

Hidden Patterns Linking Market Sentiment to Trader Profitability Across Different Times

A detailed analysis of trader behavior, market sentiment, and time-of-day effects reveals several hidden patterns that link sentiment to profitability. These patterns can be leveraged to optimize trading strategies and risk management.

1. Sentiment Extremes and Profitability

- **Extreme Greed:**

Profitable traders capture the largest share of their gains during periods of extreme greed, with 35.9% of their profits generated in this sentiment state. This suggests that disciplined traders exploit bullish momentum effectively, while less skilled traders are more likely to incur losses by chasing trends impulsively^[1].

- **Greed as a Double-Edged Sword:**

While top traders profit most from greed, it is also the most dangerous sentiment for losing traders, accounting for 27.2% of their losses. This indicates that market euphoria can lead to overconfidence and poor decision-making for many participants^[1].

- **Fear and Extreme Fear:**

Profitable traders are better at navigating fearful markets, incurring only about 30% of their losses during fear/extreme fear, compared to 37% for losing traders. This suggests that top performers maintain discipline and avoid panic selling, while less experienced traders are more likely to make costly mistakes in bearish conditions^[1].

2. Time-of-Day Patterns

Time of Day	Avg Profit (All Traders)	Avg Loss (All Traders)	Total Trades (%)	Hidden Pattern
Morning	Highest (23.6%)	Lowest (12.7%)	17%	Clearer sentiment signals, better decision-making
Afternoon	Medium (20.2%)	Lowest (7.4%)	19.7%	Stable conditions, fewer impulsive trades
Evening	Medium (19.7%)	High (21.7%)	21.8%	Increased volatility, sentiment-driven losses
Late Night	Medium (18.5%)	Medium (15.9%)	32%	Most active, but not most profitable
Night	Lowest (18.0%)	Highest (42.2%)	9.5%	High risk, sentiment misreads, and impulsive trading

- **Morning:**

Highest average profit and lowest loss, despite fewer trades. This suggests that traders who act on fresh sentiment signals early in the day make more rational, profitable decisions^[1].

- **Night:**
Disproportionately high losses relative to trade volume, indicating that sentiment signals may be less reliable or that traders are more prone to emotional, impulsive decisions during this period^[1].
- **Late Night:**
Most active period, especially for top traders, possibly due to unique volatility or lower competition. However, it is not the most profitable, hinting at diminishing returns or increased risk with higher activity^[1].

3. Behavioral Patterns: Calm vs. Aggressive Trading

- **Calm/Strategic (Non-Crossed Orders):**
Profitable traders show a higher proportion of calm, patient trades, sticking to their planned entry prices and trusting their strategy. This discipline is especially effective during sentiment extremes, where waiting for optimal conditions pays off^[1].
- **Aggressive/Reactive (Crossed Orders):**
Loss-making traders are more likely to cross the order book, accepting suboptimal prices for immediate execution. This impulsive behavior is often triggered by strong sentiment swings (greed or fear) and leads to poorer outcomes, particularly at night or during volatile sentiment shifts^[1].

4. Asset Choice and Sentiment Sensitivity

- **Penny Coins:**
Most trades, both profitable and losing, occur at low execution prices. Profitable trades are tightly clustered in this range, while losing trades are more dispersed, especially at higher prices. This suggests that disciplined traders focus on assets where sentiment-driven volatility can be exploited with lower risk^[1].
- **High-Priced Assets:**
Losses are more frequent and severe when trading expensive coins, possibly due to larger swings and increased emotional stakes during sentiment extremes^[1].

5. Only a Few Traders Consistently Outperform

- A small group of traders consistently benefits from sentiment-driven markets, indicating that skill, discipline, and adaptability are crucial. Most traders, especially those who fail to adjust to sentiment changes, incur losses regardless of the prevailing mood^[1].

Key Insights for Smarter Trading Strategies

- **Time-of-day matters:**
Morning trades are more profitable, likely due to clearer sentiment signals and less emotional trading. Night trading is riskier, with sentiment misreads leading to higher losses.
- **Discipline trumps emotion:**
Calm, strategy-driven trading outperforms impulsive reactions to sentiment swings, especially during periods of extreme greed or fear.

- **Asset selection is critical:**

Focus on low-priced, volatile assets where sentiment-driven moves can be exploited with tighter risk controls.

- **Profitability is concentrated:**

Only a few traders consistently extract value from sentiment, underscoring the importance of experience and adaptability.

By recognizing these hidden patterns, traders can better align their strategies with market sentiment and time-of-day effects, ultimately driving smarter, more profitable trading decisions^[1].



1. important-graphs.pdf