Trader Behavior & Market Sentiment

By: Harshada Bidaye

1. Introduction

In this project, I studied how the market mood (Fear or Greed) affects how traders behave and how much profit or loss they make.

I used two datasets:

1. Fear & Greed Index – shows market sentiment on different days.

2. Hyperliquid Trader Data – shows how traders traded on different days.

The goal:

- Do traders perform better in Greed?

- Do they lose more during Fear?

2. Data Cleaning

- Converted dates into correct format.

- Removed missing or wrong values.

- Created new helpful columns such as ProfitType (Profit/Loss) and TradeVolume.

- Merged datasets using the date column.

3. Analysis

a) Profits vs Sentiment

- Profits were higher during Greed.

- Losses were more frequent during Fear.

b) Leverage

- Higher leverage during Greed (more risk).

- Lower leverage during Fear.

c) Trading Volume

- Volume increases in Greed.

- Volume decreases in Fear.

d) Type of Trades

- More long (buy) trades during Greed.

- More short (sell) trades during Fear.

4. Key Insights

- Traders are more confident and take bigger risks in Greed.

- Fear makes traders cautious, leading to weaker performance.

- Market sentiment influences trader behavior strongly.

- Fear/Greed index can act as a helpful trading signal.

5. Recommendations

- Use lower leverage during Fear.

- Increase position size slightly during Greed.

- Always check sentiment before trading.

- Build strategies based on sentiment patterns.

6. Conclusion

Market sentiment has a strong effect on trading outcomes.

Greed results in higher profits and risk-taking.

Fear results in lower volume, cautious decisions, and more losses.

Understanding sentiment can help traders make smarter trading decisions.