

# Backtest Performance with 4 combined Pairs

by Antomi

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## **Introduction:**

Usually a backtest (bt) is done with one pair only because this is the only way how it can be done with MetaTrader.

In order to spread the risk typically several pairs are traded in parallel. In order to test how these pairs are working together it is necessary to combine the backtest data of each pair in the correct order. The result is a combined balance curve of all traded pairs (EURUSD, EURGBP, USDJPY, EURCHF).

This is the only and most correct way to study the performance of parallel traded pairs.

In this report basically two studies are done:

1. Performance test (backtest) of 4 pairs traded parallel with Blessing using Alpari historical data. With these historical data also the best settings were evaluated earlier and a set-file was generated for each pair.
2. The same test but with the historical data from forextester (<http://www.forextester.com/datasources.html>).

It is obvious that the first study results in a superb performance because of the optimized settings for each pair.

The second study with its different data source should give a much more realistic performance.

## **Procedure:**

The following trading tactic with Blessing is assumed:

Start with a capital of \$ 10,000 trading 4 pairs, each endowed with \$ 2,500. Setting of Equity Protection (EP) is 50%. In the case that one pair stops because of EP, the whole system stops. The new account balance will be again evenly distributed and the system starts again. This will be repeated until the end of the test period.

### Data interpretation:

In order to interpret all data of the different pairs it was necessary to place each single trade of all pairs in one spread sheet (Excel) in the correct sequence. For this the following procedure was used:

For each pair the backtest was started at the defined date and was running until Blessing stopped trading because of the 50% EP.

Then it was checked which pair stopped at first. All backtests were started again but this time they were running until the data were the first pair stopped.

All results were copied into Excel and arranged by the trading dates. By this means a combined balance curve for a first time period was created.

This procedure was repeated until the end of the test period (02 Jan. 2008 – 30 March 2009).

This was a lot of work but it was absolutely necessary in order to get a more accurate performance and a feeling how Blessing may work in reality.

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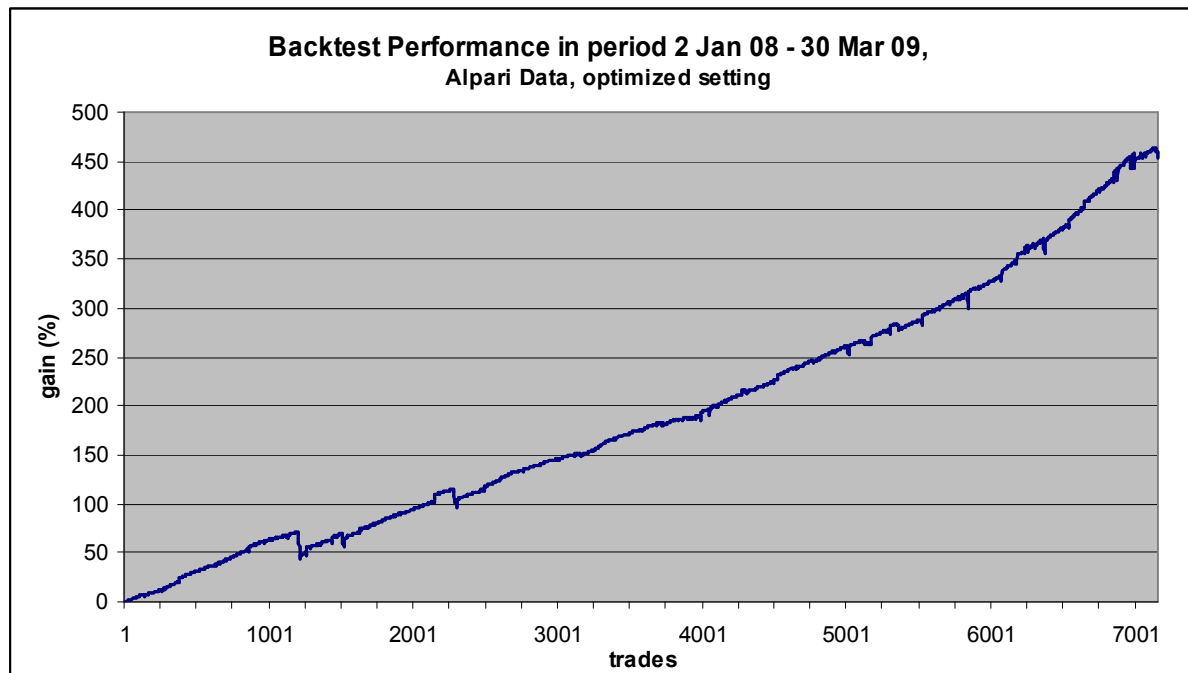
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## Results:

As mentioned before the test period of all backtests was 02 Jan 08 – 30 Mar 09. The settings for Blessing were optimized for each pair based on Alpari historical data. No pair stopped due to the 50% EP.

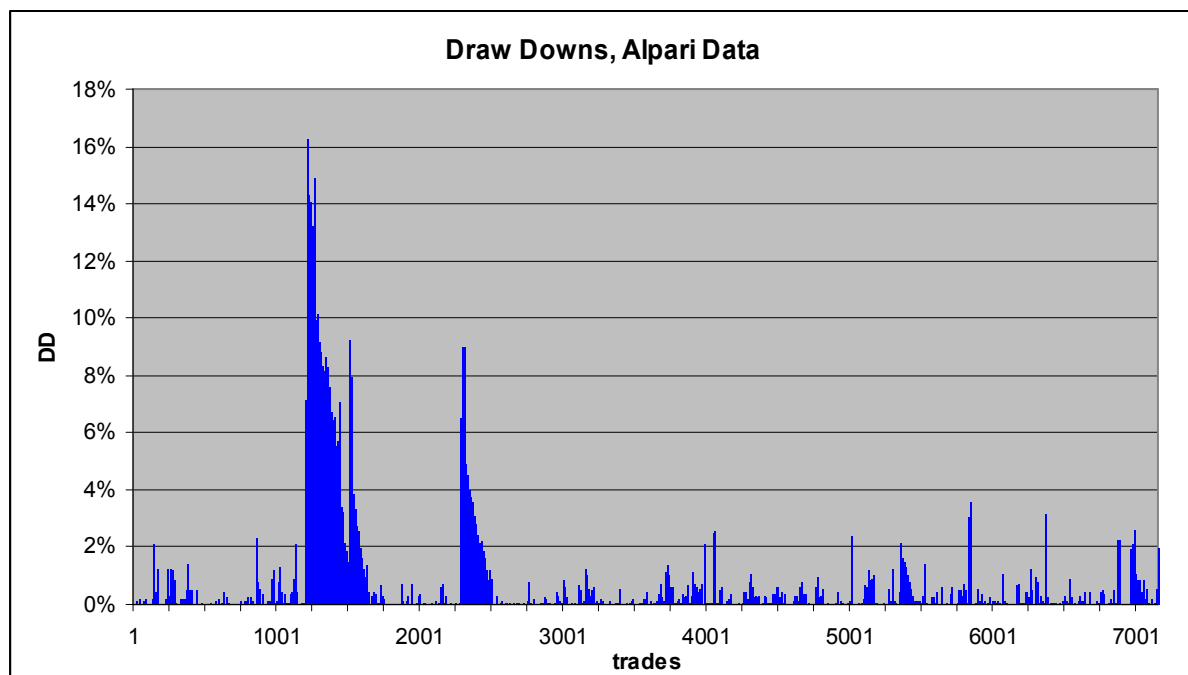
Graph 1 shows the performance in percent of the combined 4 pairs.

The gain at the end of the test period was 452 %, the max Draw Down only 16.3 %.



**Graph 1:** Performance in percent with Alpari data

In Graph 2 the Draw Downs are depicted.

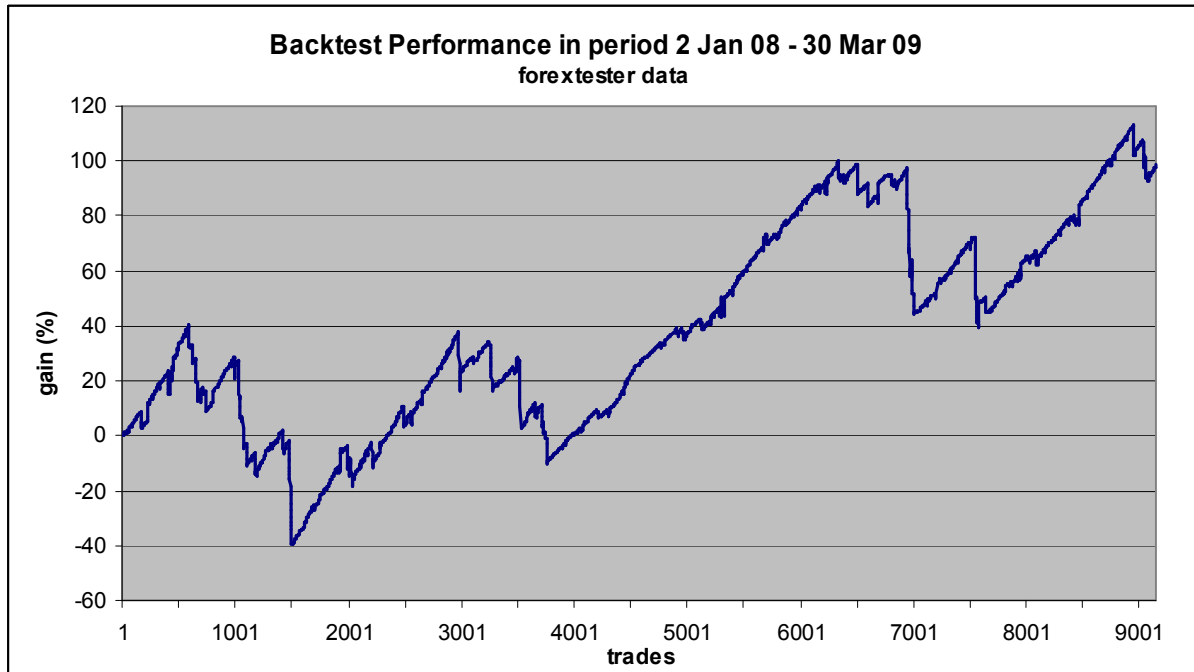


**Graph 2:** Draw Down in percent with Alpari data

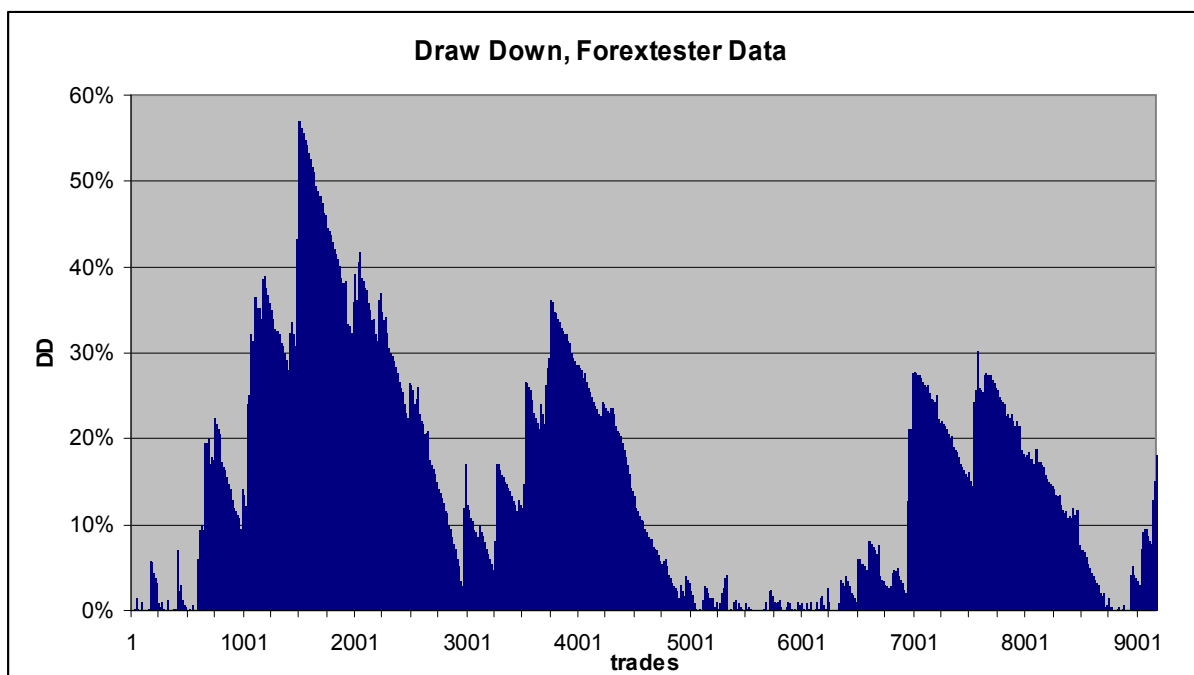
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These results are pure theoretical because the settings were optimized for the given time period. Due to this the second test is much more interesting because it is based on different historical data and therefore more realistic.



**Graph 3:** Backtest performance based on forextester historical data



**Graph 4:** Draw Down in percent with forextester data

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The gain at the end of the time period was 98.9% and the maximum draw down 57 %. These data are much more realistic and even with a combination of different pairs huge draw downs can happen.

During the tests it was noticed that the pairs EURUSD and EURGBP stopped trading due to the 50% EP often at the same date resulting in a big draw down.

In order to improve the performance a proper combination of pairs is essential. Another way to bypass this situation is possibly a different EP-setting setting for each pair.

An additional improvement is maybe not to wait until one pairs stops trading but to stop the complete system after a certain period of time (e.g. 2 weeks) and than start all over again. Unfortunately this has the disadvantage that the performance will slightly be reduced because open trades (in negative territory) must be closed and a loss is accepted.

Although this test with different historical data is much more realistic it should be stressed that the historical data are still compatible/similar and not complete different. Therefore the result is probably still biased.

This result shows also very clearly the impact of different data vendors (Brokers) and is important to realize.