

How prediction markets work

Economics

The screenshot shows a prediction market interface with a central process flow diagram. The diagram consists of five blue chevron-shaped boxes connected in a sequence: Event Creation, Trading, Market Aggregation, Event Resolution, and Payout. Below each box is a descriptive text block. The background shows a grid of market listings for various economic events.

Event	Event Creation	Trading	Market Aggregation	Event Resolution	Payout
Fed decision in January?	The platform or a user proposes a specific question about a future event with binary (Yes/No) or multiple-choice outcomes (e.g., "Will the Fed lower rates next month?").	Participants buy and sell shares in these outcomes. If you believe an event is likely to happen, you buy "Yes" shares. The price of a share (e.g., \$0.65) directly corresponds to the market's estimated probability of that outcome (e.g., 65%).	Prices fluctuate in real-time as participants trade based on new information, expert analysis, or news. This "wisdom of the crowd" often makes prediction markets more accurate than traditional polling.	Once the real-world event occurs, the platform verifies the outcome using a trusted source or "oracle."	The market is closed. Shares in the winning outcome are typically redeemed for a fixed value (usually \$1.00), while shares in the losing outcomes become worthless (\$0.00). Your profit is the difference between your purchase price and the final settlement value.

Prediction markets platform comparisons

Comparison of leading platforms*

Feature	Kalshi	Polymarket	PredictIt	Manifold
Regulation	Fully CFTC-regulated (US)	Decentralized / Crypto-native	Academically backed (No-Action)	Unregulated / Social
Primary Currency	USD (Bank transfer)	USDC (Stablecoin/Crypto)	USD	"Mana" (Play money)
Main Audience	US-based institutional & retail traders	Global crypto-savvy users	Political hobbyists & academics	Social forecasters
Top Markets	Economics, US Politics, Fed rates	Global news, Pop culture, Crypto	US Political races only	Everything (User-created)
Trade Limits	High (Institutional scale)	No formal limits	Restricted (\$850 per contract)	N/A (Play money)

Key differentiators

	Kalshi	Polymarket	PredictIt	Manifold
The Edge	It is the only platform that is a fully regulated U.S. exchange (Designated Contract Market). This allows it to partner with traditional brokers like Interactive Brokers and Robinhood.	As the world's largest prediction market by volume , it offers the highest liquidity. It operates on the Polygon blockchain, meaning trades are fast and settled via smart contracts.	Operated as a research project by Victoria University of Wellington, it is the classic choice for U.S. political junkies . However, it has strict caps on how much an individual can invest in a single contract.	It is essentially a "prediction market for everyone." Anyone can create a market on any topic. Because it uses play money (Mana) , it bypasses most gambling/financial regulations.
Best For	Users who want to trade directly in dollars, avoid crypto, and have full legal protection under U.S. law. It focuses heavily on "real economy" indicators like inflation and interest rates.	International users and those comfortable with crypto. It is known for its speed in launching markets on breaking news and pop culture (e.g., celebrity news or tech releases).	People specifically interested in U.S. elections who want a "low-stakes" environment with a strong historical track record in politics.	Testing your forecasting skills without financial risk and engaging with a community of predictors on niche or absurd topics.

Emerging Trends for 2026

- **Mainstream Integration:** Platforms like **Robinhood**, **FanDuel**, **DraftKings** and **Crypto.com** have integrated 'event contracts' directly into their apps, making prediction markets a standard feature of sports betting and modern brokerage accounts.
- **Accuracy:** Recent studies suggest **PredictIt** remains highly accurate for politics due to its expert user base, while **Polymarket** excels in volume and speed for global event shifts.