



DAY TRADING, CRYPTOCURRENCY, AND PROBLEM GAMBLING IN THE 21ST CENTURY

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SCHEDULE FOR THE DAY

Section I: Gambling & Trading Similarities & Differences

Section II: Experiences and Perspectives

Section III: Impact of COVID and Next Steps

SECTION I

Brief Legal and Historical Perspective

Definitions

Observations

Similarities and Differences

Day Trading and Gambling

Regulations and Restrictions

LEGAL PERSPECTIVES

Gambling is prohibited unless a specific form is legalized & regulated in a particular jurisdiction

At many times in our history stocks and particularly futures & options trading were banned and/or regulated as gambling

Currently trading is LEGAL and available in the US to those age 18 and older

Custodial accounts and IRA's for those as young as 16

Legal / Financial requirements for certain transactions such as pattern day trading or options transactions

HISTORICAL PERSPECTIVE

October 19, 1987 – Black Monday – Dow plunged 508 points (22%) in a single day

Prior to this day, helpline calls to 800-GAMBLER for stock market trading represented 2% of calls.

In the weeks that followed, stock market calls represented 44% of total helpline calls

Dr. Robert Custer, a pioneer in the field of gambling addiction, treatment, and research testified before the NJ Governor's Advisory Commission that stock market gamblers represented 20% of gambler's that he diagnosed

TYPES OF INVESTMENTS



*If held to maturity. Otherwise, they are subject to volatility due to interest rate risk as with any other type of bond.

UNDERSTANDING RISK



Types of Investment Risks

Purchasing Power Risks

The risk of loss in the value of cash due to inflation. This is also known as inflation risk

Re-investment Risks

The risk that interest income or principal repayments will have to be reinvested at lower rates in a declining rate environment

Interest Rate Risks

The possibility of a reduction in the value of a security, especially a bond, resulting from a rise in interest rates.

Political Risks

The risk of loss when investing in a given country caused by changes in a country's political structure or policies

Exchange Rate Risks

The risk that a business' operations or an investment's value will be affected by changes in exchange rates

2 MOST COMMON TRADING DEFINITIONS

Day Trading – Individuals who engage in a form of speculation whereby the trader executes intraday transactions and strategies in an attempt to profit from a change in price in any asset.

Position Trading – Typically viewed as the ‘Buy and Hold’ investor, involves purchasing an asset and holding with the expectation of an appreciation in value over time.

DIFFERENT TYPES OF TRADING STRATEGIES

Trading Style	Timeframe	Time Period of Trade
Scalping	Short-Term	Seconds or Minutes
Day Trading	Short-Term	Within one day – Do not Hold positions overnight
Swing Trading	Short / Medium Term	Several Days or Weeks
Position Trading	Long-Term	Weeks, Months, Years

OBSERVATIONS

Technology has evolved and allowed for faster connectivity, access to information, and execution

The view of status and power and prestige versus stigma and negativity

Motivations: Action and Escape

SIMILARITIES AND DIFFERENCES

The 'Kelley Criterion' applies to both day trading and in play sports gambling

Originally used for investing, was then realized to be applicable to be a betting system by horse bettors

Goal is to limit losses and maximize gains

Both industries have "experts" and "strategists"

They focus on money management and asset allocation

For the gambler that implies a focus on bet size as a percent of bankroll and also the types of bets

SIMILARITIES AND DIFFERENCES

Gambling involves risking something of value in hopes of winning something of value where there is chance involved

Day Trading involves risking something of value in hopes of gaining in value where there is speculation involved

DAY TRADING AND GAMBLING

Covid-19 has opened up more opportunity for people to explore different activities

Increasing number of apps and marketing

Analyze helpline annual calls of day trading past 5 years and past year

While technically not considered a regulated gambling activity

Concern over the similarities and the risky behaviors.

Speed, repetition, blinking lights, fast \$ spends fast

Lack time for reflection

Technology advancement

DAY TRADING AND GAMBLING

Neural pathway gets reinforced and strengthened quicker

“Impulses spurred by S-T investments and financial speculation bear similarities to gambling disorders.” (Dr. Tim Fong, clinical professor of psychiatry and co-director for UCLA Gambling Studies Program)

Socially acceptable, almost seen as worship status and glamorous

Personality Traits include:

- Sensation seeking
- Risk Taking
- Impulsive
- Competitive
- Emotional Instability

REGULATIONS AND RESTRICTIONS

RG Strategies in Gambling

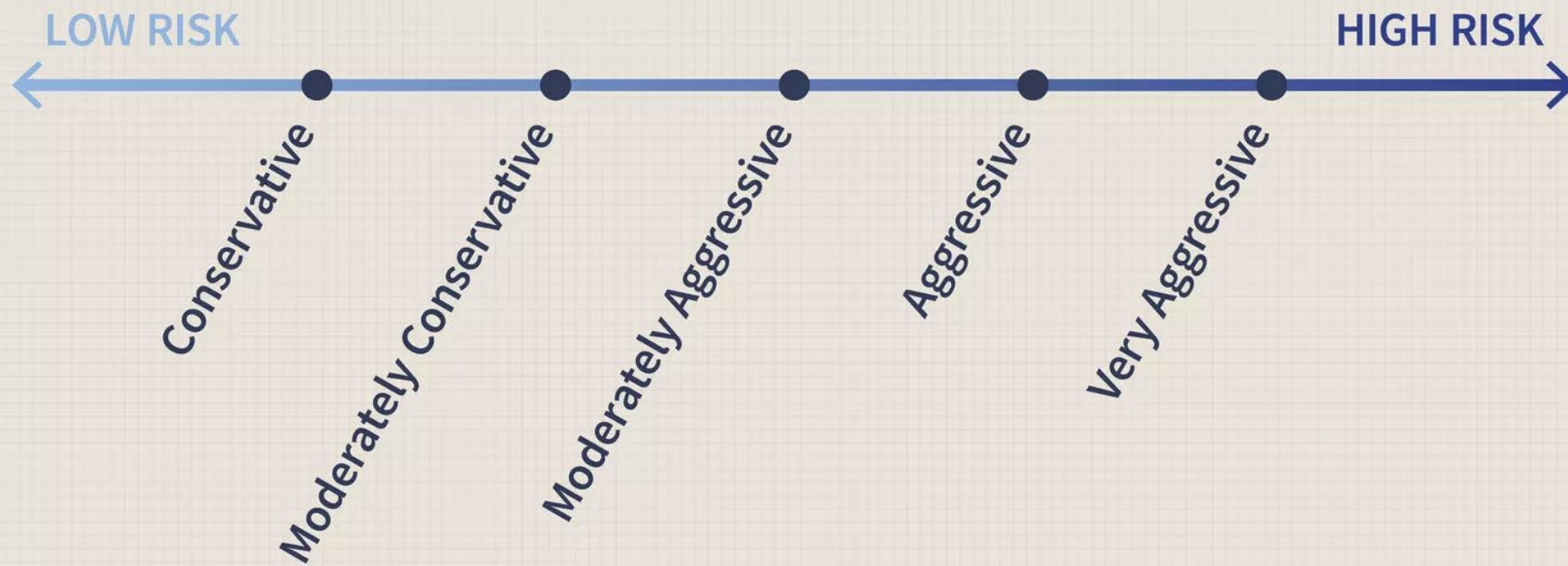
SEC Rules for Margin and Pattern Day Trading

Margin – Borrowing money to purchase securities

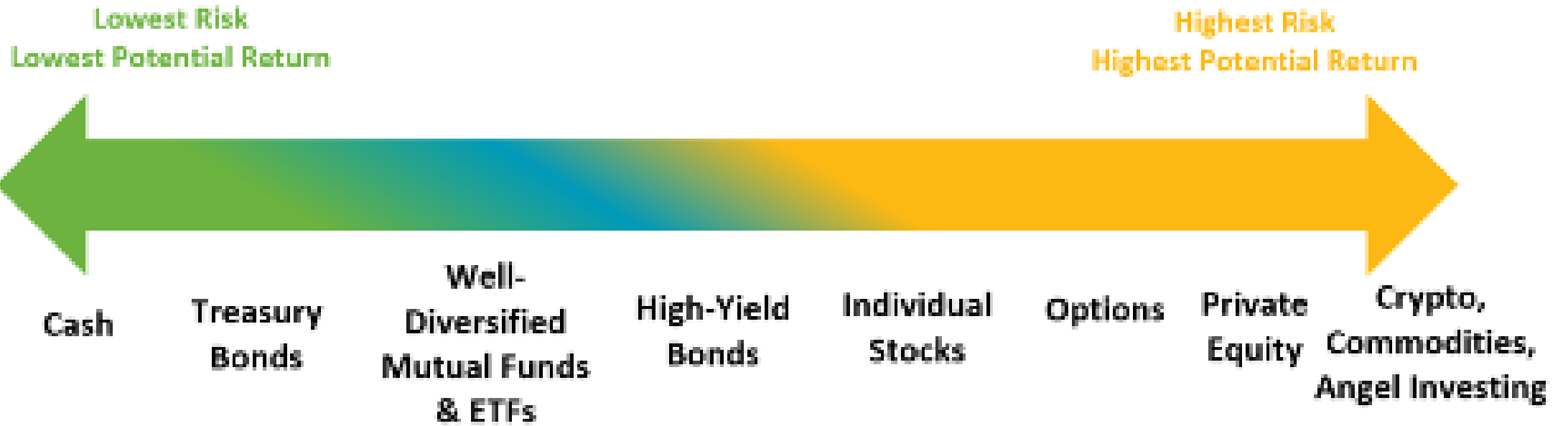
Definition – “Executing four+ day trades within five business days = “pattern day trader”

Minimum equity requirement in account is \$25,000

Deposited and maintained in account at all times



The Risk Continuum



Source: Nasdaq Economic Research

THE SHORTENING REWARD SCHEDULE AMONG VARIOUS TYPES OF GAMING / GAMBLING

Delayed

Season Long Fantasy

Traditional Sports Betting

Daily or Nightly Lottery

Brick and Mortar Live Casino

Video Games - Grind out play slowly over time

Investing

Immediate

Daily Fantasy

In Play Sports Wagering

Instant Win / Scratch Off

Internet Casino Games

Video Game & Loot Boxes speed up progression within game

Day Trading

SECTION II

What is cryptocurrency

Cryptocurrency and youth

Observations from Main Street and Wall Street

WHAT IS CRYPTOCURRENCY

Cryptocurrency is a decentralized form of currency using P2P networks to process transactions

Constantly fluctuating value leads to cognitive distortion around the value of a dollar

Currently there are over 8,600 types of crypto being traded online

Available to buy/sell/trade on over 35,000 online markets

The total value of cryptocurrencies is \$1.5T, the total value of US paper currency is \$1.2T

WHAT IS CRYPTOCURRENCY

Being used a tool to gain social media traction and influencer status

Types of currency seen as different types of investment (BTC vs. DOGE)

Decentralized banking has spurred growth in decentralized gambling

“If you don't understand it you get much more excited than if you understand it.” -Warren Buffet

WALL STREET PERSPECTIVE

Warren Buffett once said about stock market behavior: “The light can at any time go from green to red without pausing at yellow.”

“The mother of all evil is speculation” – Gordon Gekko from the movie Wall Street

Peter Lynch, one of the most experienced and successful portfolio managers for Fidelity’s Magellan Fund says, “Investing is fun, exciting, and dangerous if you don’t do any work. Behind every stock is a company, find out what it’s doing.”

MAIN STREET PERSPECTIVE

Fred B. March 1999. He is a 42-year-old Caucasian male. He is a professional with a salary above \$100,000 and in debt for more than \$100,000. He is married with two children. He is a day trader, stocks and plays casino.

Ken N. April 2000. He is a 32-year-old Caucasian male. He is a state employee. He is married with one child (one year old). He is currently a day trader, gambled also on horses, lottery and sports. Attends GA meetings. Is clean today for 6 months and doesn't see a problem with day trading.

Al C. called September 2000. He is a 50 y/o Caucasian male. He is in sales with a salary of \$50,000 and in debt for more than \$50,000. He is married with two grown children. He is a day trader, gambled also on horses and lottery. Attends GA meetings. Is clean today for one year but his wife is worried about the time he spends reading the stock pages.

MAIN STREET PERSPECTIVE

Mary, wife of brokerage house employee, called for help in September 2002 for her husband – 52 year old who had depleted their financial portfolio. She stated he lost nearly 5 million dollars in the past three years playing the options market and for the past three months, day trading.

Vinnie, a 42 year old teacher who invested \$140,000 in NASDAQ stocks starting in 2001, built his account up to 1.2 million dollars in 7 months and within the next 6 months lost it all and owes \$85,000 he borrowed on margin and took \$90,000 from his mother's savings accounts.

SECTION III

Impact of COVID on Trading & Gambling

CYRPTOCURRENCY & COVID

BTC value over the last year \$8,334 to \$50K+

Bitcoin Chart



CYRPTOCURRENCY & COVID

ETH value over the last year \$216 to \$1,652

Ethereum Chart



CYRPTOCURRENCY & COVID

ADA value over the last year \$0.04 to \$1.12

Cardano Chart



CRYPTOCURRENCY & COVID

Growing social media trends to purchase crypto with economic stimulus payments

BTC grew 90% in November 2020 launching new year growth spurt

Average of \$110/bet, 6x a day – data tells us crypto gamblers are placing wagers harder and faster than traditional casino gamblers

PRE PANDEMIC

6,000,000 PG's currently are more likely to be: Young, male, lower SES, military/veteran, substance use & abuse, positive attitudes about gambling but low gambling literacy, heavy frequency of gambling, play multiple game types

Social isolation, anxiety, stress and depression are all associated with higher rates of gambling problems

PGs have high rates of co-occurring behavioral health and physical disorders, more likely to be in healthcare system, housing-insecure, incarcerated, financial problems

PGs already face extensive barriers to services—15% of states have NO public funding, and average per capita spend in remainder is 37 cents. Low rate of treatment seeking (-1%) and high levels shame & stigma

DURING PANDEMIC

PG's less likely to have health, social, financial and recovery capital.

Job loss, furloughs, financial pressures & lost income may lead to more gambling to “try to win money”

Closures & quarantines may exacerbate social isolation, anxiety, stress and depression, add further barriers to services, particularly traditional individual and group counseling, self help group meetings

Shift of new gamblers, recreational gamblers, heavy/at-risk gambling and problem gamblers to online

Protective factor: casino closure/sports blackout may reduce participation for those who don't shift online

TRADING

- In December Fortune magazine noted that there has been a surge in pandemic day trading which now comprises 20% of US stock orders, up 5 percentage points (33%)
- Online brokers have noted a surge in new accounts and account activity since March 2020.
- Interactive Brokers had more than 1 million accounts at the end of November 2020, an increase of 52% from the previous year.
- The same company was averaging a record 1.8 million daily trades in Q3 2020 more than double the same period of 2019

TRADING

- But does this translate into problematic activity?
- Historically, our 800-GAMBLER helpline in NJ from 2012-2019, received anywhere from 0.75% - 1% of calls annually with stock market trading as the primary issue
- Since the start of COVID, while still low relative more recognizable forms of gambling, that number has averaged 2% - 2.5% each month.
- That is 2x-3x the historical average since 2012.

NEXT STEPS

- **Be Aware** – Continue to attend workshops, learn, and educate on the topics we covered today. One does not have to become an expert; however, having base knowledge often helps facilitate a dialogue.
- **Have a Conversation** – Talk with those close to you or in your life about their behaviors and activities that could become problematic. It helps to reduce stigma and do so from a place of care and compassion.
- **Take Action** - Ensure resources are available for those struggling with gambling addiction understanding that may include cryptocurrency or equity day trading.



THANK YOU FOR JOINING US TODAY!

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