

Performance Metrics Outline

1) Choosing Key KPIs:

Consider KPIs to be your trading jungle compass. Choose the criteria that most closely match your unique objectives and trading tactics:

- The Sharpe Ratio is a useful tool for evaluating strategies with varying risk profiles because it calculates risk-adjusted return. Better success relative to risk is indicated by a higher Sharpe Ratio.
- Sortino Ratio: Excellent for methods trying to reduce losses, this ratio focuses on downside risk. Better success during bearish periods is indicated by a higher Sortino Ratio.
- Annualised Return: A straightforward indicator of profitability that represents the total return on investment over a given time period.
- Win/Loss Ratio: The proportion of profitable trades to unsuccessful trades, providing a measure of trading accuracy.
- Average Trade Duration: Calculates holding time to evaluate the effectiveness of a strategy. A shorter average length is frequently associated with greater market flexibility.

2) Calculation and Sources of Data:

Precise definitions and trustworthy data sources are necessary for appropriate assessment:

- Define formulae: To guarantee a consistent and impartial evaluation, clearly state how each KPI is calculated.
- Determine the data sources: Indicate the sources of the data for each KPI, such as trading platform APIs, blockchain data providers, or backtesting tools.

3) Relevance to Strategies:

For significant insights, match your KPIs to the tactics you have selected.

- Trend-following: To evaluate trend capture and strategy efficacy, keep an eye on KPIs like as Win/Loss Ratio and Average Trade Duration.
- Arbitrage: To assess risk-adjusted returns and performance in volatile market conditions, pay particular attention to the Sortino and Sharpe ratios.
- Market-making: To gauge profitability and market influence, track trading volume and annualised return.