Trader Sentiment Analysis Report

Abstract

The purpose of the report is to summarize the analysis conducted on trader sentiment data, against the fear_greed index. The purpose of the analysis was to expose trader profit, volume, and behaviour relative to sentiment in the market. The analysis revealed a market that was heavily influenced by emotion, particularly" Greed", which resulted in an increase in volume, a higher percentage of" BUY" trades, and the highest average trader profitability." Fear" periods indicated panic-selling, while" Neutral" periods were the least profitable.

1. Introduction

The analysis combined a time-series of the Fear & Greed Index with a bulk of individual trades data. By "stamping" each trade with the sentiment of the market on that day, we were able to classify all trades into three simplified categories of Fear, Neutral, and Greed.

2. Key Findings & Analysis

The analysis focused on three primary metrics: trader profits, market activity and trader behavior.

2.1 Finding 1: Profitability is Highest During" Greed"

An investigation into the average Profit and Loss (PnL) per trade found that, on average, traders were most profitable during" Greed" periods, and unprofitable during" Neutral", which showed an average net loss for traders, and" Fear" periods, which showed a small average profit.

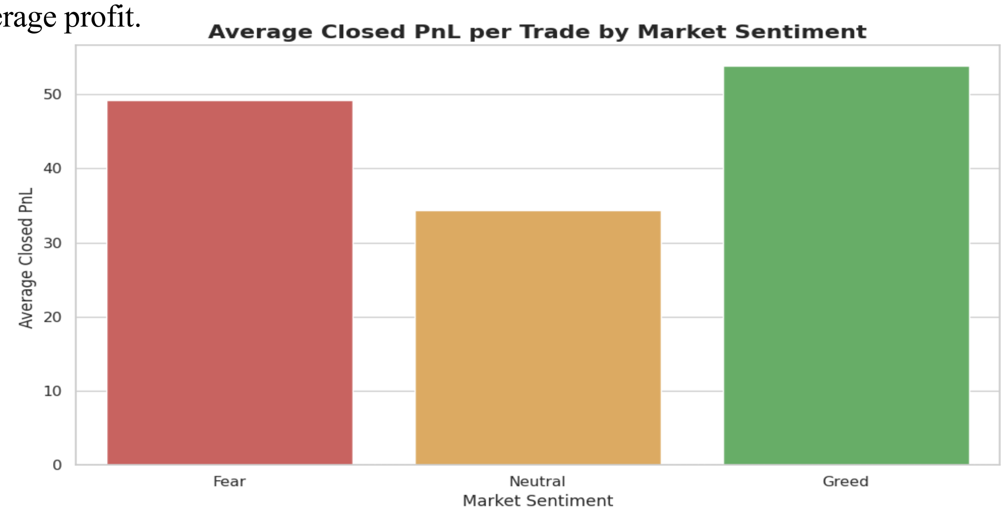

Figure 1: Average PnL per Trade by Market Sentiment.

2.2 Finding 2: Market Activity Explodes with" Greed"

Market activity was not uniform in distribution. The data revealed a large and overriding spike in total USD trading volume during "Greed" periods, which is indicative of the Fear of Missing Out effect, where most traders and capital entered the market when sentiment was already sentiment was high and optimistic. Total activity during "Fear" and "Neutral" periods remained considerably lower.

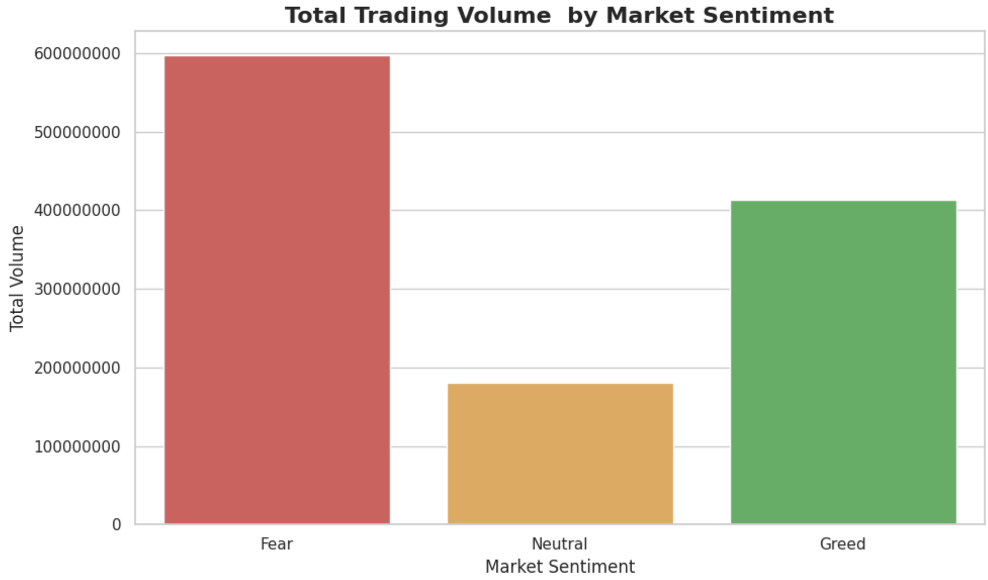

Figure 2: Total Trading Volume (USD) by Market Sentiment.

2.3 Finding 3: Behavior Shows" Panic Selling" and" Fear of Missing out Buying"

An examination of trade direction (Buy vs. Sell) indicated some distinct behavior patterns.

- While in "Fear": Total volume was primarily "SELL" orders (around 53%), indicating potential panic-sell behavior as traders exited positions.
- While in "Greed": The ratio flipped, and the "BUY" orders were back in the majority (around 56%) of total volume. Again, this is consistent with the Fear of missing out hypothesis. "Greed," which is associated with higher volume, exhibited a larger share of buying volume than selling volume.

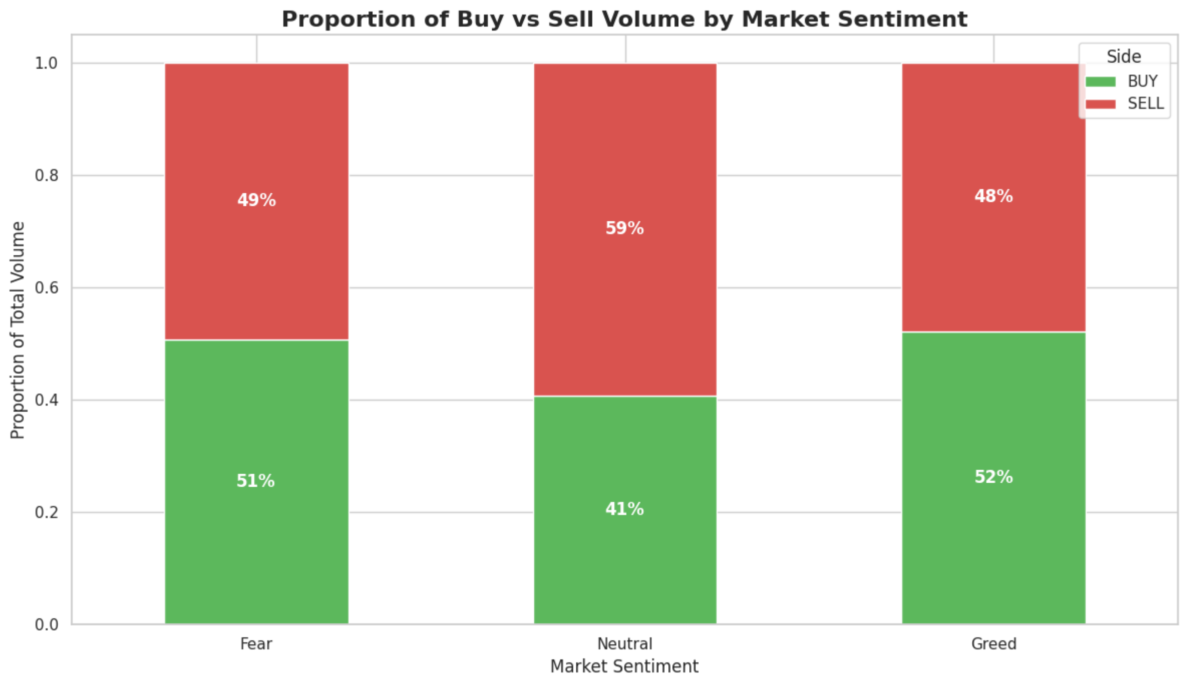

Figure 3: Proportion of Buy vs. Sell Volume by Market Sentiment

3.Conclusion

The data paints a clear picture of a market driven by emotion. The" Greed" phase is the most dominant, characterized by high volume, high" BUY" activity, and—counter-intuitively—the high- est average profitability. " Fear" is characterized by net selling and lower activity.

The most difficult time to trade appears to be during" Neutral" markets, which were the only periods to show a net average loss. This suggests that the dominant successful strategy in this dataset was momentum-based (following the" Greed") rather than a contrarian one (buying the" Fear").

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