Group behavior in the context of finance and investment often involves various psychological and social phenomena that can influence individuals' decisions. Conformism, herding behavior, and fatal attractions are some of these group behavior concepts:

**Conformism:**

**Definition:** Conformism in investment refers to the tendency of individuals to follow the actions and decisions of the majority or the prevailing group, even if those decisions are not necessarily rational or based on sound information.

**Characteristics:** Investors may conform to the behavior of others out of a desire to fit in, fear of being an outlier, or a belief that the collective wisdom of the group is more reliable. Conformism can lead to market bubbles, as many investors collectively adopt similar strategies or buy into the same assets, causing prices to rise to unsustainable levels.

**Examples:** During the dot-com bubble of the late 1990s, many investors conformed to the trend of investing in internet-related stocks, even when the valuations were extremely high. Similarly, during a market crash, conformism can lead to panic selling as people follow the crowd in a rush to exit the market.

**Herding Behavior:**

**Definition:** Herding behavior is a specific form of conformism in which individuals mimic the actions of a large group of investors without necessarily conducting independent analysis or evaluation of the investment.

**Characteristics:** Herding behavior often occurs during periods of market volatility or uncertainty. Investors may be driven by the fear of missing out on potential gains or the fear of losses that others may be avoiding. This behavior can result in exaggerated market movements and asset price bubbles.

**Examples:** During the housing bubble of the mid-2000s, many investors herded into real estate investments because they saw others profiting from rising property prices. Similarly, during stock market crashes, herding behavior can lead to a mass exodus from equities as investors panic.

**Fatal Attractions:**

**Definition:** The term "fatal attractions" refers to the attraction investors have toward assets or strategies that have performed exceptionally well in the recent past, often regardless of their underlying fundamentals. This behavior can result from the belief that past performance is indicative of future success.

**Characteristics:** Investors may be drawn to assets that have experienced strong recent gains, even when those gains are unsustainable. They may overlook the risks associated with these investments because they are enamored with the returns. This attraction can lead to asset bubbles and subsequent crashes.

**Examples:** During the housing market boom before the financial crisis of 2008, many investors were attracted to subprime mortgage-backed securities and other risky assets because of the high returns they had delivered in the preceding years. However, these attractions proved to be fatal as the market collapsed.

These group behavior concepts highlight how the influence of the crowd and social dynamics can lead to suboptimal investment decisions. Understanding these behaviors is crucial for investors and financial professionals to make more informed choices and avoid falling into traps caused by conformity, herding, or fatal attractions.