

## StrategyDB – Back-testing 103

### Benefits of back-testing time-series stock market data.

Back-testing is a technique used in order to test a trading strategy using the previous data. It mainly tends to check the performance of the strategies which has been employed over past period. Back-testing can also be defined as a special type of cross validation on time series data. Back-testing requires detailed historic data to simulate the past conditions.

The screenshot shows the StrategyDB Performance Matrix interface. At the top, there is a navigation bar with links for Home, Support, Performance Matrix (active), Strategy Matrix, and Log Out. Below the navigation bar is a search and filter section with dropdown menus for Page Size (25), Exchange, Symbol, Interval, Category, Strategy, End Date, and My Template (Default). A search button and a Reset Filters button are also present. The main content is a table with the following columns: Exchange, Symbol, Interval, Category, StrategyName, NetProfit, ProfitFactor, PercentProfit, AvgWinTrade, AvgLossTrade, GrossProfit, GrossLoss, ChartStartDate, ChartEndDate, and Max. The table contains 15 rows of data for various trading strategies on the CME exchange with a 15-minute interval.

Exchange	Symbol	Interval	Category	StrategyName	NetProfit	ProfitFactor	PercentProfit	AvgWinTrade	AvgLossTrade	GrossProfit	GrossLoss	ChartStartDate	ChartEndDate	Max
CME	@AD	15 Minute	Signal	PivotExt	10880	1.08	42.78	153	-127	139340	-128460	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Oscillator	Stochastic	8080	1.16	63.55	300	-477	59200	-51120	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Channel	Bollinger Band	3800	1.06	59.54	309	-444	63750	-59960	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Signal	OutsideBar	1680	1.03	44.58	397	-325	58900	-57220	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Signal	PivotPiv	600	1.01	32.40	440	-214	71280	-70680	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Cross	MACD	-100	1.00	32.68	310	-157	102540	-102740	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Signal	NewHighLow	-360	0.00	0.00	0	-180	0	-360	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Signal	Inside Bar	-2880	0.96	46.85	302	-306	74120	-77000	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Oscillator	RSI	-3940	0.88	57.29	506	-815	27880	-31820	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Signal	ConsecUpsDwns	-4300	0.95	37.94	344	-231	77400	-81700	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Cross	MA2 Cross	-5720	0.94	36.68	272	-181	86650	-92380	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Cross	MA3 Cross	-6580	0.92	34.62	355	-215	73650	-80240	02/04/2014	09/01/2014	
CME	@AD	15 Minute	Cross	Parabolic	-7420	0.93	34.15	295	-170	102700	-110120	02/04/2014	09/01/2014	

The only thing you require in stock market trading is to emerge victorious, to feel the light again after a long walk in deep shadows in the depth of failures. Back-testing is tracking down different strategies changing everyday you wake up, also tracking down all historic ups and downs and make decisions accordingly. Let's have a look at it, how it goes. We firstly open the trade on the first day and with running time, on some random day we take a look over the stock market whether value is increased by 5% or more. If it's not we increment the present time positions by a day and again has a look at the stock market. And if value is increased by 5% or more we close the present trade on the following business day at the particular stock market's price. Another trade account is allowed to be opened on the next day of the closing of previous trading account. Also we check whether current returns from open trade exceed -5%, if it happens we replace the open time of a new trade with the same for open

price of that trade. Hence this strategy allows us to restart the back-testing process and also the search for a new profitable topic in the stock market.

When we talk about stock market there can be many strategies to get good returns but keeping records over the past about the niche is very important before opening the new trade account. Back-testing is keeping an eye over these different strategies and keeping a record of previous data using these strategies. Back-testing will help you understand behavior of a niche in different scenarios. Implementing this strategy is quite simple and it provides numerous advantages, the most important among them is pulling the stock market data becomes easy also we can test this strategy on a wide range of niches with a much less effort. Hence this strategy is quite simple yet yields more impressive results. Back-testing a theory assumes that the things happened in past will happen in future which means it is dependent completely on the past scenarios, and these assumptions can be a potential threat for this strategy. Hence it can be said that through this strategy the results achieved are completely dependent on the movements in the tested period. As like we have a time series of stock market data with a consistent increment in stock rates will be considered to follow the same path in future. So here tested period favors the upcoming growth of the trade and hence is beneficial for time-series stock market data.

Links

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