

Robustness with MetaTrader platform

What means over-optimization?

The over-optimized Expert Advisors are made to show great backtest output for an exact period (normally past time). The parameters of the indicators in the strategy are fit to the Historical data to show nice results.

Normally, when we trade with such Expert Advisors, we see losses.

How to recognize over-optimization?

The method displayed below is for MetaTrader:

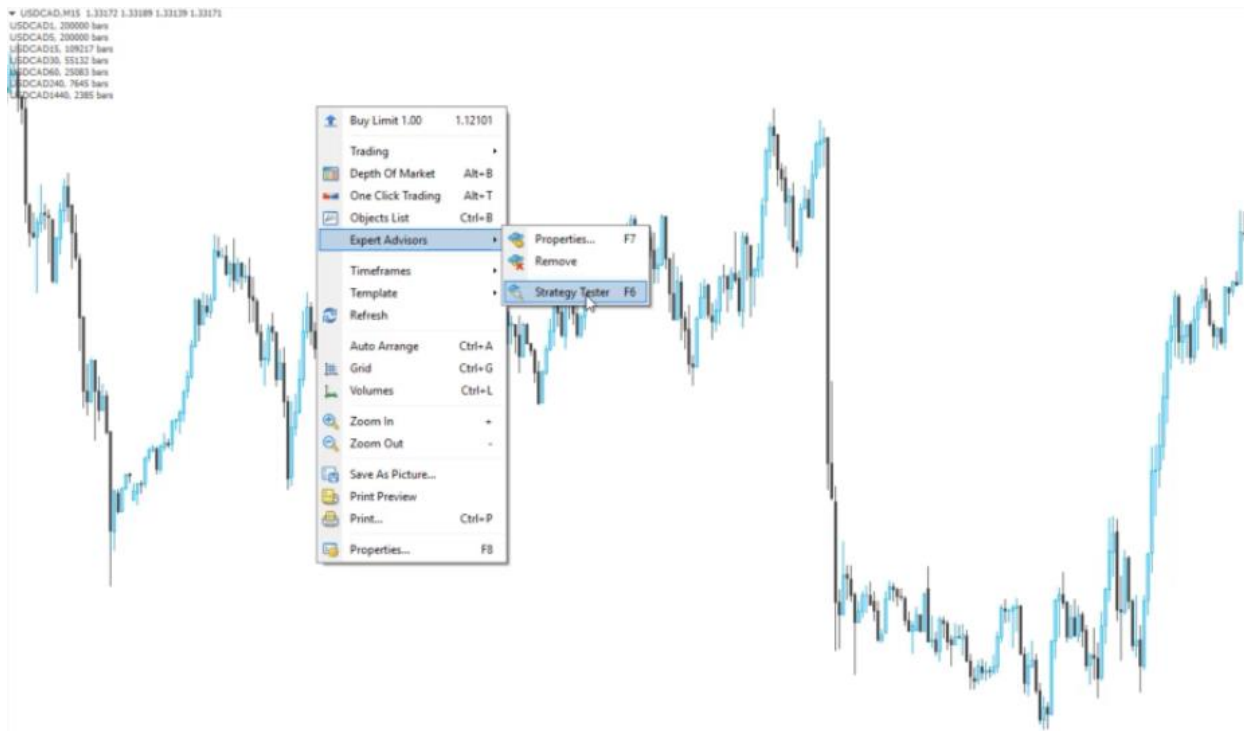
1. Perform a backtest with the Expert Advisor

Attach to the chart the Expert Advisor you want to test for over-optimization.

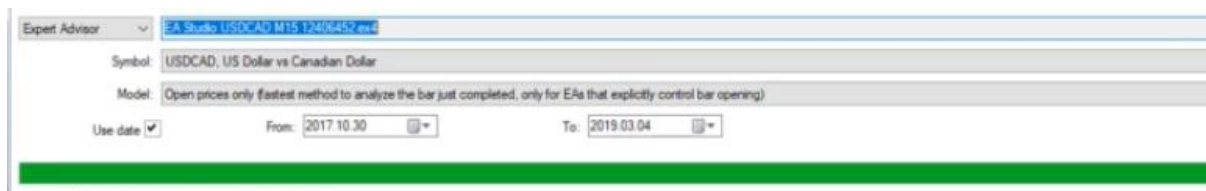
In lecture 11, you will find a PDF with detailed instructions on how to place the EAs over the chart, but here are quick tips:

- Select the EA you want to place on MT
- Go to **File->Open Data Folder->MQL4->Experts**
- Paste the EA in this folder and close it
- Right-click on the Experts tab in the Navigator, and select Refresh
- Drag the EA over the chart and click OK

To make a backtest, right-click over the chart at select Expert Advisors -> Strategy Tester:

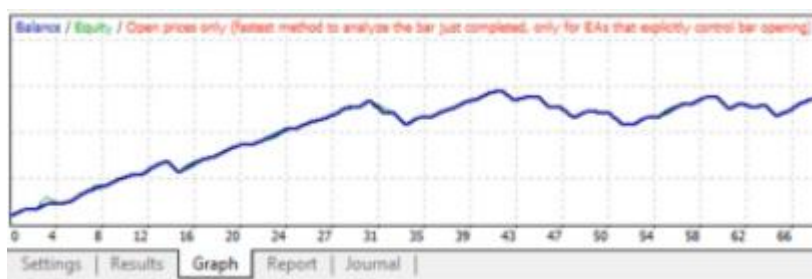


After that, select Open prices as a backtest method and the currency pair:



Click on Start and you will perform a backtest.

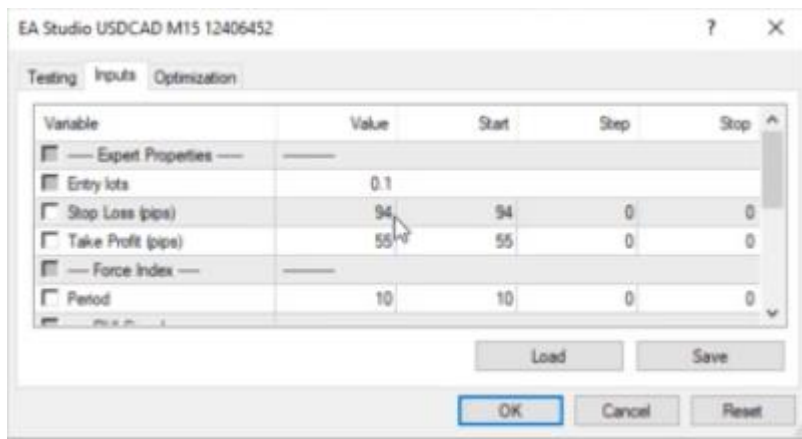
Go to Graph, and you will see the balance line:



2. Change some of the parameters

You can change the parameters for the backtest if you click on Expert Properties on the right side of the Tester.

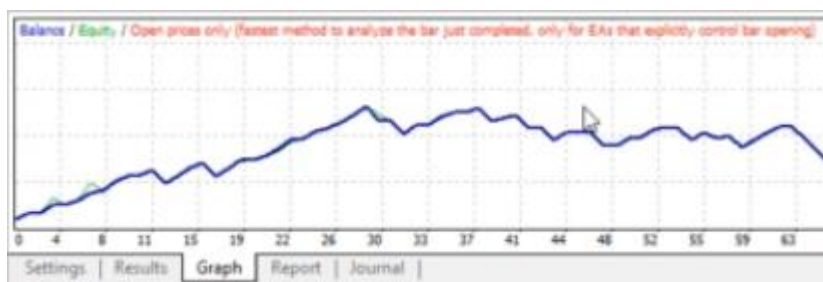
You will see a small menu with the parameters:



Change a bit one of the parameters and click OK.

3. Run the backtest again.

Here is the difference with changed Stop Loss and Take Profit:



A little bit worse result, but there is no huge difference in the Graph.

What is the idea of changing the parameters?

When we change some of the parameters, and we run a backtest, we see if the strategy is robust.

If there is a huge change in the backtest line (Graph) it means that the initial parameters were fit the Historical data to show the good equity line.

If there is a small or no difference, this gives us the signal that the strategy is robust, and with different parameters, it will still show us profit.

Petko & Forex Academy team,