

Trading Behaviour and Market Sentiment: Key Takeaways

Examining trading behavior and corresponding market sentiment (Fear vs Greed) reveals certain trends and signals that could enable more refined trading decisions. We assessed profitability and noted risk (fees), trading volume, and an indicator of leverage/exposure.

Here's an insight summary:

1. Profitability (Closed PnL):-

The average daily profit "PnL" during "Extreme Fear" and "Fear" periods was considerable. This could mean that taking a contrarian approach and "buying" during widespread negative sentiment has paid off, at least historically.

Intermittently during "Greed" and "Extreme Greed" phases, average profits daily seemingly dipped which could mean that contending with a rally during buoyant markets could be a money-losing endeavor.

2. Risk (Fees) :-

Volatile, "Extreme Fear" and "Fear" periods also showed trading fees notably higher, which can reflect active trading to capture more opportunities.

Trading fees during "Extreme Greed" also showed to be the lowest which could mean that traders passively held positions rather than actively executed.

3.Strength of Connection Between Trading Metrics:

As anticipated, there is a very strong positive correlation between total fees and total trading volume. As trading volume and total fees increase, profit/loss (PnL) also moderately increases, demonstrating a moderate correlation. This means that higher trading activity on a given day is likely to yield more profit or incur a bigger loss. Individual trades's average size correlates to PnL earnings weakly. This shows that the strategy and market condition of the trading day carry more weight than the size of trades.

4.Profit Loss (PnL) Analytics to Time:

Trading strategy volatility is high. Across all analytic margins there is a sideways funnel with no clear long-term trend (either upward or downward) in PnL. Current periods indicate a large shift in the magnitude of both profits and losses. This could point to a change in strategy or simply more trading activity. Overall, the trading activity is very volatile, with sharper fluctuations in recent periods. Profitability seems to hinge primarily on daily trading volume and less on the size of trades.