DeAsset
MANAGEMENT

RESEARCH REPORT

The Truth Market: Prediction Markets Go Mainstream

How Polymarket and Kalshi built a $45 billion-a-month industry on the price of truth — and what the post-World Cup comedown, the fee machine and the state lawsuits mean for investors.

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CONTENTS

Inside this report

An assessment of the prediction-market boom — volumes, business models and the legal fight over sports contracts — as of August 2026.

01 Executive Summary

02 A $45 Billion Month: The State of the Market

03 Two Machines: Kalshi vs. Polymarket

04 The Fee Engine: How the Houses Make Money

05 The Regulatory Gauntlet

06 Key Risks

07 Conclusion: What It Means for Investors

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01 · EXECUTIVE SUMMARY

The World Cup came, the crowd left, the industry stayed

Prediction markets just lived through their first true boom-and-normalize cycle. Kalshi and Polymarket together processed **$45.3 billion in August 2026** — down 14.5% from July's record, the first monthly decline in a year, as the FIFA World Cup (June 11 – July 19) ended and the casual sports crowd went home. Polymarket felt it hardest: combined volume fell 35% to about $8.2 billion and monthly active traders nearly halved, from 667,400 to 336,300. Kalshi barely flinched, closing August near $37 billion — roughly **4.5 times** Polymarket's total.

Beneath the comedown, the structural story strengthened. Bernstein now forecasts **$410 billion** in 2026 annual volume — a 71% upward revision — and $10 trillion by 2035, with financial contracts (crypto, equities, commodities) rising from ~12% of volume today to nearly half. Investors are pricing it in: Polymarket is reported to be raising $1 billion at a $21 billion valuation, while PitchBook sketches Kalshi at $23–42 billion.

$45.3B
Combined Aug volume (Kalshi + Polymarket), −14.5% MoM

4.5×
Kalshi's August volume vs. Polymarket's ($37.2B vs $8.2B)

−50%
Polymarket monthly active traders, Jul → Aug (667k → 336k)

DeAsset view: Prediction markets are becoming the financial system's real-time truth layer — prices that beat polls and pundits, now at institutional scale. But August exposed the fault lines: demand is event-driven, sports contracts face ~20 US states in court, and valuations assume the growth curve never bends. We separate the durable infrastructure from the tournament sugar rush below.

Volume figures: market dashboard via The Block, reported by The Coinomist, 2 Sep 2026. Trader counts: Polymarket disclosures via polymarkets.co.il, ~26 Sep 2026. Bernstein forecasts: client note, 22 Sep 2026 (via HTX/TechFlow).

02

A $45 Billion Month: The State of the Market

Start with the arc. Combined monthly volume on Kalshi and Polymarket was about **$25.7 billion in May 2026**, doubled to a record **$53 billion in July** on World Cup trading, then cooled to **$45.3 billion in August** — still nearly double the May baseline. The first monthly decline in a year is less a reversal than a normalization: August remained the industry's second-biggest month ever.

Combined monthly volume, Kalshi + Polymarket ($B)



The Block dashboard via Pew Research Center (May–Jul) and The Coinomist (Aug), 2026. June estimated from platform figures ($33.0B Kalshi + $13.95B Polymarket).

> **WHY AUGUST MATTERS MORE THAN JULY**
>
> July measured how big a mega-event can make this industry. August measures what remains when the event leaves: $45 billion of monthly volume without a World Cup final. That is the number that justifies — or refutes — the multi-billion-dollar valuations.

The comedown was uneven. Polymarket's international platform fell from $7.89 billion in July to **$4.59 billion** in August (~−42%), while its US arm proved more resilient ($5.00B → $3.82B, ~−24%). Kalshi slid only ~7%, from $40.1 billion to $37.2 billion. Two forces explain the gap: Kalshi's volume leans on recurring American sports and short-duration financial contracts rather than quadrennial tournaments, and its regulated on-shore positioning kept institutional flow steadier through the lull.

Zoom out further and the growth is still extraordinary. Combined 2026 volume on the two platforms has already exceeded **$130 billion** — and Pew Research Center notes the industry has grown from under $5 billion a month in September 2025. Bernstein's analysts now expect financial-asset contracts to eventually surpass sports: crypto alone rose from under 5% of Kalshi's volume in January to **~20% by August**, driven by short-duration Bitcoin contracts, while sports still account for ~52% of Polymarket's global volume through August.

Platform splits: Coin360/Crypto-Economy, Sep 2026. YTD figure: Coin360, Sep 2026. Pew Research Center, Sep 2026. Contract-mix data: Bernstein via The Currency Analytics, 22 Sep 2026.

03

Two Machines: Kalshi vs. Polymarket

Kalshi and Polymarket sell the same product — binary event contracts priced $0 to $1 — through opposite architectures. Kalshi is a **CFTC-designated contract market**: US dollars, bank rails, a regulated rulebook, and (per a February 2026 Federal Reserve document) the largest federally regulated prediction market in the country. Polymarket is crypto-native: USDC on Polygon, off-chain order book with on-chain settlement, UMA optimistic-oracle resolution — and, since a 2022 CFTC settlement, its international platform is closed to US users. American access runs through **Polymarket US**, a separately CFTC-licensed venue launched in December 2025.

	Kalshi	Polymarket
Oversight	CFTC-designated contract market	International: offshore (2022 CFTC settlement); US: CFTC-licensed venue
Settlement	US dollars	USDC on Polygon
Aug 2026 volume	~$37.2B	~$8.2B (core $4.6B + US $3.8B)
Taker fee	0.07 × p × (1−p) per contract (~$1.75/100 at 50¢)	Category schedule: ~$0.75–1.75 per 100 shares; geopolitics free
Maker terms	0.0175 coefficient (~$0.44/100 at 50¢)	No fee; daily USDC rebates
2026 valuation mark	$23–42B (PitchBook, Sep)	$21B ($1B raise, reported Sep)
Flagship edge	Regulated US rails; sports depth	Global reach; politics, crypto, world events

Comparison: CryptoDaily, Sep 2026; CoinLaw, Sep 2026. Valuations: Prediction News/PitchBook and polymarkets.co.il, Sep 2026 (reported rounds, not confirmed closings).

The strategic divergence is widening. Kalshi is building the **regulated distribution machine**: a May 2026 launch of perpetual futures, an exclusive US Open partnership with the USTA in August, and a user base Bernstein found to be ~80% people who had never used sports-betting apps — evidence it is creating new demand, not just cannibalizing sportsbooks. Polymarket is building the **global information brand**: a reported multiyear, $150–300 million exclusive partnership with Major League Baseball, Intercontinental Exchange (the NYSE's owner) as its largest shareholder at ~22%, and ICE distributing its event data to trading terminals and desks.

Competition is arriving from every direction. **Novig** opened with $125 million in first-week sports volume targeting the NFL season; **Robinhood** is expanding its prediction offering; FanDuel and DraftKings are moving in; and **Cboe** launched an S&P 500 prediction framework in March 2026 with partial payouts — a direct challenge to Kalshi's TradFi-friendly positioning. The moat question for both leaders is whether liquidity and brand survive the entry of distributors with far larger existing user bases.

Kalshi perps: Prediction News, 22 Sep 2026. USTA deal and Santos ban: The Coinomist, 2 Sep 2026. MLB deal: Crypto News, Aug 2026 (reported). Cboe: CryptoTimes, 2026. Novig: Prediction News, Sep 2026.

04

The Fee Engine: How the Houses Make Money

Both venues converged on the same elegant pricing idea: fees that **peak where uncertainty peaks**. Kalshi charges takers 0.07 × price × (1 − price) per contract — about **$1.75 per 100 contracts** at the 50-cent midpoint, falling to ~$0.63 at 10 or 90 cents. Polymarket's schedule (effective March 30, 2026) applies the same probability-weighted curve with category rates: up to ~$1.75 per 100 shares on crypto, ~$0.75 on sports, ~$1.00–1.25 on politics, finance, tech and culture — and **0% on geopolitics and major world events**, the flagship markets that drive media attention and user acquisition.

> **THE MAKER SUBSIDY**
>
> Neither venue taxes liquidity provision. Kalshi's maker coefficient is 0.0175 (about a quarter of the taker rate); Polymarket charges makers nothing and rebates 20–50% of taker fees back to them as daily USDC rewards. The model is deliberate: tight spreads keep the trading experience smooth, smooth experience keeps volume high, and volume is the entire business.

The monetization ramp has been startling. Polymarket operated fee-free through 2025; by early March 2026 daily fee revenue averaged ~$1 million — a ~$338 million annualized run rate — and one industry report put the annualized figure above **$1 billion at the June World Cup peak** (a peak-rate extrapolation, not a trailing result). Kalshi's published schedule implies comparable unit economics at far higher volume: on $37 billion of August notional, even a few basis points of blended take is a formidable revenue line — which is precisely what the $23–42 billion valuation debate is about.

Watch the mix shift for what it does to the take rate. Short-duration and crypto contracts — the fastest-growing segments — carry the highest fee coefficients on both platforms. If financial contracts grow from ~12% of volume toward Bernstein's projected 49% by 2035, the industry's blended take rate rises even if headline fee schedules never change. That is the quiet bull case inside the volume forecasts.

Fee schedules: CoinLaw and CryptoDaily, Sep 2026 (Kalshi July 2026 schedule; Polymarket schedule effective 30 Mar 2026). Revenue: BeInCrypto via Gate Research (Mar 2026); Crypto News (Aug 2026, reported peak-rate figure).

05

The Regulatory Gauntlet

No investment question matters more here than the legal one: **are sports event contracts federally regulated derivatives, or unlicensed gambling?** Kalshi's position rests on its CFTC designation — federal law preempts state gaming rules. The states disagree. Roughly **20 states are in active litigation** arguing the contracts are illegal sportsbooks dodging gaming regulation and taxes; New York and Massachusetts had each sued Kalshi by August 2026, and Connecticut filed in August seeking to block its sports contracts outright. In September, Senate Democrats demanded public hearings after Republicans met with Kalshi — the fight is now openly partisan.

Polymarket faces a two-front version of the same war. Its international platform remains walled off from US users under the 2022 CFTC settlement, while its US venue operates under CFTC license — and the CFTC was reported in September 2026 to be **reviewing Polymarket's marketing**. The company's answer has been to buy regulatory credibility: ICE's ~22% stake and board-level involvement point the company toward public-company compliance standards, and it hired its first CFO plus three more senior executives in about five weeks during the post–World Cup quarter.

> **THE GLOBAL SPLIT**
>
> While Washington argues about preemption, other regulators are choosing sides. In March 2026, **France, Spain and the Netherlands banned** major prediction platforms outright, classifying event contracts as illegal online gambling; ESMA has signaled that event contracts qualifying as financial instruments may fall under existing EU binary-options restrictions. In parts of Asia, gambling laws have similarly limited access — pushing users and liquidity toward offshore or Western venues.

Three scenarios frame the exposure. In the **base case**, courts uphold federal preemption for CFTC-licensed venues while states extract settlements or carve-outs on marketing — the current trajectory. In the **bull case**, a federal framework explicitly blesses event contracts and unlocks partnerships with leagues, brokers and banks (the MLB and USTA deals are down payments on this). In the **bear case**, a state supreme court or Congress reclassifies sports contracts as gambling, stranding the single largest volume category — sports is the large majority of Kalshi's volume and ~52% of Polymarket's. The valuations assume the first two; the litigation docket is priced for none of the third.

State litigation: Crypto News, Aug 2026; CryptoDaily, Sep 2026; The Coinomist, 2 Sep 2026. Senate: HTX, ~25 Sep 2026. CFTC marketing review and exec hires: polymarkets.co.il, ~26 Sep 2026. EU: CryptoTimes, 2026; ESMA via Cryptopolitan.

06

Key Risks

- **Event dependence.** August proved demand is cyclical: Polymarket's active traders halved when the World Cup ended. Between mega-events the industry must prove it can regenerate flow — the NFL season and the November 2026 US midterms are the next tests.
- **Regulatory reclassification.** ~20 states argue sports contracts are unlicensed gambling. An adverse ruling would hit the largest volume category on both platforms and could force geofencing that fragments liquidity.
- **Retention and adverse selection.** On-chain analyses find roughly 70% of Polymarket traders lose money over time, with profits concentrated among a tiny minority — the classic signature of a venue where sharp, possibly informed flow trades against the crowd. Persistent retail losses invite both churn and regulatory scrutiny.
- **Oracle and resolution risk.** Polymarket settles via the UMA optimistic oracle; disputed resolutions (elections, ambiguous wording) can take days and have previously sparked controversy. Trust in resolution is the product — one mishandled flagship market damages it.
- **Distribution risk.** Kalshi still leans on partners (e.g., FanDuel's market-making seat) for its busiest events; Polymarket leans on crypto on-ramps and wallet UX. Either dependency can be repriced by the partner.
- **Competition from incumbents.** Robinhood, FanDuel, DraftKings, Meta and Cboe all have larger existing user bases than either venue. Liquidity follows distribution; today's moat is brand and depth, not technology.
- **Valuation risk.** $21 billion (Polymarket, reported round) and $23–42 billion (Kalshi, PitchBook scenarios) price in years of 40%+ growth and a friendly regulatory outcome. August's 14.5% volume dip is a reminder that the curve bends.

Trader profitability: on-chain analyses cited on Wikipedia (Polymarket). Partner concentration: Prediction News, Sep 2026. Valuations as cited in P_VS.

07

Conclusion: What It Means for Investors

"Prediction markets turn disagreement into a price. At $45 billion a month, that price is becoming one of the financial system's most-watched numbers."

For DeAsset's **liquid-digital-assets** pillar, prediction markets matter in two ways. First, as **infrastructure**: real-time, skin-in-the-game probabilities are becoming an input to trading, journalism and policy analysis — the "truth layer" thesis that underwrites ICE's and Bernstein's interest. Second, as a **demand sink for stablecoins and on-chain settlement**: Polymarket's USDC-on-Polygon model is one of the few consumer crypto applications with genuine product-market fit, and its growth is a structural tailwind for the stablecoin economy our broader thesis relies on.

As an investment, we distinguish the industry from the equities. The industry's trajectory — $410 billion in 2026 volume per Bernstein, financial contracts compounding toward half of flow — supports exposure to the picks and shovels: data distribution (ICE's angle), market-making, and stablecoin rails. The private valuations, however, demand near-perfection on growth and regulation simultaneously. We would rather own the infrastructure around the truth market than pay 2026 prices for the venues — until the state lawsuits resolve or the multiples compress.

What we watch next: the NFL season's replacement volume (September–October), the November 2026 US midterms as the next mega-event catalyst, the Connecticut and New York court dockets, and whether Kalshi's perpetual-futures launch (May 2026) cannibalizes or compounds event-contract flow.

Next scheduled review: Q1 2027.

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