

Lesson 8: Power of 3

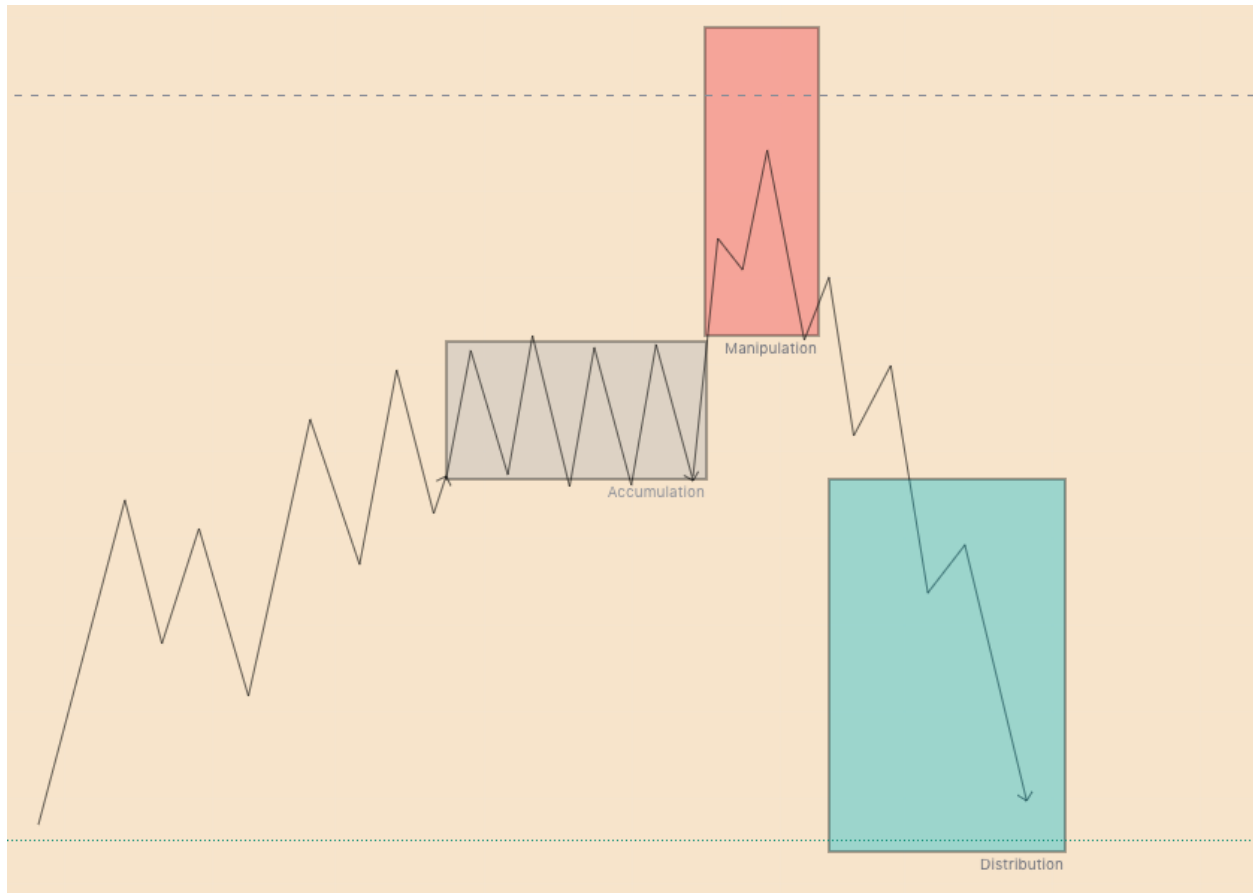
If you knew why price behaves the way it does, would you be able to identify where it is likely to go? What would you need to know in order to do this? How would you identify the behaviour? This lesson is an introduction into understanding the movements of price, and creating a framework of price movement to setup trade ideas.

The power of 3 (or what is known as Accumulation, Manipulation, Distribution → AMD), is a very simple strategy to use and identify market maker models, and where price is likely to go. It helps you visualize price in a constructive ways by using the different overnight trading ranges and pairing them with points of liquidity. It doesn't need any magical forecasting, just a confirmation of market structure and market structure shifts after price has taken out liquidity.

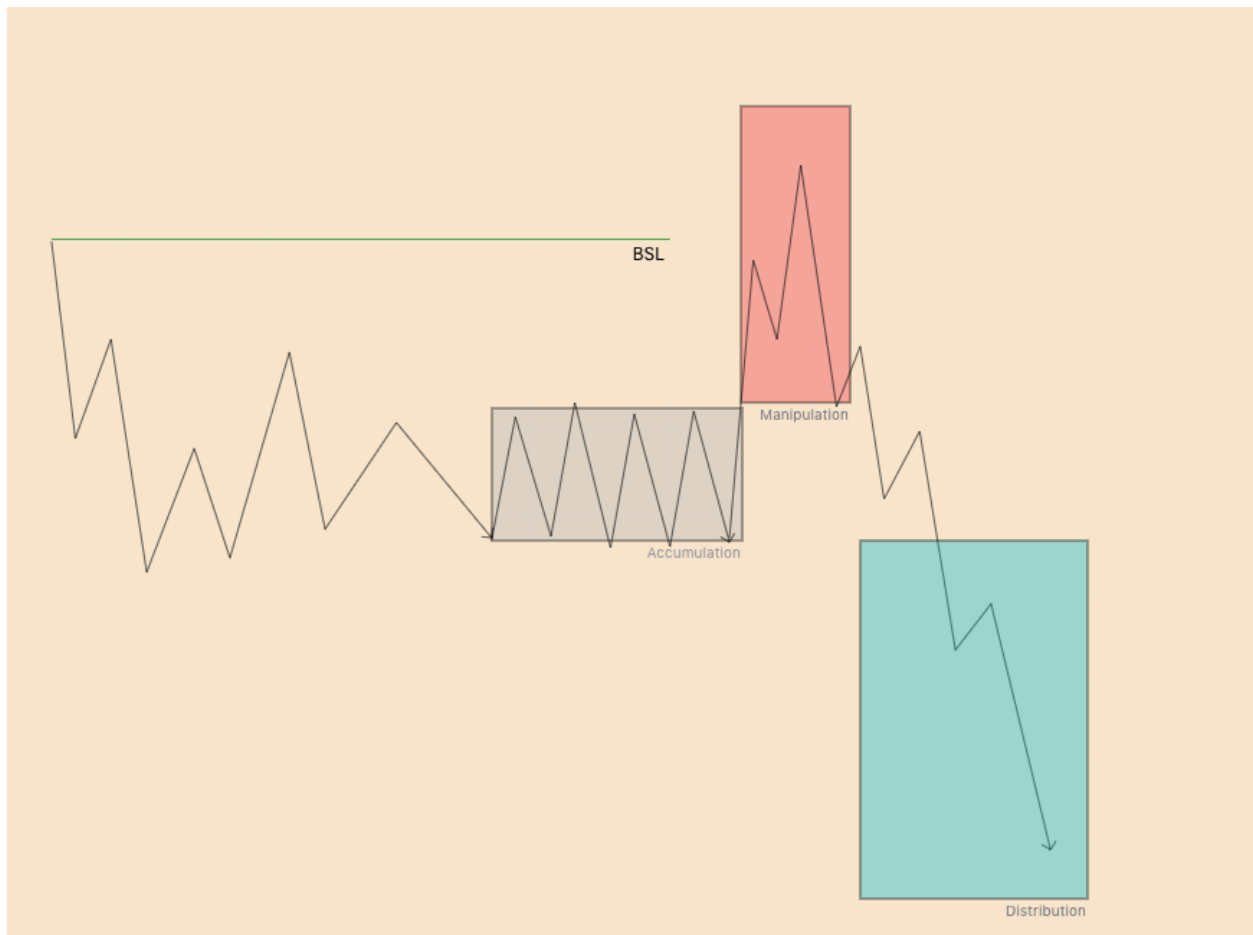
[This lesson is built for futures: \$ES, \$NQ, \$YM although the concept can be applied to anything]

Power of 3 → Sell Model

Here is a general idea of what a bearish PO3 looks like. In this scenario, price will look to reprice higher (HTF POI) before setting up a mmxm that favours the sell-side. This could indicate the start of a reversal.



Here is another sell model but with price seeking a premium **before** continuing the trend lower (downtrend).



In both cases, price manipulates higher seeking a premium of an array OR external liquidity. THEN it sets up the market maker sell model to the downside.

Example

Here is an example using today's price action - Jan 17th 2023. It wasn't very clean price action, but it has setup a potential market maker sell model for the remainder of the week. This chart showcases a clear accumulation phase, followed by a manipulation up to take out buyside liquidity. This manipulation up was the move to setup the market maker sell model. Price is currently getting ready for the distribution phase down (overnight) to seek sellside liquidity.



You should look for periods of accumulation between 6:00PM EST to 5:00 AM EST. These ranges should be obvious and clear. The manipulation and distribution periods occur between 2:00AM EST and 10:30AM EST. (If you're familiar with killzones, then you already know when to look for these manipulations - this PDF is simplified for beginners). Your entry should be once liquidity has been taken and there is a market structure shift in the direction of interest for price distribution.

Here is a step by step to get the above chart:

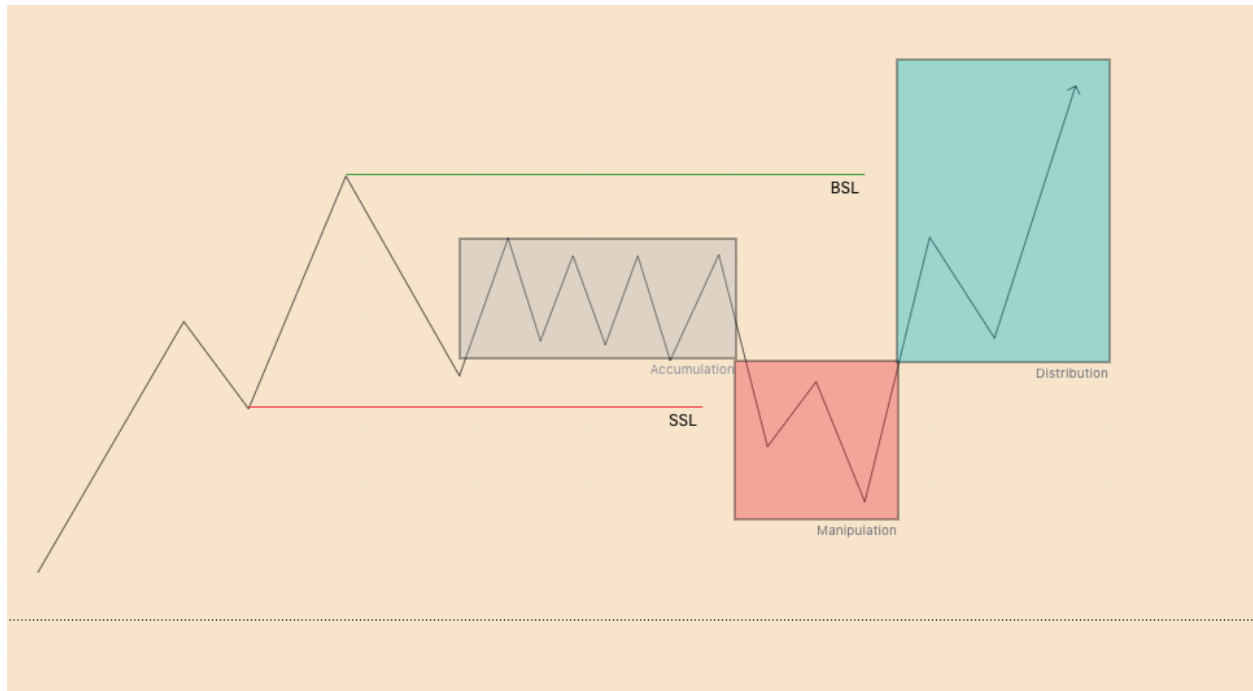




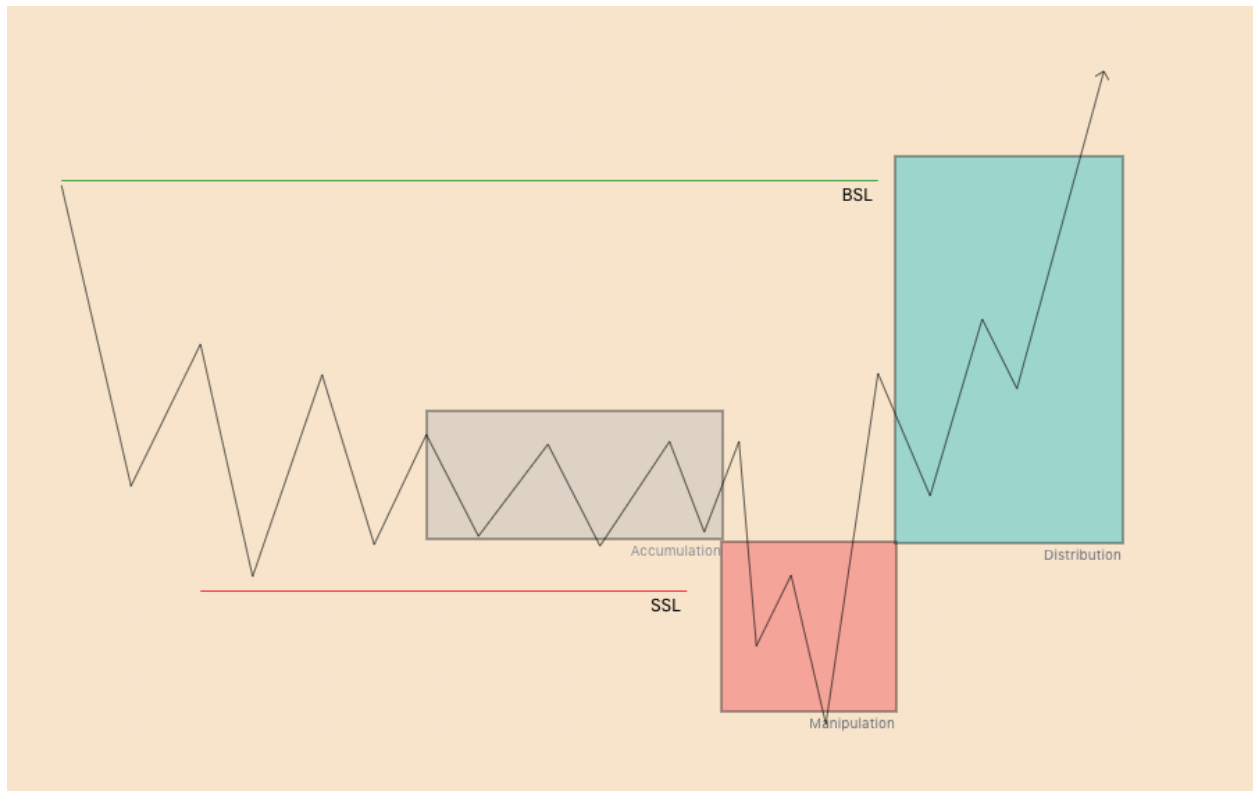
Power of 3 → Buy Model

Here is a general idea of what a bullish PO3 looks like. In this scenario, price will look to reprice lower (HTF POI) before setting up a mmxm that favours the buy-side.

Price is moving in an uptrend. It seeks internal liquidity at a discount (manipulation) before continuing higher.

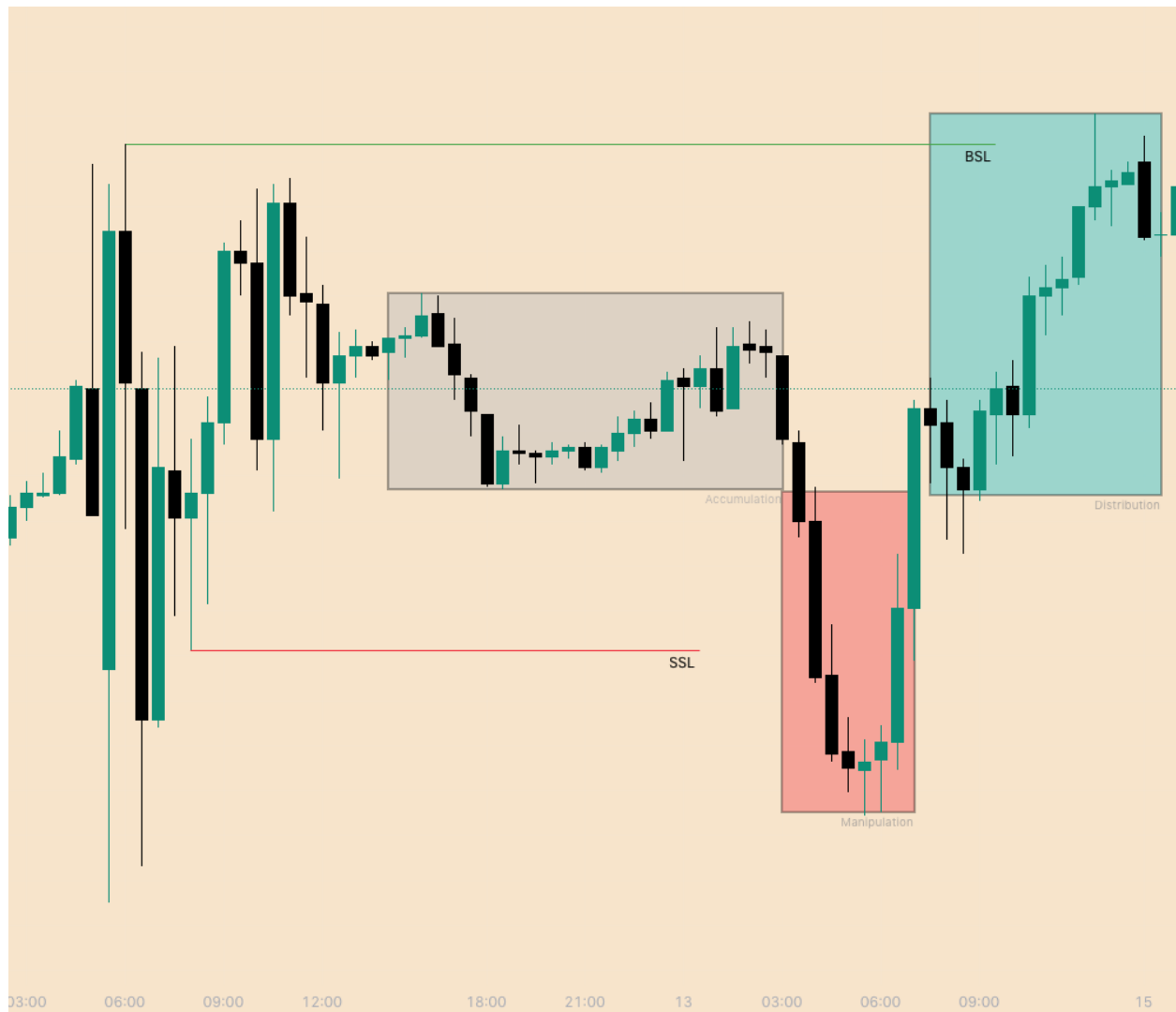


Here is another example of a buy-model but with price dropping lower before seeking a premium of the downtrend. This could indicate the start of a reversal from this down trend.



Example

Price has been in an uptrend. It begins to accumulate before making a sudden drop lower to take out recent sellside liquidity. This manipulation down reverses back up and sets-up the buy model to take out buy-side liquidity. In strong uptrends (or strong bull markets) this is where BTFD comes into play!



There you have it. A simple introduction to AMD / PO3! Now get practicing on the charts!