ERRORS

7 Rookie Mistakes That Cost Beginners Their First $100

Seven avoidable errors, and what each one costs.

THE SEVEN

01	Reading a probability as a prediction
02	Trading the question, not the rule
03	Mistaking a high price for safety
04	Preference in the estimate
05	Reacting to a move without its cause
06	Ignoring the cost of capital
07	Accepting the first price

Early losses are systematic, not stochastic

Early losses in prediction markets are frequently attributed to bad luck, which is convenient and wrong. They are systematic. The same seven errors appear in the first weeks of most participants' activity, in a similar order, for similar reasons, and each has a cost that can be estimated.

That regularity is what makes them addressable. Luck cannot be trained out. A pattern can.

None of the seven requires speed, inside information or unusual intelligence to avoid. They are errors of reading, of framing, and of arithmetic that has not been done. What follows takes each in turn: what the error is, why it is made, and what it costs.

This is not a method for profit. No such method is offered here, and the final page is explicit about why. It is a method for not losing capital to causes that were entirely avoidable, which is a more modest aim and a more achievable one.

THE SEVEN

01	Probability as prediction	05	A move without its cause
02	The question, not the rule	06	The cost of capital
03	A high price is not safety	07	Accepting the first price
04	Preference in the estimate		

STANDING NOTE

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.

Worth stating plainly.

Reading a probability as a prediction

ILLUSTRATIVE EXAMPLE

FIG. 01 · A CONTRACT AT 70



Neither part is an error.

A contract priced at 70 cents expresses an implied probability of approximately 70 percent. The error is to read that number as a forecast that the event will occur.

It is not. It is a statement that, across a large number of comparable situations, the event occurs in roughly seven of every ten. The remaining three are not failures of the market. They are the market functioning exactly as its number said it would.

The error is costly in two ways. First, the participant who reads 70 as certainty sizes the position as though loss were impossible, and is then exposed to a 30 percent chance of losing the full stake. Second, and more durably, the participant learns the wrong lesson from the loss: that the market was mistaken, rather than that the number was read incorrectly.

The corrective is arithmetic. Before committing at any price, state the probability of loss explicitly: at 70, three in ten; at 85, three in twenty; at 95, one in twenty. If the stated loss probability feels surprising, the price has not been read.

Twelve seconds of arithmetic, and it prevents more early losses than any other single practice.

Trading the question rather than the resolution criteria

FIG. 02 · TWO CONTRACTS, ONE RELEASE

Two contracts ask whether a monthly inflation release prints above a threshold.

CONTRACT ONE	CONTRACT TWO
Settles on the headline figure.	Settles on the core measure, which excludes volatile components and can differ by a full point.

Every contract has a headline and a resolution rule. The headline is what the question appears to ask. The rule is what the contract pays on. They are frequently not the same thing.

Two contracts may ask whether a macro release prints above a threshold. One settles on the headline figure; the other on the core measure, which excludes volatile components and can differ by a full point. A participant who has formed a view about inflation and trades the first contract on the strength of it may be right about inflation and wrong about the contract.

The rule has three components that determine the payoff: the source of truth, the settlement timing, and the treatment of edge cases. Late publication, revision after publication, and ambiguous outcomes are each handled differently by different contracts, and the handling is stated in the rule, not the headline.

The cost of this error is the cost of a correct forecast that did not pay. It is the most galling loss available, because the participant was right.

The corrective is the least expensive on the list. Read the rule before the price, in full, every time. It takes twenty seconds. Most participants skip it because the headline is prominent and the rule is three clicks down in smaller type, which is a description of where the money is lost.

Mistaking a high price for a safe position

FIG. 03 · THE ASYMMETRY AT 95 CENTS



One loss erases nineteen wins.

A contract at 95 cents appears to carry little risk. The event is 95 percent likely. The position will succeed nineteen times in twenty.

The error is in the twentieth. A position at 95 risks 95 cents to gain 5. When it succeeds, it returns a nickel on a near-dollar stake. When it fails, one time in twenty, it loses the near-dollar. A single failure erases nineteen successes, and the arithmetic is exactly even before fees.

High prices are not low risk. They are low reward, with the risk concentrated in a tail that is rarely visited and, when visited, expensive. The participant who accumulates positions at 90 and above is collecting small premiums against a large and eventual loss, and typically does not recognize the pattern until the loss arrives.

This is the error on which the guide's statement of risk properly sits. Capital committed to any contract at any price is capital that can be lost in full. The likelihood of loss is what the price states. The size of the loss is the stake. A high price reduces the first and does nothing to the second.

The corrective is to evaluate every position by what it loses when it fails, not only by how often it fails. A position that loses 95 to gain 5 is a poor trade at any probability below 95, and a marginal one at exactly that.

Preference contaminating the estimate

FIG. 04 · TWO QUESTIONS

WHAT IS WANTED

About the participant

WHAT IS EXPECTED

About the world

Two questions. One is about the participant. One is about the world.

A participant who would be pleased by an outcome is, as a matter of measured fact, more likely to estimate that outcome as probable. The effect is not confined to beginners and is not eliminated by knowing about it. It is reduced by procedure.

The error is to allow the two questions, what is wanted and what is expected, to be answered by the same process. They are different questions. The first is about the participant. The second is about the world. A price is a claim about the world, and a position is a claim that the price is wrong about it, so a preference that has entered the estimate has entered the position.

The cost is systematic overconfidence in one direction. A participant with a preference will consistently pay more than the evidence supports for outcomes they favor, and consistently decline positions against those outcomes at prices that would otherwise attract them.

Two correctives are available. The first is to state the preference explicitly before forming the estimate, so that the two are visibly separate. The second, and the more reliable, is the reversal test: would the participant take the opposite side of this contract at this price? A participant who answers never is not forecasting. They are supporting.

Reacting to a move without identifying its cause

FIG. 05 · TWO KINDS OF MOVE SCHEMATIC



A price moves from 40 to 55 in an hour. The instinct is to read the move as information: something has happened, and the market knows it.

Frequently it has. Frequently it has not. Prices move for two reasons, information and flow, and only the first is durable. A thin contract can move fifteen points on a small number of orders in a quiet period, with nothing behind the move except the orders themselves. Flow of that kind reverts, often quickly, because the next participant to arrive has no reason to hold the new level.

The error is to join a move without establishing which kind it is. A participant who buys at 55 because the price rose from 40 has taken a position on the proposition that the rise was informed, without checking. If it was flow, they have bought the top of a spike that is about to unwind.

The cost is the difference between 55 and wherever the price settles, multiplied by the frequency with which moves are uninformed, which in thin markets is high.

The corrective is a single question, asked before acting: what happened? If the cause can be identified, the move can be evaluated. If it cannot, after a genuine attempt, the safest reading is that nothing happened and the price will find its way back.

Ignoring the cost of capital over the life of the contract

FIG. 06 · A TWO-CENT EDGE SCHEMATIC



Return 2 cents. Annualized, negligible. Capital unavailable throughout.

A contract priced at 48 that a participant believes should be priced at 50 appears to offer a two-cent edge. It resolves in fourteen months.

The error is to evaluate the position on its edge alone. Two cents on 48 is a return of about four percent. Over fourteen months, that is under four percent annualized, before fees, before the possibility that the belief is wrong, and before accounting for the fact that the capital cannot be used for anything else while it waits.

Capital has a cost. It is the return the same money would earn elsewhere over the same period, or the value of having it available when something better appears. A long-dated contract that does not compensate for that cost is not an edge. It is a loan to the market at an unfavorable rate.

This is also why long-dated prices cluster toward the middle. Participants require compensation for tying up capital, and the compensation appears as a discount on the price. A reader who does not know this will see the discount as mispricing and buy it, which is the error.

The corrective is to divide every expected return by the time to resolution before comparing it to anything. A two-cent edge over a week and a two-cent edge over a year are not the same trade, and only one of them is worth having.

Accepting the first price without comparison

ILLUSTRATIVE EXAMPLE · NOT LIVE PRICES

FIG. 07 · ONE QUESTION, TWO BOOKS

	Venue A	Venue B
Implied probability	60	66
Settlement source	Identical	Identical
Cutoff	Meeting date	Month end

The same contract is priced on more than one market, and the prices differ. A participant who sees one price and accepts it has made an error that is not an error of judgment. It is an error of information: they did not know there was a second number.

The gap between the two is not noise. Two populations, with different compositions and different levels of attention, have examined one question and reached different implied probabilities. The difference is a measurement of disagreement between people who have paid to disagree.

Sometimes the difference has a benign explanation: the contracts do not resolve on the same event, or one book is thin and its price is an artifact. Sometimes it does not, and one population has incorporated something the other has not.

Either way, the participant would want to know before committing. The cost of not knowing is the gap itself, paid in full, on every position taken at the worse of the two prices.

This is the one error on the list that care alone does not fix. The other six are corrected by reading, arithmetic and procedure. This one requires the second price to be visible, which it is not, unless something puts it there.

A NECESSARY STATEMENT OF LIMITS

Avoiding these seven errors reduces losses that were avoidable. It does not produce gains. Capital committed to any market is capital exposed to loss, and a participant who has eliminated every error on this list still holds positions that resolve against them as often as their prices say they will. That is not a failure of the method. It is what a probability means.

Where iPredicta fits

Six of the seven errors are corrected by the participant. Read the rule, do the arithmetic, separate preference from estimate, identify the cause, price the time. Each is a discipline, and each is available to anyone willing to apply it.

The seventh is not. It requires the second price to be in view, and the second price is on a different venue, moving, while the first is being read. Performed by hand the comparison takes longer than either price is stable for.

ILLUSTRATIVE · NOT LIVE PRICES

FIG. 08 · ONE QUESTION, TWO BOOKS, WITH TERMS

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 comparison. Every market, wherever it is priced, presented in one view, with the settlement terms shown alongside the levels so that a gap can be attributed rather than merely observed.

The seventh error stops being possible when both prices are on the same screen. The other six remain the participant's own, which is as it should be: a method that removed the need for judgment would be removing the thing that makes a forecast worth anything.

One price is a reading. Two prices are information. This guide's last error is the one that turns on that distinction.

The board is at ipredicta.co, and the second price this error turns on 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 seven

01	A probability is not a prediction.
02	The rule pays, not the headline.
03	A high price is a large stake.
04	Preference is not an estimate.
05	A move needs a cause.
06	Time is a cost.
07	One price is not the price.

Seven avoidable errors, and the cost of each one stated. The first six are the participant's to fix. The seventh is not.

Over the coming days a short video follows, along with the single error from this guide that costs more than the other six combined, and a worked example run end to end on one question.

Check one question on two venues today.

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