# Abstract

This thesis examines the dynamics of prediction markets within the cryptocurrency landscape, focusing on Polymarket. It offers a comprehensive analysis of these markets, exploring their functionality, potential for predicting future events, and volatility. The study highlights cognitive biases such as overestimating low probabilities and acquiescence bias, which influence market predictions. Volatility analysis reveals higher risks in prediction markets compared to traditional financial instruments, emphasizing the need for advanced risk management strategies. By addressing these biases and volatility, the research enhances understanding in behavioral finance, aiding traders in making informed decisions for more accurate market predictions.