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TRADING ON THE GO

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Trading securities on mobile devices has been a trend for many years, strengthened further as people have spent more time online during the ongoing Covid-19 pandemic. According to data from Statista[1], global internet usage grew at steady rates of between five and six percent on average per year until 2019 when 3.97 billion internet users were estimated. In 2020, the number went up by 15 percent – as of January 2021, there were 4.66 billion active internet users worldwide – 59.9 percent of the global population. Of this total, 92.6 percent (4.32 billion) accessed the internet via mobile devices.

While trading platform providers are under continuing pressure to keep up with demand and to differentiate themselves, retail investors and traders need to make sure that they wisely use their ability to place trades wherever they are.

When smartphones and tablets first found their way onto the market in the 2000s, retail investors and traders used these mobile devices mainly to check security prices in real time on the go. The actual trading was usually done at a desktop, on a laptop or over the telephone. Over time, technological improvements led brokers to create applications for mobile devices that enabled their clients to buy and sell securities with the same speed, security and reliability offered by a desktop or a laptop.

A driving force behind this development has been the demand from a younger generation who are comfortable using the Internet, social media and mobile devices. When it comes to finances, studies show that millennials often don't trust institutions and are keen to be in control of their own accounts[2]. This generation grew up grew up with appalling terrorist attacks, the worst financial crises after the Great Depression and, as a result, job market setbacks they had less time to recover from in relative comparison to those staying in the market for a longer time.

Cheap data plans, affordable mobile equipment and high performance 4G and now 5G networks may have contributed to the shift – which is occurring in line with the e-commerce boom. Global mobile data traffic in general grew by 14% between Q4 2019 and Q1 2020[3]. Experts predict this trend will continue for many years to come. According to the report, 5G subscriptions with a 5G-capable device grew by 70 million during the first quarter and will have reached a total of 580 million by year-end 2021. The 5-year forecast is that this number will have grown to 3.5 billion by the end of 2026.

Today, hardly any broker targeting retail investors does without a mobile trading offering, while some mobile-only platforms have come to market. Meanwhile, some of them even offer mobile only with their apps providing easy access and a simple navigation while not being less secure than classic desktop trading applications.

> "A mobile app means the flexibility to be able to react to news or market developments any time, at their convenience within the opening hours of the market they trade."

With differences between mobile trading apps and conventional desktop apps continuously decreasing, retail investors should be aware of the subtleties of mobile trading.

Once traders are heavily engaged, such as day traders or alike, the advantages of mobile trading become obvious - a mobile app means the flexibility to be able to react to news or market developments any time, at their convenience within the opening hours of the market they trade.

For casual traders, mobile trading can hold certain disadvantages. The pocket format poses the risk of the time dedicated to trading getting out-of-hand. This, in turn, comes with some follow-up risks. These risks include that of buying or selling more and faster than would be appropriate given the investor's risk profile– based on emotions or non-reliable sources of information – significantly increasing the risk of wrong decisions. Also, the format can be seductive and can encourage addictive behaviour. For many, the reduced size of the screen can be critical, since important information can more easily be overlooked than would be the case in front of the larger PC screen. ESMA[4] having addressed these concerns show they are not theoretical in nature – and the effects can be exacerbated given the attractive trading conditions widely available today.

A specific regulatory concern has been a feature giving investors the opportunity to exchange information on markets and securities via social networks. "Social trading", as this trend is called, includes the option of making an entire portfolio public. While this can be a chance to copy successful strategies of other traders the dangers of herd behaviour clearly outweigh any benefits.

While Spectrum welcomes the additional level of availability facilitated through mobile trading, we believe that the above is another strong argument in favour of non-institutional order flow being traded on trading venues. Execution via a regulated platform eliminates much of the abusive potential through strict trading controls and rules and offers the investor full transparency over the real supply and demand at any given point in time. In combination with a modern trading frontend, as is being offered by Neo-Brokers, this will become a state-of-the-industry trading experience for the retail investor.

As a broker, it is now possible to offer your retail clients even more flexibility by connecting to a venue that is open for trading 24 hours a day, five days per week and offers innovative features such as the pan-European ISIN, tradable in multiple European markets.

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1 Statista.com
2 "The Wall Street Journal": A Guarded Generation: How Millennials View Money and Investing, 13 March 2020.
3 Ericsson Mobility Report, June 2020
4 The European Securities and Markets Authority

Get in touch today with our sales colleagues to discuss how the cost-efficient, seamless market access that our venue provides can help to further grow your retail client business.

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