



Image source: iStock/sunnychicka

US elections: should we follow the odds predicted by betting websites?

The final countdown has begun with only two weeks left until the 2024 U.S. presidential election, and people are all in on the betting markets.

Kamala Harris and Donald Trump are neck and neck in the polls, each fighting for every vote in pivotal swing states, rolling out initiatives like falling leaves in autumn. Yet, while traditional electoral polls suggest a dead heat, betting markets like Polymarket paint a different picture, giving Trump a great edge over Harris.

This article explores the differences between polling data and betting markets odds, and what they might indicate about the true state of the election.

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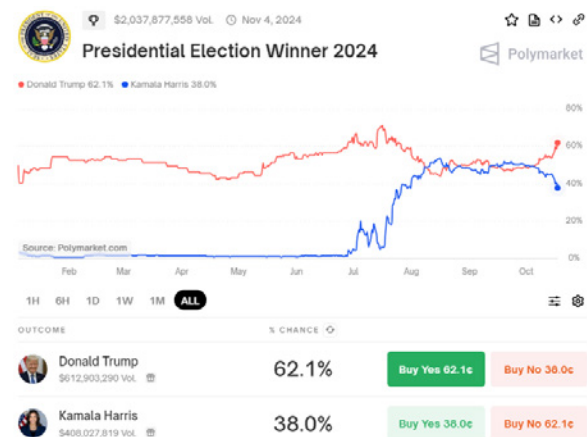
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Betting markets predictions

Online betting has been around for years. Platforms like Polymarket and PredictIt operate similarly to sports betting apps like DraftKings, but they allow users to bet on nearly anything from earthquakes, the creator of Bitcoin, or how many times Donald Trump might say “God” during a speech. The underlying mechanism is simple: participants buy and sell shares based on which outcome they believe is more likely to occur. As more participants buy shares, the price, or odds, of that outcome increases, reflecting a higher probability of occurrence. If a trader’s prediction proves correct, the value of his shares increases to \$1, resulting in a payout. If wrong, the value drops to zero.

Until recently, political betting markets were largely illegal in the United States. The ban dates back nearly a century, primarily due to regulations designed to prevent financial speculation and gambling on public events. Platforms like PredictIt and Polymarket managed to operate by being based offshore or through legal loopholes, such as academic affiliations or cryptocurrency-based frameworks. However, just this last month, a Washington, D.C. court gave the green light to U.S.-based startup, Kalshi, a betting platform that allows users to wager on various outcomes, including election results. However, it is restricted to U.S. participants.

This year, one of the most active markets is predicting the outcome of the 2024 presidential election. On Polymarket, a decentralised, cryptocurrency-based platform and one of the world’s largest prediction market, betting volumes surged past \$2 billion. This past week, Donald Trump’s lead over Kamala Harris reached a new high. Although these markets are known for their constant fluctuations, Polymarket currently shows the former president with a 61.4% chance of victory, while Harris trails at 38.6%, at the time of writing. The prediction platform also provides insights into swing states that could play a key role in the election outcome. Trump is currently leading in several of these states: Arizona (68%), Georgia (65%), Pennsylvania (59%), Michigan (57%), Wisconsin (56%), and Nevada (50%).



Source: Polymarket

Other popular betting platforms show similar trends. PredictIt has Trump at 54% and Harris at 49%. Kalshi shows Trump leading with 57% to Harris’s 43%, while Betfair has Trump at 56% and Harris at 44%. Smarkets displays nearly identical figures, with Trump at 55% and Harris at 45%. Unlike Polymarket, these platforms limit individual wagers to 1,000 USD and must comply with U.S. regulations. Polymarket, being located offshore, is free from these restrictions and allows users to place larger bets.

Electoral polls predictions

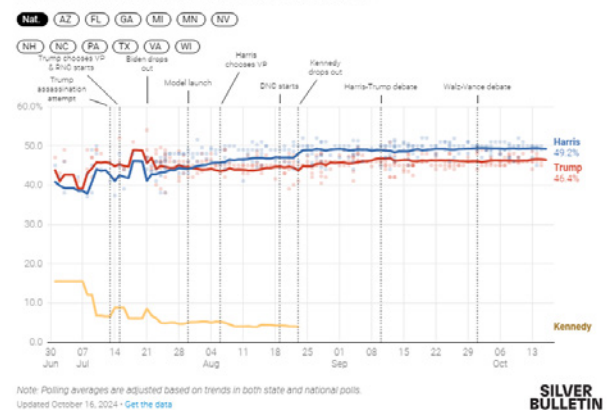
Traditional electoral polling provides a structured method for understanding voter sentiment. These polls typically involve surveying a representative group of individuals, asking them who they intend to vote for or how they view key issues. Pollsters then adjust the raw data to account for factors like demographic groups, regional distribution, and historical voter turnout patterns to produce a forecast of the overall electorate’s leanings.

Models from Reuters, CBS News, FiveThirtyEight, Harvard-Harris, and The Economist all show a slight edge for Harris. One of the most popular poll-aggregating sites is RealClearPolitics, which compiles state polls into a simple moving average. Their latest national poll tracker indicates 49.2% of voters support Harris, compared to 47.5% for Trump. In key swing states, RealClearPolitics’ averages show Trump with a slight lead in six out of seven states, while 538’s averages, led by Nate Silver, place Harris ahead in four of those seven.

While national polls give an indication of popular support, they do not account for the U.S. electoral college system, which ultimately decides the presidential election. Each state’s electoral votes are determined by the number of its senators and representatives in Congress, with Washington, D.C., receiving an additional three electoral votes. Except for two states, a winner-takes-all system applies, meaning the candidate with the most votes in a state wins all of its electoral votes. To secure the presidency, a candidate must reach 270 electoral votes. In the event of a 269-269 tie, the House of Representatives steps in to decide the winner through state delegations. The Nate Silver Bulletin model is considered often more accurate than traditional poll data alone because it goes further by weighing pollsters based on economic indicators, their track record, and campaign fundraising data.

Who’s ahead in the polls?

An updating average of 2024 presidential general election polls, accounting for each poll’s quality, sample size and recency. Click the buttons to see the polling average in different contests



Note: Polling averages are adjusted based on trends in both state and national polls. Updated October 16, 2024. Get the data

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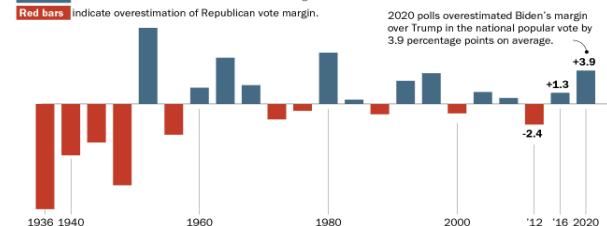
Source: Silver Bulletin

Despite their long-standing role in election forecasting, polling accuracy has faced serious doubts in recent years, especially following the misses in the 2016 and 2020 U.S. elections. Factors like low response rates, sampling errors, and the challenge of reaching certain demographics have made it difficult for pollsters to ensure accuracy.

Polling errors in U.S. presidential elections

Bars represent average signed error

Blue bars indicate overestimation of Democratic vote margin.
Red bars indicate overestimation of Republican vote margin.

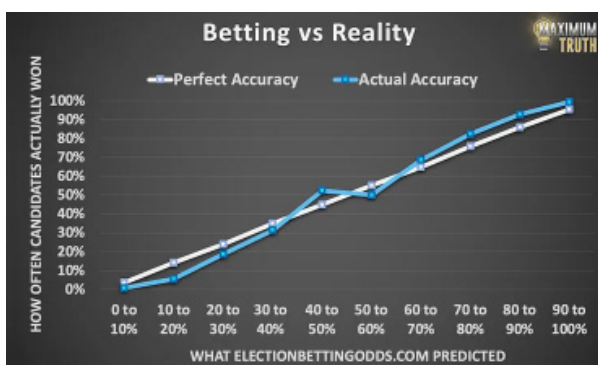
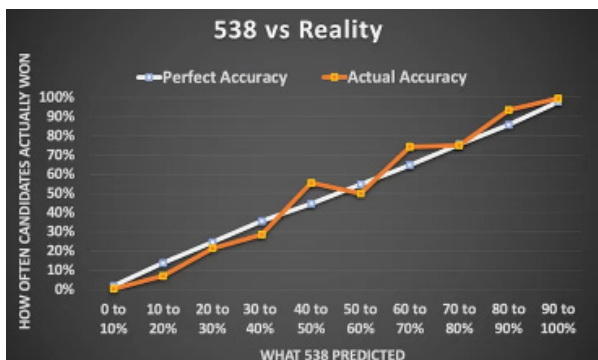


Note: The average signed error is the difference between the actual margin separating the candidates in the general election and the average margin in the polls. A negative error means that the Republican candidate’s margin was overstated and a positive error means the Democratic candidate’s margin was overstated.
Source: American Association for Public Opinion Research (AAPOR) Task Force on 2020 Pre-Election Polling: An Evaluation of the 2020 General Election Polls

Betting markets vs. traditional polls

Betting markets and traditional polls offer two distinct perspectives when it comes to predicting election outcomes. Unlike polls, betting markets are dynamic, similar to financial markets. While polls offer periodic snapshots of voter intentions, betting markets can reflect real-time new information, often providing a quicker measure of how breaking news, such as debates or scandals, impact the race. “The markets are tending to be about a week ahead of the polls,” notes Harry Crane, a statistics professor at Rutgers University. Betting markets also integrate a broader range of information, including voter turnout projections, campaign strategies, and news coverage, aggregating it all into one probability estimate. As Crane puts it, “The poll is asking you who you’re going to vote for. What people care about in betting markets is who’s going to win.”

Another key distinction is the economic incentive driving betting participants. While bettors may hold personal political opinions, their primary motivation in betting markets is profit, as they are risking their own money. This financial stake encourages them to analyse all available information, including polls, news, and expert opinions, to make the most accurate prediction possible. Harry Crane studied the accuracy of platforms like PredictIt and explains: “Any given piece of information that you might have, such as a poll or an aggregator, or news, or a pundit’s opinion, all of that is being combined in the participant’s markets who have an incentive to get it right and to make money off of it.” This economic motivation makes bettors more likely to factor in variables that polls might overlook.



Source: Comparison between the prediction accuracy of 538 and ElectionBettingOdds from 2016 to 2020, from MaximumTruth

Betting markets are not without their flaws. One of the key weaknesses is the potential for bias or manipulation. Betting markets can be heavily influenced by the over-representation of certain groups. For instance, if a large number of Trump supporters place significant bets on his victory, it could artificially inflate his odds, making him appear more likely to win than polling or broader voter sentiment might suggest. The New York Times’ Dealbook highlighted large, single-user bets in favour of Trump. This skewing of odds can misrepresent the true dynamics of the election. Concerns are rising that betting markets could be used to manipulate public sentiment. Critics worry that wealthy backers could place large bets on their preferred candidate to create the illusion of higher chances of winning. Democratic Senator Jeff Merkley called this a “nightmare”, and described this as a corrupt mix of “dark money” and election betting, where financial power could be used to influence voter behaviour by making a candidate appear more favourable than they actually are.

Finally, although betting markets offer insights into election trends, their actual impact on voter behaviour remains a subject of debate. Some analysts suggest that a strong favourite in betting markets might demotivate turnout among the opposing candidate’s supporters, a phenomenon known as the “bandwagon effect.” People tend to vote for the candidate they believe is winning.

Conclusion: where does the balance tip?

Both traditional polls and betting markets come with their own biases. As Crane notes, both are often dominated by specific demographics, particularly males, and many participants are not American, which can skew the results. Additionally, not every participant in betting markets is an active trader—many place a small bet and never return. Despite these challenges, Crane argues that betting markets often carry more weight than polls, as they incorporate real-time information and financial stakes.

While Trump tends to have stronger support in crypto-heavy markets like Polymarket, other non-crypto platforms, such as Betfair and Kalshi, show similar trends, suggesting the balance is not entirely tipped by the crypto enthusiast non-American. Crane points out that just as polls have margins of error, prediction markets have inefficiencies. His calculations indicate that Polymarket has one of the smallest inefficiency margins (1.33%) compared to other platforms, such as PredictIt (11.08%). Markets with higher liquidity, lower fees, and fewer regulatory restrictions, like Polymarket, tend to be more accurate.

For further information

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