RESEARCH PERSPECTIVE

Who Earns the Spread?

What transaction-level evidence says about makers, takers and the favorite–longshot bias

On Kalshi from 2021 to April 2025, contracts bought by makers returned −9.6% on average and contracts bought by takers −31.5% after fees. On Polymarket International, the classic longshot pattern appears in crypto and politics but not in sports. We read the two studies as saying that providing liquidity beats demanding it and still loses money on average, and that a sports market maker has no basis for relying on the longshot bias.

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KEY TAKEAWAYS

01 On Kalshi from 2021 to April 2025, contracts bought by makers returned −9.6% on average and contracts bought by takers −31.5% after fees. Maker purchases beat taker purchases by more than 20 percentage points and, on average, still lost money.

02 Prices were informative but biased at the tails. Contracts priced at 10 cents or less lost more than 60% on average, while contracts above 70 cents earned small, statistically significant positive returns.

03 On Polymarket International, the longshot pattern is robust in crypto and politics but absent in sports, the category with the most money traded. For a sports market maker, execution, inventory management and any other pricing effects remain separate hypotheses to test on the intended venue.

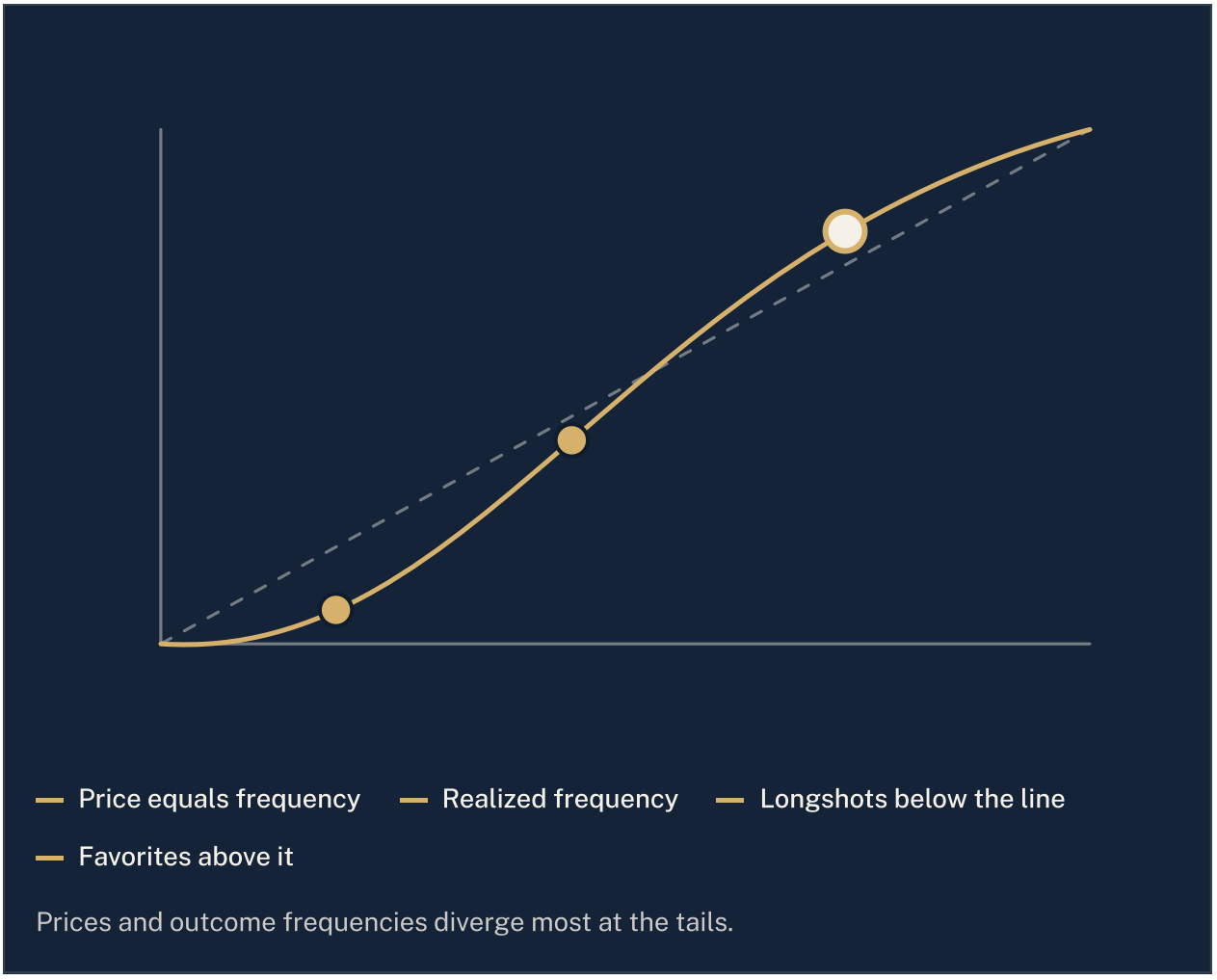
> Evidence review of published research. Figures describe the cited studies' samples, not Predict Here Capital results.

▼ **Method, sources and limitations**

Study type	Evidence review
Method	Review of two transaction-level studies and the betting-market literature, with original interpretation and hypothetical arithmetic. Figures are reported as published in the cited studies; no Predict Here Capital data are used.
Data period	Cited studies: Kalshi, 2021 to April 2025; Polymarket International, November 2022 to March 2026. No Predict Here Capital trading data.
Source categories	Working papers and preprints using transaction data; Peer-reviewed betting-market research
Limitations	Both principal studies are working papers or preprints and may change on revision. Neither study covers Polymarket US, the venue of current live trading, and the Kalshi sample ends before Kalshi began charging makers. Average returns by contract are not the returns of any trading strategy, and published evidence does not establish Predict Here Capital performance.

The question investors should ask first

Every market-making thesis rests on an answer to a simple question: who is on the other side, and why are they willing to pay? In equity and futures markets, decades of microstructure research supply partial answers. Prediction markets lacked comparable evidence until two large working papers on Kalshi and Polymarket International transaction data were released in 2025 and 2026.



Prices and outcome frequencies diverge most at the tails.

We summarize what those studies found, what they cannot tell us and how the findings bear on market making in sports event contracts.

On Kalshi, makers did better than takers, but not well

Bürgi, Deng and Whelan (2026) study Kalshi from its launch in 2021 through April 2025. Their sample contains 46,282 Yes contracts across 12,403 events, restricted to markets open for at least 24 hours with at least $1,000 traded and a final bid–ask spread of 20 cents or less. Daily price snapshots for up to ten days before close give 156,986 Yes prices and, with the matching No side, 313,972 observations. Kalshi's data identify the participant whose resting order supplied liquidity and the participant who took it, so the authors do not have to infer trade direction.

During the sample, Kalshi charged takers $0.07 \times p \times (1 - p)$ dollars per contract, where p is the price in dollars, rounding the total up to the next cent, and charged

makers nothing. The authors end the sample in April 2025 because Kalshi began charging makers after that.

EXHIBIT 1

Kalshi, 2021 to April 2025: average returns by role and price

Measure	Result
Contracts bought by makers	−9.64% average return
Contracts bought by takers, after fees	−31.46% average return
Contracts priced at 10 cents or less	Lost more than 60% on average
Contracts priced above 70 cents	Small, statistically significant positive returns after fees
Makers buying contracts priced 50 cents or more	+2.6% average return, with a 33% standard deviation

Source: Bürgi, Deng and Whelan (2026), working paper, Sections 3, 4 and 6. Returns are averages across contract observations, not the returns of a trading strategy. Taker returns use the authors' imputed fee for a 100-contract purchase, rounded up to the next cent.

Two points matter for a maker. First, the maker side lost money on average. Maker purchases lost far less than taker purchases, but traders chose their roles, so the comparison cannot tell us what any one trader would have earned by switching from taking to making. Second, it matters where makers bought. Maker purchases made up 43.5% of the study's observations priced at 10 cents or less and 56.5% of those priced at 90 cents or more, and the small positive returns appeared only at the expensive end. The authors give three reasons the pattern has not been competed away: the 33% standard deviation on those returns, thin order books and limited awareness.

Why cheap contracts lose so much

The favorite–longshot bias is one of the oldest regularities in betting markets: bets on unlikely outcomes earn lower average returns than bets on likely ones (Thaler and

Ziemba, 1988). In a contract that pays $1 or nothing, a small error in probability becomes a large error in return at the cheap end and a small one at the expensive end.

EXHIBIT 2

Two-percentage-point errors, very different returns

Contract	Price	Wins	Average return
Longshot	$0.05	3% of the time	−40%
Favorite	$0.95	97% of the time	+2.1%

Average return = (win frequency − price) ÷ price: (0.03 − 0.05) ÷ 0.05 = −40% and (0.97 − 0.95) ÷ 0.95 ≈ +2.1%.

Source: Predict Here Capital illustration. Hypothetical; fees excluded.

This asymmetry is why averages taken contract by contract can be deeply negative even though, before fees, every dollar one participant loses another gains. It is also why the choice of weighting changes the answer, as the Polymarket International evidence below shows.

On the cause, Snowberg and Wolfers (2010) find that horse-racing prices are better explained by bettors misjudging small probabilities than by a taste for risk. Bürgi, Deng and Whelan reach a compatible conclusion for Kalshi: their model needs both disagreement among traders and a modest overweighting of small probabilities to reproduce the data.

On Polymarket International, the answer depends on what is counted, and sports differs

Cardozo and Rivero-Wildemauwe (2026) work from a dataset of about 588 million trades by 2.48 million wallets on Polymarket International, the token-based platform, from November 2022 to March 2026; it does not include Polymarket US. Their return calculations use 560.9 million purchases in markets resolved by March 29, 2026, and measure what each purchase would have earned if held to resolution, before trading fees and any maker rewards.

EXHIBIT 3

Polymarket International, November 2022 to March 2026: returns by weighting

Weighting	Longshots (below 10¢)	Favorites (90¢ and above)
Each market equally	−6.30%	+0.277%
Each dollar equally	−19.35%*	+0.83%
Each parent event equally	+4.09%	Positive

* The 95% confidence interval includes zero.

Source: Cardozo and Rivero-Wildemauwe (2026), preprint. Returns assume each purchase is held to resolution and exclude trading fees and maker rewards; within each market or event, purchases are pooled by dollars before markets or events are weighted equally.

Weighting each listed market equally reproduces the classic pattern, whereas grouping related markets under their parent event before averaging reverses the longshot result. The authors trace the difference to concentration: events with many related markets, and events attracting the most longshot money, drive the losses.

By category, crypto and politics show longshot losses and favorite gains under both main weightings, and sports does not. Longshot purchases in sports earned positive average returns under both, and favorite returns were not consistently positive. Sports accounted for 36.8% of the money spent in the authors' analysis sample, more than any other category.

The Polymarket International data also identify the maker in each trade. Longshot purchases made through resting bids lost less than those made by accepting a seller's offer: 3.50% against 31.17% with each market weighted equally, and 17.56% against 22.17% with dollars pooled. They still lost, as on Kalshi, and longshot losses appear at every level of trader experience.

What the evidence does and does not establish

Five limits apply. Both studies are working papers or preprints and may change. They cover different venues, periods and fee regimes, neither covers Polymarket US, and

the Kalshi sample predates maker fees. Average returns per contract are not the returns of a strategy, whose result depends on holding periods, exits, sizes and the inventory it chose to keep. Both samples include prices close to resolution, which can carry their own biases: in an earlier prediction market, Page (2012) found trailing teams priced too high late in games. And anomalies documented in public research often shrink once they are known, a possibility Bürgi, Deng and Whelan raise themselves.

The evidence is still informative. It tells us about markets, and it cannot tell us about any participant's ability to earn a return in them.

Implications for a sports market maker

We read the evidence as supporting the premise of market making and narrowing the thesis. It supports the premise because, in the Kalshi study's maker–taker comparison, providing liquidity outperformed demanding it by more than 20 percentage points on average, and on Polymarket International longshot purchases made through resting bids lost less than those that accepted a seller's offer. It narrows the thesis because the maker side still lost money on average, and because the best-documented structural mispricing, the longshot bias, does not appear in the Polymarket International sports data.

For a market maker in sports, the evidence gives no basis for relying on that bias. That leaves the sources our thesis already names: earning the spread on flow that is not systematically better informed, managing inventory so that adverse fills do not compound, and using capital efficiently. Any other pricing effects the evidence has not ruled out remain open too. Each is a claim we can test on a complete, reconciled record, as set out in From Trading Activity to Evidence of an Edge, and published averages establish none of them.

What would change this view

We would shift our emphasis toward pricing if Polymarket US sports prices showed a stable, exploitable bias after fees. We would doubt the premise if selective, well-capitalized makers were shown to lose money after fees and incentives. And a replication on Kalshi data after April 2025, when makers began paying fees, would tell us whether the maker–taker gap survives the new regime.

Sources and further reading

Sources reviewed October 27, 2026. Venue rules, fees and programs change; the specific contract and account terms govern. Views are the author's as of the edition date shown above.

1. Bürgi, C., W. Deng and K. Whelan (2026). Makers and takers: the economics of the Kalshi prediction market. Working paper, University College Dublin, January 2026; also CEPR Discussion Paper 20631.
2. Cardozo, M. and J. I. Rivero-Wildemauwe (2026). The favorite–longshot bias in prediction markets: evidence from Polymarket. Preprint, arXiv:2609.12878, September 2026.
3. Snowberg, E. and J. Wolfers (2010). Explaining the favorite–long shot bias: is it risk-love or misperceptions? Journal of Political Economy 118(4).
4. Thaler, R. H. and W. T. Ziemba (1988). Anomalies: parimutuel betting markets: racetracks and lotteries. Journal of Economic Perspectives 2(2).
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