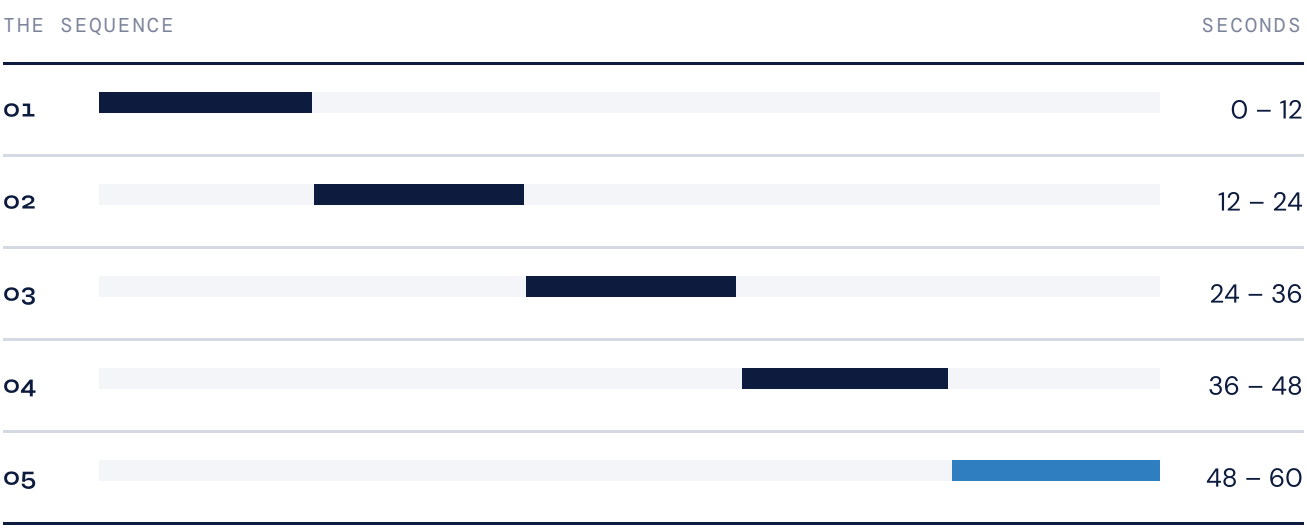
METHOD

How To Spot A Mispriced Market In 60 Seconds

Five checks, in a fixed order, and why most of what they find is explained.



A price that looks wrong is a hypothesis

A price is a claim about probability. When it appears wrong, the reader is holding a hypothesis rather than an observation, and the distance between the two is about a minute's work.

Most participants never spend that minute. They dismiss the price or they act on it, and both responses skip the step in which the hypothesis is tested.

What follows is a sequence of five checks in a fixed order. Run in order they take approximately sixty seconds, and the order carries weight: each check is capable of explaining away what the next would otherwise flag, so a sequence run out of sequence produces findings that dissolve on inspection.

The output is not a verdict on whether the price is right. It is an account of what the price is made of, which is a considerably more durable thing to own than any single conclusion drawn from it.

STANDING NOTE

Worth stating plainly.

The major US prediction markets are CFTC-designated contract markets, regulated under the same framework that covers futures and commodities. Readers new to the category frequently assume the opposite, and the assumption is the single most common factual error about how these venues operate.

THE SEQUENCE		SECONDS
01	Criteria	0 – 12
02	The same question elsewhere	12 – 24
03	Coherence	24 – 36
04	Depth	36 – 48
05	Recency	48 – 60

Two claims travel under one word

Before the sequence begins, the claim being tested has to be stated, because two materially different statements are both routinely described as mispricing.

The first is that a price differs from the payoff its written settlement criteria describe. That is a claim about the contract. It is testable, and the five checks test it.

The second is that a price differs from the reader's own estimate of the outcome. That is a claim about the reader. It may well be correct, and forming such estimates is a legitimate and separate discipline, but none of the checks that follow can evaluate it. Confusing the two is the most common analytical error in this category, and it is durable because both claims produce the same feeling.

The checks address the first. They ask whether the price describes the event the reader believes it describes, and whether the conditions under which a price carries information are present at all.

A practical discipline: state the claim in a single sentence before starting. "This is too high" is not one, and the fifty seconds spent on it will be spent confirming rather than testing.

The distinction costs nothing to draw and it determines what the rest of the minute is worth.

"This contract is priced above what its settlement source would support."

A claim the sequence can address.

"This is too high."

A claim the sequence cannot address.

SECONDS 0 TO 12

Resolution criteria

The headline describes the question. The criteria are the contract, and the contract is what settles.

Three properties determine what a position actually pays on: the source of truth, the settlement timing, and the treatment of edge cases. Two markets carrying word-identical headlines can differ on all three.

FIG. 01 · TWO CONTRACTS, ONE MEETING

Two contracts ask whether the Fed moves policy at its next scheduled meeting.

CONTRACT ONE	CONTRACT TWO
The first settles on the published decision from that meeting.	The second settles on a specified rate reaching a threshold by a stated cutoff, a condition an intermeeting move would satisfy and a scheduled hold would not.

The questions read identically. The payoffs are not the same instrument, and any comparison drawn between their prices is void until that has been established.

Edge cases carry more weight than their length on the page suggests. What happens if the source publishes late, publishes and then revises, or does not publish. Whether a partial or ambiguous outcome resolves proportionally or to zero. Whether an ambiguity is settled by a named body or by a stated rule.

Twelve seconds, and the highest ratio of consequence to effort in the sequence. It is also the check most capable of explaining away everything the remaining four would otherwise flag, which is why it runs first.

SECONDS 12 TO 24

The same question elsewhere

One price is a reading. Two prices are information.

ILLUSTRATIVE EXAMPLE

FIG. 02 · ONE QUESTION, TWO VENUES

	Venue A	Venue B
Implied probability	60	66

The same question, six points apart.

Six points of separation between two populations that have examined one question and arrived at different implied probabilities.

That separation is not an error awaiting correction. It is a measurement, and it has causes that can be identified.

Composition is the first. Venues attract different participants, and a book weighted toward readers with a professional interest in the subject prices differently from one weighted toward readers who arrived from general coverage.

Timing is the second. A price that has had a week to absorb the available information sits differently from one that has had an afternoon, and neither is more correct by virtue of the clock alone.

Structure is the third, and it returns to the previous check. The two contracts may not settle on the same event, in which case the spread is not disagreement at all.

A reader who can attribute a spread to one of those three has learned something about the question that neither price contains on its own. That is the durable output, and it accumulates: attribution becomes faster as the population of explained spreads grows.

0 - 12 | 12 - 24 | 24 - 36 | 36 - 48 | 48 - 60

SECONDS 24 TO 36

Internal coherence

A multi-outcome market makes a set of claims that must be consistent with one another. Frequently they are not.

Where outcomes are mutually exclusive and collectively exhaustive, their implied probabilities should sum to approximately 100. A sum materially above indicates a board that is collectively expensive relative to itself. Materially below indicates the reverse, and usually indicates that attention has left.

ILLUSTRATIVE EXAMPLE

FIG. 03 · FIVE OUTCOMES, SUMMED

Outcome	A	B	C	D	E	Sum
Implied probability	40	30	20	15	10	115



Fifteen points of incoherence, reported by the board without anyone having to determine which leg carries it.

The usual causes are structural rather than analytical. Attention concentrates on the leading outcome while the tail is priced by a small number of participants. Legs are added over time and the board is never re-examined as a whole. Where the outcome set is not in fact exhaustive, a residual leg may be absent or may itself be untraded.

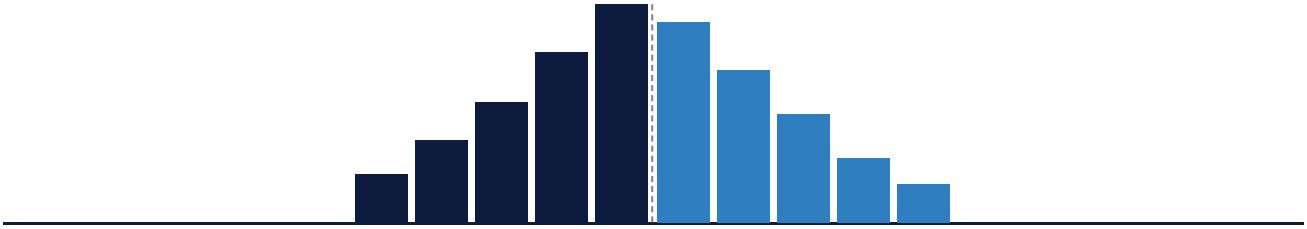
Twelve seconds, and arithmetic no more demanding than addition. The check is neglected because boards present legs individually and nothing on the screen sums them.

SECONDS 36 TO 48

Whether the price is a price

A quoted level is informative only if something stands behind it. Two readings establish whether anything does.

FIG. 04 · DEPTH EITHER SIDE OF THE TOUCH, SCHEMATIC SIZE RESTING



Schematic, not live. The dashed line is the midpoint; the gap either side of it is the spread.

The first is the spread between best bid and best offer. A narrow spread indicates a population that has converged. A wide one indicates that no such population exists and that the midpoint is an artifact of two distant orders rather than a consensus. The word also carries a second sense, the difference between two prices for the same question, and this guide uses it in both. Where the sense is not obvious from the sentence, the bid-to-offer reading is meant.

The second is depth: the size resting at and near the touch, and how quickly it thins away from it. A tight spread on negligible size is a narrower presentation of the same problem.

Thin books produce apparent mispricing continuously, and it is the least interesting kind. A price nobody has contested is not a consensus that can be wrong. It is the absence of a consensus, displayed in the same format as a consensus, and the format is what does the misleading.

This check should be run before any conclusion is drawn from the two preceding it. A board summing to 115 where the excess sits entirely in two untraded tail legs is a different finding from one where the excess is distributed across a liquid book, and only depth distinguishes them.

That is the general property of the sequence. Each check constrains the interpretation of the ones before it, which is why a single check run in isolation is worth less than a quarter of the four.

SECONDS 48 TO 60

When it last moved

A price carries a timestamp whether or not one is displayed, and two questions close the sequence.

FIG. 05 · MOVEMENT AGAINST CAUSE FOUR CASES



A price that has not moved since before a relevant publication has not incorporated it. That is not a subtle inefficiency. It is a book nobody has visited. A price that has moved sharply with no identifiable cause is reporting flow rather than information, and flow reverts more often than information does.

The pairing is what carries the meaning. Movement with an identifiable cause is the market functioning. Stillness across a period with no intervening news is also the market functioning. The two remaining combinations are where the residual interest sits, and naming which one is in front of you takes a few seconds once the habit is established.

For scheduled events this is straightforward, since the release calendar is known in advance and the relevant window can be checked directly. For unscheduled ones it requires knowing what has been published and when, which is the part of the sequence that rewards familiarity with the subject more than it rewards method.

Twelve seconds, and the only check whose difficulty varies with how well the reader already knows the question.



What the sequence produces

Run in full, the sequence resolves most apparent mispricing into one of a small number of explanations.

The contracts settle differently. The books have converged to different degrees. A leg is untraded. The price has not been revisited since the last relevant publication. Beyond those sit the ordinary frictions, each of which accounts for some portion of an observed spread before anything else is invoked: fees, the lag between resolution and payment, and the cost of capital committed for the remaining life of the contract.

That most findings resolve this way is the sequence working, not the sequence failing.

Each resolved case is retained, and the retention is the entire point. The fourth time a reader attributes a spread to a settlement difference, the attribution takes two seconds rather than twelve. The method compounds, and what it compounds into is the ability to read a board at a glance and know which parts of it are load-bearing and which are decoration. That capability is worth more than any individual finding it produces, and it is the reason the sixty seconds is spent.

What remains after the frictions have been accounted for is small. It is also the only part that was ever the subject of the exercise.

A NECESSARY STATEMENT OF LIMITS

The sequence establishes what a price is made of. It does not establish what a price will do. Contracts resolve against expectations that were entirely reasonable when they were formed, liquidity can leave a book considerably faster than it arrived, and capital committed to any market is capital exposed to loss. Understanding a price accurately and being wrong about the outcome are fully compatible states, and any method suggesting otherwise is describing something other than a market.

Where iPredicta fits

Four of the five checks are single-screen operations. Criteria, coherence, depth and recency are all available on the venue displaying the contract, and a practiced reader completes them inside fifty seconds without moving.

The cross-venue check is different in kind. It requires the same question located in more than one book, at the same moment, with the difference in settlement terms visible alongside the difference in price. Performed manually it takes longer than the other four combined, and the delay is not incidental: by the time the second price has been found, the first is no longer the price that was being compared.

ILLUSTRATIVE · NOT LIVE PRICES

FIG. 06 · ONE QUESTION, TWO BOOKS

TERMS DIFFER

Does the scheduled decision change the policy rate?

TERMS	Venue A	Venue B
Implied probability, Yes	48	53
Settlement source	Published decision	Published decision
Cutoff	Meeting date	Month end
Last trade	4 min ago	1 h 12 min ago

iPredicta exists for that check. Every market, wherever it is priced, presented in one view, with the terms shown alongside the levels so that a spread can be attributed rather than merely observed.

The distinction between an observed spread and an attributed one is the subject of this guide from the first page to the last, which is why the product addresses one check rather than five.

The board is at ipredicta.co, and the question you have just read about is on it.

What we are, and how we are paid

iPredicta is a media and data company. It is not a venue and not an operator. No deposits are taken, no client money is held, and nothing is executed here.

Revenue comes from affiliate commission when a reader opens an account at a venue. That is stated rather than buried because it determines the incentive, and the incentive is worth being able to see: a business paid on breadth has reason to present every venue and no reason to favor any one of them.

Editorial follows from the same position. The site publishes what the prices say, which includes publishing that a question is thinly traded, poorly specified, or receiving more attention than its book can support.

WHAT WE DO NOT DO

Take deposits or hold client money.

Execute anything.

Tell you what to buy.

One platform, every market.

IN SUMMARY

The sequence

01	Criteria.	0 – 12
02	The same question elsewhere.	12 – 24
03	Coherence.	24 – 36
04	Depth.	36 – 48
05	Recency.	48 – 60

Sixty seconds, in that order, and each one worth less run out of order.

Over the coming days a short video follows, along with the single idea from this guide that carries the most weight of the five, and a worked example run end to end on one question.

Run the sequence on one live question today.

ipredicta.co