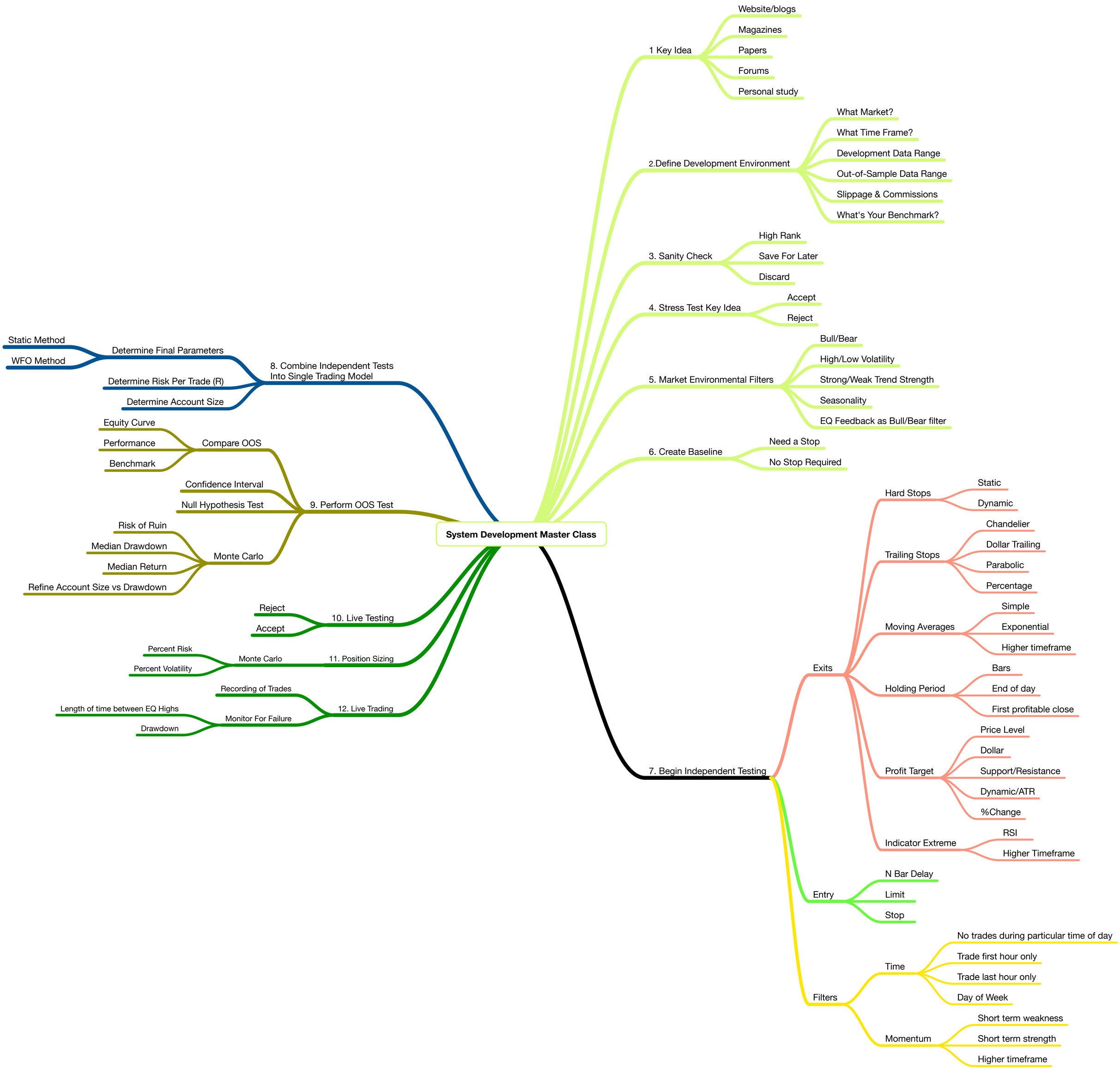
System Development Master Class
1 Key Idea
Website/blogs
Magazines
Papers
Forums
Personal study
2.Define Development Environment
What Market?
What Time Frame?
Development Data Range
Out-of-Sample Data Range
Slippage & Commissions
What's Your Benchmark?
3. Sanity Check
High Rank
Save For Later
Discard
4. Stress Test Key Idea
Accept
Reject
5. Market Environmental Filters
Bull/Bear
High/Low Volatility
Strong/Weak Trend Strength
Seasonality
EQ Feedback as Bull/Bear filter
6. Create Baseline
Need a Stop
No Stop Required
7. Begin Independent Testing
Exits
Hard Stops
Static
Dynamic
Trailing Stops
Chandelier
Dollar Trailing
Parabolic
Percentage
Moving Averages
Simple
Exponential
Higher timeframe
Holding Period
Bars
End of day
First profitable close
Profit Target
Price Level
Dollar
Support/Resistance
Dynamic/ATR
%Change
Indicator Extreme
RSI
Higher Timeframe
Entry
N Bar Delay
Limit
Stop
Filters
Time
No trades during particular time of day
Trade first hour only
Trade last hour only
Day of Week
Momentum
Short term weakness
Short term strength
Higher timeframe
8. Combine Independent Tests Into Single Trading Model
Determine Final Parameters
Static Method
WFO Method
Determine Risk Per Trade (R)
Determine Account Size
9. Perform OOS Test
Compare OOS
Equity Curve
Performance
Benchmark
Confidence Interval
Null Hypothesis Test
Monte Carlo
Risk of Ruin
Median Drawdown
Median Return
Refine Account Size vs Drawdown
10. Live Testing
Reject
Accept
11. Position Sizing
Monte Carlo
Percent Risk
Percent Volatility
12. Live Trading
Recording of Trades
Monitor For Failure
Length of time between EQ Highs
Drawdown