NAIJAFX

Template: Algorithmic Trading Strategy Evaluation Checklist

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Based on Article: "Exploring Algorithmic Trading: Evaluating Automated Strategies"
Website: https://nairafx.ng

A practical checklist for evaluating automated trading strategies to ensure they are robust and reliable under real market conditions.

Checklist Items:

- [ ] **1. Conduct Risk Control Assessment**
  Evaluate maximum drawdown, stop-loss rules, and position sizing to understand potential losses during bad market runs.
  Reference Section: Core evaluation checklist

- [ ] **2. Analyze Historical Performance**
  Review win rate, profit factor, and expectancy to confirm the strategy's edge remains intact after accounting for costs such as spreads and commissions.
  Reference Section: Core evaluation checklist

- [ ] **3. Evaluate Execution Quality**
  Check slippage, spread sensitivity, and latency to assess how real-world trading may differ from backtests and to identify any potential execution issues.
  Reference Section: Core evaluation checklist

- [ ] **4. Backtest with Realistic Friction**
  Include realistic trading costs in backtests to avoid overestimating performance. Use clean data with no missing candles or bad ticks.
  Reference Section: A practical testing path

- [ ] **5. Stress Test Assumptions**
  Modify entry timing, widen costs, and test out-of-sample periods to determine the robustness of the strategy under varied conditions.
  Reference Section: A practical testing path

- [ ] **6. Perform Demo Trading**
  Run the strategy in a demo or paper trading environment to observe how it behaves during different market sessions and news events.
  Reference Section: A practical testing path

- [ ] **7. Trade with Small Live Size**
  Begin live trading with the smallest practical amount to compare live fills against demo results and assess performance under real conditions.
  Reference Section: A practical testing path

- [ ] **8. Review and Adjust Slowly**
  Maintain steady trading rules over time to analyze results across different market conditions before making significant changes.
  Reference Section: A practical testing path

- [ ] **9. Check for Unrealistic Backtest Results**
  Scrutinize the data source, trade costs, sample size, and any gaps between live and backtest results to identify potential weaknesses in the strategy.
  Reference Section: How to spot a flashy backtest