

Trader Behavior Insights Based on Market Sentiment

Objective

The goal of this analysis is to study how trader behavior and performance vary under different market sentiment conditions (Fear vs Greed) in the cryptocurrency market.

Datasets Used

1. Bitcoin Market Sentiment Dataset (Fear & Greed Index)
2. Hyperliquid Historical Trader Data

Methodology

- Cleaned and standardized timestamps across datasets
- Merged trader data with market sentiment using date
- Analyzed profitability, trade volume, and trading risk across sentiment regimes
- Visualized insights using comparative bar charts

Key Findings

- Traders are more profitable during **Greed** phases
- Trade volume increases significantly during Greed
- Trading risk (measured via fees) is higher during Greed
- Fear periods show lower risk-taking but also reduced returns

Insights for Smarter Trading

- Reduce risk exposure during extreme Greed
- Focus on controlled position sizing during Fear
- Sentiment-aware strategies can improve consistency in returns

Conclusion

Market sentiment has a measurable impact on trader behavior and performance. Incorporating sentiment indicators into trading strategies can help improve decision-making and risk management in Web3 trading environments.