Coin-Flip Pricing in a Tournament-Winner Market: A Paired-Contract Trade on the 2026 IPL Champion

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Abstract

I document and analyze a trade I placed in a binary prediction market for the winner of the 2026 Indian Premier League (IPL). The market quoted the two top-seeded teams—Royal Challengers Bengaluru (RCB) and Gujarat Titans (GT)—at \$0.38 and \$0.37 respectively. I bought one "Yes" contract in each, for a combined cost of \$0.75 and a \$1.00 payoff if either won—my wager that a top-two seed would claim the title. I show that the quoted prices were consistent with a model in which every playoff fixture is an independent fair coin toss, which assigns the two top seeds a combined 75% win probability. Against this, the historical base rate under the current (post-2011) playoff format is 14 of 15 champions drawn from the top two (93.3%), and a Bayesian posterior under a uniform prior centers at 88.2%. My position was therefore positive expected value for any true probability above the fee-inclusive break-even of 78.3%. Ex post, *both* top seeds reached the final—so my position was already a winner before the match began—and RCB won by five wickets, realizing a net return of approximately 27.7%. I want to be clear that this favorable outcome *confirms* but does not *establish* the quality of my decision.

1. Market Setup and Trade Construction

The Kalshi "IPL Champion" market lists one contract per franchise, each settling at \$1.00 if that franchise wins the title and \$0.00 otherwise. When I looked at the market, the four surviving playoff teams were priced (best "Yes" ask) at RCB \$0.38, GT \$0.37, Sunrisers Hyderabad (SRH) \$0.15, and Rajasthan Royals (RR) \$0.14. The four implied probabilities sum to approximately 1.05, reflecting a market over-round (margin) of roughly 5%. My trade is a static, long, paired position: I bought one RCB "Yes" and one GT "Yes" contract. My combined outlay is $c = \$0.38 + \$0.37 = \$0.75$, and because the two events are mutually exclusive, the position returns exactly \$1.00 if either team wins and \$0.00 otherwise. To me this is the cleanest, most direct way to express my core proposition: *a top-two seed wins the IPL.*

2. Assumptions

My analysis rests on the following explicit assumptions.

1. **Settlement.** Each contract is binary; exactly one franchise wins the title, so franchise outcomes are mutually exclusive and collectively exhaustive.
2. **Seeding and format.** RCB and GT finished first and second in the league stage. Under the post-2011 playoff format, Qualifier 1 (Q1) pits seeds 1 and 2, the Eliminator pits seeds 3 and 4, Qualifier 2 (Q2) pits the Q1 loser against the Eliminator winner, and the Final pits the Q1 winner against the Q2 winner. Top-two seeds thus enjoy a "second life."
3. **Executable prices.** I assume the quoted asks are achievable at my intended size, with negligible market impact.
4. **Fee model.** I approximate Kalshi taker fees as $\text{fee} = \lceil 0.07\, N\, p\,(1-p) \rceil$ per contract (cents), evaluated at fill price p for N contracts.
5. **Hold to settlement.** I assume the position is held to resolution, with no intermediate trading in the base case.
6. **Coin-flip benchmark.** To characterize the *market's* implied pricing only, I treat each playoff fixture as an independent 50/50 outcome. This is a descriptive device, not my own belief about the matches.
7. **Base-rate window.** I compute the historical base rate over the 15 seasons (2011–2025) governed by the current playoff format.

3. Probability Model and Base Rate

Market-implied (coin-flip) model. Under Assumption 6, the win probability of a top-two seed is

$$\Pr(\text{seed } i \in \{1,2\} \text{ wins}) = \underbrace{\tfrac{1}{2}\cdot\tfrac{1}{2}}_{\text{win Q1, win F}} + \underbrace{\tfrac{1}{2}\cdot\tfrac{1}{2}\cdot\tfrac{1}{2}}_{\text{lose Q1, win Q2, win F}} = \tfrac{3}{8},$$

while a bottom-two seed must win three consecutive matches:

$$\Pr(\text{seed } j \in \{3,4\} \text{ wins}) = \left(\tfrac{1}{2}\right)^3 = \tfrac{1}{8}.$$

These sum to $2\cdot\frac{3}{8} + 2\cdot\frac{1}{8} = 1$. The model assigns the top two a combined 0.75, matching the observed $0.38 + 0.37 = 0.75$. In other words, the market is effectively pricing every knockout as a fair coin toss—an assumption I think is too generous to the lower seeds.

*Market structure and prices as I observed them on the Kalshi "IPL Champion" market immediately prior to the 2026 Indian Premier League playoffs. This note is descriptive and analytical; it is not investment advice.

Historical base rate. Across 2011–2025, the champion emerged from the top two in 14 of 15 seasons; the sole exception is SRH in 2016, which won from third via the Eliminator route. My point estimate is therefore $\hat{p} = 14/15 \approx 0.933$.

Bayesian update. Treating the record as 14 successes and 1 failure under a uniform Beta$(1, 1)$ prior yields a Beta$(15, 2)$ posterior with mean $15/17 \approx 0.882$ and an approximate 95% credible interval of [0.71, 0.98]. Even after I discount heavily for the small sample, my central estimate (0.882) still materially exceeds the market-implied 0.75.

4. Expected-Value Analysis

At fill, my per-contract fees are $\lceil 0.07(0.38)(0.62) \rceil$ and $\lceil 0.07(0.37)(0.63) \rceil$, i.e. about \$0.0165 and \$0.0163 at scale, for a combined fee of $\approx$ \$0.033 and an effective cost $c_{\text{eff}} \approx$ \$0.783. Let p denote the true probability that a top-two seed wins. The expected value of my position (per unit) is

$$\text{EV}(p) = p \cdot \$1.00 - c_{\text{eff}}, \qquad p^\star = c_{\text{eff}} \approx 0.783,$$

where $p^\star$ is my fee-inclusive break-even. My position is profitable in expectation for any $p > 0.783$. Table 1 reports the EV and return on cost across the belief estimates I derived above, together with the realized outcome.

Scenario	p	EV (\$)	Return on cost
Market-implied (coin flip)	0.750	-0.033	-4.2%
Conservative belief	0.850	$+0.067$	$+8.6\%$
Bayesian posterior mean	0.882	$+0.099$	$+12.6\%$
Historical base rate	0.933	$+0.150$	$+19.2\%$
Realized (ex post)†	1.000	$+0.217$	$+27.7\%$

Table 1: Expected value of my paired RCB+GT position. Return on cost uses $c_{\text{eff}} \approx$ \$0.783. †Conditional on the realized final pairing (both top seeds), the settlement indicator equals 1; the gross return ignoring fees is \$0.25/\$0.75 = 33.3%.

5. Qualitative Robustness Checks

Beyond the base rate, I see three structural considerations that push the true p above the market-implied 0.75. First, *venue*: the Final was scheduled at GT's home ground (Narendra Modi Stadium, Ahmedabad), where GT historically held a strong record—including an unbeaten mark against the most in-form challenger (SRH)—while the earlier knockout venues were approximately neutral for the relevant matchups. Second, *squad balance*: GT fielded the deepest combined pace and spin resources of the four teams, and RCB paired the strongest top order with a leading new-ball attack; the two non-top-two teams carried identifiable weaknesses (SRH a thin spin attack and top-heavy batting; RR a depleted all-round unit and a first-time playoff captain). Third, the *Impact Player* rule compresses the value of all-rounders, so the comparison I care about is specialist bowling depth, where the top seeds led. None of these is decisive on its own, but in my view each tilts p above the coin-flip benchmark.

6. Ex-Post Resolution

The 2026 Final was contested by RCB and GT. Because *both* top-two seeds reached the Final, my position became a certain winner the moment the pairing was set (after Q2): one of my two contracts was guaranteed to settle at \$1.00. In the match itself, RCB won the toss and bowled; GT posted 155/8 in their 20 overs, and RCB chased 161/5 in 18.0 overs to win by five wickets, anchored by an unbeaten 75 off 42 balls from V. Kohli. My position therefore realized its maximum: a gross return of 33.3% and, net of estimated fees, approximately 27.7%—right in line with what I had targeted at the outset.

7. Discussion, Limitations, and Conclusion

The way it played out was the most favorable branch of the outcome tree: with both top seeds in the Final, my principal downside—a deep run by the in-form SRH—was eliminated outright. Even so, I want to separate *outcome* from *decision quality*. My position was positive expected value ex ante for any belief exceeding the 78.3% break-even, comfortably below both the base rate and my posterior mean; but a sound positive-EV bet of this kind can still lose with non-trivial probability, so winning corroborates my thesis without proving it. I also recognize the limitations: the historical sample is small ($n = 15$) with a wide credible interval; my realized return is a single draw; and my model assumes static prices, independent fixtures, and a stylized fee schedule, and it ignores conditions, injuries, and cross-match correlation. Subject to those caveats, my conclusion is that the market's coin-flip pricing understated the structural advantages of a top-two seeding—an extra path to the Final and stronger underlying teams—which is what created the positive-expectation opportunity that, this time, resolved in my favor.