Trader Performance Insights

Market Sentiment vs Trading Behavior

Summary

This analysis studies how **Bitcoin market sentiment** (Fear, Greed, Extreme Greed, Neutral) impacts **trader profitability and behavior** using historical Hyperliquid trade data combined with the Fear & Greed Index.

The focus is on understanding:

- how average performance changes across sentiment regimes
- how **top traders** behave differently from **bottom traders**
- whether sentiment amplifies skill or exposes weakness

Key Observations

1. Market Sentiment Strongly Influences Performance

Average closed PnL varies significantly across sentiment regimes:

- **Greed** shows the highest average profitability overall
- **Fear** produces moderate but consistent returns
- **Neutral** sentiment leads to weaker outcomes
- **Extreme Greed** introduces the highest divergence between traders

This indicates that sentiment is not just background noise but a meaningful contextual signal.

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2. Extreme Greed Is the Most Polarizing Regime

Extreme Greed clearly separates skilled traders from unskilled ones:

- **Top traders** remain profitable (avg PnL ≈ +26)
- **Bottom traders** incur heavy losses (avg PnL ≈ −206)

This suggests that Extreme Greed amplifies overconfidence and poor risk control, punishing weaker traders disproportionately.

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3. Top Traders Adapt Better Across All Conditions

Across every sentiment regime, top traders consistently outperform:

- **Greed:** Highest returns (avg PnL ≈ +89)
- **Fear:** Strong performance despite uncertainty (avg PnL ≈ +59)
- **Neutral:** Stable profitability (avg PnL ≈ +57)

Their performance indicates better position sizing, timing, and discipline rather than reliance on favorable market conditions alone.

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4. Bottom Traders Struggle Outside Clear Trends

Bottom traders show:

- Large losses during Extreme Greed
- Near-zero or negative performance in Neutral markets
- Only modest gains during Fear

This pattern suggests:

- Overtrading during hype phases
- Difficulty staying profitable without strong directional bias

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Behavioral Insight

Market sentiment does not create profits by itself — it **amplifies existing behavior**.

- Skilled traders use sentiment as context
- Weaker traders react emotionally to it

Extreme sentiment regimes reward discipline and punish impulsiveness.

Conclusion

The analysis shows that **sentiment acts as a stress test for trading skill**.
Greed-driven markets do not benefit everyone equally — they expose weaknesses just as much as they create opportunity.

Understanding sentiment is most valuable when used for **risk management and behavioral control**, not prediction.
