NAIJAFX

Template: Trading Strategy Evaluation and Optimization Checklist

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Based on Article: "Complete Guide to Evaluating and Optimizing Trading Strategies"
Website: https://nairafx.ng

This checklist provides actionable steps for traders to evaluate and optimize their trading strategies to enhance performance and manage risks effectively.

Checklist Items:

- ☐ **1. Define Objectives and Success Criteria**
  Create a clear statement defining what the trading strategy must achieve, along with measurable KPIs and constraints.
  Reference Section: How to Define Objective and Success Criteria

- ☐ **2. Establish Performance Metrics**
  Identify key performance indicators such as Expectancy, Maximum Drawdown, Sharpe Ratio, Sortino Ratio, Win Rate, and Trade Frequency to track the performance of your strategy.
  Reference Section: Executive Summary

- ☐ **3. Conduct Detailed Backtesting**
  Perform backtests using realistic costs and slippage assumptions to gauge the effectiveness of your trading strategy under historical conditions.
  Reference Section: Designing a Robust Testing Plan

- ☐ **4. Run Walk-Forward Optimization**
  Implement walk-forward optimization to test the trading strategy on out-of-sample data and validate its robustness.
  Reference Section: Executive Summary

- ☐ **5. Execute Monte Carlo Simulations**
  Run Monte Carlo simulations to estimate various potential equity curve scenarios and understand the risks involved.
  Reference Section: Executive Summary

- ☐ **6. Apply Risk Management Techniques**
  Utilize position sizing strategies based on volatility, and consider Kelly Fraction for determining risk allocation.
  Reference Section: Risk Management and Position Sizing

- ☐ **7. Incorporate Regime Filters**
  Implement regime filters to adjust strategies based on macro indicators and market conditions to minimize false signals.
  Reference Section: Executive Summary

- ☐ **8. Monitor and Review Performance**
  Establish a framework for ongoing monitoring and evaluation of trading performance against the predefined success criteria.
  Reference Section: Implementation and Monitoring Framework

- [ ] **9. Document Acceptance Criteria**
  Define and document acceptance criteria for transitioning from backtesting to live trading based on performance thresholds.
  Reference Section: How to Define Objective and Success Criteria