TRADER BEHAVIOUR VS MARKET SENTIMENT ANALYSIS

Problem statement

This report analyzes how trader behavior and performance on Hyperliquid vary across Bitcoin market sentiment regimes (Fear vs Greed).
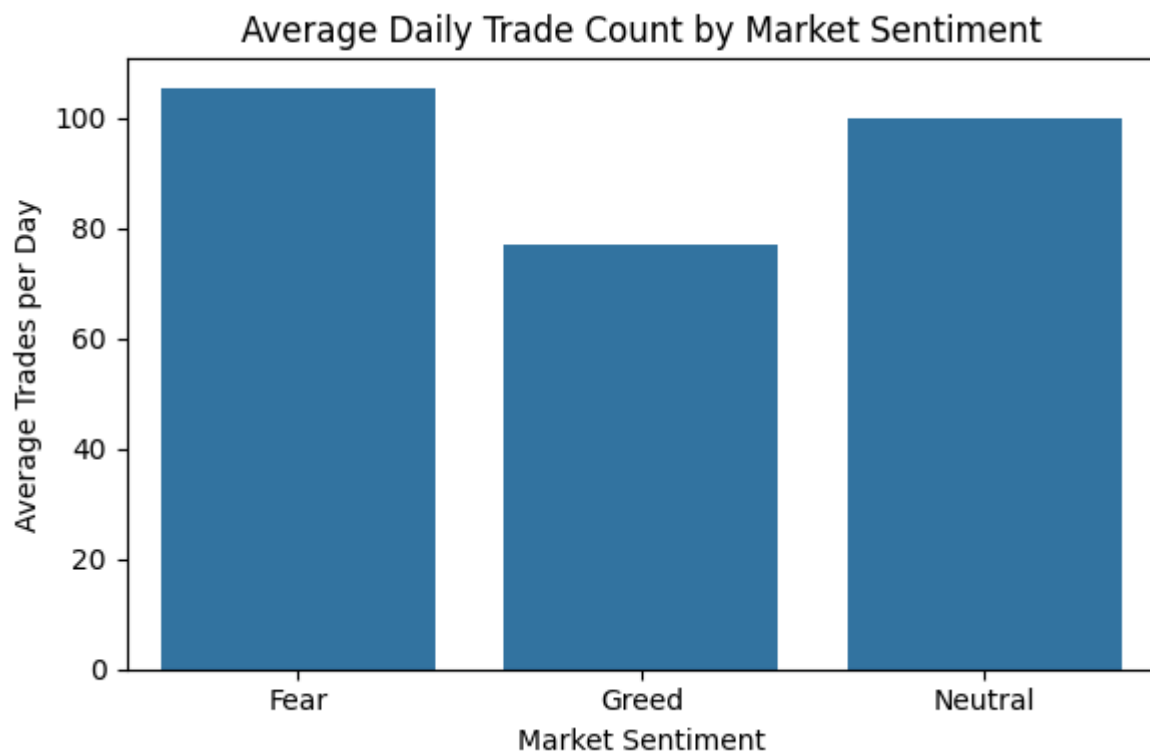
Data used

- Hyperliquid historical trader data(211k+trades)
- Bitcoin Fear & Greed index (daily sentiment)
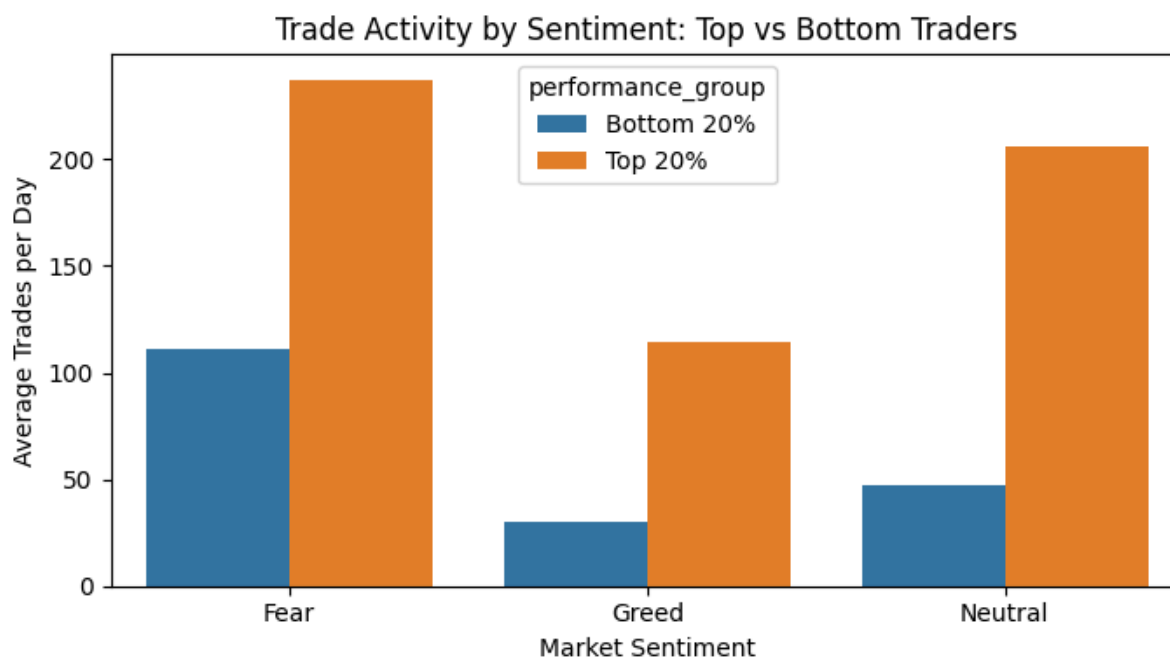
Key question addressed

- Do traders trade differently during Fear vs Greed?
- Does higher activity improve outcomes?
- How do top traders behave compared to losing traders?

Chart 1: Average Daily Trade Count by Sentiment

Trade activity is highest during Fear, indicating reactive behavior rather than confidence-driven participation.

Chart 2: Trade Activity — Top vs Bottom Traders

Trade Activity by Sentiment: Top vs Bottom Traders

Key Insights
- Trading activity peaks during Fear, not Greed.
- Increased activity during Fear does not lead to better realized profitability.
- Top traders remain active across all sentiments, suggesting discipline over reaction.
- Bottom traders overtrade during Fear and under-participate during Greed.

Practical Strategy Implications
- Market sentiment should be used as a risk control filter, not as a direct buy/sell signal.
- Reduce impulsive trade frequency during the Fear phase.

- Encourage consistent, rule-based participation rather than sentiment-driven reactions.
- As a risk warning signal, monitor abnormal spikes in trade frequency during Fear.

Limitations

- Closed PnL is only recorded when positions are exited, which may understate intraday performance.

- Leverage data was unavailable, limiting direct risk-adjusted return analysis.