

**PERRY KAUFMAN'S MARKET MOVEMENT**

**Introduction:**

Perry J. Kaufman is a market strategist known for his knowledge and experience in computer-based trading systems applied to world futures and financial markets. His publication, "Trading Systems and Methods" has become the technician's required reference.

For more than twenty five years, traders have turned to Kaufman's classic "Trading Systems and Methods" for complete information about the most successful indicators, programs, algorithms, and systems. This library contains four studies designed around Perry Kaufman's market movement pattern recognition research. The user is encouraged to read Chapter 15 of Perry Kaufman's book for a comprehensive description of these studies.

**Benefits:**

These four studies will further speed your progress from a novice trader into an experienced one. Gain efficiency using dependable techniques and reliable strategies that will perform time after time. Whether you test and use the studies as they are, or you modify them to meet your needs, Perry Kaufman's Market Movement Library will enhance your market analysis capabilities.

**Included in this Library:**

**Templates**

- Perry Kaufman Weekday Pattern Template
- Perry Kaufman Continued Trend Pattern Template
- Perry Kaufman Reversal Pattern Template
- Perry Kaufman Extreme Reversal Pattern Template

**Studies:**

- Perry Kaufman Weekday
- PK Weekday Support Study
- PK Weekday Up Monday Study
- PK Weekday Up Monday Percent Study

- PK Weekday Down Monday Study
- PK Weekday Down Monday Percent Study
- Perry Kaufman Continued Trend
- PK Continued Trend Study
- PK Continued Trend HH Percent Close greater yester Close Study
- PK Continued Trend HH Percent Open greater yester Close Study
- PK Continued Trend LL Percent Close less yester Close Study
- PK Continued Trend LL Percent Open less yester Close Study
- Perry Kaufman Reversal
- PK Reversal Study
- PK Reversal HH Percent Close less yesterdays Close Study
- PK Reversal HH Percent Open less yesterdays Close Study
- PK Reversal HH Percent Open less yesterdays Close Study
- PK Reversal LL Percent Close greater yesterdays Close Study
- PK Reversal LL Percent Open greater yesterdays Close Study
- Perry Kaufman Extreme Reversal
- PK Extreme Reversal Study
- PK Extreme Reversal HH Percent Close less yesterdays Close Study
- PK Extreme Reversal HH Percent Open less yesterdays Close Study
- PK Extreme Reversal LL Percent Close greater yesterdays Close Study
- PK Extreme Reversal LL Percent Open greater yesterdays Close Study

## Functions

- Perry Kaufman Weekday
- PK WD Holiday Finder
- PK WD Equal Close
- PK WD Monday
- PK WD Up Monday All Tuesday combinations
- PK WD Up Monday All Wednesday combinations
- PK WD Up Monday All Thursday combinations
- PK WD Up Monday All Friday combinations
- PK WD Up Monday perc to continue up direction
- PK WD Down Monday All Tuesday combinations
- PK WD Down Monday All Wednesday combinations
- PK WD Down Monday All Thursday combinations
- PK WD Down Monday All Friday combinations
- PK WD Down Monday perc to continue down direction

## Perry Kaufman Weekday Pattern Recognition Definition

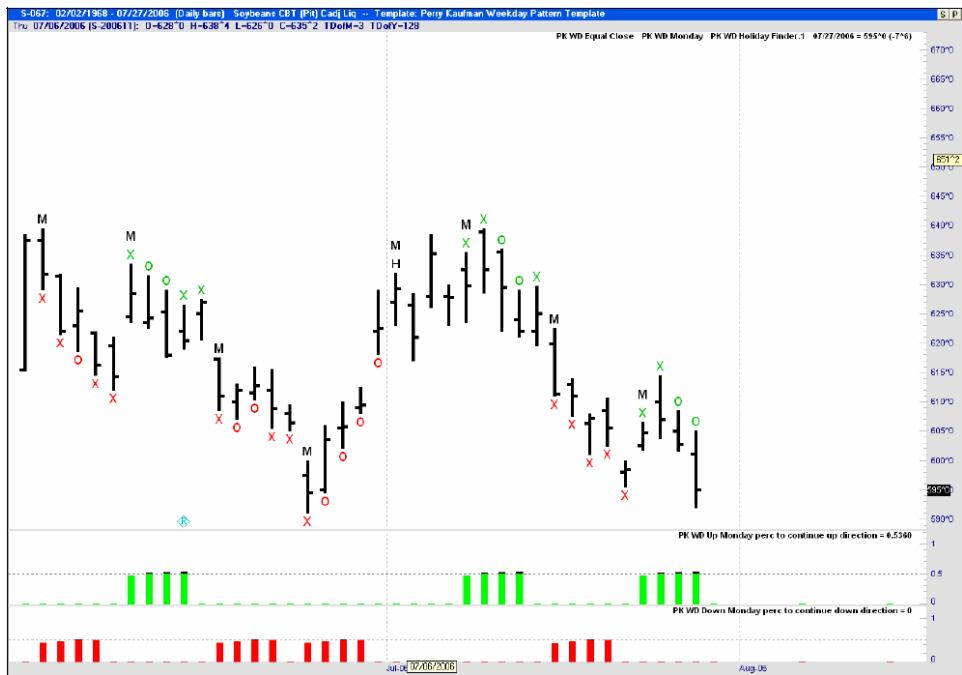
The following is an excerpt from Perry Kaufman’s book Trading Systems and Methods, which describes the weekday patterns.

“Weekday Patterns ...The first aspect of the test was to define the weekday pattern. This was done in terms of the Friday-to-Monday move (close-to-close). Monday always received the value X, regardless of whether its direction from Friday was up or down. For each day that closed in the same direction as the Friday-to-Monday move, another X is used; when the close reversed direction, an O is recorded. Therefore, XOXXO means that Tuesday and Friday, represented by O, closed in the opposite direction from the prior Friday-to-Monday move, while Wednesday and Thursday were in the same direction....

It might be that there is a distinction between the weeks that begin with an upward move on Monday rather than a lower price, but both cases were combined. This assumes that the pattern, rather than the direction, is most important. It would be reasonable to have assumed that the upward bias of the stock and interest rate markets during the past 10 years would justify a separation of patterns according to their initial direction.”

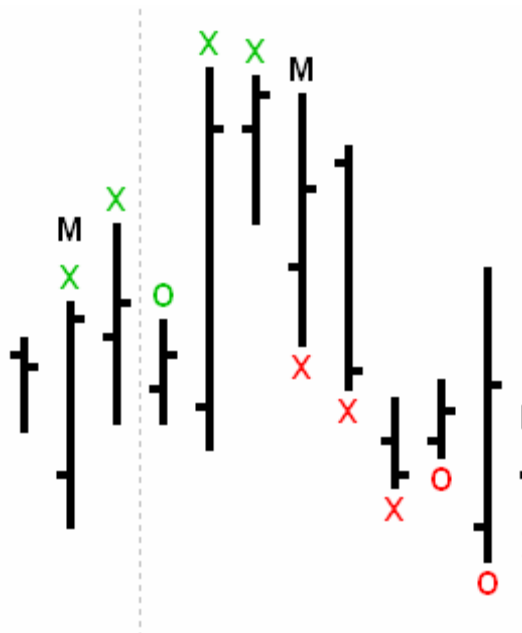
The Genesis weekday pattern recognition template does in fact make distinctions between up Mondays and down Mondays so the weekday patterns are evaluated separately.

## Perry Kaufman Weekday Pattern Template Layout:

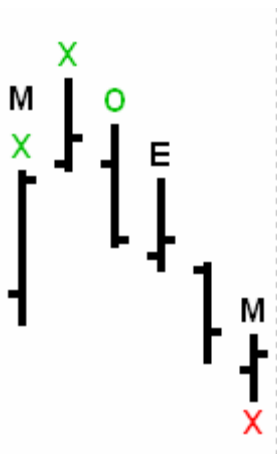


This is a picture of what the Trade Navigator screen should look like after installing the Perry Kaufman Weekday Pattern Template.

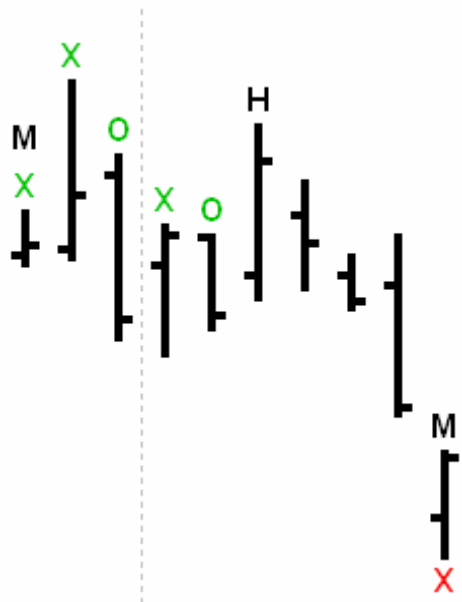
## Perry Kaufman Weekday Indicator Descriptions:



The snapshot below shows two trading weeks. The first week started with a higher Monday close from Friday's close and therefore a green X appears above the Monday bar (indicated by the M). For the balance of the week, X indicates a higher close-to-close direction and an O indicates a lower close-to-close direction. The following week started with a lower Monday close-to-Friday close so a red X appears below the Monday bar. For the balance of the second week, X indicates a lower close-to-close move and O indicates a higher close-to-close move.



The snap shot here shows an example of two days that have equal closes. As a result, an E appears above the second close and no further evaluation is done for the balance of the week.



This snap shot shows an example of a week that contains a holiday. As a result, an H appears above the first trading day of the week and no further evaluation is done for the balance of the week.

The green bars on the top indicator display the percentage chance that the next bar will be in the reference up Monday direction given the sequence of Xs and Os displayed. The list below shows the percentage data gathered by placing the curser on each of the green bars and then observing the percentage displayed on the top of the window.

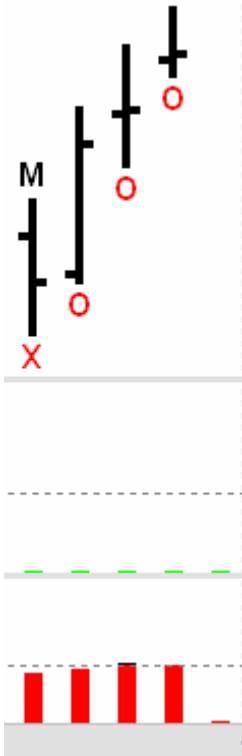
S-067: 02/02/1968 - 07/27/2006 (Daily bars) Soybeans CBT (Pit) Cadj Liq -- Template: Perry Kaufman Weekday Pattern Template  
Thu 07/27/2006 (S-200611): PK WD Up Monday perc to continue up direction= 0.5360



Monday - There is a 47% chance that Tuesday's close will be higher than Monday's close  
 Tuesday - There is a 51% chance that Wednesday's close will be higher than Tuesday's close  
 Wednesday - There is a 52% chance that Thursday's close will be higher than Wednesday's close  
 Thursday - There is a 53% chance that Friday's close will be higher than Thursday's close

The red bars on the bottom indicator display the percentage chance that the next bar will be in the reference down Monday direction given the sequence of Xs and Os displayed. The list below shows the percentage data gathered by placing the cursor on each of the red bars and then observing the percentage displayed on the top of the window.

S-067: 02/02/1968 - 07/27/2006 (Daily bars) Soybeans CBT (Pit) Cadj Liq -- Template: Perry Kaufman Weekday Pattern Template  
Thu 06/29/2006 (S-200611): PK WD Down Monday perc to continue down direction= 0.5000



- Monday - There is a 42% chance that Tuesday's close will be lower than Monday's close
- Tuesday - There is a 45% chance that Wednesday's close will be lower than Tuesday's close
- Wednesday - There is a 52% chance that Thursday's close will be lower than Wednesday's close
- Thursday - There is a 50% chance that Friday's close will be lower than Thursday's close

## Perry Kaufman Reversal Pattern Recognition Definition

The following is an excerpt from Perry Kaufman’s book Trading Systems and Methods, which describes the reversal patterns.

“Reversal Patterns ...The intension is to find a pattern in the open, high, low, and closing prices of the day that will help predict the next day’s pattern or direction. Three combinations are tabulated here: Intraday trend continued (“Trend”). A continued uptrend is set up when yesterday’s high is greater than the previous high and yesterday’s close is greater than the previous close. We then find the percentage of days that open higher or close higher than yesterday. Continued downtrends are the opposite pattern.

Reversal day (“Reversal”). Beginning with yesterday’s pattern of a higher high but a close below the prior close, a reversal day opens lower or closes lower than the previous close. An upward reversal starts with a lower trend day.

Extreme reversal (“Extreme”). Yesterday’s high was greater than the prior high, but yesterday’s close was below the prior low. The reversal from up to down is continued if today’s open or close is lower than yesterday’s close.”

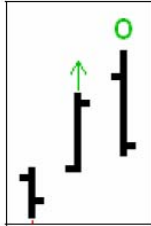
## Perry Kaufman Continued Trend Pattern Template Layout



Here is a picture of how the Trade Navigator screen should look after installing the Perry Kaufman Continued Trend Pattern Template.

## Perry Kaufman Higher High Continued Trend Patterns

High.1 > High.2 and  
Close.1 > Close.2 and  
Open > Close.1



High.1 > High.2 and  
Close.1 > Close.2 and  
Close > Close.1



When a green up arrow appears, the histogram indicators will display the percent chance that the next bar's open will be greater than the current bar's close or the next bar's close will be greater than the current bar's close. A green "O" or "C" will

appear above the bar if either of these two patterns occur. The top two green indicators are of interest and their names begin with "PK RP CT HH"



If the green up arrow appears then there is 47% chance that the next bar's open will be greater than the current bar's close.

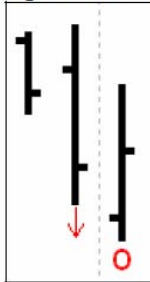


If the green up arrow appears then there is 45% chance that the next bar's close will be greater than the current bar's close.

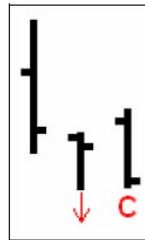


## Perry Kaufman Lower Low Continued Trend Patterns

Low.1 < Low.2 and  
Close.1 < Close.2 and  
Open < Close.1

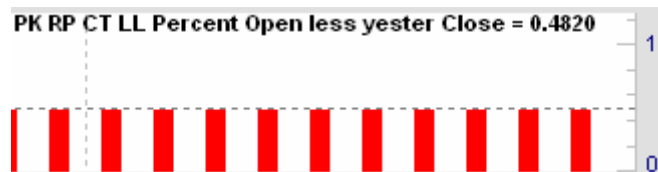


Low.1 < Low.2 and  
Close.1 < Close.2 and  
Close < Close.1



When a red down arrow appears, the histogram indicators will display the percent chance that the next bar's open will be less than the current bar's close or the next bar's close will be less than the current bar's close. A red

"O" or "C" will appear above the bar if either of these two patterns occur. The bottom two red indicators are of interest and their names begin with "PK RP CT LL"

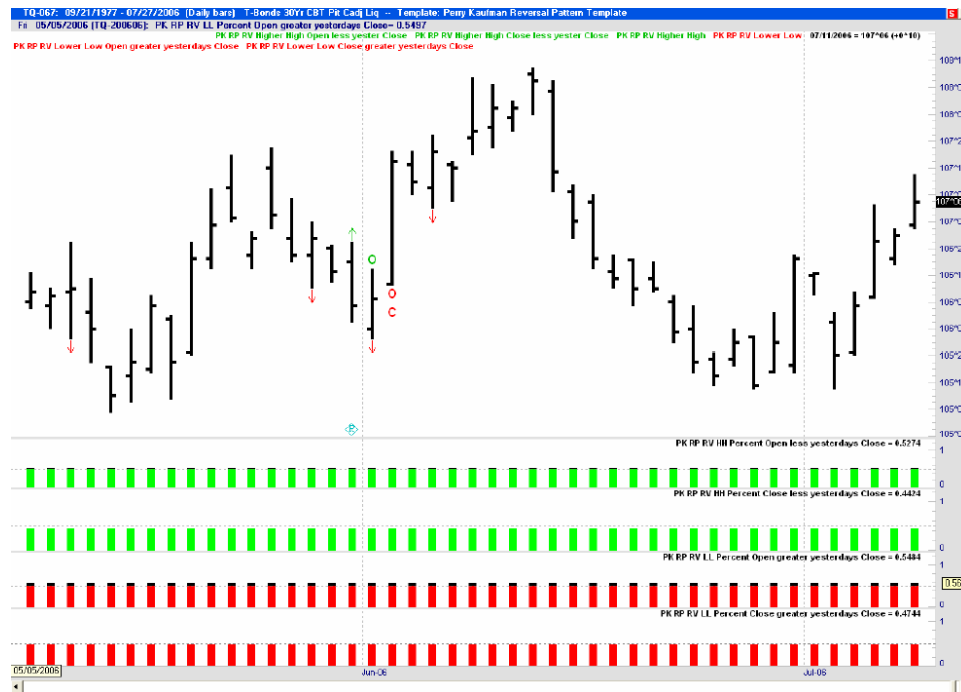


If the red down arrow appears then there is 48% chance that the next bar's open will be less than the current bar's close.



If the red down arrow appears then there is 44% chance that the next bar's close will be less than the current bar's close.

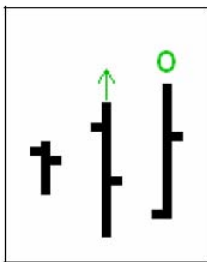
## Perry Kaufman Reversal Pattern Template Layout



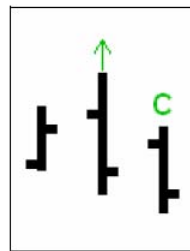
Here is a picture of how the Trade Navigator screen should look after installing the Perry Kaufman Reversal Pattern Template.

## Perry Kaufman Higher High Reversal Patterns

High.1 > High.2 and  
Close.1 < Close.2 and  
Open < Close.1

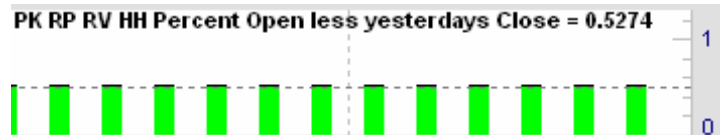


High.1 > High.2 and  
Close.1 < Close.2 and  
Close < Close.1



When a green up arrow appears, the histogram indicators will display the percent chance that the next bar's open will be less than the current bar's close or the next bar's close will be less than the current bar's close. A green

“O” or “C” will appear above the bar if either if these two patterns occur. The top two green indicators are of interest and their names begin with “PK RP RV HH”



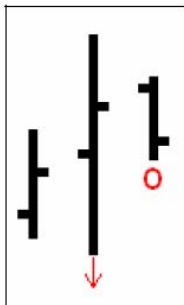
If the green up arrow appears then there is 52% chance that the next bar's open will be less than the current bar's close.



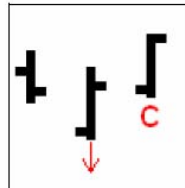
If the green up arrow appears then there is 44% chance that the next bar's close will be less than the current bar's close.

### Perry Kaufman Lower Low Reversal Patterns

Low.1 < Low.2 and  
Close.1 > Close.2 and  
Open > Close.1

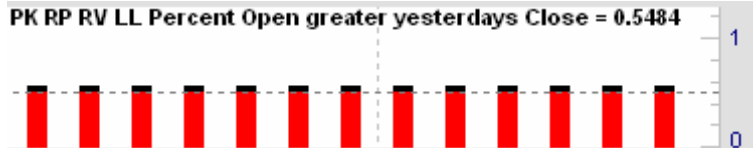


Low.1 < Low.2 and  
Close.1 > Close.2 and  
Close > Close.1

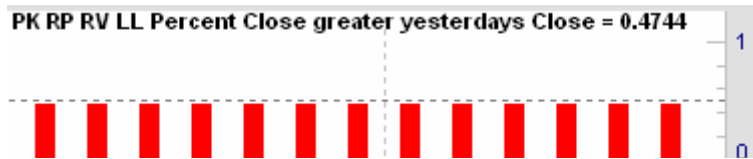


When a red down arrow appears, the histogram indicators will display the percent chance that the next bar's open will be greater than the current bar's close or the next bar's close will be greater than the current bar's close. A red "O" or "C" will

appear below the bar if either if these two patterns occur. The bottom two red indicators are of interest and their names begin with "PK RP RV LL"

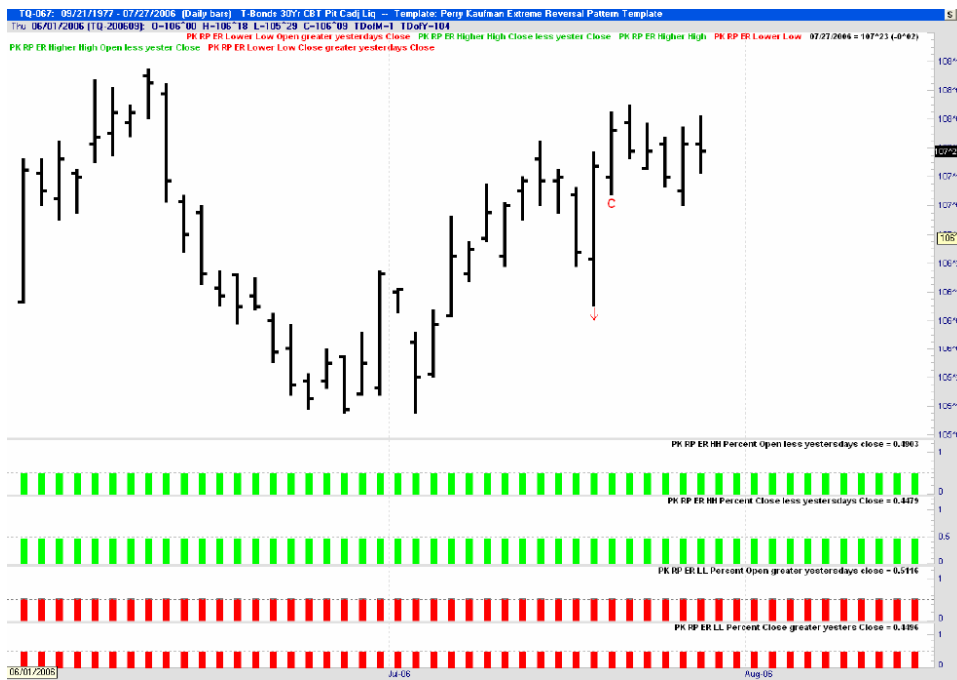


If the red down arrow appears then there is 54% chance that the next bar's open will be greater than the current bar's close.



If the red down arrow appears then there is 47% chance that the next bar's close will be greater than the current bar's close

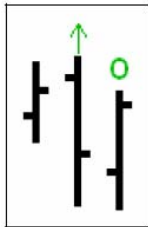
## Perry Kaufman Extreme Reversal Pattern Template Layout



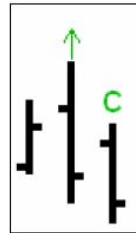
Here is a picture of how the Trade Navigator screen should look after installing the Perry Kaufman Extreme Reversal Pattern Template.

## Perry Kaufman Higher High Extreme Reversal Patterns

High.1 > High.2 and  
Close.1 < Low.2 and  
Open < Close.1

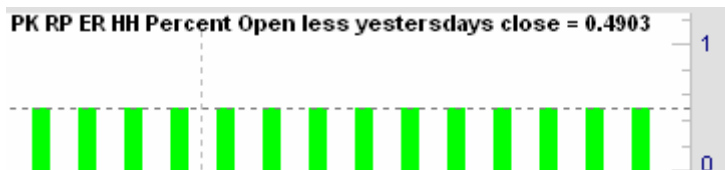


High.1 > High.2 and  
Close.1 < Low.2 and  
Close < Close.1

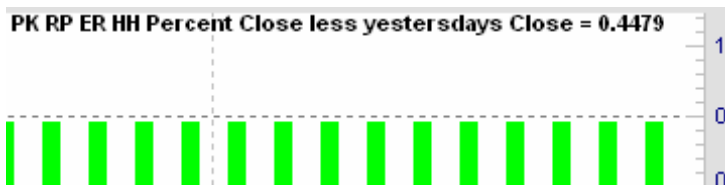


When a green up arrow appears, the histogram indicators will display the percent chance that the next bar's open will be less than the current bar's close or the next bar's close will be less than the current bar's close. A green

"O" or "C" will appear above the bar if either of these two patterns occur. The top two green indicators are of interest and their names begin with "PK RP ER HH"



If the green up arrow appears then there is 49% chance that the next bar's open will be less than the current bar's close.



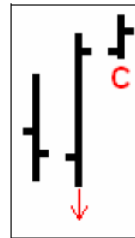
If the green up arrow appears then there is 44% chance that the next bar's close will be less than the current bar's close.

## Perry Kaufman Lower Low Extreme Reversal Patterns

Low.1 < Low.2 and  
Close.1 > High.2 and  
Open > Close.1



Low.1 < Low.2 and  
Close.1 > High.2 and  
Close > Close.1



When a red down arrow appears, the histogram indicators will display the percent chance that the next bar's open will be greater than the current bar's close or the next bar's close will be greater than the current bar's close. A red

"O" or "C" will appear below the bar if either of these two patterns occur. The bottom two red indicators are of interest and their names begin with "PK RP ER LL"



If the red down arrow appears then there is 51% chance that the next bar's open will be greater than the current bar's close.



If the red down arrow appears then there is 44% chance that the next bar's close will be greater than the current bar's close

## BIBLIOGRAPHY

Kaufman, P. J. *Trading Systems and Methods* New York: Wiley, 1998; pages 400 - 416  
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