

A practical introduction to prediction markets

Workshop

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Workshop Goals


- Learn about prediction markets & outcome tokens.
- Get the highest amount of tokens.
- Non competitive.





What is a Prediction Market?


- Collection of people speculating on unknown future events or outcomes.
- Can produce forecasts more accurate than alternatives.


● Trading Open





Who will win the 2024 U.S. Presidential Election?
📅 Opening at November 5 2024, 20:00 UTC

	#1 Donald Trump	63.5%
	#2 Kamala Harris	36%

 SEER

 318k xDAI

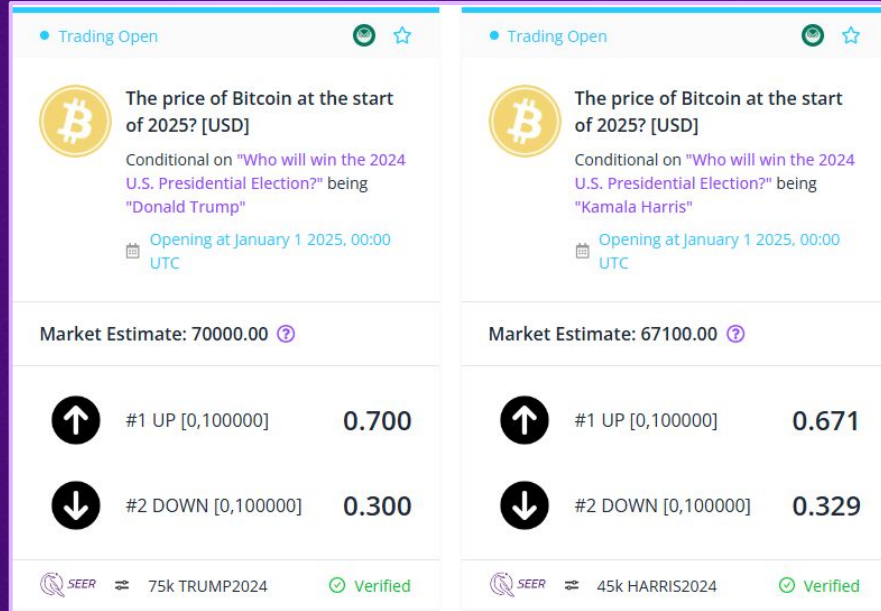


 Verified



What is a Prediction Market?

→ *Can also provide complex signals.*





What do we need to create a PM?

→ Question

Who will win the 2024 presidential election?

→ A list of outcomes

Dems, Reps, Other

→ Oracle

Reality.eth + Kleros, etc



→ Resolution Period

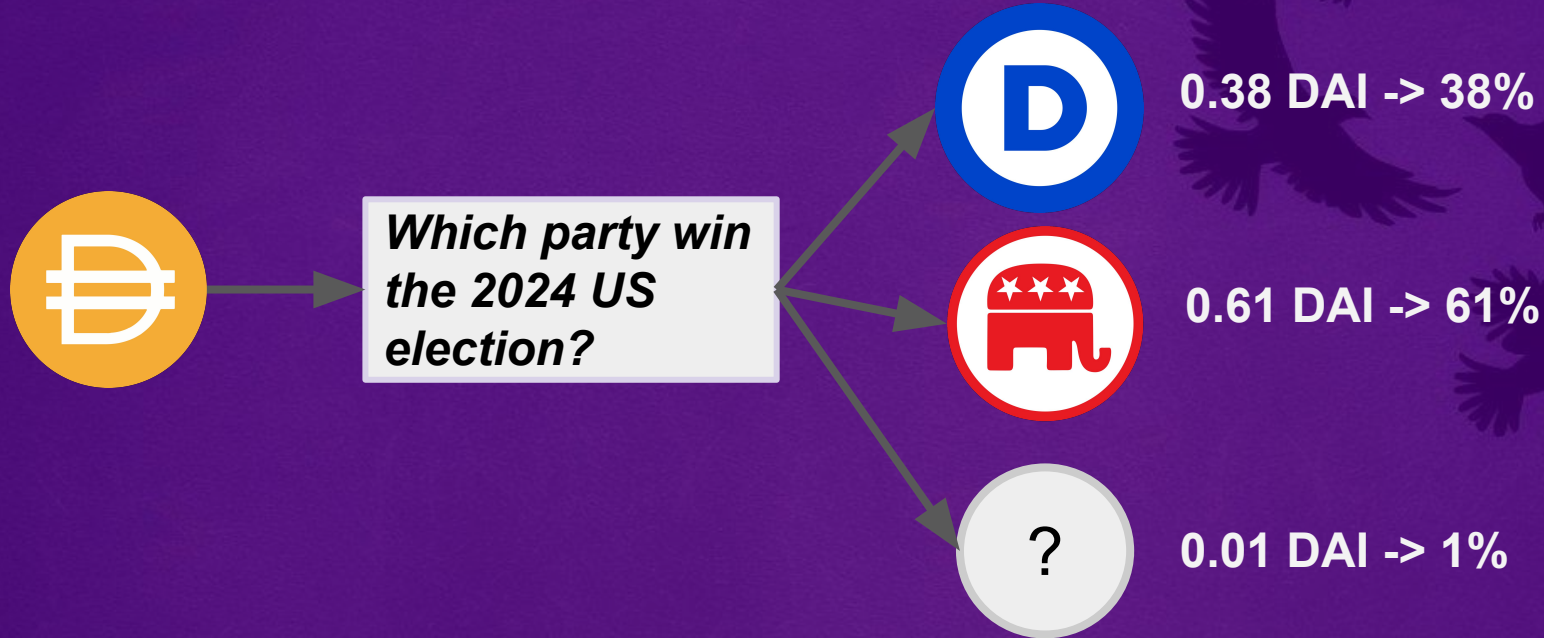
The earliest date the market can settle and the time after which the market is to be invalid if the outcome is still unknown.

→ Underlying Token

To create the outcome tokens and to be given to users redeeming their tokens

CREATE
OUTCOME
TOKENS

Prediction market basics





Cat or Dog?

- Can give 100 to get tokens of each outcome.
- Buy/Sell to the AMM
- Correct tokens redeem for 100.



Cat or Dog?





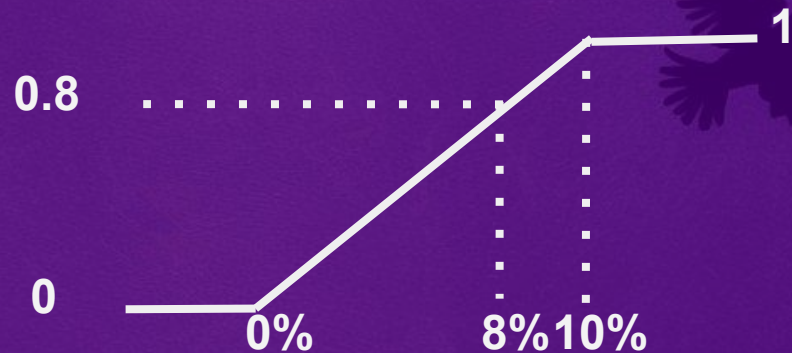
Word “Candle”

Candle



Scalar Markets

- Set up up a range: $[0\%;10\%]$
- Up/Down tokens.
- Inflation = 0%: Down tokens redeem.
- Inflation = 12%: Up tokens redeem.
- Inflation = 8%
- Down: 0.2
- Up: 0.8



Speaker Age? [year]
[0,100]



32

→ UP: 32.

→ Down: 68.



Weight of the
candle? [g]
[0,100]



Revelation Loss

Type	Amount	Price
Sell	1	90
Sell	1	80
Sell	1	70
Sell	1	60
Buy	1	50
Buy	1	40
Buy	1	30
Buy	1	20
Buy	1	10

226

- UP: 100.
- Down: 0.
- Need to have good range!

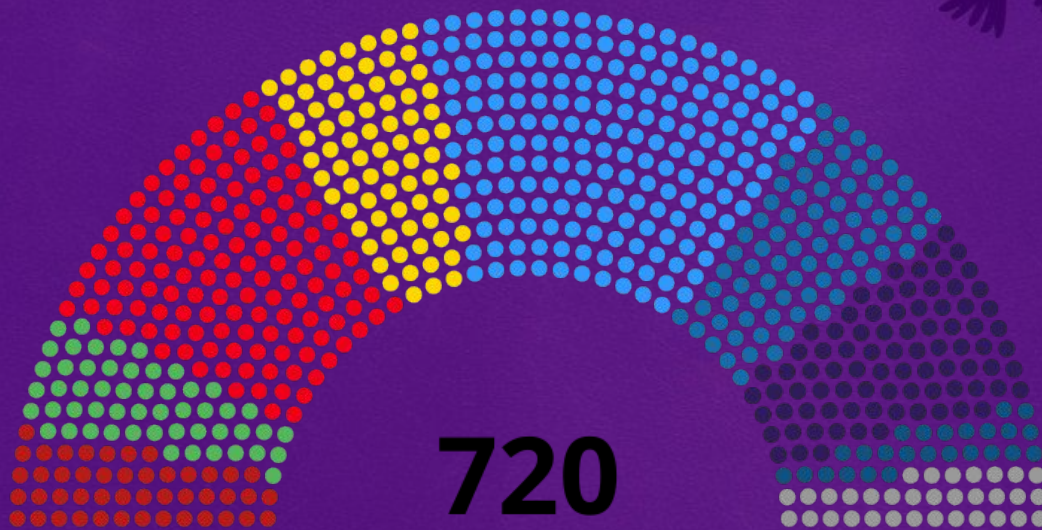




Multi scalar markets

→ **Allow to estimate proportions**

How many seats will [party] win?



**How many participants
are from [continent]?**



Europe: 16 - 30%

Asia: 20 - 38%

North America: 5 - 9%

South America: 9 - 16%

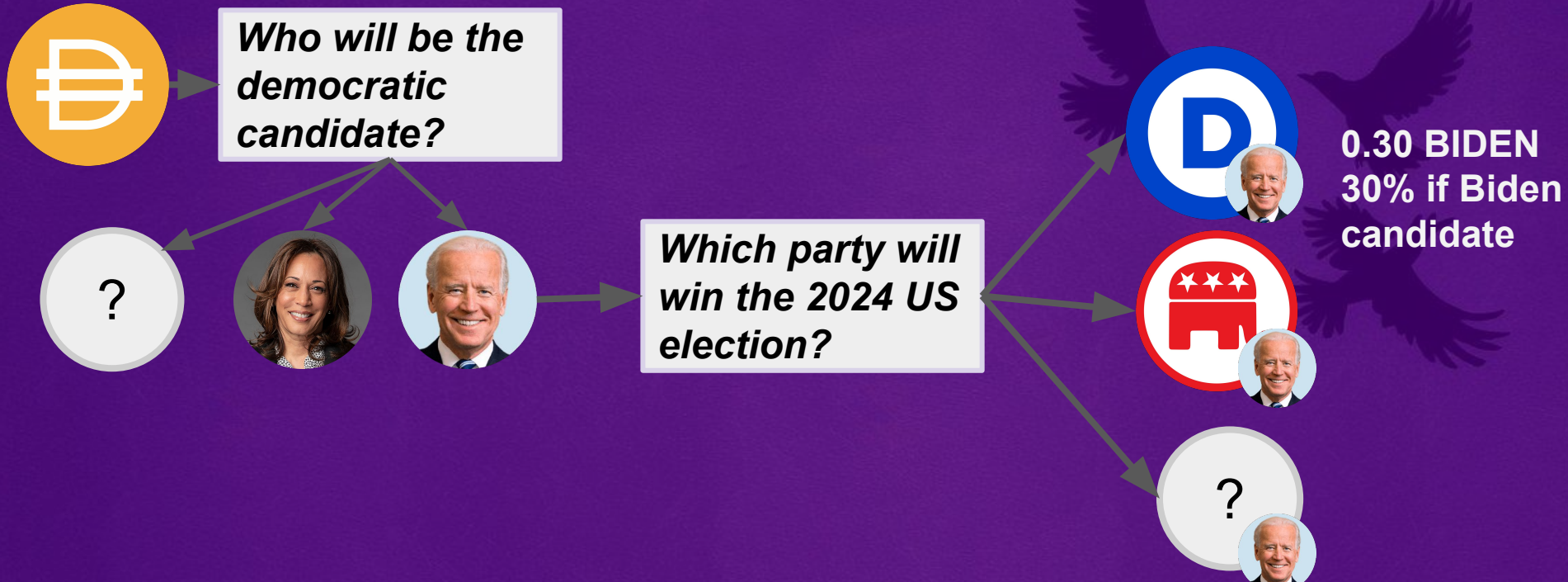
Africa: 2 - 4%

Oceania: 1 - 2%

Total: 53



Contingent market





1. Which snack will be chosen?

2. Which rating will be given?

1. Snack:
2. Rating:



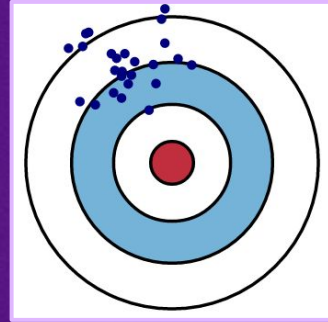


Types of governance

High Bias

Low Bias

High
Variance



Autocracy

Low
Variance

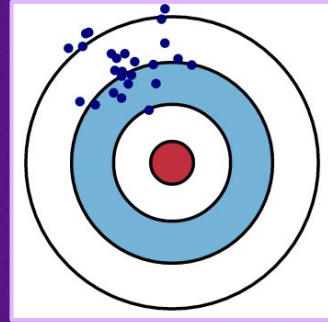


Types of governance

High Bias

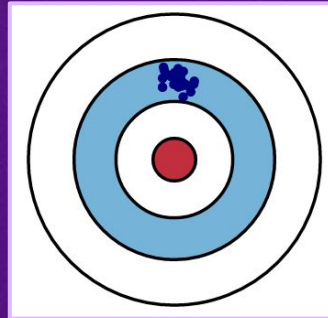
Low Bias

High
Variance



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Oligarchy

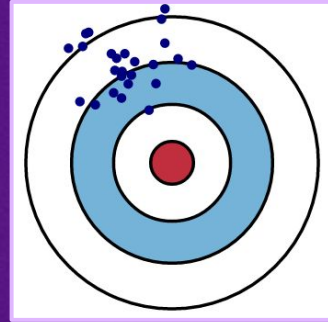


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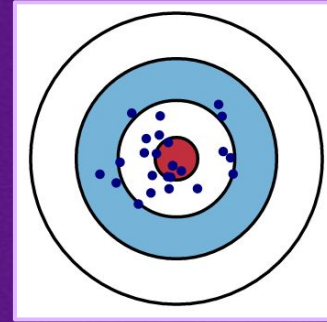
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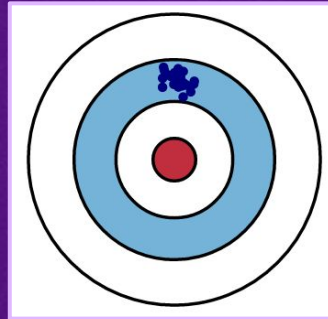


Autocracy



Democracy

Low
Variance



Oligarchy

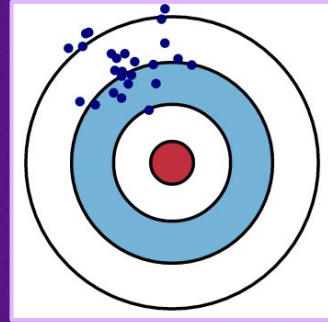


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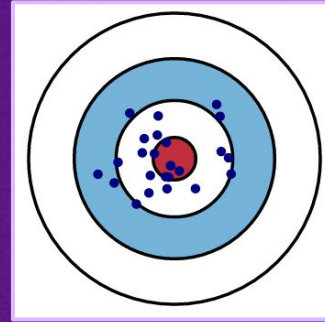
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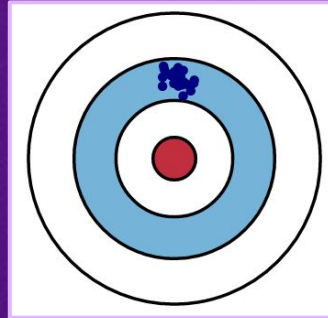


Autocracy

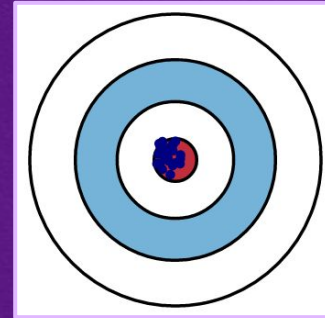


Democracy

Low
Variance



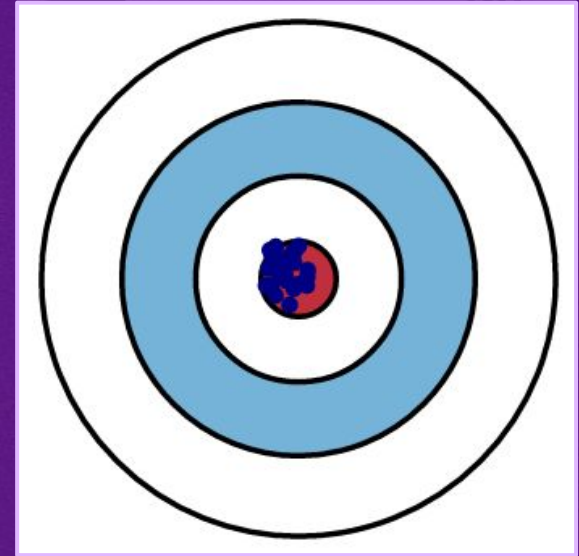
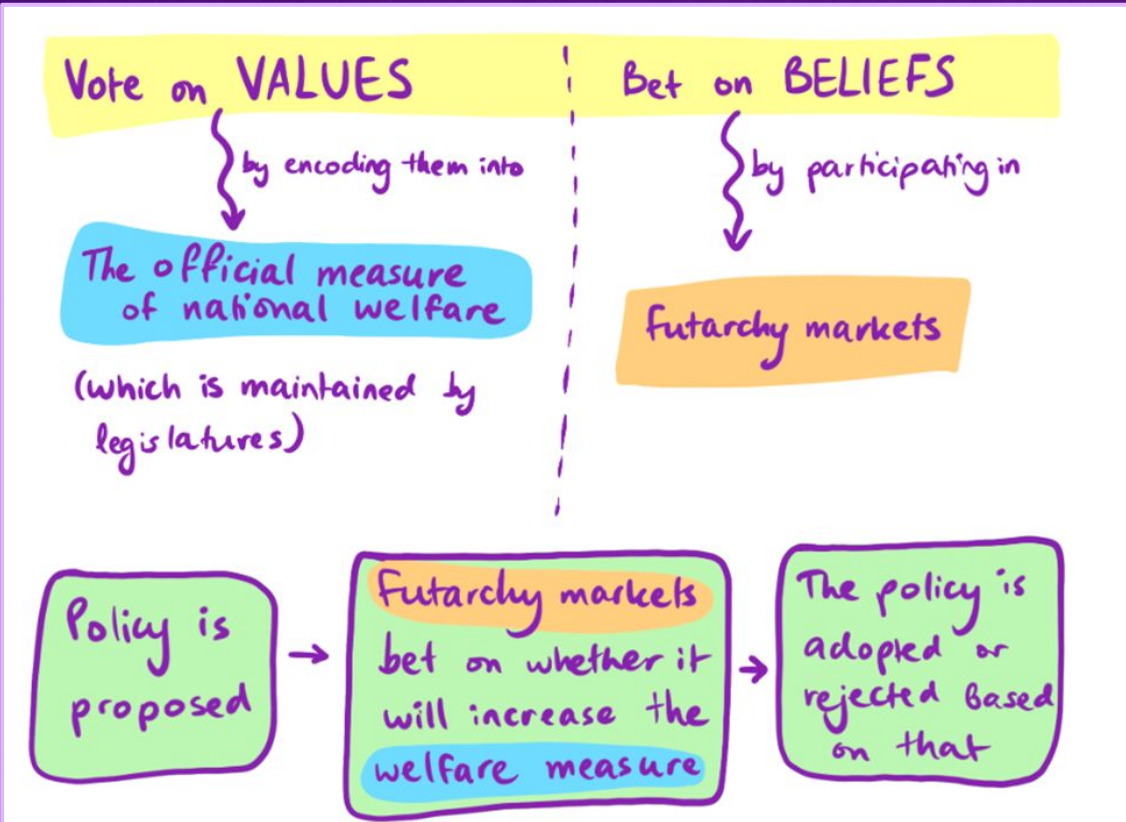
Oligarchy



Futarchy?



What is Futarchy?



Target metric? Mean/Median



1. Which snack will be chosen?
2. Metric value?



1. Snack:
2. Metric:





Thank you!

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