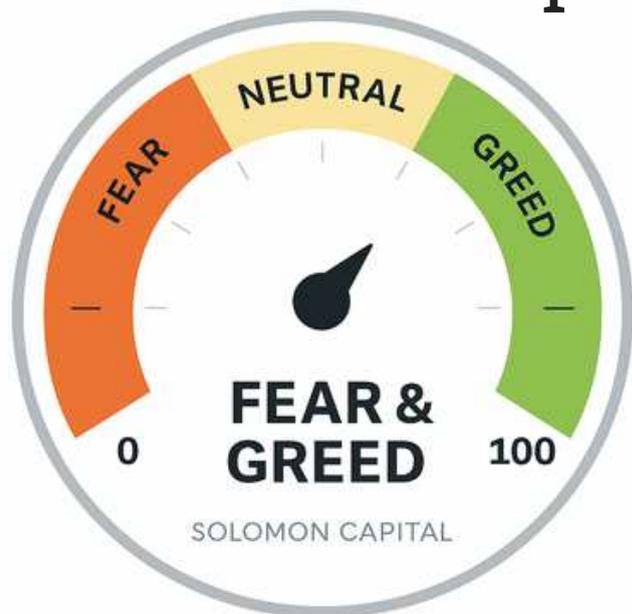


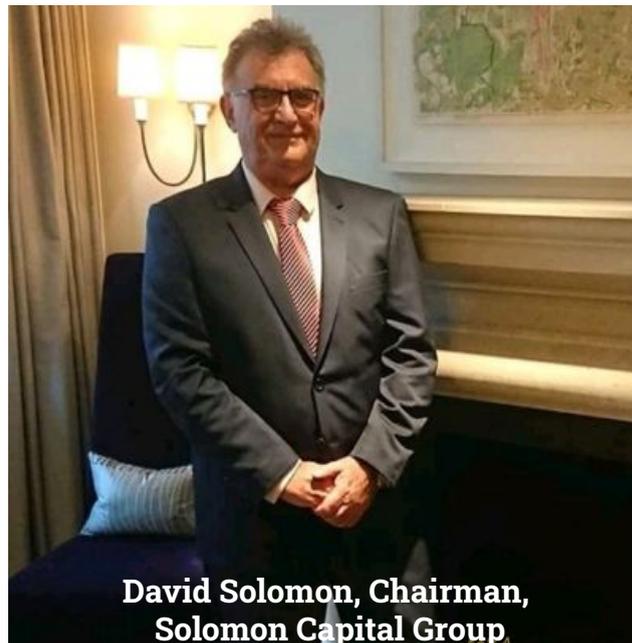
## Driven by Emotion: How Fear and Greed Move Capital



Financial markets are not just driven by numbers, they're powered by emotions. While economic indicators, corporate earnings, and interest rates provide a fundamental framework, the real momentum often comes from the collective psychology of investors. Two key emotional forces **fear and greed** consistently shape decision-making, sometimes overriding logic or data.

Fear can paralyze investors, causing them to sell assets at a loss or avoid risk altogether, even when conditions may be favorable. Greed, on the other hand, can fuel speculative bubbles, driving prices far beyond intrinsic value as investors chase outsized gains. These emotions are contagious: panic can spread in minutes through headlines or social media, just as euphoria can inflate valuations when optimism reaches a tipping point.

**“Three great forces rule the world: stupidity, fear and greed.”**



**David Solomon, Chairman,  
Solomon Capital Group**

### **Fear: The Survival Trigger**

Fear arises when investors perceive threats—sharp declines, financial crises, or alarming headlines. These triggers activate a primal response rooted in our evolutionary psychology: the instinct to flee danger. In the context of markets, this response manifests in a range of behaviors from hesitation and withdrawal to mass sell-offs.

### **Greed: The Thrill of Gains**

Conversely, greed emerges in prolonged bull markets, where investors feel empowered, confident, and increasingly detached from risk. The emotional tone becomes euphoric, fueled by recent gains, social proof, and media narratives that suggest endless upside. Mantras such as "the market only goes up" or "this is a once in a lifetime opportunity" become widespread, not as analysis—but as belief systems.

### **A New Kind of Fear: FOMO**

Not all fear stems from losses. In many cases, market rallies induce FOMO (Fear of Missing Out), a pressure to join the trend and avoid regret.

# SOLOMON CAPITAL REPORTS

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## Fear & Greed Indicators: Understanding Market Sentiment in 2025

Financial markets are influenced not only by earnings, interest rates, or geopolitical events—but also by emotion. To measure this emotional dimension, **two leading sentiment indicators** are widely used: the VIX Index and the CNN Fear & Greed Index. Together, they offer a powerful view of how investors are feeling whether anxious, confident, or overly optimistic.

### The VIX Index – CBOE’s Fear Gauge

The VIX Index, published by the CBOE, tracks the market's 30 day forward expectation of volatility based on S&P 500 option pricing. It reflects how nervous or confident traders are. When volatility is expected to rise, the VIX spikes—indicating fear.

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### The CNN Fear & Greed Index

The CNN Fear & Greed Index is a sentiment indicator that reflects what emotion is driving the market at any given moment: fear or greed. It combines seven different technical and behavioral indicators such as price momentum, market breadth, volatility, safe-haven demand, and junk bond appetite into a single composite score ranging from **0 to 100**.



Index	Range
CNN Fear & Greed	0–49 fear → 51–100 greed
VIX	<15 calm; 15–20 watch; 20–30 alert; >30 panic

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**Disclaimer: This is an opinion piece and should not be construed as investment advice or a call to action.**