

Template: Forex Trading Strategy Backtesting Checklist

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Based on Article: "The Importance of Backtesting Your Forex Trading Strategy"

Website: <https://randfx.co.za/>

A practical checklist for backtesting your forex trading strategy to ensure realistic performance assessment and improve strategy robustness.

Checklist Items:

- 1. Gather Historical Data**
Select a data type that suits your strategy, such as tick data for scalping or minute/daily OHLC for swing trading. Ensure data continuity and correct timezones.
Reference Section: [Preparing Data and Tools for Accurate Backtests](#)
- 2. Clean the Data**
Remove bad ticks and fill small gaps using interpolation. Investigate large gaps to ensure data accuracy.
Reference Section: [Preparing Data and Tools for Accurate Backtests](#)
- 3. Incorporate Transaction Costs**
Model spreads, commissions, and slippage in your backtest to reflect realistic profit and loss (P&L) outcomes.
Reference Section: [What is Backtesting and Why It Matters](#)
- 4. Utilize Realistic Order Types**
Simulate different order fills (market, limit, partial) to accurately model execution scenarios in your backtest.
Reference Section: [What is Backtesting and Why It Matters](#)
- 5. Avoid Survivorship Bias**
Ensure your dataset includes historical data for all instruments traded, not just those that survived in the present day.
Reference Section: [What is Backtesting and Why It Matters](#)
- 6. Test Across Different Market Conditions**
Run your backtest over various market regimes to see how the strategy performs in different conditions (trending, range-bound, volatile).
Reference Section: [What is Backtesting and Why It Matters](#)
- 7. Log Trade Data**
Keep detailed records of all trades executed during backtesting to analyze performance and identify areas for improvement.
Reference Section: [What is Backtesting and Why It Matters](#)
- 8. Conduct Walk-Forward Testing**
Split your data to perform out-of-sample or walk-forward tests to validate the stability of your strategy's performance.
Reference Section: [What is Backtesting and Why It Matters](#)
- 9. Run a Demo Account**
Test your strategy using a demo account to sync historical results with real-world execution and latency.
Reference Section: [What is Backtesting and Why It Matters](#)

□ **10. Validate Broker Execution**

Cross-check your backtest results with live broker performance on a small scale, ensuring that assumptions about execution are sound.

Reference Section: [What is Backtesting and Why It Matters](#)