

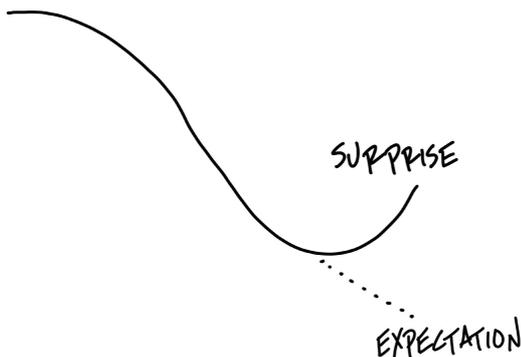
# FOMO

## Issue 91: August 2020

In a previous letter to clients we shared some thoughts on FOMO – that is the FEAR OF MISSING OUT. The last 3 months have had some odd financial outcomes; surprises to say the least. The old saying seems to hold true: *“It is time in the market and not market timing that counts”*.

Some trendy choices, commodities such as Gold (Silver don't even get a mention), perhaps a share price of Tesla that tripled, or the broad US technology sector which went on the run, could easily make us experience FOMO. Does that urge us to get in on the action?

Financial markets tend to look forward and value future expectations so that we could see it in today's asset prices. Are we witnessing an overvaluation with unrealistic future expectations? Are we in dangerous territory yet? At some point, something could become too expensive. Much of this current excitement around the US markets is reminiscent of the years back in 2000. We also want to emphasize that we don't say the circumstances are by any measure the same. Also, the current trend does not necessarily mean it will end abruptly (the images below are courtesy of Carl Richards and *The Behavior Gap*).



BEHAVIOR GAP

### Measuring ourselves

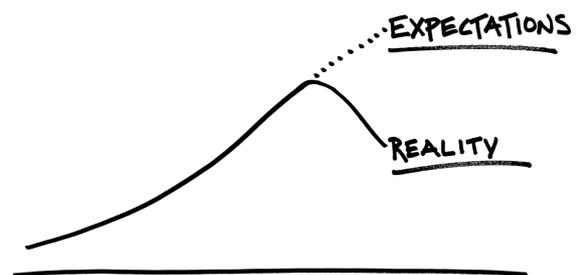
People are fond of measuring up to their peers. We tend to measure ourselves, for example, in financial terms, where we live, or by ranking each other with job titles and income. Nowadays, people also rank their experiences.

Somewhere, right this very moment someone is having more fun than you and making more money than you, doing something more important, with better friends and with a happier ending than you (and letting you know via Facebook or Twitter). The fact is, you are not part of it.

For some, joy could be hard to find, even with all the privileges they have. Electronic media profits from connecting us, sure, but mostly it profits from amplifying emotions we don't necessarily need, or perhaps want. FOMO has always existed of course, ever since we were in school. We knew that some kid was at a party that we missed. Technology has taken this far beyond a story told the next day. The smart phone in our pocket brings FOMO right to you, wherever you are, with a mere vibration. Surveys in the United States show that more than 50 percent of respondents are in some way addicted to Social Media e.g. Twitter or Facebook. A further 27 percent claim that they flock to social sites as soon as they wake up.

At the same time our instincts are on high alert to make sure that everything is okay – all the time. It can't rest until it knows that everyone “likes” us, that no one is offended, that our investment graphs are ticking up and that the future is assured. But of course, the future (and the present) isn't perfect. The combination of the two, the reverse *schadenfreude* of FOMO (the pain we may feel from others having good fortune) and the insatiable, yet unreachable need for everything to be fine, distract and make us unhappy.

To be clear, we are not talking about the dissatisfaction of anybody who wants to challenge him or herself to reach new heights. Or, just imagine how you would feel if the financial markets would take another nose dive!



### Happiness studies

Common wisdom says that money cannot buy happiness. It is not entirely true. As a businessman pointed out to his associate: *“Money is not everything, but it is right up there with oxygen”*.

Studies in America at the Greater Good Science Center at the University of California, Berkeley explored the relationship between money and human behaviour. Sociologist and director at the Center, Christine Carter, says that it is not that money necessarily buys stuff, but it provides some security and comfort; especially for children. Affluence in a family brings choices such as health insurance, a good school, and a safe neighbourhood, sidewalks etc. All of these things are actually quite expensive. They also have observed across countries that as GDP (an economic measure of wealth) increases, happiness or subjective well-being tends to increase; though in Europe and America it hasn't been the case for the last few decades. It has been proven that happier people tend to live longer, live healthier lives, make more money and do better at work. Does happiness bring those kinds of things, or do those kinds of things lead us to be happier? Research on this topic have come to the following conclusions:

1. Right where you are, you control about half of your happiness level;
2. Once we get to a certain income-level, i.e. is enough to keep us at the lifestyle we are accustomed to, more money doesn't result in more happiness;
3. Lottery winnings create only temporary, short-term happiness;
4. Relationships are a key factor in long-term happiness;
5. Focus on experiences, not stuff.

There is a quote somewhere on a wall in the Barrydale Hotel: *“The best things in life, aren't things”*. I agree.