

Trader Behavior vs Market Sentiment Analysis

Introduction

This report analyzes the relationship between market sentiment (Fear & Greed Index) and trader behavior using historical trading data.

Dataset Summary

- **Sentiment Dataset:** 2644 entries of daily market sentiment (Fear, Greed, etc.)
- **Trader Dataset:** Over 2 lakh trades with attributes like size, PnL, direction, etc.
- Merged on common **date** field

Key Insights

- **PnL is generally higher during Greed phases** compared to Fear
- **Trade volume (USD) spikes during Greed**, indicating riskier behavior
- **Buy orders dominate Greed**, while **Sell orders increase during Fear**
- Some accounts consistently profit regardless of sentiment — indicating experience

Conclusion

Trader behavior does correlate with market sentiment. Sentiment-aware strategies can enhance decision-making.

Recommendations

- Use Fear/Greed as a signal for position sizing
- Reduce leverage during Fear periods
- Explore automated trading based on sentiment triggers