Mr. Backtester

FOR FOREX, STOCK & CRYPTO TRADERS

Strategy Backtesting Workbook

Lock your rules. Test them honestly.
Know if a strategy works before you risk money.

This workbook belongs to

NAME _____

MAIN MARKETS _____

DATA SOURCE / PLATFORM _____

START DATE _____

IF FOUND, PLEASE CONTACT _____

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Click any line to jump there. The tabs on the right edge work on every page.

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How to use this workbook

Every strategy you test gets its own 13-page test pack in Part 2. Work through the pack in order. Each step answers one question, and a strategy has to pass each one before it earns the next.

1 **Write the card**
What exactly are the rules? If you cannot write them, you cannot test them.

2 **Lock the rules**
Decide your data split, costs and pass criteria before you see any result.

3 **Development test**
Log up to 100 trades on the development period and measure them.

4 **Time test**
Run the same rules once on the test period you have not touched.

5 **Market test**
Run the same rules on other markets. A real edge rarely lives on one chart.

6 **Forward test**
Trade it on demo or very small size and compare with the backtest.

7 **Decide**
Trade it, keep testing, or reject it. Score it out of eight.

How to fill in the pages

- Measure every trade in R: the result divided by the money you planned to risk. +2R means you made twice your risk; -1R means you lost exactly your risk.
- Put a cost on every trade (spread, commission, swap). Log the net R, not the gross.
- Log every signal the rules give you, including the ugly ones. Skipping trades is cherry-picking.
- Strategies you reject go to the graveyard page, with the reason. It saves you from testing the same idea twice.
- In this fillable edition, type entry, stop and exit on the log pages: R values, totals and statistics fill in by themselves. You can also type any value yourself. Calculations work best in Adobe Acrobat Reader (free).

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Five ways a backtest lies to you

Almost every backtest that looked great and then failed live fell into one of these. Check each one for every strategy you test.

1 Curve fitting

Tuning settings until the past looks perfect. The settings end up describing old noise, not a real pattern.

Avoid it: Adjust settings only on the development period. Judge the strategy on data it has never seen.

2 Look-ahead

Using information that was not available at the time: the close of a candle that is still open, or an indicator that repaints.

Avoid it: Enter only on closed candles. Check that your indicator does not change its past signals.

3 Cherry-picking

Testing only the charts, months or signals where the idea looks good.

Avoid it: Write the market and period down before you start. Log every signal the rules give.

4 Ignoring costs

Spread, commission, swap and slippage. Small per trade, large over a year.

Avoid it: Put a cost on every trade. A cost of 0.1R removes 10R from 100 trades.

5 Too few trades

A great result from 20 trades is mostly luck. It needs a much bigger sample to mean anything.

Avoid it: Aim for 100+ trades in development before you judge. See the next pages.

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Strategy test 1: card

STRATEGY NAME _____

IDEA SOURCE _____

MARKETS _____

TIMEFRAME / SESSION _____

DIRECTION ☐ Long only ☐ Short only ☐ Both

HYPOTHESIS: WHY SHOULD THIS WORK?

ENTRY RULES (IN THE ORDER YOU CHECK THEM)

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

FILTERS: DO NOT TRADE WHEN

INITIAL STOP

EXIT / TAKE PROFIT

INDICATOR SETTINGS

INDICATOR	SETTINGS	INDICATOR	SETTINGS

RISK PER TRADE _____ DATE _____

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Strategy test 1: development log

Type entry, stop and exit: Gross R, Net R and Cum R fill in by themselves. Or type any R value yourself.

#	DATE	L/S	ENTRY	STOP	EXIT	GROSS R	COST R	NET R	CUM R	NOTE
001										
002										
003										
004										
005										
006										
007										
008										
009										
010										
011										
012										
013										
014										
015										
016										
017										
018										
019										
020										
021										
022										
023										
024										
025										

This page: TRADES _____ WINS _____ LOSSES _____ NET R _____

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