NAIJAFX

Template: Historical Performance Analysis Checklist

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Based on Article: "Analyzing Historical Performance: What to Look For"
Website: https://nairafx.ng

A practical checklist for evaluating historical trading performance to ensure a strategy's reliability and effectiveness.

Checklist Items:

- [ ] **1. Assess Backtest Quality**
  Evaluate whether the trading rules were effective across different historical samples rather than relying on a single favorable period.
  Reference Section: Good backtest, tradable strategy

- [ ] **2. Evaluate Tradability**
  Consider factors such as spread, slippage, liquidity, and the trader's ability to consistently follow the strategy in live conditions.
  Reference Section: Good backtest, tradable strategy

- [ ] **3. Measure Risk Reality**
  Calculate maximum drawdown and analyze the shape of the equity curve to understand the risk involved, not just the total return.
  Reference Section: Risk reality

- [ ] **4. Analyze Behavior Under Pressure**
  Test how the trading strategy performs after losing streaks or during periods of increased volatility.
  Reference Section: Behavior under pressure

- [ ] **5. Calculate Expectancy**
  Determine the average result per trade over time to assess whether the system generates positive returns over many trades.
  Reference Section: Average win, average loss, and reward-to-risk in plain language

- [ ] **6. Review Win Rate and Payoff Gap**
  Check the win rate alongside the average win and average loss to ensure that the strategy is not relying solely on a high win rate.
  Reference Section: Average win, average loss, and reward-to-risk in plain language

- [ ] **7. Examine Profit Factor**
  Evaluate the gross profit divided by gross loss to get a quick view of historical efficiency, being cautious of small sample sizes.
  Reference Section: Average win, average loss, and reward-to-risk in plain language

- [ ] **8. Assess Trade Distribution**
  Look into the distribution of trades to identify if a few large losses are skewing the overall performance of the strategy.
  Reference Section: Review trade distribution

- [ ] **9. Identify Market Conditions Impact**
  Consider how the strategy performed during different market conditions, especially transitions from calm to volatile markets.
  Reference Section: Short story: The strategy that looked great until the market changed