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The Expanding Competitive Landscape: Prediction Markets

In December 2025, users traded nearly \$12 billion on Kalshi and Polymarket, a combined figure reported as more than 400% higher than the prior year.¹ Some forecasts cited in industry coverage suggest prediction markets could reach about \$1 trillion in annual trading volume by the end of the decade, though such projections depend heavily on regulatory outcomes and sustained consumer adoption.³ This level of activity suggests prediction markets are moving quickly from niche awareness to a high-visibility category of event-based contract trading.

This edition is the start of a new Data in Motion series focused on emerging competitors to traditional lottery. As the gaming and entertainment landscape evolves, new digital formats are capturing consumer attention and discretionary spend. We begin with prediction markets.

What Are Prediction Markets



Prediction markets allow users to buy and sell contracts tied to future outcomes. These contracts are often “yes” or “no” outcomes, priced between \$0 and \$1. If a contract trades at \$0.65, the market implies a roughly 65% probability of that outcome. Prices can change frequently as new information becomes available.³

Contracts may be based on sports outcomes, elections, economic indicators, entertainment awards, or other real-world events. Unlike traditional casinos or sportsbooks, there is no central house setting odds. Participants trade directly against one another.³

The Commodity Futures Trading Commission (CFTC) has identified KalshiEX, LLC as a designated contract market in official communications.⁴ Recent legal and regulatory reporting now also reference “Polymarket US” as a Designated Contract Market (DCM), indicating the platform’s U.S. prediction market landscape is evolving.⁵

Why Prediction Markets

Recent reporting notes that “the lines between gambling and investing are increasingly blurred.”² Digitally fluent consumers are comfortable with trading platforms, crypto wallets, and app-based financial products. They are accustomed to real-time pricing, constant updates, and mobile-first engagement.⁵ Prediction markets mirror that experience with continuous contract trades and real-time price adjustments.³ Many of the apps they are already using for financial or wagering transactions are starting to offer prediction markets such as RobinHood, DraftKings and Coinbase, and it becomes more mainstream every day.

Traditional lottery games operate on fixed draw schedules. These platforms may not function as direct substitutes for lottery products, but they do compete for the same discretionary entertainment dollars and are more dynamic and change more frequently than most lottery offerings.

While some lotteries offer iLottery and other forms of digital engagement, prediction markets are “always-on” and tied directly to real-world events as they unfold.³

Regulation Is Struggling

The regulatory framework for prediction markets remains unsettled. Multiple states and regulators have challenged whether certain event contracts, especially sports-related contracts, should be treated like gambling and regulated under state sports betting frameworks, arguing the platforms are 'offering a backdoor to skirt state gambling regulations, particularly on sports'.^{2,8} Prediction markets are not currently regulated like many gambling products, nor do they fall under Securities and Exchange Commission oversight.³ The CFTC has asserted jurisdiction, but the scope of their enforcement and the long-term oversight remain active areas of debate.^{2,5} Media reporting has also highlighted concerns about market integrity, including the potential for trading based on non-public information in certain categories.³

How these products are ultimately classified and how oversight responsibilities are divided will shape the competitive environment going forward.⁶

What This Means for Lottery

Prediction markets incorporate features modern consumers increasingly expect:

Frictionless digital access

Account-based participation

Continuous engagement

Real-time pricing signals

Event-driven participation⁵

Source: Prediction Markets on SI, "What Is Polymarket? The Decentralized Prediction Platform Re-Entering the U.S.", March 3, 2026.

If lotteries fail to respond quickly, there may be a whole generation of potential players who never even sample lottery offerings. But lotteries are responding. Account-based play, identity verification, digital wallet integration, and real-time engagement tools are expanding across jurisdictions. The opportunity lies not simply in adding digital products, but in creating a true omnichannel experience with seamless engagement across retail and digital channels, allowing players to play where they want, how they want and when they want.

As the American Gaming Association (AGA) Strategic Plan states, gaming's continued success depends on innovation and effective and efficient regulation.⁷

Lottery's strengths in responsible play, prize integrity, regulatory transparency and public benefit remain powerful features. The competitive advantage for lotteries will not be product format alone — it will be the ability to combine trusted regulatory oversight with modern user experience, data-driven insights, and responsible play safeguards.

Final Word

Prediction markets are scaling quickly. Billions in monthly trading volume signal meaningful consumer adoption. Platforms like Kalshi and Polymarket are no longer niche offerings; they are shaping expectations around how digital participation should feel.

The question is not simply whether these platforms will grow, but how the behaviors they normalize — real-time engagement, event-driven trading, and continuous digital interaction — will influence expectations across gaming categories.

Lottery's strengths in controlled operations, prize integrity, and consumer protections remain core differentiators, but the player experience must keep pace with broader digital norms.

Sources:

1. AP/WRAL repost of NYT reporting, Jan. 2026.
2. The Guardian, "Surging prediction markets face legal backlash in US: 'Lines have been blurred'", Feb. 17, 2026.
3. Boston Globe Editorial Board, Feb. 23, 2026.
4. CFTC Press Release 8728-23, June 23, 2023.
5. Prediction Markets on SI, "What Is Polymarket? The Decentralized Prediction Platform Re-Entering the U.S.", March 3, 2026.
6. Sports Business Journal, "SBJ Betting: A glimpse into the prediction market kerfuffle", Feb. 20, 2026.
7. American Gaming Association, "AGA Strategic Plan 2025".
8. Stateline, "Kalshi and Polymarket are skirting laws on sports betting, states say", March 6, 2026

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Editor: Claire Browne