Trader Behaviour vs Market Sentiment (Fear vs Greed)

Objective

Analyse how trader behaviour and performance vary across market sentiment regimes and identify insights useful for sentiment-aware trading decisions.

Data

- **Trader data:** 211k+ Hyperliquid trades aggregated daily
- **Sentiment data:** Bitcoin Fear & Greed Index
- Sentiment grouped into **Fear** and **Greed**

Method

- Standardised timestamps and aligned both datasets by date
- Removed invalid trades and neutral sentiment days
- Computed daily metrics: PnL, trade count, average trade size, and long ratio
- Compared regimes using non-parametric statistical tests

Key Findings

- **Fear regimes outperform Greed** in both activity and daily PnL
- Traders show **higher participation and stronger directional conviction** during Fear
- Risk-taking during Fear is controlled, not excessive
- **Greed regimes exhibit weaker performance**, consistent with crowding effects

Trading Implications

- Favour selective long exposure during **Fear**
- Reduce exposure and tighten risk controls during **Greed**
- Use sentiment as a regime filter for position sizing

Conclusion

Trader behaviour is strongly sentiment driven. The results indicate that **Fear regimes provide better risk-adjusted opportunities than Greed**, supporting the use of sentiment-aware trading frameworks.