

Bionic Options Trader - Backtesting SOP: Build, Run, Compare, and Promote an Option Alpha Backtest

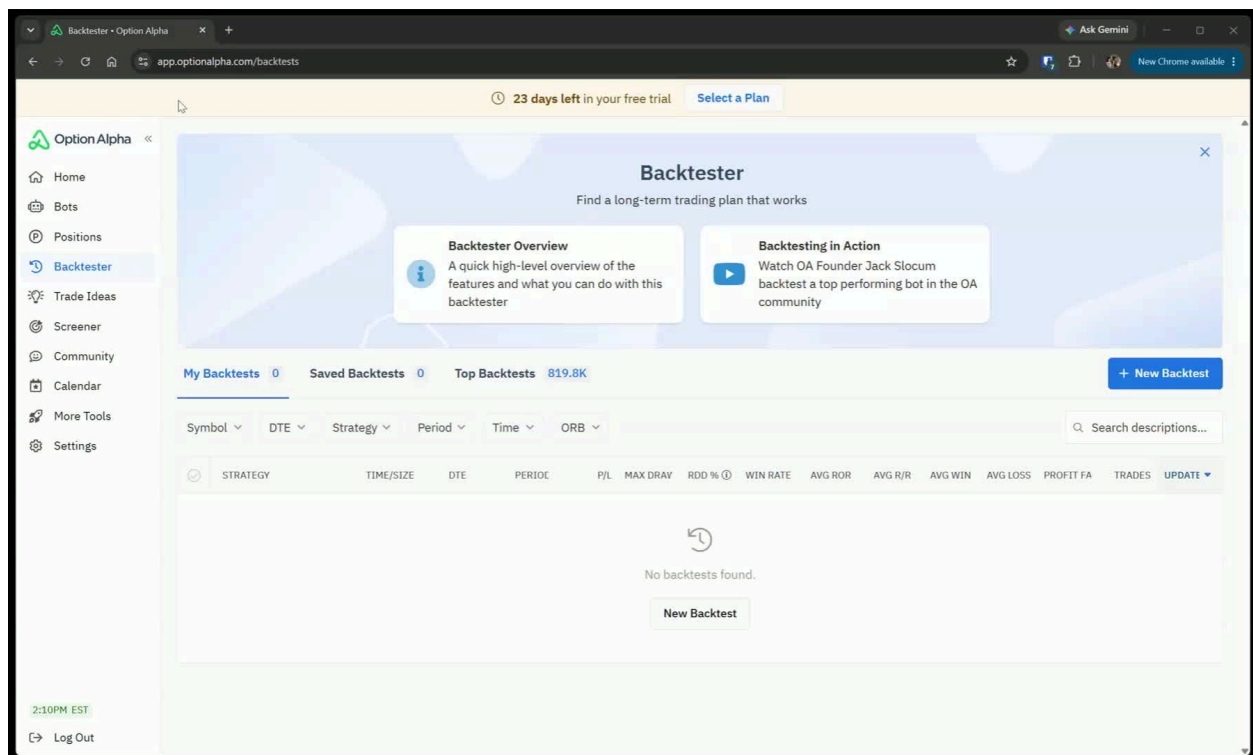
Objective

This SOP explains how to configure a backtest in Option Alpha, run the test, interpret the results, compare variations, and promote a successful setup into a bot. It is designed so a trader can repeat the process consistently and make informed adjustments without overwriting prior work.

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Key Steps

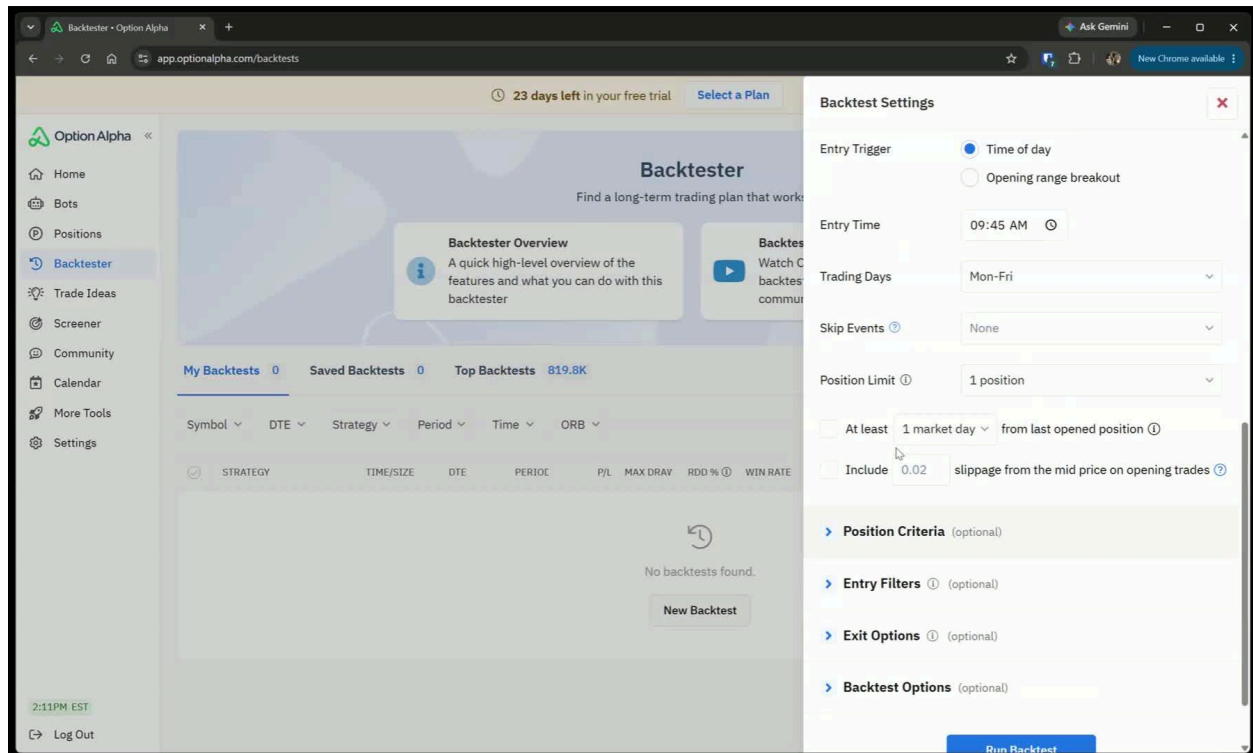
1. Open the Backtester and start a new test 0:22



- In Option Alpha, go to **Back Tester** from the left menu.

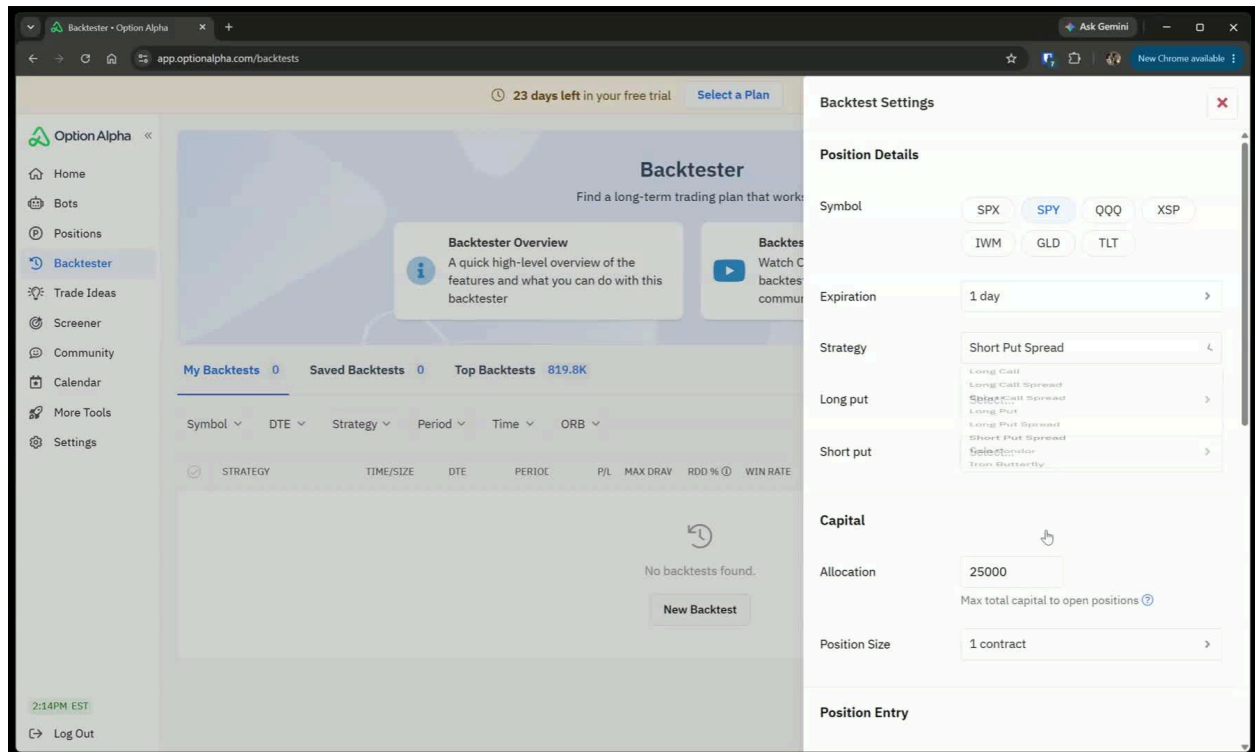
- Click **New Back Test** on the right panel.
- Confirm you are starting from a clean account or a blank backtest area so the setup is easy to follow.
- Use a symbol with reliable historical data for testing; **SPY** is preferred for cleaner data and tighter spreads.

2. Select the symbol and expiration rules 1:50



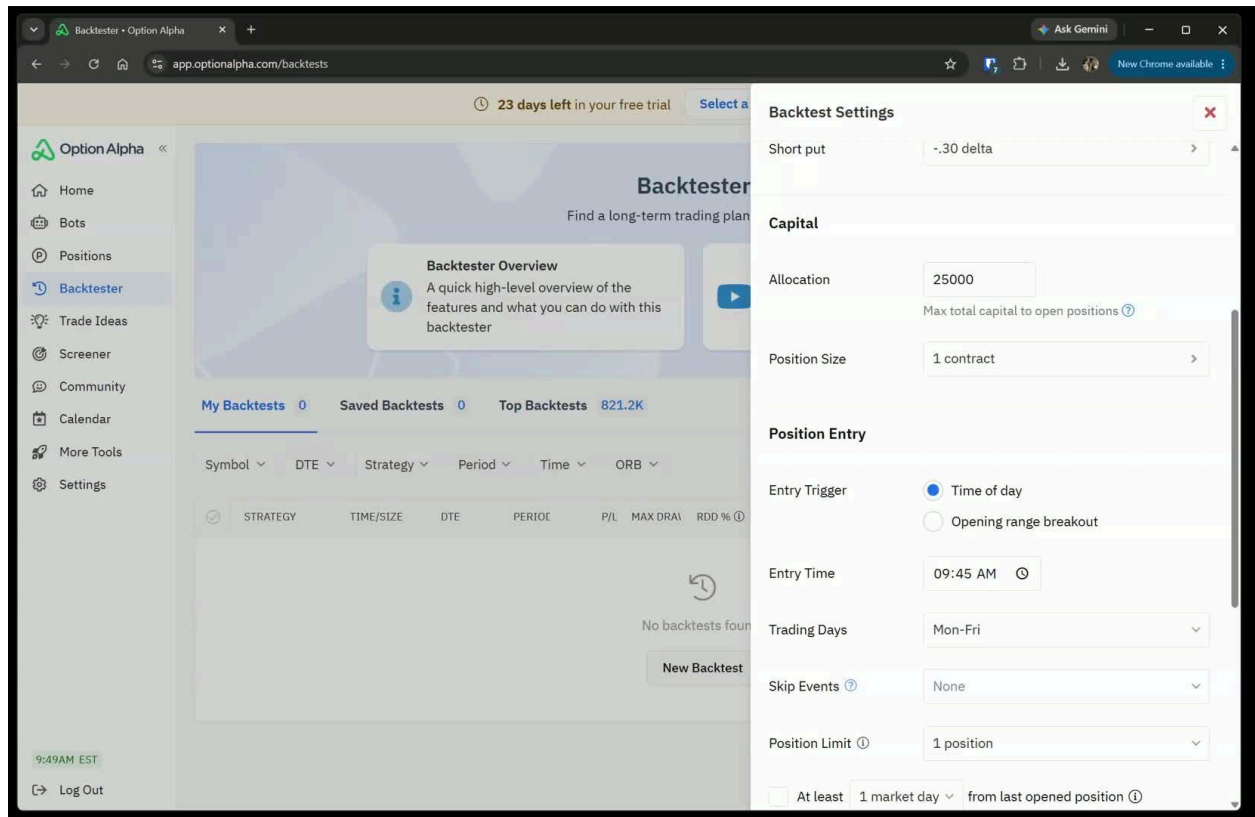
- Choose the **symbol** you want to test (example: SPY).
- Open **Expiration** and decide how to define time to expiration:
 - **Calendar days** if you think in calendar time.
 - **Market days** if you want trading-session-based timing.
- Set the expiration rule to **At least** a minimum number of days rather than exactly a fixed day when flexibility is needed.
- For this setup, use **At least 1 calendar day to expiration** so the trade can enter the day before expiration but not on expiration day.

3. Configure the spread type and strike selection 4:54



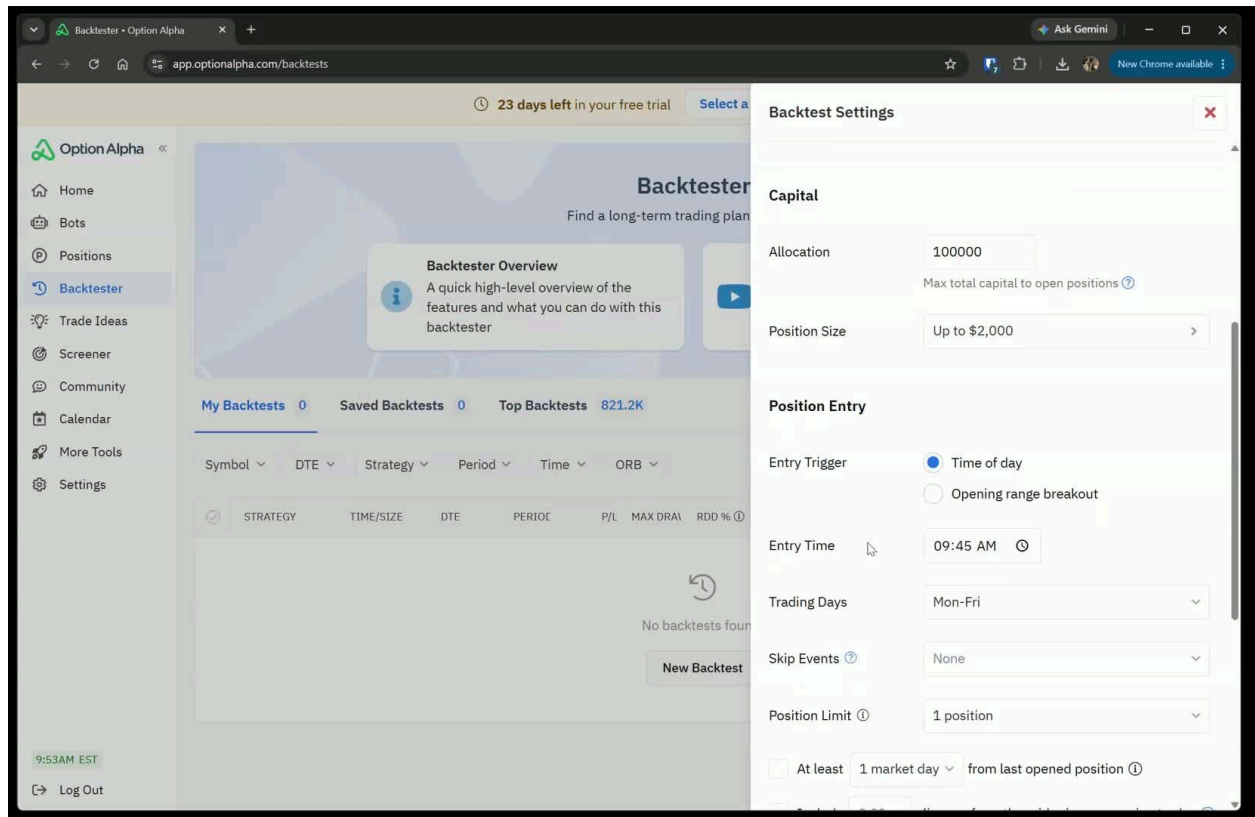
- Keep the default strategy type as **Short Put Spread**.
- Open the strike selection options and choose how strikes will be defined.
- Use **Delta** as the primary strike-selection method for a simple, repeatable setup.
- Set the **long put** around **10 Delta**.
- Set the **short put** around **30 Delta**.
- If needed, use **or closest**, **or lower**, or **or higher** to prevent strike overlap and keep the spread structure consistent.

4. Set allocation and position sizing 9:04



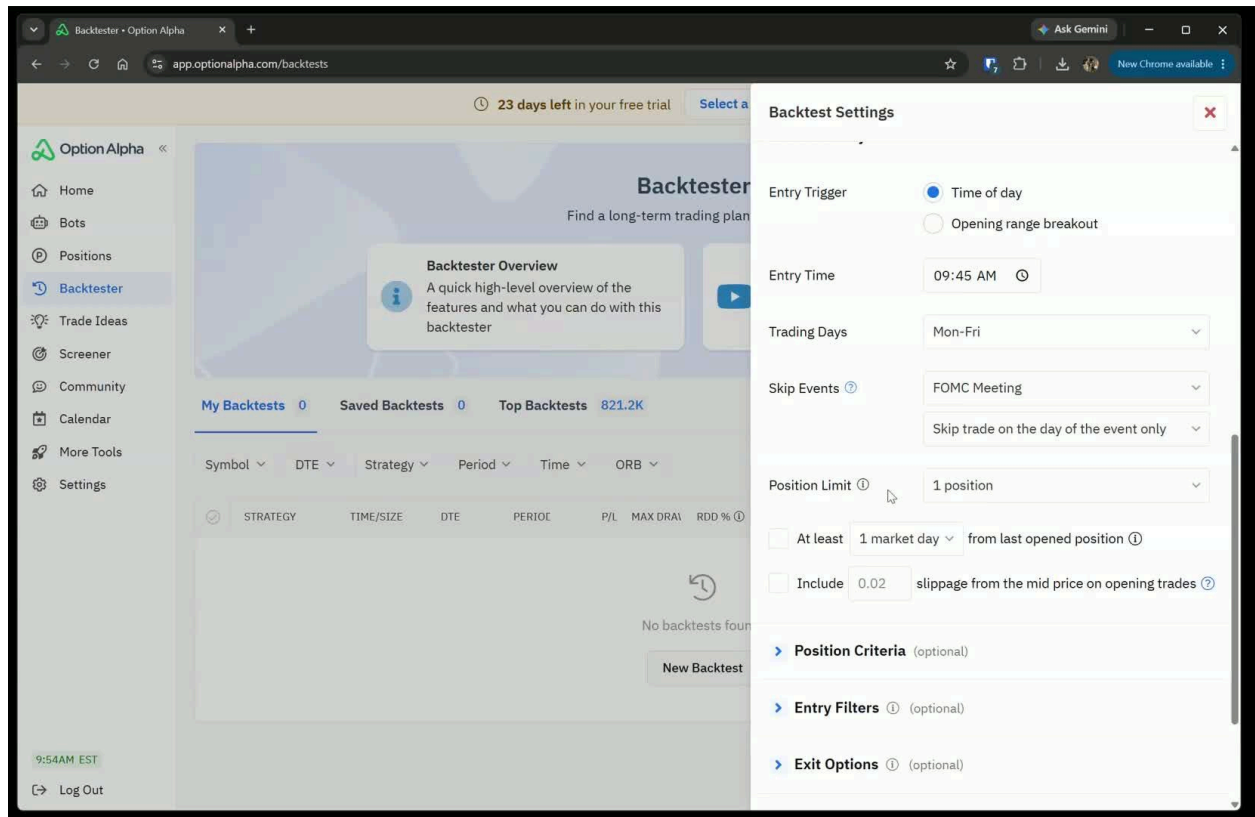
- Treat **allocation** as the amount of capital dedicated to this strategy as if it had its own account.
- Make sure allocation is large enough to absorb drawdowns and still allow new trades.
- Use **total amount of risk** for sizing so each trade has consistent exposure over time.
- In this example, set the trade size to about **\$2,000 risk per trade**.
- Keep the allocation high enough that the strategy does not stop trading due to temporary drawdown.

5. Define entry timing and event filters 12:45



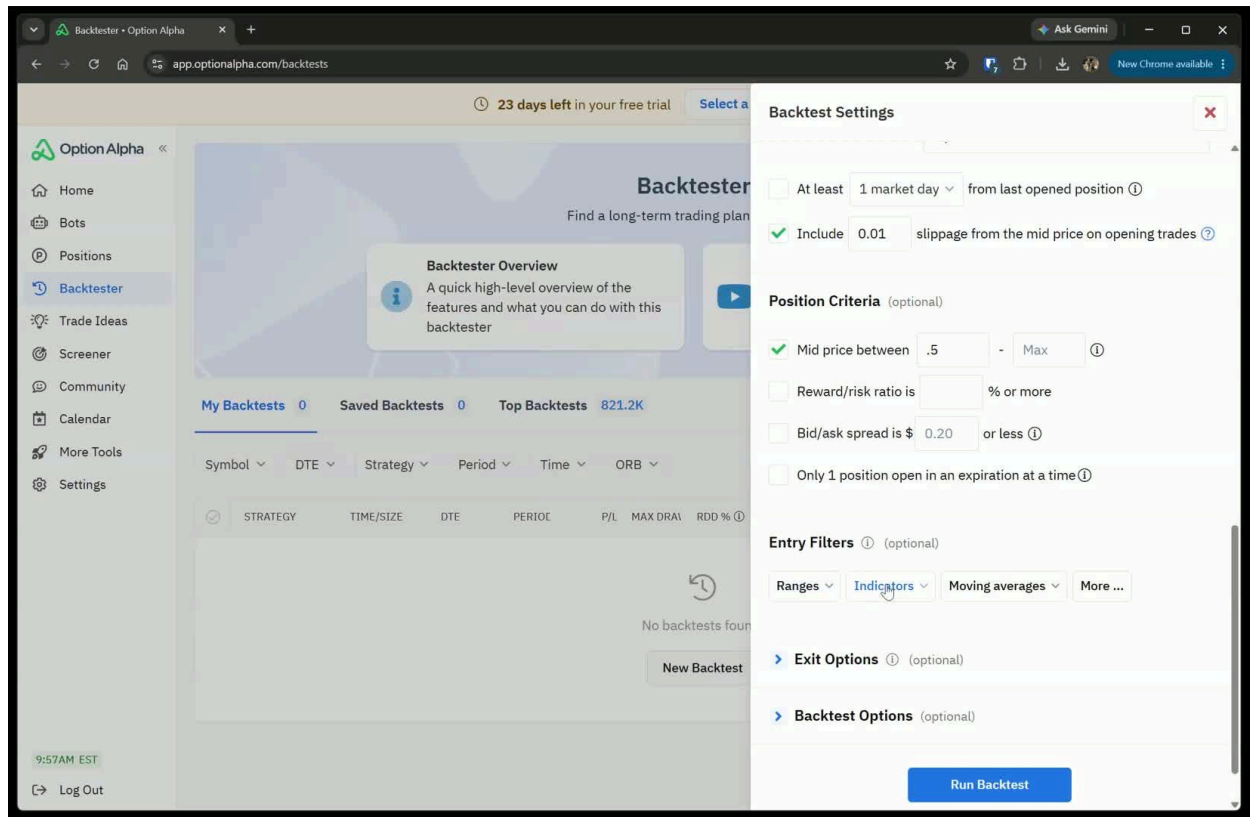
- Set **Time of Day** as the entry trigger.
- Enter trades at **9:45 AM Monday through Friday**.
- Open **Skip Events** and choose major events to avoid.
- For this setup, skip trades on the day of **FOMC**.
- Use event filters to avoid entering trades during high-impact market events that may distort results.

6. Apply position controls and trade quality filters 14:15



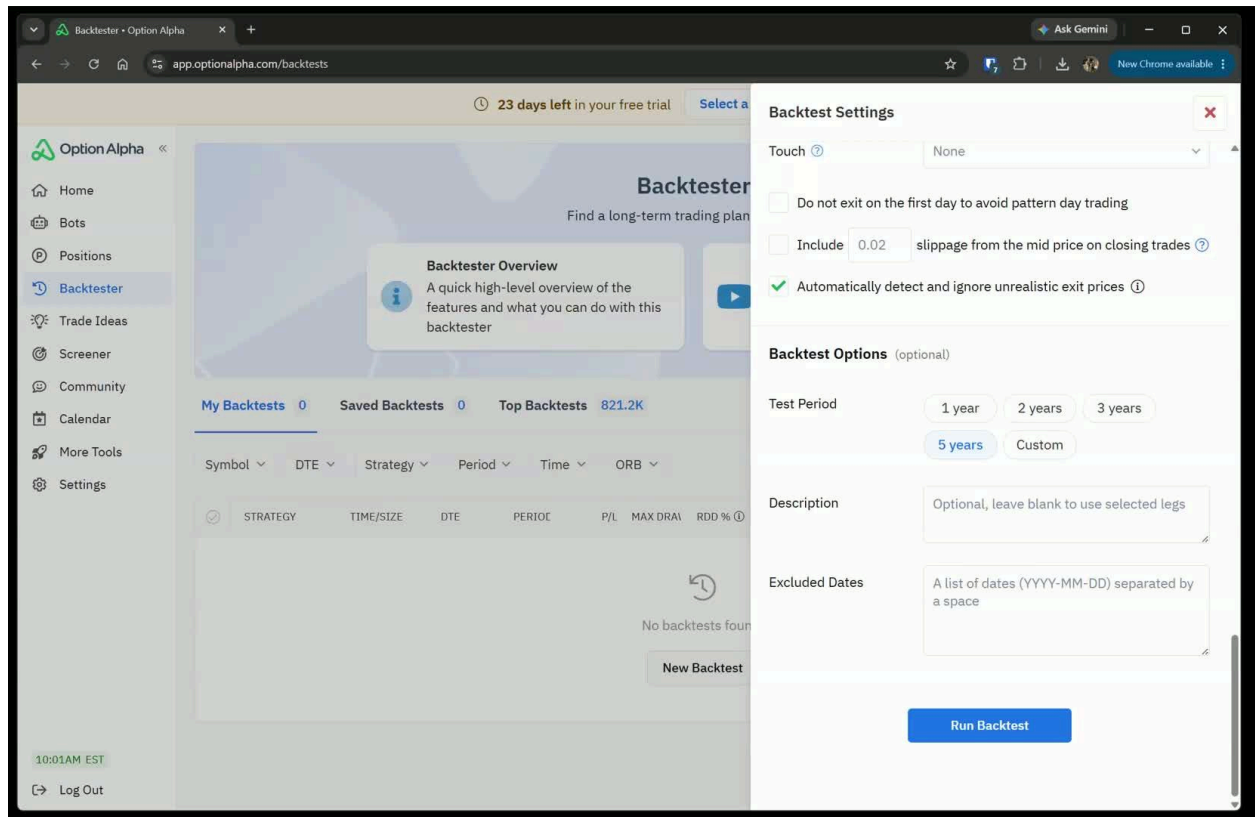
- Keep the setup simple by avoiding stacked positions unless the strategy specifically requires them.
- Add **slippage** to reflect realistic fills; for SPY, use **1 penny**.
- Set a **minimum credit** filter so trades are only taken when the spread credit is worthwhile.
- Use **\$0.50 minimum credit** as a backtest floor.
- Leave reward/risk and bid-ask spread filters off for this initial test unless you need stricter trade quality controls.

7. Add entry filters and exit rules 17:08



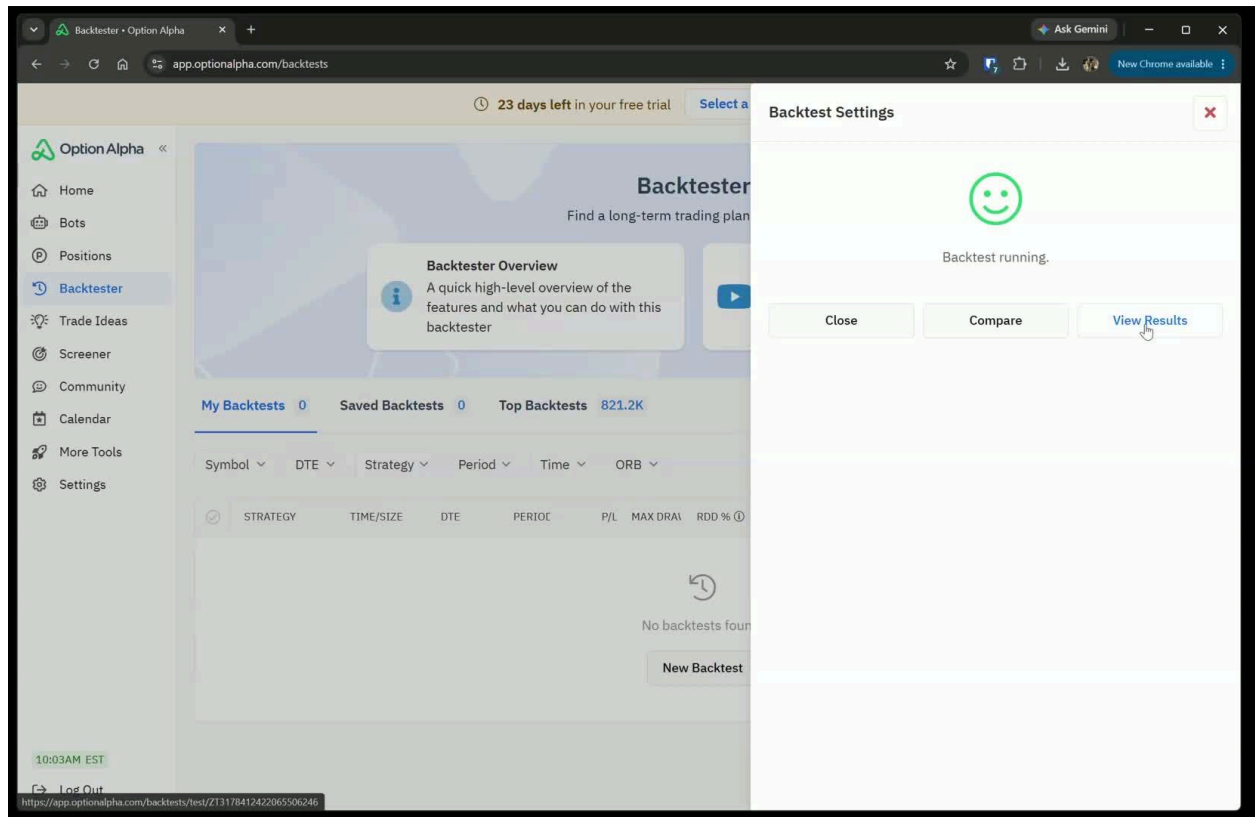
- Open **Entry Filters** and add a trend filter.
- Use the **200-day simple moving average** as a bullish filter.
- Only allow put credit spreads when price is above the 200-day moving average.
- Open **Exit Options** and define trade management rules.
- Set a profit target of **80% of credit received**.
- Add a time-based exit so the position closes **5 minutes before expiration**.
- Add event-based exits so positions close before major events such as **FOMC** or **Non-Farm Payrolls** if those events occur the next day.

8. Set backtest range, notes, and exclusions 21:26



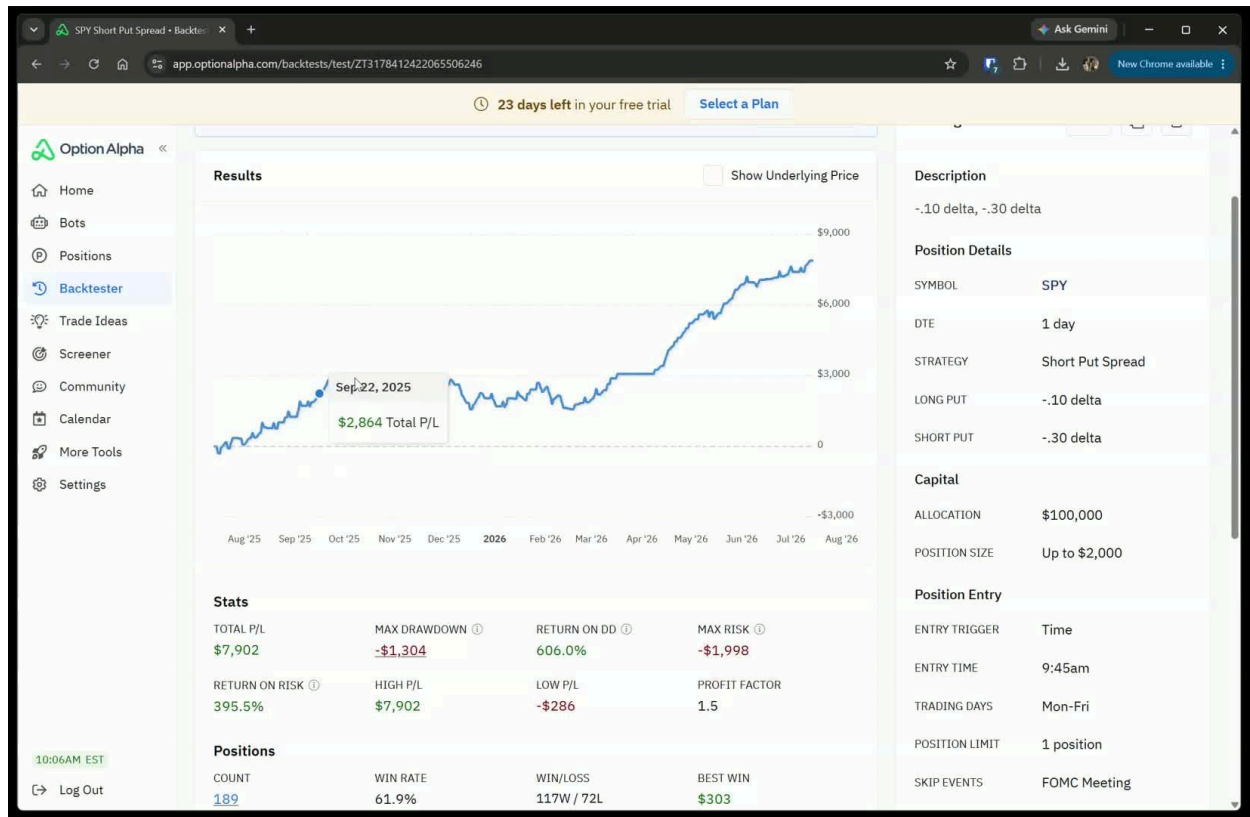
- Choose the backtest duration, such as **5 years** if your account and data access allow it.
- Add a description so you can remember what changed between versions.
- If excluding dates, only exclude them for a valid rule-based reason.
- Format excluded dates as **YYYY-MM-DD** and separate multiple dates with spaces.
- Avoid hindsight-based exclusions that would bias the test.

9. Run the backtest and review the results [23:23](#)



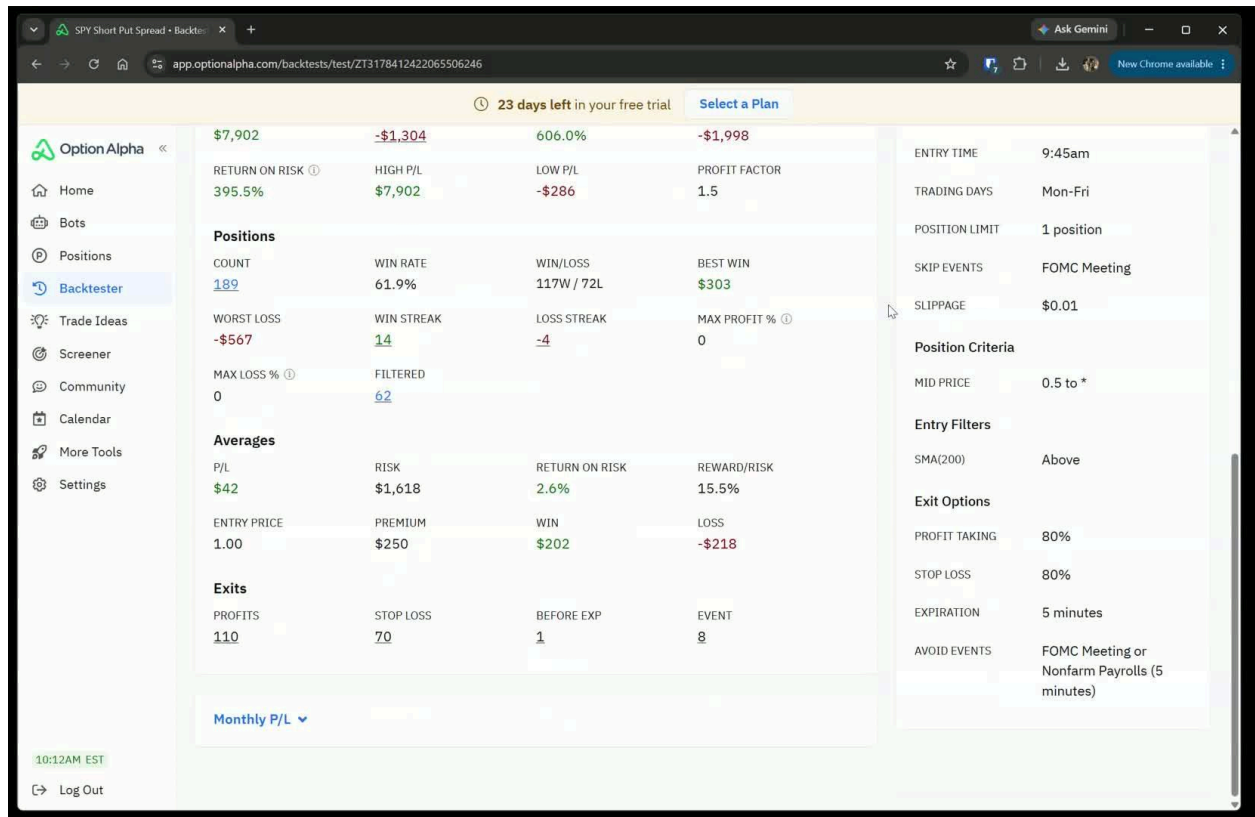
- Click **Run Back Test** and wait for the results to finish.
- Click **View Results** when the test completes.
- Review key metrics such as:
 - Total gain
 - Max drawdown
 - Return on drawdown
 - Number of trades
- Confirm whether the account plan or broker connection allows the full data range you intended to test.

10. Interpret the equity curve and market context 26:02



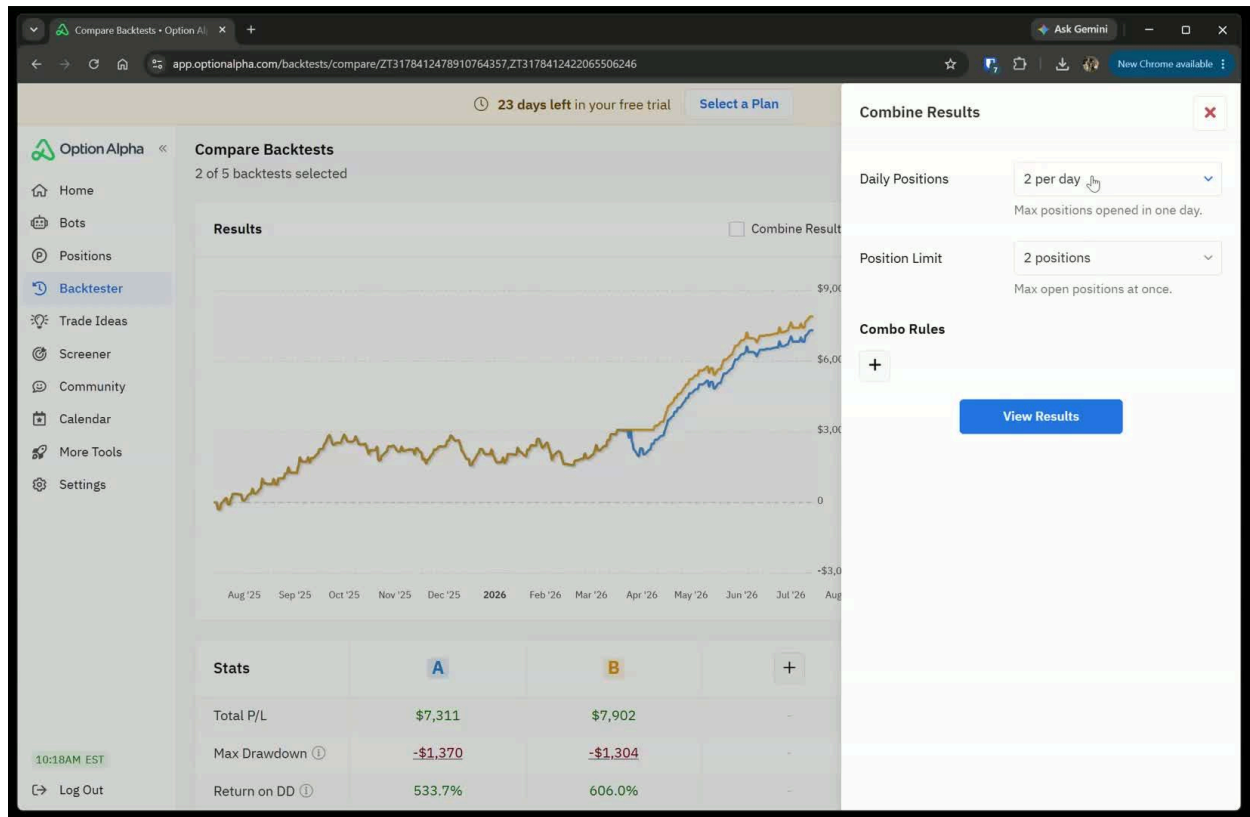
- Study the equity curve, not just the final profit number.
- Identify periods where the strategy was underwater for weeks or months.
- Compare the strategy's performance to the market environment during those periods.
- Use the chart to confirm whether the moving average filter helped avoid poor market conditions.
- Decide whether the strategy behavior matches the intended market regime.

11. Clone the backtest and compare variations 30:27



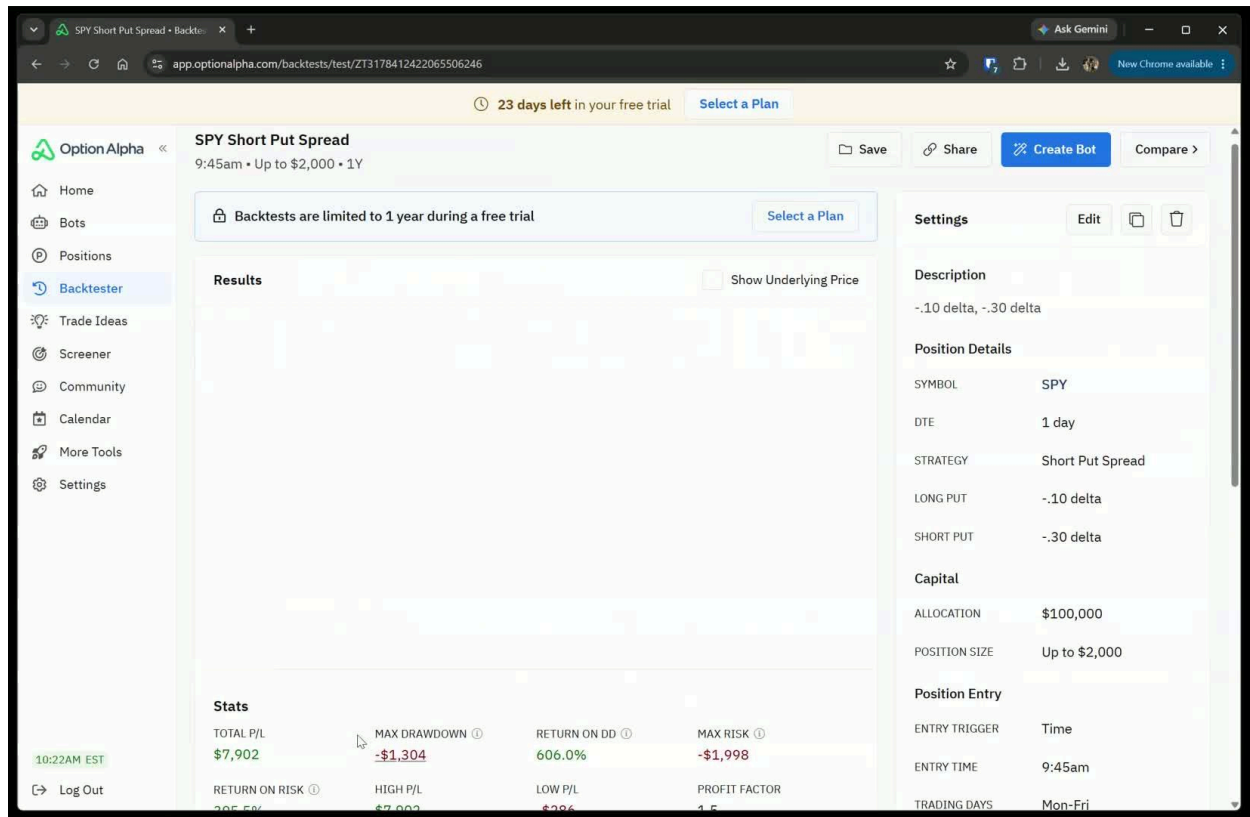
- Use **Make a Copy** to create a new version without overwriting the original report.
- Change one variable at a time so you can isolate the effect of each adjustment.
- Example: remove the 200-day moving average filter and rerun the test.
- Use **Compare** to view results side by side.
- Evaluate whether the change improved return, drawdown, or consistency.

12. Test combined results and diversification 34:04



- Use **Combined Results** to test how multiple strategies behave together.
- Set the position limit and combination rules carefully.
- Compare correlated vs. uncorrelated strategies to see whether diversification improves the overall result.
- Use this step to understand whether combining strategies smooths equity swings or simply duplicates the same risk.

13. Promote a successful backtest into a bot [37:23](#)



- If the backtest looks acceptable, click **Create Bot**.
- Name the bot clearly, such as **Put Credit Spread 1+ DTE**.
- Set a starting allocation that is larger than the expected drawdown plus trade size.
- Create the bot, then adjust bot settings as needed.
- Paper trade first before moving to a live account.

Cautionary Notes

- Do not use hindsight-based date exclusions unless they are based on a true rule that would have been known in advance.
- Do not overwrite a good backtest; always clone before making changes.
- Backtests may be limited by account type or broker connection; confirm data access before assuming a 5-year test is available.
- A strong backtest does not guarantee live performance; market regime changes can materially affect results.
- Be careful with very low credit thresholds in live trading; what is acceptable for backtesting may be too small after fees and slippage.
- Avoid letting positions expire unmanaged in live trading; define exit rules in advance.
- If using narrow spreads, ensure strike selection rules prevent overlap or unintended rounding issues.

Tips for Efficiency

- Start with a simple, repeatable setup before adding advanced filters.
- Use SPY for cleaner historical testing when possible.
- Change only one variable per backtest so comparisons are meaningful.
- Save a short description with each version to track what changed.
- Use consistent dollar-based risk sizing to make historical comparisons apples-to-apples.
- Review the equity curve alongside the market chart to understand why the strategy performed the way it did.
- Promote only the versions that survive both performance review and drawdown tolerance.
- Paper trade the bot before going live to validate execution and behavior.