

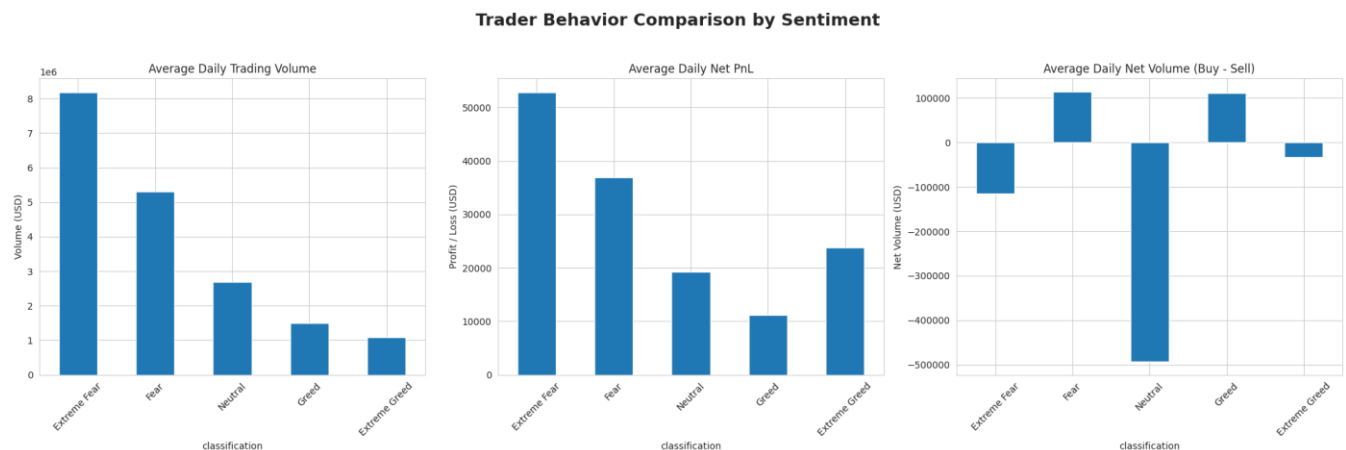
Analysis Report: Trader Behaviour vs. Market Sentiment

Objective: To analyse the relationship between trader performance on the Hyper liquid platform and the broader Bitcoin market sentiment, identifying actionable trading strategies.

Executive Summary: The analysis reveals that trader behaviour frequently diverges from prevailing market sentiment, creating predictable patterns that can be leveraged for strategic advantage. The most significant finding is that periods of **Extreme Fear** are characterized by the highest trading volume and profitability, suggesting volatility is a key driver of opportunity. Furthermore, divergences between sentiment and actual money flow (net volume) serve as powerful leading indicators for potential market reversals.

Insight 1: Fear is a Catalyst for Activity and Profit

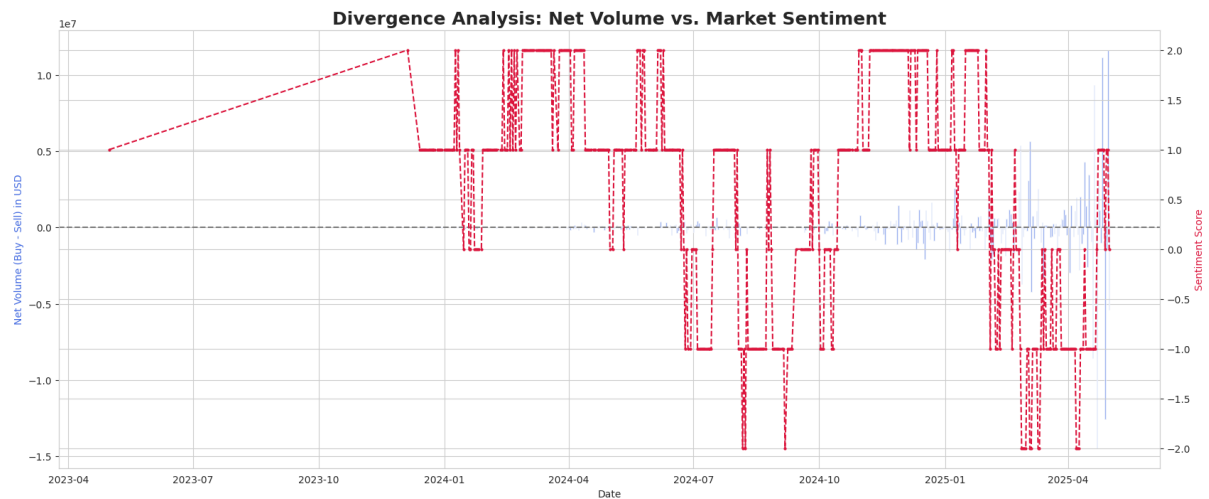
The data contradicts the common assumption that greedy markets are the most profitable. As shown in the chart below, periods of fear are when traders are most active and, on average, most successful.



- **Average Daily Trading Volume (Left Chart):** Trading activity peaks during Extreme Fear, indicating that market panic and high volatility drive the highest volume of trades. Activity is lowest during Greed and Extreme Greed.
- **Average Daily Net PnL (Centre Chart):** Counterintuitively, average daily profitability is highest during Extreme Fear. This suggests that skilled traders capitalize on the volatility that fear creates, while others may be panic-selling.
- **Average Daily Net Volume (Right Chart):** This chart reveals buying vs. selling pressure. While moderate Fear and Greed see net buying ("buying the dip" or "joining the trend"), Extreme Fear sees net selling (capitulation), and Neutral periods see the largest net selling, likely due to profit-taking.

Insight 2: Divergence as a Predictive Trading Signal

The most powerful insights are found when market sentiment tells one story, but the flow of money tells another. This divergence is a key leading indicator.



The chart above plots daily Net Volume (blue bars) against the Sentiment Score (red line).

- **Bearish Divergence (Sell Signal):** Look at the period from **January to March 2025**. The sentiment is locked in Greed and Extreme Greed (red line is high). However, the net volume is consistently negative (blue bars are below zero). This is a classic signal that insiders or large groups of traders are selling into market optimism, often preceding a price drop.
- **Bullish Divergence (Buy Signal):** Observe the period around **July to October 2024**. The sentiment frequently drops into Fear (red line is low). At the same time, there are several spikes of positive net volume (blue bars are above zero). This indicates that despite widespread fear, traders are accumulating assets, which can signal a market bottom.

Actionable Strategies

1. **Embrace Volatility:** Do not shy away from periods of Extreme Fear. The data shows this is where the most opportunity lies. Use it as a gauge for high volatility, not necessarily a signal to sell.
2. **Use Divergence for Confirmation:**
 - **To Sell:** When sentiment is high, look for negative net volume as a confirmation signal to take profits or consider short positions.
 - **To Buy:** When sentiment is low, look for positive net volume as a confirmation that accumulation has begun before entering a long position.
3. **Be Wary of Prolonged Greed:** The data suggests that optimism has a shelf life. When the market is greedy but money is flowing out, it's a sign to be cautious, not complacent.