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Financial speculation in Canada and its relationship to gambling

What you need to know

Financial speculation refers to high-risk stock market activities. These activities are similar to gambling. The researchers used data from a large-scale, population-based study to estimate the prevalence rates of financial speculation in Canada. They also explored the demographic and health profile of people who engaged in financial speculation, and the link to gambling. The national prevalence rate was 3.6%, with Alberta having a higher rate than other provinces. People who engaged in financial speculation were mainly men between 30-49 years old, with higher education and household income. They were more likely to drink regularly and smoke occasionally, but rate their health and life satisfaction higher. They gambled more frequently, especially on sports and casino table games. Gambling problems were also more common among these participants.

What this research is about

While many adults invest money in the stock market, few people engage in financial speculation. Financial speculation refers to activities that are of shorter term and involve higher risk than traditional investments. An example is day trading and high-frequency trading, where stocks are brought and sold in the same day to make an immediate profit. Another example is penny stocks, where people buy stocks from small companies at low prices. The hope is that the value of the stocks will multiply if the business is successful.

Financial speculation is similar to gambling. Both focus on making money, involve high risk, and are influenced by chance. Some studies have found that most people who engage in financial speculation also gamble heavily. There are limitations to these studies. Amongst them are small samples of participants and recruitment of specific groups, such as people who gamble or people who seek gambling treatment.

This study extends previous research using data from a large-scale, population-based study in Canada. The aims of the study include: (1) to estimate the prevalence rates of financial speculation in Canada; (2) to identify the demographic and health profile of people who engage in such activities; and (3) to explore the link to gambling and problem gambling.

What the researchers did

The researchers used data from the 2018 Canadian Community Health Survey (CCHS). The CCHS is an annual survey of Canadians who live in one of the ten provinces and three territories. The survey is administered by Statistics Canada. It excludes full-time members of the Canadian forces, youths living in foster homes, people in institutions, and people living on First Nation reserves. The 2018 CCHS included questions about gambling and financial speculation. These questions were asked only of people who were at least 15 and living in the provinces. Data for this study were from 23,952 adults aged 18 and older.

The survey asked participants how often they played seven different types of gambling in the past 12 months. Participants who gambled at least once a month completed the Problem Gambling Severity Index (PGSI). In this study, scores of 5 and above on the PGSI were considered as problem gambling.

The survey asked participants how often they engaged in speculative financial activities in the past 12 months. The question provided day trading, penny stocks, shorting, options, and currency futures as examples. The survey asked participants how often they drank alcohol and smoked in the past 12 months. Participants also rated their general health, mental health, satisfaction with life, and amount of stress in life. Demographic information included gender, age, household income, education, and race/ethnicity.

What the researchers found

The national prevalence rate of financial speculation was 3.6%. Across the provinces, the rates ranged from 2.3% in Nova Scotia to 5.8% in Alberta. Most people engaged in financial speculation less than once a month (57.1%). One in five participants reported once a week (5.7%) or several times a week (14.3%). Most people who engaged in financial speculation gambled in the past year. One in five (21.7%) did not gamble.

People who engaged in financial speculation were mainly men between 30-49 years old. They tended to have higher education and household income. They were more likely to be of South Asian, Arab, or multiple ethnic background. It should be noted that most participants were White as that was the largest racial/ethnic group. In terms of health, these participants were more likely to drink alcohol regularly and smoke occasionally, but rate their health and life satisfaction higher. They were more likely to play all types of gambling, especially casino table games and sports betting. The exception was instant lottery tickets. Further, they gambled more frequently and were more likely to report problem gambling.

The researchers found that more frequent gambling was the strongest predictor of financial speculation. Other gambling-related predictors included casino table games, not playing lottery/raffle, sports betting, and higher PGSI scores. Health predictors included better self-rated health and more frequent alcohol use. Demographic predictors included being male, higher education, higher income, younger age, and being of 'other' racial/ethnic group (as compared to being White). Being Asian or Black/Latino/Indigenous did not predict financial speculation.

The researchers also examined predictors of non-gambling among people who engaged in financial speculation. Less frequent alcohol use was the strongest predictor of non-gambling in these participants. Other predictors included better self-rated health, higher education, and being male.

How you can use this research

This study can inform future research. It may also be relevant to problem gambling intervention.

About the researchers

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Citation

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