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Are you Investing? Are You Gambling? Can You Tell the Difference?

The gambling economy is starting to become a problem.

There are some pretty basic societal red flags here. Without dragging you through a stack of charts, the American Institute for Boys and Men has tied the rise of online sports betting to higher bankruptcies, more accounts in collections, lower credit scores, rising auto delinquencies, and generally worse household balance sheets. Not exactly a glowing endorsement.

Online sports betting is new and likely problematic, but it's almost quaint relative to what else is happening. State lottery receipts have nearly doubled since 2008. Prediction markets like Kalshi and Polymarket insist on calling wagers "trades," which is clever branding if nothing else (unfortunately, society seems to be taking them at their word). Same-day options have grown at a 54% annual rate since 2016. Leveraged ETFs, which the SEC suggests are for very short-term objectives only (translation: gambling), have exploded in popularity. Bitcoin is a highly efficient way to gamble or do illicit activity. A joke, dog-themed digital coin traded in the billions. Then, as if on cue, even political figures launched their own coins to a speculative mania and crash while the collective response to that wild activity was... mild curiosity at best.

At some point it stops looking like innovation and starts looking like a system that's gotten very good at packaging gambling in increasingly sophisticated wrappers.

I was able to roll my eyes at most of this activity. Whatever I think of Bitcoin, it did do fantastically well until falling out of bed in October of last year. Sports gambling can be fun. Etc.

Then SpaceX came public. Everyone knew, almost to a person, that pricing it at ~100x sales was absurd. It didn't matter. Demand was overwhelming. Rationality be damned.

It was also engineered exactly the way you would if your goal was to maximize excitement, raise a ton of cash, and ignore governance. Minimal float, limited supply,



and a structure that practically invites momentum to do the heavy lifting. The Nasdaq 100 will be forced to buy it, absorbing what little liquidity that ~4% float provides.

Retail investors, who are naturally more susceptible to the “this is going higher” instinct, were given a bigger taste. A \$60B all-stock acquisition directly following the IPO would be shocking in a different environment, but I’d guess many buyers wouldn’t even know about it. Nobody is going to convince me their SpaceX post IPO purchase was about fundamentals. This was a textbook greater fool trade. You buy it because you think someone else will buy it from you at a higher price.

So far, that hasn’t worked particularly well. The 5-day VWAP as of this writing is \$181.71, while

the stock is trading at \$161.80. In other words, the average buyer, despite all the enthusiasm and certainty, is underwater.

This is a real meme I received on my cell from a friend of mine that works in the industry.

I’ve been a super fan of investments associated with AI. Unlike the bitcoin mania, we have seen real products that are going to move the world forward in a big way. That does not mean I like *all* these investments at *any* price.

As memory players, optical components, copper cable suppliers, connectors, and networking companies all rally on “AI demand,” the pitches have started to sound very familiar. Each one is positioned as uniquely critical, with some version of “there are no real competitors.” That tends to fall apart pretty quickly once you hear a few



pitches that sell very similar products. These are historically cyclical, competitive businesses with plenty of substitutes.

As long as the stocks keep going up, the stories will stay clean. The demand narrative will stay intact. The numbers will conveniently support the pitch. That's how this works.

At a certain point, though, it becomes less about analyzing cash flows and more about participating in a trend. The underlying assumption shifts to "this is working, so it will continue to work." That's the same instinct you see in gambling. You're not underwriting the asset. You're underwriting the next buyer.

And the system reinforces it. Algorithms chase momentum. Screens push investors toward what's already working. Index inclusion forces incremental buying regardless of price. Before long, capital is being allocated based on movement rather than merit, and ownership concentrates in businesses whose earnings power is far more cyclical and uncertain than their multiples would suggest.

That's not investing. It just looks a lot like it right up until it doesn't.

These trends point to a market environment that is more dependent on reflexivity and greed. The risk is not just individual losses, but a broader erosion of market integrity and societal implications highlighted by change in sports gambling. A degree of speculation can be healthy, but when speculation becomes the organizing principle, correction will restore balance and societal implications may lead to more calls for checks on greed. The question is not whether this dynamic resolves, but how much damage is done before it does.

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