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TU TRADERS UNION · RESEARCH

CRYPTO MARKETS · RETAIL TRADER BEHAVIOR STUDY

How Retail Investors Actually Trade Crypto

A proprietary 2026 study of 1,200 active retail crypto traders comparing perceived strategy with real decision-making — and where it consistently breaks down.

64%	63%	58%
ENTER TRADES AFTER PRICE INCREASES	DO NOT USE STOP-LOSS	RELY ON SOCIAL MEDIA

TU Research Team
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Methodology
CAWI · 95% confidence · ±2.8%

Sample
1,200 retail traders

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01 Executive Findings

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Retail crypto traders often underperform due to reactive behavior and weak risk management. Across survey data and institutional research, a consistent pattern of late entries, sentiment-driven decisions and insufficient risk control emerges.

✓ **Retail traders follow price momentum.** 64% enter trades after price increases, confirming a strong tendency toward late entries.

✓ **Social influence dominates decision-making.** **58%** rely primarily on social media — far more than on technical (21%) or fundamental (14%) analysis.

✓ **Risk management is insufficient.** **63%** trade without stop-loss orders, leaving capital exposed to uncontrolled drawdowns.

✓ **Short-term bias dominates.** **61%** focus on short-term trading, amplifying noise and emotional decision-making.

✓ **Procyclical exits during downturns.** **49%** sell during declines, locking in losses — only 17% buy the dip.

✓ **A gap exists between strategy and behavior.** Most traders believe they follow a strategy; their actual trade history is largely reactive.

Risk warning: Cryptocurrencies are highly volatile, speculative instruments. This research is informational only and is not investment advice.

02 Introduction & Research Questions

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Why do most retail crypto traders underperform — even in a market that has delivered some of the highest returns in modern financial history?

Most retail traders believe they are following a strategy. In reality, their behavior is often reactive: they enter after price spikes, rely on social sentiment and reduce exposure when markets turn against them. The problem is not only volatility — it is the gap between how traders think they make decisions and how they actually act under pressure.

At Traders Union, we set out to test this gap using real-world data. We surveyed 1,200 active retail crypto traders across North America, Europe and Asia, and compared the results with institutional research from the BIS, JPMorgan and Coinbase Institutional to identify where retail behavior consistently breaks down.

The study focuses on five key questions

- When do retail traders actually enter the market relative to price moves?
- What inputs drive their trading decisions in practice?
- How widely are basic risk-management tools applied?
- Do retail traders favor short-term speculation or long-term positioning?

• How do they behave during market declines?

03 Glossary

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Stop-loss order

A pre-set exit instruction that closes a position when price reaches a defined level, capping downside loss.

FOMO (Fear of Missing Out)

A behavioral bias driving traders to enter positions late, after visible price movement.

Loss aversion

The tendency to feel losses more strongly than equivalent gains, often delaying exit decisions.

Procyclical behavior

Buying during rallies and selling during declines — the opposite of contrarian positioning.

CAWI

Computer-Assisted Web Interviewing — an online survey methodology for structured responses.

On-chain data

Blockchain transaction data that reveals capital flows, exchange activity and large-holder ("whale") behavior.

Buy the dip

A strategy of entering positions during price declines, typical of contrarian or long-term investors.

04 Insights From Institutional & Market Data

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Analysis of institutional, on-chain and market data reveals a consistent pattern in retail crypto investor behavior.

According to the **Bank for International Settlements (BIS) Working Paper No. 1049**, retail participation in crypto markets is largely price-driven: rising Bitcoin prices are followed by the entry of new users, meaning most retail investors enter after upward moves rather than before them. The same paper estimates **73–81% of retail investors have likely incurred losses**, highlighting a structural disadvantage in timing.

This dynamic becomes even more visible during market stress. **BIS Bulletin No. 69** shows that during major events such as Terra/Luna and FTX, large investors were selling while retail investors were buying — reinforcing the conclusion that retail capital enters at unfavorable points in the cycle.

The **JPMorgan Institute** report links retail trading activity to Bitcoin price cycles: participation rises during strong price growth and elevated volatility, suggesting reaction to momentum rather than anticipation. **Coinbase Institutional** data shows institutional activity is increasingly focused on risk management and structured positioning, while retail remains concentrated in high-volatility periods.

Key takeaways

73–81%	Late	Reactive
of retail investors likely incurred losses (BIS)	retail entry — after price increases	decisions driven by sentiment, not strategy

Across all major sources — BIS, JPMorgan, Coinbase Institutional — a consistent conclusion emerges: retail investors enter late and follow price momentum, decisions are largely reactive and sentiment-driven, and they often buy during rallies and underperform during downturns. More experienced and institutional participants, by contrast, position earlier, apply structured strategies and use volatility as an opportunity rather than a trigger.

05 Theoretical Framework

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From a theoretical perspective, retail trading behavior in crypto is shaped by three key factors.

FACTOR	HOW IT AFFECTS RETAIL BEHAVIOR
Behavioral biases	FOMO, loss aversion and recency bias strongly influence decision-making
Information asymmetry	Retail relies on simplified or delayed information, social media and influencer opinions
Market structure	24/7 crypto markets amplify emotional trading and reduce structured decisions

Academic studies (SSRN, NBER) confirm that retail investors tend to buy after price increases, sell during downturns, and overtrade during volatile periods.

06 Methodology & Research Team

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To evaluate whether widely documented behavioral patterns are reflected in real-world trading, we conducted a proprietary quantitative study among retail investors using the CAWI methodology, allowing standardized data collection across a diverse group of participants.

1,200 RETAIL TRADERS	**Global** N. AMERICA · EUROPE · ASIA
6+ mo MARKET ACTIVITY	**95%** CONFIDENCE
±2.8% MARGIN OF ERROR	**CAWI** SURVEY METHOD

Participation criteria: active engagement in cryptocurrency trading with at least six months of market activity — ensuring responses reflect real decision-making rather than theoretical assumptions.

Research team

Anastasiia Chabaniuk · Author
Research design and interpretation

Chinmay Soni · Fact-checker
Data validation & statistical verification

Dan Blystone · Editor-in-Chief
Editorial & methodological supervision

Andrey Mastykin · TU Research
Data collection and analysis

07 Survey Results

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Entry behavior

To understand how retail traders enter the market, the survey examined timing of position openings relative to price movements.

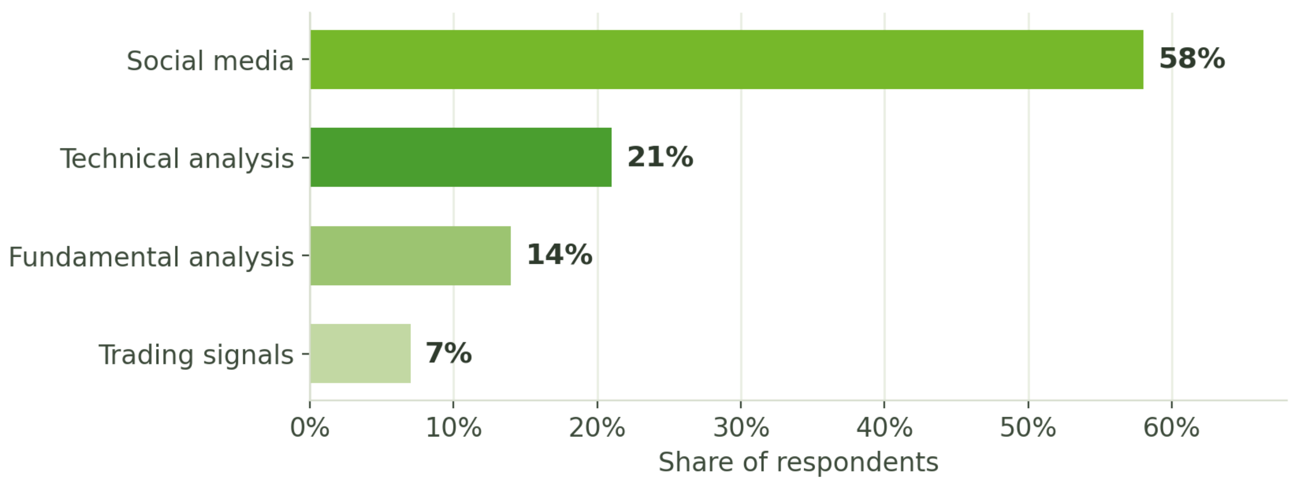
When retail traders open positions

INSIGHT

The majority of traders enter positions after price momentum, confirming a strong tendency toward late entry and reduced ability to capture the full trend.

Trading drivers

The data indicates a clear dominance of external and sentiment-driven inputs over structured analytical approaches.



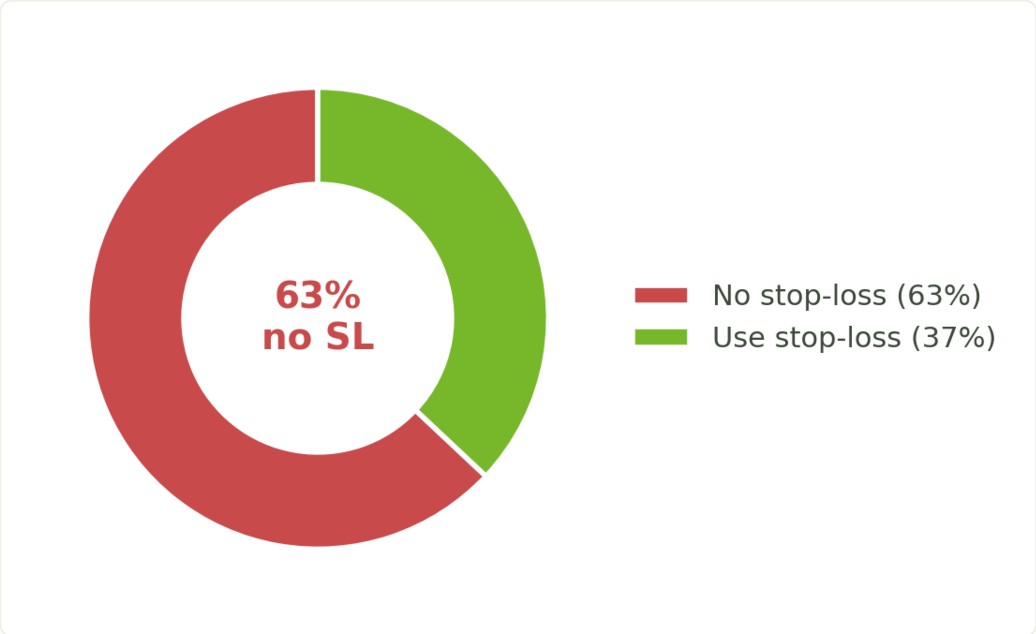
TRADING DRIVER	SHARE	NUMBER OF TRADERS (OF 1,200)
Social media	58%	696
Technical analysis	21%	252
Fundamental analysis	14%	168
Trading signals	7%	84

INSIGHT

696 traders rely on social media — making behavior highly dependent on sentiment, trends and influencer-driven narratives. Only 252 use technical analysis, suggesting limited adoption of structured strategies. This pattern reflects information asymmetry and herd behavior.

Risk management

The findings reveal a significant gap between basic risk management principles and actual trading behavior.



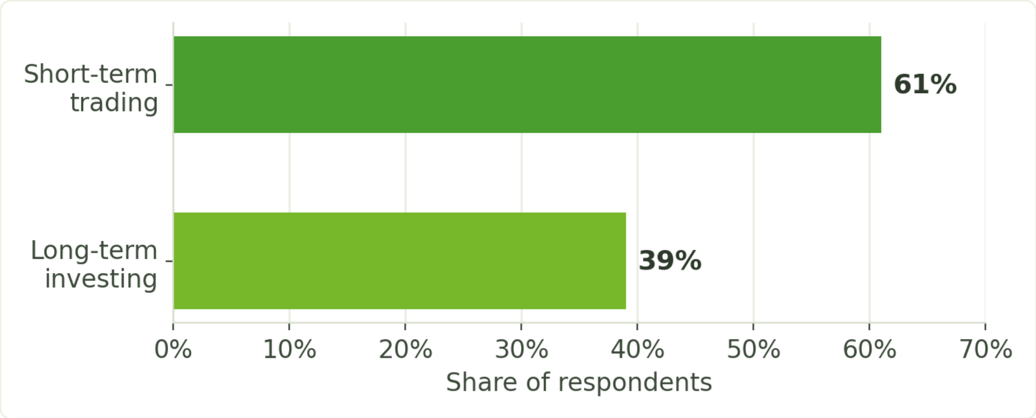
Use of stop-loss orders among retail traders

INSIGHT

756 traders operate without predefined exit levels, exposing capital to uncontrolled losses. Only 444 consistently use stop-loss orders. This is closely linked to loss aversion: traders avoid setting stops to avoid realizing losses — but this often leads to larger drawdowns, especially in highly volatile crypto markets.

Trading style

The analysis confirms a clear bias toward short-term strategies.



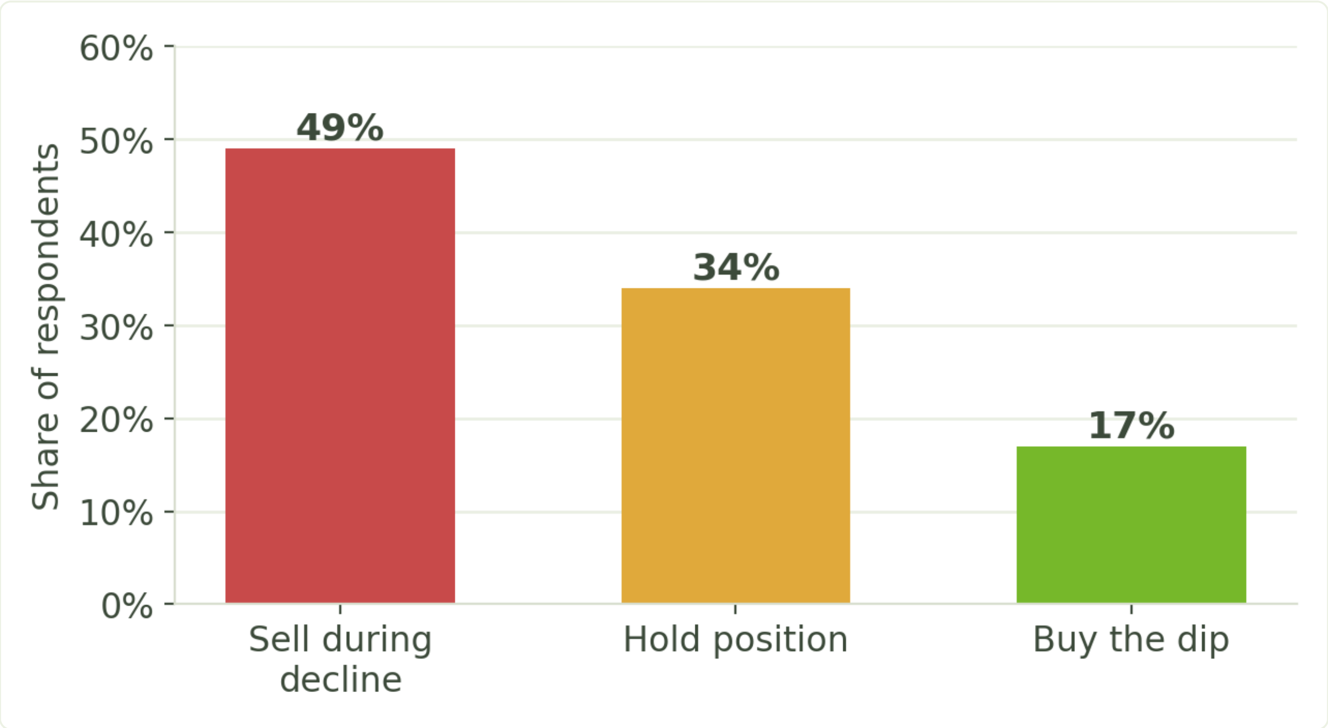
Short-term vs long-term orientation

INSIGHT

Retail traders predominantly favor short-term speculation over long-term positioning, increasing exposure to volatility and emotional decision-making. Only 468 traders follow a long-term approach — typically associated with better alignment to fundamental trends and more stable performance.

Behavior during market declines

To understand how retail traders respond to adverse conditions, the survey examined behavior during price declines.



Reaction to falling prices

INSIGHT

Nearly half of retail traders exit positions during downturns. 588 traders close positions during declines, often locking in losses; 408 hold (often reflecting indecision rather than strategy); only 204 actively buy the dip. This reinforces a classic procyclical pattern: entering during growth, exiting during declines — often at unfavorable prices.

08 Simple Ways to Trade More Effectively

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To avoid the common mistakes highlighted in this research, traders can focus on a few practical principles:

- **Define entry rules in advance.** Avoid entering trades based on recent price spikes or emotions.
- **Use stop-loss consistently.** Set your risk before entering a position, not after.
- **Reduce reliance on social media.** Sentiment can provide context, but it shouldn't replace analysis.
- **Focus on quality over quantity.** Fewer trades with clear setups tend to perform better.
- **Look beyond price action.** Understanding market structure and capital flow improves timing.

09 Expert Opinion

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AM

Andrey Mastykin
TU Research Analyst

"From my experience analyzing retail trading behavior, the most consistent issue is not access to tools, but the lack of structured decision-making. Many traders believe they are following a strategy, but when you analyze their actual trades, the patterns are clearly reactive. Entries are often driven by recent price movements or external noise rather than predefined criteria."

"What separates more consistent traders is not necessarily better predictions, but better process. This includes defining entry and exit rules, managing risk per trade, and avoiding impulsive decisions based on short-term market sentiment. In crypto markets especially, where volatility is high and information flow is constant, discipline becomes the primary edge."

10 Conclusion

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The research confirms a persistent gap between perceived strategy and actual behavior among retail crypto traders. The majority enter after price momentum, rely on social sentiment rather than analysis, operate without basic risk-management tools and react procyclically to market declines. Combined, these patterns explain why retail participants consistently underperform institutional counterparts despite operating in the same market.

The practical implication is straightforward: closing the gap does not require predicting markets better — it requires defining rules in advance and following them consistently. Predefined entries, stop-losses, reduced sentiment dependence and quality-over-quantity execution address each weakness identified in the data. In a market structurally biased toward volatility and noise, discipline is the most accessible edge available to retail traders.

11 Data Sources & References

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