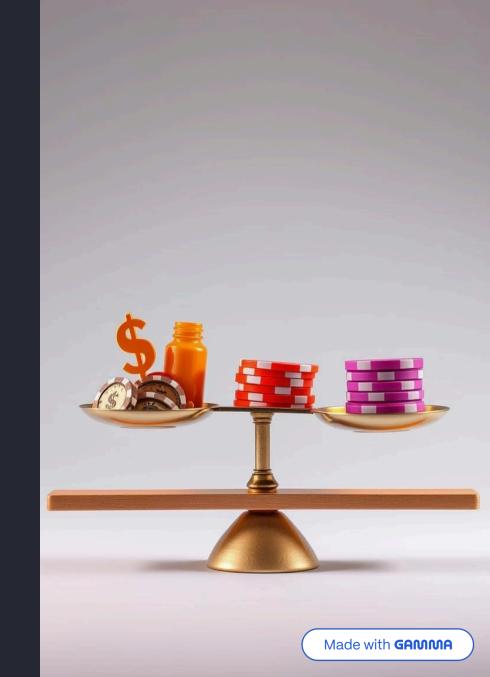
### Stock Trading VS Gambling:

Many confuse stock trading with gambling. This presentation clarifies the difference. We will explore how informed investing contrasts with pure chance. Understand the true nature of market participation.

v by Vijay kumar



## The Perception:

## Why They Seem Alike

#### Shared Risks

Both involve financial risk and capital at stake. Outcomes are uncertain, driven by unpredictable events.

### **Quick Outcomes**

Quick gains or losses are possible in short timeframes. "Meme stock" surges blurred lines for many.





# Where Trading is NOT Gambling: Information & Analysis





### Fundamental Analysis

Evaluate company financials like P/E ratios, revenue, and debt.
Understand a company's true value.

### Technical Analysis

Study price charts, volume, and historical patterns. Identify trends and potential future movements.



### Due Diligence

Research market trends and economic indicators. Public SEC filings provide crucial data.

# Where Trading is NOT Gambling: Expected Value & Strategy

#### Positive Expected Value

Skillful trading can yield long-term gains. It is not based on random outcomes.

### Risk Management

Defined strategies preserve capital. Examples include setting stop-loss orders.

### Adaptation

Traders adjust tactics to market shifts. This ensures continued relevance.

Warren Buffett's 20% average annual return over 50+ years exemplifies this.

In contrast, casinos have built-in house edges. For example, US roulette has a 5.26% edge.

# Where Trading is NOT Gambling: Economic Function & Regulation

### Capital Formation

Markets fund businesses through IPOs and secondary offerings. This drives economic expansion.

### Price Discovery

Efficiently sets asset values via supply and demand. Ensures fair market pricing.

### Regulation

Heavily overseen by bodies like the SEC. They enforce fair practices and transparency.

#### **Economic Contribution**

Facilitates wealth distribution and economic growth. Supports broader financial stability.





## When Trading Becomes Gambling?

Lack of Research

Blindly following tips or social media hype. This often leads to poor decisions.

No Risk Management

No stop-losses or over-allocation to single assets. This exposes capital to unnecessary risk.

Excessive Leverage

Over-borrowing to amplify small price moves. This increases potential losses significantly.

**Emotional Decisions** 

Reacting to fear (panic selling) or greed (FOMO). These emotions cloud judgment.

An SEC study shows 70-90% of retail day traders lose money annually. This highlights the dangers of gambling-like approaches.



## The Spectrum of Market Participation

1

2

### Investing

Long-term, fundamental-driven, diversified portfolios. Focus on growth and stability.

### Strategic Trading

Short-to-medium term, technical analysis, defined risk. Utilizes market patterns.

3

4

### Speculation

Higher risk, less analysis, betting on price movement. Relies on market timing.

### Pure Gambling

No analysis, reliance on random chance. Like playing the lottery without strategy.



## Conclusion: Informed Trading is an Investment

- Trading requires education, discipline, and a robust strategy.
- It is a skill-based endeavor, not a game of chance.
- Prioritize risk management and continuous learning.

"Know what you own, and know why you own it." - Peter Lynch.