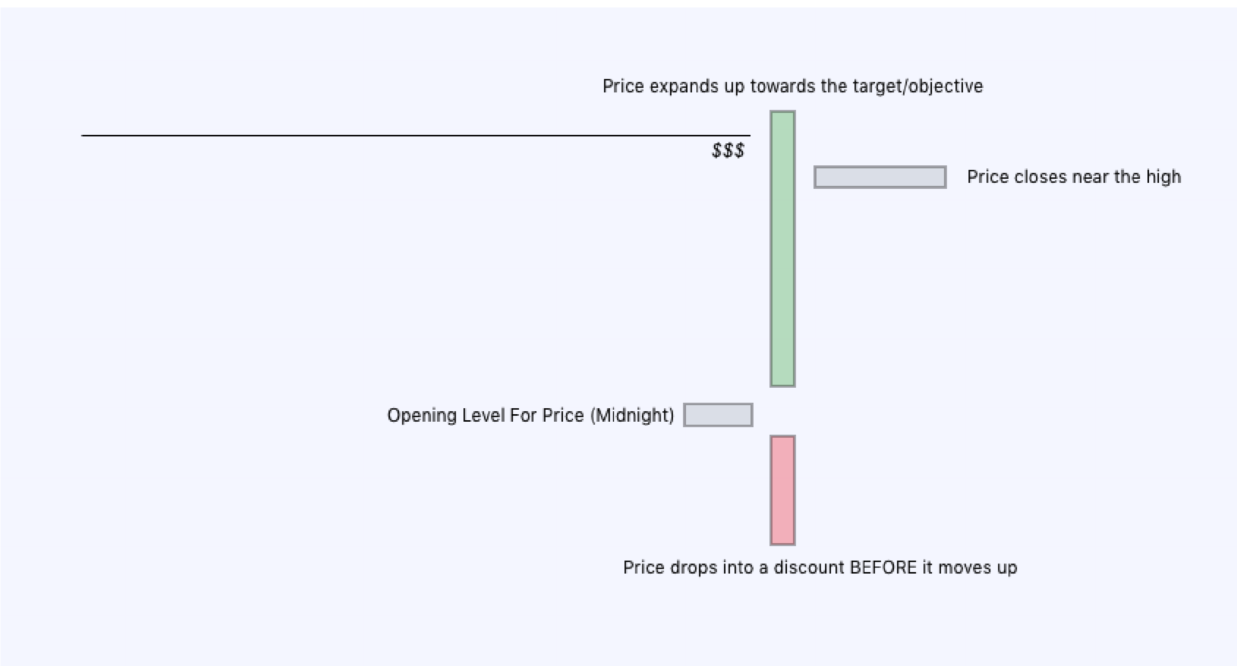
Lesson 11: Daily, Weekly, Monthly Opens (Power of 3 - Simplified)

This lesson is going to cover the basics of OHLC, or OLHC, and use it to determine when price will make a high or low for the day, week, and month. If you are able to determine this, then you should be able to trade and capture large chunks of the trend. So how do you do this?

What is OHLC or OLHC?

These acronyms stand for Open, High, Low and Close, or Open, Low, High and Close. What does this mean? It gives you an objective way to visualize how a candle (on any time frame) is forming, and the direction in which price seeks liquidity.

Bullish Template (OLHC)



The general idea is that price will seek a discount or take out sellside liquidity, before it expands up. So price opens at midnight (OPEN), it then will seek a discount of a previous price range (LOW). This is your optimal trade entry (OTE) inside a FVG or OB. From here, you will anticipate price to EXPAND UP and attack buyside liquidity (HIGH). In these scenarios, price will CLOSE near the high. This is how a bullish move forms and how the MMBM forms.

Bearish Template (OHLC)

The general idea is that price will seek a premium or take out buyside liquidity, before it expands down. So price opens at midnight (OPEN), it then will seek a premium of a previous price range (HIGH). This is your optimal trade entry (OTE) inside a FVG or OB. From here, you will anticipate price to EXPAND DOWN and attack sellside liquidity (LOW). In these scenarios, price will CLOSE near the low. This is how a bullish move forms and how the MMSM forms.

[Bonus]

This all depends upon the HTF objective that price is seeking. You need to know were you are in relation to the recent swing low or high that formed in the past 20, 40 and 60 days, and determine in which direction the market structure shift has occurred. From there, you can frame your weekly and daily bias and where price is most likely to move. For a monthly bias, you need to look back at least 180 days and apply the same logic.

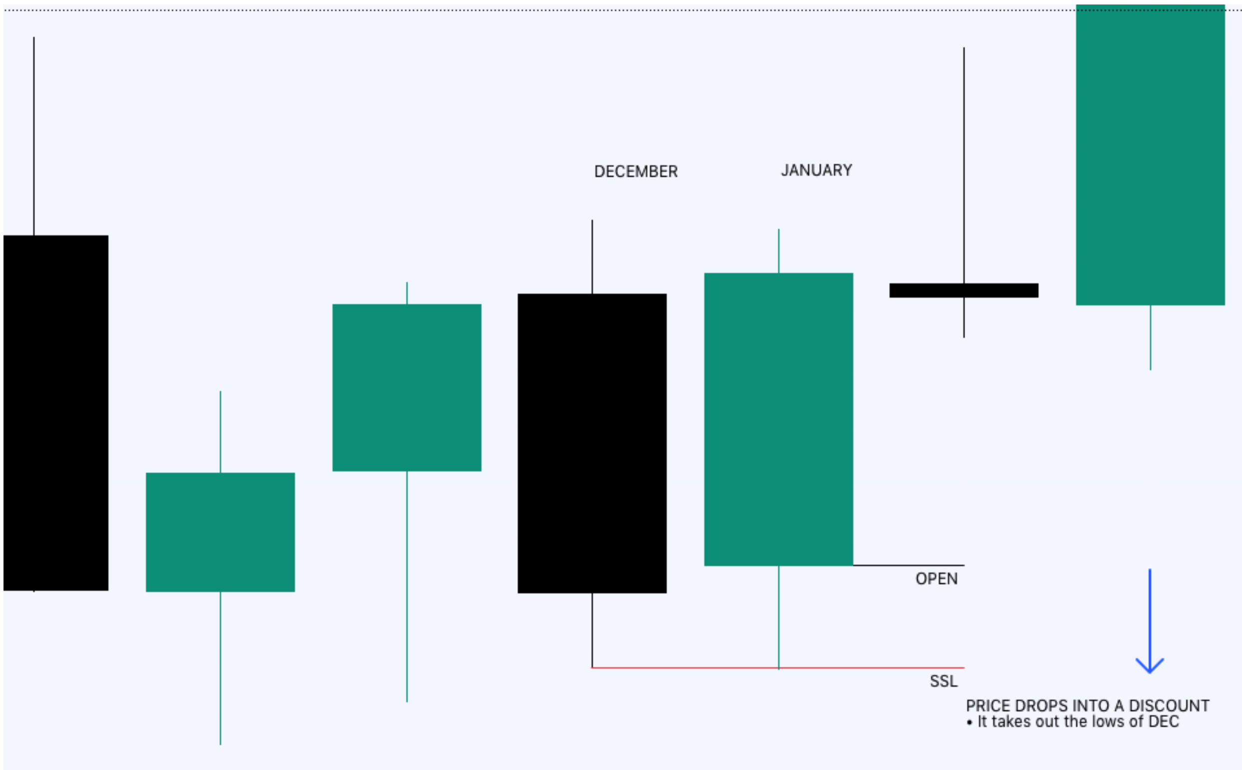
Monthly Candles

The logic above applies to the monthly candle except that you will be using the monthly open price to frame the concept of OLHC or OHLC.

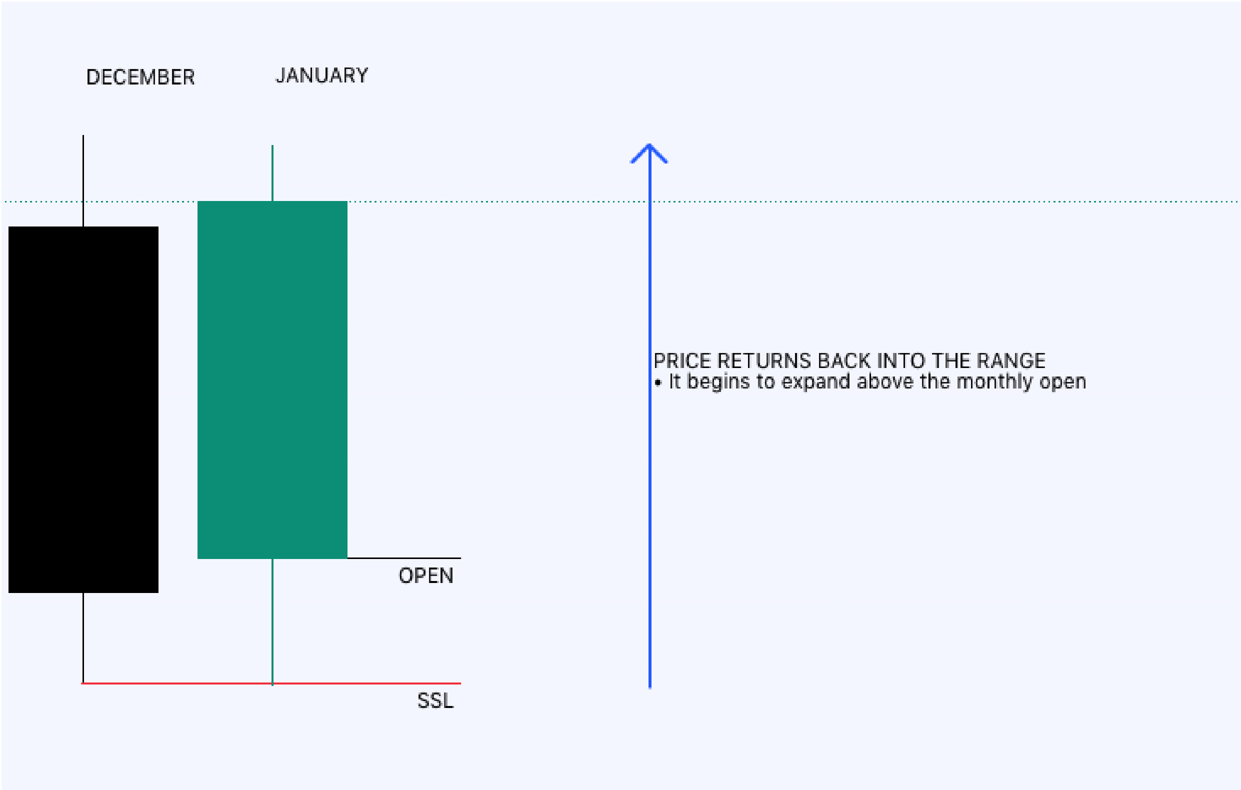
Bullish Example (OLHC)

You will start with the monthly candle and work your way down to the daily candle. You will use Jan 2023 for all of the examples.

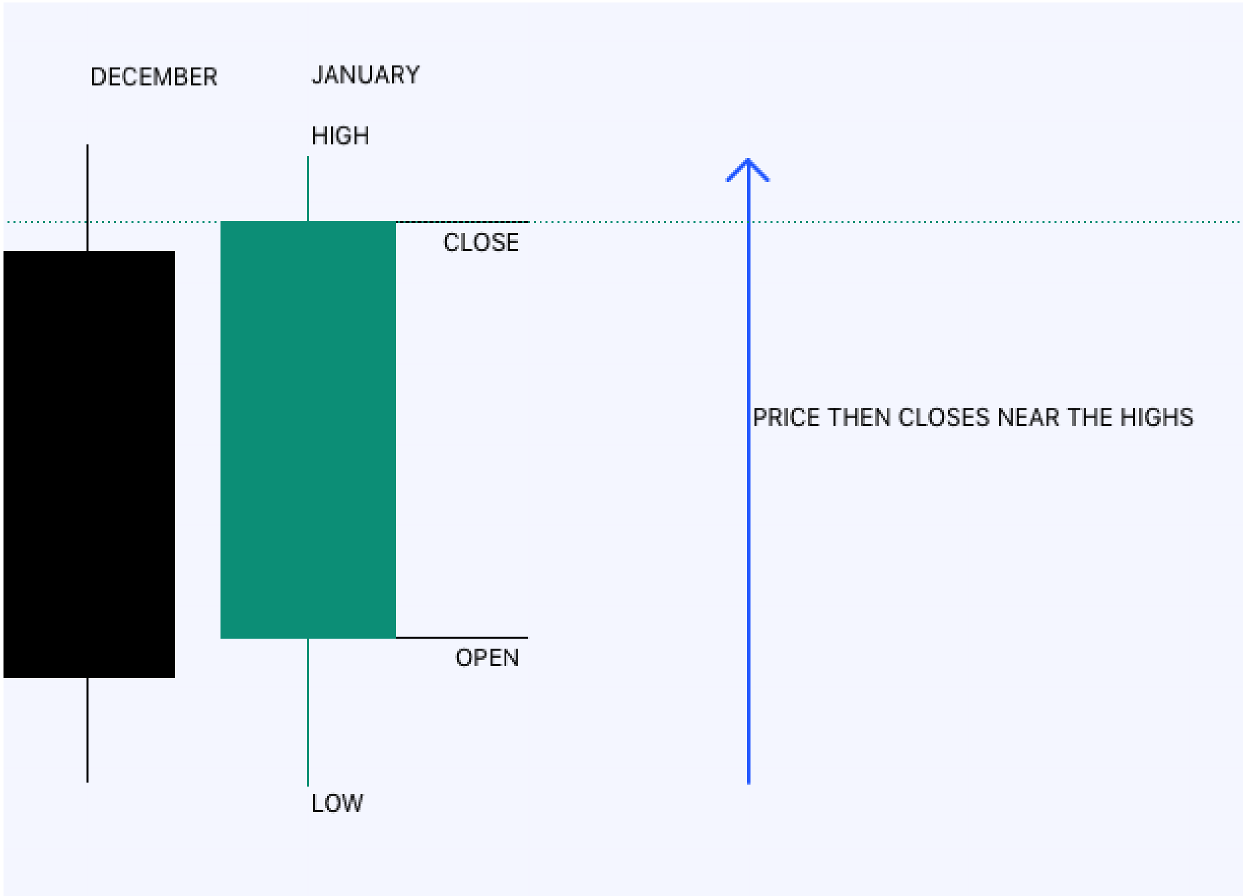
For January, using NQ, the monthly price opens and then drops into a discount of the previous month's range, taking out sellside liquidity. In this instance, it takes out the lows of December!



From here, price returns back towards the opening price level and begins to EXPAND UP (hmmm, what does this remind you of?). As price expands up and above the monthly open level, it forms your bullish template OLHC!



Price nearly takes out the December highs! But since it hasn't, the anticipation would be February to attack those high relatively quickly. Here is the finished monthly candle.



As homework, practice with a OHLC - BEARISH SCENARIO. (Hint: use December 2022 as the candle to practice on). Look at where the monthly open is and where it reaches into a premium BEFORE price EXPANDS DOWN.

Weekly Candles

The same logic applies for weekly candles but you are going to use the weeks opening price as the level where you determine you bias. If you are bullish, price should seek a discount under this open before moving up. If you are bearish, price should seek a premium over this open before moving down.

Bullish Examples of OLHC (Weeks 1-4)

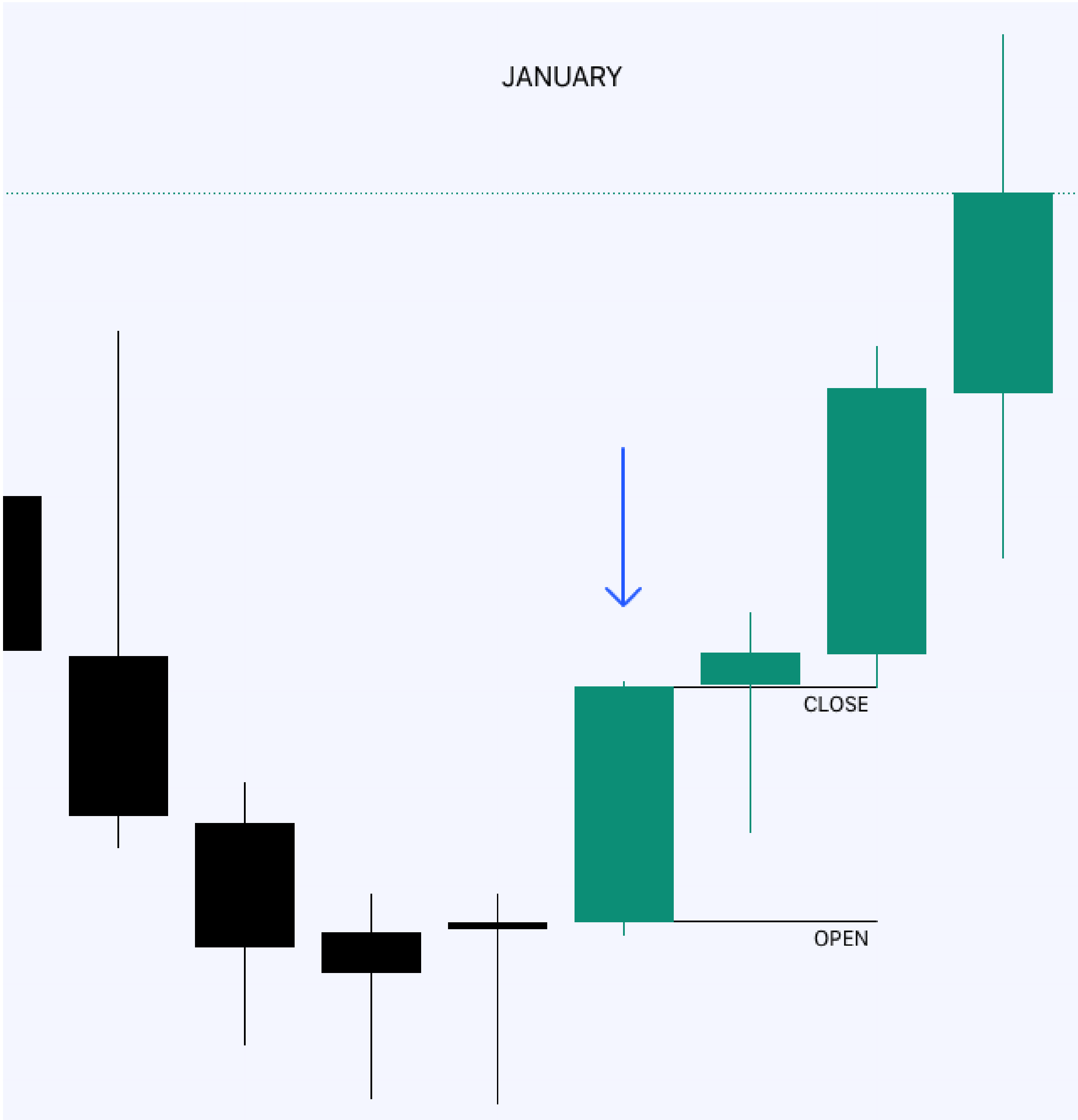
Let's continue with the January price action. If you're anticipating the month to be bullish, then each week should provide us with an opportunity to capture some of this

EXPANSION UP. Let’s go through the basics of each week, applying the same concepts we did with the monthly candle to each week.

Week 1:

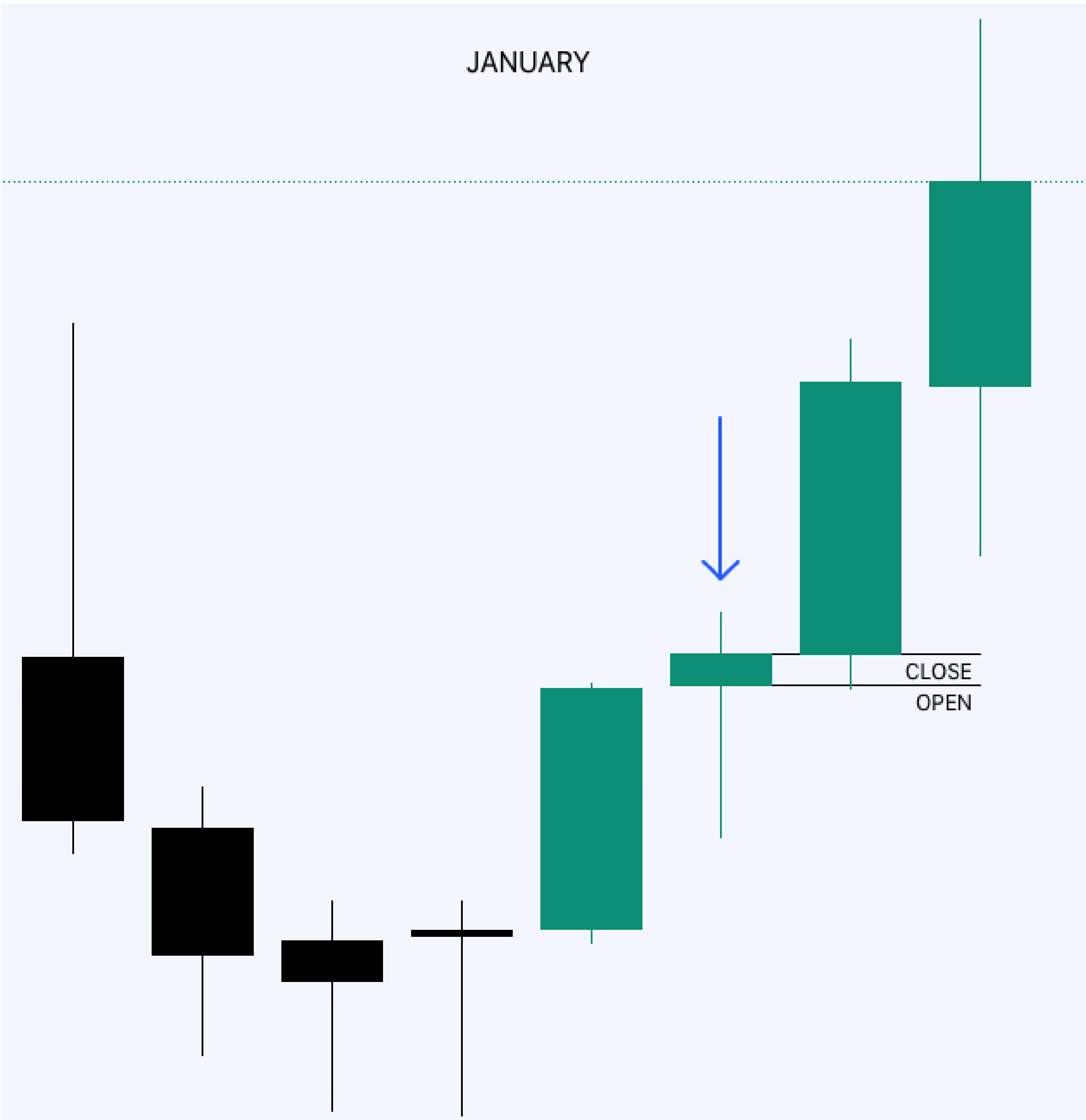
Price opens and attacks the lows of December before coming back to close near the open (why it looks weird). This forms your hammer candle - price looked below old lows in a discount and immediately comes back into the range. This suggests price is failing to displace lower, and by default, may seek higher (or a premium). You should now look for week 2 to be bullish and expand up. Depending on how week 2 finishes, you will have a framework for the rest of the month!

Week 2:



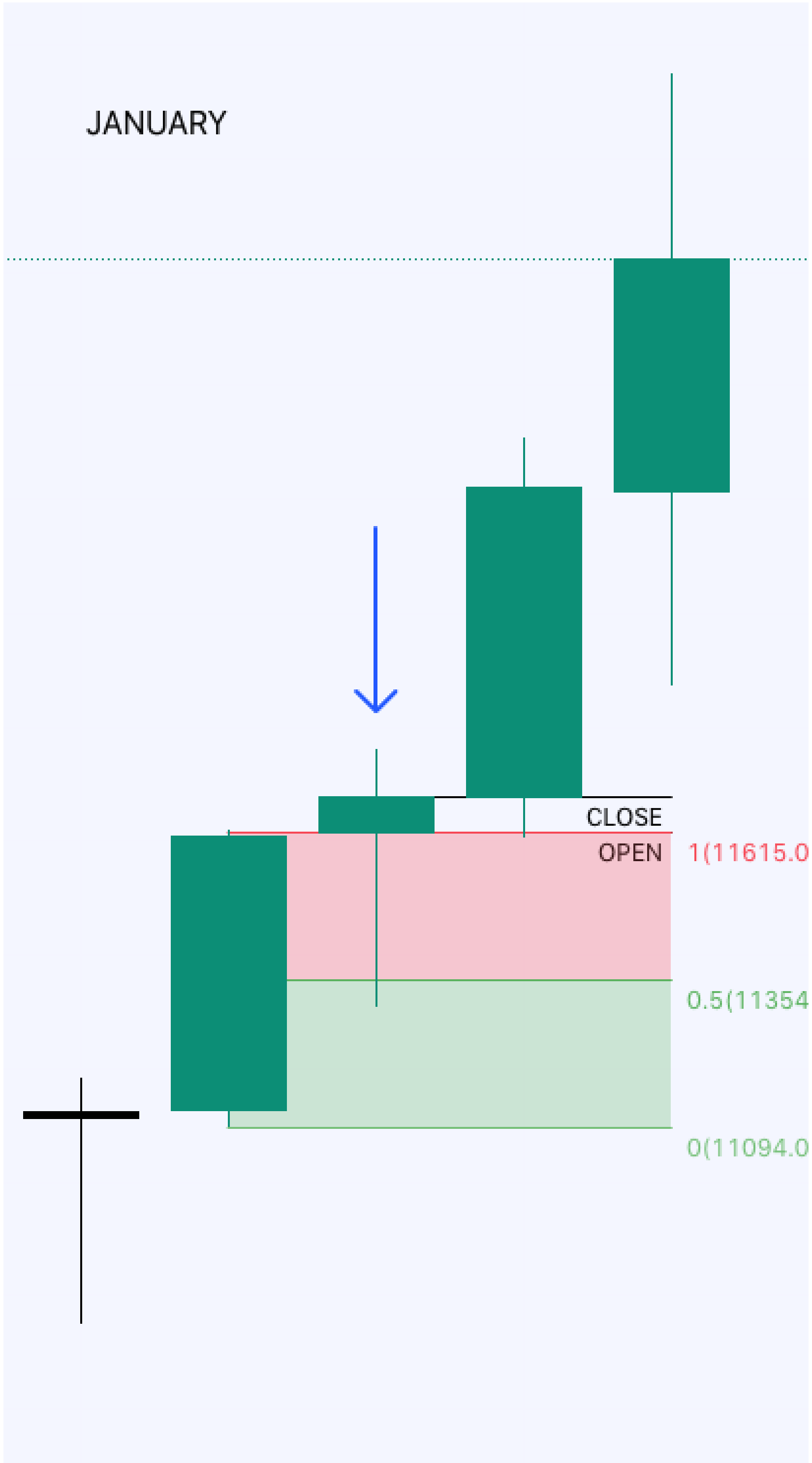
Week 2 provides you with a good example of a strong, weekly candle. As you can see, price opens and barely drops into last week's range (fails to seek liquidity/discount of last week's range). It then immediately begins to expand UP and above the weekly open to target buyside liquidity (premium) and the HTF target. In this instance, the small drop below the open was all week 2 needed before expanding up. This aligns well with the hammer candle formation from last week, which suggested price was looking to expand up with some possible aggression. Since week 2 got this aggressive move, week 3 might provide some consolidation/pullback (it doesn’t need to) before price expands back up again in week 4.

Week 3:



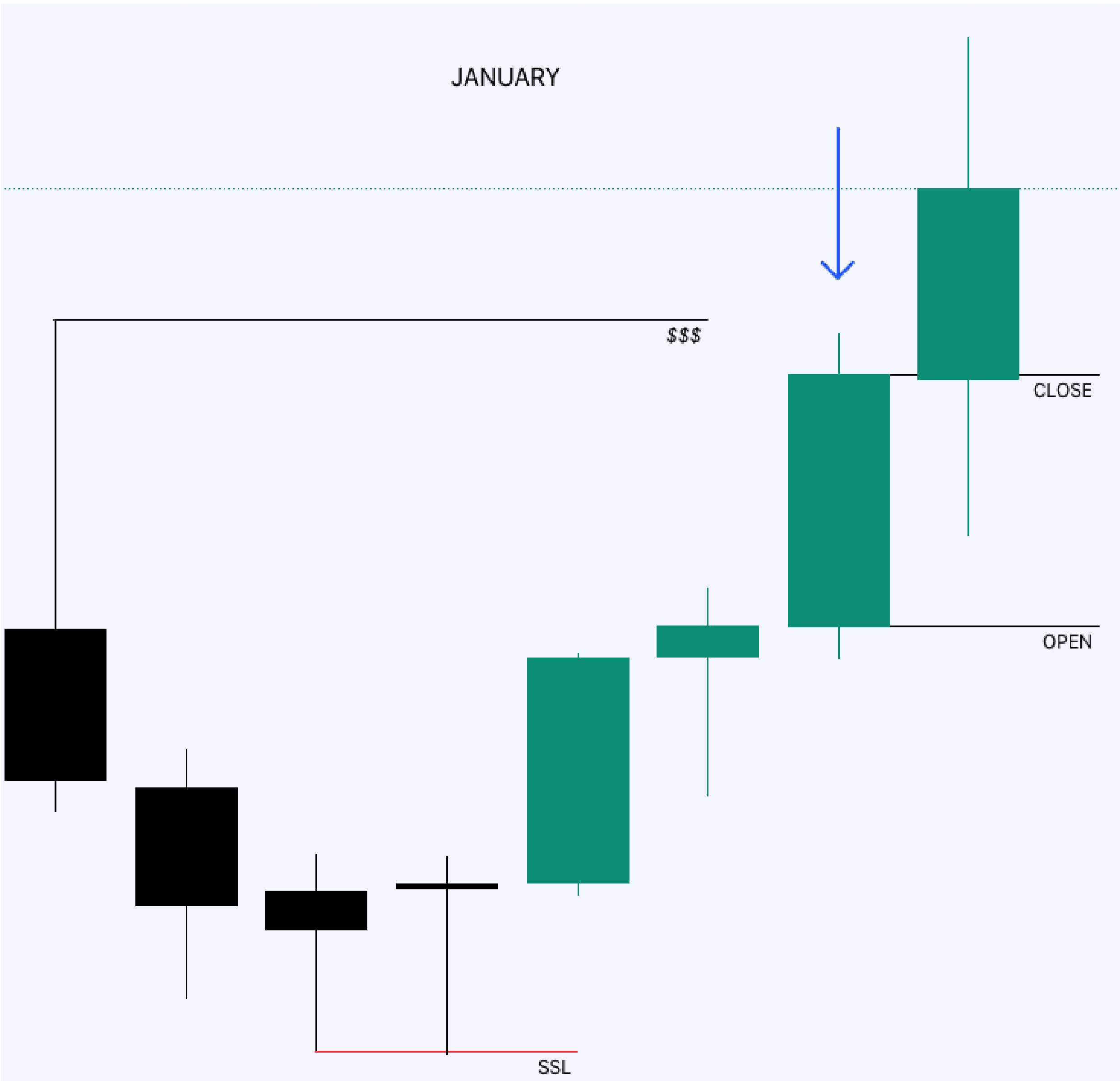
Consolidation/pullback week but with a bulilsh bias. You are still looking for a OLHC format for the week but with the assumption of a limited range to the upside. You start with the week's opening price, followed by a drop into a discount of last week's range. This is where we expect bulls to defend their positions AND where you will get an OTE from an FVG or OB nestled inside the discount range.

Here is what that looks like:



Price seeks a discount of the previous week's range. Within this range, you will find an FVG or OB inside the discount portion where bulls will defend (re-accumulate) their position. How do you know this to be true? Look at how price closes for the week? Near the high and above the week's open. This is what a bullish consolidation week looks like. It looks similar to the hammer candle of week 1 that began this entire move up. You can then anticipate price to begin expanding back up again in week 4.

Week 4:



Week 4 is a repeat of week 2. Price barely dips below the weekly open (suggests a failure to displace lower) and begins to aggressively expand up. What is it targeting? The December highs (*$$$*). The close is also near the high. This is another example of a strong, weekly expansion towards a HTF objective.

With a bullish monthly candle, you can expect each week to provide an opportunity to capture some of the expansion up. You target for each week can be anchored to the monthly target. But you have to keep in mind that price won't hit the HTF target in just one week. Each week will carve out it's own path towards the HTF target and your job is to identify when to capture the expansion up.

For a bearish scenario practice, go look at DEC 2022 and apply this same logic using the OHLC!

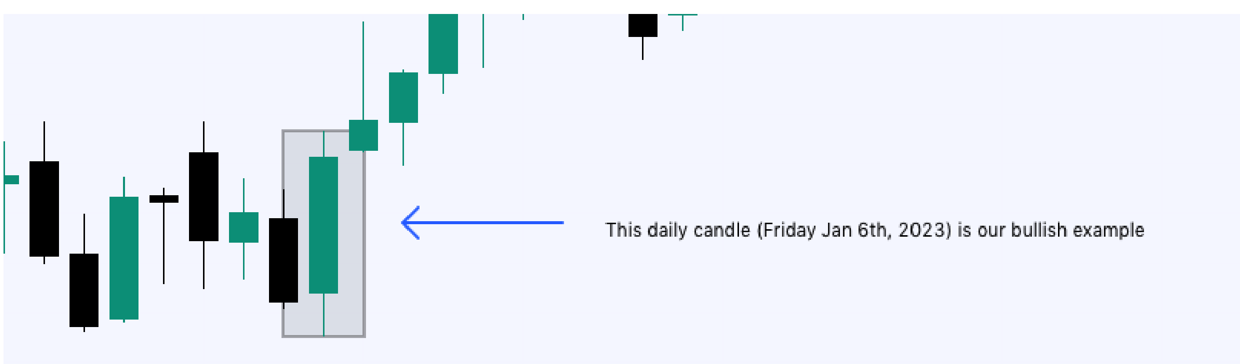
Daily Candles

The daily candle formation uses the midnight open as the level where you determine your bias. If you are bullish, price should seek a discount under this open before moving up. If you are bearish, price should seek a premium over this open before moving down. This is the general idea for using midnight as our anchor for the open.

[Bonus]

The time of week also matters. Generally, if you are bullish, you would like the low of week to from Monday-Tuesday and sometimes Wednesday. If you are bearish, you would like the high of week to form Monday-Tuesday and sometimes Wednesday. There are multiple other scenarios but lets keep it simple for this lesson.

Bullish Example (OLHC) - Jan 2023, Week 1, DAY 5:



From here lets add your elements of the general templates above.

The sellside liquidity has been marked off. The key for this example is, price SWEEPS the LOWS of DECEMBER! This is a HTF liquidity point AND where/when you can see possible reversals occur.

Bullish OLHC template

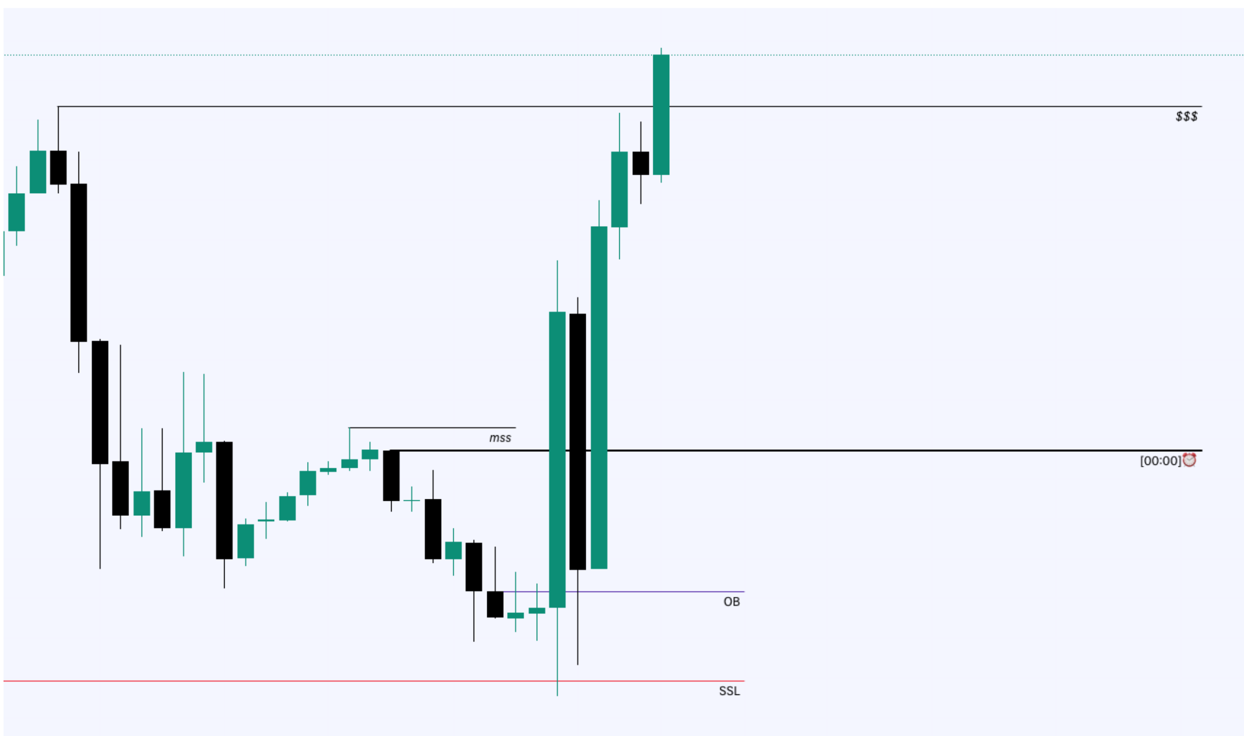
Here is the day broken into the hourly chart:

- Mark off the midnight open (EST)
- Identify the liquidity price takes (for this scenario, we know it is the DEC 2022 lows)

- Once the lows are raided, price immediately and aggressively switches direction
- Now go about and label your structure and market structure shift

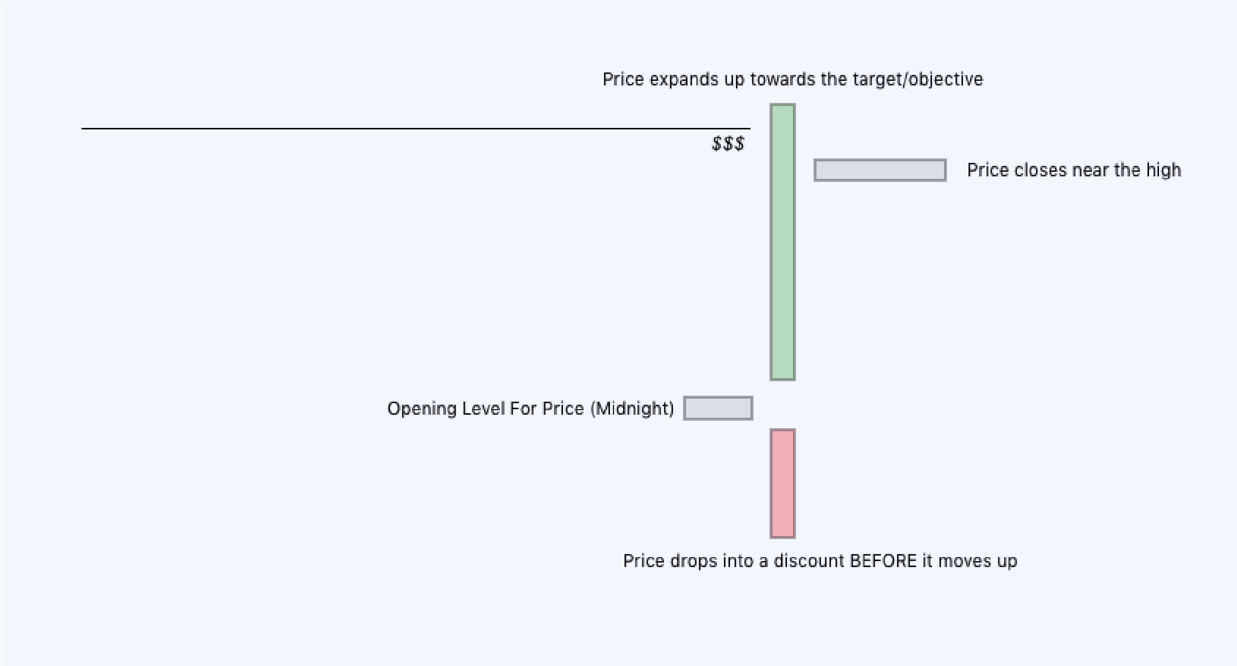
Price returns back to the origin of the aggressive move up BUT look at how the hourly candle closed. It may not seem bullish but that is a good sign to close above the orderblock. From here, you anticipate price to respect the lows and being to expand up - based on the OLHC. What is price targeting? Look at the previous day's high!

- Previous day's high is labelled ($$$)
- Look at that response! The orderblock is respected and price aggressively moves back up towards the target above.
- So far, you have a drop below the midnight open into a deep discount (OPEN → LOW)
- From there, price aggressively moves higher creating a displacement and a market structure shift UP.
- Price returns to the OB and expands back UP again.



OLHC Daily Template displayed using the hourly chart. Price expands up and hits the target (HIGH → CLOSE)!

And here is a reminder of that general OLHC template.



This was a brief and simple introduction to the PO3 utilizing the monthly, weekly, and daily opens. You can apply this concept to any timeframe but how you trade will depend on your psychology and method of trading. Going forward, I will create videos covering this topic (and the previous PDF's) with more examples and with trades I personally took.