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FOMO effect: social media and online traders

ABSTRACT

The pervasive and omnipresent penetration of the Internet in our lives is inevitably changing our behaviour and the financial industry as such. This study discusses the psychological phenomenon known as the ‘Fear of Missing Out’ (FOMO) by elucidating its psychological basis and definition and why and how its effects are amplified under the influence of social media and social trading media. The study will demonstrate how FOMO and human interaction with social media and social trading networks can lead to irrational decision-making, financial risk-taking, and harm to personal and family wealth and psychological well-being. It emphasizes the importance of recognizing these effects and making more rational and informed choices in trading and investment to avoid gambling behaviour, copy investing, and trading, following the traders in the social trading network, which leads to excessive risk-taking. This study aims to utilize the advancements in behavioural finance and neural processes to explain the mechanism and impact of FOMO, trying to give a basis to safeguard individual e-traders from financial market errors and protect their personal and family wealth.

Keywords: FOMO, social trading networks, online traders, copy trading, decision-making

JEL Classification: G410; D140

Introduction

The first scientific endeavour exploring the concept and impact of the Fear of Missing Out (FOMO) phenomenon emerged in 1996. This idea demonstrates how FOMO can serve as a potent emotional driver, significantly influencing consumer behaviour [Herman, 2000]. Several years later, McGinnis introduced the concepts and abbreviations of both phenomena, nowadays known as Fear of Missing Out [FOMO] and Fear of a Better Option (FOBO), respectively [McGinnis, 2004]. Gradually, the abbreviations FOMO and FOBO gained increasing popularity as conceptual terms. Particularly, the abbreviation FOMO became widely recognized, finding its place in various English language dictionaries in 2013. Moreover, it permeates scientific literature through numerous studies, including those conducted in the fields of behavioural finance and neuroscience. By mid-2021, over 11 million articles were available on the Internet concerning the FOMO phenomenon, with thousands of them being scholarly articles and studies. In just two years, by October 2023, the number of these articles has more than tripled, reaching 36.7 million. This exceptionally popular phenomenon might be summarized as follows: "...pervasive apprehension that others might be having rewarding experiences from which one is absent, FOMO is characterized by the desire to stay continually connected with what others are doing" [Przybylski et al., 2013, p. 1841]. In a broader understanding, the FOMO effect can be defined as a sense of discomfort and exclusion, triggered by the knowledge or information that our friends possess something we lack, or that our friends are engaged in something more meaningful and significant than what we have [Abel et al., 2016]. As a result of the popularity of FOMO, its definition has emerged in the dictionary of English words and terms [Merriam-Webster, 2021], where it is described as: "fear of not being included in something (such as an interesting or enjoyable activity) that others are experiencing". In the 21st century, social media and the World Wide Web have become fundamental tools for gaining information about our friends' and acquaintances' lives and activities, particularly among the younger generation.¹ Here we are using phenomenological, cognitive, and deconstructive analysis as methodological approaches to examine carefully the origins of the Fear of Missing Out (FOMO) phenomenon and its impact on the trading and investment behaviour of individual e-traders and investors. This inquiry is particularly pertinent within the context of the markedly increasing significance of social media and social trading networks in the 21st century.

¹ <https://www.mayoclinic.org/healthy-lifestyle/tween-and-teen-health/in-depth/teens-and-social-media-use/art-20474437> [accessed: 20.06.2023].

Review of the literature

FOMO: social media harms

The omnipresence of social media in our daily activities is giving abundant possibilities and is fostering and amplifying the human desire constantly to know, observe, and follow other humans' activities [Abel et al., 2016, p. 36]. As a result of the FOMO effect, a certain degree of addiction and compulsive or excessive social media usage has been observed among individuals [Blackwell et al., 2017; Tandon et al., 2021]. The FOMO effect is also associated with narcissistic admiration and rivalry among social media users [Jabeen et al., 2023]. Scholars and researchers contend that the assertions and postulates of the social comparison theory play a significant role in the widespread penetration, popularity, influence, and addiction to social media in contemporary society [Burnell et al., 2019]. *A theory of social comparison processes* [Festinger, 1954] presents key starting points relating to the human desire for self-evaluation and comparison with others. These points include:

- a) Human individuals have an inherent drive to evaluate themselves positively.
- b) They compare themselves with others in the absence of objective information.
- c) When objective sources for self-evaluation are unavailable, they seek information and compare themselves with individuals similar to them.

The foundational perspective of the interpersonal comparison “given a range of possible persons for comparison, someone close to one’s own ability or opinion will be chosen for comparison” [Festinger, 1954, p. 121], is implicitly embraced by his followers [Krueger, 2000, p. 323]. Simultaneously, the phenomenon of social comparison is identified as detrimental to individuals’ well-being [Schwartz, 2005]. Social media addiction is particularly pronounced among adolescents who utilize social media as a means of fulfilling their psychological needs [Przybylski et al., 2013]. A study reveals that the increased need for belongingness and popularity among adolescents is associated with higher levels of Facebook usage, and this relationship is mediated by the presence and influence of the FOMO effect on them. Findings demonstrate that individuals with a higher manifestation of the FOMO effect also experience elevated levels of stress related to Facebook usage [Beyens, Frison, Eggermont, 2016] and generally the FOMO effect is associated with negative emotional states, specifically characterized by feelings of loneliness, mood disturbances, boredom, and depressive states [Browne, Aruguete, McCutcheon, Medina, 2018].

Social media platforms such as YouTube, Facebook, Instagram, Snapchat, Twitter, WhatsApp, TikTok, Pinterest, and others represent the new technology of the 21st century for information dissemination and virtual social interaction. The omnipresence of social media has triggered significant scientific debate regarding their negative influence on psychological well-being and the overall threat to social media users, particularly children, adolescents, and young adults [Twenge, Joiner, Rogers, Martin, 2017; Viner et al., 2019; Mayo Clinic, 2021]. The negative

impact of social media, problematic social media use (PSMU), and consequently, users' irritable behaviour (phubbing behaviour) become the subject of numerous scientific studies [Franchina et al., 2018], and investigation in the US Senate was initiated in 2021 to address concerns that Facebook and other social media platforms are detrimental to mental health, particularly among children and teenagers. Facebook employee Frances Haugen stated before the Senate subcommittee on October 4, 2021: "The result has been a system that amplifies division, extremism, and polarization – and undermining societies around the world. In some cases, this dangerous online talk has led to actual violence that harms and even kills people. In other cases, their profit-optimizing machine is generating self-harm and self-hate – especially for vulnerable groups, like teenage girls. These problems have been confirmed repeatedly by Facebook's own internal research."² One of the 'leaked' and publicly accessible internal studies conducted by Facebook regarding the impact of social media, specifically focusing on the influence of Instagram on teenagers, is a document from 2019 known as the *Teen Mental Health Deep Dive 2019*.³ Other key takeaways of the harmful influence of social media on the mental well-being of adolescents are as follows: "Harm on Instagram falls into three major categories: social comparison, social pressure, and negative interactions with other people".

FOMO: analogue vs. digital effect

According to other scholars, social media is regarded as a kind of successor to the radio and television, without leading to effects that are significantly different from the times when the radio and television were new in a similar way [Orben, 2020]. These claims are rather rare and lack sufficient scientific evidence. The prevailing scientific literature and evidence support the notion that the phenomenon of FOMO and the feelings of anxiety, discomfort, and fear of missing out on positive and unique experiences shared by others are amplified with the emergence and omnipresence of social media. Social interaction, comparison between individuals, their lives, and achievements in social media in the 21st century is no longer an analogue process, as it was in the 20th century. Conceptually, social media and its influence are distinct from those of the old technologies of the 20th century. The nature of the radio and television as media predominantly promotes internationally renowned actresses, artists, athletes, politicians, experts, and other famous personalities, which triggers a desire for emulation, respect for expertise, or a need for identification with a specific idol and hero. The radio and television rarely showcase the achievements of the average representative from a specific age group, gender, profession, locality, neighborhood, university, or school, along with their accomplishments and experiences. Consequently, according to Festinger's theory of social comparison (we are looking for someone similar to us to compare), the radio and television

² <https://www.commerce.senate.gov/services/files/FC8A558E-824E-4914-BEDB-3A7B1190BD49> [accessed: 01.07.2023].

³ <https://about.fb.com/wp-content/uploads/2021/09/Instagram-Teen-Annotated-Research-Deck-2.pdf> [accessed: 01.07.2023].

have much less potential to trigger the FOMO effect. In the 20th century, the point of reference for comparing oneself with others was primarily based on physical encounters with similar individuals in one's family, friendships, professional gatherings, school, university, celebrations, and conferences. These types of encounters did not produce 24/7 digital comparative information, and naturally, analogue, face-to-face communication did not create an overly exaggerated and distorted portrayal of others' happy moments and successes. Therefore, the analogue environment did not create a natural setting for constant comparison like the current digital and omnipresent panopticon of social media. The constant sharing on social media of video 'proof' depicting the happy family moments one experiences, the restaurants one dines at, the trips one takes, and the celebrations one attends, involving certain individuals (friends, loved ones, acquaintances, peers, colleagues), significantly accelerates and amplifies the information about how others are coping, living, and feeling almost in every moment of their lives. The more generalized perception of the truth, expertise, and the harmfulness of the Internet regarding the abundance of diverse information available is described by Tom Nichols in his book *The Death of Expertise: The Campaign Against Established Knowledge and Why It Matters* in the following manner: "Facts, as experts know, are not the same as knowledge or ability. And on the Internet, 'facts' are sometimes not even facts. In the various skirmishes in the campaigns against established knowledge, the Internet is like artillery support: a constant bombardment of random, disconnected information that rains down on experts and ordinary citizens alike, deafening all of us while blowing up attempts at reasonable discussion" [Nichols, 2017, p. 107].

The phenomenon of social media, in addition to facilitating comparisons with friends and acquaintances and inundating users with information and facts, has given rise to thousands upon thousands of subcultural vloggers and bloggers. They have become not only the subject of 'following' by hundreds of millions of social media users but also the subject of comparison, envy, and ultimately the detriment to the mental well-being of millions of social media users. "Why can't I be like him/her? They are just like me!" Those susceptible to the FOMO effect display a particular interest in what is happening to their peers, friends, and colleagues. Therefore, it is of utmost importance to pay attention to the fact that the shared information on social media is selectively curated and visually enhanced by its authors to make the photos and videos appear more appealing and beautiful [Chua, Chang, 2016]. In many cases, individuals who share information on social media tend to present an idealized and highly optimistic picture of their own lives, accomplishments, and happiness [Vogel, Rose, 2016]. The shared idyllic and happy moments of life through video content evoke feelings of insignificance and dissatisfaction in other individuals and trigger emotions such as envy and jealousy, thereby compromising the psychological well-being of social media users [Desjarlais, Tarkowski, 2021, p. 1]. The impact of social media can greatly accelerate the disappointment of its users as a result of constant comparisons with 'friends' and 'friends of friends'. It has been observed that individuals susceptible to the FOMO effect misinterpret the posts of others featuring happy and joyous moments, mistakenly believing that others have, on the whole,

better lives. Therefore, they fail to understand that most personal posts on social media showcase a strong psychological inclination to share primarily happy moments rather than sad or negative ones. This distorted and idealized depiction, diverging from the realities and fullness of life we experience, naturally leads to a distortion of our perception of the lives of our peers, friends, acquaintances, and colleagues and further amplifies the influence of the FOMO effect, leading to frustration and dissatisfaction with our own life. The bias of people to compare themselves on social media is confirmed by several studies [Sabatini, Sarracino, 2016, p. 3]. Understanding and comprehending the harm of the FOMO effect is of paramount importance due to the exponentially increasing number of social media users. The most popular platform, Facebook, alone boasts 2.989 billion users with a daily active user count of 2.037 billion as of April 2023⁴ and 49% of Facebook users visit their profiles multiple times throughout the day, which is a characteristic behaviour exhibited by users of other social media platforms as well.

Table 1. Frequency of social networking use by American adults*

Social Network	Less Often	Weekly	Daily
Facebook	12%	17%	70%
Snapchat	19%	21%	59%
Instagram	20%	21%	59%
Twitter	27%	27%	46%
YouTube	16%	29%	54%

* Respondents who did not respond are not shown

Source: Survey of U.S. adults conducted Jan. 25-Feb. 8, 2021, Pew Research Center [accessed: 01.07.2023].

FOMO: neuroscientific evidence

The interaction between social media users and electronic communication is different than face-to-face interaction [Blanchard et al., 2023] and is predominantly based on sharing various posts and pictures, as well as giving and receiving likes. As a result, when people interact with each other through Zoom, our brains are not processing social cues as actively as they do in real life as per the revealed neuro processes in the recent neuroimaging study [Zhao et al., 2023]. The rise of neuroscience and the establishment of neuroeconomics as a scientific discipline [Ivantchev, 2020] provide opportunities to apply the most contemporary and profound evidence for further elucidating the reasons behind human individuals' irrational decisions under risk and uncertainty. Neurobiologically, the FOMO effect correlates with conditions of social inclusion, social exclusion, and the need for belonging to a particular society or group: "Moreover, the main finding of correlations analyses was that the FOMO's score was positively

⁴ <https://investor.fb.com/home/default.aspx> and <https://datareportal.com/essential-facebook-stats> [accessed: 01.07.2023].

correlated with ASQ-need for approval and with right middle temporal gyrus (BA21) only during inclusion condition. Findings sustain that fear of missing out is associated to a greater sensitivity towards social inclusive experiences rather than social exclusion and with the need of belonging” [Lai, 2016, p. 516]. Neuroscience provides important evidence of neuronal activation in the human brain during the highly popular practice of giving/receiving evaluations (likes) on photos/posts on social media. The brain activation in response to both receiving and giving ‘likes’ on the Instagram social media platform indicates activity in the striatum, the midbrain/VTA (Ventral Tegmental Area), and the thalamus: “Past work has documented that response in the striatum/vmPFC is associated with receipt of both monetary and social rewards [Bhanji and Delgado, 2014]. Here, our finding that giving positive social feedback is associated with response in these regions is parsimonious with a large body of previous work suggesting that the striatum and vmPFC are activated when one makes monetary contributions to others [e.g. Harbaugh et al., 2007; Telzer et al., 2010], and provides social support to loved ones [e.g. Inagaki and Eisenberger, 2012; Sherman et al., 2018, p. 704]. Activation of similar brain regions and the experience of pleasure when receiving monetary or social rewards explains our strong desire to receive ‘likes’ in social media and a strong desire to participate in them, which amplifies the influence of the FOMO effect. Therefore, we can speculate that a strong wish to obtain more ‘likes’, especially among teens from lower-income families, is a kind of compensatory mechanism to swap the money pleasure with the ‘likes’ pleasure which is in line with their strong addiction to social media. As a corollary we argue that this mechanism of brain stimulation is leading into fractional and copy trading wishing to become in a short time visibly richer/happier, which is actually similar to gambling behaviour.

FOMO effect and its influence on our behaviour in the financial markets

The FOMO effect can influence the decisions and behaviour of both non-professional and professional traders and investors. This is particularly evident in sharp upward trends in the financial markets, which triggers a strong desire in individuals and households (groups who obtain financial information predominantly from social media) to join the market trend not to miss out on the golden opportunity to profit, simultaneously comparing themselves, triggered by the FOMO effect, with others who are declaring benefits from the uptrend. We can also find an interrelation between FOMO and regret aversion. This interrelation potentiates the irrationality, especially in non-professional traders/investors (but also not excluding the effect on institutional investors) pushing them to run for the trend-chasing and for golden opportunities – as per the most significant media attention [Blanchett, 2023] available at any certain moment of time.

In social media trading information, opinions, and views about market trends and financial instruments are widely shared. Some trading platforms like eToro have access to and are

organically connected with Twitter, Facebook, YouTube, Instagram, LinkedIn, and TikTok, enabling members to share their trading positions, results, and comments, and communicate with one another. The sub-social network – the Social Trading Network, originated from the so-called Mirror Trading phenomenon, reaching hundreds of specialized trading platforms with a significant market size of over 9.3 bn USD as of the year 2022.⁵ Easily accessible trading platforms such as eToro connect traders from around the world to share trading strategies, ideas, results, and forecasts. These types of trading platforms combine the functionality of social media and online trading, allowing users to follow easily financial instruments and traders they like, interact with other users, and engage in discussions on various topics. The user profile contains information about all the activity within the social trading network – posts and comments, biography, trading strategy, trades, and more. Information about the profit factor, trade profit/loss, risk rating, the composition of the investment portfolio, and other relevant details are available. Social trading networks offer the opportunity for anyone to follow and replicate the trading strategy and trades of a chosen user to do so (the signal provider to be followed by the signal followers) within seconds using their smartphone. This is known as the option for automatic copy trading, which involves selecting a specific trader, investing funds, and proportionally distributing profits based on the invested amount.

Table 2. Popular social trading networks as of mid-2022

Online Brokers	Minimum investment/trading account	Copy Trading
eToro	\$200	Yes
ZuluTrade	\$100	Yes
Naga	\$0	Yes
Darwinex	\$500	Yes
FXCM	\$50	No
IC Markets	\$0	No
Pepperstone	\$200	No
AvaTrade	\$100	No
InstaForex	\$1	No
Oanda	\$0	No
AAAFX	\$300	No

Source: own work.

To date, millions of individuals are addicted to using the Internet and electronic devices, particularly smartphones, causing various types of psychological disorders, illnesses, and pathological conditions [Tran et al., 2020; Twenge, Campbell, 2019]. The dramatically increasing shared information on social networks and social trading networks about stock prices,

⁵ <https://www.extrapolate.com/information-technology-communication-iot/online-trading-platform-market/87518> [accessed: 01.07.2023].

perspectives on specific stocks, and successful trading transactions amplify mercilessly the influence of the FOMO effect among hundreds of thousands of individual online traders who are lusted not to lose on the golden opportunity. The e-democratization of investing and trading leads to a boyish gamification like “Let’s try the luck” and a betting style of trading/investing. Easy-to-use and zero-commission trading applets, fractional and margin trading/investing with just a few US dollars, easy money transfers have led to socialization and vulgarization of trading and investing, and turns investments from a knowledge-based activity into a mere gambling wager. Technological predispositions, the fintech industry, and the social media trading news bombardment, psychologically are pushing many individuals with no financial literacy to fear being left out of the game and to copy the trading/investing game looking for likes and easy money. This behaviour of online traders/investors is based on reduced ‘psychic cost’ [Schulp, 2021, p. 523] of investing and trading. However, the easiness of trading, we do argue, cannot be perceived as a positive result, as it is stated by Schulp. Decreased psychic cost of trading/investing is leading to a higher rate of fast thinking and irrational decision making, which ultimately rises the risk for the online traders/investors to fall under the influence of FOMO. Easiness and heuristic decision-making are vulgarising the trading/investing in the complex and stochastic systems (financial market) to a just copy actions. Just like the slogan of eToro is yelling on TV screens “Originality is Overrated. Smart People Copy Smart People”. Such a vulgar and harmful strategy can expose beginners, and not only, to the strategy of professional traders with much bigger portfolios, different risk appetites, or/and professionals hidden behind ‘average’ users who want to move certain financial instruments up or down with the help of silent sheep who are copying trades. In the case when the signal provider is really ‘average’ but successful – as per the data of the trading network – we still do not know whether their success is the result of their knowledge and abilities [Huddart,1999] or whether he/she is a second or third-hand signal provider.

An example of copy trading influence on social networks is the behaviour of individual retail investors to meme stocks (financial instruments that have become extremely popular on social media). GameStop (GME) stocks became highly popular in 2021 on the Wall Street Bets forum (Reddit social network), triggering a massive demand by retail investors. As a result, there was a tremendous increase in the volatility of GME stock prices, which had stable prices throughout 2020 and which were at a level of \$ 17.25 in early January 2021. Due to their popularity on social media and increased trading volume, the closing prices of GME on January 26, 2021, reached \$ 147.98, compared to \$ 76.79 the previous day and \$ 39.36 a week earlier. On January 26, 2021, Tesla’s CEO, Elon Musk, shared a post on Twitter with a link to WallStreetBets, where discussions about GME were the main topic. One day after Musk’s tweet, the price of GME shares more than doubled to \$ 347.51 on January 27, and on January 28, it reached a peak of \$ 483 before collapsing and ending the trading session at \$ 193.60. Several months later, the closing price of these meme stocks on September 27, 2021 was \$ 189.48. Such price volatility demonstrates the significant potential for losses that retail investors exposed to the FOMO effect may face.

Another of such examples is when on October 22, 2021 the administrators of the Nasdaq index halted trading 13 times for the shares of a publicly traded company Digital World Acquisition Corp. (DWAC). This special purpose acquisition company (SPAC) dramatically increased its price and trading volumes following the news that it intends to merge with the start-up of Trump Media & Technology Group and its Truth Social application, thus making the company public and launching a new project in social media by former US President Donald Trump. The prices of DWAC shares on October 22, 2021, were with a trading range from \$ 67.96 to \$ 175.00, with a closing price of \$ 94.20 and a traded volume of over 133 million shares, while the average volume for the company's shares is around 33 million shares. The movement of the stock prices of this company for the period from October 6 to October 22, 2021, appears even more dramatic, ranging from \$ 9.8401 to \$ 175.00.

Such enormous volatility exposes investors to significant risks and potential losses due to the FOMO effect and meme investing. Certainly, retail investors trading with, for example, \$ 300 may argue that they have little to lose. However, those who display irrational behaviour when investing small amounts tend to approach decision-making similarly in other spheres, including larger financial investments and decisions when they arise. In a sense, those who engage in copy investing/trading, following a selected trader from social investment networks or the most popular financial instruments, find solace in the fact that if they lose money, they lose it alongside numerous other traders. Consequently, the psychological pain is significantly lower compared to the realization of losses resulting from an independent (original) trading strategy. However, this does not change the fact that such a behaviour ultimately leads to actual financial losses and gambling under the influence of the FOMO effect. The investment process must be based on slow thinking and a rational approach that depends on objectively defined tactical and strategic investment goals. This process is entirely different from the irrational approach associated with the FOMO effect. A powerful driver behind the behaviour of imitating the actions of others is the inherent human tendency to compare oneself to others. However, comparing oneself to others and engaging in irrational imitative actions in financial markets cannot rely on objective criteria. This is because other investors and traders may have entirely different family statuses, ages, wealth, stop losses, investment horizons, and tactical and strategic investment goals. They may even have specific manipulative objectives, such as promoting actions to influence market prices in one direction or another by enticing retail investors to buy or sell a particular financial instrument. The influence of the FOMO effect and copy investing and trading, by following the traders in the social trading network leads to excessive risk-taking [Apestequia, Oechssler, Weidenholzer, 2020, p. 5608] and an inability to build one's long-term investment strategy – tailored to its specificity and risk-return. These individual investors who succumb to the FOMO effect and the fear of not winning like others, often gravitate toward highly risky and socially trending meme stocks (herd behaviour), thereby drastically increasing the overall risk of their investment portfolio and risking significant losses of personal and family wealth: "...agents choose to make investment decisions that are similar to those of the rest of the population to avoid

being poor when their cohort is wealthy. If agents are sensitive to the wealth of others, making different investment decisions than the crowd increases the risk of their relative wealth. The riskier the technology, the greater is agents' concern for being left behind, and the stronger the herding effect" [DeMarzo, Kaniel, Kremer, 2007, p. 751].

It is also possible to interpret the FOMO effect on the financial markets and social media usage in terms of socioeconomic inequality. Teenagers living in low-income households nearly twice as much as the users from families with incomes exceeding \$75,000⁶ and low-income teenagers give up on social media harder than others.⁷ We can speculate scientifically that a stronger impact of the FOMO effect on lower-income households can also be observed in their activities on financial markets. Specifically, this pertains to the hyperactive participation of individual retail investors in 'meme stocks' i.e. highly risky stocks.

Summary

A Theory of social comparison processes by Leon Festinger presents the fundamental hypotheses that serve as a starting point for understanding and interpreting the inherent human desire for self-evaluation and comparison with others. The 21st-century modern era intensifies our desire for self-evaluation, narcissism, and comparison with others due to the omnipresent social media, which increasingly dominates the thoughts, behaviour, and psychological state of billions of people from various religions, races, genders, ages, and social and wealth status. The FOMO effect is one of the harmful manifestations of the intrinsic driver for self-evaluation and social comparison in human beings. The fear of missing out on something important or exciting, comparing our personal lives, successes, and achievements to others, increasingly governs our daily lives, thoughts, and behaviours. There are reasons to believe that the COVID-19 pandemic and the associated forced social isolation and physical distancing were partially substituted by increased online communication and extended time spent on social media, leading to an even more amplified detrimental influence of the FOMO phenomenon [Gioia et al., 2021]. The FOMO effect deteriorates our psychological well-being, making us feel like we are unable to capitalize on what is happening around us. The FOMO effect distorts our perception, and exaggerates the success and happiness of others, thereby inducing feelings of unhappiness, loneliness, and inadequacy. Negative effects of FOMO have recently led over 40 states in the United States to initiate legal proceedings in the federal court against Meta, the parent company overseeing Facebook and Instagram. The lawsuit alleges that the social media corporation had harmful effects on the mental health of young individuals. Andrea Joy Campbell, the Attorney General of Massachusetts, asserted that Meta's designs "deliberately

⁶ <https://www.pewresearch.org/fact-tank/2021/06/01/facts-about-americans-and-facebook/> [accessed: 20.06.2023].

⁷ <https://www.pewresearch.org/internet/2022/08/10/teens-social-media-and-technology-2022/> [accessed: 20.06.2023].

exploited young people's still developing brains and adolescent vulnerabilities" with features such as the "infinite scroll", near-constant notifications and alerts, autoplay Stories and Reels, all engineered to instill a fear of missing out (FOMO) and a "slot-machine-type tactic called intermittent variable rewards to keep young people addicted to their app".⁸ Its negative impact is also observed in our behaviour in financial markets. Instead of trading and investing based on the specifics of our age, family, health, risk, and wealth profile, and own tactical and strategic goals, the FOMO effect compels us to blindly follow the trends and copy others, which may have entirely different starting profiles, wealth, and objectives. The negative effects of using online social media include a total of 46 effects, one of which is defined as "Increased users' appetite to take too much financial risk" [Baroon et al., 2021, p. 8]. This effect stems from the dark side of social media (DoSM). It can lead to increased irrationality, more risky behaviour among online traders and investors, and "...encourage frequent trading" [Deloitte, 2021, p. 1]. Therefore, the social media influence, easy-to-use technologies, and nearly no money barriers (fractional investing and trading) are resulting in unrealistic profit expectations, especially for novice traders [Delfabbro et al., 2021], and finally to a loss of savings and family wealth. Due to the a priori inherent limitations of the resources available to us (time and financial resources) and the cognitive capacity to evaluate all the available information, we must optimize our decision-making under the environment of bounded rationality. Therefore, under the influence of FOMO, online traders/investors wrongly are trying to optimize choices and maximize the utility by choosing copy trading. Such a choice is leading to increasing our risk appetite and even exposing signal followers to a lottery-like return structure – triggering their gambling behaviour on the financial markets [Oehler, Schneider, 2023].

As a result of the current study, we state here that the pernicious effect of FOMO is accelerated by the omnipresence of social and social-trading networks, facilitating easy and instantaneous buying and selling of tens of thousands of financial instruments. The information and signals spread in the social and social trading networks "...tends to play an extremely vital role in how they (novice and experienced traders/investors) receive and process information, as well as how they make investment decisions" [Deloitte, 2021, p. 3]. We argue that abundant information disseminated through social and social-trading networks, in many cases, is presented in a specific context and with a particular purpose, thereby amplifying the influence of the FOMO effect. When the disseminated information has a specific manipulative intent, whether deliberate or unintentional, is inaccurate, or entirely false, the decisions made by participants in social networks are exposed to higher risks and can even have detrimental effects on the outcomes of their decisions [Florendo, Estelami, 2019]. The pernicious influence of the FOMO effect systematically compels us to deviate from rational choices and behave irrationally, endangering our personal and family wealth, and psychological well-being. Evidence for interrelation between FOMO and regret aversion additionally pushes individuals to rise the

⁸ <https://eu.sj-r.com/story/news/politics/state/2023/10/25/meta-lawsuit-illinois-other-states-claim-company-hurts-kids-teens/71315704007/> [accessed: 26.11.2023].

weight of relatively inefficient and potentially risky assets in their portfolios [Fabozzi, 2023]. Heretofore by knowing the harmful effects of FOMO, individual and also institutional traders and investors can rethink and readjust their trading and investment approach and avoid gambling behaviour, herd behaviour, and excessive trading.

The limitations of the current study are mainly connected with the lack of data sets of copy and non-copy e-traders' results to confirm which of the two groups is exhibiting excessive trading and risk-taking, and finally to compare their yields. In the future the authors believe they would be able to obtain such data sets from the social trading networks.

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