

A Better Method for Backtesting With Metatrader

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Installation and Configuration

1: Download and install a copy of Metatrader from the broker you intend on going live with. **This will be your testing platform so don't plan on running anything else but strategy tester in it!**

2: Don't launch Metatrader, instead navigate windows explorer to the location where it was installed, go into the history folder and delete everything. That's right, select all and press delete. **The history is now history!**

3: Now launch Metatrader and create a demo account to use. This is necessary because the strategy tester will use certain settings and attributes that are specific to the demo account you create. It is important to create the demo account exactly to the specifications that you intend for your future live account. In my case, I trade minis and use 1:100 leverage.

4: Now that your account is created, close any charts that may be open, and close down the Metatrader. Navigate back to the history folder we were just in and there is a folder that was created for your demo account, its probably called demo<accountname> or something along those lines. Go inside this folder and delete all the *.hst files, leave the rest alone.

Blocking Communication Between Server and Metatrader

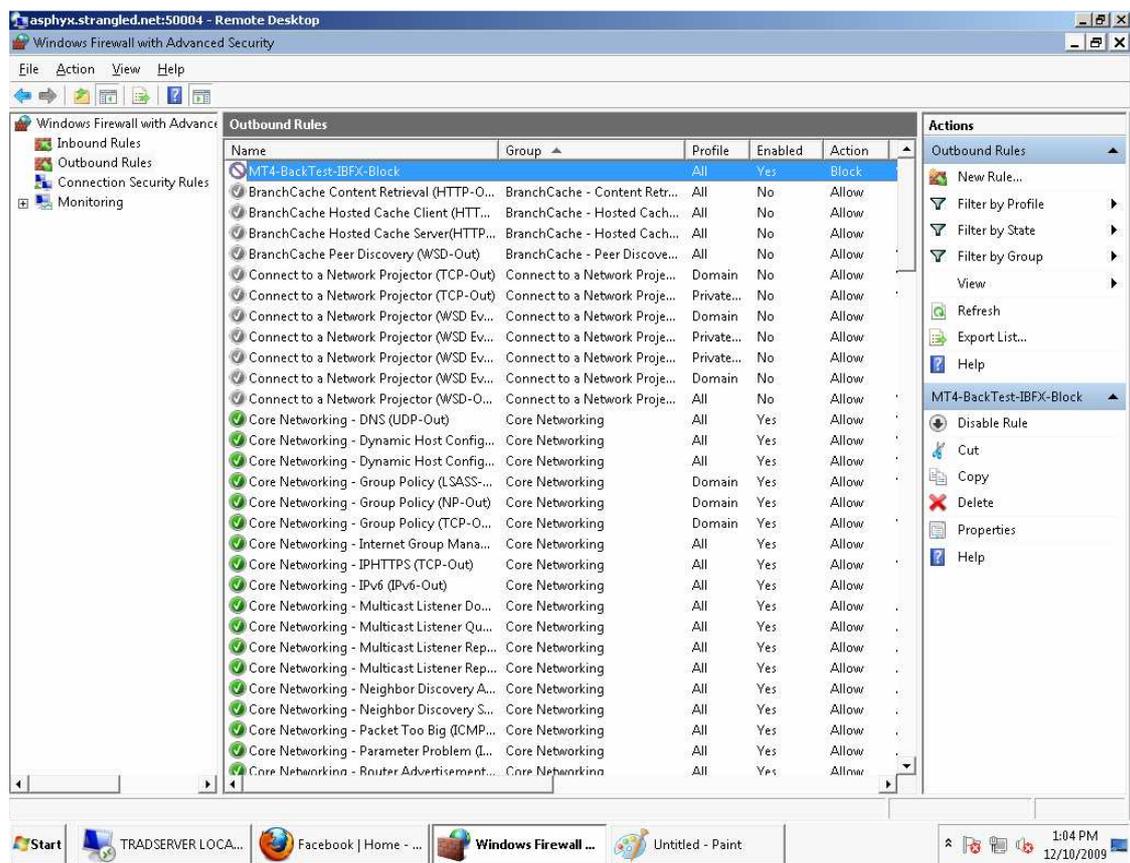
Now here's the explanation for the next couple of steps: We need to keep all of our demo account settings for the strategy tester to run smoothly and properly however we don't have an option inside MT4 to disconnect from the demo server, so when new ticks become available it will corrupt our data we are strategy testing with, I've also seen the case where the server overwrites older data.

To alleviate this we will enable a firewall to block all bidirectional communication between the broker's demo server and Metatrader's terminal.exe program. XP can't block terminal.exe adequately so we will use a free third party firewall to do this. Vista and Windows 7 should be capable of blocking **terminal.exe** with Windows Firewall. I've tested both method's successfully on Windows XP and Windows 7. Vista maybe slightly different, but it should be similar enough to Windows 7 example.

How to Block Communication In Vista / Windows 7

- **Start -> ControlPanel -> Windows Firewall**
- Make sure Windows Firewall is on.
- Click on **Advanced Settings**.
- Click on **New Rule** in the **Actions** window on the right side.
- Now create the rule as follows:
 - 1) Set **Rule Type** to "**Program**" and press **Next**
 - 2) For **Program**, select "**This program path:**"
 - 3) Now navigate to the installation directory of MT4 and select **terminal.exe**.
For example, mine is: "**C:\Program Files (x86)\MT4-BackTest-IBFX\terminal.exe**". Now Press **Next**
 - 4) Select "**Block the connection**" and press **Next**.
 - 5) For "**When does this rule apply?**", ensure that **Domain, Private, Public** are checked and press **Next**
 - 6) Give it a Name that you will remember, like "**MT4-BackTest-IBFX-Block**" and Press **Finish**

Your screen should look similar to the screenshot below.

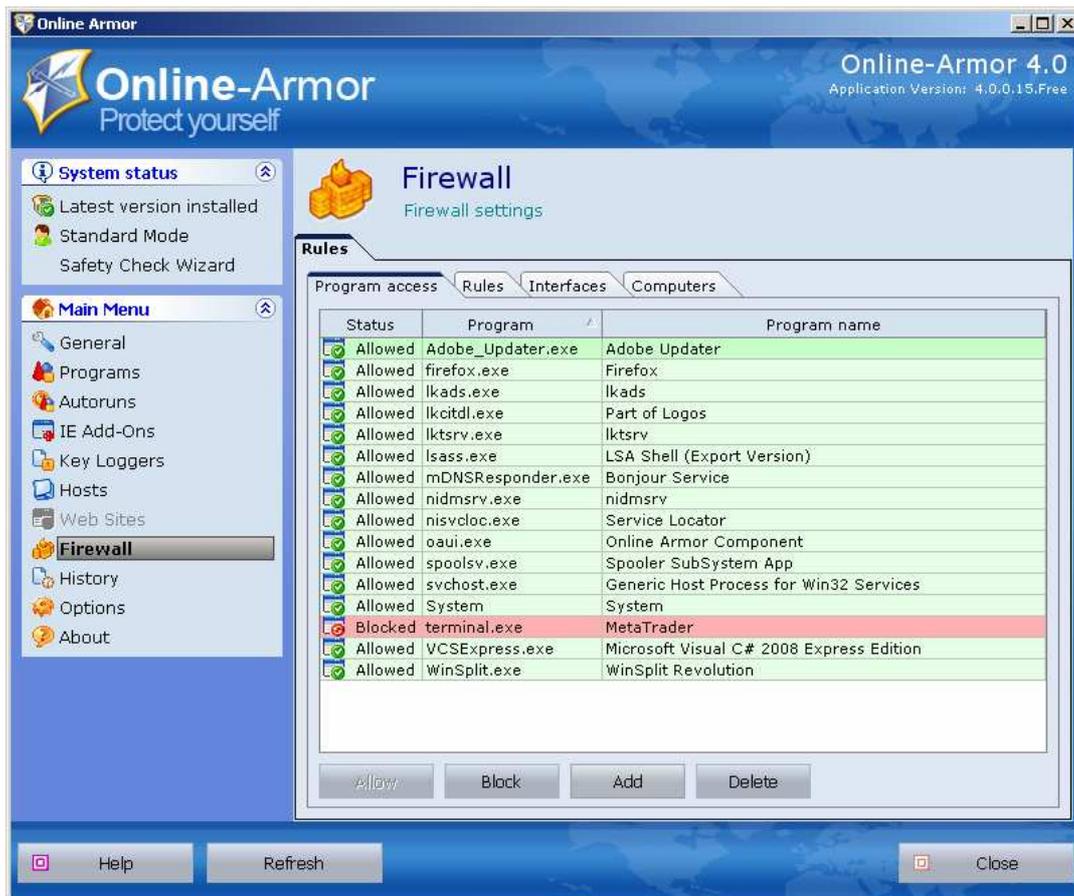


Now you can close and proceed to: **Verify The Firewall Is Doing It's Job.**

How to Block Communication In Windows XP

- Install Online-Armor from <http://www.tallemu.com/downloads.php> (Make sure to download the free version at the very bottom).
- You can use the default settings, restart computer when it's done and give it a few minutes to search your computer.
- When it's done **right-click** on the shield in the system tray and select **Configuration**
- Now go to **Firewall** found in the main menu
- Look for **terminal.exe**, if there are multiples, hover over the different **terminal.exe**'s until you find the one that you installed specifically for testing. If you don't see **terminal.exe** or you can't find the one you installed specifically for testing you can click **Add**, then navigate to the MT4 install directory and select **terminal.exe**. For example, "c:\program files\Interbank FX Trader 4".
- Now highlight it from the firewall list in Online-Armor's configuration manager and press **Block**

Your screen should look similar to the screenshot below.



Now **Close**.

Verify The Firewall Is Doing It's Job

Open MT4 and verify the following:

- Red Bars at the bottom right of the screen.
- No activity on the market watch window.

The screenshot displays the MT4 Interbank FX Trader 4 interface. The Market Watch window is grayed out and contains the following data:

Symbol	Bid	Ask
EURUSD	1.47070	1.47090
USDJPY	88.240	88.260

The Navigator window shows accounts for 2494229: Test and 2510427: Test. The Terminal window displays a list of messages:

Time	From	Headline
2009.12.09 15:42	help12@ibfx.com	New swap rates go into effect today at 4:59 PM/ET.
2009.12.07 19:50	Interbank FX, LLC	Registration
2009.11.30 16:29	help12@ibfx.com	United States: Employment Situation (Non Farm Payroll Report)

The Expert Advisor window shows the following settings:

- Expert Advisor: Blessing 2 v5.2, Copyright FIFiHeLeMeNt/J Talon LLC © 2007-2009, .
- Symbol: EURUSD, Euro vs US Dollar
- Period: H4
- Model: Every tick (the most precise method based on all available least timeframes to generate e...
- Use date: From: 2008.11.01 To: 2009.11.01
- Visual mode: Skip to: 2009.12.10

The status bar at the bottom right shows a red bar and the text "No connection".

Notice that: Market Watch is Gray and not changing

Notice that it says: No Connection

Loading Historical Data for Strategy Tester

So let's review where we are at. We have a "testing only" version of MT4 from our desired broker. We have a demo account created with the settings we want to test with and eventually go live with, i.e. Standard or Minis and appropriate leverage. And we have cut all communication between MT4 and the broker's server.

Now to load data, we can't just download from the Historical Center in MT4, which I don't like to do anyways because I'm not convinced of where the source of data comes from.

What I like to do is to have other installations of MT4 from different brokers and download from the history center, once the 1 Minute Data is present. I will export as a CSV (Comma Separated Value) and then save this file. From our testing only version of MT4 I will then go to the History Center and import the CSV file.

Another method is to download from a website. I have used FXDD and downloaded 1 Minute Data in either a *.txt, *.csv or *.hst. All the formats can be imported to the History Center.

In all methods the goal and process is the same.

- Open of the testing only version of MT4
- Open the Historical Center
- Double-Click the pair you want
- Now Double-Click the timeframe you have the data for. Use 1 Minute
- Now press **Import**
- Select your file and format.
- You should see a sample of the data, if not your import format may be wrong. You can change the options. For instance the data files you have maybe semi-colon-separated instead of comma-separated.

Once your data is entered, you're not done. MT4 doesn't create *.HST files from your imported data until you close MT4. So once you have the 1m data imported, Close MT4!

Now start MT4 again. Now you can go to file and open offline. Select the pair you previously imported and open. Now run your period converter to generate the timeframes you need. Again you should close to create the *.HST files for those generated timeframes.

While you are closed, take advantage of the *.HST by navigating to the <MT4_installation_directory>/history/<demo_account> folder and copying the multiple *.HST files so that you don't have to generate them again. Once copied, you can always close MT4 and place those files back in the folder.

Now you can Strategy Test as normal with incorruptible data.