Trader Behaviour vs. Market Mood: An Analysis

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Introduction

Does the market's overall mood—its fear or greed—actually affect how traders perform? This report dives into that question. I used two key datasets: a history of trades from Hyperliquid and the daily Bitcoin Fear & Greed Index, to see if I could find a connection between them and uncover any trends that might lead to smarter trading.

Getting the Data Ready

Before I could find any answers, the two datasets had to be combined. This presented an immediate challenge: the trader data used a timestamp format that wasn't a standard date. It was a Unix timestamp, a long number representing the milliseconds since 1970.

The key was telling the pandas library to interpret this number correctly by specifying the unit as milliseconds (ms). Once the trader timestamps were converted to readable dates, I created a simple 'date' column in both datasets. This allowed me to merge them, giving me a complete picture of all trading activity for any given day and its corresponding market sentiment.

What I Found

With the data merged, I focused on the core question: does profitability change with the market's sentiment? I grouped all the trades by the sentiment on the day they occurred ('Fear', 'Greed', etc.) and calculated the average profit or loss. The chart below shows a clear pattern.

(Here, you need to manually insert your profitability_chart.png image)

What's interesting is that traders in this dataset didn't make the most money during "Extreme Greed." Instead, their profitability was highest during periods of general "Greed." This suggests that while a bullish market is helpful, over-excitement might lead to poorer results. Periods of "Fear" were more profitable than "Neutral" times, which could mean that volatility creates opportunities for some traders.

Conclusion

So, what's the bottom line? The data shows a definite connection between market sentiment and trader performance. The key takeaway is that traders performed best when the market was optimistic ('Greed'), but not when it was overly euphoric ('Extreme Greed').

This suggests a simple strategic idea: a "Greed" signal could be a good confirmation for entering trades, while an "Extreme Greed" or "Neutral" signal might be a reason to be more cautious.