

Power of 3 (PO3)

what is the Power of 3?

po3 is a 3-step pattern and is a signature in price action. it consists of 3 phases namely;

- accumulation
- manipulation
- Distribution

why is po3 important?

po3 is one of the most important concepts when it comes to trading. it's so because it occurs every day and as the famous saying goes; "everything in the charts is a po3". the monthly candle, the daily candle, the 4H candle and even the 1H candle follow the po3 concept. sometimes even the lower time frame candles (especially the 15m) follow the po3 concept.

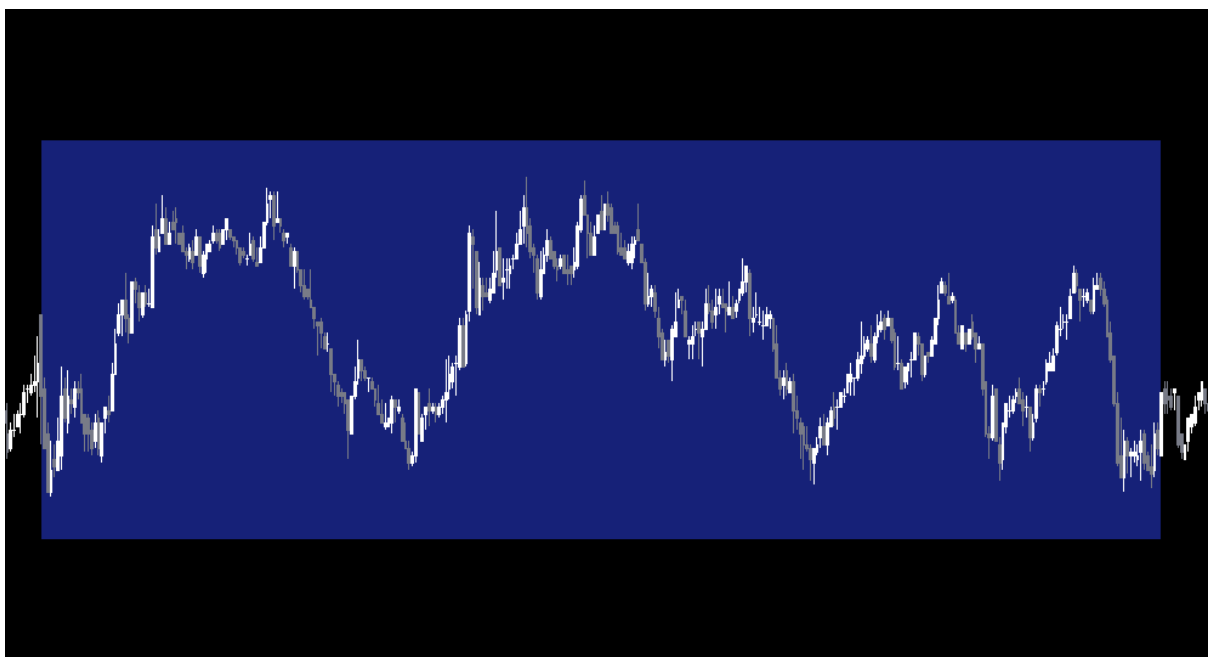
let's dig deeper into the phases of the po3.

accumulation ;

it's so called accumulation because price literally accumulates. accumulation is also termed as “chop” or “consolidation” sometimes. what happens in this phase is that we have a “liquidity build”. buyers and sellers are getting into the market and this is causing indecision and hence the accumulation. it's easy to spot on the charts, just look for areas where traders would have a tough time navigating through the charts.

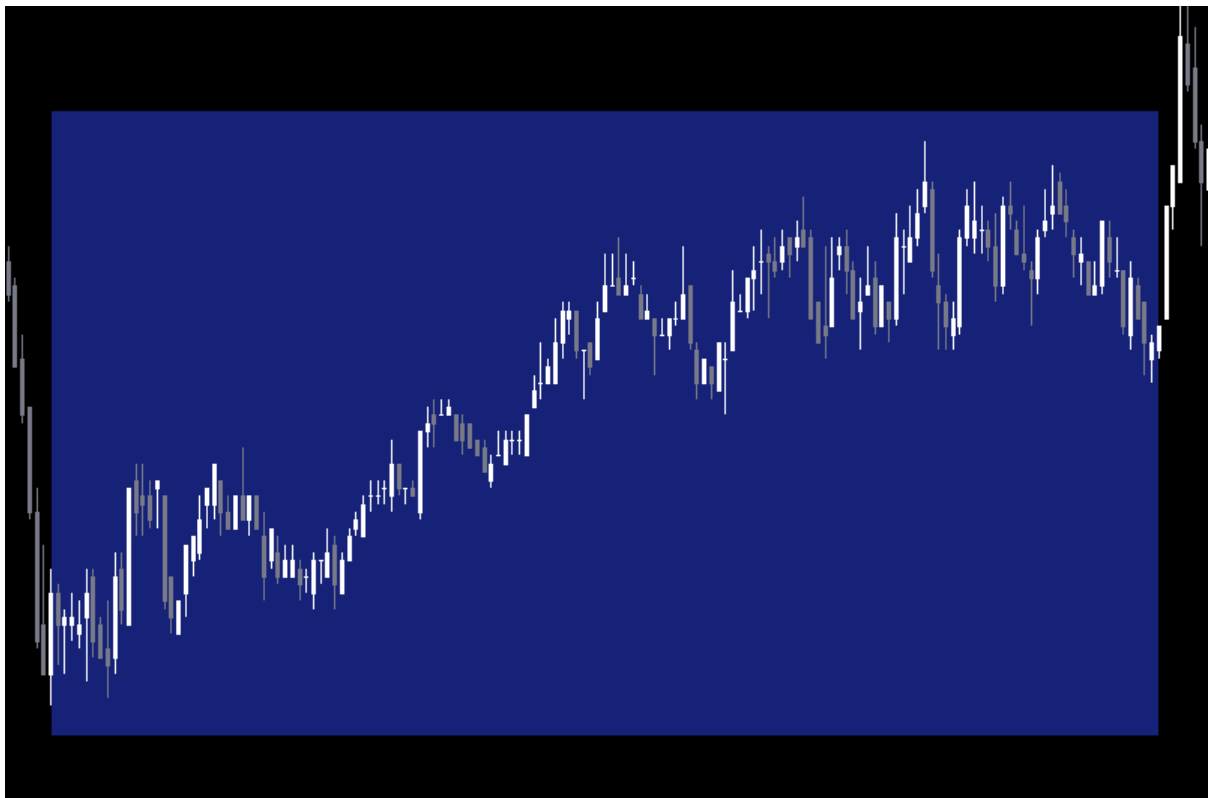
accumulation could look at different times.

- sometimes we can have it as a side ways movement which means there's no significant moves up or down, just side ways movement.



You can see how price is literally just moving side ways...

- sometimes accumulation could be in the form of “low resistance liquidity run” also known as LRLR. which is a slow movement to a direction but again, no significant movement or no volume.

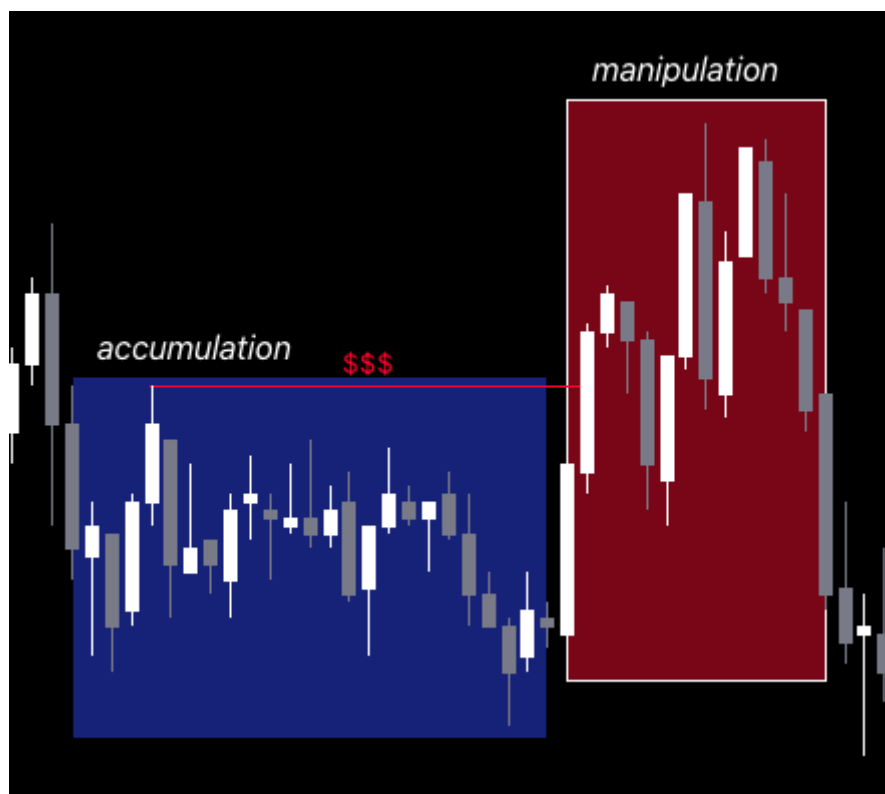


You can see how price in a state of accumulation but it has a direction, this is classified as LRLR.

manipulation;

manipulation is the 2nd phase of the po3 and is characterized by a move up or down that is considered a “fake out” or a “fake move”. the objective in this phase is to sweep liquidity from one side; either buy side or sell side in order to pave way for the last and final phase.

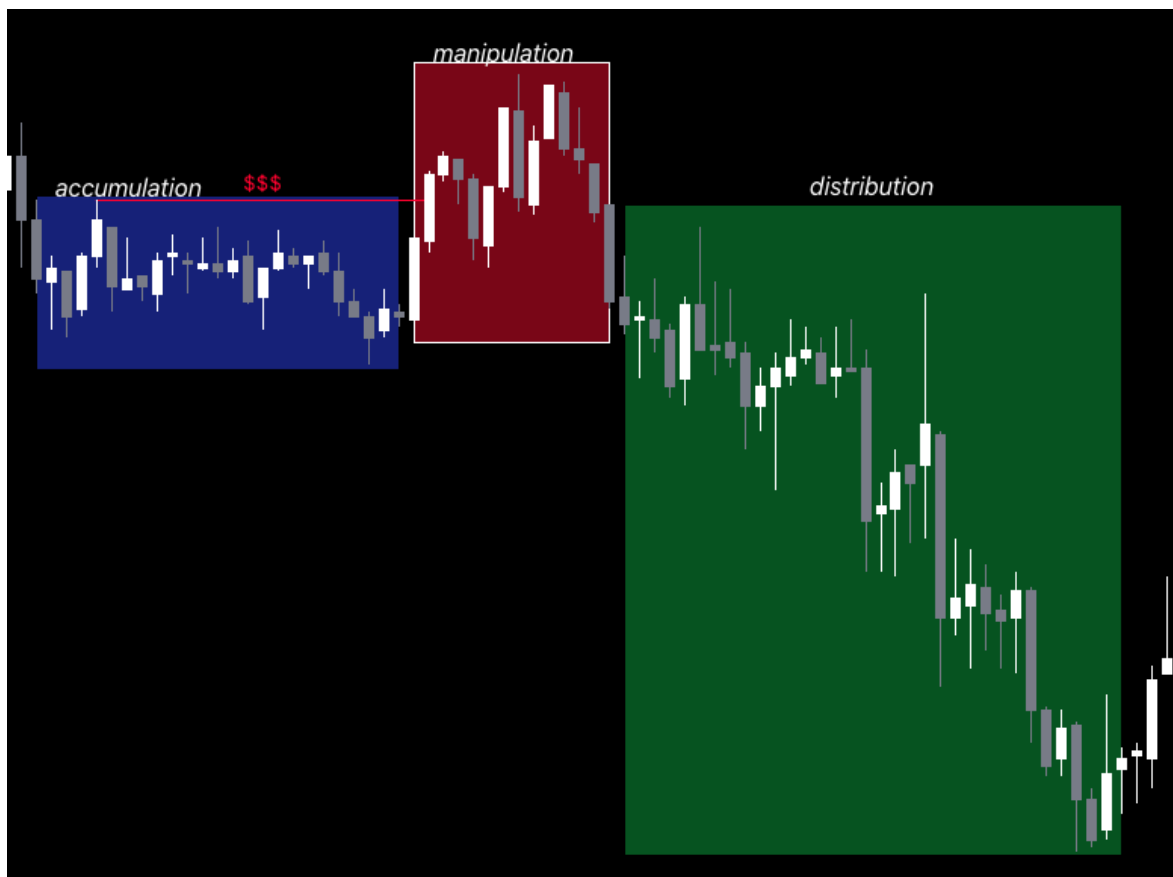
manipulation in effect breaks us out the consolidation or accumulation.



You can see how after a period of accumulation we have a manipulation out of the range also known as the fake out.

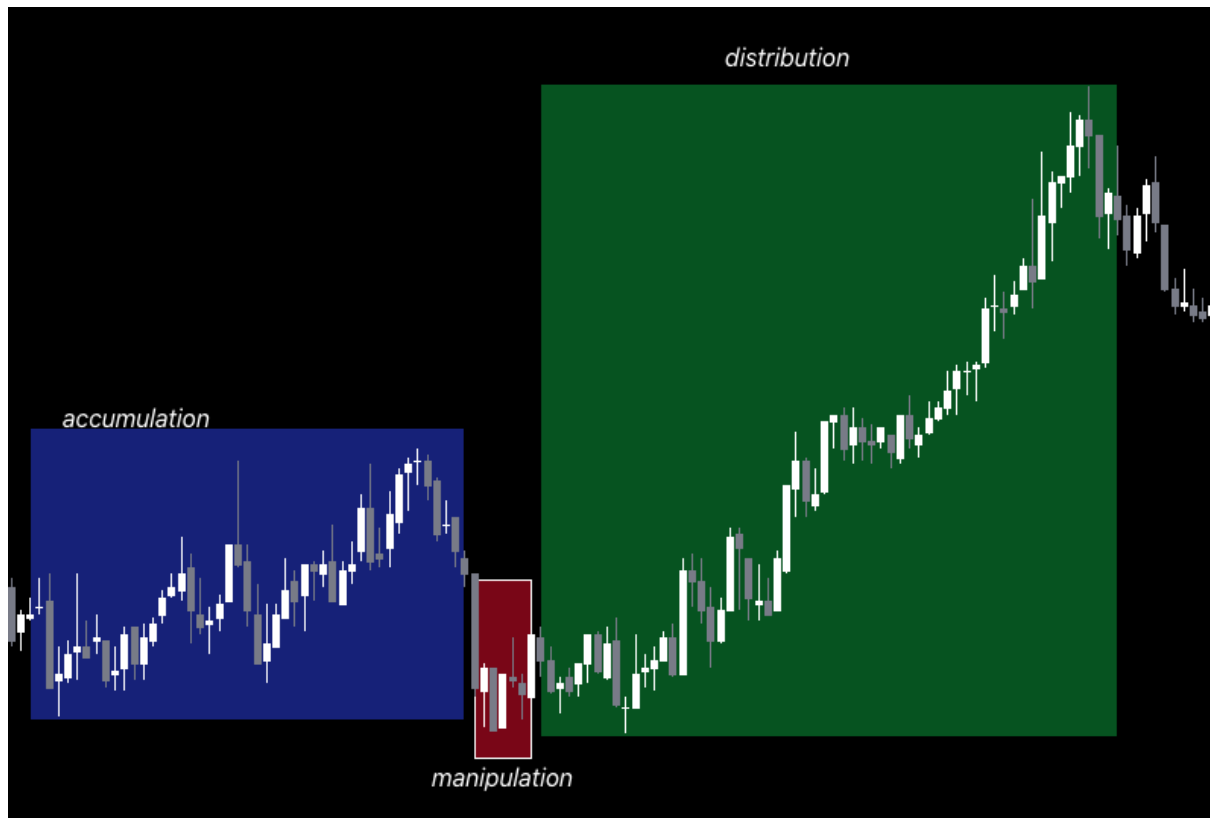
distribution;

this is the final stage or phase of the po3 and this is the phase that we anticipate and want to trade. once we manipulate either up or down taking out either buy or sell side liquidity, we want a strong move in the opposite way. we follow the rule where if buy side liquidity is taken, we target sell side liquidity. and if sell side liquidity is taken, we target buy side liquidity.

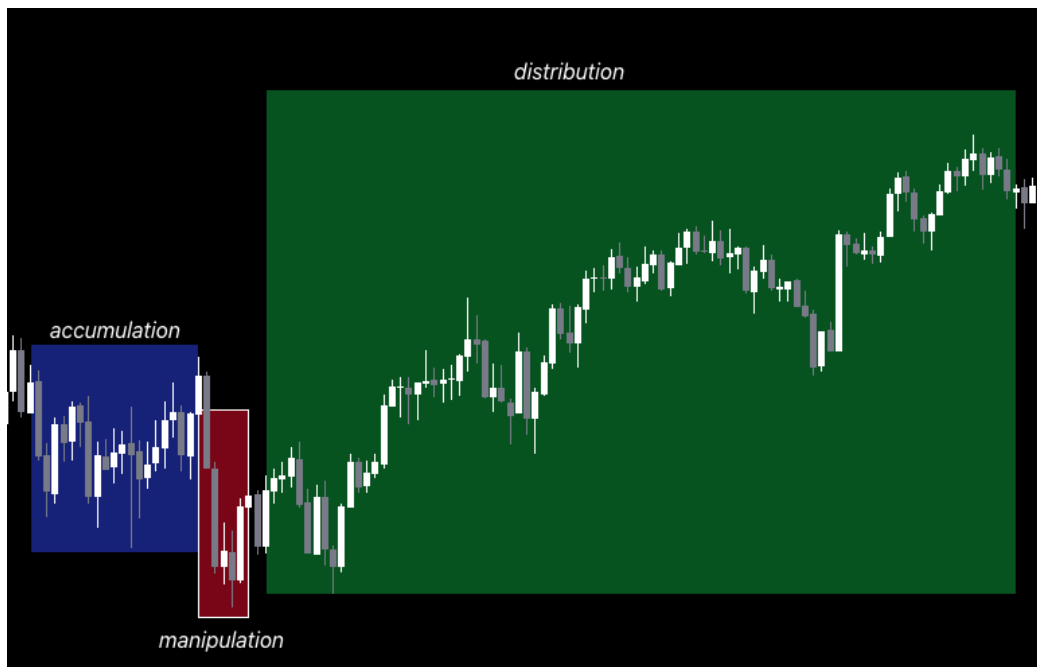


As you can see here, we have an accumulation which is then followed by a manipulation, and right after that we have a distribution in the opposite direction. To the tee.

More examples to train the eye;

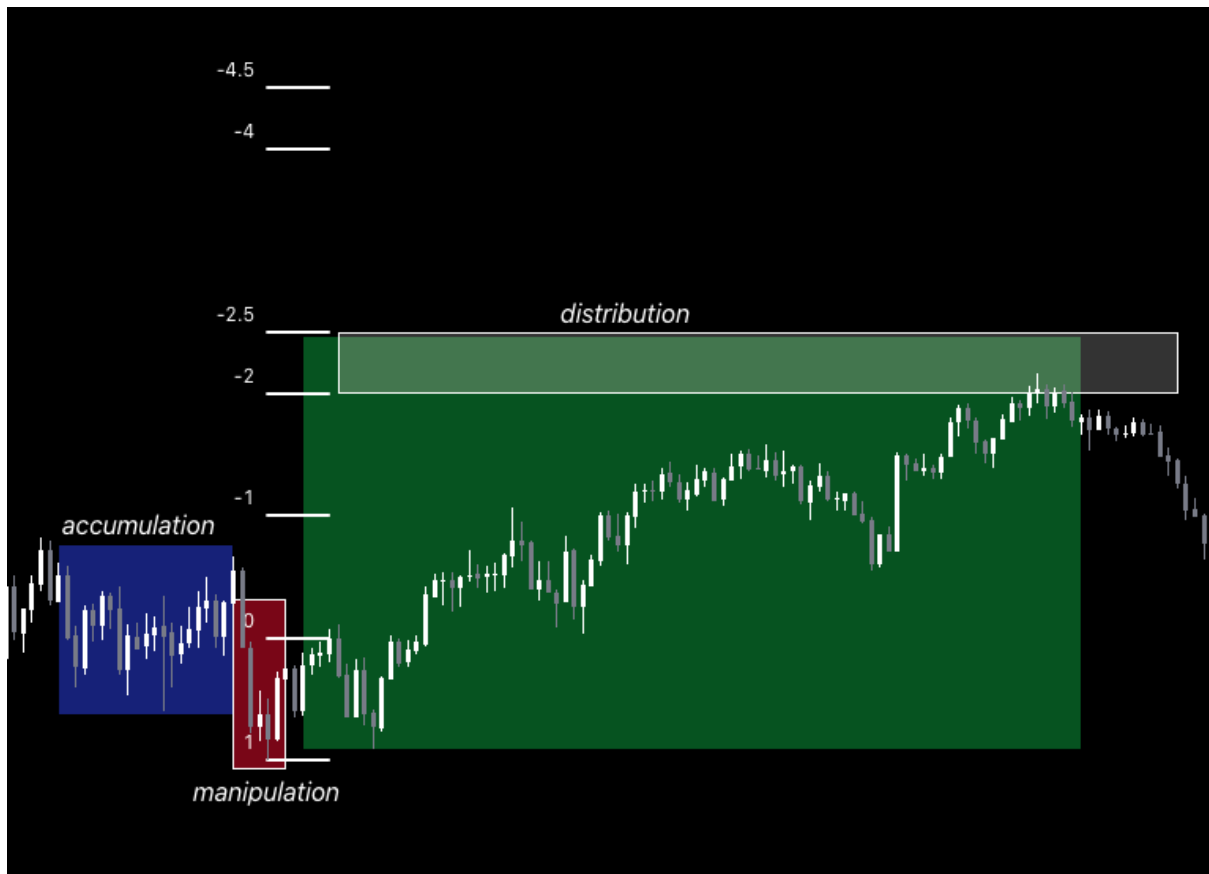


Here is a bullish example, and also note how the accumulation here is in the form or LRLR

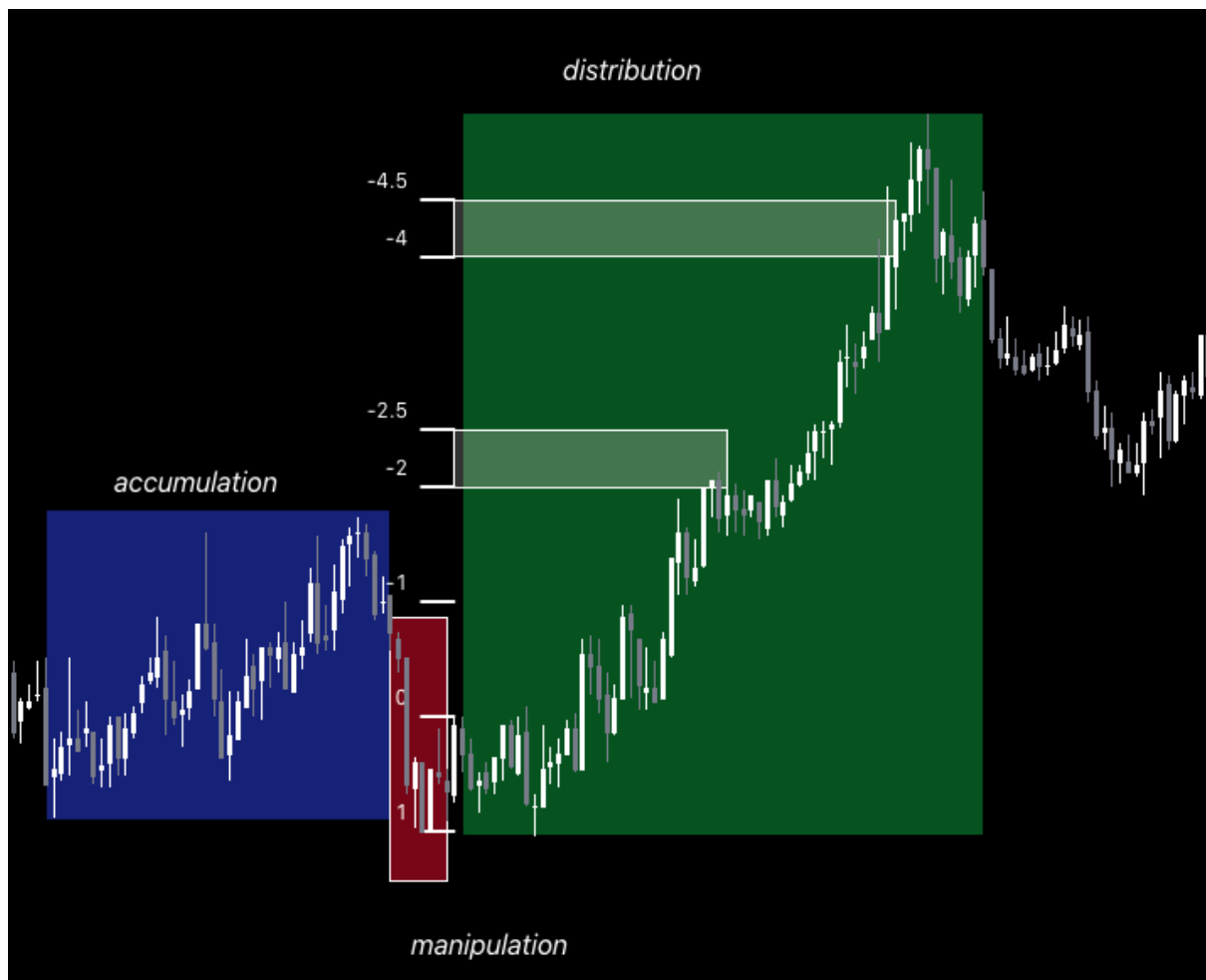


using STDV with Po3;

(refer to the STDV pdf regarding how to use it)



Drawing the STDV from the first D leg...



-2 and -2.5 gives us a mini retracement and then -4 and -4.5 gives us the reversal.



Bearish PO3 example with STDV pull. We see a -2 and -2.5 retracement.