

INVESTOR'S BUSINESS DAILY®

A Trillion-Dollar Prediction Markets Boom Is Great For Wall Street. For Retail Investors? Not So Much.

- CLARE O'CONNOR
- 12:42 PM ET 06/16/2026

Prediction markets are exploding into a **trillion-dollar asset class** backed by Wall Street's institutional heavyweights.

With millions of dollars now changing hands every day on questions like "Who will win the World Cup?" and "How much will the Federal Reserve lower interest rates?"— the quest to "**financialize everything**" is gaining traction among established brokerages.

Yet, as these platforms transition from **forecasting models** into the financial mainstream, experts and regulators worry that retail investors may be playing in a casino where the odds are stacked against them, risking money on bets that are almost guaranteed to lose to sophisticated trading algorithms.

Prediction Markets: An Emerging Asset Class?

Executives driving this boom view these structural risks as mere market mechanics.

When asked by Investor's Business Daily whether prediction markets amount to gambling, **Robinhood (HOOD)** CEO Vlad Tenev **emphatically denied** the label. He instead described platforms like Kalshi and

Polymarket as an emerging "asset class" and argued that speculation plays an important role in markets.

"You can't have a functional financial market without speculators," Tenev told IBD at The Wall Street Journal Future Of Everything Event in May. "If everyone's just hedging, the market is going to break."

The Robinhood CEO has reason to defend the growing popularity of prediction markets. In April, the [electronic trading platform](#) reported Q1 earnings increased a mild 3%, year over year, helped in part by prediction-market trading. Event contracts reached a record \$8.8 billion in trading volume earlier this year.

Event contracts underpin [prediction markets](#), which give investors the ability to profit from "yes" or "no" questions. Robinhood entered that popular market in March 2025.

Analysts remain generally bullish about Robinhood stock despite a crypto-driven slide that started in Oct. 2025. However, some analysts caution that the company suffers from a lack of strategic focus. Shares remain below the 200-day line, which hovers slightly above the 100 price level.

But Tenev's comments raise a bigger question. If prediction markets are becoming an asset class, what exactly are investors buying?

The Case For Prediction Markets

Prediction markets let users put money behind predictions about future events. As traders buy and sell contracts, the market creates a constantly updated estimate of an event's likelihood. Some supporters say prediction markets are most useful not as investments, but as forecasting tools that tap into the wisdom of crowds.

A recent Federal Reserve Board working paper found that Kalshi's most likely forecast correctly predicted the outcome of every **Federal Reserve** meeting since 2022, outperforming both survey forecasts and Fed funds futures.

Supporters also point to election forecasts that moved faster than traditional polling. CNN and CNBC have partnerships with Kalshi, while Dow Jones, the publisher of Investor's Business Daily, has a data partnership with Polymarket. Kalshi is also developing a new platform for active traders that a source described to CNBC as a prediction-markets version of a Bloomberg Terminal.

Gen Z trader Cooper Emmons said prediction markets function more like a live digital pulse than a traditional poll.

"I think that it's the best or closest ability to determine what the real likelihood or odds of somebody winning these types of things are," Emmons stated.

Not everyone is convinced that makes them a good place to put money. Swan Bitcoin CEO Cory Klippsten says the forecasting value and the investing value are often confused.

"There's a big incentive across finance and gambling to get people to trade everything," Klippsten said.

Most Traders Are Still Losing

The value of prediction markets as a forecasting tool doesn't necessarily translate into profits for the average user.

Prediction-market companies have at times highlighted stories of users making life-changing money. In one Kalshi advertisement cited by The Wall Street Journal, a woman said she was "about to be unable to pay my rent" before earning two years' worth of rent through Kalshi predictions. Kalshi later told the Journal it no longer runs the ad.

But according to the [Journal's analysis](#), more than 70% of Polymarket traders lost money, while 0.1% of accounts captured 67% of profits.

Isaac Rose-Berman, a fellow at the American Institute for Boys and Men who researches gambling and prediction markets, argues that's where the conversation often gets lost.

"The vast majority of people are not going to win," he said.

Concerns About Prediction Markets

Rose-Berman says prediction markets become more concerning when they are integrated directly into brokerage accounts.

"The most dangerous part about prediction markets is not the markets themselves or even the platforms, but their ability to integrate with brokerages," he said.

"I think it's incredibly dangerous that if you open up Robinhood, you have sports betting one swipe away from your retirement account."

Swan Bitcoin's Klippsten raised a different concern. He argues that many retail traders are competing against professional firms with significant advantages.

"There's big sophisticated groups like Susquehanna that have these trading desks and they're using algorithms and AI and in many cases they're the ones actually creating the markets very deliberately," Klippsten said. "You're just playing a game where basically people are taking something like 50% to 80% of the profit off the table."

Trading The Next SpaceX

Now, prediction markets are moving deeper into the startup world.

Polymarket recently launched [contracts tied to private-company performance](#) and milestones, allowing users to trade around companies

such as **SpaceX (SPCX)**, OpenAI and Anthropic before they ever reach public markets.

Supporters say the contracts offer another way to gauge sentiment around some of the world's most closely watched startups. Critics counter that traders are making bets on companies that are not required to disclose financial results or material developments the way public companies are.

Despite the criticism, some of Wall Street's biggest names are betting the industry is here to stay.

Kalshi said in May that **its valuation** had climbed to \$22 billion from roughly \$2 billion a year earlier and that it now handles more than 90% of U.S. prediction-market activity.

Intercontinental Exchange (ICE), the parent company of the New York Stock Exchange, agreed last year **to invest** up to \$2 billion in Polymarket. The Information later reported the company was raising capital at a valuation of roughly \$15 billion.

Insider Trading Ignites Regulatory Fight

As the industry grows, questions about insider trading are becoming harder to ignore.

On May 26, President Donald Trump publicly sided with prediction-market companies in their fight against state regulators, writing on **Truth Social** that firms such as Kalshi and Polymarket would "thrive" under his administration and arguing that federal regulators, not states, should oversee the industry.

His administration has rolled back regulations and challenged state efforts to restrict the platforms. Donald Trump Jr. serves as an advisor to Kalshi and Polymarket and is also an investor in Polymarket through venture capital firm 1789 Capital.

Critics argue prediction markets may reward people with access to information rather than forecasting skill alone.

Ishmael Green, a partner at Bochner Law, says that may simply be unavoidable.

"There is no way to preempt someone from using insider knowledge," Green said. "The people with the best information profit the most. Enforcing it is going to be very difficult."

Kalshi's head of enforcement, Robert DeNault, told [ABC News in May](#) that monitoring insider trading is now the company's "No. 1 priority."

Federal prosecutors have already brought one of the first major insider-trading cases tied directly to prediction markets.

In April, the Justice Department charged U.S. Army soldier Gannon Van Dyke with allegedly using classified information to place trades on Polymarket. Prosecutors say the trades turned roughly \$33,000 into more than \$400,000.

A second major insider-trading case tied to prediction markets emerged in May involving a Google software engineer. Polymarket said its own monitoring systems helped identify the trader.

The Free-Market Argument

Still, not everyone sees the industry's growth as a problem.

Attorney Green argues prediction markets are simply another free-market product and that adults should be allowed to decide for themselves what they want to trade.

"If you want to bet money on whether or not a pink elephant is going to walk down the street, that's your prerogative," Green said.

He argues existing oversight by the Commodity Futures Trading Commission (CFTC) is sufficient and warns that overregulation could simply push activity offshore rather than keep it inside the U.S. financial system.

To Klippsten, the debate extends beyond prediction markets themselves. He worries about a financial system increasingly built around trading everything.

"This is true in crypto. This is true with prediction markets where you can bet on anything. And it's this idea that none of that is productive," Klippsten said.