Allium

Prediction Markets

A New Financial Primitive

But Not a Wisdom-of-Crowds Market

A Data-Driven Analysis of Scale, Liquidity, Concentration, and Price Formation

April 2026

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Key Findings

Data through April 15, 2026. Six-month period: October 2025 to March 2026.

Prediction markets behave less like crowd intelligence systems and more like thin, participant-driven markets where a small number of actors set prices. 65% of all notional volume is generated by just 1% of wallets.

$90B in notional volume over six months ($37B in handle).

Averaged $15B/month across Polymarket International and Kalshi, peaking at $24B in March. Handle (capital at risk) runs ~0.4x notional.

Over $1B in open interest.

Polymarket Intl $460M, Kalshi $622M. Polymarket US (still in beta) OI peaked at $107M during Masters, currently $13M.

Adoption accelerating, depth is not.

Polymarket daily active traders grew from 37K to 243K over the last six months. But median market has only ~$11K of notional depth at a 2% price move, and just 30 markets can absorb $1M+ of notional at a 2% move.

Volume is fragmented and heavily concentrated.

Crypto generates rolling 5-minute markets; sports generate separate moneyline, spread, and prop markets per game. Grouped into series (e.g., all 12K Polymarket Bitcoin Up/Down 5-minute markets count as one series), 3,594 series exceed $1M but only 10 exceed $100M and just 1 exceeds $1B over a 30-day period. That single $1B+ series, Polymarket BTC 5-min, alone generated $1.45B in notional.

Major events draw $100M+, but through many small markets, not standalone size.

Masters Tournament Winner cleared $449M across 98 golfer-specific markets (~$4.6M average). March Madness drew $233M across 112 team markets. Only 2 individual markets crossed $100M standalone over a 30-day period, both Iran-related yes/no questions on Polymarket: forces entering by April 30 ($269M) and US x Iran ceasefire by April 7 ($174M).

Mispricing concentrates at extreme prices and final hours before resolution.

Sports markets show ~45% prediction error 24 hours before resolution, vs much lower for crypto and politics. The gap closes sharply as resolution approaches.

Thin depth doesn't mean limited utility.

Beyond directional betting, prediction markets support market-making, HFT, hedging strategies, and serve as real-time probability signals for events that move equities, rates, and commodities.

Regulatory uncertainty is the industry's defining risk.

Prediction markets are now facing legal challenges across multiple states, with regulators arguing they constitute gambling rather than financial instruments. Ohio has moved to fine Kalshi $5M, and federal courts are already weighing in on the conflict between state and federal authority. The core unresolved question is whether prediction markets are finance or gambling. That issue is being litigated now and could ultimately reach the Supreme Court.

Six-Month Comparison

The prediction market ecosystem hit an inflection point in September 2025. Volume, open interest, and participation all accelerated sharply from that point. The six-month window below (October 2025 to March 2026) captures the acceleration to over $1 billion in open interest, compared against the prior six months as a baseline.

	Prior 6M (Apr-Sep 2025)	Last 6M (Oct 2025-Mar 2026)	Change
Notional Volume	$16.9B	$89.7B	5.3x
Avg Monthly (notional)	$2.8B	$15.0B	5.3x
Trading Volume	$6.2B	$37.3B	6x
Avg Monthly (trading)	$1.0B	$6.2B	6x
Total Trades	60M	800M	13x
Avg Daily Traders (Polymarket only)	37K	125K	3.3x
Peak Daily Traders (Polymarket only)	64K	243K	3.8x
Avg Trade Size	$104	$47	-55%
Open Interest (end of period)	$420M	$1.08B	2.6x
Polymarket Intl OI	$190M	$472M	2.5x
Polymarket US OI	—	$107M (peak)	—
Kalshi OI	$230M	$508M	2.2x

Source: Allium Research. All figures are Polymarket International and Kalshi unless noted. Polymarket US included for OI comparison only (recently launched platform). Notional = face value at settlement ($1/contract). Trading volume = actual capital exchanged (~0.4x notional). Active traders = Polymarket International only (Kalshi N/A).

Data Notes & Report Limitations

All analysis is based on Polymarket International and Kalshi. Polymarket US is included for OI comparison only, recently launched, primarily sports, with limited history.

- Terminology: each binary yes/no contract is a "market" (matching platform convention). For multi-outcome events like tournaments, each possible outcome is structured as its own market — e.g., the Masters Tournament has 98 markets, one per golfer. "Event Series" groups related markets (all Masters golfers, all BTC 5-min windows).
- Active traders: Polymarket International only (onchain). Kalshi does not disclose.
- Trade size: reflects individual fills, not intended size. Participants split orders across multiple fills.
- Orderbook depth: point-in-time snapshot. Polymarket International orderbook is publicly available onchain for all active markets. Kalshi orderbook is sourced via API: the top ~250 most liquid markets are captured at high frequency (sub-minute), while the remaining liquid markets are sampled hourly.
- Calibration & error convergence: top 200 resolved Polymarket International markets. May not generalize to smaller markets.
- Wallet concentration: Polymarket International only (onchain). One entity may use multiple wallets.

1. How Prediction Markets Work

What are prediction markets?

Platforms where participants trade event futures contracts: derivatives with payoffs based on the occurrence of a specified event, like an election, the closing value of a stock index, a sports contest, or a weather outcome (e.g., hurricanes). Users buy YES or NO shares; winners receive $1/share, losers $0. Prices between $0–$1 represent implied probability. Event contracts can be used for speculation or to hedge the risk of a specified event. Participants can enter and exit positions at any time while the market is live, subject to available liquidity.

How are odds calculated?

By supply and demand, same as a stock orderbook. No central authority. Trading is 24/7.

How are orders executed?

All three platforms match and execute orders through centralized offchain orderbooks. The difference is settlement: Polymarket International settles onchain on Polygon, making all trades publicly auditable. Kalshi and Polymarket US settle entirely offchain. Orders fill via (1) direct matching or (2) split/merge, i.e. creating or destroying YES/NO token pairs. Platforms also incentivize participation with liquidity rewards, volume rewards, and fee rebates.

Can orders be front-run on Polymarket given it is onchain?

Trades are matched through a centralized orderbook, then settled onchain via Polymarket's private relayers. Participants cannot see pending trades before execution, there is no public mempool. Transactions only become visible onchain after they are finalized. This has given rise to copy-trading strategies, though there is typically at least a 3–5 millisecond delay.

Who decides outcomes?

Both platforms define resolution criteria per market. Kalshi resolves centrally based on those rules. Polymarket International uses UMA (decentralized oracle) but can overrule if disputed. Polymarket US resolves centrally like Kalshi.

Can you only use crypto?

Polymarket International: USDC on Polygon. Polymarket US and Kalshi: regular USD.

Who has custody of funds?

Kalshi: customer funds held at partner banks. Polymarket International: custodial smart contract wallet where the user signs transactions but Polymarket must co-approve. Polymarket US and Kalshi both operate under CFTC regulation with regulated custody arrangements.

How do prediction market operators make money?

Platforms charge modest transaction fees, generally 0.75–1.80% of notional value per trade. Fees scale with market uncertainty: highest at 50¢ prices (outcome most uncertain) and near-zero at extremes (market already confident). Takers (executing against resting orders) pay the fee; makers (posting liquidity) pay 0% and earn rebates from collected taker fees. Polymarket International tiers fees by category (Crypto 1.80%, Sports 0.75%, Geopolitics free, others in between). Polymarket US charges a flat 1.25% across all categories, with a 50% taker rebate promo through April 2026. Kalshi charges 1.75%, capped at $0.02 per contract.

Are they legal in the US?

Kalshi and Polymarket US are CFTC-regulated (DCM). Some states ban sports. "Gruesome" markets (nuclear events, death of public figures) prohibited on US platforms. Polymarket International is not legally allowed to operate in the US.

What about insider trading?

Both platforms block athletes, coaches, and politicians from trading on their own events (March 2026 rules). Enforcement is difficult in practice and largely relies on self-disclosure.

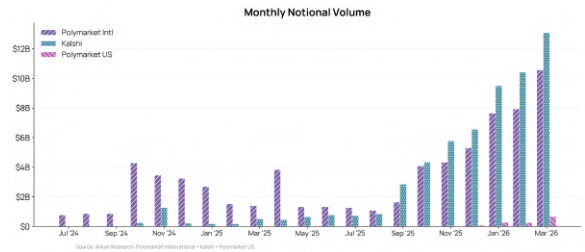
What is the regulatory outlook?

The regulatory landscape is actively evolving. The CFTC's laissez-faire approach under the current administration has triggered growing calls for intervention from US states and gaming regulators. Legal action is pending in 14 states with 4 congressional bills in play. In March 2026, Senators Schiff and Curtis introduced the Prediction Markets Are Gambling Act, seeking to classify event contracts as gambling rather than financial derivatives. In April 2026, the Trump administration sued Illinois, Connecticut, and Arizona for attempting to regulate prediction markets under state gambling laws, arguing exclusive federal jurisdiction under the CFTC. A federal judge blocked Arizona from criminally prosecuting Kalshi. On April 14, Ohio's Casino Control Commission proposed a $5 million fine against Kalshi, with Ohio's Attorney General stating a federal court already agreed with their reading. The core legal question remains unresolved: are prediction markets finance or gambling? With conflicting federal court decisions across jurisdictions, Supreme Court intervention is increasingly likely. Former CFTC commissioner Quintenz sits on Kalshi's board; Trump Jr. and Nate Silver advise Polymarket.

2. The Market

How large is the prediction market today?

This report covers Polymarket and Kalshi, which together account for the vast majority of prediction market volume globally. Over the last six months, combined notional volume totalled $90 billion ($37B in trading volume). Average monthly notional: $15 billion. Peak: $23.7 billion notional in March 2026.

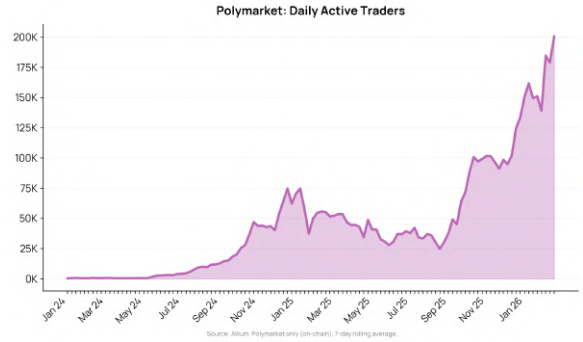


Graph 1

Monthly trading volume. Data: Polymarket, Kalshi. Jul 2024–Apr 2026. Source: Allium Research.

How many active traders are there?

Daily active traders on Polymarket averaged 125,000 over the last six months, peaking at 243,000. Kalshi does not disclose user-level data. The surge has been driven by sports betting, the Iran conflict, and broader adoption.

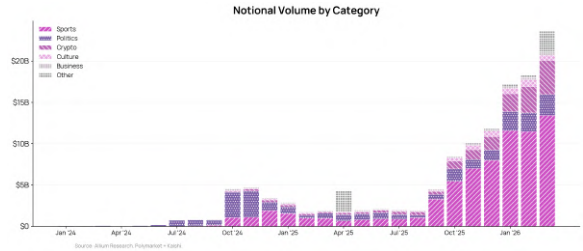


Graph 2

Daily active traders (7-day rolling average). Data: Polymarket. Kalshi does not disclose. Source: Allium Research.

What are participants trading?

Sports accounts for 64% of notional volume, overtaking politics after the 2024 US election. Crypto is second at 15%, politics at 12%.

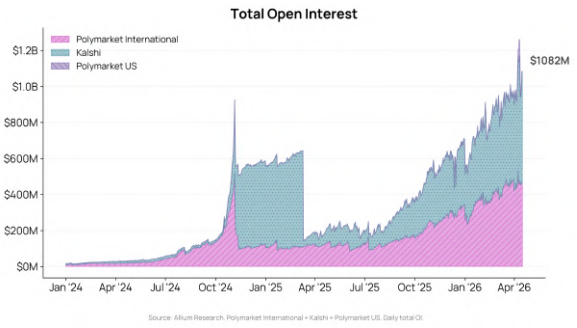


Graph 3

Notional volume by category. Data: Polymarket International, Kalshi. Source: Allium Research.

How much capital is at stake?

Combined open interest across Polymarket International ($460M) and Kalshi ($622M) stands at $1.08B. Iran-related markets dominate the largest positions.



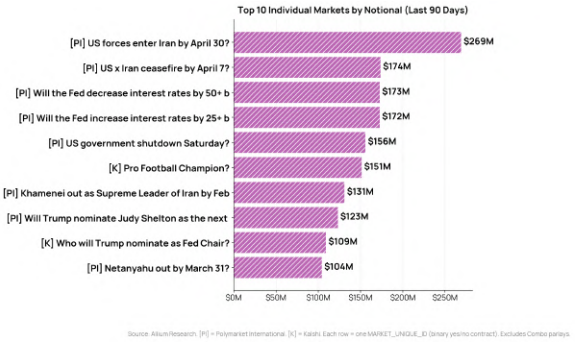
Graph 4

Total open interest over time. Polymarket International (on-chain) + Kalshi (API). Daily. Source: Allium Research.

3. Where Is the Action?

Which markets attract the most notional volume?

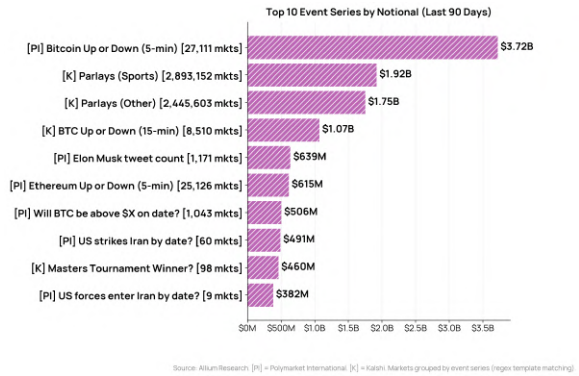
At the individual market level (each row = one binary yes/no contract), the top markets are overwhelmingly political binaries: Iran-related events (US forces entering by April 30 $269M, US x Iran ceasefire $174M), Fed rate decisions ($173M, $172M), US shutdown ($156M), and Fed Chair nomination questions. Single markets over $100M are almost exclusively Polymarket politics yes/no contracts.



Graph 5a

Top 10 individual markets by notional (last 90 days). Each row = one MARKET_UNIQUE_ID. Excludes Combo parlays. [PI] = Polymarket International, [K] = Kalshi. Source: Allium Research.

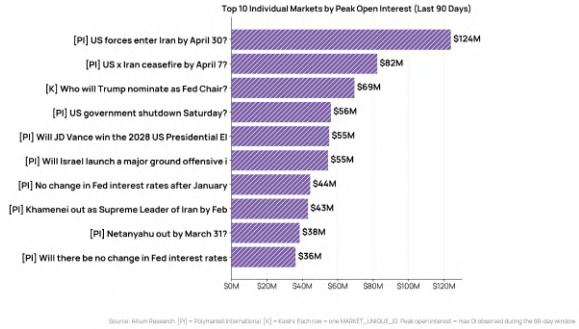
At the series level (grouping all related markets under one event), Polymarket's Bitcoin 5-minute markets are the single largest series at $3.7B notional across 27,000 individual markets. Iran-related politics series ($491M across 60 markets) and major sports events (Masters, March Madness) round out the top 10.



Graph 5b

Top 10 event series by notional (last 90 days). Related markets grouped by underlying event. [PI] = Polymarket International, [K] = Kalshi. Source: Allium Research.

Peak open interest (capital locked up, not cumulative flow) tells a slightly different story. The top OI markets are again dominated by Polymarket politics: Iran forces entry ($124M peak OI), Iran ceasefire ($82M), and Fed Chair nomination ($69M on Kalshi). JD Vance 2028 Presidential Election ($55M) and Israel-Lebanon conflict ($55M) round out a near-total politics list. Notable: no sports, crypto, or culture markets crack the top 10 by OI.

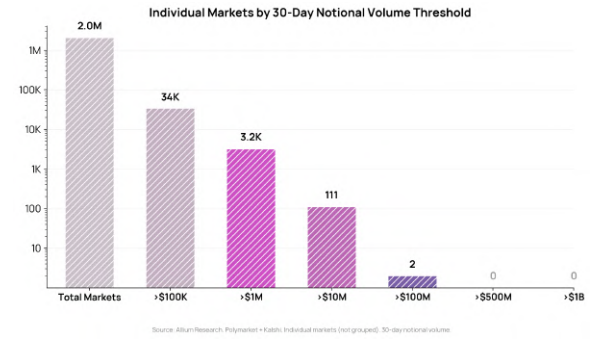


Graph 5c

Top 10 individual markets by peak open interest (last 90 days). Each row = one MARKET_UNIQUE_ID. Peak OI = max open interest observed during the window. [PI] = Polymarket International, [K] = Kalshi. Source: Allium Research.

How many markets are actually liquid?

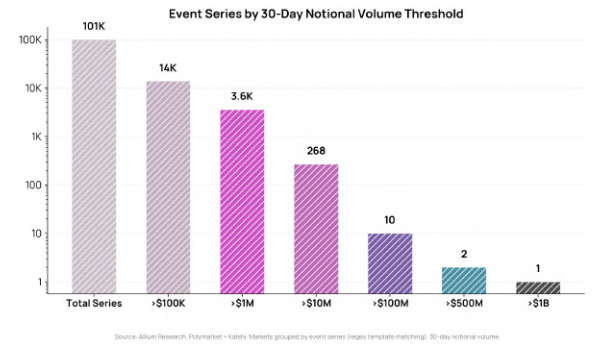
~2 million markets traded in the last 30 days, but the count is inflated by structure — Kalshi lists every sports prop threshold as its own market, and Polymarket generates rolling 5-minute crypto markets around the clock. Real activity is concentrated: 33,621 exceed $100K, 3,197 exceed $1M, 111 top $10M, and only 2 cross $100M standalone.



Graph 6a

Individual markets by 30-day notional volume (Mar 15 - Apr 14, 2026). Each market counted separately. Excludes Kalshi Combo. Data: Polymarket International, Kalshi. Source: Allium Research.

When related markets are grouped by event series (e.g., all 5-minute BTC windows as one series, all props on a single game as one series), the total collapses from ~2 million markets to ~101,000 series. 13,910 series exceed $100K, 3,594 exceed $1M, 268 top $10M, and 1 series exceeds $1B (Polymarket BTC 5-min at $1.45B notional).



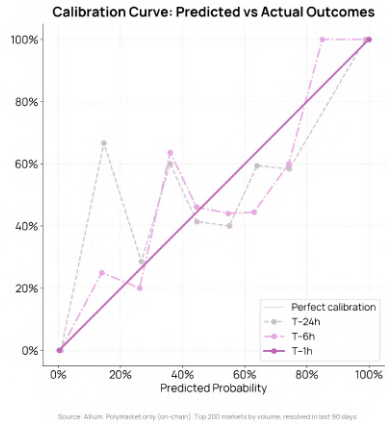
Graph 6b

Event series by 30-day notional volume. Related markets grouped by event. Data: Polymarket International, Kalshi. Source: Allium Research.

4. Do They Actually Predict Outcomes?

Are prediction market prices well-calibrated?

If a market is priced at 70%, the event should actually happen about 70% of the time. Across the top 200 resolved Polymarket markets, calibration is strong in the 20-80% range. When a market says something is 90%+ likely, it actually happens slightly less often than that, suggesting mild overconfidence at extremes.

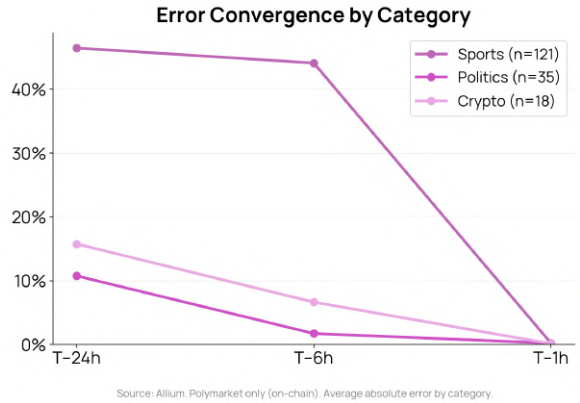


Graph 7

Calibration: predicted probability vs actual resolution rate. Top 200 resolved markets by volume (last 90 days, min $5K volume, YES token only). Data: Polymarket International. Source: Allium Research.

Do markets get more accurate as resolution approaches?

Yes. Prediction error decreases as markets approach resolution, consistent with efficient information aggregation. Sports markets show the highest error at T-24h because outcomes are genuinely uncertain until game time.



Graph 8

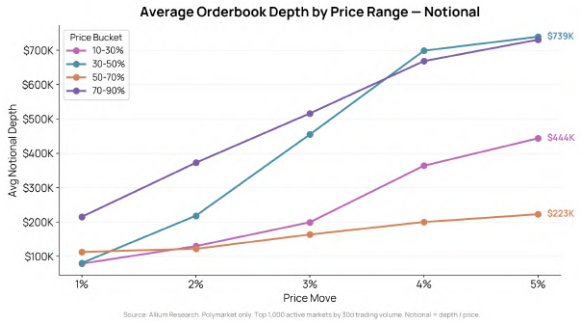
Average absolute error at T-24h, T-6h, T-1h by category. Sports show highest pre-resolution error (~45% at T-24h) as outcomes are uncertain until game time. Crypto and politics converge faster. Data: Polymarket International. Source: Allium Research.

Implication: The clearest mispricing appears at extreme ends of price and in the final hours before resolution, particularly in sports where uncertainty remains high until game time. Crypto and politics markets converge faster, leaving narrower windows. For traders, the opportunity is in timing and category selection.

5. Can You Trade at Scale?

How deep are the orderbooks?

Markets with higher implied probability (70-90%) have deeper orderbooks than longshot markets (10-30%), roughly 2-3x deeper at tight price moves (1-2%) and narrowing to 1.5-2x at 5% moves. This reflects greater capital commitment near expected outcomes. Note: Polymarket orderbook data covers all active markets; Kalshi high-frequency data covers the top ~250 most liquid markets.

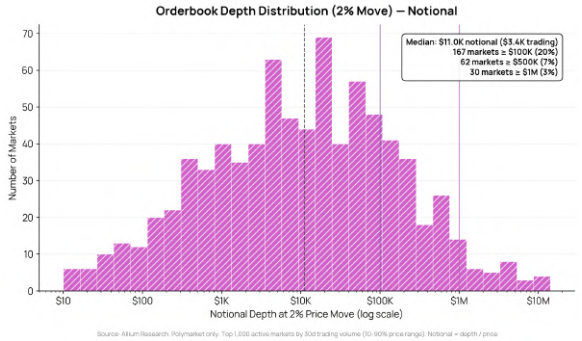


Graph 9

Average sell-side orderbook depth by price range. Top 1,000 active markets by 30d trading volume (10-90% price range). Data: Polymarket International. Source: Allium Research.

Can institutional-size orders be absorbed?

The median market has ~$11,000 in notional depth at a 2% price move (~$3,400 in real USD). Only 21% can absorb $100K+ notional, 8% can absorb $500K+, and just 4% (30 markets) have over $1M in notional depth.



Graph 10

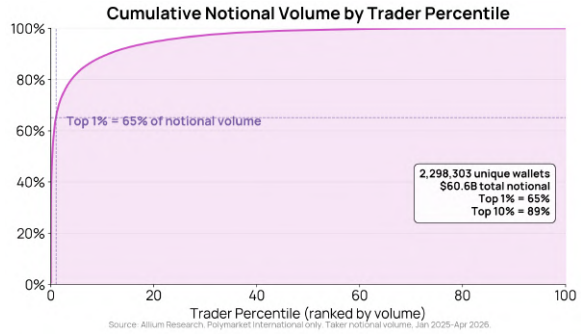
Sell-side depth distribution at 2% move. Top 1,000 active markets by 30d trading volume (10-90% price range). Log scale. Data: Polymarket International. Source: Allium Research.

Implication: volume and depth are different things. A series can generate $1M+ in monthly notional while its orderbook at any given moment is thin. A $100K order typically moves a single market more than 2%. To trade at institutional size, participants either split across multiple contracts within an event (e.g., many golfers at Masters) or focus on the few highest-depth markets.

6. Who Is Trading?

How concentrated is trading volume?

Extremely. The top 1% of Polymarket wallets (roughly 23,000 out of 2.3 million) generate 65% of all notional volume. Price formation is likely driven by a small number of systematic participants rather than a broad wisdom-of-crowds dynamic.



Graph 11

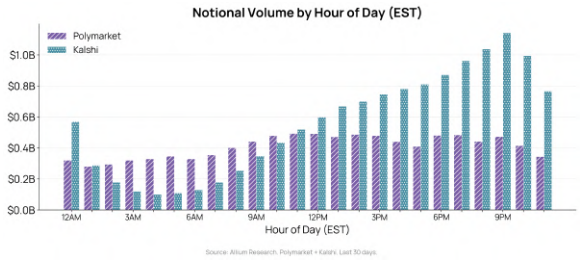
Cumulative notional volume by trader percentile. Taker volume, Jan 2025-Apr 2026. 2.3M unique wallets. Data: Polymarket International. Source: Allium Research.

What does the typical trade look like?

The average confirmed trade size has dropped from $104 to $47. Kalshi's median trade is 3-4x larger. Note: this measures confirmed orders, not intended size. Many participants trickle orders across multiple fills, so actual position sizes are likely larger than individual trade data suggests.

When do they trade?

Polymarket peaks during US market hours (9AM-2PM EST), reflecting crypto-native traders, international participants, and financial market activity. Kalshi peaks at 8-10PM EST, consistent with after-hours US participation.



Graph 12
Volume by hour of day (EST). Polymarket = daytime, Kalshi = evening. Data: Polymarket, Kalshi. Source: Allium Research.

7. Polymarket vs Kalshi

In the US, Polymarket US and Kalshi offer similar regulated experiences (KYC, USD settlement). Kalshi dominates today, but Polymarket US is catching up fast: OI grew nearly 10x during the start of the Masters to a peak of $107M, fueled by a March 26 waitlist-bypass promo ($20 deposit matched by another $20) and aggressive per-event rewards (e.g., $100K per game during March Madness). Both platforms run liquidity and volume incentive programs (maker rebates on Polymarket, cashback and resting-order rewards on Kalshi), but Polymarket US has been more aggressive on promotional firepower during rollout. The third option is Polymarket International, Polymarket's global platform: Panama-based, unregulated, banned or restricted in 30+ jurisdictions including the US. Combined with Polymarket US, Polymarket is the largest prediction market operator by open interest.

	Polymarket International	Polymarket US	Kalshi
Type	Decentralized (onchain settled)	Centralized (offchain)	Centralized (offchain)
Settlement	USDC (Polygon)	USD	USD
Regulator	None	CFTC	CFTC
Regulatory Status	Unregulated	DCM license	DCM license
KYC	No	Yes	Yes
Current OI	$460M	$13M	$622M
Top Category (OI)	Politics (39%)	Sports (99%)	Sports (52%)
Avg Trade Size	$22	$354	$59
Custody	Custodial smart contract	Regulated custody	Regulated custody
Resolution	Rules + UMA oracle	Centralized, rules-based	Centralized, rules-based
Trading	24/7	24/7	24/7
Launched	2020	Feb 2025	2021

Data sourced from Polymarket International (onchain, Polygon) and Kalshi (API). Polymarket US included for OI comparison only as it is a recently launched platform. Analysis: Allium Research (allium.so). Primary metric: notional volume (face value, $1/contract). Trading volume (~0.4x notional) noted where relevant. Active traders = Polymarket International only (Kalshi N/A). Data through April 15, 2026.

8. What This Means for Institutions

Scale depends on strategy.

Over 3,400 event series generate $1M+ in monthly notional volume. Placing a large directional bet on a single market is constrained by thin orderbooks, but building exposure across multiple contracts within a series (e.g., buying "BTC up" across consecutive time windows) allows for larger positions. Market-making, high-frequency strategies, and systematic trading across series can all operate at meaningful scale.

Useful as a signal layer.

Prediction markets offer real-time, continuously updated probability estimates for events that move traditional markets: elections, geopolitical conflict, Fed policy, earnings outcomes, and regulatory decisions. As a complement to polls, surveys, and analyst forecasts, these signals are faster and reflect capital at risk.

Potential future infrastructure.

If liquidity deepens and regulatory clarity improves, prediction markets could evolve into a tradable asset class for event-driven hedging and risk transfer, similar to how credit default swaps emerged from a niche product into core fixed income infrastructure.

9. Trading Strategies Observed

Prediction markets support a range of strategies beyond simple directional betting. The following are actively observed across Polymarket and Kalshi:

Signal Layer for Broader Portfolios

Prediction market prices as real-time probability inputs for larger portfolio decisions (e.g., Iran conflict odds to size oil positions, Fed rate cut markets to adjust fixed income exposure).

Trading Fundamental Drivers Directly

Isolated bets on specific catalysts (Tesla deliveries, Fed decisions, CPI, weather) without broader equity, rates, or commodity exposure.

Market Making

Quoting both sides of the orderbook, earning the spread plus platform liquidity/volume rewards. Profitable in high-volume markets with predictable flow.

Directional Betting

Taking a view on an outcome, short-term or long-term. Notable example: French trader Théo ("Fredi9999") placed ~$30M across multiple Polymarket wallets on Trump in 2024, netting ~$50M+ profit.

Arbitrage (YES+NO, Cross-Platform, Sportsbook)

Buy YES and NO when combined cost < $1 for risk-free profit. Price the same event across Polymarket, Kalshi, and sportsbooks (DraftKings, FanDuel) to capture gaps.

High-Turnover Short-Duration Markets

BTC/ETH 5-min and 15-min markets resolve hundreds of times per day, recycling capital across consecutive markets. Suits systematic, automated strategies at scale.

Copy Trading / Wallet Tracking

Polymarket's onchain settlement makes all trades publicly visible. Profitable wallets can be identified and followed, with a 3-5 millisecond delay post-finalization.

Resolution Scalping

Trading in final hours before resolution as prices converge to outcome. Widest window in sports markets per error convergence data.

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