Standard Deviations (STDV)

What are standard deviations?

Standard deviations are a variation of the Fibonacci tool / fib tool. It is a mathematical sequence which shows us possibilities of where price could possibly reach for, as well as showing us possible areas where price can retrace from or reverse from.

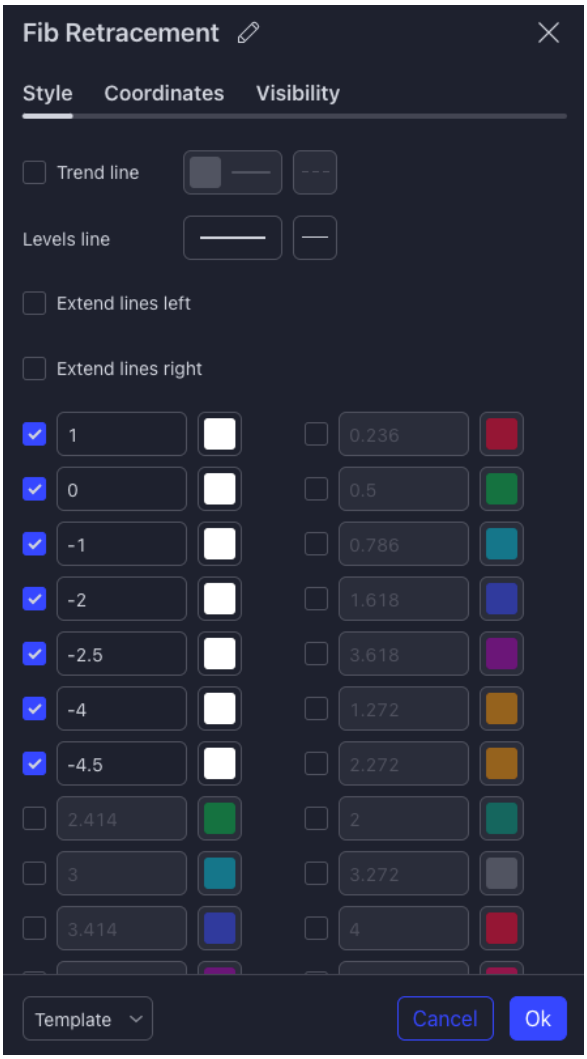
Where do we use standard deviations?

The concept of standard deviations goes hand in hand with the concept of Power Of 3 also known as PO3. As we know the PO3 has 3 phases; accumulation, manipulation and finally the distribution. We use the concept of standard deviations specifically on the manipulation phase of the PO3.

What are the settings for the standard deviations?

1) Select your Fibonacci tool / fib tool.
2) Go to your Fibonacci tool / fib tool settings.
   Customize your settings as shown;

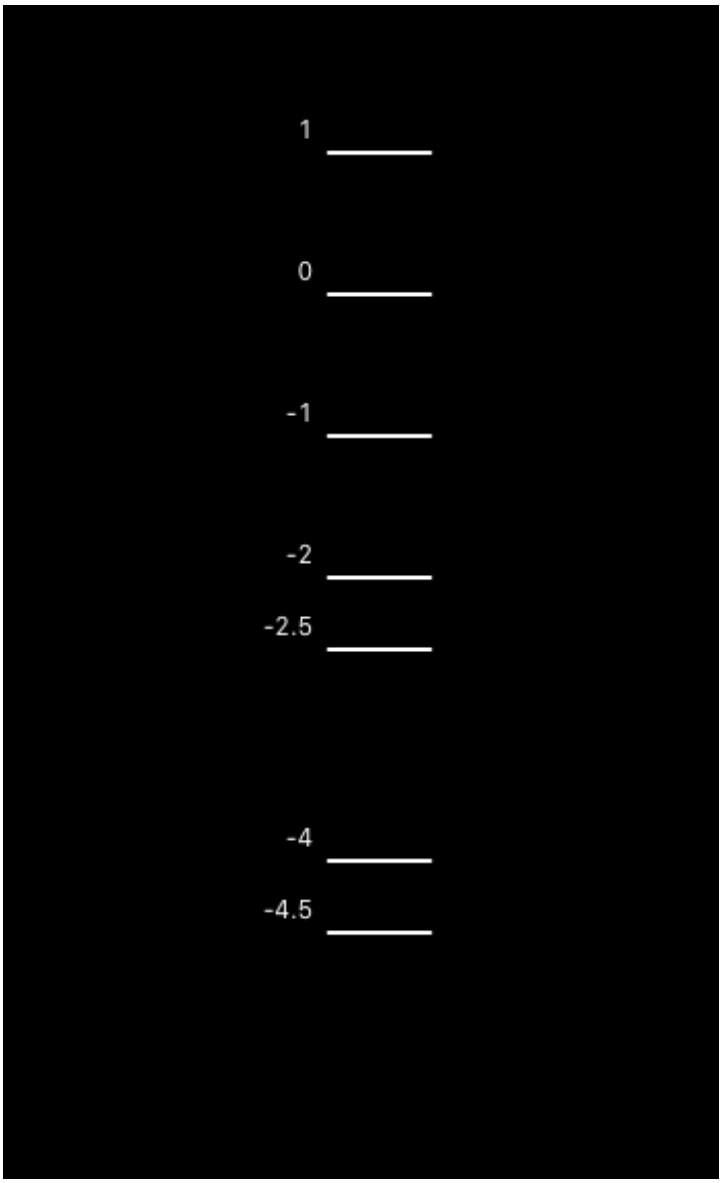
3) Customize your settings as shown;



After you've added the following settings, your Fibonacci tool should look like this when you draw it out on your charts;

When draw from down to up;

When draw from up to down;



How do we pull our standard deviations?

As mentioned above, we pull our deviations from the manipulation phase of the PO3, or from the price leg that reached the PD array (FVG, IFVG, OB etc..). Here are some things to keep in mind when we pull our deviations;

When pulling deviations, there are 2 methods to do so;

1) From the wick of the start of the manipulation to the candle body that ends the manipulation.
2) From the wick of the start of the manipulation to the wick of the candle that ends the manipulation.

Here are some examples;

Short example;

Imagine we are looking at the charts and we see a possible manipulation leg form after an accumulation phase or price has reached or manipulated into a PD array (FVG, IFVG,OB etc..). Following this we see our set up occur and we enter

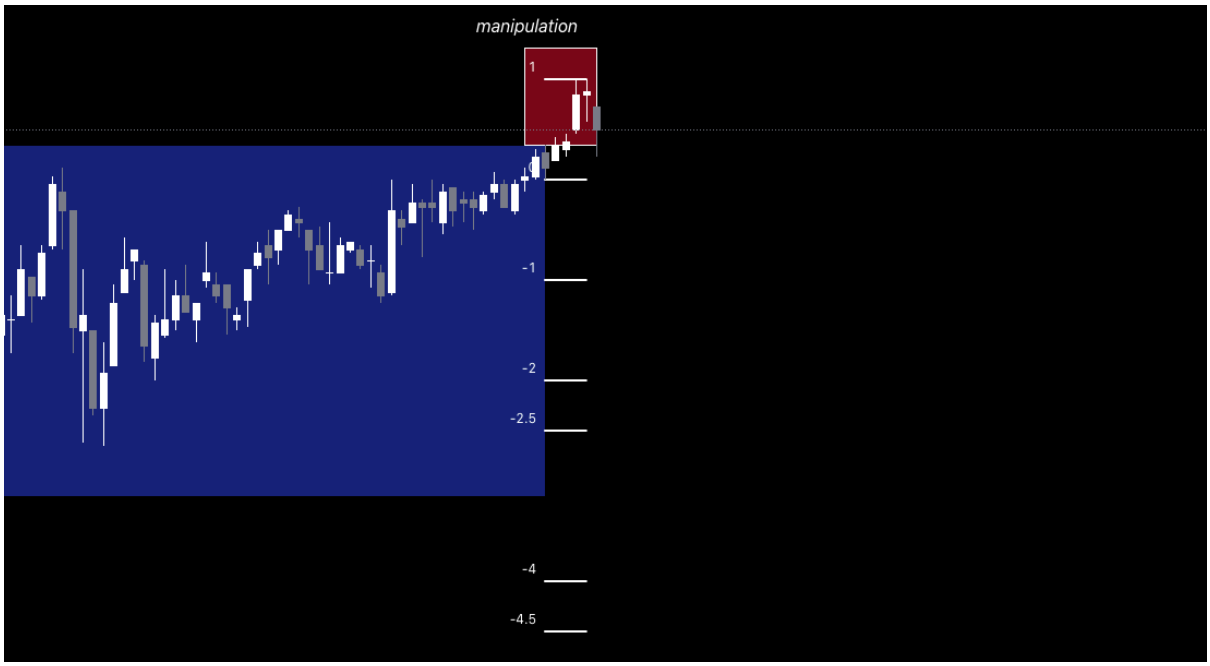
long or short accordingly. Now how do we determine how far price can reach or go in our direction from here? This is where standard deviations come into play.

We have identified a possible PO3 opportunity here...

If we want to pull the deviations from the manipulation leg this is how it would look;

Method 1; wick to body. We select the fib tool with the deviations settings and we first click at the top wick, and then pull the deviations down to the body of the start of the manipulation leg, as shown...

Method 2; wick to wick. We select the fib tool with the deviations settings and we first click at the top wick, and then pull the deviations down to the most recent wick from the manipulation leg (down wick when we are going short, up wick when we are going long), as shown...



What do these zones on the deviations mean?

Each zone has a meaning.

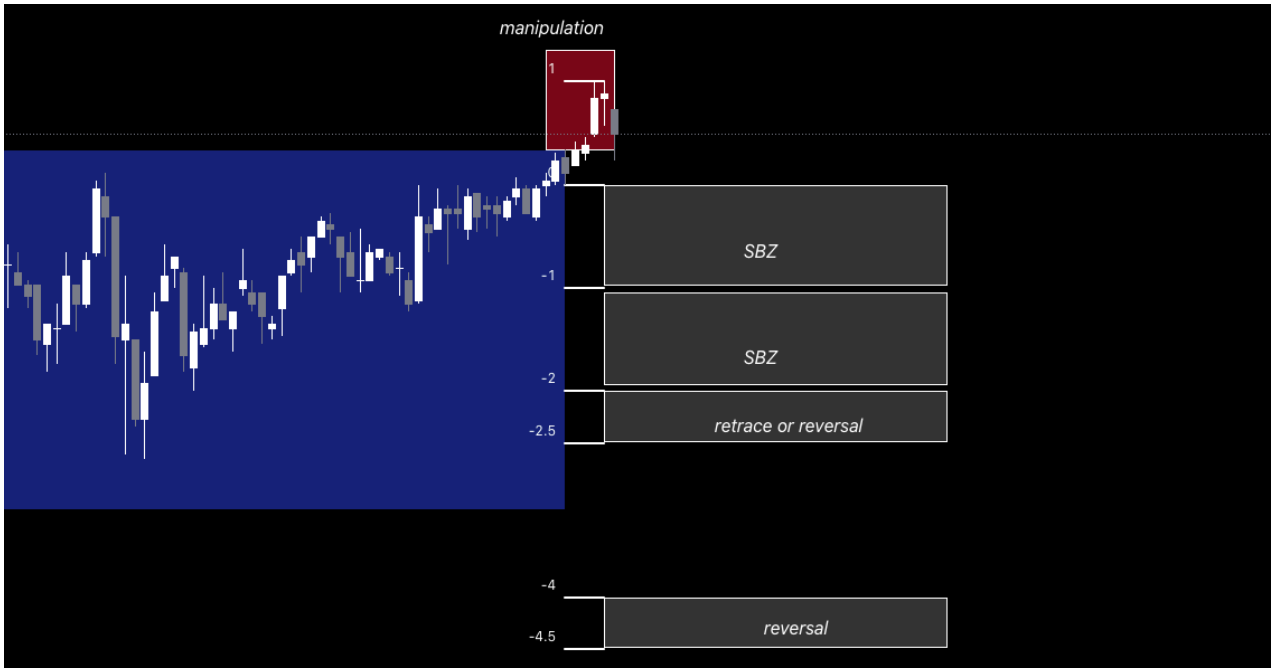
The zone between -1 and 0 and the zone between –2 and –1 are known as Silver Bullet Zones (SBZ).

The zone between –2 and –2.5 is where we can expect price to do either of two things when it reaches there. Price will either retrace or reverse once it reaches the zone between –2 and –2.5.

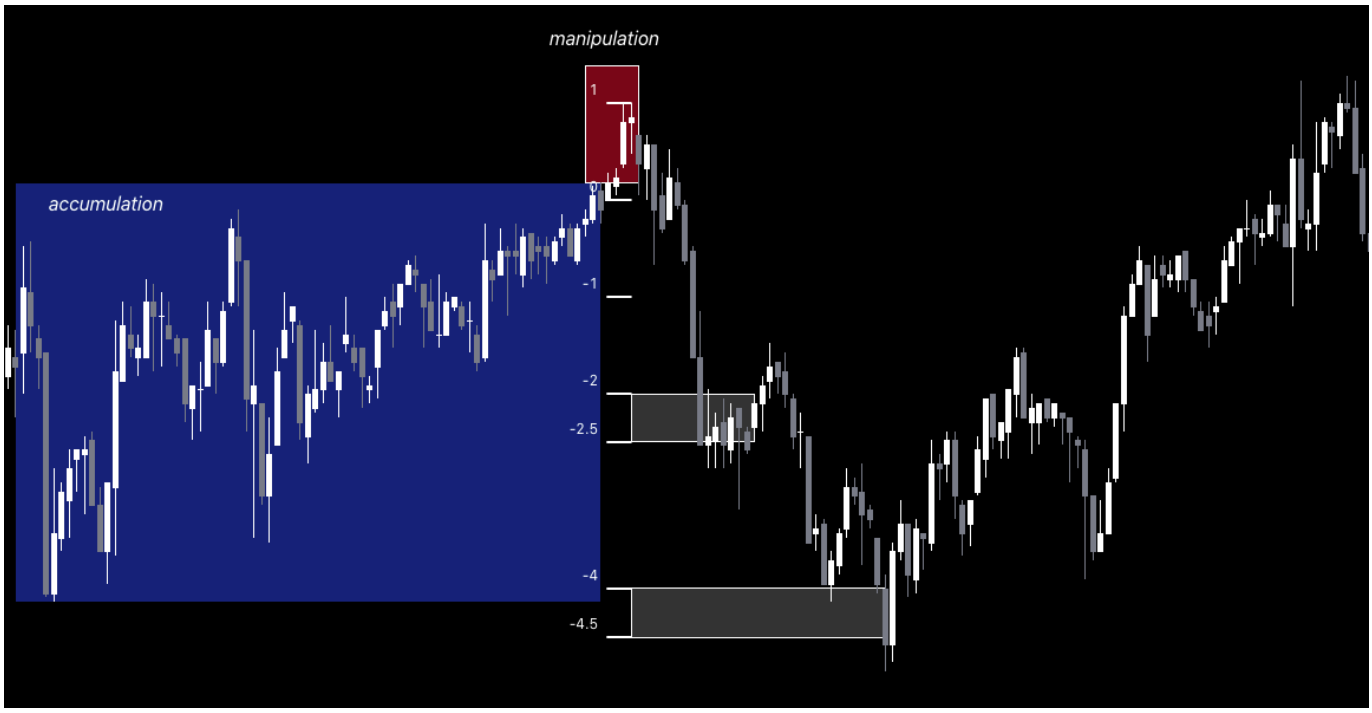
Once price reaches the final zone, i.e the zone between –4 and –4.5 we expect one thing and that is a reversal.

The main zones are the zone between –2 and –2.5 and the zone –4 and –4.5

Putting it into the charts...



Lets see if price does what we expect it to do by using the concept of deviations;

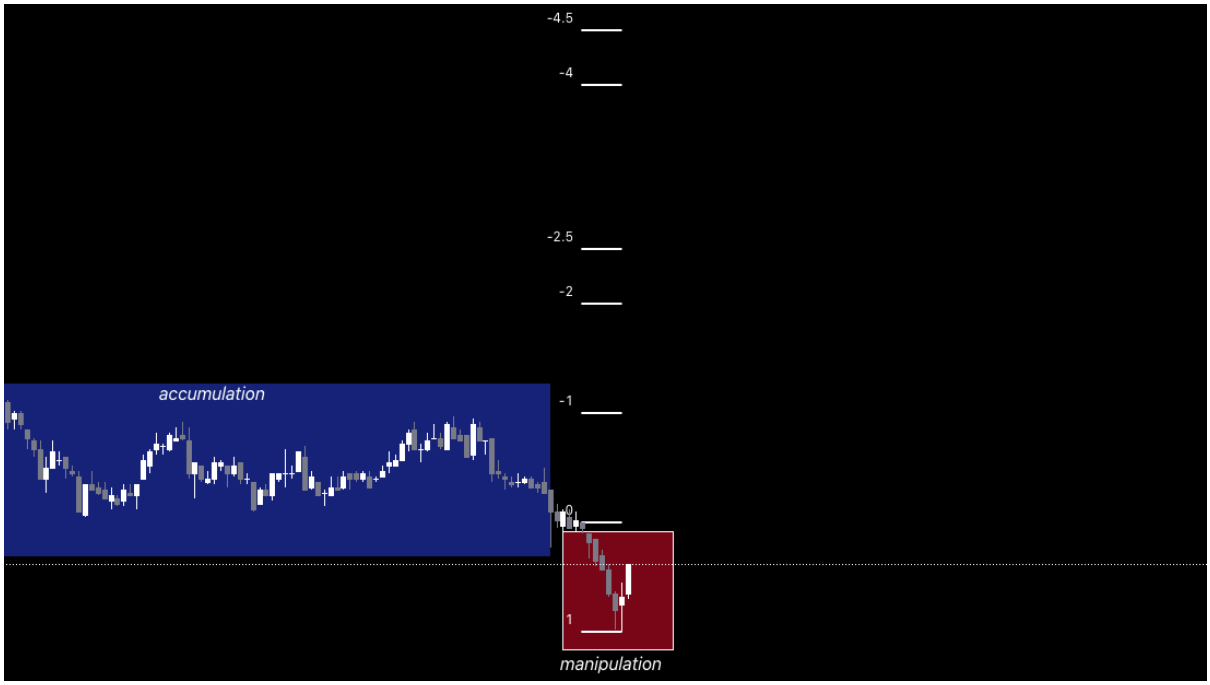


As we can see price does exactly what was said when it reaches those specific zones. When it reaches the zone between –2 and –2.5 we see a little retracement, and when we finally reach the zone between –4 and –4.5 we see a reversal.

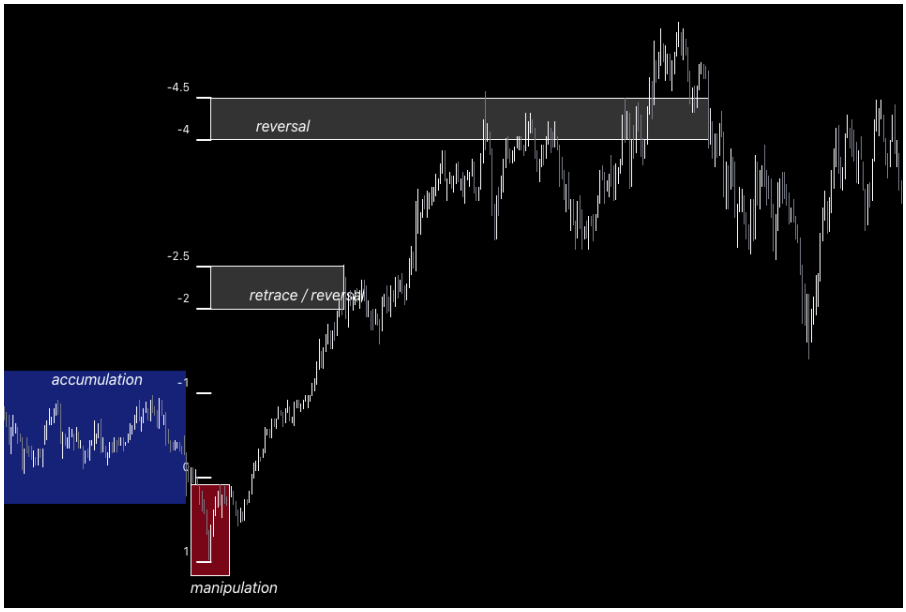
Now an example of going long;

Over here we can see we have an area of accumulation, and that phase is then followed by a manipulation phase to the down side, meaning we have a potential long opportunity here.

How we would pull the deviations for this case;

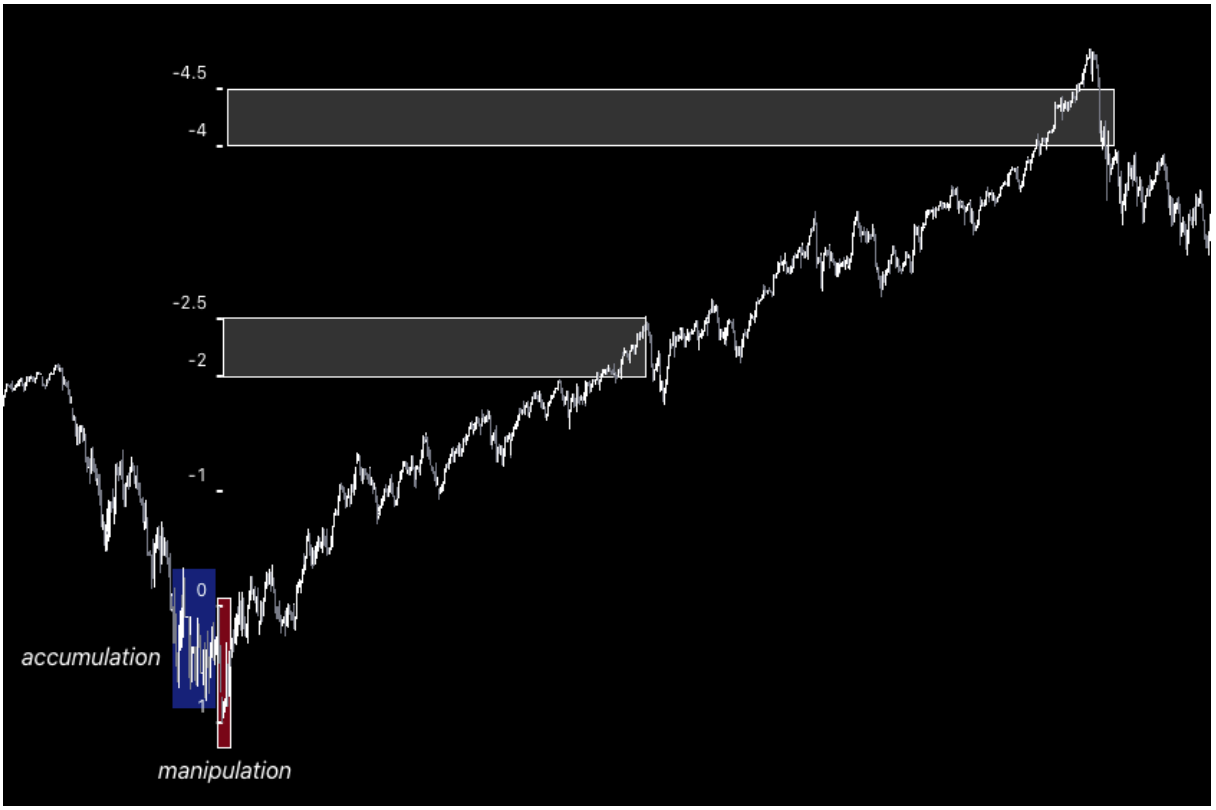


Lets see how it plays out...

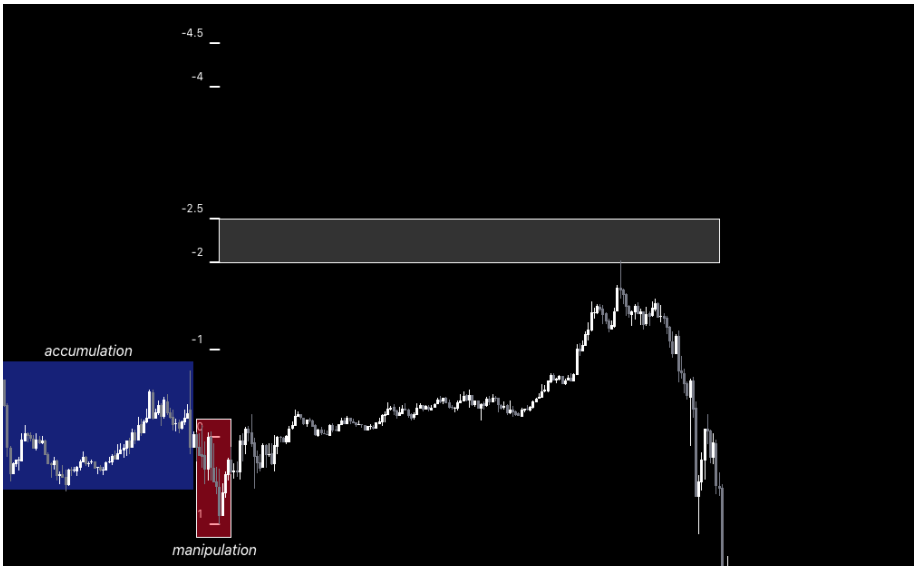


Perfect. -2 and –2.5 gives a retrace, -4 and –4.5 gives a reversal.

We can use deviations on a higher time frame as well, we do this to determine the draw on liquidity or to form a bias. Here is an example of the deviations in the hour time frame;



-2 and –2.5 reversal example;



Things to note;

how do we determine if a deviation pull is valid? After pulling them, go to different time frames and make sure there are PD arrays (FVG, IFVG, OB etc..) at the –2 and –2.5 zone as

well as at the –4 and –4.5 zone. If yes, then your pull is valid! If not try a different approach.

If the manipulation leg is not clear enough, you can use the first displacement leg of the distribution leg to pull your deviations. Here is an example;