Backtest honestly: 12 checks before you risk money

Most strategies that look good in a backtest fail one of these. Tick each box before a single real order. If you cannot tick one, you are not done testing.

Costs

- [ ] 1 **Fees on both sides, at your real tier.**
  Entry and exit each pay. Use the tier you actually have, taker unless you truly get maker fills.
- [ ] 2 **Slippage per side, sized to your orders.**
  Bigger orders and thinner books slip more. Assume worse than the average day.
- [ ] 3 **Funding on every perpetual you hold.**
  Each funding event between entry and exit counts. Longs usually pay.
- [ ] 4 **Know your break-even fee.**
  How much worse can costs get before the edge is gone? A thin margin is a warning.

Out of sample

- [ ] 5 **Pick the hold-out date first.**
  Write it down before you see any result. Never move it after.
- [ ] 6 **At least 30 trades after it.**
  Fewer cannot tell an edge from luck. Wait or widen the test.
- [ ] 7 **Compare in and out of sample.**
  If out of sample keeps less than half the average return, or is not above zero, stop.
- [ ] 8 **Count your knobs.**
  Every tuned parameter fits the past a little more. Fewer knobs, more trades.

Lookahead and data

- [ ] 9 **Recompute signals on cut data.**
  A value at bar *t* must not change when later bars are added.
- [ ] 10 **No whole-sample tricks.**
  No centred windows, negative `shift`, or mean and std over the full sample.
- [ ] 11 **Symbols that existed then.**
  Test on what was listed at the time, not on today's survivors.

Before real money

- [ ] 12 **Forward test, then paper days.**
  Run on data the strategy has never seen, then on live prices with paper money for days. Then start small, with a stop on the exchange for every position.
- [ ] ✓ **Write down what would make you stop.**
  A loss limit and a date to review, decided before the first trade.

The free tool runs checks 1–4, 6, 7 and 9 in a minute:

```
pip install git+https://github.com/kauriq/backtest-sanity
```

Leveraged futures can lose all your money quickly. Backtests, forward tests and paper runs do not predict results. This checklist is education, not financial advice. · Kauriq by Ninhle · ninhle.com/en/kauriq · hi@ninhle.com