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## GOP seen keeping U.S. Senate, online markets say

17:15 ET, Mon 6 Nov 2006

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By David McMahon

NEW YORK, Nov 6 (Reuters) - Online traders in contracts on the outcome of Tuesday's U.S. Congressional elections are putting their money on the Democrats recapturing the House of Representatives, but if their wagers are any guide, the Republicans are likely to hold on to the Senate.

On tradesports.com, an Irish online betting site, the latest prices reflect just a 25 percent chance that the Republican party will retain control of the House.

But the chances of the Republicans holding the Senate edged up a few percentage points from late last week to almost 75 percent.

"I say buy GOP now while its cheap," said one trader in a chatroom on the tradesports.com website. "I just bought a bunch," he said, referring to a contract that pays out \$100 if the Republicans retain control of the Senate.

Turnover in that contract stood at around \$70,000 on Monday afternoon and looked set to touch a record daily high.

The Democrats, who have not controlled the House of Representatives for more than a decade, must pick up 15 House seats and 6 Senate seats to reclaim control of Congress.

Some opinion polls over the weekend also suggested support for the Republicans may be firming slightly after the recent battering in the party's fortunes by scandals and voters' unease over the war in Iraq.

Betting on elections is more than a diversion. Since traders in elections contracts are avid followers of political news, they provide a real-time view of election odds that is more accurate and timely than any opinion poll, researchers say.

The day before the 2004 Presidential elections, TradeSports correctly picked the Senate winner in 33 of 34 races.

Some of the most volatile trade on Monday was in contracts on the outcome of individual Senate races in closely contested seats like Virginia, Montana, Missouri and Maryland.

A contract on the Virginia Senate race surged almost 50 percent in early trade on Monday to a peak of \$55, only to later give up most of those gains and slump to \$37. That indicates that the chances of Republican Senator George Allen being re-elected now stand at below even money.

A contract that pays out \$100 if the Republicans hold the House was trading around \$24, not far off a lifetime low of \$18 hit last week. Just two months ago the contract was trading around \$60.

Volatile trade is often the norm as election day draws nearer, and traders are bombarded with a multitude of information on the contest, including new opinion polls and aggressive political advertisements.

"In terms of which party is going to get the most votes tomorrow, it's absolutely certain that's the Democrats," said Justin Wolfers, an assistant professor at the University of Pennsylvania's Wharton school who has done extensive research in prediction markets.

"But the market is telling you there's still a lot of uncertainty about some of the races, and that's a reasonable reflection of the fact that we just don't know."

In recent years election betting has grown in popularity, largely through the listing of elections contracts on platforms such as tradesports.com and intrade.com, also based in Ireland.

Online betting platforms also allow punters to bet on everything from the outcome of sporting events, to the likelihood that the United States will launch a military strike on North Korean nuclear sites.

### HAVE YOUR SAY

**What do you think should be the first order of business for the new Congress?**

Environment: 14%

Immigration: 13%

Iraq: 58%

Social Security: 6%

Trade: 2%

Other: 7%



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