Favorite-Longshot Bias Strategy

Research

Source	Finding
Snowberg & Wolfers (2010)	Longshots systematically overbet, favorites underbet
UCD Kalshi Study (2025)	High-priced contracts resolve MORE often than implied
Quantpedia	Betting favorites: -3.6% loss; longshots: -26% loss

Key finding: Edge is strongest at extreme probabilities.

Edge Model

Price	Edge	True Prob	EV per $25
95-97%	3.0%	98-100%	**+$0.73**
93-95%	2.5%	96-98%	+$0.57
97-99%	2.0%	99-100%	+$0.50
90-93%	2.0%	92-95%	+$0.35
99-100%	0.5%	~100%	+$0.15

Sweet spot: **95-97%** (highest EV before 100% ceiling compresses edge)

Top Positions

Side	Price	Profit	EV	Volume	Market
NO	96.9%	$0.78	$0.75	$2.0M	Golden State Warriors 2026 NBA
NO	96.8%	$0.80	$0.75	$1.1M	Tariffs >$250b in 2025
NO	96.8%	$0.81	$0.75	$3.3M	Trump win 2028
NO	96.8%	$0.81	$0.75	$2.7M	Jon Ossoff 2028 Dem primary
NO	96.8%	$0.81	$0.75	$1.8M	Netherlands 2026 World Cup
NO	96.7%	$0.83	$0.75	$2.7M	Andy Beshear 2028 Dem primary
NO	96.7%	$0.83	$0.75	$1.9M	Timberwolves 2026 NBA
YES	96.7%	$0.83	$0.75	$709k	Rob Jetten Dutch PM
NO	95.9%	$1.04	$0.74	$4.5M	Kamala Harris 2028 Dem primary
NO	95.0%	$1.25	$0.73	$2.4M	Detroit Pistons 2026 NBA

Side	Price	Profit	EV	Volume	Market
NO	94.4%	$1.40	$0.58	$10.3M	Chicago Bears Super Bowl 2026
NO	93.5%	$1.62	$0.56	$5.1M	Xi Jinping out before 2027
NO	92.3%	$1.91	$0.40	$6.3M	Denver Broncos Super Bowl 2026

Portfolio

Tier	Range	Positions	Capital	EV
1	95-97%	10	$250	+$7.50
2	93-95%	5	$125	+$2.85
Total		**15**	**$375**	**+$10.35 (+2.8%)**

Risk

- Edge estimates are theoretical (horse racing + Kalshi research)
- No Polymarket-specific calibration data at these probability levels
- Correlated losses (sports/politics concentration)
- If bias doesn't exist on Polymarket: EV = 0

Market Count

Range	Count	Status
99-100%	235	Too compressed
97-99%	73	Decent
95-97%	23	Optimal
93-95%	16	Good
90-93%	13	Moderate
Total	**360**	