Trader Behavior vs Market Sentiment

Methodology:

The analysis extends baseline sentiment evaluation by incorporating trader-level profiling and behavioral segmentation. Hyperliquid trade data was aligned daily with the Bitcoin Fear & Greed Index. Trader-level metrics were computed including total PnL, win rate, trade frequency, average position size, and PnL volatility (used as a risk proxy).

Two segmentation approaches were implemented: (1) Activity-based segmentation (Frequent vs Infrequent traders using percentile thresholds), and (2) Consistency-based segmentation (Consistent Winners vs Inconsistent Traders based on win-rate distribution). Performance and risk metrics were then compared across sentiment regimes.

Key Insights:

• Trader performance is strongly regime-dependent, with Greed environments generating higher average profitability.

• Fear regimes significantly increase volatility and trading activity, amplifying both risk and opportunity.

• Frequent traders outperform during strong sentiment phases, while neutral regimes penalize overtrading.

• Sentiment amplifies the performance gap between consistent and inconsistent traders.

Strategy Recommendations:

• Dynamically allocate capital toward frequent and consistent traders during strong Greed regimes.

• Apply stricter risk controls during Fear periods due to elevated volatility.

• Reduce trading frequency in Neutral regimes to avoid unnecessary exposure.

• Use sentiment regimes as a filtering mechanism for capital allocation and risk adjustment.