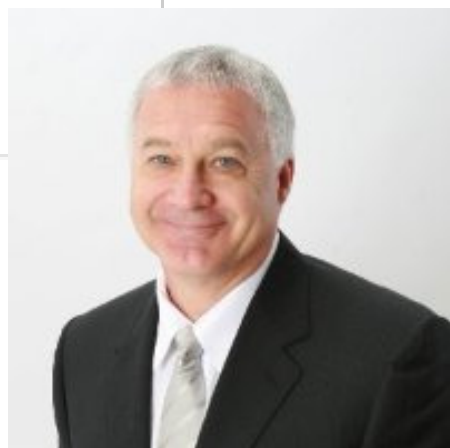


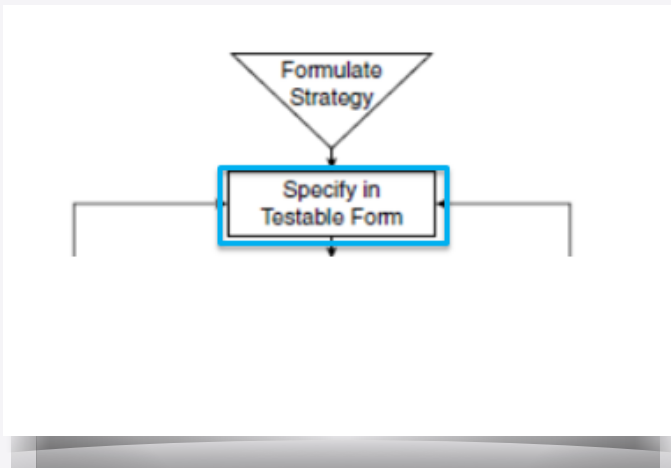
A proven framework for

BUILDING ROBUST TRADING STRATEGIES

With Bob Pardo



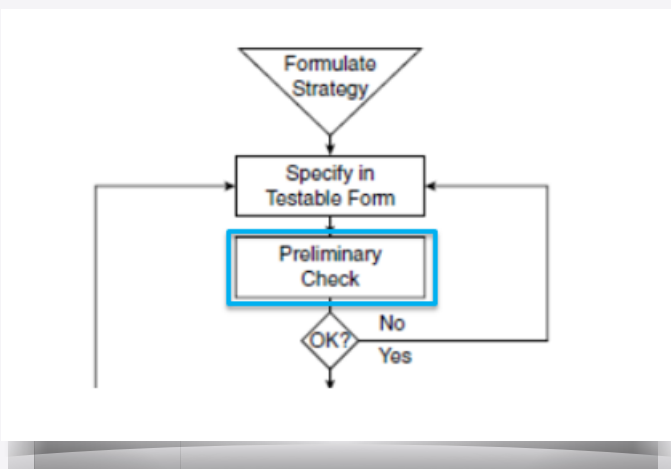
1. Define the trading rules



- Define the minimum set of trading rules, when to get in and out of a trade

Action plan:

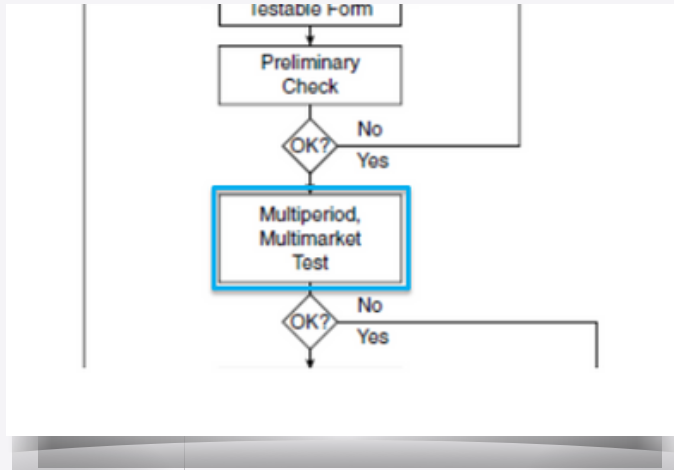
2. Preliminary check



- Check to make sure you really are getting the results you expect
- Garbage in = garbage out

Action plan:

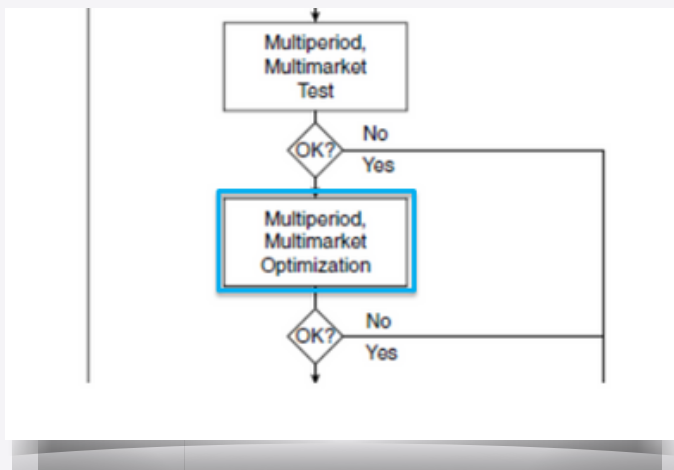
3. Multiperiod, Multimarket Test



- Five two-year periods in sequence over five or six representative markets
- You should be getting respectable results in each period and in each market
- Important to identify if it's a one-market strategy or a multimarket strategy
- If results are abysmal, do not continue

Action plan:

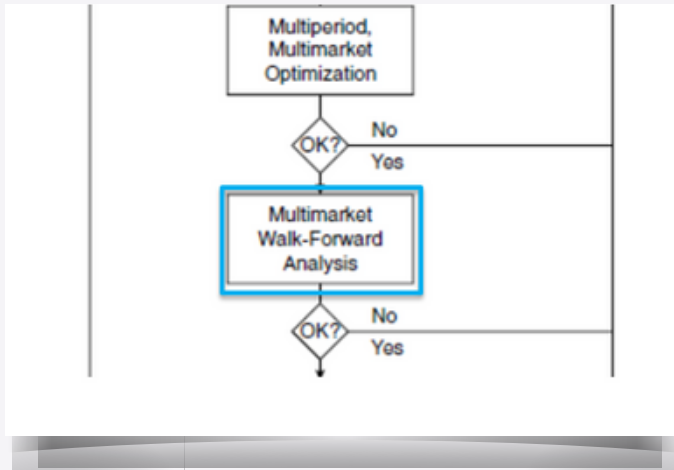
4. Multiperiod, Multimarket Optimization



- Look at the different markets over the same periods using optimization scans
- You're hoping for all or most optimizations to look attractive, tradeable, and relatively uniform

Action plan:

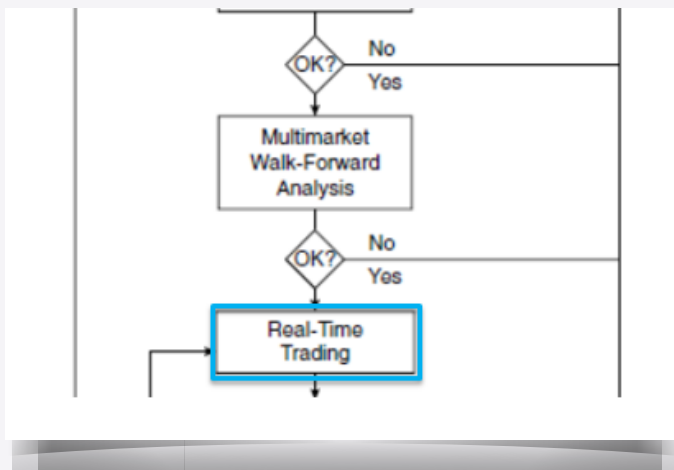
5. Multimarket Walk-Forward Analysis



- Run all the different markets you want to trade through walk-forward analysis
- Good optimization results and terrible walk forward results = the results that you're getting in the optimization really are random
- If you don't pass the walk forward test, you're done, do not go any further

Action plan:

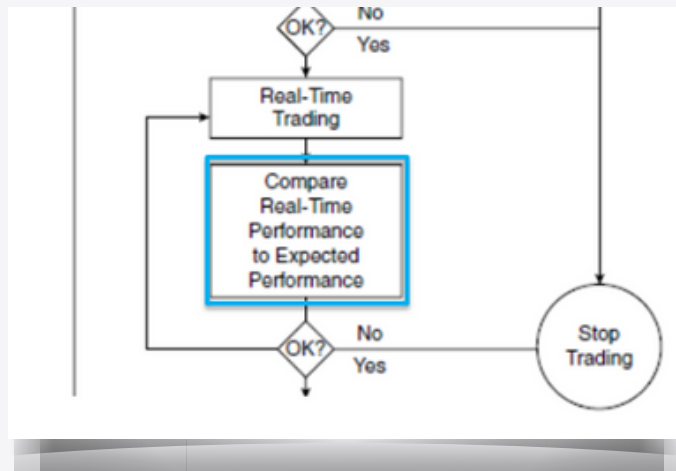
6. Real-Time Trading



- Don't need to paper trade it if you've done a proper walk-forward analysis

Action plan:

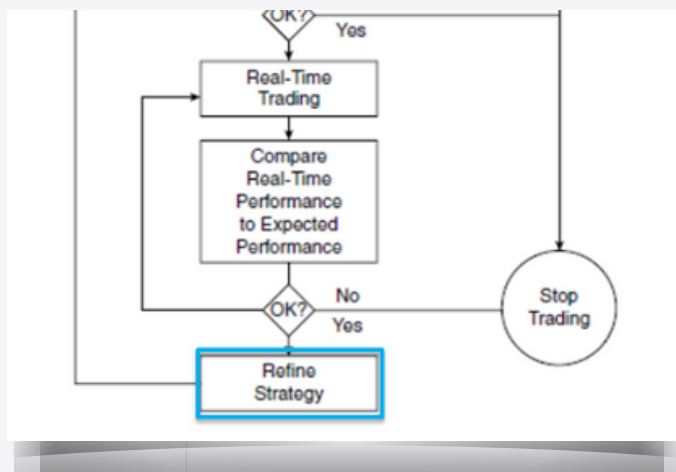
7. Compare Real-Time to Expected Performance



- Expectation is real-time performance is in line with walk-forward analysis
- If you have a large deviation from the walk-forward performance, there's something wrong

Action plan:

8. Refine Strategy



- Any improvements to the strategy should be tested from the very beginning of the process

Action plan:
