How to read an MT5 Strategy Tester report beyond net profit

Start with the equity curve, not the summary line

When you open a backtest report in MetaTrader 5, the first thing that grabs attention is the net profit figure. A large positive number feels like a green light. But net profit alone tells you very little about whether a strategy will hold up in live trading. The equity curve - the line that tracks your account balance over the test period - reveals much more. A smooth, steadily rising curve suggests the strategy has consistent edge. A curve that jumps around wildly, even if it ends high, warns that the next trade could erase months of gains. Look at the shape of the curve before you read any number. If it looks like a heart monitor during a crisis, the strategy is fragile.

Check drawdown: the real cost of returns

Drawdown measures the peak-to-trough decline in your equity during the test. It is the closest thing the report gives you to the emotional and financial pain the strategy would cause. A strategy that returns 30% over a year but drops 25% along the way is not a 30% strategy - it is a high-risk strategy that happened to recover. Compare the maximum drawdown to the net profit. If the drawdown is more than half the profit, the strategy is barely compensating for its risk. For a strategy to survive a forward test, drawdown needs to stay within a range that matches your own risk tolerance, not just the report's numbers.

Profit factor: a quick sanity check

Profit factor is the ratio of gross profit to gross loss. A value above 1.5 is often considered decent, but the context matters. A profit factor of 2.0 achieved on only 30 trades is far less reliable than a profit factor of 1.4 on 500 trades. The metric becomes meaningful only when the trade count is high enough to smooth out random streaks. Look for a profit factor that holds up across different market conditions - bull, bear, and sideways. If the report shows a very high profit factor, say above 3.0, check whether the strategy caught a single large move that distorts the average. One lucky trade can inflate the ratio.

Expected payoff: what each trade really earns

Expected payoff is the average net profit or loss per trade. It strips away the effect of trade frequency, so you can see whether the strategy's edge is real. A positive expected payoff is necessary, but the value alone is not enough. Compare it to the average trade's risk. If the expected payoff is $10 but the average losing trade is $200, the strategy wins often but loses

big when it is wrong - a pattern that can break an account in a bad streak. A more balanced strategy might have a smaller expected payoff but a tighter risk profile. The report gives you the raw number; your job is to ask what it implies about the strategy's risk distribution.

Recovery factor: how quickly the strategy bounces back

Recovery factor divides net profit by maximum drawdown. It tells you how many times the strategy earns back its worst loss. A recovery factor above 2 or 3 suggests the strategy can recover from its worst period within a reasonable number of trades. A low recovery factor, say below 1, means the strategy's best gains barely cover its worst loss. That is a warning sign: one bad drawdown could permanently damage the account. The recovery factor is especially useful when comparing two strategies with similar net profit. The one with the higher recovery factor is the safer bet, assuming other metrics are comparable.

Trade count: the foundation of statistical significance

No metric matters if the trade count is too low. A backtest on 20 trades can produce any result by chance. A general rule is that a strategy needs at least 100 to 200 trades before its statistics become reliable. Even then, the distribution of trades across different market regimes matters. If all 200 trades occurred during a strong uptrend, the strategy may fail in a flat or falling market. Look at the report's trade list or a separate export to see how many trades happened in each type of market condition. The trade count also affects every other metric. A high profit factor on 50 trades is not trustworthy; a modest profit factor on 500 trades carries more weight.

The equity curve's hidden details

The equity curve is not just a line. Zoom into its sections. Look for prolonged flat periods where the strategy makes no progress. Those are times when the strategy is not adapting to the market. A healthy curve has consistent upward slopes with short pullbacks. If you see long plateaus punctuated by sudden spikes, the strategy likely relies on a few large winners rather than a repeatable process. Export the equity data and plot it yourself if the built-in chart is too coarse. Some platforms allow you to see the curve in a separate tool, but if you want a deeper validation workflow, resources like rebelquant.io offer structured methods for testing beyond what the standard report shows.

Compare the backtest to a forward test

The backtest report is a rearview mirror. It shows what would have happened if the strategy had been run in the past. The real test is how it performs on unseen data. A forward test - running the strategy on live or out-of-sample data after the backtest period - reveals whether

the metrics hold up. Compare the drawdown, profit factor, and expected payoff from the forward test to the backtest. If they diverge significantly, the backtest was likely overfitted. A forward test does not have to run for months; even a few weeks of out-of-sample data can expose a fragile strategy. The goal is not to match the backtest exactly but to see whether the strategy's edge survives outside the period it was optimized on.

What the report does not tell you

The MT5 report leaves out several important factors. It does not show slippage or commission unless you have set up custom costs in the tester settings. It does not account for execution delays or market impact on larger orders. It assumes fills at the requested price, which is rarely true in fast markets. The report also does not warn you about overfitting - the danger of optimizing a strategy to past noise instead of true patterns. To guard against that, you need to test on multiple time periods and market conditions, not just the one that looks best in the report. Tools that specialize in strategy validation, such as those discussed at rebelquant.io, can help you build a more robust testing framework.

Build your own checklist

Reading an MT5 backtest report well means ignoring the headline number and digging into the supporting figures. Start with the equity curve shape. Then check drawdown, profit factor, expected payoff, and recovery factor in that order. Verify that trade count is high enough to give the statistics meaning. Always run a forward test and compare the results. Each metric on its own is easy to misinterpret, but together they give you a honest picture of the strategy's strengths and weaknesses. With practice, you will learn to spot the patterns that separate a genuine edge from a backtest mirage.