Trading Behavior vs Market Sentiment Report

1. Executive Summary

This report explores the relationship between market sentiment (as measured by the Fear & Greed Index) and trader behavior using historical data from Hyperliquid. The aim is to identify patterns in trading profitability, volume, and strategy that align with or deviate from prevailing market emotions.

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2. Key Insights

□ Average Profit (Closed PnL) by Sentiment

Average Profit

- Traders tend to be **more profitable during Extreme Greed and Fear**.
- This suggests **volatility-driven opportunities** in emotional market states.
- Neutral sentiment periods show the **lowest average PnL**, possibly due to stagnant price action.

□ PnL Category Distribution by Market Sentiment

PnL Distribution

- Across all sentiments, **losses dominate** most trades.
- However, **Extreme Greed and Fear** see a **small increase in high and medium-profit trades**, suggesting these periods reward skilled strategy.
- Indicates a **potential edge** for risk-managed trading during extremes.

□ Trade Count by Market Sentiment

Trade Count

- Most trades occur during **Greed and Fear** phases, showing **high trader participation**.
- **Extreme Fear** is the **least traded** phase, possibly due to risk aversion or uncertainty.
- This data reflects **behavioral hesitation** under pessimistic sentiment.

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3. Conclusion

Market sentiment strongly influences trader behavior.

- **Extreme emotional states** (Greed and Fear) offer both risk and opportunity.
- **Profitability improves** during these phases, but only when strategies are adaptive and risk-aware.
- Sentiment-aware trading systems could **enhance decision-making** in volatile markets.

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4. Recommendations

- Build a strategy that dynamically adjusts **exposure and leverage** based on sentiment.
- Avoid overtrading during **Neutral** periods.
- Monitor real-time sentiment shifts to identify **entry/exit** windows.
