Trader Behavior vs Market Sentiment — Executive Summary

Objective
This analysis evaluates how Bitcoin market sentiment (Fear vs Greed) influences trader behavior and performance on Hyperliquid. The goal is to identify measurable behavioral shifts across sentiment regimes and translate them into practical risk-management insights.

Methodology
Two datasets were integrated: a daily Fear/Greed sentiment index and trade-level execution data from Hyperliquid. Timestamps were standardized to daily granularity and merged to align sentiment with trading activity. Core metrics were engineered, including daily PnL, win rate, trade frequency, and position size. Traders were further segmented into frequent vs casual participants to evaluate behavioral consistency.

Key Findings
1. **Sentiment drives risk-taking behavior.** During Greed phases, traders increase position sizes and trading frequency, indicating elevated risk appetite. However, profitability does not scale proportionally with risk exposure.

2. **Fear regimes show unstable return patterns.** PnL dispersion and volatility increase during Fear periods, suggesting reactive decision-making and reduced performance consistency.

3. **Consistency correlates with disciplined execution.** Traders maintaining stable position sizing and measured trade frequency demonstrate more resilient performance across sentiment cycles.

Strategic Implications
• During Fear: prioritize capital preservation, reduce position sizing, and avoid excessive trade frequency.
• During Greed: enforce leverage discipline, implement strict risk controls, and avoid overexposure driven by market optimism.
• Long-term edge appears linked to systematic execution rather than sentiment-reactive trading.

Conclusion
Market sentiment significantly influences trader behavior, particularly risk exposure and execution intensity. While sentiment alone does not determine profitability, disciplined risk management across emotional market cycles emerges as the defining characteristic of consistent trading performance.