



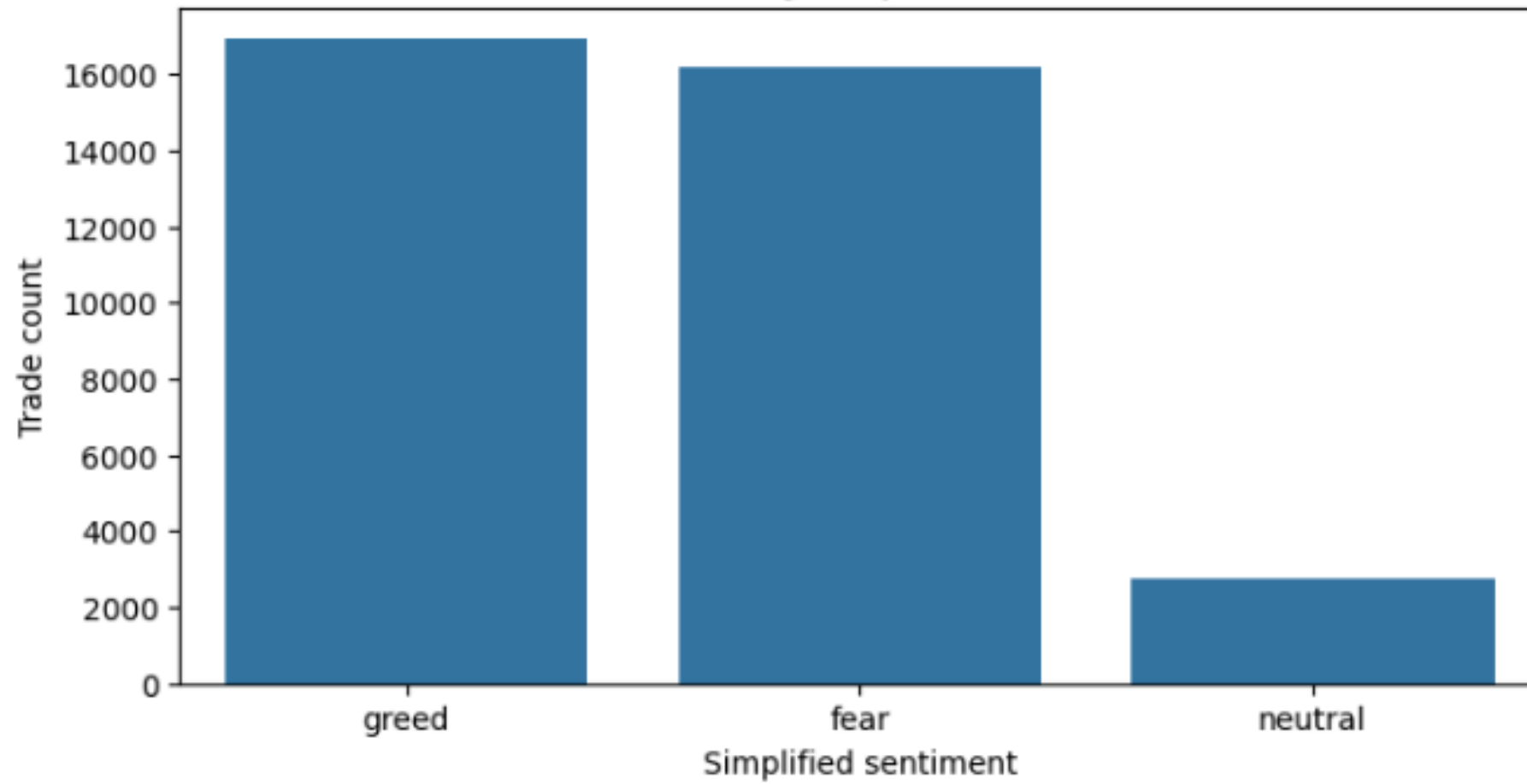
# Market Sentiments And Trading Trends

"A Primetrade.ai Project"

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# Market Sentiments And Trading Trends

Number of trades by simplified sentiment class



## Neutral periods = low opportunity zones

- Either price movements are small (low volatility), or traders simply prefer to wait until a clearer sentiment trend develops.

## Market psychology insight

- Traders are not neutral players — they act on emotions.
- This aligns with behavioral finance theory: trading intensity spikes when fear or greed dominate.

## Traders are most active in emotional markets (Fear & Greed)

- The vast majority of trades happen when market sentiment is extreme (fear or greed).
- Neutral phases attract little participation → traders are less motivated when sentiment is balanced.

## Possible overtrading in emotional states

- High volume of trades in greed could mean FOMO-driven entries (fear of missing out).
- High trades in fear could mean panic-driven exits or defensive trades.

## Strategy implication

- Since almost 90% of trades occur in Fear/Greed phases, any trading strategy that only focuses on these two sentiment states will already cover most of the market activity.
- higher activity doesn't always mean higher profits — so we must also check risk-adjusted performance (PnL per trade, win rate, drawdowns) to ensure that traders are not just overtrading in emotional markets.

## One-Liner Summary

- Most trades happen in Fear and Greed states, showing that traders are driven by emotions, while neutral markets see little participation — suggesting that emotional sentiment drives trading volume far more than rational analysis.

# Market Sentiments And Trading Trends

classification	mean	median	count
Extreme Greed	205.816345058886	0.96048	5621
Fear	128.287950295911	0	13869
Greed	53.9880032444208	0	11292
Neutral	27.0888033309143	0	2756
Extreme Fear	1.89163222312983	0	2326

1. **Extreme Greed → High risk, high reward**

- Few traders profit massively, but the majority only scratch zero.
- Smart contrarian strategies (shorting greed rallies) could work.

2. **Fear → Opportunity but volatile**

- High trade activity, high variance.
- Proper risk management essential; panic creates sharp reversals.

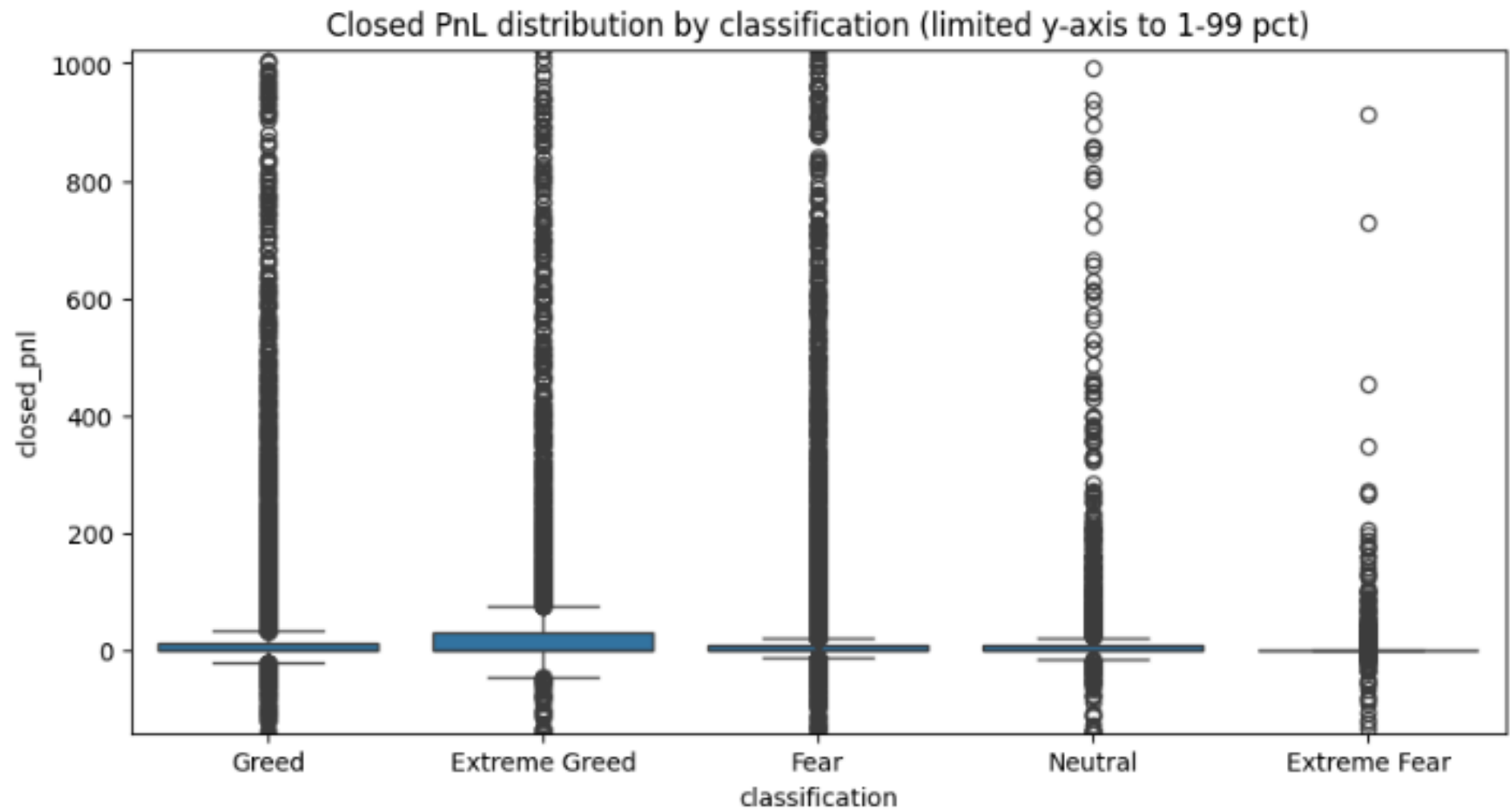
3. **Neutral/Extreme Fear → Avoid trading**

- Very low returns, no significant opportunities.

4. **General Insight**

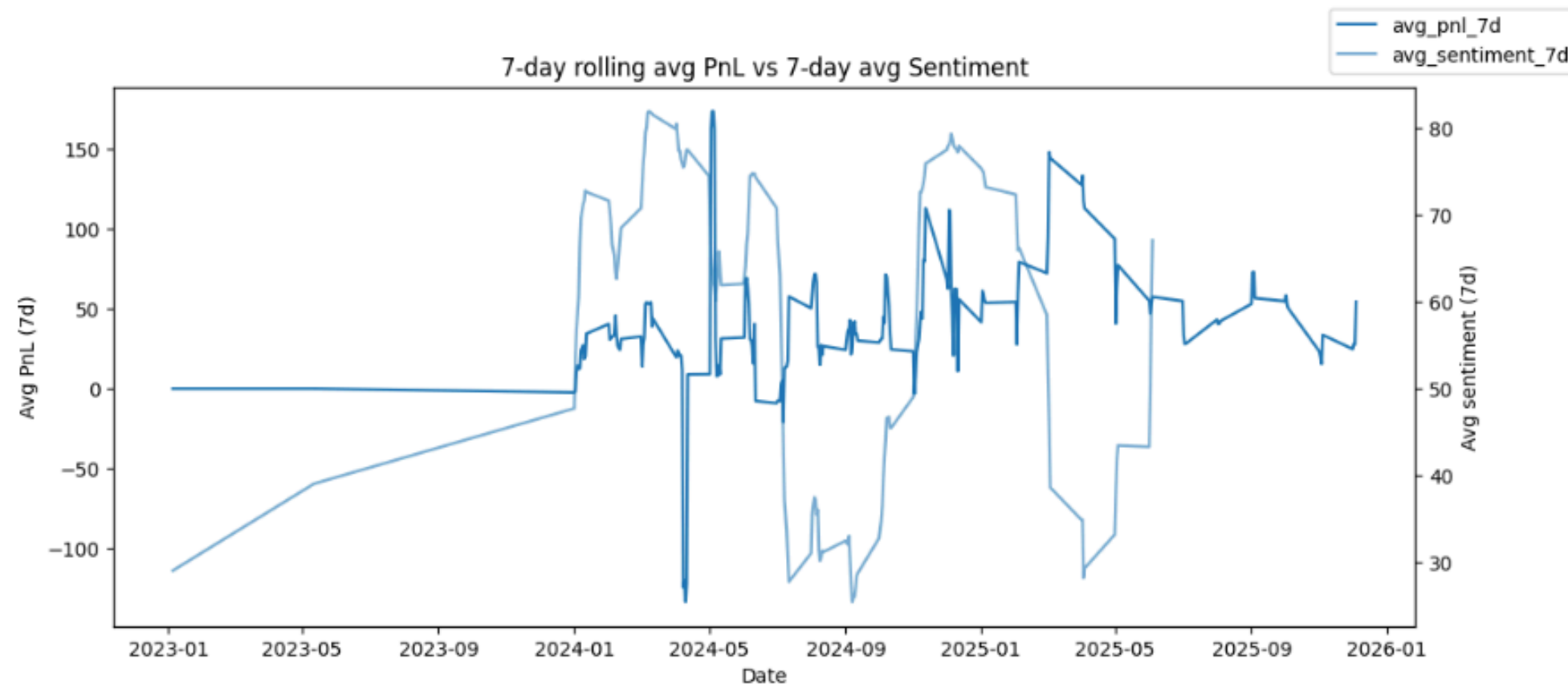
- Mean ≠ Median → Most traders don't profit, but a few "outliers" (skilled or lucky) drive profits.

- Heavy-tailed distributions → Extreme Greed & Fear have the **widest spread**, with some trades making **huge gains** but many **clustered near zero** or losses.
- Median line across categories is flat at ~0 → Most traders **don't gain** much regardless of sentiment.
- **Extreme Greed** has the widest **positive outliers** → The few big winners are concentrated here.
- **Extreme Fear** & Neutral have very tight spreads → Limited opportunity or **very cautious trading**.
- **Fear** has many **extreme outliers** in **both directions** → Traders **overreact** during fear, leading to both **big wins** (timing reversals) and **big losses** (panic sells).





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## Insights for trading strategies

### 1. Greed phases align with profitable trades

- When sentiment crosses into "Greed/Extreme Greed", average trader profits rise.
- Possible reason: traders follow momentum and capture bullish moves.

### 2. Fear creates opportunities for skilled traders

- Although sentiment dips into fear, some traders still show positive average PnL.
- Suggests contrarians (buying fear) outperform the majority.

### 3. Lag effect

- PnL often reacts before sentiment adjusts (PnL spikes, then sentiment follows).
- Indicates sentiment index might be a lagging indicator, so traders should not rely on it alone.

### 4. Volatility management is key

- The sharp swings in average PnL mean that without risk control, traders can lose heavily even during "good sentiment".

## Observation

### 1. Periods of strong positive correlation

- Around mid-2024, when sentiment index climbs above 70 (Greed), average PnL also spikes.
- Suggests traders make more profits when market sentiment is confident/optimistic.

### 2. Periods of divergence

- Example: late 2024 → sentiment falls sharply (fear) but avg PnL stays positive.
- Suggests contrarian strategies (buying when others panic) may have worked.

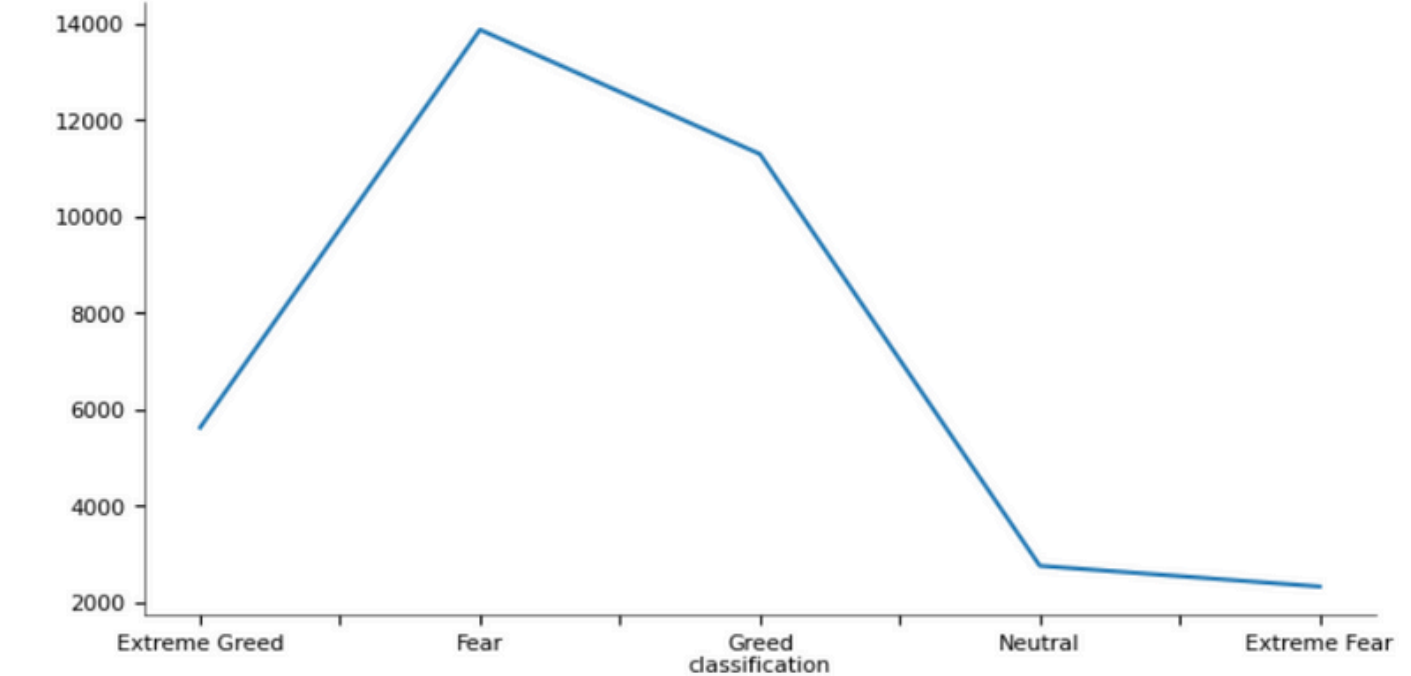
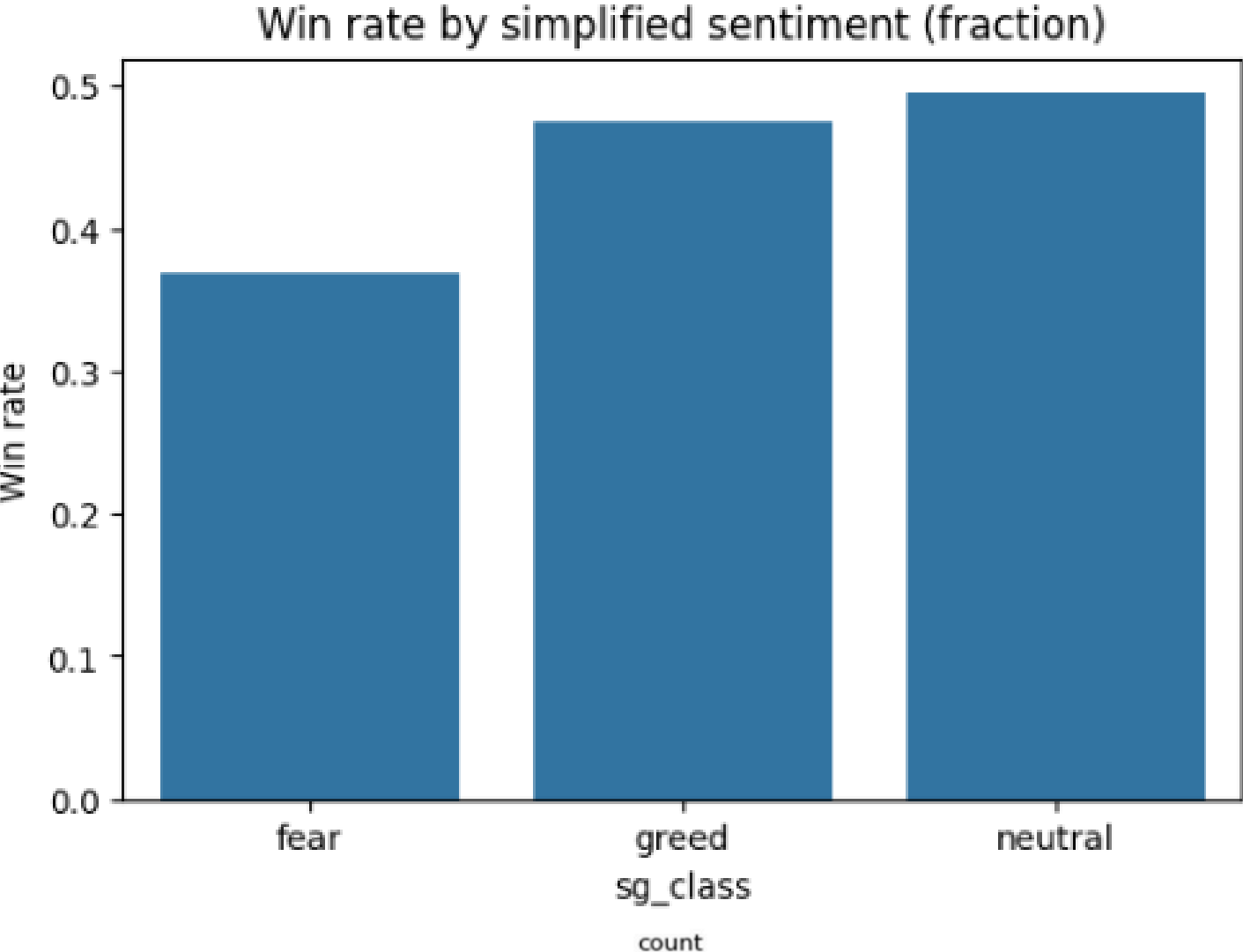
### 3. High volatility in PnL relative to sentiment

- PnL shows sharp spikes and drops compared to smoother sentiment curve.
- Implies sentiment is more of a slow-moving indicator, while PnL reacts quickly to actual market

### 4. Flat region in early 2023

- Both PnL and sentiment remain subdued. Likely low trading activity or calm market conditions.

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Top Features	
pnl_per_usd	0.417277
pnl_last_50	0.18205
is_buy	0.118923
account_trade_count	0.055986
value	0.044332
account_avg_pnl	0.038144
coin_BTC	0.013397
sg_class_fear	0.011426
coin_HYPE	0.010644
sg_class_greed	0.009682
coin_@107	0.009334
coin_ZEREBRO	0.008349
log_size_usd	0.008069
coin_kBONK	0.007534
coin_ETH	0.006617
coin_PURR	0.006389
coin_FARTCOIN	0.005658
coin_GRIFFAIN	0.004296
coin_MELANIA	0.003787
coin_IO	0.003711

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# THANKYOU

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[Google Colab NoteBook Link](#)

