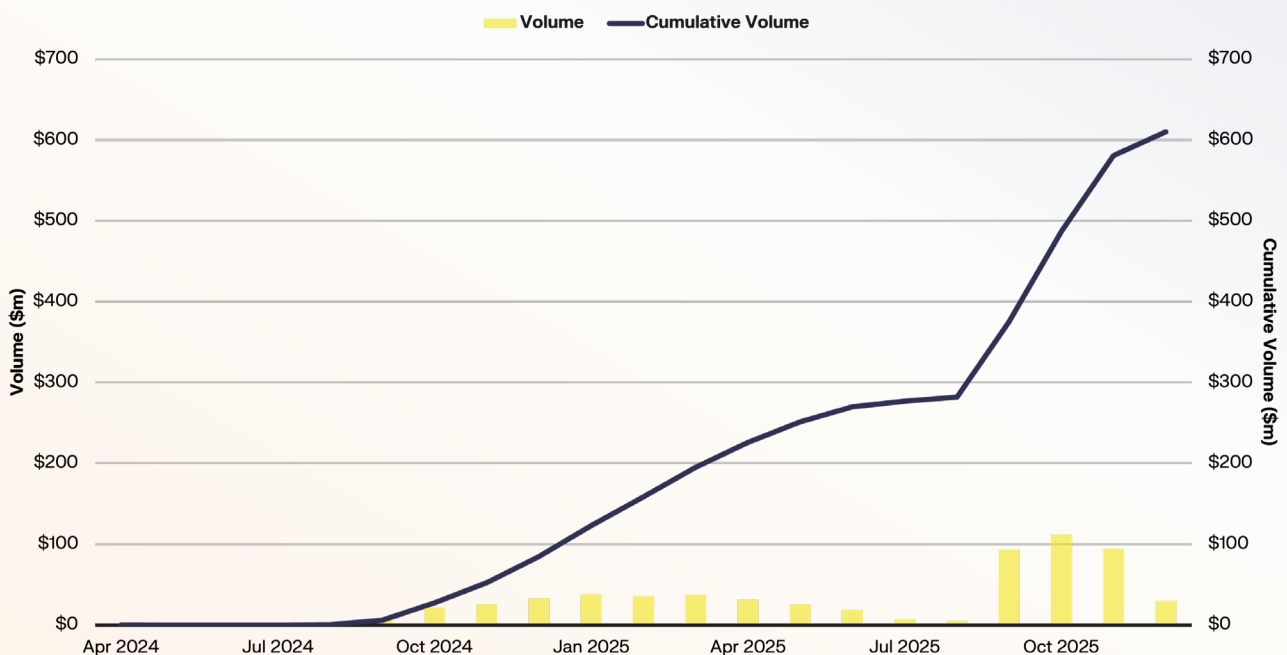
1.2.5 Limitless

While MYRIAD focuses on cultural and sentiment-driven markets, other builders are targeting different slices of the prediction-market spectrum. One of the fastest-growing niches sits at the opposite end of the design space: **ultra-short-term, high-frequency crypto price markets**. Limitless, built on Base, represents that category.

Trades are executed fully onchain through smart contracts with adaptive fees (0.03% opening → 3% closing), **blending prediction markets with bonding curve dynamics similar to memecoin launchpads**.

Settlement is **instant** and **oracle-driven** via **Pyth Network**, which aggregates institutional-grade price feeds from firms like **Jane Street, Jump, and Cboe**. Each market (e.g., “*BTC > \$65K at 14:00 UTC*”) resolves to Pyth’s verified price at that exact timestamp, ensuring accuracy and resistance to manipulation. With millisecond-level updates and <100ms latency, Pyth allows Limitless to maintain continuous, high-frequency market cycles. Limitless’s growth has picked up sharply since September 2025, including multiple peaks above **\$90 million** in monthly volume.

Limitless Notional Volume



Source: @Dune, @datadashboards

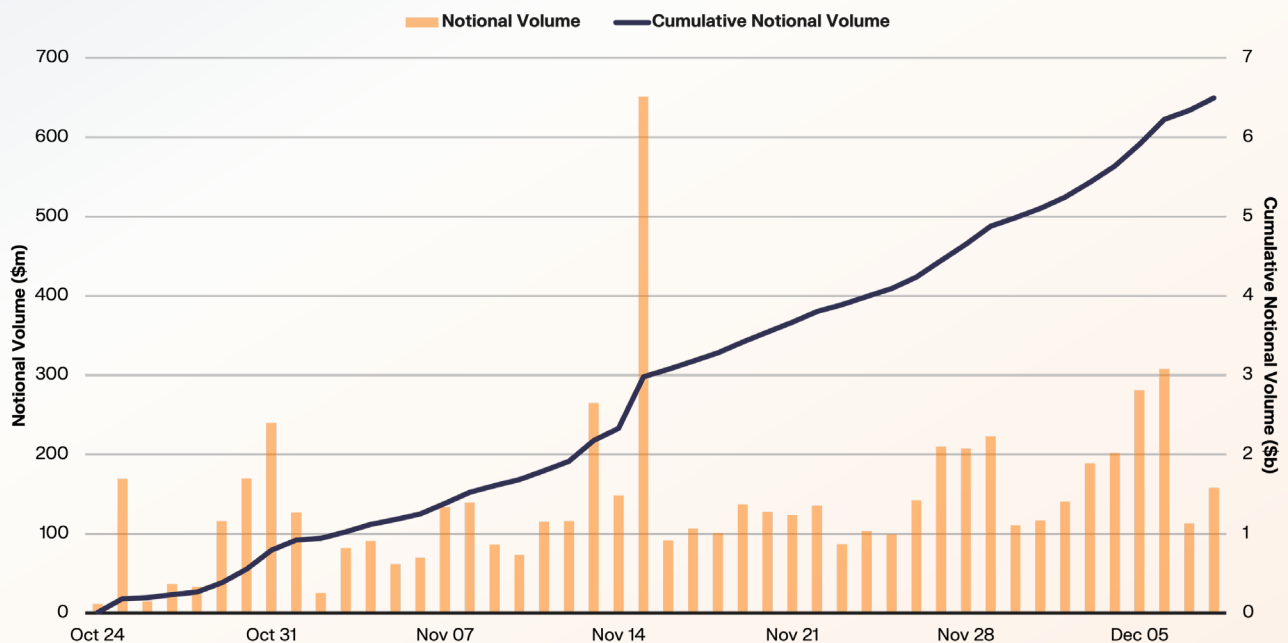
1.2.6 Opinion

Beyond entertainment, culture, and short-term crypto markets, another prediction market frontier is emerging around macroeconomic data itself. Rather than predicting sentiment or minute-level price ticks, this category turns core economic indicators into standardized onchain assets. **Opinion** is the leading example of this macro-focused approach.

Built on BNB Chain and backed by YZi Labs, Opinion introduces a high-performance, fully onchain prediction exchange centered on macroeconomic data, policy decisions, and real-time events. **It aims to turn economic indicators**, like inflation, interest rates, or employment figures, **into standardized, tradable assets**. Rather than speculating through indirect proxies such as gold or crypto, traders can directly express and monetize their views on upcoming CPI releases, FOMC decisions, or GDP growth outcomes.

At its core lies the **Opinion Stack**, a four-layer infrastructure combining the Opinion.Trade exchange, Opinion AI (a **decentralized multi-agent oracle for resolving complex, unstructured data**), the Opinion Metapool for unified cross-market liquidity, and the Opinion Protocol, a universal token standard for interoperability. This architecture enables continuous, trust-minimized resolution of markets and composability with DeFi protocols, allowing prediction tokens to serve as collateral or inputs for automated strategies. Opinion's activity accelerated rapidly from late October 2025, surpassing **\$6.4 billion** in cumulative notional volume by early December and **recording multiple daily peaks above \$200 million**.

Opinion Notional Volume



Source: @Dune, @datadashboards

Summary

Prediction Market Platforms				
Platform	Infrastructure	Market Creation	Liquidity Model	Market Resolution
Crypto.com	Centralized	Permissioned	CLOB	Centralized (official data)
Kalshi	Centralized	Permissioned	CLOB	Centralized (official data)
Limitless	Base	Permissionless	Onchain AMM + Hybrid CLOB	Pyth Network
Myriad	Abstract, Linea, BNB Chain	Permissionless	Onchain AMM	EigenCloud
Opinion	BNB Chain	Permissionless	Onchain CLOB (with unified Metapool)	Opinion AI (AI Oracle)
Polymarket	Polygon	Permissioned	Hybrid CLOB (offchain matching, onchain settlement)	UMA + Chainlink

Source: Keyrock, @Dune

2

Prediction Markets in Numbers

- Since early 2024, monthly notional volume has grown from under **\$100 million to over \$13 billion**, a **130x increase** that places prediction markets among the fastest-scaling sectors in the world.
- Since early 2024, prediction markets have seen explosive growth not only in volume but also in **breadth of participation**, with **transactions** surging from 240,000 to over 43 million (180x) and **monthly active users** rising from 4,000 to 612,000 (150x).
- In 2025, **Kalshi** remained sports-driven by volume (~85%), while **Polymarket** was diversified, with sports (39%), politics (34%), and crypto (18%) driving 90%+ of its volume.
- YTD growth between Kalshi and Polymarket is being driven decisively by non-sports categories across both **volume** and **open interest**. By volume, **Economics** is up 905% to \$112m and **Tech & Science** is up 1,637% to \$123m, while open interest expansion is led by **Economics** (7x to ~\$800m) and **Social & Culture** (6x to ~\$700m).
- Prediction markets are **the most accurate forecasting systems available**, with Brier scores near **0.09**, far outperforming polls, experts, and even weather models. Both Kalshi and Polymarket deliver strong predictive performance, but **Kalshi's standardized, regulated contracts produce tighter error distributions**, while Polymarket's broader market design introduces higher variance across outcomes.

Prediction Markets in Numbers

Regardless of differences in architecture and design across platforms, prediction markets are increasingly shaping the nature of **institutional trading and media**. Before examining those effects, we first analyze the **current landscape** through platform-level data and cross-category performance. And as with any medium that shapes public understanding, assessing their **accuracy becomes essential to understanding their credibility**.

2.1

Volume

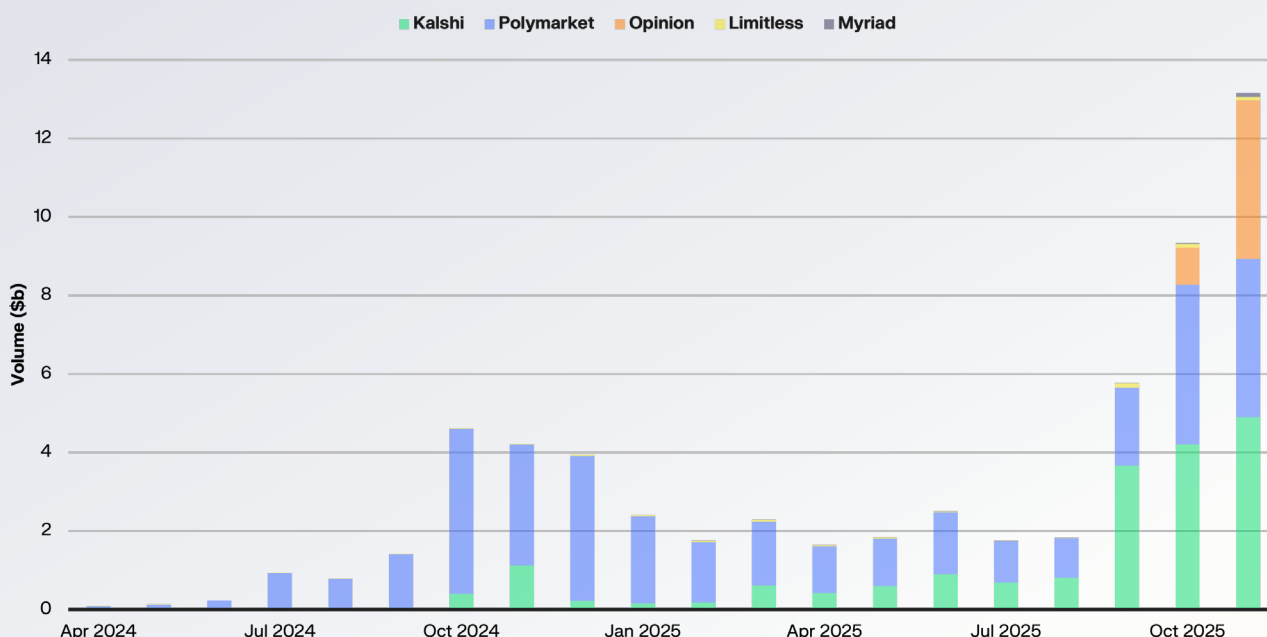
Prediction markets entered the global mainstream spotlight in the fall of 2024, as Kalshi and Polymarket captured global attention ahead of the **U.S. presidential election where they captured over \$4.5 billion volume across markets in October 2024, with Polymarket accounting for 93% of it**. Once the 2024 U.S. election finished, monthly trading on prediction markets cooled to about \$1.5-2 billion in the subsequent months. The speculative and hedging flows that had driven peak volumes receded, leaving the sector in a cautious wait and see phase.

By mid-2025, prediction markets were being pushed across far more **distribution channels**, covered more frequently by **mainstream outlets**, and offered a wider range of **categories and event types**, all while regulatory conditions were becoming increasingly favourable. The result was a steadier, more diversified flow of trading across the entire ecosystem, especially as newer entrants like Opinion added meaningful volume.

Institutional confidence grew as Polymarket and Kalshi secured major funding and distribution deals, with Intercontinental Exchange (ICE) pledging up to \$2 billion at a \$8 billion valuation for Polymarket, and Kalshi raising \$1 billion at a \$11 billion amid international expansion to 140+ countries.

We use notional volume as the primary cross-platform metric as it's the only consistently available measure across all projects in scope. Notional volume is also the metric reported by both Kalshi and Polymarket on their websites. Notional volume, or shares volume, refers to the total dollar value of outcome shares traded, calculated as price x quantity for each trade.

Prediction Market Monthly Notional Volume



Source: Keyrock, @Dune, @datadashboards

Partnerships with Google Finance, CNN, CNBC, UFC, Yahoo, Robinhood, NHL, and others extended their reach beyond retail trading circles into mainstream finance and entertainment. Monthly notional volume across major platforms surged from less than \$100 million at the start of 2024 to over **\$13 billion** in November 2025, a staggering **130x** increase in less than two years. This trajectory places Kalshi and Polymarket firmly among the fastest-growing financial-technology companies in the U.S.

"One of the biggest opportunities is the distribution angle. Polymarket's partnerships with Google and Yahoo Finance are a major milestone because they put real-time market probabilities directly in front of millions of everyday users who have never interacted with prediction markets before. When election odds or event probabilities appear alongside traditional financial data, prediction markets start becoming a core part of how people understand what's happening in the world. That unlocks entirely new demographics"

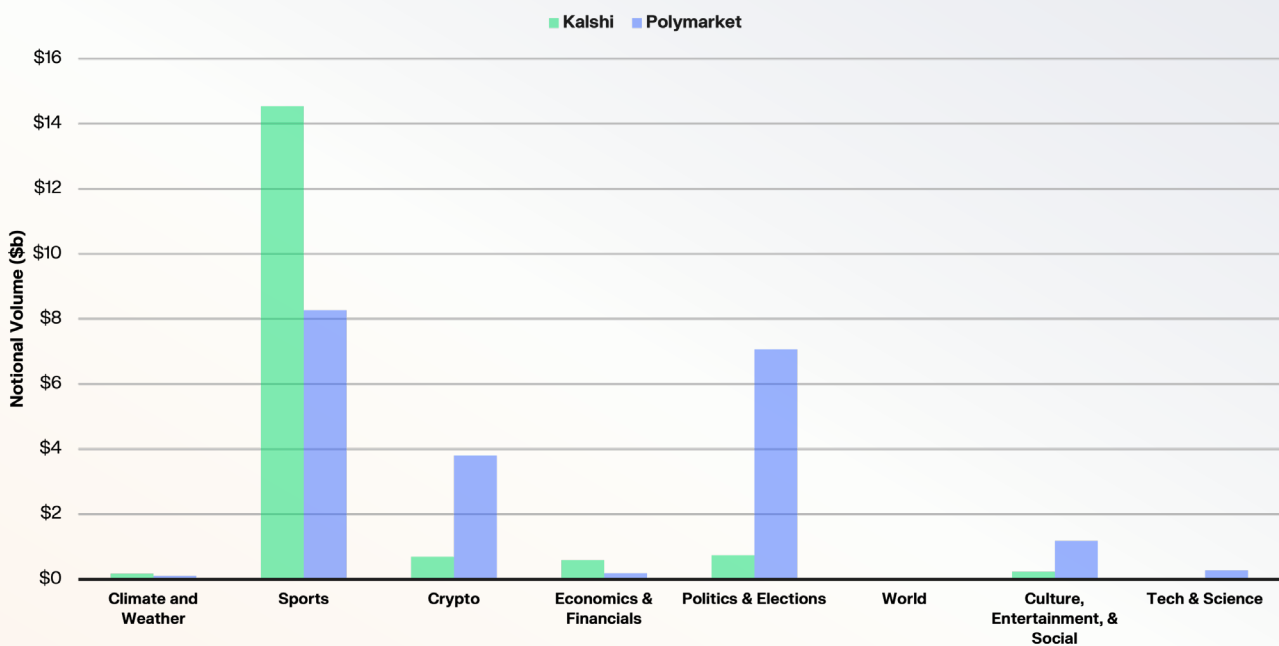
— Lee Poettcker, Product Manager, UMA

Today there is effectively no **off-season** in prediction markets. The mix of popular topics has evolved dramatically over time on both platforms. Since January 2025, prediction markets have generated **over \$44 billion** in total notional volume across major platforms in eleven months, **with Polymarket accounting for roughly \$21.5 billion and Kalshi \$17.1 billion.**

In 2025, on average, sports accounted for about **85% of Kalshi’s notional volume**, while crypto, economics, and politics each represented a smaller 3–4% share. **Polymarket**, by contrast, is more evenly distributed, with **sports (39%), politics (34%), and crypto (18%)** together driving more than 90% of its notional volume activity.

Kalshi and Polymarket

Category Breakdown of 2025 Notional Volume

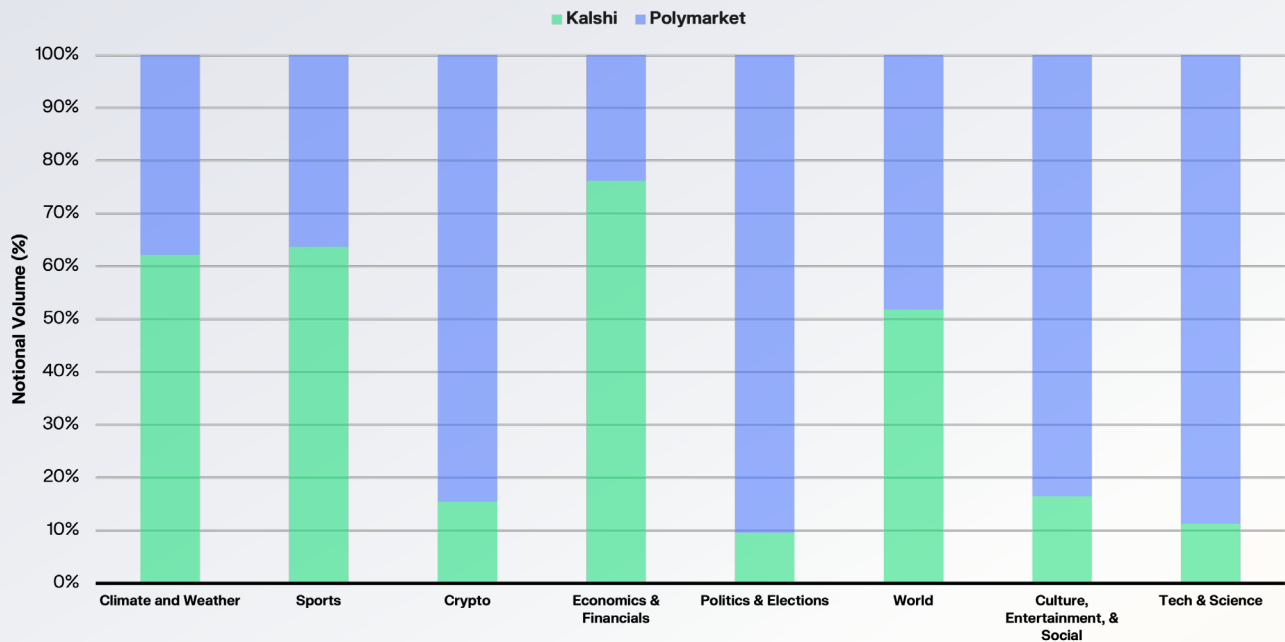


Source: Keyrock, @Dune, @datadashboards

The difference in volumes reflects **where and how each platform built its initial audience and infrastructure.** Kalshi’s status as a U.S.-regulated exchange under the CFTC made it possible to reach American users and attract retail sports fans. By contrast, Polymarket spent years with U.S. access barred or limited, positioning itself as a **crypto-native prediction market** that favors users who value **onchain anonymity** and are interested in politics.

Kalshi and Polymarket

Category Share of 2025 Notional Volume



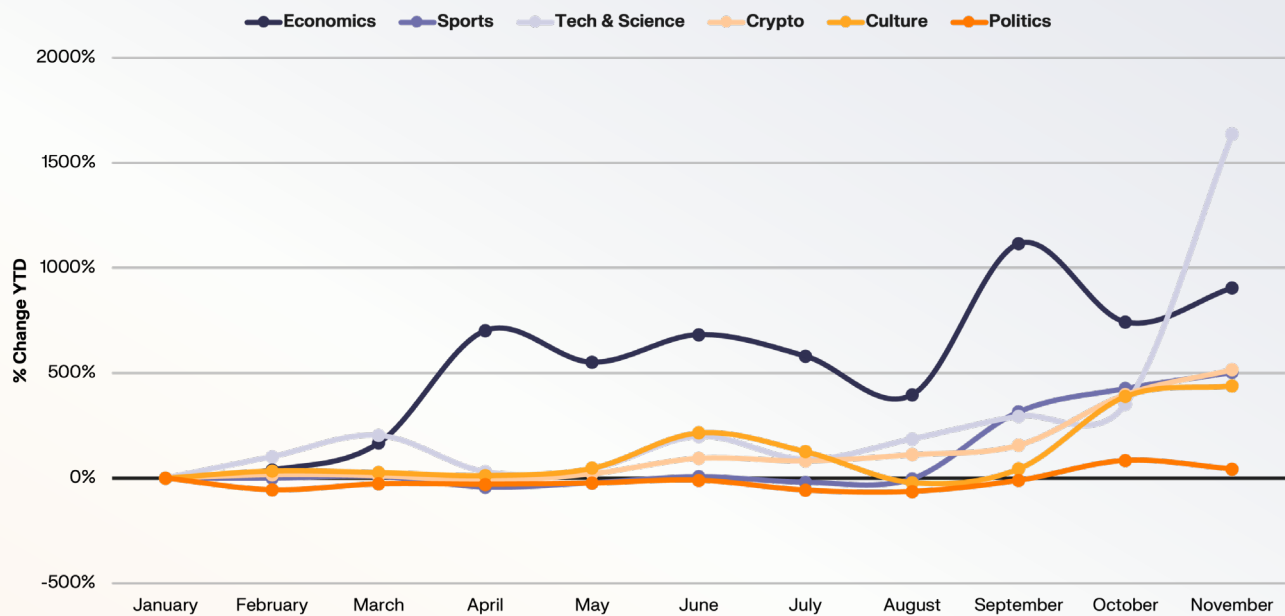
Source: Keyrock, @Dune, @datadashboards

Since January 2025, **combined monthly notional volumes** across Kalshi and Polymarket have also accelerated. The **economics** category has grown **905% to \$112 million**, while the **Tech & Science** categories have risen **1637% to \$123 million**, making them the **fastest-rising categories in notional volume**. Prediction markets are now being used for hedging macroeconomic risks and gaining direct exposure to indicators such as inflation and GDP revisions.

By contrast, the **politics** category, while still dominant at around \$1.2 billion, is up 43% in notional volume YTD. Its slower growth is partly a base-effect story; politics has been the largest prediction-market category for years, so each incremental dollar naturally moves the percentage growth figure less. This aligns with research showing that political trading thrives during windows of uncertainty (primaries, referendums, or major elections) before tapering off in quieter periods. The data suggest **politics** will remain a cyclical driver.

Kalshi and Polymarket

Aggregate Category Notional Volume Growth, 2025



Source: Keyrock, @Dune, @datadashboards

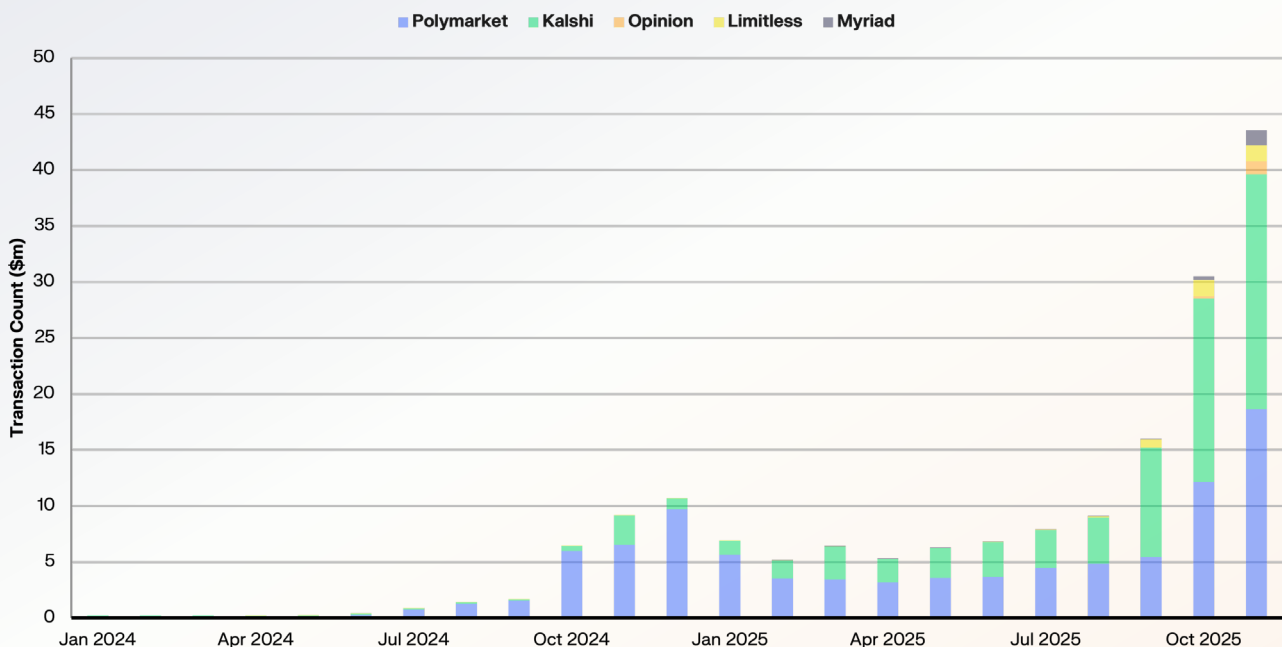
2.2

Transactions & Unique Users

Prediction markets have not only grown in value but also in trading intensity, with total **transactions surging** from about 240,000 at the start of 2024 to more than 43 million in November 2025, a 180x increase.

Since January 2024 to November 2025, **Polymarket** has processed **95 million total trades (roughly 54% of cumulative trades)** and has grown from roughly **45,000 monthly trades to about 19 million (a 421x increase)**, with major spikes during the 2024 U.S. election and again in October 2025.

Prediction Market Transactions



Source: @Dune, @datadashboards

Kalshi has followed a similar trajectory and recorded **74 million total trades (roughly 42% of cumulative trades)**, and has risen from **196,000 monthly trades to about 21 million (a 106x increase)**, with dramatic bursts of activity during the election season in late 2024 and another breakout in September 2025, when it overtook Polymarket.

Among newer entrants, **Limitless** scaled from double-digit monthly trades in early 2024 to nearly 1.5 million in November. **MYRIAD** quickly scaled to 1.3 million monthly trades, with its largest spike in October-November 2025, while **Opinion** has already recorded 1.1 million trades in just two months. Kalshi and Limitless account for a larger share of total transactions relative to their notional volumes, indicating a higher frequency of smaller trades, while Opinion shows the opposite pattern, with a much smaller number of transactions generating a high share of volume, suggesting fewer but substantially larger trades.

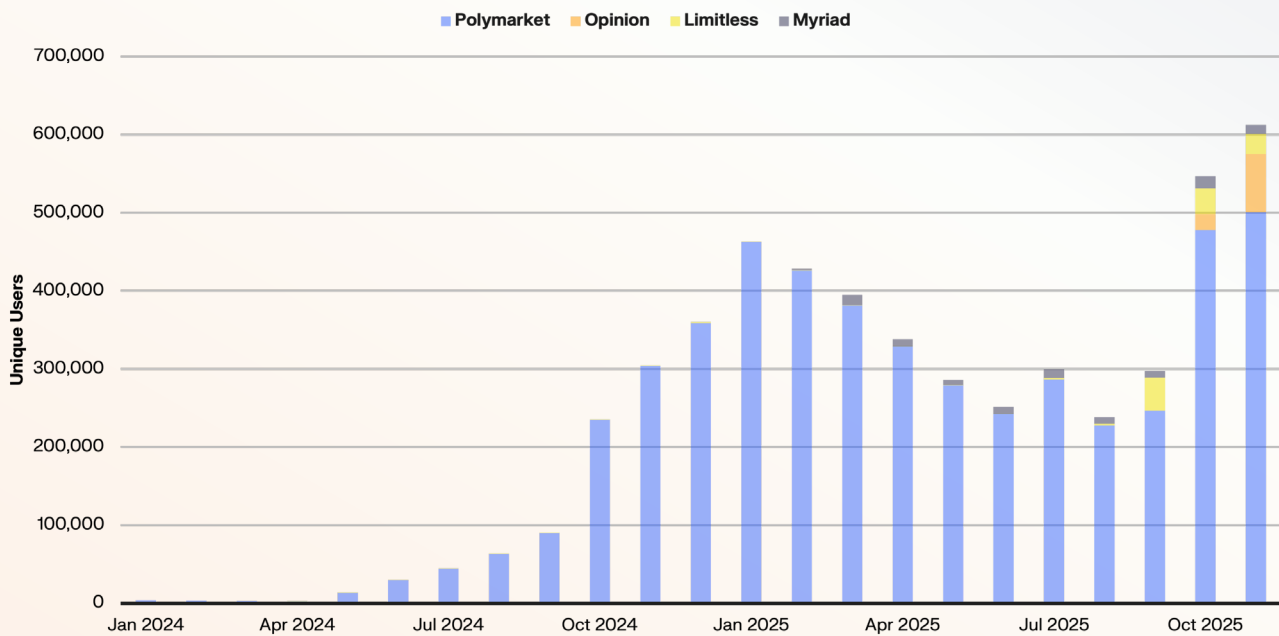
As transaction activity scaled across platforms, **unique users** show a parallel and equally rapid expansion in market participation. Of note, Kalshi data for unique users was not available. Since January 2024, Polymarket portrays the clearest long-term growth arc, rising from roughly **4–5k monthly users to more than 500,000** by November 2025. A transformation of more than 100x in less than two years. Polymarket’s user base is also notably sticky, a dynamic explored further in the ‘Retention’ section of this report.

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Among emerging players, **Limitless posted the sharpest rise**, scaling from double-digit users in early 2024 to more than 26,000 today. **MYRIAD** shows steady, durable growth as well, expanding from roughly 2,000 to over 11,000 users in nine months. **Opinion** entered the market with strong momentum, attracting more than 20,000 users in its launch month and surpassing 75,000 in its second, reflecting the BNB ecosystem’s deep retail distribution.

Taken together, these trends point to a **steadily widening onchain user base**, with new entrants accelerating adoption and signaling a more diverse and maturing market, even without including Kalshi’s user footprint.

Prediction Market Unique Users



Source: @Dune, @datadashboards

2.3

Open Interest

Judging prediction markets on volume, transactions, and unique users is only part of the story. **Open interest** gives a clearer view of sustained engagement because it shows **how much capital remains committed to a market, not just how much or frequently traders buy and sell**. We view open interest as one of the strongest indicators that prediction markets function as true exchanges, enabling users to hedge or speculate much like any other financial instrument.

This also helps correct a common misunderstanding as **people often conflate prediction markets with gaming or sportsbooks when looking at volumes, but that framing misses the mark**. On any given day, more resting capital sits in major categories outside of sports, which makes the underlying user base look very different from what a sportsbook model would suggest.

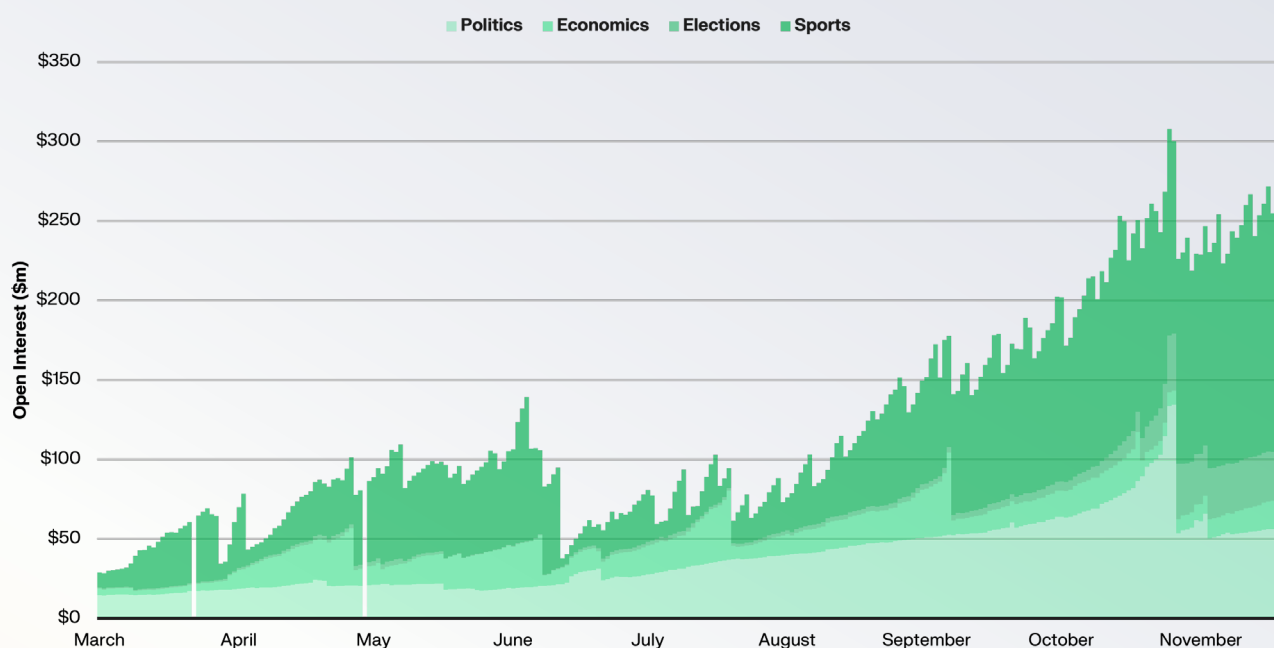
Volume is driven by what is **top of mind** and by **seasonality**. Sports naturally dominate daily flow because major leagues run games every day and create a steady stream of short-lived markets, whereas Kalshi's other major categories, like elections, economics, and politics move on slower, event-driven cycles that may only produce a few major moments each month. As institutional adoption takes hold, **Sports** will remain the **'flow engine,'** but **politics and economics** will become the **'capital engine'** of prediction markets.

As a result, sports traders tend to wager smaller amounts but do so more frequently, which naturally inflates volumes. Politics-focused traders participate less often but size their positions much larger when they do. **This dynamic shows up clearly in Kalshi where open interest in politics, elections, and economics (when combined) is on average more than 2.5x that of sports throughout 2025.** Therefore, far more capital is consistently committed to politics, elections, and economics than to sports.

"Education is critical. It's important for people to understand that prediction markets are not wagering or betting. Prediction markets offer tradable financial products with robust customer protections."

— Travis McGhee, Global Head of Predictions, Crypto.com

Kalshi Open Interest Across Major Categories Throughout Time



Source: Keyrock, @Dune, @datadashboards

On Polymarket, Politics, Crypto, and even Trump markets led Sports in open interest in 2025. Notably, Politics has led Sports in open interest every single day of 2025 and on average has outpaced sports by more than 400% on any given day. Thus, judging prediction markets through the lens of sports betting is inherently wrong.

For clarity, our open interest analysis focused only on the major categories for each platform. Total open interest across Kalshi and Polymarket is therefore higher in absolute terms, but these four core categories account for the overwhelming majority of open interest on both platforms.

Polymarket Open Interest Across Major Categories Throughout Time



Source: Keyrock, @Dune, @datadashboards

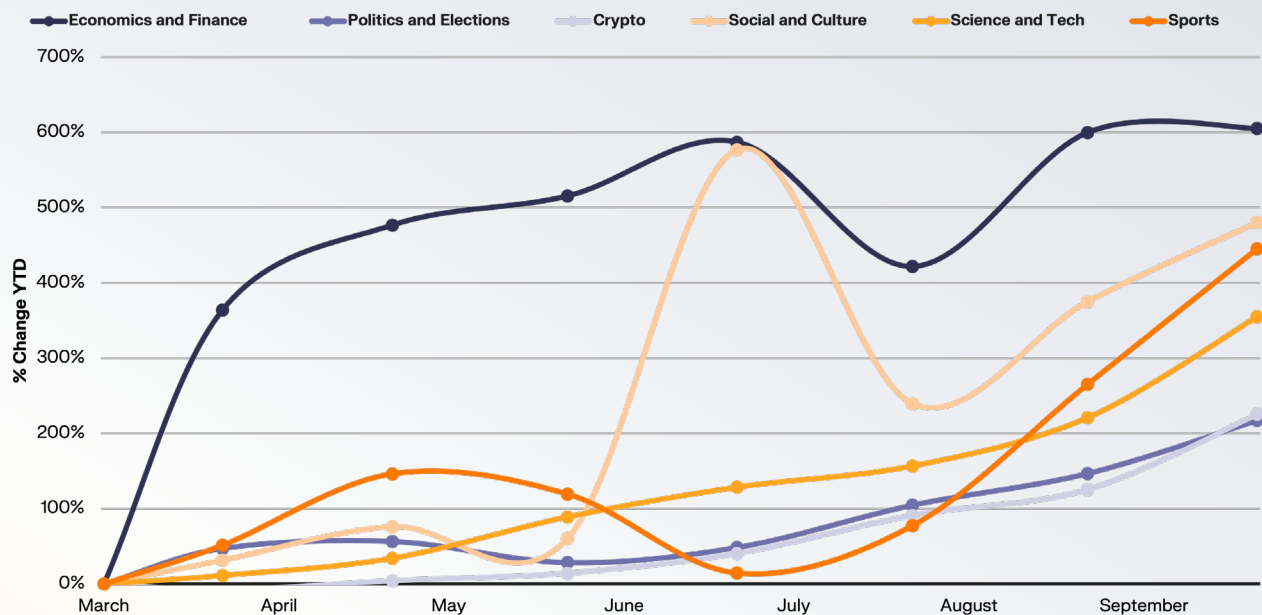
Since 2025, across major categories, combined monthly open interest between Kalshi and Polymarket has almost quadrupled from roughly \$3.3 billion to about \$13 billion. Politics and elections still anchor the stack at around \$5.7 billion (+217% YTD), but other segments have outpaced it in growth in 2025. Economics has increased more than 7x to roughly \$800 million, and social and tech markets now hold 6x (>\$700m) the capital they did at the start of 2025.

Social and Tech show potential to become major verticals as more contracts launch and mainstream platforms begin covering prediction-market outcomes. The expectation is that prediction markets will not remain siloed platforms but will spread into the broader media environment, eventually becoming embedded within news stories, social feeds, entertainment coverage and cultural commentary. It is also likely that **Politics and Economics will increasingly eclipse Sports** in the coming years, supported by rising institutional interest in taking exposure to, or hedging against, policy outcomes that directly influence the other markets they trade.

Instead of passively absorbing narratives, viewers will increasingly express their beliefs through markets, creating feedback loops where **probabilities influence public discussion and public discussion in turn influences probabilities**. In this way, prediction markets are evolving into a **participatory medium** for interpreting and responding to events across **culture and finance**. This integration into media, financial and non-financial, will be one of the most significant drivers of adoption in the coming years.

Kalshi and Polymarket

Aggregate Category Open Interest Growth, 2025



Source: Keyrock, @Dune, @datadashboards
 Kalshi OI shown from March 2025 onward; earlier data unavailable

2.4

Accuracy

As with any medium that shapes public understanding, **accuracy underpins credibility**. The reliability of market probabilities determines the trust prediction markets command, especially in today's fractured information landscape. We believe prediction markets will increasingly fill the **trust deficit** left by traditional media.

Trust in mainstream news media is at a historic low. In the U.S., just 31 % of adults say they have a **"great deal" or "fair amount"** of confidence in the news media to report fully, accurately and fairly. Globally, only around **40%** of people say they trust most news most of the time, and in the UK confidence in press confidence has fallen to **13%**. Meanwhile nearly 6 in 10 people say they worry about whether what they read online is **real or fake**. These numbers suggest that outlets once viewed as gatekeepers of public truth are now operating in a trust-deficit environment.

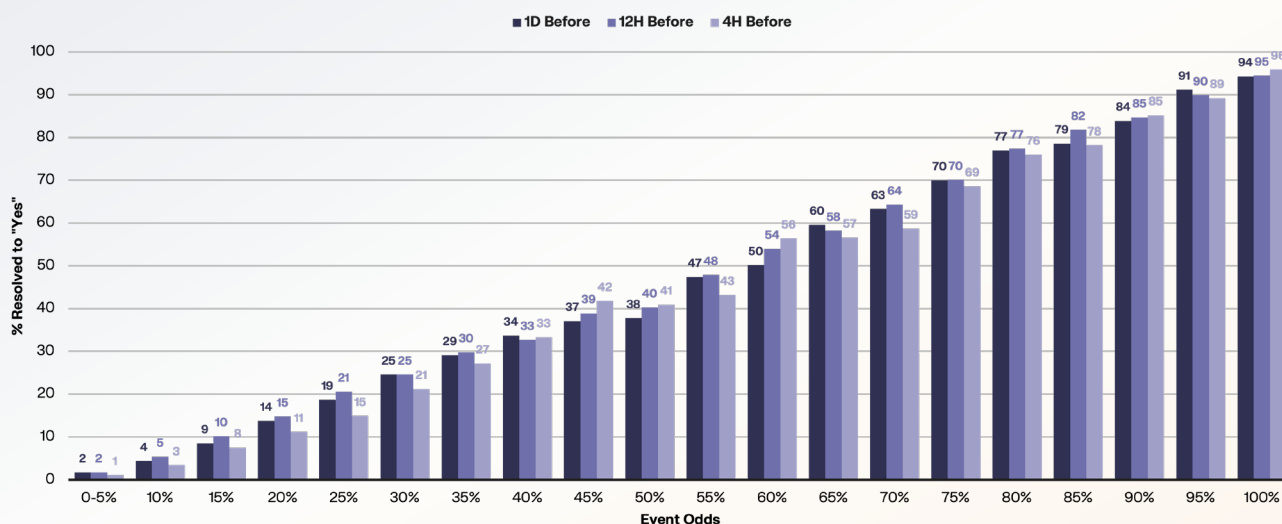
In this vacuum of trust, prediction markets offer a system **where truth is better discovered and traded**. With real incentives to be right and penalties for being wrong, accuracy becomes self-enforcing as probabilities reflect the weight of collective belief rather than editorial judgment. This dynamic is one reason **major news networks will eventually integrate prediction market data into their coverage**, as seen in the recent partnerships between Kalshi and outlets such as **CNN and CNBC**. Failing to do so risks falling behind outlets that build their reporting around live, market-driven expectations. Media outlets that fail to integrate market probabilities will lose informational credibility over time.

The same logic applies beyond news, as accuracy is the foundation of financial markets, and prediction markets introduce a transparent way to test forecasts against real outcomes. Every contract creates a measurable track record, and the data shows how quickly collective belief tends to converge toward truth.

Polymarket's predictive accuracy has become a widely referenced benchmark. Alex McCullough's analysis helped surface this signal, and his framework was later integrated into Polymarket's official product [interface](#). Across thousands of resolved markets, McCullough's findings show that **Polymarket forecasts consistently outperform traditional polls**. Accuracy rates hover between 90% and 95%, with markets correctly pricing outcomes 90.4% one month out, dipping slightly to 88.5% one day before resolution, then improving again to 94.1% within the last four hours before close.

It's important to notice that time **before resolution matters differently across market types**. Further analysis could normalize accuracy by the percentage of total market duration elapsed, offering a more consistent, cross-category measure of how quickly prediction markets converge toward truth.

Percent of Events Resolved to Yes in 5% Buckets



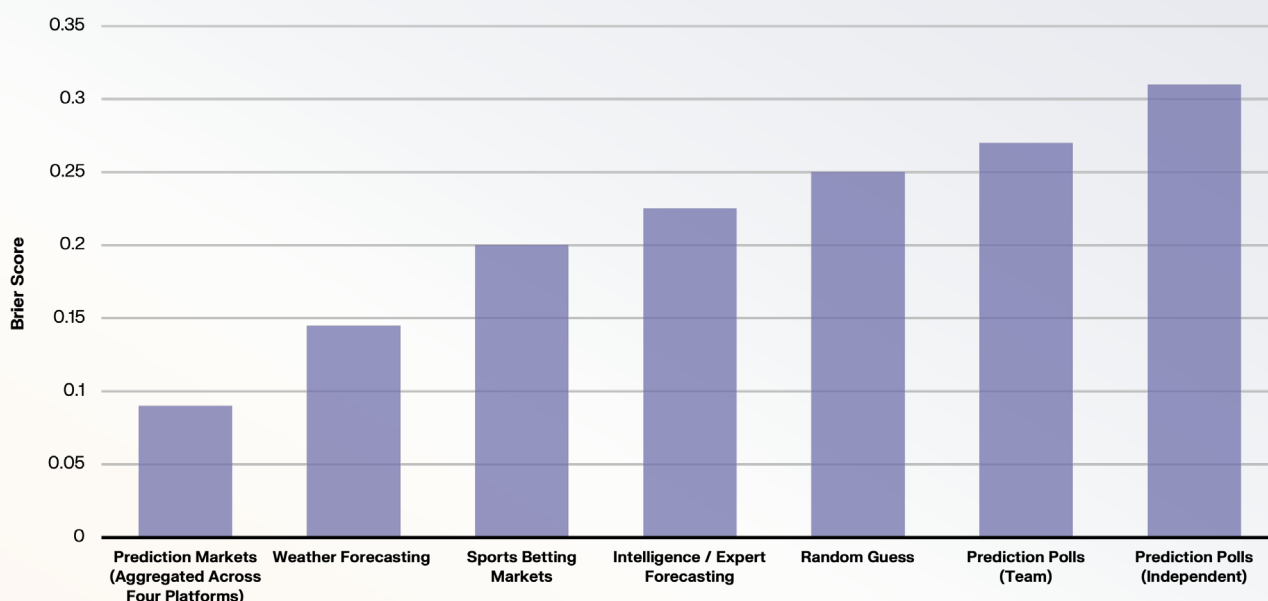
Source: Alex McCullough

This convergence shows how collective information, when properly aggregated, can produce accurate forecasts before outcomes are known. While any single trader may be wrong, the crowd's **combined demand** and real stakes help prices reflect the most likely outcome, often anticipating real-world results weeks in advance.

However, measuring prediction markets solely by "accuracy," that is, how often the leading outcome ends up being correct, **oversimplifies their performance**. For instance, if a market prices an event at 90c (90% probability) and it resolves to \$1 (100%), accuracy alone would count it as fully correct, even though the market assigned a small 10 percent chance of being wrong. Similarly, a market priced at 51 cents that happens to resolve to one dollar would be scored the same, despite reflecting much higher uncertainty.

This is where the Brier score provides a more rigorous assessment. It measures not just whether a prediction was correct, but how correct (or incorrect) it was. It penalises confident but wrong forecasts more heavily than timid forecasts, and vice-versa. While accuracy treats all outcomes as simply right or wrong, the Brier score measures the distance between a market's implied probability and the actual result, rewarding forecasts that are proportionate to their confidence and penalizing both overconfidence and underconfidence.

Forecasting Accuracy by Method (Lower Brier = Higher Accuracy)



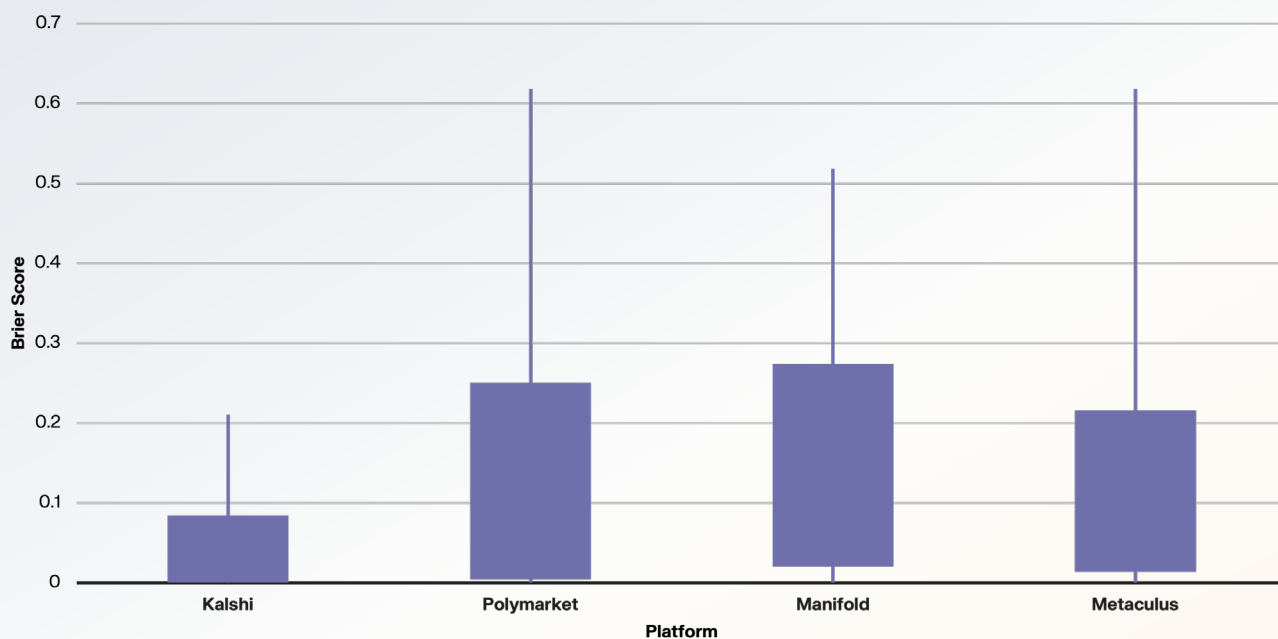
Source: Keyrock, Brier.fyi

Lower Brier scores indicate stronger calibration, meaning the market's probabilities consistently align with real-world frequencies and offer a more reliable measure of predictive quality. A perfectly random 50–50 forecast would yield a score of 0.25, so any result below that threshold reflects genuine predictive skill. For context, sports betting markets typically achieve Brier scores in the range of 0.18 to 0.22, intelligence and expert forecasters achieve 0.20–0.25, weather forecasting (probability of precipitation) averages 0.14–0.15, while prediction polls average around 0.27 for team forecasts and 0.31 for independent polls.

Prediction markets, by comparison, exhibit far stronger calibration. Large-scale analyses across thousands of resolved contracts across different prediction markets (Kalshi, Manifold, Metaculus, and Polymarket) shows a Brier score of roughly 0.09.

Prediction market accuracy becomes even clearer when comparing distribution ranges across Polymarket and Kalshi. While both maintain low error rates, Kalshi's distribution is tighter, with most markets falling well below 0.10 while Polymarket's broader range reflects its wider diversity of speculative markets that introduce greater variance in forecast accuracy.

Distribution of Brier Score by Market

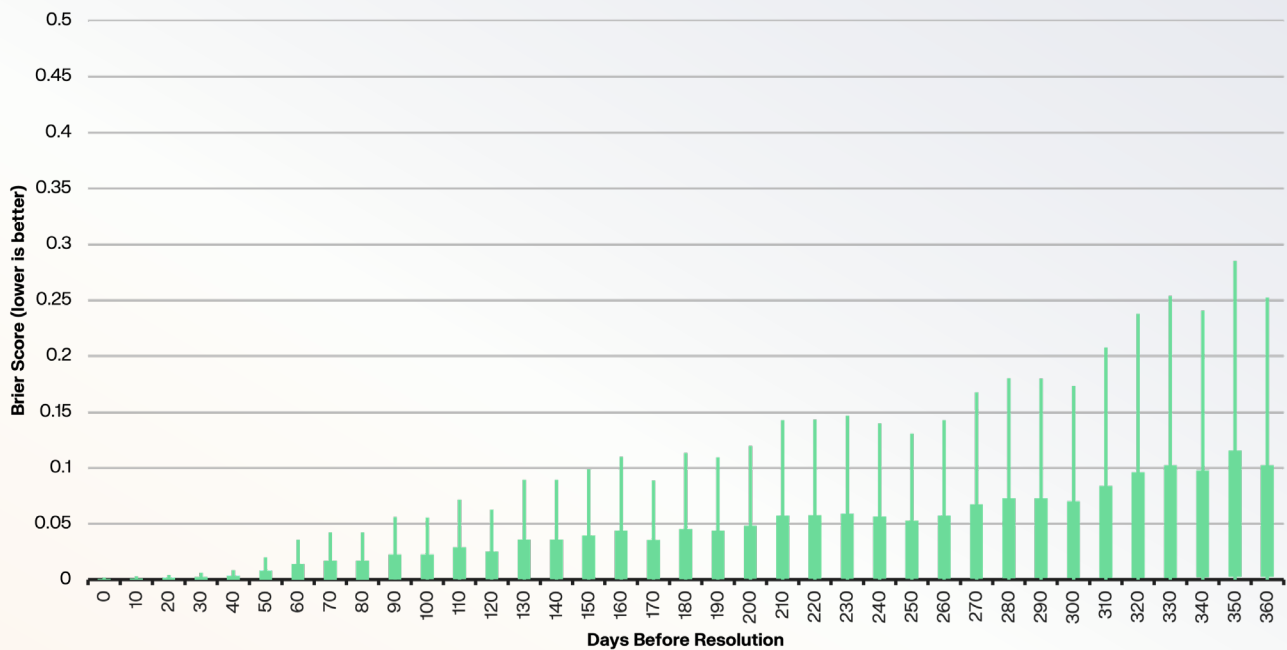


Source: Brier.fyi

Kalshi's forecasting error remains negligible in the final days before resolution, with Brier scores near zero as uncertainty collapses. Even months out, error levels stay exceptionally low, and the gradual rise at longer horizons naturally reflects the uncertainty of distant events.

Remarkably, even 200 days before resolution, Kalshi's forecasts remain more accurate than traditional predictors such as expert surveys, weather models, and sports betting markets. This consistency over time highlights how prediction markets sustain genuine predictive skill long before outcomes are known, translating the flow of information into probabilities that sharpen as reality approaches.

Kalshi's Accuracy by Days Before Resolution



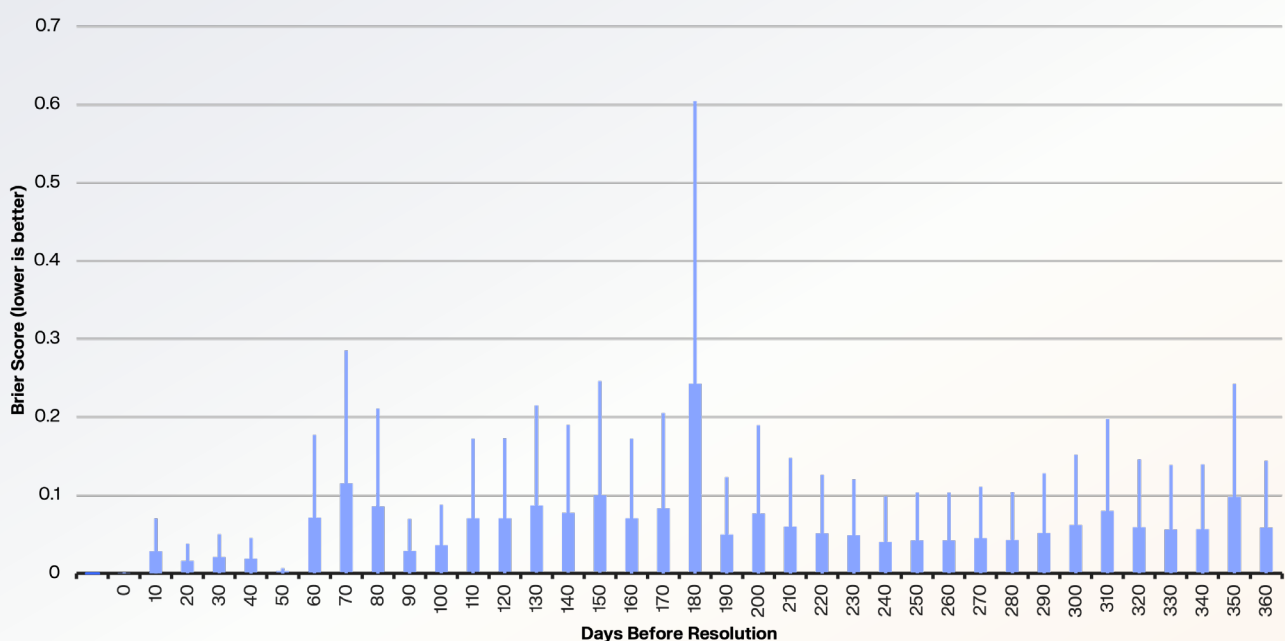
Source: Brier.fyi

Differences in forecast distributions between platforms reflects how their market **architecture influences predictive performance**. Kalshi operates within a standardized regulatory framework, where each contract must be certified with the CFTC and adhere to formal rules governing listing, expiration, and settlement.

Polymarket, by contrast, uses UMA's Optimistic Oracle, which enables user-created markets defined by their own resolution sources and event criteria and thus supporting a broader and more dynamic range of contracts. The result is an exchange that spans multiple markets across different niche categories that vary widely in liquidity, time horizon, and participant expertise. Trading activity also tends to surge around major political or macro events, which is one of Polymarket's largest categories, which introduces short-term volatility and uneven calibration across categories.

The wider distribution of Brier scores therefore reflects the flexibility and heterogeneity inherent in Polymarket's design, a system optimized for rapid market creation and collective interpretation of real-world events.

Polymarket's Accuracy by Days Before Resolution

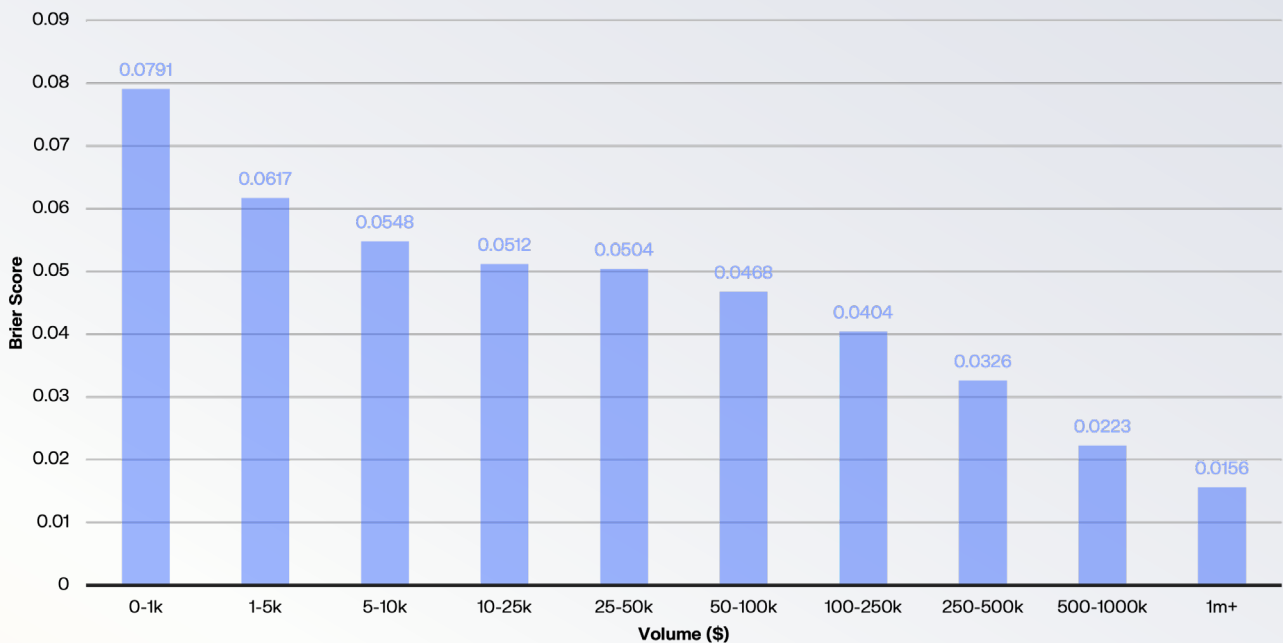


Source: Brier.fyi

Notably, markets with higher traded volume consistently show lower Brier scores, meaning that greater liquidity correlates with higher predictive accuracy.

Some view this as validation that markets function as “truth machines”, critics, however, caution that selection bias may inflate these results, as markets tend to form around high-salience events with abundant public information. Even so, the trend is clear that **when liquidity and attention converge, prediction markets are among the most accurate forecasting tools available.**

Polymarket's Brier Score Bucketed by Total Volume



Source: Alex McCullough, @Dune

"When I first built this dashboard I just had a really simple question: Are these markets actually predicting outcomes accurately? So the main study was very straightforward. I considered every market priced > \$0.50 to be predicting an outcome to happen (and vice versa), and then I measured those markets against what actually happened.

I think that is a good and pertinent question, but it's actually the rest of the charts where you get the real insights, particularly the bucketed chart with expected vs. actual outcomes. To me that chart is actually much more impressive than the 95.2% accuracy score, because it shows you that Polymarket is not just predicting outcomes, it is actually predicting the odds of events to happen.

At the moment I think the data has sufficiently answered the question that Polymarket is very accurate, but the next thing that I really want to answer is how it performs against other models"

— Alex McCullough, Customer Success Manager, Awaken Tax

2.5

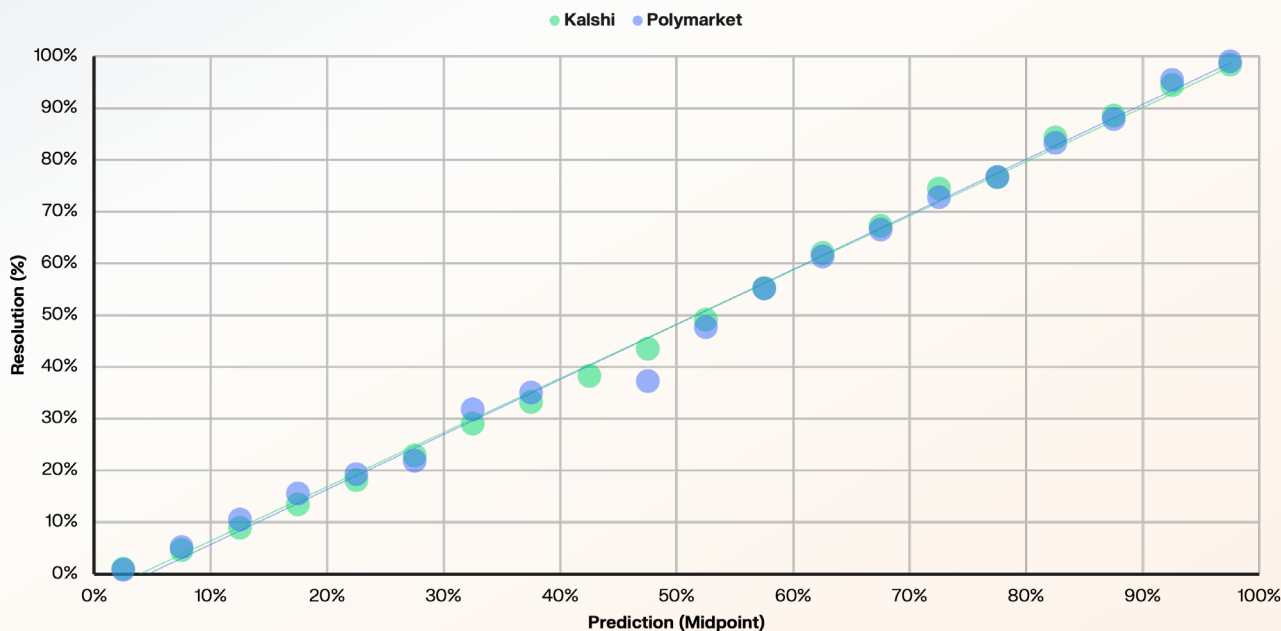
Calibration

While accuracy captures how often markets predict correctly, **calibration** provides a deeper measure of how well they predict. A perfectly calibrated market is one where forecasted probabilities match observed outcomes. **If an event is priced at 70%, it should, over time, occur roughly 70% of the time.** In other words, the collective confidence of traders aligns precisely with real-world frequencies.

Across more than 540,000 resolved markets, both Kalshi and Polymarket display remarkably strong calibration, with their average prediction values tracking closely to their average resolution outcomes. In a perfectly calibrated system, these points would align along a diagonal from bottom-left to top-right. The near adherence to that line here indicates minimal systemic bias or mispricing across platforms

The near-linear relationship between probability and realized frequency indicates that traders on both platforms are **not only directionally accurate but proportionally so**, assigning probabilities that meaningfully reflect true likelihoods. This alignment reinforces that prediction markets, even across distinct architectures, aggregate information efficiently and produce forecasts that remain statistically consistent with realized reality. It also reinforces **Kalshi and Polymarket as mature exchanges**, despite their early stage.

Calibration Plot



Source: Brier.fyi

As prediction markets mature, the next step-change in accuracy will come from cleaner contract design, objective resolution sources, and transparent oracle and governance standards. As resolution quality improves, Brier scores should tighten, widening the gap with traditional forecasting and pushing markets closer to their theoretical accuracy limit.

3

The Rise of Event-Level Hedging

- Prediction markets represent the **simplest derivative** format for both users and institutions. They replicate the core function of **options**, without greeks, margin, or volatility modeling, allowing traders to express probabilistic views directly through price.
- Prediction markets are the **first retail-accessible hedging instrument for private crypto and equity markets**, enabling investors to hedge pre-IPO and pre-TGE valuations directly across discrete outcome levels, rather than through correlated proxies or complex derivatives. As adoption deepens, they also have the potential to become the **default pricing engine for TGEs**, replacing guesswork and private-round anchors with transparent, market-driven expectations.
- Prediction markets now **mirror institutional pricing**, with probabilities increasingly co-moving with futures, options, and swaps, as shown by the **tight correlation** between CME FedWatch and Polymarket repricing around major macro releases.
- Prediction markets function as **leading indicators** for macro risk, repricing in real time and anticipating macro shifts before reactive models like the Cleveland FedNow, which is **4.3x** more volatile than Kalshi's inflation market.

The Rise of Event-Level Hedging

Prediction markets are positioned to become a cornerstone of modern financial markets, redefining how institutions, corporations, and retail discover, interpret, and act on information. Their growth extends across the financial spectrum, from institutional hedging and corporate forecasting to the changing nature of retail speculation. They will become a new category of institutional derivatives, sitting alongside rates, FX, and volatility products.

This section examines that transformation through three contexts: the institutional use of prediction markets to hedge event-level risk, the corporate use of markets for forecasting and decision-making, and the ongoing evolution of retail trading, where prediction markets mark a shift from entertainment-based wagering to information-based speculation.

For institutions and corporations, prediction markets behave like derivatives. They form a new layer of financial infrastructure, complementary to options and other financial instruments used to manage uncertainty. They respond to macro and micro data in real time, but unlike many traditional instruments, they allow direct exposure to specific events.

For institutions, this makes prediction markets **effective hedging mechanisms**, tools to manage risk rather than its financial aftershocks. For corporations, they act as **forecasting systems**, capturing collective expectations around future demand or macro trends and translating them into quantifiable signals for planning and strategy.

At the retail level, prediction markets **redirect speculation toward information itself**. The mechanics, placing positions, watching odds move, competing on insight, remain familiar, yet the purpose changes fundamentally.

3.1

Institutions

Financial institutions have developed sophisticated ways to manage most quantifiable risks, like interest rates, currencies, commodities, and credit, **but they still lack tools to directly hedge against the events that drive those variables.** Traders routinely try to price political, policy, and macro outcomes, from whether Brexit would pass, to who would win the U.S. elections, because such events determine everything from FX volatility to regulatory exposure.

During the 2016 British referendum, hedge funds hired private pollsters and made large foreign-exchange bets anticipating a **sharp drop in sterling**, while pension funds explored Brexit-related currency **hedges** as the pound fell after the vote. These were high-stakes indirect hedge, like buying options to hedge volatility spikes, shorting equity indices, or taking positions in Treasuries that would move if their expected event occurred. **Investors expressed views on Brexit's impact through imperfect proxies rather than by trading the event itself.** In our view, this is precisely why the next phase of institutional macro risk management will migrate toward direct event-linked hedging, not the proxy hedging that dominated the last decade.

The same pattern repeated in U.S. politics where macro hedge funds executed so-called "**Trump trades**" around the 2016 election, **positioning in USD, equities, and bonds based on anticipated policy shifts.** These are indirect, capital-intensive hedges accessible mainly to institutions. Not everyone can structure a custom swap to express a view on political risk. Contracts are standardized in size, require margin accounts, and demand specialized infrastructure and risk permissions. For institutions, **directly hedging policy outcomes in this way is cumbersome or out of reach.**

"We see institutional adoption of prediction markets emerging across three core use cases. First is proprietary trading. Prediction markets give prop traders and hedge funds infinitely more ways to trade on their views. While sports dominates today's volumes, these markets also span individual companies, financials, weather, and crypto, and participants can even propose new contracts for exchanges to self-certify. That breadth of topics and structures is highly attractive to firms risking their own capital.

Second is forecasting and market monitoring. With Kalshi now partnering with CNN and CNBC to integrate market data into articles and broadcasts, we expect prediction market signals to become increasingly embedded in media and financial workflows. Financial institutions can use these signals as real-time inputs into business decisions. For example, financial institutions may use market sentiment on an individual company's future performance as an input to credit decisions or analyst equity ratings.

Third is exposure hedging. While hedging has been a point of skepticism, especially in sports contracts, event markets outside of sports, particularly in politics, financials, and corporate outcomes, offer far more natural risk-management applications. A corporation may hedge its risks of corporate tax increases through election contracts, or a bondholder can hedge default risk through contracts tied to a company's future performance. Because event contracts are inherently flexible, these hedges can be precisely tailored to individual risk profiles."

— Duncan Hennes, Managing Director, KPMG

3.1.1 Prediction Markets as The New Options

Thus, prediction markets can act as **derivative instruments for both public and private assets, whether in traditional finance or in digital asset markets**. They offer the function of an option while avoiding its complexity. **Contracts offer fixed payouts and capped risk and do not require strike selection, margin, or any understanding of time decay**. A single Yes or No payoff makes speculation and hedging more accessible while preserving targeted exposure. A contract pays out if the underlying asset exceeds a defined threshold functions similarly to a call option, while a contract paying out if it fails to reach that threshold mirrors a put. A sequence of strikes across different thresholds creates a **discrete probability surface**.

At a theoretical level, these contracts are **binary contingent claims** whose prices map directly to the probability of an outcome. **Traditional derivatives depend on volatility assumptions, discounting models, path dependence, and embedded premia**. Prediction markets remove these requirements entirely. **There are no Greeks, no implied volatility surfaces, and no sensitivity to volatility dynamics**. Traders simply express probabilistic views through fixed payout contracts, allowing expectations to aggregate cleanly without the structural biases embedded in option models.

Prediction markets therefore represent the simplest and most expressive derivative formats for both users and institutions.

What Will Tesla (TSLA) hit in November 2025?	
\$615	1.00%
\$480	13.00%
\$375	55.00%
\$345	15.00%
\$308	4.00%

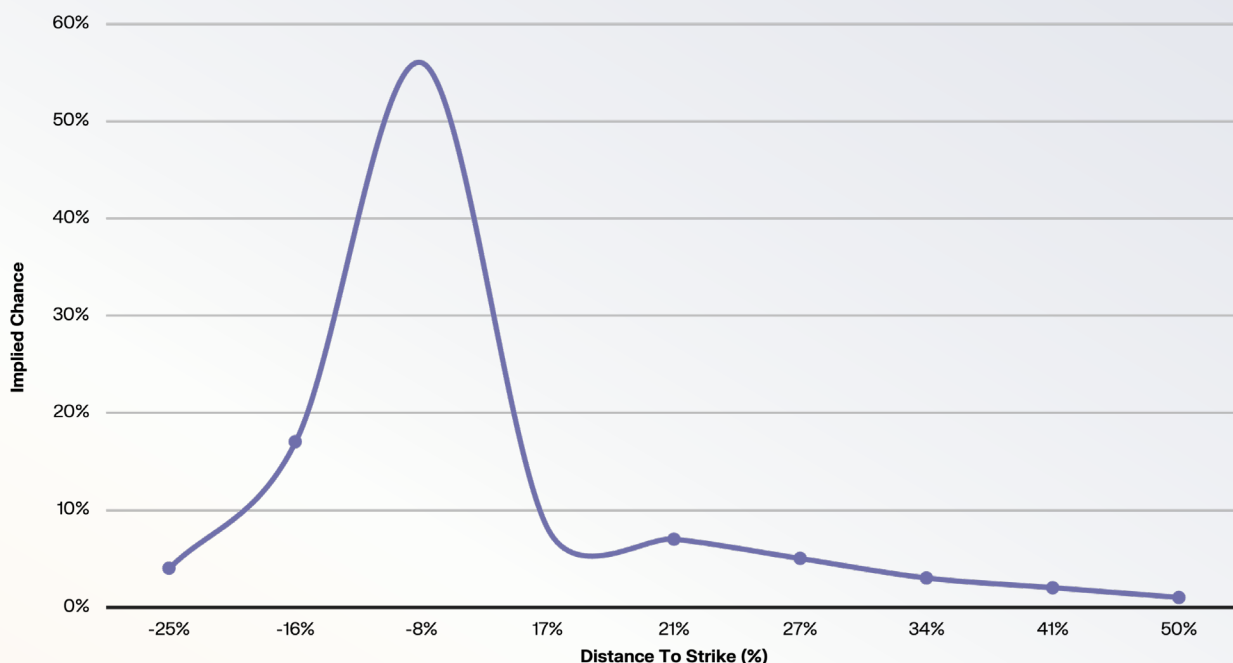
Source: Polymarket

In practice, these structures allow investors to hedge discrete events, such as earnings releases, guidance updates, or product announcements, **without being exposed to implied volatility crush**. Traditional options often **spike in premium** before such events and collapse immediately afterward, but prediction market contracts pay out based solely on whether the event outcome occurs, not the magnitude of the stock's move. This enables **precise hedging of event risk while allowing investors to express directional or binary views without the decay that erodes traditional derivatives**.

The chart below shows the relationship between **implied chance and distance to strike (%)** for TSLA. Each data point represents a prediction market contract at a specific strike price relative to the current stock price. **As the strike moves further above the current price (positive distance to strike), the implied chance of reaching that level decreases sharply**.

These structures show how prediction markets bridge the gap between traditional derivatives and event-driven speculation. They retain the expressive power of options while removing the layers of complexity associated with it, creating instruments that are theoretically clean and practically intuitive.

TSLA Prediction Market Probability Curve by Distance to Strike



Source: Keyrock

"Prediction markets will become a powerful force in finance because they enable pure speculation without the baggage of traditional derivatives. Unlike options, bonds, or stocks, which require underlying assets, corporate consent, and layers of oversight, prediction markets let anyone take a position directly on an outcome. No intermediaries, no premiums, no gatekeepers. Just clean, efficient, frictionless price discovery."

— Justin Riggs, CEO, Re-Loan

3.1.2 Hedging Pre-IPO and Pre-TGE

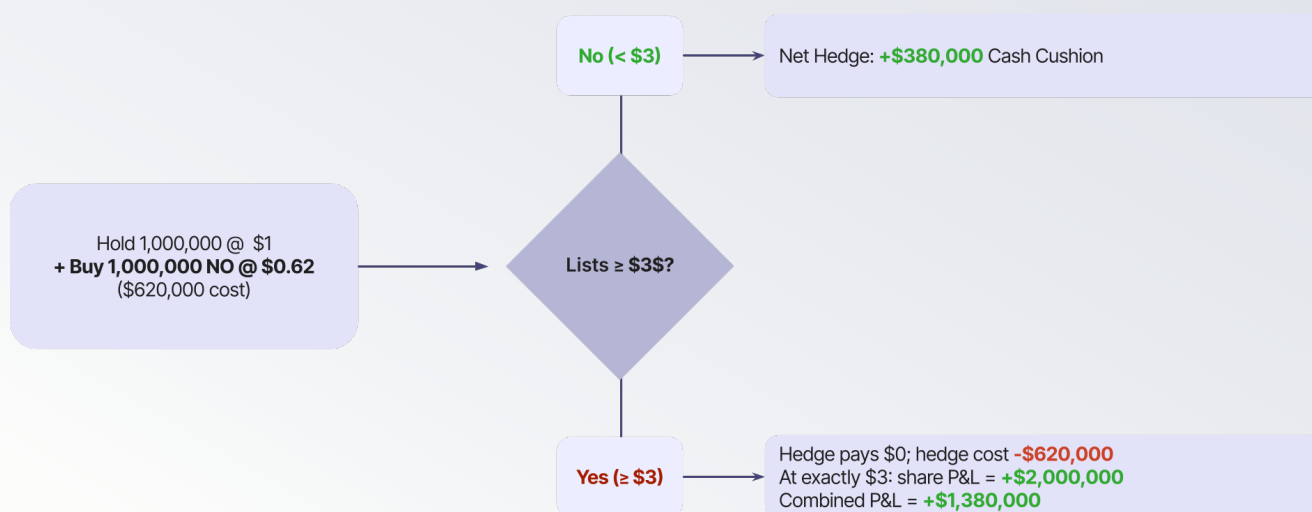
Because these contracts do not require holding the underlying asset, their use extends beyond public markets into private, early-stage, or otherwise illiquid assets, whether for equities (SpaceX, OpenAI, etc) or for digital assets (pre-TGE tokens). Investors can hedge, speculate, or price information in markets where traditional instruments are unavailable, providing opportunities to manage risk or gain exposure without taking ownership of the underlying security. PMs will become the **first scalable way for investors to hedge illiquid private-market risk**, something even traditional derivatives cannot touch.

An investor could purchase contracts tied to a startup achieving a specific funding milestone, hitting a product launch target, or reaching a defined valuation. Each contract represents a discrete outcome, allowing participants to express precise views on probability rather than taking an all-or-nothing bet. By selling or structuring contracts for these outcomes, sophisticated investors can effectively **offload risk to retail participants, who, in turn, gain exposure to events or assets they might not otherwise access**. This creates a two-sided benefit: the sophisticated investor hedges risk, while the broader market participates in pricing, speculation, and potential upside.

PMs represent the first “**retail-accessible hedging instrument**” for private valuations in equities and **crypto**, democratizing exposure that previously only secondary funds or structured dealers could access. For instance, a pre-TGE or pre-IPO investor holds **1,000,000 shares/tokens at \$1**. A market could say “lists at or above \$3 by Q4 2026,” and the investor buys **NO at \$0.62 for 1,000,000 contracts**.

- If the stock lists **below \$3**, each NO pays \$1, returning **\$1,000,000**; net of the **\$620,000** premium spent, the hedge delivers **\$380,000 cash**, offsetting valuation risk and creating a quasi-floor. In effect, a cash cushion and simple **insurance** payout across all sub-\$3 outcomes.
- If it lists **at/above \$3**, the hedge expires worthless (cost **\$620,000**), but the underlying gains (**≥\$3 per share**) more than cover the hedge. The same structure works using outcomes tied to FDV or token price at TGE + 30 days, and can be laddered across **\$2 / \$3 / \$5-style** strikes to shape the payoff.

Pre-IPO Hedge - Outcomes



Source: Keyrock

This structure enables highly tailored hedging. An investor can hold contracts across multiple valuation levels (i.e. \$20m, \$50m, \$100m), distributing risk across outcomes instead of making a single binary bet. Retail traders, by taking the other side, provide liquidity and refine these probabilities while accessing exposures that were previously impossible to trade. The result is a more transparent, scalable market where risk and information are shared across all participants.

Multi-strike markets also surface clear, real-time expectations. A distribution like 60% for \$50 million, 30% for \$75m, and 10% for \$100m gives founders and investors immediate guidance on pricing, fundraising targets, and strategy. By showing both upside and downside probabilities, these markets reduce the risk of mispricing new issuances, whether equity rounds or TGEs.

Ultimately, this framework allows participants to **hedge directly on discrete, known outcomes rather than relying on correlated proxies or imperfect substitutes**. By combining multiple strikes, granular probability assessments, and flexible allocation, investors can offload risk, capture market insight, and align their positions with the collective expectations of both professional and retail participants. This transforms previously illiquid or high-uncertainty events into tradable instruments while creating new opportunities for the broader market to gain structured exposure. Taken together, these hedging cases show the core unlock of prediction markets. They mirror **institutional pricing**, they let investors **hedge events directly** rather than through volatile proxies, and they update fast enough to act **as leading indicators**. Once markets behave this way, priced across strikes, tied to discrete outcomes, and sensitive to real-time information, they function as powerful financial instruments.

"One of the biggest untapped opportunities is in markets that do not have traditional futures contracts such as culture, attention, decision making, and collective behavior. These are areas where prediction markets can price things that no existing financial instrument captures. The surface area for innovation is far larger than people realize."

— Nass Diba, Co-Founder, Worm

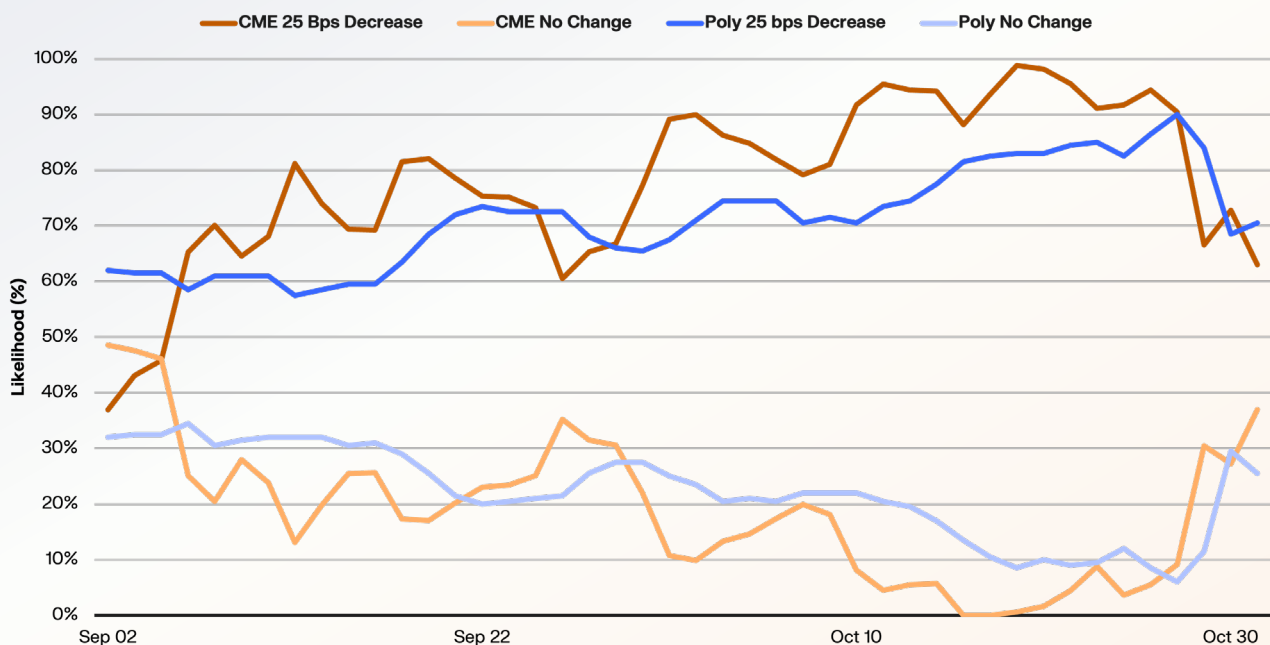
3.1.3 Prediction Markets Mirror Institutional Pricing

When you can hedge discrete outcomes, ladder strikes, extract probability curves, and trade illiquid events with precision, you're pricing. Prediction markets behave like **institutional financial instruments by mirroring institution pricing**. In essence, they have created a financial market for information itself, where the future is priced transparently rather than inferred indirectly. The clearest signal of institutional readiness is that PM pricing **increasingly co-moves with futures, options, and swaps**, indicating integration into macro expectations rather than speculative retail flow.

Markets like **CME's FedWatch Tool**, which translates trading in 30-Day Fed Funds Futures into probabilities of specific policy outcomes, already give investors a quantitative snapshot of how expectations evolve. These probabilities are a real-time reflection of institutional sentiment, derived from futures prices that imply where the Fed's target rate will land after each meeting.

Fed Decision in December 2025

CME Fedwatch vs. Polymarket



Source: Keyrock, CME Fedwatch, Polymarket

Polymarket's "Fed Decision in December 2025" probabilities with CME FedWatch expectations **shows how both reprice almost simultaneously around major macro releases**. This co-movement illustrates that prediction markets internalize the same information and policy risk as institutional derivatives.

3.1.4 Hedging The Event and Not Its Proxy

As mentioned prior, **prediction markets also isolate event risk that traditional markets can only express indirectly.** Defense stocks can surge on expectations of geopolitical conflict, but a prediction market can isolate that question entirely and let traders express their belief directly: “Will a major military escalation occur in X region this year?” By letting participants hedge against the specific outcome they care about, **prediction markets bridge information and exposure**, turning news itself into a tradable, hedgeable asset class. They will become the first clean hedging tool for macro catalysts like recessions, wars, or regulatory changes, something that even trillion-dollar derivatives markets cannot isolate today.

In traditional markets, hedging against a potential U.S. recession means trading its symptoms: higher volatility, weaker equities, wider credit spreads. Investors use instruments like the VIX to express those views indirectly, since no direct recession contract exists. **By contrast, prediction markets like Polymarket make that exposure explicit.** A trader who believes the probability of a 2025 recession is underpriced can buy that contract directly, creating a clean, event-linked hedge rather than relying on correlated proxies.

Where VIX lets you hedge the volatility caused by a recession, prediction markets let you hedge the recession itself. Where volatility indices track the symptoms of uncertainty, PMs express the beliefs that drive it. Institutions could integrate these event-level probabilities as forward indicators of macro stress, and hedge based on their beliefs.

“Event contracts function just like traditional hedging tools used for commodities, rates, or equity volatility, but with direct exposure rather than indirect proxies. With event contracts you also get the benefit of all trading occurring on a CFTC regulated exchange with a central limit order book. As prediction markets gain a foothold in mainstream digital engagement, we see significant growth ahead across both retail and institutional users, and the potential to connect real-world events through what could become a trillion-dollar industry.”

— Travis McGhee, Global Head of Predictions, Crypto.com

VIX vs. US Recession in 2025 Event



Source: Keyrock, Polymarket

"Years ago, during Ethereum's internal debate about changing its consensus algorithm, we explored a conditional trade that would only execute if the network adopted ProgPoW. As a large ETH holder, we were directly exposed to the governance risk, so this structure would have allowed us to hedge the potential downside to ETH's value while signaling our opposition to the proposal. We never implemented that particular trade, but the thought experiment shows how prediction-based hedging could work in practice."

— Stefan George, Co-Founder, Gnosis

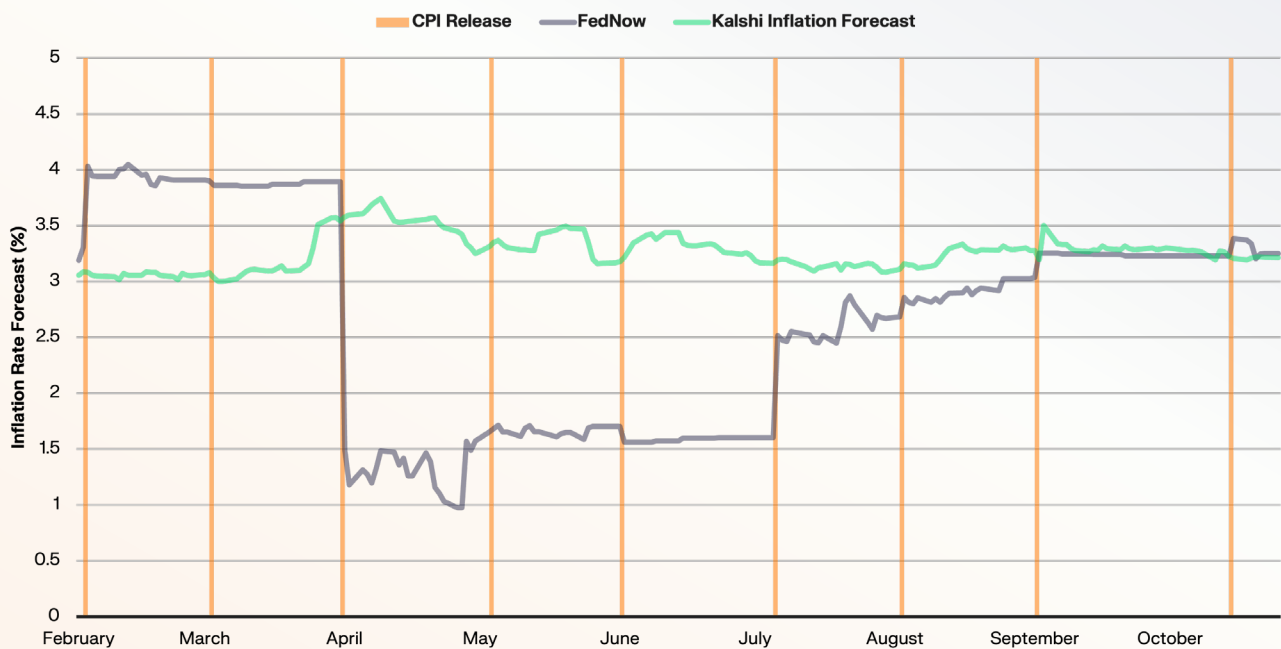
3.1.5 Prediction Markets as Leading Indicators

Institutions could also integrate these event-level probabilities as forward indicators of macro stress. Prediction markets provide a high-frequency, forward-looking signal to hedge or express macro views, often outperforming econometric models in speed and sensitivity.

Thus, they give a time advantage to reposition or hedge. Their core unlock lies in how they transform forecasting into risk pricing. **The better one understands what might happen next, the easier it becomes to put a fair price on it, act decisively, and shift or hedge that exposure before it impacts you.**

Kalshi's "Inflation in 2025" market, for example, shows clear leading-indicator behavior relative to the Cleveland Fed's Inflation Nowcast. While FedNow updates daily, its adjustments are reactive, occurring only when new official inputs, such as CPI, PPI, or energy price data, are released. According to the Cleveland Fed, their models' estimates "can only change when we get new data on either the CPI or the PCE price index." By contrast, Kalshi's market reprices continuously, reflecting trader expectations in real time, often anticipating moves that the Nowcast later validates.

Kalshi vs. FedNow Inflation Forecast (2025)



Source: Keyrock, Kalshi, FedNow

Ahead of the April 10 CPI release, Kalshi's implied inflation forecast climbed from roughly 3.05% to 3.58%, signaling that traders were already positioning for firmer inflation. FedNow, by comparison, remained anchored near 3.9% until the data hit, then abruptly dropped to 1.5 % once the model absorbed the new inputs. The same dynamic appeared in July when Kalshi remained stabilized days before FedNow adjusted, showing that markets had already internalized the shift in inflation dynamics. In contrast to this smooth repricing, FedNow exhibits roughly 4.3x the volatility of Kalshi's inflation market.

This demonstrates how prediction markets synthesize dispersed information faster than backward-fitted models, making them valuable for institutional desks trading TIPS breakevens, inflation swaps, or front-end rates. Rather than a lagging statistical update, Kalshi represents a real-time consensus on future inflation, giving traders an informational edge to anticipate macro turns before they are captured in official forecasts.

"Prediction markets are already becoming a valuable data signal. Hedge funds monitor these markets to get ahead of sentiment shifts. The next frontier is hedging real-world event exposure directly through these markets, but that requires deeper liquidity and stronger market depth. As demand grows, it will naturally pull more liquidity in and make event hedging a mainstream institutional use case."

— Nass Diba, Co-Founder, Worm

3.2

Protocols and Corporations

For protocols and corporations, prediction markets can do two primary things. For protocols, **they create external markets that can price token valuations** and key milestones, giving investors and teams a forward-looking view of where the valuation is likely to land. For corporations, **they act as internal forecasting systems that turn collective expectations about future demand**, project success, or macro conditions into quantifiable signals for planning and strategy.

In crypto, a sharp pain point for the industry is **TGE pricing**. Token valuations are often anchored to private rounds, social sentiment, or OTC deals, then revealed in a single jump when the token lists. **There is no forward curve for FDV, no clean way for outsiders to express long-dated conviction, and no instrument for investors to hedge that first public print.** The next section shows how prediction markets can be structured to build a proper TGE valuation line.

Inside organizations, the failure mode looks different but rhymes. **Corporate forecasts** are built through hierarchical reporting and managerial filtering, while protocol governance is dominated by token-weighted voting in **DAOs** that have struggled with apathy, capture, and low signal for years. In both cases, the mechanism for aggregating beliefs is fragile. We believe the architecture of prediction markets in pricing beliefs rather than counting votes, has the potential not only to improve internal forecasting, **but to gradually displace today's DAO governance models** as the primary way protocols coordinate decisions and allocate power.

3.2.1 Pricing TGEs With Prediction Markets

One of the most acute problems in crypto is how poorly token generation events (TGEs) are priced. Prediction markets can create **tradable markets on a protocol's future TGE valuation**, and thus give protocols a way to anchor their listing to a fair, market-based FDV rather than relying on guesswork or private-round references. Thus, prediction markets can evolve into the **default external pricing oracle for token valuations**, replacing sentiment analysis and internal guesswork

A protocol can work with a market maker to create a set of event contracts that reference its eventual FDV at TGE or at TGE plus a defined window, such as 30 days. **These contracts let participants trade expectations about where the token will list**, giving the team a market-based anchor for setting the FDV and avoiding a listing that surprises the public.

The process starts with informed participants. Funds, angels, protocol contributors, and other domain experts submit the valuation levels at which they would be willing to take above or below exposure on the future FDV. In practice, this looks like a grid of “ $FDV \geq X$ ” and “ $FDV < X$ ” interests at different strikes, for example 250 million, 500 million, 750 million, and 1 billion. This order flow forms the raw material for the valuation curve.

A specialized market maker then aggregates these indications and converts them into a structured pricing line. They balance liquidity across strikes and build a lattice of above and below contracts that spans the relevant valuation range. Once commitments reach meaningful size, often in the seven or eight figures of notional, the line is locked and formalized into a complete set of tradable thresholds.

Pricing TGEs With Prediction Markets



Source: Keyrock

The finished valuation line is listed on a prediction market platform. Anyone can now trade against this curated set of long-dated FDV contracts. The formal maturity might be ten to twenty years, but the contracts settle as soon as the TGE happens and a reference price is observed at the agreed time, for example the closing FDV at TGE plus thirty days. At that point, every strike resolves cleanly based on whether the realized FDV finished above or below the threshold.

For investors, this creates a synthetic way to express long-term views on a protocol's valuation without owning the token. Early backers and team members can partially hedge personal exposure to the TGE print without touching the cap table or off-loading tokens into illiquid markets. Retail traders gain synthetic access to pre-TGE risk through cash-settled contracts instead of opaque OTC deals or information-advantaged private rounds.

For the market maker and the venue, this structure also supports a clear business model. Participants who enter during the construction phase pay a packaging fee that compensates the market maker for sourcing liquidity, validating the structure, and assembling a coherent valuation curve. The prediction-market platform can pay a listing or participation-based fee in exchange for a fully seeded market that launches with committed liquidity and active flow, rather than an empty market that must bootstrap from scratch.

These TGE valuation lines convert private expectations about a protocol's future worth into a liquid, publicly visible probability distribution. Each strike's implied probability reveals how likely the market believes it is that the protocol will clear that FDV level. For protocols, investors, and exchanges, that distribution becomes a new piece of pricing infrastructure: a forward curve for TGE valuation that did not exist before. This will become the foundation for an entirely new discipline, market-driven tokenomics. Rather than setting FDV by internal negotiation, protocols can let PMs continuously signal where market consensus sits.

Instead of discovering token prices in a single chaotic listing day, prediction markets make the path to that price tradeable. They let the ecosystem pre-price the event, hedge around it, and continuously update expectations as new information arrives. In our view, regulated venues will eventually list **long-dated event markets for token valuations**, creating true forward curves for digital assets.

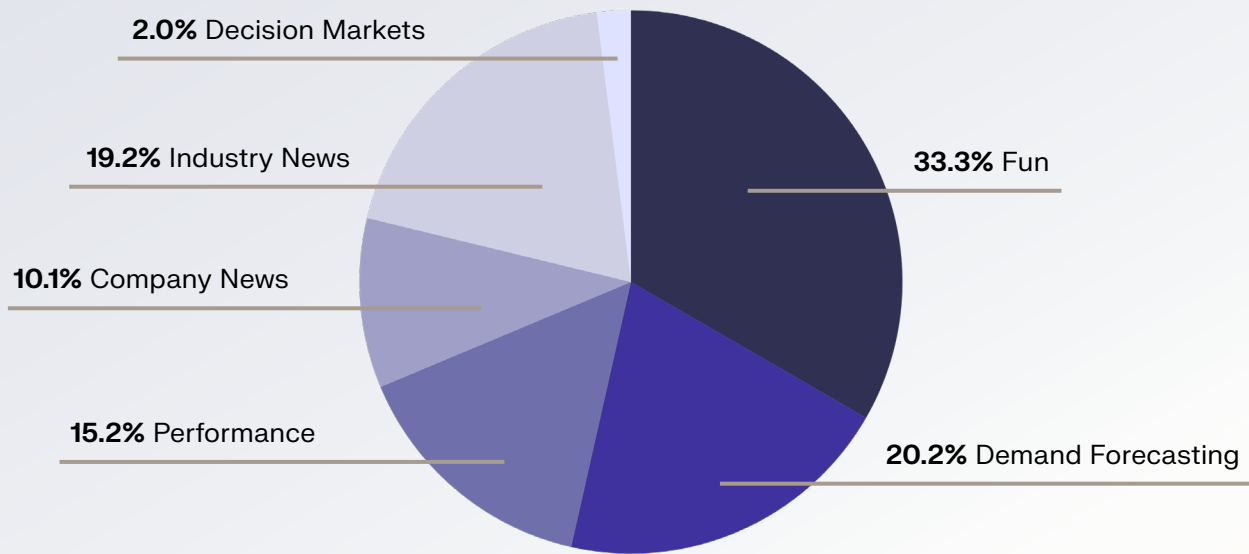
3.2.2 Corporate Forecasting

Prediction markets function as an early-warning radar for management. They let companies trade in information for a real-time consensus on questions that matter to the company, from next quarter's sales to the success of a product launch. **Just as institutions use prediction markets to hedge event risk, corporations use them to bring information forward in time**, bridging the gap between scattered insights and concrete decisions.

By turning employees' knowledge and hunches into market prices, a prediction market creates a kind of **internal "futures" contract** on business metrics, a quantitative pulse of what the organization really expects. Over the past two decades, a host of **Fortune 500 companies** have experimented with internal prediction markets as forecasting tools. **Google** famously launched two internal markets, **Prophit (2005)** and **Gleangen (2020)** where thousands of employees traded (with play money or small incentives) on **topics** like product release dates, new feature adoption, and even office opening schedules.

Market forecasts were displayed on the internal homepage, bets ranged from Gmail user counts to whether Apple would launch an Intel chip, and participation eventually included 20% of all Google employees.

Prediction Markets in Google



Source: Cowgill

Fifteen years later, in the wake of COVID-19, Google launched Gleangen. Within two years, it amassed over 15,000 unique bettors and found that although prediction markets can quantify beliefs, unless they are linked to decisions, they remain epistemic toys, not strategic levers.

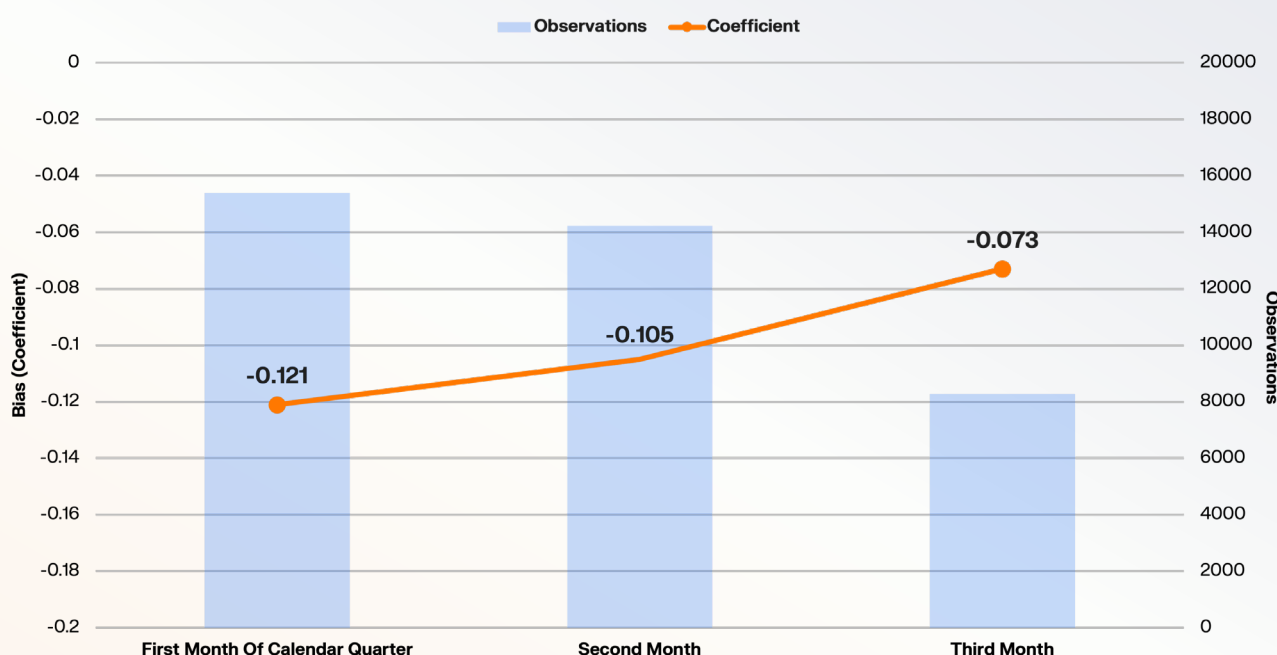
Ford set up markets to predict vehicle sales, finding that crowd forecasts could help make production planning more responsive to **real demand signals**. Hewlett-Packard set up prediction market trials on printer sales and gave a virtual budget to employees to trade contracts on quarterly printer sales, which managed to out-predict HP's official forecasting process in roughly **75% of the trials**. Even with only a few dozen participants, the market's aggregated prediction proved **remarkably accurate and timely**, outperforming traditional forecasts by as much as **20-25% in error reduction**.

One vivid example comes from **Microsoft's** internal prediction market used to forecast a software project's completion date. Managers had set a November launch, but within minutes of trading, the "**on-time**" contract collapsed to nearly zero, signaling a delay no one had voiced openly. Management cut features to meet the deadline, briefly improving odds, but when those features were reinstated under customer pressure, the market instantly priced in another slip. The project ultimately shipped months late, exactly as the market had long predicted, showing how **internal markets can surface hidden information and offer early, data-driven warnings before issues escalate**.

From Samsung and Best Buy to GE and Electronic Arts, companies have used prediction markets to anticipate outcomes such as the public reaction to new product ideas, commodity price moves, or the critical reviews their products might receive. Wherever employees or stakeholders have pieces of information about a future result, a market can aggregate those pieces into a single, quantified expectation that management can monitor and act upon.

This dynamic was evident inside Google, where internal prediction markets gradually priced in new risks and opportunities over each quarter. Early trades tended to overestimate outcomes, resulting in a high bias. As information circulated and time passed, prices adjusted toward true probabilities, leading to a measurable reduction in optimism bias by month three and underscoring how these systems self-correct and integrate information well before formal reporting cycles.

Bias in Prediction Markets Declines as Information Accumulates



Source: Cowgill

Prediction markets also make uncertainty explicit. Traditional forecasts offer point estimates, “\$50m in sales next quarter,” while markets yield probability distributions over outcomes. **Managers can act when the implied chance of hitting targets drops below a set threshold, turning prices into a new KPI for risk.** By making beliefs tradeable, prediction markets expose hidden consensus and push organizations toward evidence-driven planning.

Finally, markets can evolve from forecasting tools into decision tools, an idea known as futarchy. Here, participants “vote on values but bet on beliefs,” pricing outcomes under alternative choices. A firm might ask “what will profits look like if we launch Product A versus if we don’t?” The resulting prices reveal which path is expected to perform better. While few companies formally use futarchy, financial markets already reflect this principle, like in 2013 when Microsoft’s stock rose 8% the day Steve Ballmer resigned, signaling investors’ belief that new leadership would raise future value.

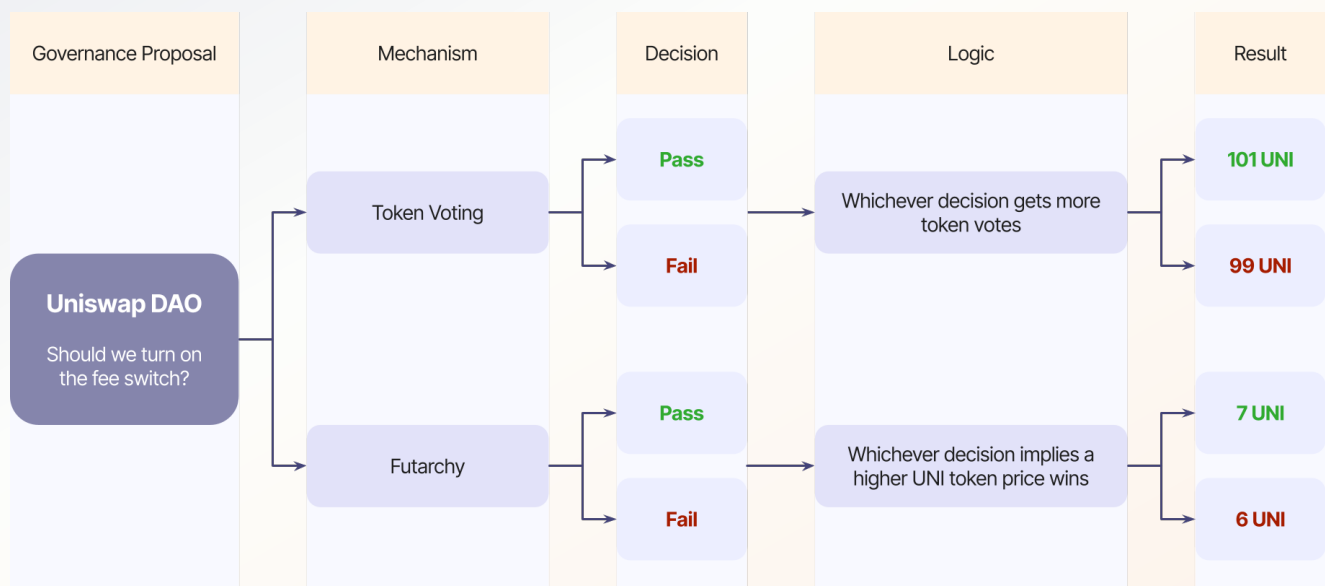
3.2.3 Protocol Governance

The same principle can extend beyond corporations to **protocols** in the digital asset space. In governance mechanisms like **Uniswap DAO's**, and most others in crypto, decisions are made through token-weighted voting, where whichever decision gathers more tokens wins.

This approach captures sentiment but not necessarily the collective expectation of what will maximize value. **Futarchy reframes this process by introducing a single prediction market that prices outcomes under both scenarios**, such as UNI's value with the fee switch on versus off. Traders buy and sell based on which outcome they believe will lead to a higher future UNI price, and the **proposal linked to that higher implied value will pass**. Where token voting measures opinion, futarchy measures belief and conviction.

In a world where businesses are deluged with data but often starved for clear foresight, an internal prediction market is essentially an **information refinery** that distills countless whispers and clues into an objective consensus. As these markets continue to evolve (and as cultural and regulatory barriers slowly fall), we will see corporate decision-making shift from instinct-heavy or politics-heavy approaches toward a more open, meritocratic process where ideas win because the market says they have the highest chance to succeed.

Futarchy



"I expect prediction markets to start influencing politics and governance simply by exposing inconsistencies. When a market's forecast contradicts what a politician claims, it forces accountability, either back up your statement with a bet or admit it's just talk."

— Stefan George, Co-Founder, Gnosis

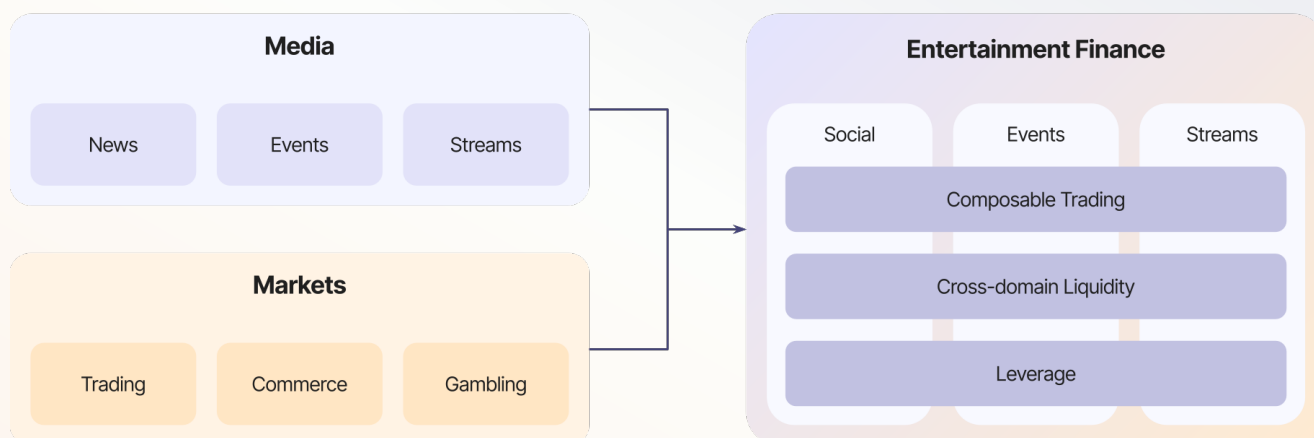
3.3

Retail

Today, entertainment and markets are siloed experiences. A user typically streams a game or reads the news on one app and invests on a platform that sits entirely apart from the content itself. Trading and commerce exist apart from news, events, and streams. Prediction markets are now bringing finance into the feed, enabling users to trade directly on what they are watching, reading, or discussing on a shared interface. Thus, the line between consuming information and acting on it is collapsing and dissolving.

This convergence reflects a broader shift toward **Entertainment Finance**, where media and markets coexist inside the same products, enabling non-financial platforms to integrate financial products into the user experience. Prediction markets then function as the price layer for entertainment, overlaying financial stakes onto sports, politics, culture, and live events.

Media and Markets are Converging



Source: Mayson Nystrom

The implications for retail will be profound as entertainment and trading become forms of interactive media. Instead of passively reading market analysis or scrolling through chats during a stream, **viewers will see dynamic markets embedded beside the video itself**. “Will Messi score in stoppage time? Will Apple’s Vision Pro outsell the iPhone SE by year-end?” A reader following an **Economist** article on inflation could see a live probability market on “U.S. CPI above 3.5% next quarter,” or a **Bloomberg terminal embedding a Polymarket widget that lets subscribers trade “Rate cuts by Q3” directly within the story**. Each of these becomes a tradable contract surfaced in the same interface where users are already watching, discussing, and reacting.

“The biggest untapped opportunity in prediction markets is expanding beyond headline political and sports contracts and embedding these products more deeply into the financial system. The real scale lies in commercially relevant events tied to earnings, economic data, financial conditions, and even weather, giving both institutions and retail users new tools to hedge risk and build portfolios.

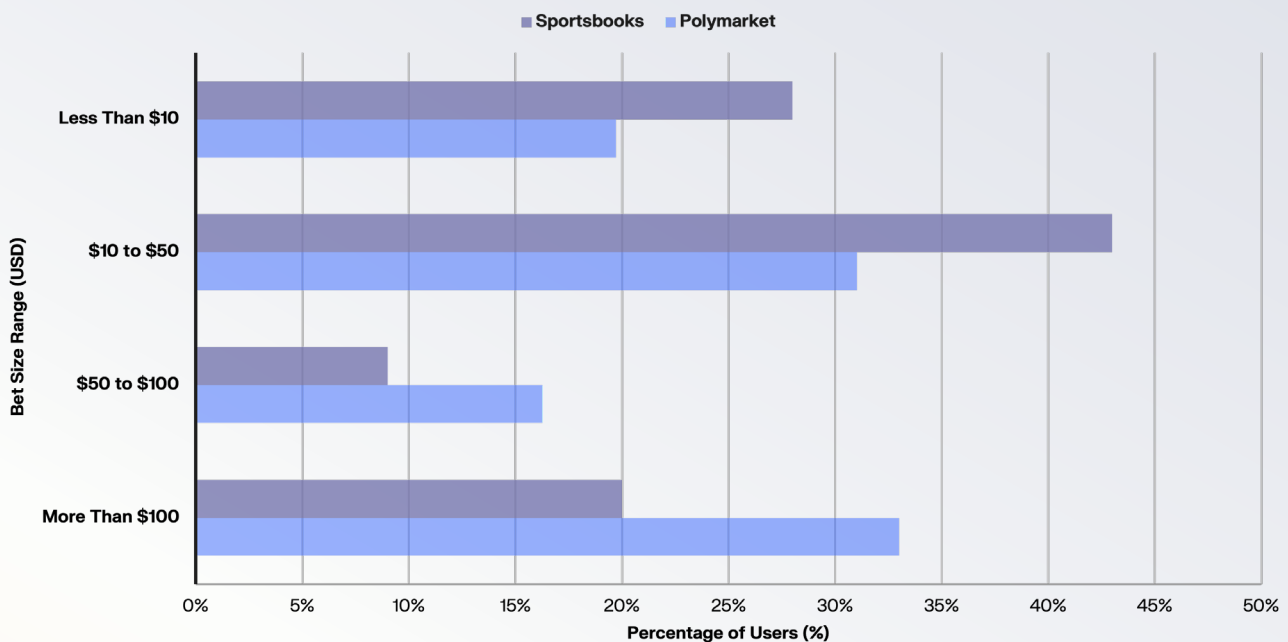
Partnerships are only just beginning. Deals between Kalshi and Robinhood and Webull, and between FanDuel and CME Group, signal a broader opportunity for traditional exchanges to list event contracts or partner with established platforms to attract new retail traders. At the same time, event contracts offer gaming operators a path into CFTC-regulated markets across all 50 states, accelerating the convergence of gaming and financial derivatives into a major growth frontier.”

— Duncan Hennes, Managing Director, KPMG

This evolution also foreshadows how prediction markets will reshape retail experience in the sportsbook model. **Beyond the ability to offer wagers on discrete events or cross-category parlays** (e.g., “BTC > \$250k by 2028” and “Republicans win the 2028 U.S. election”), prediction markets represent have two structural advantages that could materially influence how sportsbooks operate.

The first advantage relates to **user composition**. Prediction markets attract a higher-value **retail segment**, a metric that remains key to sportsbook operators, where a very small share of bettors generate the majority of revenue. For example, in the broader iGaming sector it is estimated that just **2% of players account for more than half of total earnings**. While direct public data comparing average bet sizes for Polymarket versus major sportsbooks is limited, internal data surveys suggest that **over 70% of sportsbook users place average wagers of \$0–\$50**, whereas Polymarket’s top category is “More Than \$100” with 33% of its users.

User Segments by Average Wager Size



Source: Keyrock, @filarm, Civic Science

That differential in average bet size can be traced to several factors. First, Polymarket reaches a **crypto-native audience** that is more comfortable betting larger amounts than the average retail user. Second, its **event categories**, like economics and politics, tend to attract more informed or conviction-based users: 1) users may feel they understand the topic more deeply than a typical sports bet, 2) when a user's belief can map directly to a contract they are more likely to wager a larger size, and 3) these users often **operate outside the typical sportsbook mindset** of ephemeral entertainment bets and **are more information driven**.

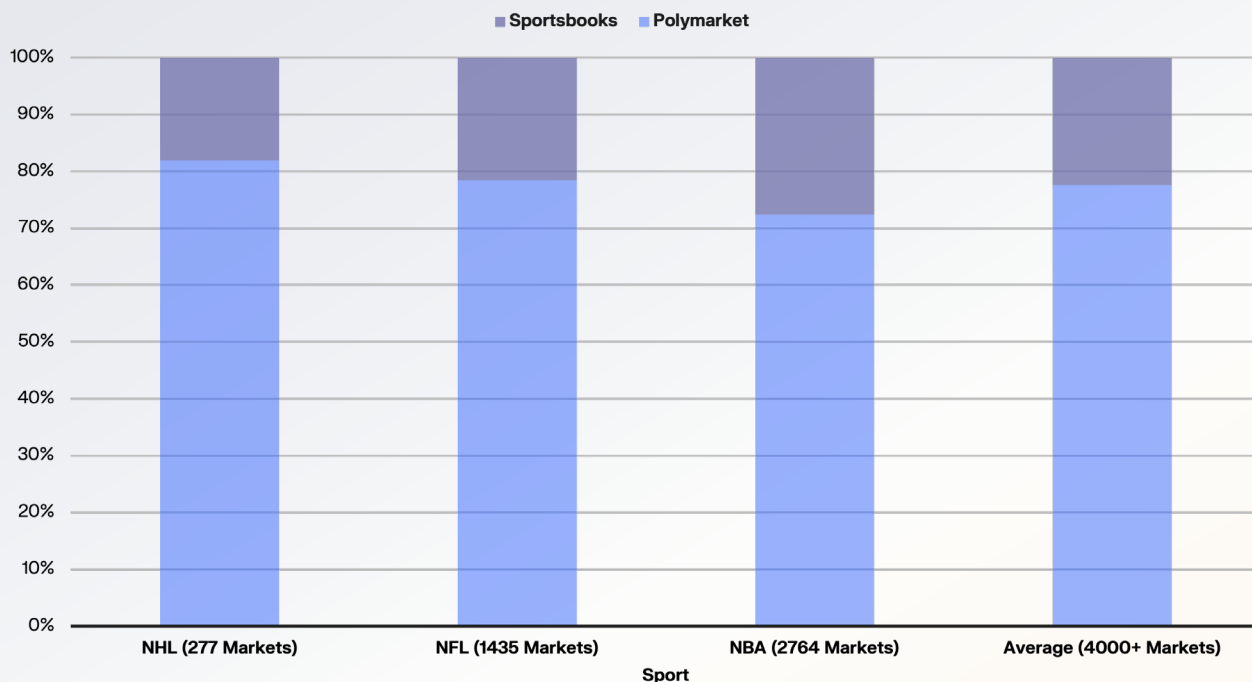
The user wager composition further supports the view that prediction markets should not be classified as gaming, as their user segment differs from sportsbooks. Prediction markets are tapping a **retail and institutional segment** that is both higher-value and structurally different, one that sportsbooks will eventually look to capture.

The **second advantage is architectural**. Prediction markets' peer-to-peer architecture (user vs. user through event contracts rather than user vs. house) creates a more favorable posture with regulators and lowers the structural costs, ultimately making it "cheaper" for users to wager. Additionally, given that there is no conflict of interest between the user and the house in prediction markets, users naturally feel more comfortable to invest.

By analyzing over 5,000 identical markets across Kalshi, Polymarket, and more than a dozen sportsbooks including BetMGM, DraftKings, and Paddy Power, **Kalshi or Polymarket offer, on average, 77% better odds than sportsbooks**.

This difference, however, is by design. Sportsbooks embed their profit margin (“vig” or “juice”) directly into odds, while prediction markets like Kalshi generate revenue through trading fees. We believe the peer-to-peer PM model will force sportsbooks to compress margins over time. This highlights, once again, that prediction markets function as exchanges rather than gaming platforms.

Prediction Markets vs. Sportsbook Odds



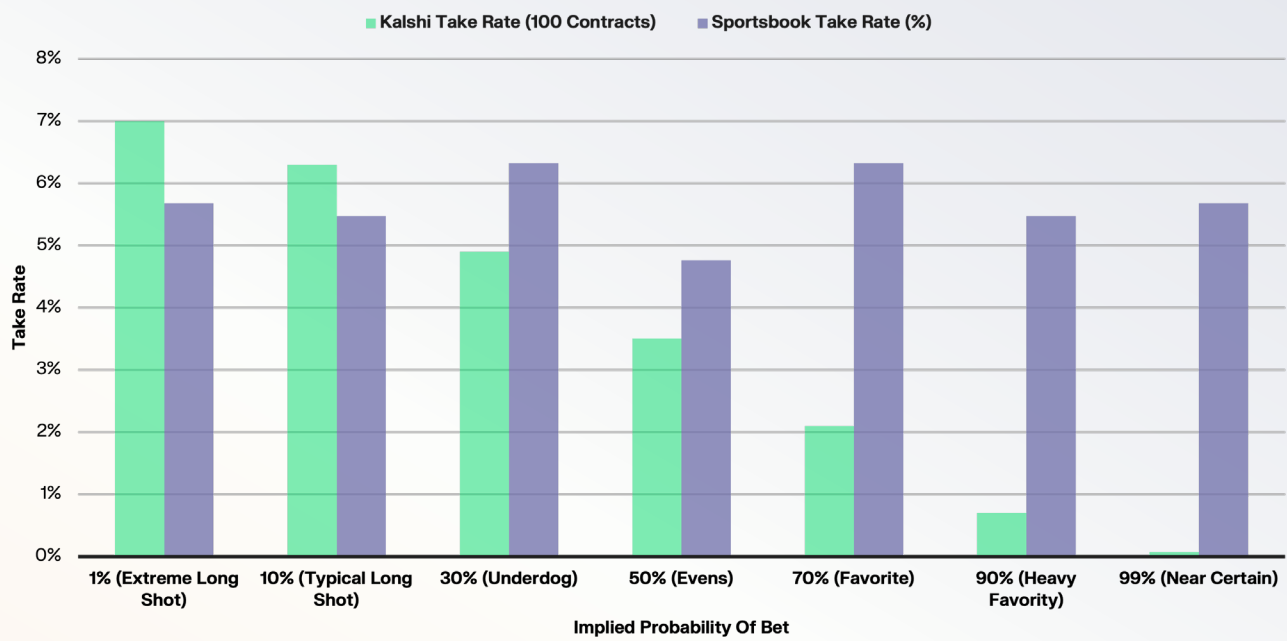
Source: The Prop Hound

Polymarket currently charges no trading fees, which is why it consistently offers more favorable odds than sportsbooks. With Polymarket’s US launch, it introduces a **0.01%** fee on taker orders, those matched immediately against resting orders, while Kalshi’s **fees** vary by contract price. This is a big part of why users are gravitating toward prediction markets, there’s no **built-in conflict of interest** between the platform and the trader.

The difference in design between sportsbooks and prediction markets is especially important because sportsbooks **can’t sustainably compress their margins**. They rely on the juice to ensure profitability, aiming to balance exposure on both sides of each outcome. For prediction markets, the opposite is true as the race to lower fees has already begun as competition continues to intensify. **As more platforms enter the field, they’re competing to reduce maker and taker fees, steadily narrowing the cost structure across the industry.**

When comparing effective take rates across binary markets, Kalshi can be slightly more expensive for long-shot bets, but for outcomes with an implied probability above 30%, Kalshi provides better value once fees and the sportsbook's juice are both accounted for. **Unlike sportsbooks, prediction markets optimize for trading volume, not house profit.** The result is a market structure that increasingly favors users and pressures traditional sportsbooks to adapt, widening the gap between the two models over time.

Kalshi Take Rate vs. Sportsbook



Source: Keyrock, Kalshi, nfelo

Over time, the prediction market model will be adopted by all the leading sportsbooks. By removing the dependence on embedded margins, sportsbooks could unshackle themselves from the constraints of the juice, reducing exposure to losing months, stabilizing profit, and shifting toward a volume-driven business that resembles an exchange. Prediction Markets have a long-term structural cost advantage, and industries with cost advantages eventually take market share.

4

Emerging Opportunities

- Traders on Kalshi show strong **risk aversion**, with high-probability markets drawing over **35%** of volume despite being just **14%** of listings, while long shots make up **31%** of markets but capture only **3%** of trading; Polymarket shows a similar pattern.
- Adoption is not only accelerating, it is proving **durable**. Polymarket **outperforms 85%+** of **crypto protocols on user retention** across a sample of over 275 projects.
- With federal classification finally taking shape after the CFTC's approval of event contracts in 2024, the regulatory bottleneck has shifted to **state and foreign regulators**. Whether prediction markets ever reach their full potential now depends on whether global participation is unlocked, allowing knowledge and liquidity from across jurisdictions to converge into a single market.
- **Composability** is emerging as one of the key **liquidity** unlocks for prediction markets and the critical driver of **mass adoption**. **Onchain**, markets embed directly across DeFi protocols and wallets. **Offchain**, they surface inside media, gaming, and financial apps, with all routes drawing from shared liquidity to enable structured exposure to information.

Emerging Opportunities

Prediction markets are finally positioned to realize their full potential. Their trajectory is increasingly influenced by four dynamics, namely **liquidity, retention, regulation, and integration**. We believe prediction markets are entering their ‘derivatives moment,’ the same phase options markets hit in the 1980s, when regulation, standardization, and professional market-making transformed a niche instrument into a core part of financial infrastructure.

4.1

Liquidity

Liquidity is the hardest hurdle prediction markets face, though this challenge manifests differently depending on the liquidity model. In prediction markets that rely on a traditional **Central Limit Order Book (CLOB)**, providing liquidity inevitably requires taking one side of the bet. Although the contracts resemble binary options that pay \$1 if the event occurs and \$0 if not, there is **no continuous underlying asset to hedge against**, which makes sustained two-way flow harder to maintain. If a liquidity provider sells a large quantity of “Yes” shares on a CLOB, for example, there’s no straightforward hedge to cover that liability should the yes-event occur.

“Institutional risk frameworks weren’t built for the binary nature of event contracts. Traditional models assume continuous price movements, not discrete yes-or-no outcomes, and when paired with thinner liquidity, this leads to wider spreads, sharper volatility, and more complex margin dynamics. To adapt, firms must develop new models to price and manage discrete risks across diverse topics, deploy advanced analytics to monitor exposures and detect manipulation, and ensure their risk models remain flexible as regulatory guidance evolves. Effectively managing these challenges will be decisive, and firms that build sophisticated, tailored risk systems will be best positioned to succeed.”

— Duncan Hennes, Managing Director, KPMG

Other prediction markets, such as **Myriad**, instead use onchain **Automated Market Makers (AMMs)**. While these also face liquidity challenges (e.g., impermanent loss, pool imbalance, and capital inefficiency), the nature of the risk and the mechanics of providing liquidity are fundamentally different from the directional exposure inherent in CLOB models.

There is no stock, index, or futures curve to hedge against, and the payoff jumps discontinuously from 0 to 1. Without an underlying to offset exposure, market makers can't sufficiently run delta-neutral books and must instead absorb **inventory** (holding one side of the market) and **tail risk** (the chance that an extreme outcome wipes out the position), which naturally limit depth and tight spreads.

Traders might accumulate a large position in "Yes" or "No" contracts that can swing wildly in value with new information. **A sudden news development can drastically shift an event's probability** (i.e. a geopolitical prediction might hover at 20% probability until a "game-changing headline" causes odds to spike or crash unpredictably).

In contrast to prediction markets, sportsbooks operate as directional market makers by design. **They don't operate delta-neutral books and take inventory risk constantly.** Every price they quote embeds an implied probability of an outcome, and once they take one-sided order flow, they hold that exposure until the event settles.

As mentioned prior, their edge comes from embedding a margin ("vig") into prices and modeling tail-risk scenarios accurately. **They are professional risk-takers.** That dynamic also defines most prediction markets today. **A large share of participants provide passive liquidity, but many prefer to hedge or flatten exposure quickly rather than absorb directional risk when volatility rises.**

This is why market makers with backgrounds in **futures and options** tend to be far better suited for prediction markets. **Options desks are trained to price binary and nonlinear payoffs, manage exposure during sudden swings, and hold inventory that can either expire worthless or surge in value.** Their work is built around modelling volatility and preparing for tail events. This is why liquidity will not be solved by retail growth, but by professional risk desks entering prediction markets.

When Kalshi onboarded **Susquehanna** in 2024, order book depth **increased** by roughly 30x across major markets and bid ask spreads narrowed to 2–3 cents on average. It was a clear demonstration of how professional risk managers can transform market liquidity. In the absence of institutional market makers, spreads can remain wide in thin or volatile markets where directional inventory is harder to manage.

The table below illustrates an example of an illiquid market. Here, a “Yes/No” market on ChristenUnie joining the next government shows an **immediate buy-and-sell would lose ~70% of value due to spread costs**. Such extreme spreads reflect the premium required to bear inventory risk in events that are hard to price or prone to sudden swings.

Which Parties will be part of next Government of the Netherlands?
CU - Trade Yes
67c - Ask
65c - Ask
64c - Ask
63c - Ask
Spread - 43c
20c - Bid
12c - Bid
11c - Bid
9c - Bid

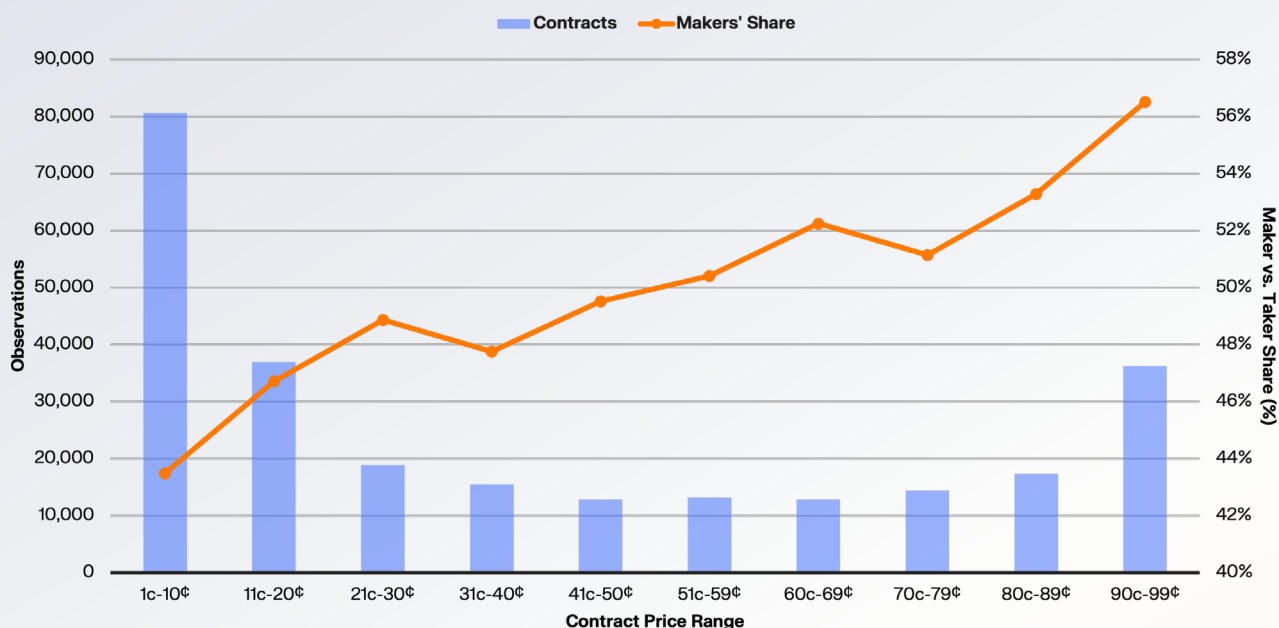
Source: Polymarket

Such wide spreads are also a direct function of how risk is distributed in prediction markets. A closer look at order flow shows that **contract pricing is heavily skewed toward the extremes**. On Kalshi, roughly **two-thirds of all trades happen in contracts priced either below 10¢ or above 90¢**, events that are **perceived as either very unlikely or near-certain**.

This “U-shaped” structure reveals that **makers prefer to quote high-probability outcomes, where spreads are tighter and expected value is clearer, while takers disproportionately chase long shots**, absorbing the downside of events that rarely pay out. This makes intuitive sense as seasoned liquidity providers prefer to quote tighter spreads on well-priced events, whereas takers often chase small-stake, high-upside bets with lower odds of winning.

Here's the refined version with that phrasing cleanly integrated:

Distribution of Kalshi Event Contracts and Maker Share



Source: Keyrock, University College Dublin
Maker-share data sourced from University College Dublin

This is a structural feature of binary event markets. Participants naturally cluster at the tails, where either conviction or speculation is highest. But this skew introduces difficulty for liquidity providers as contracts priced at 5¢ or 95¢ can still swing violently in response to new information. And when takers pile into long-shot contracts, makers are left bearing the brunt of mispriced tail risk, especially in thin markets.

The risks aren't symmetrically distributed or hedged, and makers must take directional risk where they believe the edge exists. A closer look at ~4,000 of Kalshi's markets sorted by volume reveals where trader interest is concentrated most.

The chart below shows that the top decile of markets generate over 35% of total volume despite representing only about 14% of all contracts. By contrast, the bottom 10% contribute roughly 3% of volume while making up around 31% of contracts.

When probabilities become more certain, and especially when real-world information confirms direction, traders are more willing to size up, often placing large directional positions in contracts with little remaining uncertainty.

The result is a long tail of markets, and a small set of near-resolution contracts that carry most of the inventory and flow. This structure demands a specific kind of market participant, someone comfortable running large **directional inventory** in isolated markets. But again, this isn't a liability, it's a familiar setup for firms accustomed to running futures and option books where certain strikes or expiries dominate volume.

Kalshi's Distribution of Trading Volume Across Deciles



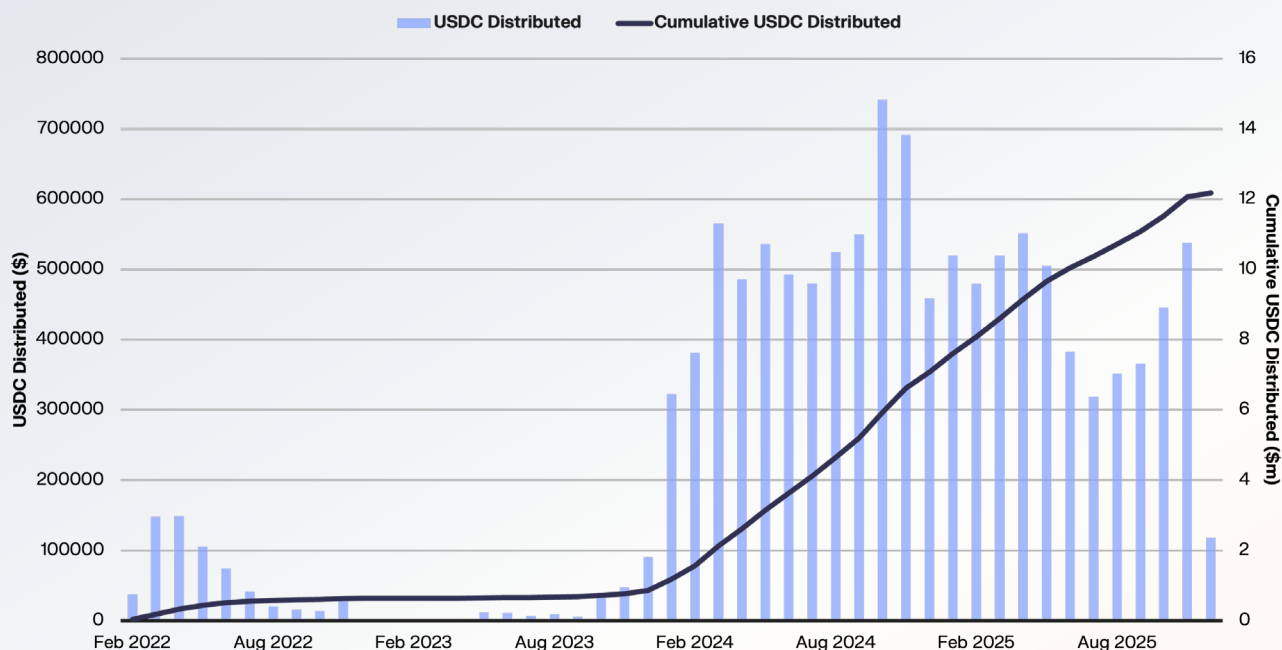
Source: Keyrock

To counteract the liquidity hurdle, prediction markets have tended to subsidize liquidity to justify the risk that traders take when providing liquidity (placing resting orders). Kalshi and Polymarket both offer reward schemes for makers who keep spreads reasonably tight, which effectively offsets the downside risk of the maker holding inventory or tail risk.

A similar mechanism involves “maker rebates,” where taker fees are used to reward those who supply liquidity. Every trade requires someone to step in as the counterparty, and by redistributing taker fees to makers, platforms effectively lower the risk premium required to keep book depth from evaporating.

Polymarket, for example, has paid out over **\$12 million in LP rewards to date**, compensating users who place limit orders inside the spread and effectively subsidizing the cost of carrying open exposure. The tighter the bid–ask spread a provider maintains, the higher the reward, creating a strong economic incentive to keep markets liquid and prices efficient even in the absence of perfect hedges.

Polymarket Monthly LP Rewards



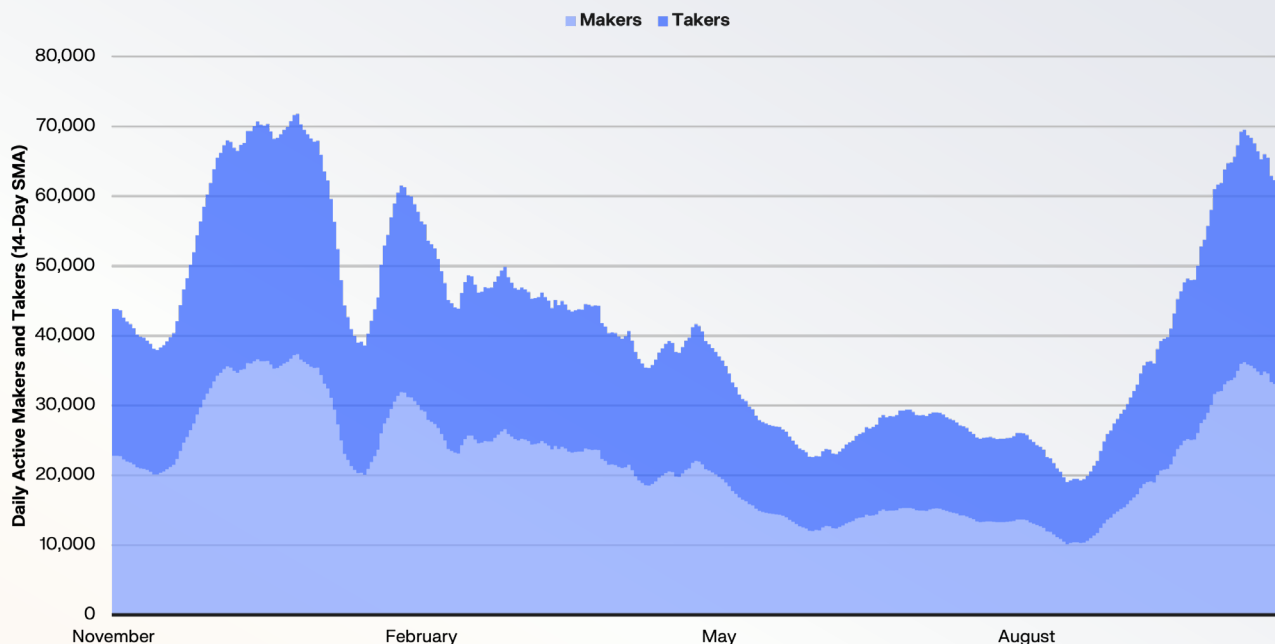
Source: @Dune, @datadashboard

Does not include distributed UMA pre 2023/05

Despite the imbalance in liquidity in long-tail markets, **trader participation is growing overall**. A look at Polymarket's daily active makers and takers shows both approaching all-time highs, with makers consistently outpacing takers every day. This is a healthy signal and balance as suggests the incentives for supplying liquidity are working as more participants are willing to absorb directional risk rather than solely removing liquidity.

In our view, prediction market liquidity will continue to consolidate around the handful of events that actually carry macro and policy risk, the same way a small set of rates, FX, and equity benchmarks dominate global derivatives volume. Prediction markets will scale by adding new markets, but the **real growth** will come from deepening liquidity in the small set of events that institutions consistently care about.

Polymarket's Active Makers and Takers



Source: @lujanodera, @Dune

4.2

Retention

Retention has become one of the defining measures of product strength for prediction markets. For investors, it reveals more than headline user numbers and shows whether users are developing habits that sustain liquidity.

Attracting new users can be relatively straightforward, but what separates lasting platforms from fleeting ones is whether users return week after week to trade. The prediction market landscape will eventually become hugely competitive, with many operators set to offer very similar propositions. **A platform with strong retention demonstrates lower acquisition costs over time and compounding network effects as loyal users become repeat participants.** Weak retention, by contrast, signals that growth is shallow, fueled perhaps by marketing spikes rather than a genuine, sustained hold over the market. In markets where frequency and liquidity are core to value creation, retention is one of the clearest indicators of endurance.

“From a product perspective, the long-term challenge is sustained engagement. In a world dominated by fast content and short dopamine loops, prediction markets need to evolve into experiences that are intellectually rewarding. The loop should push users to understand the world, think critically, take positions, earn from correct reasoning, and reinforce that behavior over time. That is how mass adoption becomes sustainable rather than purely speculative, and it’s exactly what we are working to build in the Based ecosystem”

— Stefan George, Co-Founder, Gnosis

Polymarket’s retention data shows how the platform is starting to hold sticky appeal across its user base. **The data tracks monthly cohorts of new active users, measuring how many return to trade in subsequent months after their first active month.**

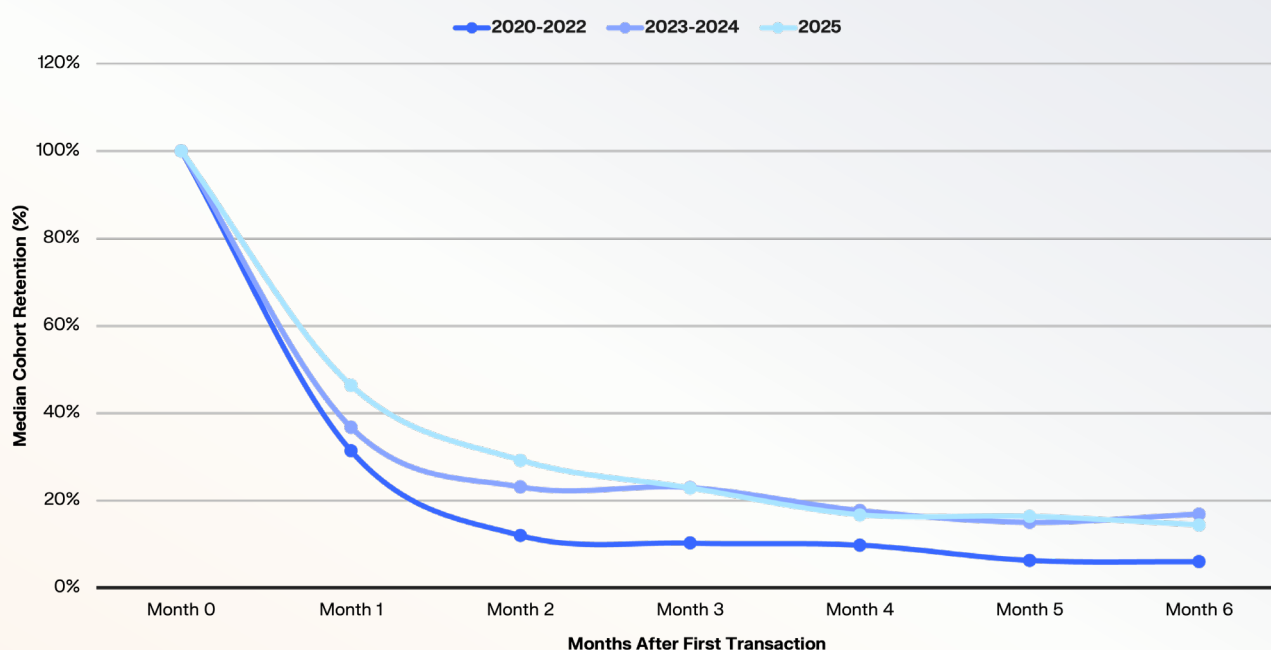
In the early days, most users were crypto-natives who came for the novelty of onchain prediction markets and stayed active across multiple months. This reflected a core audience of early adopters who were both highly engaged and motivated by the uniqueness of trading real-world events onchain.

During this period, Polymarket had found early product market fit and a dedicated base of believers, but it wasn’t yet widely seen. That’s why the 2020-2022 cohorts show unusually high retention in months two to six, even as market liquidity was smaller. Participation remained concentrated among a small, expertise-dense community experimenting with onchain prediction markets for the first time.

Then as Polymarket began to gain more visibility, retention dropped as the user base widened to include participants with less curiosity or conviction. Around the same time, the **CFTC's 2022 enforcement action** forced the platform to block U.S. users, cutting off much of its early momentum and leaving the platform with fewer active traders.

That trend has since reversed as **Polymarket listed more markets, deepened liquidity across markets, and expanded event coverage**. Newer cohorts are now holding up better into month six. Month-one and two retention is rising, and the drop-off beyond that is less steep, showing the platform is converting first-time users into consistent traders and building real stickiness beyond its early adopter base. This trend shows PMs are becoming habit products, weekly-use platforms rather than episodic speculation apps.

Polymarket Wallet Retention Rate



Source: @lifewillbeokay, @Dune

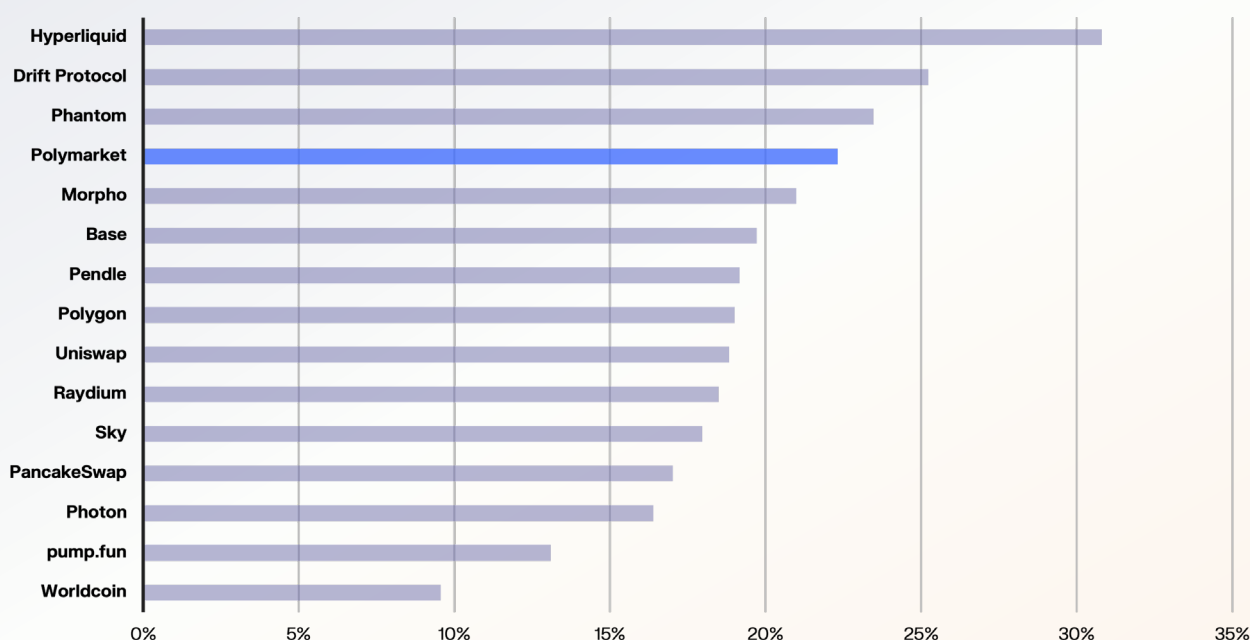
While Polymarket's user retention is improving, it already outperforms more than 85% of crypto protocols. When comparing 12-month average retention across a sample of over 275 projects spanning networks, trading apps, DeFi platforms and wallets, Polymarket ranks among the strongest for user stickiness, driven by genuine utility rather than short-term speculation.

The sample includes many of the most widely used protocols in crypto and offers a clear view of how effectively each category retains monthly active users. Even though not all projects were visualized for readability, Polymarket's cohorts show far steadier retention than most platforms, which tend to struggle to keep users active beyond the first month.

Retention across crypto decays quickly. Most platforms see activity spike during incentives and fall sharply once those incentives fade, and even major networks show limited month-to-month return rates. Against that backdrop, **Polymarket's average retention stands out as both higher and more organic**, reflecting how prediction markets naturally encourage recurring participation.

Prediction markets like Polymarket rely on event-driven engagement that naturally brings users back. Elections, sports, and macro events create a yearly cycle of renewed attention that results in a retention profile that resembles high-frequency trading. Where most crypto protocols rely on incentives to sustain engagement, **Polymarket's user base returns out of curiosity and habit**, a sign of genuine product-market fit rather than speculative churn. **Prediction Markets could become crypto's first true consumer application at scale.**

Polymarket Has A Higher Retention Rate Than 85% Of Crypto Protocols (Sample of 275 Projects)



Source: Token Terminal

4.3

Regulation

Prediction markets have always carried a **stigma** that has been difficult to shake. To some policymakers, they appear similar to sportsbooks. Fast moving odds, binary outcomes, and markets on everything from elections to sports. This surface-level similarity has allowed critics to mischaracterize them as betting products rather than financial tools.

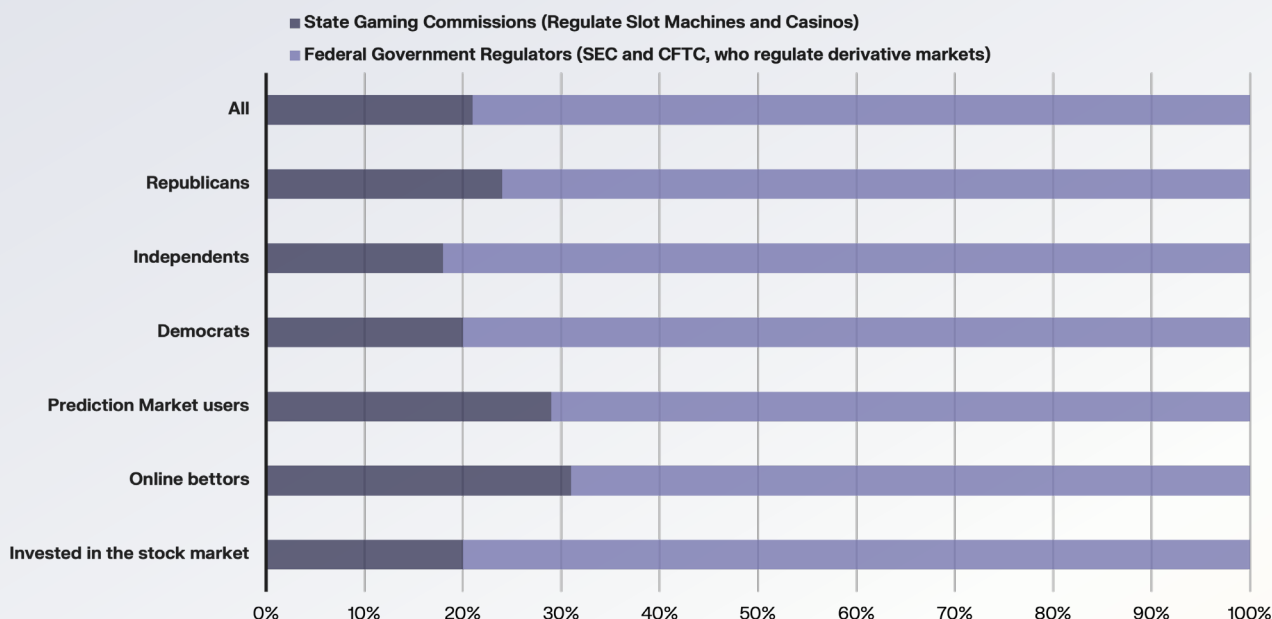
For years, regulatory uncertainty had stalled progress. InTrade was effectively pushed out of the U.S. in 2012 following CFTC enforcement. Augur's launch in 2018 raised alarms over its markets and its status as an unlicensed betting site. Even Polymarket had to initially block U.S. users after reaching a settlement for operating without registration. However, it ultimately reentered the U.S. in December 2025 through a regulated exchange and clearinghouse (QCEX), underscoring how many early constraints stemmed from classification issues rather than the products themselves. Platforms either exited the U.S. entirely or remained in legal gray zones, limiting their ability to scale or attract institutional involvement.

Even today, public intuition diverges from the way regulators have historically treated these markets. When asked who should oversee traditional financial instruments like stocks, mutual funds, or commodity markets, respondents overwhelmingly selected federal agencies such as the SEC and CFTC rather than state gaming commissions. **People clearly distinguish between financial products and gambling activities.** This makes it clear that the underlying issue has been a decade of regulatory misclassification, not an inherent similarity to sports betting.

"The biggest hurdle is legal certainty. All three branches of the federal government could dramatically alter these markets. The executive branch, in the form of the CFTC, could decide to prohibit sports-based contracts if it decides these contracts involve gaming and are contrary to the public interest. The judicial branch is hearing a wide variety of cases brought by States and Tribes claiming gaming is strictly within their purview. Finally, the legislative branch could decide to amend the Commodity Exchange Act to prohibit event contracts, or narrow their application. Ultimately, we see the future of federal prediction markets being decided by the Supreme Court."

— Duncan Hennes, Managing Director, KPMG

Who Should be in Charge of Regulating your Investments in Stocks, Mutual Funds, or participation in Commodity Markets?



Source: Kalshi News

The tide began to turn when Kalshi directly confronted the foundational regulatory issue of prediction markets. In a landmark 2024 court decision, the court ruled that political event contracts do not constitute “gaming” under the Commodity Exchange Act. The Kalshi ruling is the **single most important regulatory precedent in PM history**. It establishes that event contracts are legitimate financial hedging instruments. This opens the door for regulated political markets worldwide.

If trading on elections were gambling, then contracts on weather, interest rates or commodity futures would also have to be treated as gambling, which would collapse the legal distinction that underpins the entire derivatives framework. Instead, the ruling affirmed that markets with economic, financial or commercial consequences, such as elections or inflation prints, belong within the regulatory perimeter of the CFTC rather than state gaming boards.

Kalshi’s architectural design makes this distinction credible. It does not operate like a sportsbook. It matches buyers and sellers, charges transaction fees and runs a fully collateralized clearinghouse. Participants trade directly against each other in an open marketplace, not against a house that profits from customer losses. There is no conflict of interest. In substance and in structure, Kalshi mirrors traditional financial exchanges.

That reframing is anchored in what these markets actually do. They are not simply venues for speculative side bets. At their core they transfer and price risk in ways that resemble other hedging markets.

- **Hedging Everyday Risks:** Just as firms use oil or weather futures to hedge price risk, event contracts let businesses and investors manage exposures to economic indicators, policy changes or election outcomes. A regulated market provides transparent pricing and clearing so participants can legitimately use it to insure against real world risks that affect revenues, costs or balance sheets.
- **Information Discovery:** Markets aggregate diverse information in real time. As noted earlier in this report, prediction prices tend to be more accurate than opinion polls or experts at forecasting outcomes. The contract price becomes an explicit probability backed by capital, which makes it a more disciplined signal than a survey response or a pundit's view.
- **Civic Insight:** Legal trading on public events, from elections to financial benchmarks, creates a transparent window on uncertainty. When prices move in a United States election market, they reflect investors' independent assessment of political risk. The CFTC has described prediction markets as an important new frontier in finance, which underscores their potential role in clarifying public information. Regulators can channel this insight for societal benefit rather than drive it underground into unregulated venues.

The next regulatory phase rests with **state governments** and **foreign regulators**. The question now is whether prediction markets will become fully accessible, allowing them to draw **global liquidity** and the **wisdom of the crowd into the most accurate probabilities** for any event. It is an opportunity to integrate with traditional exchanges and brokers and normalize event trading as a standard tool for both hedgers and speculators, rather than treat it as a curiosity at the edge of the financial system.

"The ideal design for prediction markets remains what we envisioned at the start: fully permissionless, global markets with shared liquidity. If you restrict participation by geography or regulation, you're cutting out valuable knowledge and weakening the market's accuracy."

— Stefan George, Co-Founder, Gnosis

4.4

Integration

Because event contracts can be **tokenized** and markets can live onchain, prediction markets can connect to multiple front ends and share the same underlying liquidity across many different platforms. This creates two major paths for expansion. One is **deeper integration with DeFi**, where outcome shares function as tokens and fit directly into existing onchain infrastructure. The other is a gradual move beyond crypto into **mainstream products, media, and consumer environments** where markets can be embedded inside the interfaces people already use.

On the DeFi side, prediction markets are becoming more composable. Because outcomes for markets (YES/NO) can be tokenized, they can slot into existing DeFi infrastructure just like any other token. This unlocks a range of new behaviors as users can **borrow** against their open positions, **stake** long-term holdings to earn rewards, or combine multiple wagers into structured exposures, essentially “parlay” positions for onchain predictions. This turns information into an **onchain financial primitive**.

The pace of integration is accelerating, especially across crypto wallets and DeFi native platforms. **MetaMask** recently launched in-wallet Polymarket trading, allowing users to browse, fund, and trade event markets natively inside the app, transforming the wallet into a prediction terminal with rewards, gas abstraction, and instant settlement. Trust Wallet followed a similar path by embedding Myriad Markets natively, enabling tens of millions of mobile users to trade predictions as seamlessly as swapping tokens.

Fueling this expansion are initiatives like **Polymarket’s Builders Program** and **Kalshi’s Builders Program**, which give developers the infrastructure, routing tools, and incentives needed to create new functionalities, products and experiences. They have effectively turned prediction markets into a modular ecosystem, a network of applications built on shared liquidity and shared markets.

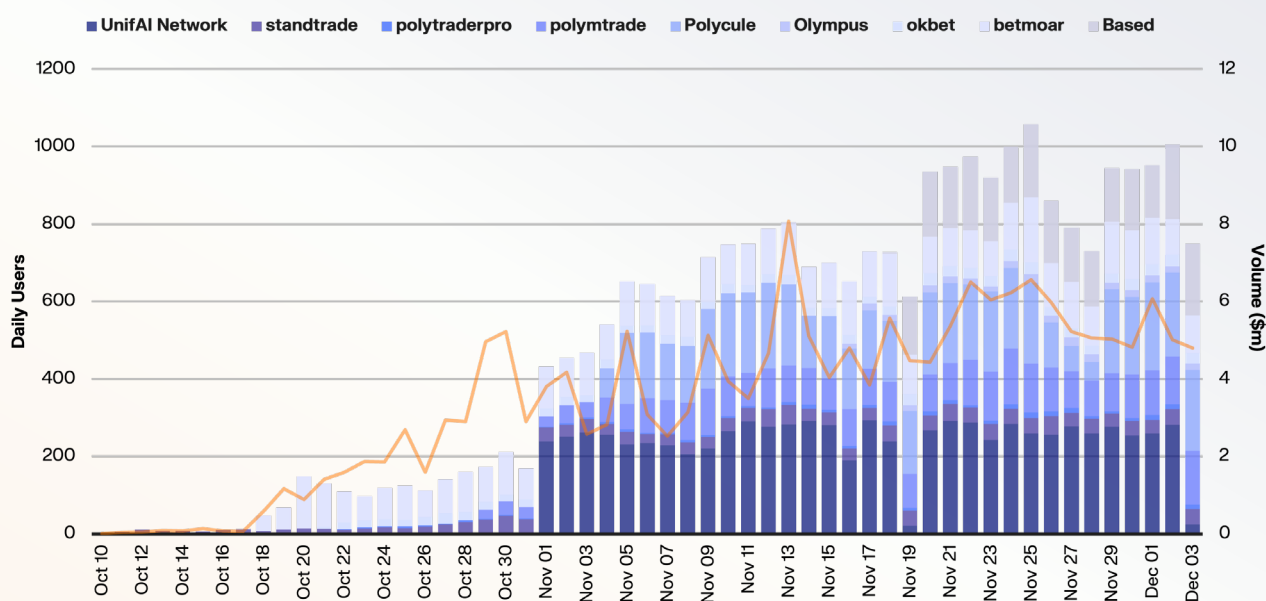
Polymarket’s Builder Program has rapidly produced a rich ecosystem of specialized interfaces, turning Polymarket’s onchain markets into a distributed network of trading front ends optimized for different user behaviors and skill levels. These integrations only began to scale in October 2025, with **trading terminals leading the landscape in prediction-market integration**.

betmoar has become the dominant analytics + execution hub on Discord, powering over \$121 million in cumulative volume. **standtrade** sits close behind as a whale-tracking and copy-trading terminal, routing another \$19 million from traders who mirror high-conviction wallets. **polytraderpro** rounds out the category, offering an AI-guided web terminal used by quantitative and systematic traders, generating over \$14 million in volume. In the **mobile and chat-native segment**, **Polycule** has emerged as the premier Telegram trading bot, driving \$12 million in volume and onboarding nearly 200 daily users through fast execution, alerts, and social features. **okbet** complements this by catering to group chats and casual bettors who want a simple, social interface without a full trading terminal, adding another \$6 million in routed flow. **Based** has also surged in traction as a terminal for browsing markets, managing positions, and routing trades across platforms. It has quickly climbed to roughly 140–190 daily users and has now routed close to \$5 million in cumulative volume.

"Markets have always operated with imperfect information, but prediction markets add a new, bottom-up signal by forcing participants to put capital behind their views. That shifts the information balance in favor of retail and gives sentiment greater validity. While today's markets remain mostly binary and can even risk becoming self-fulfilling, we see them as valuable additional data points for trading and risk management, with significant long-term potential still to be unlocked."

— Edison, CEO, Based

Daily Polymarket Builder Users and Volume

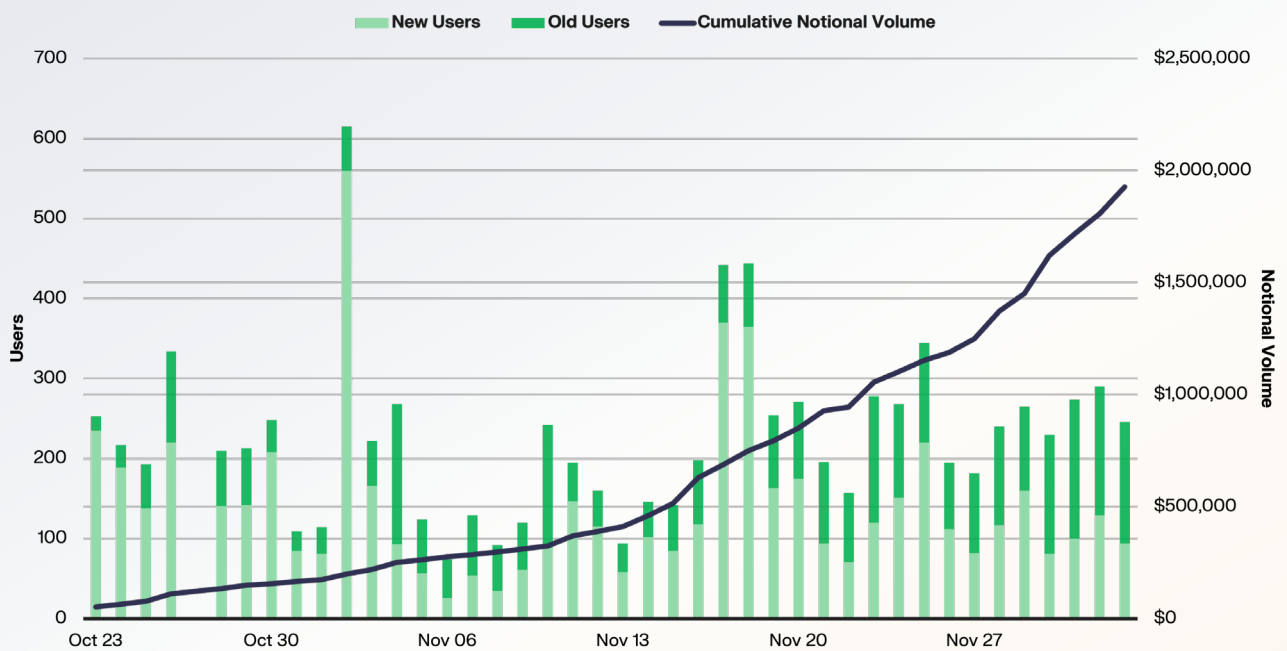


Source: Dune, @datadashboards

Kalshi's announcement of tokenized predictions on December 1, 2025, anyone can now permissionlessly monetize applications on top of its global liquidity pool via DFlow or on the Jupiter Exchange. Applications earn fees and rewards proportional to the volume they do. Over 6,500 users have already traded Kalshi's prediction markets via Jupiter.

The second trajectory stretches beyond crypto, toward prediction as infrastructure for media, entertainment, and finance. This is where the cultural shift is happening.

Kalshi Daily Users and Notional Volume via Jupiter



Source: Dune, @datadashboards

Myriad embeds live markets directly inside news articles, podcasts, and social feeds; Polymarket's "Breaking" page functions as a real-time, decentralized newsroom that surfaces the fastest-moving odds before headlines appear; CNN and CNBC now show live Kalshi probabilities on air alongside their reporting; NHL games and broadcasts display Kalshi and Polymarket markets in real time; and UFC events feature co-branded Polymarket odds on arena screens and during fights. From social content and television news to professional sports and combat leagues, prediction markets are becoming a native, interactive layer across real-world products.

Breaking News: Polymarket Top 24h Changes (\$50k+ vol; excluding Sports)					
Outcome	Latest Price	Price 24h Ago	Delta Absolute	Delta Percentage	24h Volume
Y - Will d4vd be the #1 searched person on Google this year?	0.54	0.05	0.48	894%	\$18,034
Y - GPT ads by December 31?	0.22	0.10	0.12	127%	\$11,746
Y - Will Elon Musk post 200-219 tweets from November 28 to December 5, 2025?	0.22	0.10	0.12	120%	\$20,866
N - Will Trump nominate Kevin Hassett as the next Fed chair?	0.27	0.17	0.1	59%	\$30,834
N - Will d4vd be the #1 searched person on Google this year?	0.46	0.95	-0.48	-51%	\$107,380
N - Will Bianca Censori rank in Google's Top 5 Most Searched People of 2025?	0.42	0.29	0.13	44%	\$11,339
N - Will Trump meet with Zelenskyy by December 31?	0.11	0.19	-0.08	-42%	\$20,128
N - Will Pope Leo XIV be the #1 searched person on Google this year?	0.76	0.57	0.18	32%	\$10,624
Y - Will Elon Musk post 220-239 tweets from November 28 to December 5, 2025?	0.39	0.30	0.09	30%	\$37,711
N - Will Pope Leo XIV be the #1 searched person on Google this year?	0.39	0.48	0.11	23%	\$149,299

Source: Dune



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Conclusion

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Prediction markets are the first crypto-native product to cross the chasm into mainstream attention. They give us a way to directly express our views about the future. Instead of forecasts sitting in separate reports, polls or slide decks, the default representation of uncertainty becomes a live price that anyone can inspect and act on. Crucially, they are not gambling tools but **information markets** that surface dispersed knowledge and turn collective beliefs into measurable and actionable data. If that trajectory holds, the end state is a world where event markets sit quietly underneath the places where people already read the news, watch markets and make financial decisions. Headlines about elections, rate moves or product launches carry an implied line of odds. Financial data feeds show not just what has happened to inflation, growth or protocol revenue, but where markets think those numbers will land next.

Once that layer exists, it becomes difficult to ignore. Institutions, companies and individuals are all exposed to events they cannot control, from policy changes and macro data to regulation, protocol upgrades and governance votes. Giving them a clean way to transfer or hedge that event risk without having to build clumsy proxies in other markets **positions prediction markets as a true hedging infrastructure rather than a novelty**. What feels niche today will look, in hindsight, like a missing piece that should have been there all along. A trading desk can lean on event contracts in the same terminal where it manages options and swaps. A company can look at external markets on its own sales, regulation or input costs alongside internal forecasts. A retail user can see live odds on the events they are already following and decide whether to simply observe or take the other side.

What remains is a simple habit, check the odds. Check them when reading the news, when planning budgets, when thinking about a launch or a vote. Over time that habit will reshape how decisions are made. Beliefs will no longer be arguments in a meeting room or lines in a memo; they are positions that either pay out or do not. The record of what people thought, and when, is preserved in the prices themselves. Prediction markets are a change in how societies measure uncertainty, and eventually, in how they decide what to do about it.

