TRADER PERFORMANCE VS MARKET SENTIMENT

Summary Report: Methodology & Insights

Methodology

We analyzed trading performance by segmenting daily data into three psychological regimes based on the **Fear & Greed Index** (Value 0–100):

1. **Fear (<45):** Contractionary/Panic phases.
2. **Neutral (45–55):** Consolidation phases.
3. **Greed (>55):** Expansionary/Momentum phases.

We cross-referenced these regimes against PnL, Win Rate, and Behavior metrics (Leverage and Frequency) to identify hidden risks and opportunities.

Key Insights

- **The Greed Trap:** While "Greed" days show higher average PnL, they also exhibit the largest outliers in losses (drawdowns). High sentiment often correlates with a "leverage spike," where traders over-extend just before a reversal.
- **Activity Paradox:** Trade frequency increases during high-sentiment days, but the **Win Rate per Trade** does not necessarily scale linearly. This suggests "over-trading" is a primary risk during Greed phases.
- **Leverage Efficiency:** Traders in the "Low Leverage" segment (<10x) maintain a more stable equity curve across all sentiment types, whereas "High Leverage" segments see their PnL wiped out during Fear transitions.

Strategy Recommendations

1. **The "Sentiment De-Lever" Rule:** Automatically reduce account-wide leverage by 50% the moment the Fear & Greed Index crosses below 45. This protects against "Fear-based" liquidations during high-volatility spikes.
2. **The "Greed Profit Guard":** During index values >70, implement a "Max Daily Trade" cap. Since Win Rates diminish as over-trading increases in Greed phases, capping frequency ensures you capture the trend without falling into the "churn" of high-frequency mistakes.