

# Piccolo Research

Independent research on blockchain startups and ICO's

## A brief analysis on Polkamarkets (POLK)

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*(with assistance from Adrian Siegwart)*

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# POLKAMARKETS (POLK)

Spec Buy



## A cross-chain, DeFi-powered prediction market with NFT-based gamification

### Summary

Polkamarkets is a decentralized, interoperable prediction market protocol built on Polkadot that lets users bet on outcomes of real-world events. The goal of Polkamarkets is to offer users a high-volume, high-liquidity, and entertainment value-added prediction market with NFT-based gamification, live streaming integrations and virtual events.

Concept

MVP

Established

Decentralized prediction markets have not found widespread adoption yet, as they lack liquidity, process little volume and suffer from poor usability. Polkamarkets seeks to solve these problems by incentivizing liquidity providers with tried and tested DeFi initiatives such as yield farming and liquidity mining. Moreover, by providing entertainment features and quickly-resolving markets, users are motivated to use Polkamarkets regularly.

The team plans to deliver its first minimum viable product in Q2 2021, featuring crypto and Esports markets. This comes on the back of the recent liquidity and POLK mining incentives that the team has released in March 2021. As Polkadot is not yet ready for the deployment of smart contracts, Polkamarkets will first launch on Ethereum and migrate to Polkadot in the future.

### General

Ticker: POLK

Website: [Click here](#)

White Paper: [Click here](#)

Telegram: [Click here](#)

### Token Details

Price: \$2.16

Market Cap: \$46m

1y Price Range: \$1.72 – \$3.69

1y Daily Avg Trading Volume: \$6.9m

Current Circulating Supply: 22.9m

Total Supply: 100m

IDO Date (Polkastarter): 24 Feb 2021

Uniswap listing price: \$0.05

*\*As of 14 Apr 2021*

### Checklist

Management: ✓

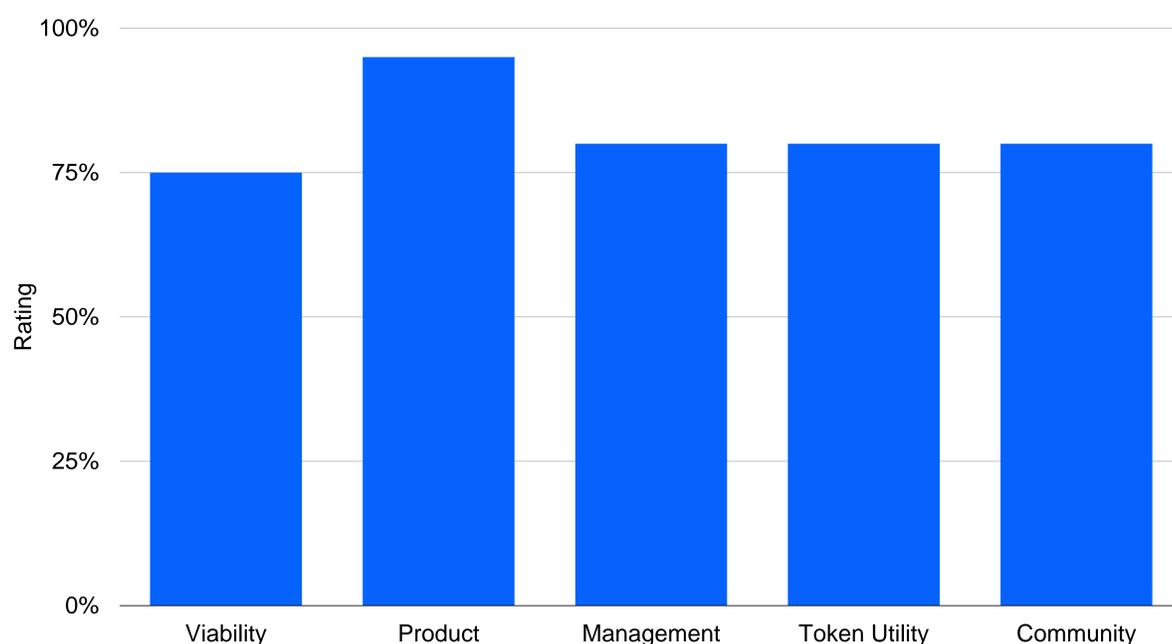
Product: ✓

Commercial: ✓

Interest: ✓

Fulfilment: ⚠

### Birds-Eye View



## A Primer on Prediction Markets

The concept of prediction markets (also called information markets or event derivatives) dates back several decades, with the first modern electronic prediction market introduced during the 1988 US presidential election. Prediction markets permit traders to bet on the outcome of future events and essentially collect and aggregate the “wisdom of the crowd”. Typically, prediction contracts are structured as binary options and will expire at a price of 0% or 100%. For example, the market for the question “Will Donald Trump be President of the USA on March 31, 2021?” will resolve to “Yes” or “No” at the specified date. The price of the “Yes” share at any given point in time will equal the perceived probability of the outcome occurring (e.g. a price of \$0.02 for the “Yes” share equals a ~2% probability).

Arising from the concept efficient market hypothesis, it has [been found](#) that forecasts derived from these market prices are fairly accurate and outperform other commonly-used benchmarks. For example, the outcome of presidential elections was predicted more accurately by prediction markets than by polls and the Hollywood Stock Exchange, a virtual market game, correctly forecasted the outcome of multiple Oscar nominations. Experiments within companies such as Google, Hewlett-Packard and Siemens have shown that prediction markets produced more precise forecasts than internal planning processes, even with only a small number of traders.

The first decentralized, Ethereum-based prediction market Augur, was launched in July 2018, and several other blockchain-based platforms have since come to market. However, all have hitherto failed to attract substantial interest by traders. Polkamarkets has identified several areas of improvement and aims to revive the prediction market industry by adding entertainment value and fixing the liquidity and volume problems through with DeFi-incentives.

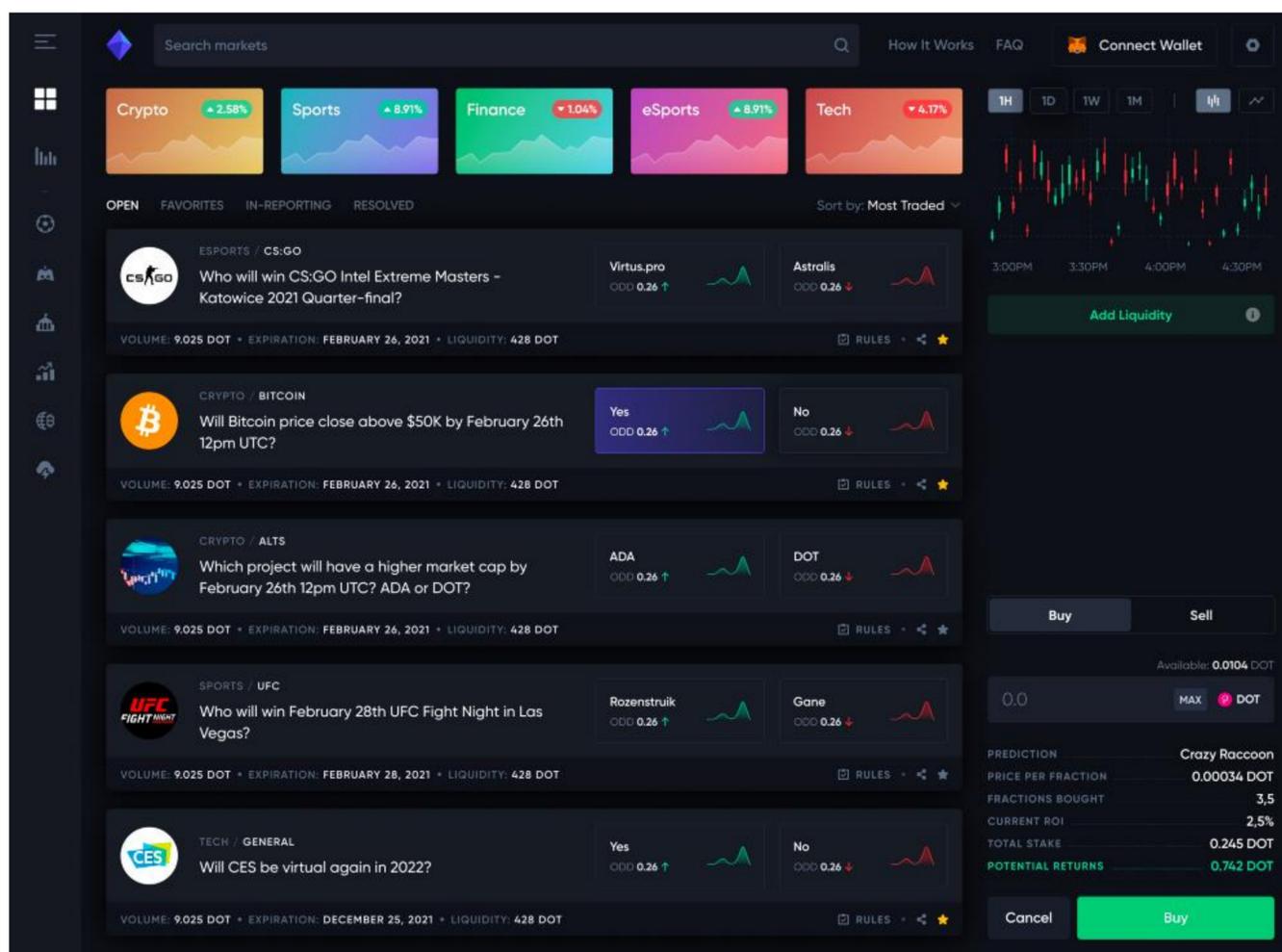


Figure: UI screenshot of the upcoming Polkamarkets MVP

## Product Features & Strategy

Polkamarkets allows participants to discover an array of information-based markets and bet on future outcomes in categories that include Esports, Sports, Crypto, Politics and more. Users will create their prediction markets, provide liquidity to facilitate trading and participate in live events and promotions.

### Novel Solutions for Liquidity Provisioning

Polkamarkets is launching a product at the intersection of prediction markets and DeFi, thereby solving a key problem that has plagued other prediction market platforms: liquidity provisioning. Polkamarkets plans to incentivize liquidity through DeFi initiatives such as liquidity mining and yield farming and has partnered with Orion Protocol for this purpose. An API will be available to access these DeFi capabilities in a programmatic way.

### Entertainment Value as a Key Differentiator

The second reason why other projects haven't had breakthrough success is that most lack incentives for regular usage and provide little entertainment value, which results in a small number of active traders and low volume. The fact that most of their markets resolve in longer-term time frames (monthly/yearly) give users little to no reason to come back to the platform after placing their predictions. By adding entertainment features and quickly resolving markets in verticals such as crypto or Esports, Polkamarkets aims to become a regularly-visited platform, with systems in place to ensure user-friendly, curated markets. Moreover, Polkamarkets plans to offer gamification with NFTs, visual portfolios and badges as well as live streams, virtual events, and giveaways.

## Partnerships

Polkamarkets is collaborating with leading crypto projects to increase the protocol's value and incorporate new features. Cooperation include:

- [Elrond](#): With a multi-chain vision, this partnership will enable prediction markets on Elrond's robust network and ecosystem.
- [Exeedme](#): Exeedme will come on board not just as partners but also as a strategic advisor to enhance their Esports prediction markets.
- [Polygon](#): Formerly known as Matic Network, the collaboration enables Polkamarkets to scale its network through lower fees and faster trade executions.
- [Bridge Mutual](#): By partnering with Bridge Mutual, users can either provide or claim risk coverage for various risks related to the Polkamarkets platform, such as oracle failures or unforeseen smart contract exploits..
- [Orion Protocol](#): By partnering with Orion Protocol, Polkamarkets is able to access deep liquidity from across DEXs and CEXs. Traders and LPs can use Orion Terminal to provide liquidity on prediction markets and earn yield.
- [Terra Virtua](#): Terra Virtua will enable Polkamarkets to gamify major events, by enabling access to branded and official NFTs on its marketplace. Polkamarkets plans to use NFTs for Badges & Avatars, prizes for featured markets and as passes to access special events.

## Community Engagement Statistics

Name	Twitter	Telegram	Medium
Polkamarkets	81,700	81,050	5,100
Augur	146,200	640	8,500
Gnosis	74,600	200	1,100
Poly-market	7,200	560	140

*Beauty and ease of use, form as well as “ functionality—these are the design elements that we build by. Our vision is to make Polkamarkets the go-to platform for seeing the future. And we want to forecast a better future, which is why it has to look good.”*

**- Henrique Caiano, Product Advisor**

- [Kylin](#): The ability to resolve markets in a trustless way is critical for prediction markets. Kylin provides oracles for off-chain data through a validation layer, where data miners place a financial stake to vouch for the accuracy of their provided data. As prediction markets for Esports with live, in-play trading require high-quality, low-latency data, Polkamarkets is working with Kylin to develop an oracle solution for this specific purpose.
- [BEPRO Network](#): BEPRO is a codebase for DeFi, Gaming, and Prediction Markets technology, which will be used by Polkamarkets for its prediction market codebase and backend systems.

## Roadmap

Roadmap	Developments	Status
Q1 / Q2 2021	<b>Markets:</b> Crypto Futures / Esports Fractions Portfolio Liquidity Provision DeFi Features Curated Lists \$POLK Mining	<i>In Progress</i> <i>In Progress</i> <i>Completed</i> <i>In Progress</i> <i>In Progress</i> <i>In Progress</i>
Q3 2021	<b>Markets:</b> Sports /Politics Migration to Polkadot AI Powered Odds Informational Market Live Stream & Events NFT Gamification	
Q4 2021	Liquidity Provision 2.0 Admin Tools Governance Model DAO R&D	
2022	Cross-chain Fractions Trading Stablecoin Integration DAO Governance	

## Team, Advisors & Investors

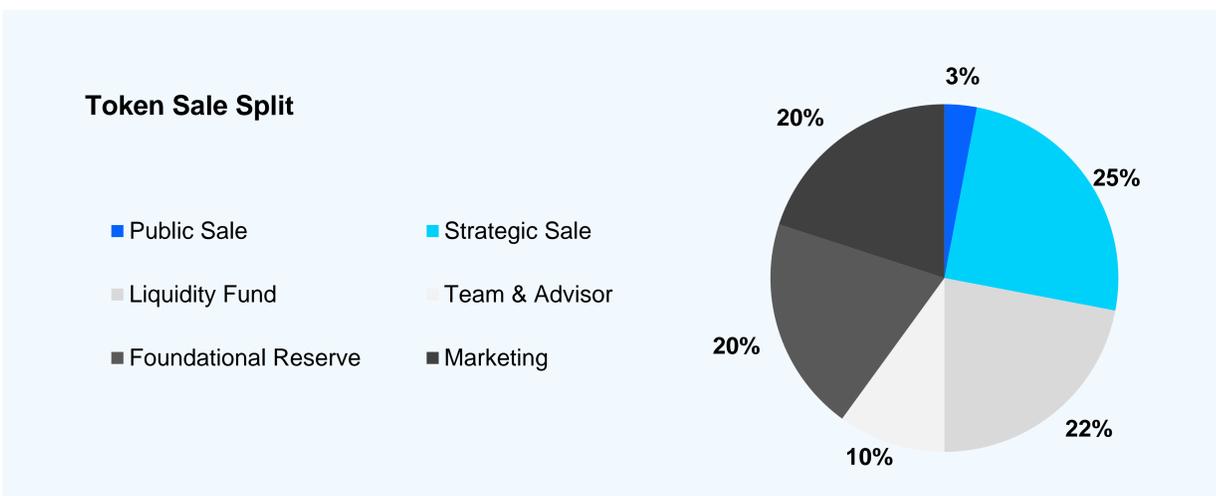
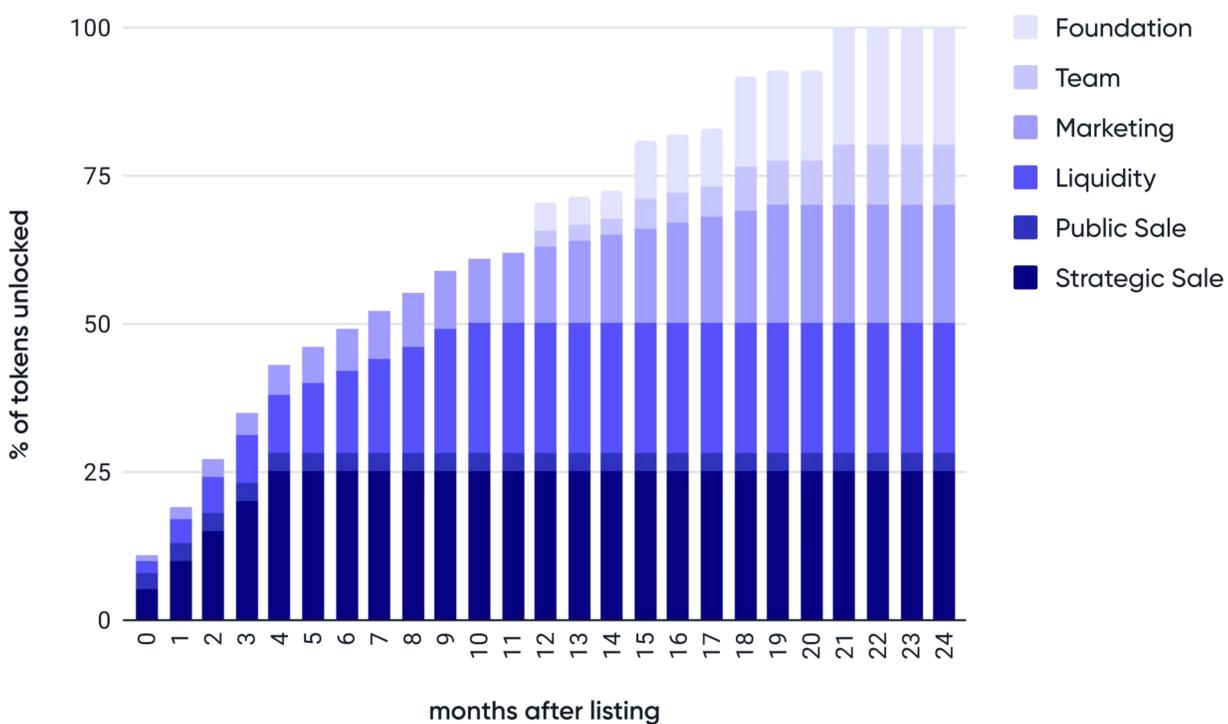
Polkamarkets emerged from incubator and investment firm Moonrock Capital in cooperation with Morningstar Ventures. Other strategic investors include NGC Ventures, Astronaut Capital and Spark Capital. The management team consists of:

- **Ricardo Marques (CEO)**: Ricardo has already launched several ventures in the prediction markets space and has comprehensive knowledge and experience in software development.
- **Francisco Lourenço (CMO)**: Francisco has more than 10 years of experience in digital and social marketing campaigns and previously was responsible for digital marketing at Würth Portugal.
- **Henrique Caiano (Product Advisor)**: Henrique is a UI/UX-designer and front-end developer with more than 10 years experience. He has led large developer teams and founded three startups.
- **Rui Teixeira (Co-Founder and Board Member)**: Rui is an entrepreneur in the blockchain industry, co-founder of [bepro.network](#) and has extensive experience in blockchain development, backend systems, and product development.

## Tokenomics

The public sale for 3% of total token supply took place on Feb 24, 2021 on Polkastarter. The event garnered significant attention and was one of the most anticipated sales on Polkastarter with close to 1 million whitelist applicants, making it oversubscribed by more than 3,000 times.

Initial circulating supply amounts to 13.45M tokens, with 9.45M tokens being released each month for 3 months after the TGE. Subsequently, monthly releases will be no higher than 7% of circulating supply until month 12, when 25% of the foundation and team allocation will be unlocked quarterly (approx. 12% of circulating supply).



## Token Utility

Polkamarket's native token POLK is crucial for the functioning of the ecosystem and acts as a central coordination mechanism. It has several utilities:

- **Interaction Mining:** By making predictions and buying or selling fractions of an outcome on Polkamarkets, users can mine POLK.

- **Yield Farming and Liquidity Provision:** The Polkamarkets protocol generates revenues by applying a 0.3% fee of the trade value. These fees accrue to token holders in the following manner:
  - $\frac{2}{3}$  of all platform fees will go directly to Polkamarkets' Liquidity Providers.
  - $\frac{1}{3}$  of all platform fees are used to auto-purchase POLK on DEXs to be allocated to liquidity providers in the form of yield farming rewards
- **Governance:** POLK token is needed to allow users to create their own prediction markets. At a later stage, a DAO structure will be implemented, in which POLK will be used for voting.

## Competitor Analysis

Project Name	Polkamarkets	Augur	Omen (Gnosis-based)	Polymarket (Gnosis-based)	Gnosis
<b>Token</b>	POLK	REP	No Token	No Token	GNO
<b>Token Holders</b>	10,000	9300	NA	NA	11,320
<b>Market Cap</b>	\$ 46M	\$ 300M	NA	NA	\$ 263M
<b>Liquidity Provisioning</b>	Liquidity aggregation through Orion Protocol	Traditional Orderbook (implemented through 0x Protocol)	Automated Market Maker allows for Uniswap-like liquidity pools	Automated Market Maker allows for Uniswap-like liquidity pools	Conditional token framework (ERC-1155) allows tokens to be wrapped into ERC-20 and traded on any permissionless DEX
<b>Liquidity Incentivisation Program</b>	Yes (Yield Farming)	No	only through fees	only through fees	NA
<b>No of Created Markets</b>	NA	112	103	25 active, 151 resolved	NA
<b>Fees</b>	0.3%	1-2% (paid to market creators & reporters)	2% (paid to LPs)	2% (paid to LPs)	NA
<b>Cross-Chain</b>	Yes	No	No	No	No
<b>Oracle</b>	Kylin as oracle for off-chain data	Augur's \$REP token holders act as "Reporters"	Agnostic (specified on a case-by-case basis), reality.eth real-world event oracle implemented	Agnostic (specified on a case-by-case basis)	NA

## Conclusion

Piccolo Research presents a 'Spec Buy' with a 4 stars rating on Polkamarkets. The project aims to shake up the prediction market industry by integrating entertainment and DeFi elements for increased user interaction. Although the MVP has yet to launch as of the report date, the team has presented convincing solutions to the problems faced by competitors such as Augur and Polymarket. Polkamarkets will be the first cross-chain prediction market to launch, and we believe that it is capable of capturing significant market share from its centralized and decentralized counterparts. In light of its solid tokenomics and a comparably low market cap of ~\$45M, we believe that Polkamarkets is an exciting asset for investors with a medium to long-term investment horizon.

## About the Analyst

Lennard specializes in fundamental and technical analysis in digital asset investments. He became acquainted with blockchain, cryptocurrency and ICOs in 2016, and recently decided to take a meaningful step away from traditional banking to join this industry. Previously, Lennard spent 3 years with an investment bank in Forex and Debt Capital Markets. Prior to this, he also had entrepreneurship experience working with an e-commerce startup and a local social enterprise. Lennard completed the CFA program and graduated with a master's degree in Applied Finance. He is fluent in English, Chinese with a basic in Korean.

## Ratings Definition

Monitor – Continue observation until clarity of information is provided

Sell/ Avoid – Investment is associated with high risk of losing capital

Hold/ Neutral – To maintain current levels of position until the next updated release

Spec Buy – A speculative opportunity for investors with higher risk tolerance

Buy – A high conviction buying opportunity

## Disclaimer

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