

Report: Trading Behaviour & Market Sentiment Analysis

1. Profitability & Efficiency: The "Fear" Divergence

- A major divergence was identified between per-trade efficiency and total accumulated profit. While "Greed" is often associated with profit-taking, "Fear" actually drove the most significant financial gains in this dataset.
- Total Profit Dominance: "Fear" periods generated the highest Total PnL (\$3.36M), dramatically surpassing "Extreme Greed" (\$2.72M) and "Greed" (\$2.15M).
- Efficiency vs. Volume: "Extreme Greed" was the most efficient sentiment, boasting the highest Average PnL per trade (\$67.89) and the highest Win Rate (46.49%).
- Key Insight: While trades executed during "Extreme Greed" were more likely to be successful individually, the sheer volume and magnitude of opportunities during "Fear" periods made them the primary driver of total wealth accumulation.

2. Risk Profile: Volatility in the Extremes

- Risk behavior aligned closely with extreme sentiment readings, confirming that emotional extremes in the market correlate with price instability.
- Highest Volatility: "Extreme Fear" exhibited the highest standard deviation of Closed PnL (\$1136.06), followed closely by "Greed" (\$1116.03).
- Risk/Reward Trade-off: Despite the high risk (volatility) in "Extreme Fear," it did not yield the highest average returns, whereas "Fear" (moderate sentiment) managed to convert volatility into the highest total profit.

3. Market Volume & Participation

- Trading activity diverges from the expectation that traders "freeze" during fear. Instead, fear appears to act as a catalyst for action.
- Volume Spikes in Fear: "Fear" periods saw the highest Average Trading Volume (~\$7,816) and the highest Total Trading Volume (~\$483M).
- Aggressive Sizing: The average trade size (Size USD) was also highest during "Fear".
- Implication: Significant market movements occur during fear, attracting substantial participation rather than driving traders away.

4. Behavioural Signals: Evident Contrarian Trends

- The data reveals distinct "hidden signals" where traders acted against the prevailing market sentiment—a classic contrarian indicator.
- Buying the Fear: During "Extreme Fear," there were slightly more BUY trades (10,935) than SELL trades (10,465). This suggests traders were "buying the dip" when market sentiment was at its lowest.
- Selling the Greed: Conversely, "Extreme Greed" saw significantly more SELL trades (22,052) than BUY trades (17,940), indicating traders were taking profits or shorting into the rally.

- Panic Selling in Moderate Fear: Interestingly, the contrarian signal was only present in Extreme Fear. In standard "Fear," SELL trades (31,567) outnumbered BUY trades (30,270), indicating typical panic selling.

5. Strategic Recommendations (Smarter Trading)

Based on the analysis of alignment and divergence, the following strategies are supported by the data:

- Capitalize on "Fear" Volume: Strategies should aggressively target "Fear" periods for volume-based accumulation. While "Extreme Greed" offers better win rates, "Fear" offers the liquidity and movement needed for larger total returns.
- Adopt Contrarian Entries: The data validates entering Long positions during "Extreme Fear" (when others are panic selling) and Shorting/Exiting during "Extreme Greed" (when others are buying)
- Dynamic Risk Management: Because "Extreme Fear" and "Greed" show the highest volatility, position sizing should be strictly managed or reduced during these specific sentiment phases to withstand wider price swings.
- Investigate Leverage/Start Position: An anomaly was detected where "Extreme Fear" and "Greed" showed negative "Average Start Positions". Before deploying leverage strategies, you must clarify if this metric represents net shorting or a data artifact, as it complicates the calculation of true leverage.

Summary Table: Sentiment vs. Behaviour

| Sentiment | Profitability (Total PnL) | Risk (Volatility) | Strategy Signal |
|---------------|---------------------------|-------------------|--|
| Extreme Fear | Moderate | Highest | Contrarian BUY (Buying the dip) |
| Fear | Highest (\$3.36M) | Moderate | High Volume / Aggressive Accumulation |
| Neutral | Lowest | Lowest | Balanced / Indecisive |
| Greed | High (\$2.15M) | High | Panic Selling / Profit Taking |
| Extreme Greed | High (\$2.72M) | Moderate | Contrarian SELL (Selling into strength) |