

Cost-Aware Probability Jump Reversal

Short-horizon reversal after unsupported probability jumps in liquid prediction markets.

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Executive Summary

This note reviews event-grouped reversal evidence following unusually large probability moves, with liquidity and transaction-cost conditions incorporated into the research ordering.

Research horizon	1h
Mean event return	1.75%
Event t-stat	17.55
Event clusters	27,696
Positive-event fraction	55.8%

- 1. Event-grouped mean return is 1.75% across 27,696 clusters.
- 2. The late 40% OOS segment remains positive at 1.90%.
- 3. Provider-level mean returns are positive across Kalshi, Manifold and Polymarket in the source run.

Data and Research Setup

UNIVERSE

Native prediction-market contracts observed across Kalshi, Manifold and Polymarket from 2020 to 2026.

INPUTS

Point-in-time hourly probability bars, signed trade-flow fields and provider-specific cost proxies.

CADENCE

Event-driven review following material one-hour probability changes.

COMPARISON BASIS

Event-level results are clustered by contract or event, tested by provider, split chronologically and stressed under explicit cost assumptions.

The source files were used for historical research extraction only. This note does not include current markets, contract lists or live recommendations.

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Signal Methodology

Without disclosing the exact functional, the construction proceeds along three conceptual steps.

1. **Event measurement.** Measures unusually large probability moves relative to each market's recent history.
2. **Signal ordering.** Orders events by reversal pressure after accounting for liquidity, flow support and estimated trading friction.
3. **Forward evaluation.** Evaluates subsequent probability movement over one hour using event-clustered inference and chronological OOS splits.

The description is intentionally conceptual. Formula details, exact construction rules and implementation parameters are not disclosed.

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Results and Execution Context

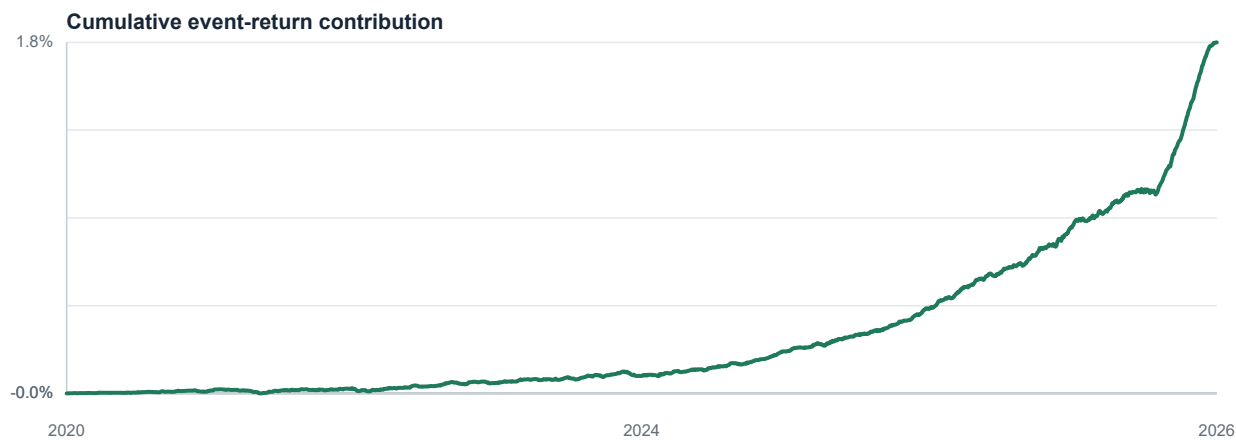


Figure 1. Cumulative contribution to the full-sample mean event return, with each event observation weighted equally. The series starts at zero and is a diagnostic decomposition, not a standalone portfolio NAV.

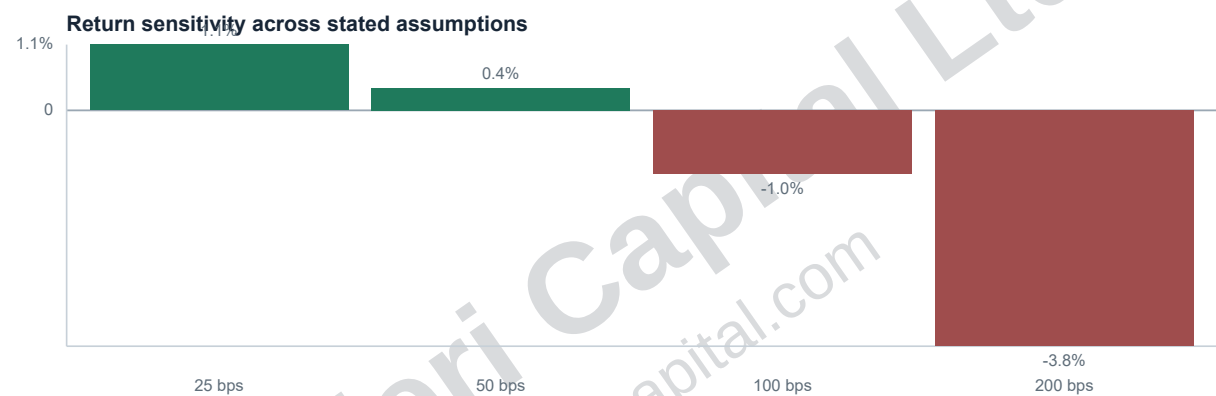


Figure 2. Mean event return across the stated cost or execution assumptions from the source validation run.

Assumption	Mean return	Event t-stat	Result
25 bps	1.06%	10.60	positive
50 bps	0.37%	3.66	positive
100 bps	-1.02%	-10.20	negative
200 bps	-3.80%	-37.68	negative

Stability and Robustness

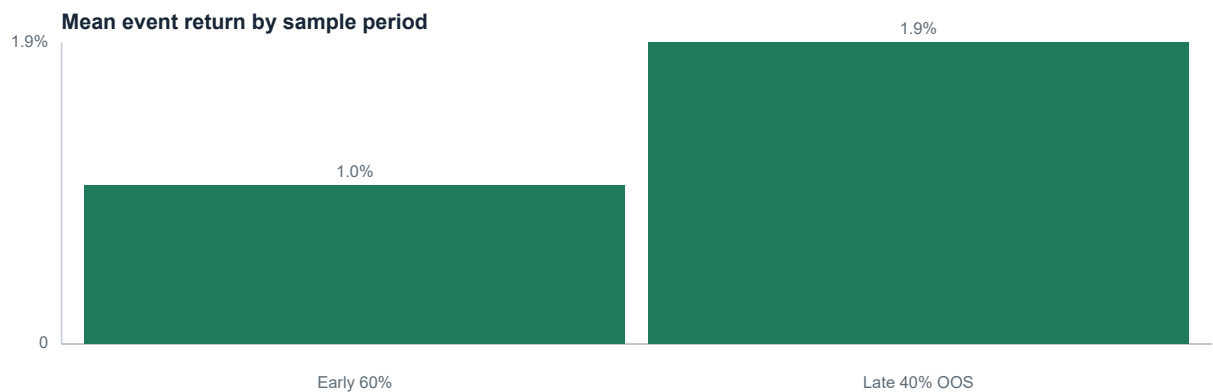


Figure 3. Mean event-return evidence across chronological research periods.

Chronological and source-level comparisons are shown as diagnostics. They do not convert the research result into a live implementation.

Evidence slice	Observations	Mean return	Event t-stat
Kalshi	8,860	1.34%	7.67
Manifold	1,877	2.22%	6.94
Polymarket	16,959	1.92%	14.69

Research Interpretation

ROLE IN RESEARCH LIBRARY

Secondary native prediction-market event signal inside the research library.

WHAT IT CAPTURES

Short-horizon reversal after abrupt probability moves that lack confirming flow and sufficient support.

KNOWN LIMITATIONS

Historical order-book depth is unavailable before July 2026, contract-cost fields are proxies, and the result turns negative at the 100-bps-per-side stress.

The evidence supports retaining the signal in the research library where it can be compared with related prediction-market components under the same assumptions.

Historical research output. Not investment advice. Not a live recommendation.

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