MOODCOMPASS®
PROPHET FOR YOUR PORTFOLIO™

April 2008

March Review

        March was a stormy month. Geopolitical hot spots around the world were ignited or seemed extremely vulnerable to escalating out of control. Crude oil climbed to new records, even though the economy is extremely stressed. The dollar, it was feared, is never going to stop its fall. In last month's MoodCompass, we got all of this right. We also forecasted a stock market crash of 15% or more. The market was down, but there was no crash. How do we account for this?

        Social mood is a not a predictor of events. It gives us a forecast of the probable timing and direction that markets will take. The mood was seriously bearish. By the end of the month, there was a new record in the number of short sellers. During the first two weeks of the month, the period in which a crash was most likely to occur, several crises did occur (e.g. Bear Sterns). However, the Fed intervened repeatedly and forcefully to prevent what they undoubtedly saw as an imminent market collapse. This shows that both the timing and severity indicated by the MoodLines was accurate. The charts on the following page show the remarkable way the markets followed the MoodLines in both ups and downs.

        In the Global Mood / Global Context for March 24 – March 30 was a configuration associated with religion and a religious focus. During this week was the height of the Tibet crisis, the cleric Al-Sadr was up in arms, and the anti-Muslim film Fitna was released on the internet. There was a religious focus in the reported news that week.

        Another very interesting event was the change in perception towards the federal government, specifically, Bernanke. The week before the FOMC meeting, while the Manic line was high, he was perceived as incompetent and a promoter of chaos—associations with high Manic. The week of the FOMC meeting, as the lines shifted to high Directing, he was seen as possessing good leadership, as competent, and as a hero—all associations with high Directing.

        Although the MoodLines for U.S. government were highly associated with the perceptions towards the government, the correlations with U.S. dollar movement were jumbled. While bad for trading signals during that period, this tells us something highly significant. A major change in trend is at hand! When the market appears volatile in an unpatterned way—this is another pattern. The "intermediate trend is about to change" pattern. We observed this with crude oil as well. Trends are about to change. This brings us to the month of April.

Review of March Nurturing / Directing Polarity

Last month we discussed the pattern shared by the MoodLines for U.S. Society in November of 2007 and March 2008. Last month, we said regarding November:

> The stock market dropped hardest when the Nurturing line was farthest away from the other three. For a society, extreme Nurturing without the benefit of the other mood components signifies anxiety, feelings of vulnerability, and is often accompanied by a "take money off the table" stock market behavior.

Below are the MoodLines for March 2008. The Nurturing/Directing polarity comes into full effect on March 14.
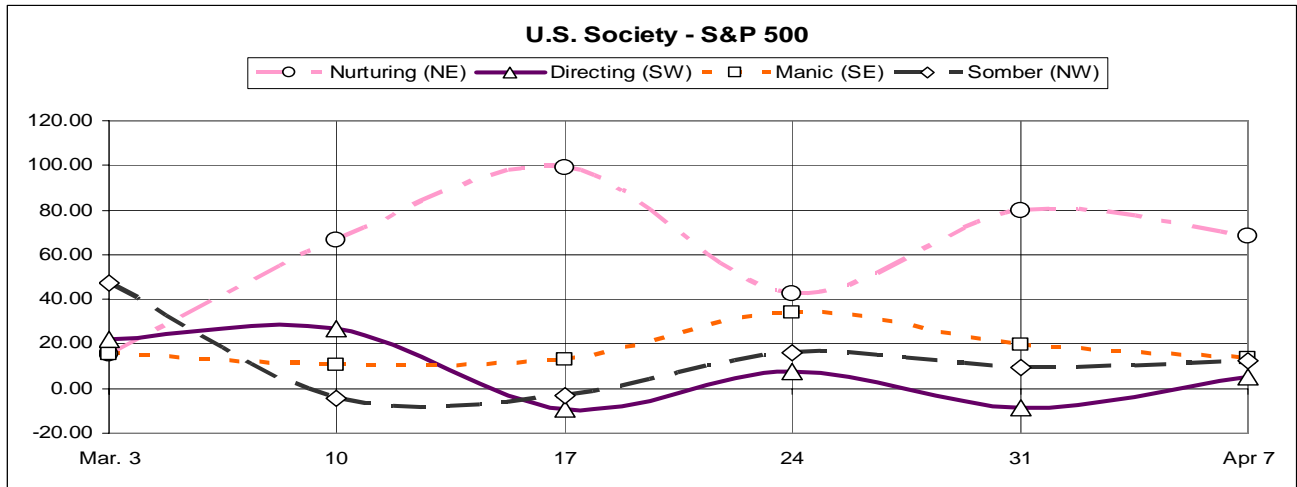
The chart below shows a comparison of the actual S&P price chart with the difference between Directing and Nurturing (March 3 – 28). Notice how well it followed, especially after March 14. It is not difficult to see how well this pattern works for showing likely market direction. Following this, the market for March 31-April 7 should be sideways to up.
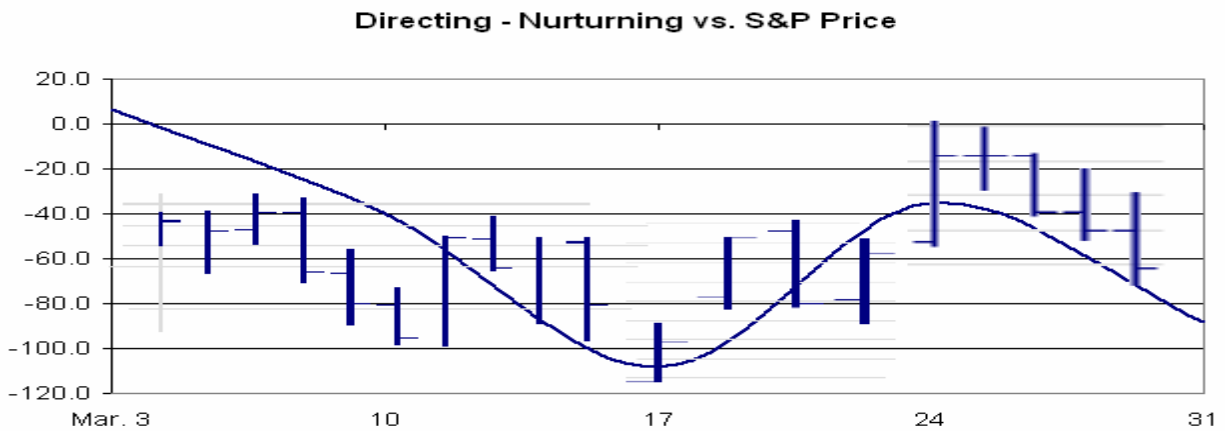
Price data source: Futuresource.com

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April 2008

Trends in Transition

As the month begins, there is a general sense of relief as many geopolitical situations and potential geopolitical crises bring themselves to some sort of resolution (at least for the moment). The situation in Israel seems to be calming down, the Tibet situation may be settling down, and the tide seems to be turning in Basra (Iraq) to something more stable. The U.S. stock market was down again last month, but the Fed's repeated and novel actions for the past few weeks have kept an imminent crash from occurring. Some sense of stability may be returning, at least for now.

Market trends lasting more than a few days will be highly unclear in April, as most major markets are in a state of transition. Global markets will be directionless (high Somber, low Directing). The U.S. stock market will continually seek optimism, but will find itself confronting setbacks repeatedly (oscillation between high Manic and Directing=> high South means high volatility). Crude oil should come off its record highs, but this is only a pause before resuming its upward climb. The U.S. dollar may make strong gains this month, but it too should have extreme ups and downs along the way. Clarity and direction should return around 4/21.

March 31- April 4: The stock market bottoms causing considerable relief. The U.S. dollar is showing potential towards strengthening, or at least bottoming. Crude oil is beginning to show a tendency towards a new downward trend. There is renewed optimism, at least for the moment.
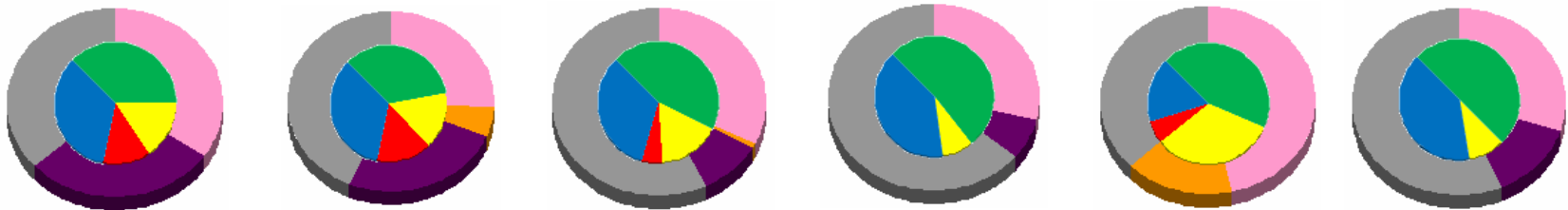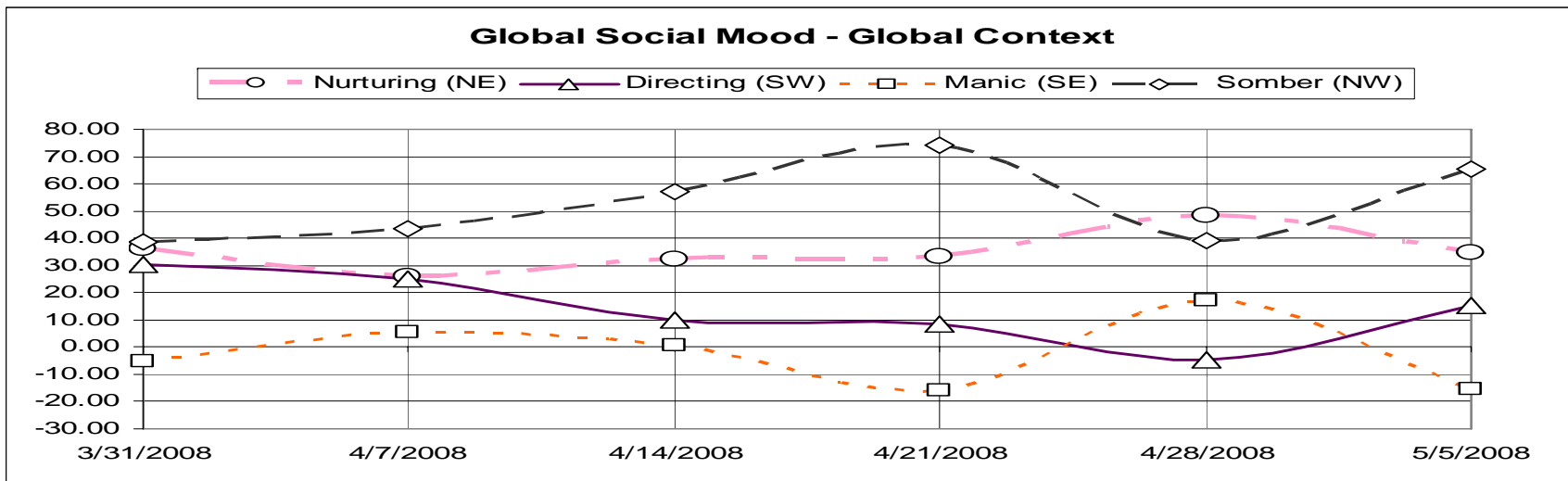
April 7 – April 11: High volatility in the stock market. There is potential for a sell-off in conjunction with a geopolitical surprise, but there is high likelihood for a short covering rally as well. Euro could rally big early in the week and reach a top followed by a mid-week reversal, with the dollar finally starting its long awaited rally. Crude oil could rally due to a geopolitical escalation, but its gains should be limited.

April 14 – April 18: Look for a stock market sell-off, especially early in the week. The trend in the dollar that started last week should accelerate; however look for extreme volatility and choppiness. Crude oil should begin its decline, but bulls holding onto the uptrend will make it a bumpy ride down.
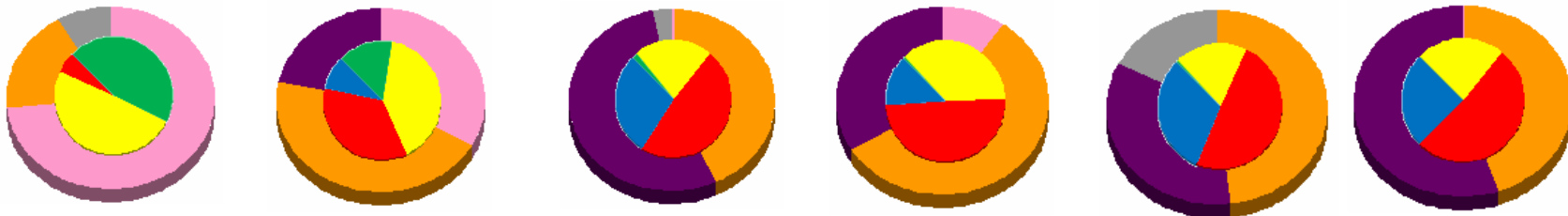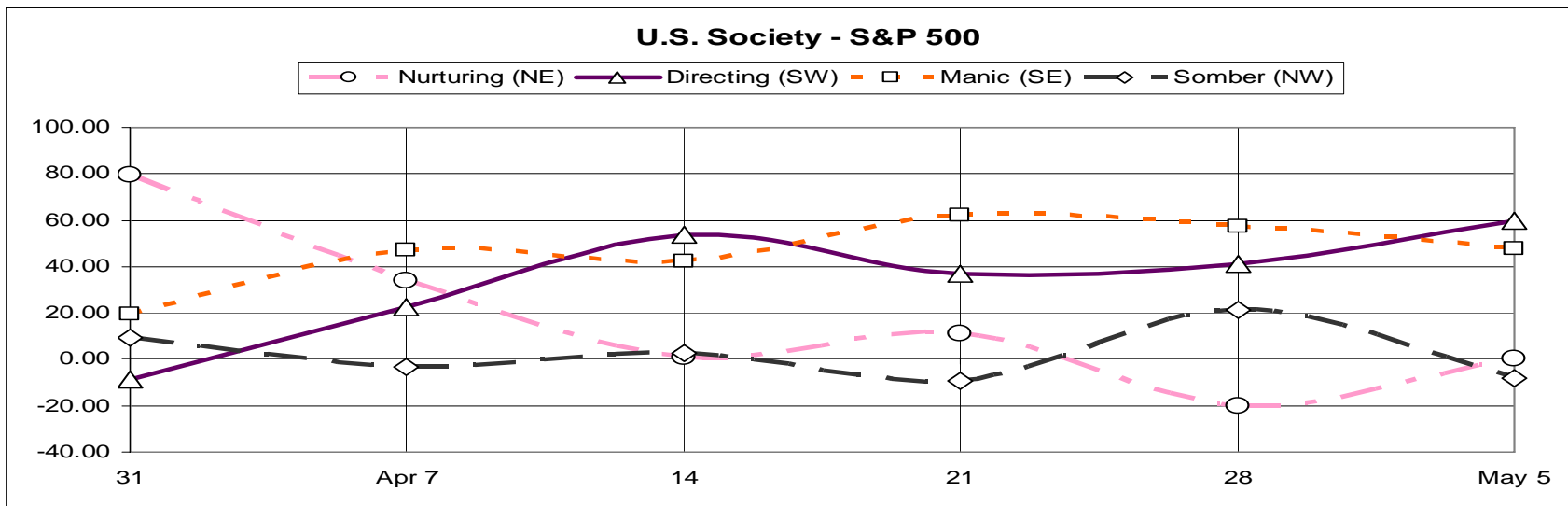
April 21 – April 25: High volatility in the stock market (again). Do not be short! Surprises will be to the upside. The dollar should rally big this week; the Euro is ready to fall. Crude oil as well, could lose a lot this week as supports give out.

April 28 – May 2: There are indications of geopolitical tensions beginning to be felt again at this time. Extreme volatility in the stock market (once again). Don't be long this week; however, a big rally is right around the corner. The Euro should bottom; it's about to start up again. Losses in crude oil slow; the trend is about to turn up again here as well.
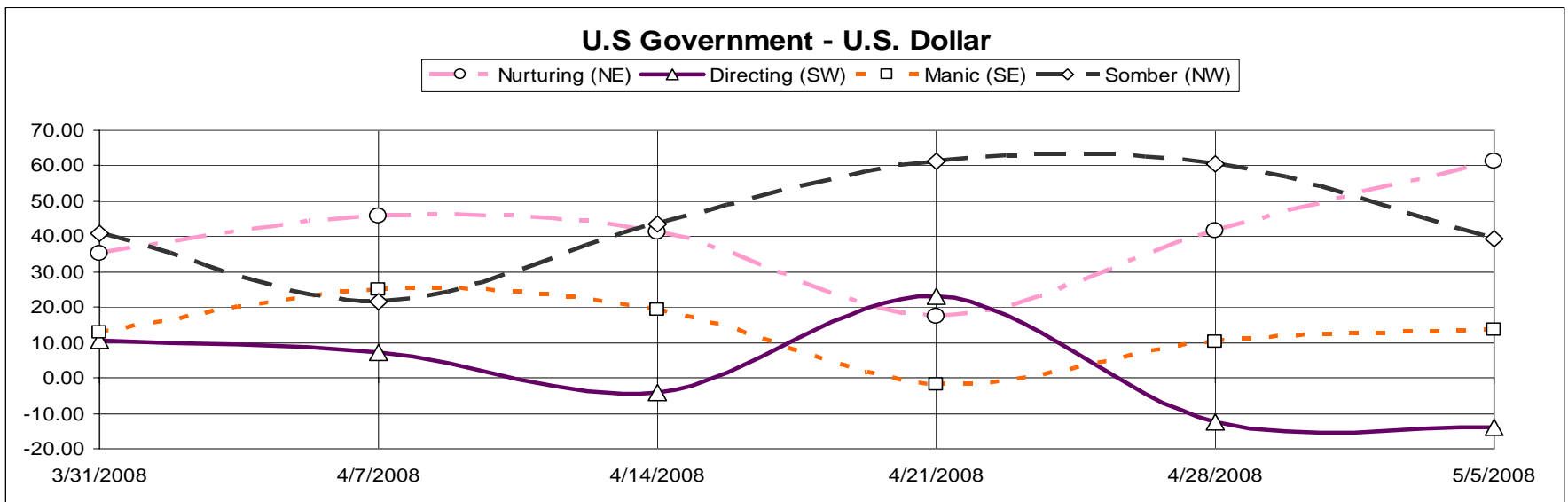
The charts on the following pages will go into further detail of the social mood changes and corresponding market behavior for this time period. The last few pages of this document will give you a brief orientation to the MoodCompass.

Global Social Mood - Global Context

| | Nurturing (NE) | Directing (SW) | Manic (SE) | Somber (NW) |

Stabilization	**More Global Gloom?**	**Transition Period**
Somber, but calm. There is some background increase in Manic (agitation) towards the weekend (watch the news).	*An increase in Somber with a decrease in Directing and Manic signals a serious situation could grab the world's attention. Global markets likely to move down to sideways due to lack of direction.*	*Decreasing Somber and increasing Manic indicates an attempt at optimism, especially after 4/23. Markets are more data focused than usual 4/25-4/30 (high East).*

U.S. Society - S&P 500

Legend: Nurturing (NE) — Directing (SW) — Manic (SE) — Somber (NW)

	Volatile Optimism	Stock Market Sell-off	Surprises!	More Volatility!
	Optimism increases as Nurturing decreases and Directing rises. Rising Manic at the same time indicates extreme volatility. Gains should accelerate 4/10 – 4/12 as Directing peaks. However, an alternate interpretation in conjunction with the Global Mood in the previous chart is that 4/10-4/12 are the beginning of a sell-off that extends into next week. Look for big movement either way.	*Look for an early week sell-off. Losses should slow or bottom at some point on 4/16.*	*High Manic indicates surprises are likely this week, and most likely to the upside.*	*High South indicates high volatility with more push (Directing) than last week. May 1 is likely the biggest change day as Directing crosses Manic. Intermediate trend is getting ready to change to up.*

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U.S Government - U.S. Dollar

Legend: Nurturing (NE) ○ — Directing (SW) △ — Manic (SE) □ — Somber (NW) ◇

Y-axis values: 70.00, 60.00, 50.00, 40.00, 30.00, 20.00, 10.00, 0.00, -10.00, -20.00

X-axis dates: 3/31/2008, 4/7/2008, 4/14/2008, 4/21/2008, 4/28/2008, 5/5/2008

Dollar Firms	**Extreme Cross-currents**	**Dollar Strengthens**	**More Cross-currents**
Dollar gets a firm footing (high North); direction is unclear (low Directing).	*Dollar losses through 4/8, after which sentiment begins to change. U.S. Government appears weakest around 4/11 (low Directing), and re-asserts itself somehow 4/18-4/22 (rising Directing). It is unclear whether this is regarding geopoltiics or the financial arena—stay tuned.*	*The large East rise this week makes this a likely big week for the Dollar. High North also indicates the perception of stability and strength.*	*Look for a change in trend mid-week; 4/30 is a likely break out day, one way or another as Nurturing crosses Somber. The Dollar is getting ready to turn down again.*

U.S. View of the World - Crude Oil

Legend: Nurturing (NE) — Directing (SW) — Manic (SE) — Somber (NW)

Volatile / Bearish *Crude should be down for the week, with less clear direction after 4/1 (lowered Directing).*	**The Bulls Hold On** *Renewed geopolitical tension peaks around 4/11 and gives renewed push to the oil bulls. However, supply concerns are low (Nurturing) making gains limited.*	**Sell-off** *Look for big sell-off 4/17-4/23 as Manic replaces Directing.*	**Renewed Geopolitical Tensions** *Prices should begin climbing again, especially after 4/24. Watch the Dollar for signal.*

About MoodCompass

Originally Developed to Study Sustainability

MoodCompass is based on a data analysis tool developed by A New Story Foundation, a non-profit organization researching sustainability, that quantitatively measures and tracks the emotions and behavior—or "mood"—of a society. The tool can also be used to measure a society's perception of other organized entities such as governments and other societies. For the last two years researchers have used this tool to track the mood of US society as well as its perception of the US government and the rest of the world through the lens of US society. They use this data to gain a better understanding of the underlying dynamics of US society—i.e., "what makes it tick"—and its role in sustainability.

Then They Stumbled Onto Something…

In July of 2007, after tracking these three segments for over 18 months, researchers noticed a correlation between patterns in their profiling data and the movement of the financial markets. Specifically, the profile of US society correlated with the movement of the US stock market, the profile of its view of the US government with the movement of the dollar, and the profile of its view of the world with the movement of crude oil.

Researchers spent the rest of 2007 analyzing these correlations and identifying the formulas that yielded curves that best mirrored each market's curve. By the end of 2007 they had successfully generated a curve for each segment that very accurately predicted whether its corresponding market was trending up or down and when the trend was likely to shift.
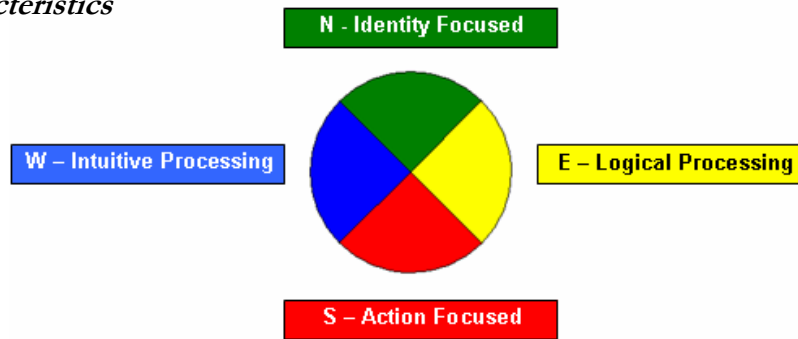
MoodCompass was Born

Researchers at A New Story Foundation knew they were on to something big. If they could predict the direction and timing of trends in the stock market, the dollar, and crude oil with accuracy, that information would surely be valuable to the investment community. They could not only use it to raise money for the foundation, but more importantly to raise awareness about issues surrounding sustainability. That's when they connected with Tom Courts, an entrepreneur and marketer with connections to A New Story (his brother is one of the researchers). They teamed-up to distribute their market forecasting information, and MoodCompass was born.

How It Works

The MoodCompass profiles an entity based on the relative presence of four primary characteristics or of four hybrid characteristics. A profile expressed in terms of primary characteristics weighs the entity's relative focus on identity (north), focus on activity (south), use of intuition (west), and use of logic (east). A profile expressed in terms of hybrid characteristics weighs the entity's relative amount of nurturing behavior (northeast), manic expression (southeast), directing behavior (southwest), and somber expression (northwest). It was named the MoodCompass because the eight characteristics are best viewed in circular relation to one another like points on a compass:
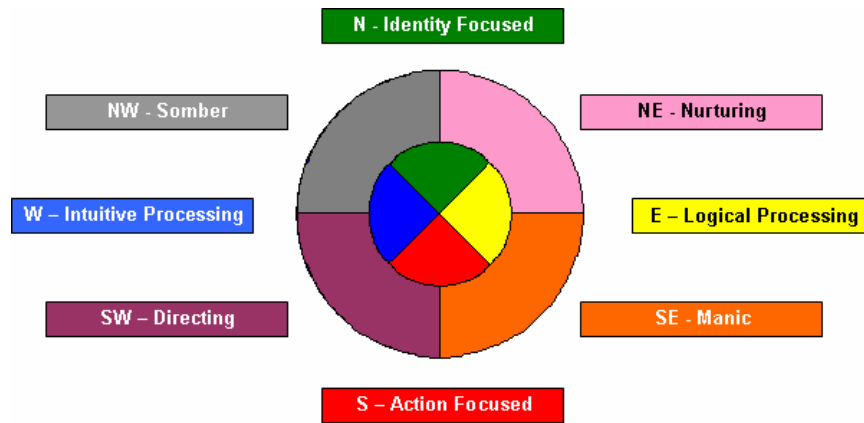
Primary Characteristics

N - Identity Focused

W – Intuitive Processing   E – Logical Processing

S – Action Focused

Hybrid Characteristics

NW - Somber   NE - Nurturing

SW - Directing   SE - Manic

      To generate a MoodCompass, researchers first assess the entity's "Predisposition." Its Predisposition is its current mindset, or "where it is coming from," and largely dictates how it will react to things. Predisposition is expressed in terms of the relative presence of the four primary characteristics. Researchers then assess the entity's "Emphasis," which is how it wants to be viewed by others and dictates the characteristics it tries to display. Emphasis is expressed in terms of the relative presence of the four hybrid characteristics.

      An entity's Predisposition overlaid by its Emphasis generates is "Manifestation," or its outward expression of emotion and behavior, which is how it is perceived by others. Its Manifestation can be expressed in terms of the four primary characteristics or the four hybrid characteristics. When expressing Manifestation, the two sets of characteristics are inter-related, each characteristic a combination of the two that surround it. This relationship is best viewed by embedding a pie chart of the primary characteristics inside a pie chart of the hybrid characteristics:

N - Identity Focused

NW - Somber   NE - Nurturing

W – Intuitive Processing   E – Logical Processing

SW – Directing   SE - Manic

S – Action Focused

For example, the primary characteristic (W) Intuitive Processing is a combination of the two hybrid characteristics (SW) Directing and (NW) Somber. Likewise, the hybrid characteristic (NE) Nurturing is a combination of (N) Identity Focused and (E) Logic Processing.

Tracking Profiles Over Time

Because the primary and hybrid characteristics are so closely related, only one set of characteristics need be plotted over time (the other set is implied). The hybrid set is normally plotted given that its descriptors portray outward personality traits.

Researchers have found that when plotted over time, each of the four Manifestation characteristics (called "mood lines") tends to oscillates in a somewhat regular pattern. The actual movement of each is actually a function of its oscillation pattern combined with how it is influenced by the oscillations of the other characteristics. After months of analysis and testing, researchers ultimately identified the oscillation patterns of each and how they influence one another, which enabled them to extend the data into the future. They then applied the formulas that yield curves that correlate with the financial markets to produce reliable forecasts of the S&P 500, the dollar, and crude oil.

During the course of each month, researchers collect information surrounding current events and perceived future events, and qualitatively assess how the entity reacts to them. This assessment is the basis for the entity's Predisposition and Emphasis assessments, which together produce the Manifestation profile, which is ultimately plotted as mood lines and extended into the future to generate the MoodCompass forecasts. Researchers have found that 'recalibrating' the mood lines once-a-month with the new qualitative assessment is enough to acknowledge the entity's response to current events without allowing intermittent "noise" to corrupt the model.

Here are the forecasted Manifestation mood lines for US society for February 2008 (as forecasted at the end of January 2008).
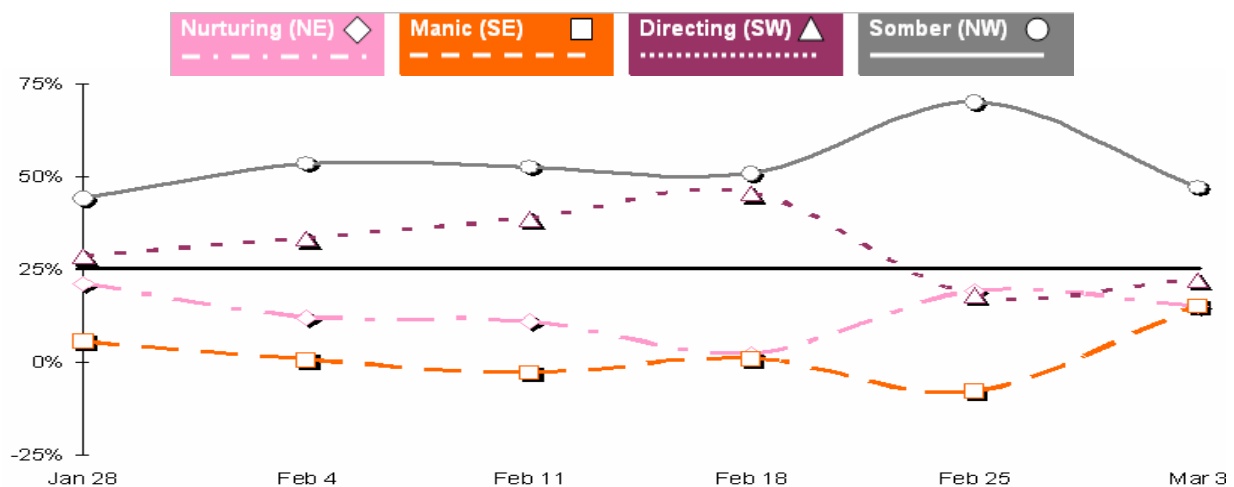
The End Result—Accurate Financial Market Forecasts

Trading signals based on the analysis going into this publication are sent to subscribers of the Market Mood Oscillator (MMO) systems on Collective2.com. The administrator of this site (C2) tracks performance and collects statistics that are available for review and comparison with other systems. The MMO family of systems continues to perform exceptionally well.

Market Mood Oscillator

Market Mood Oscillator is the basic system applying the MoodCompass analysis to futures trading. It is one of the top futures trading system on C2 and can be viewed at http://collective2.com/go/mmo.

etf-MMO

This system is for stock traders and mirrors the basic MMO using exchange traded funds (ETFs) such as SDS, UDN, TLT and DCR. It can be accessed at http://collective2.com/go/stockmmo.

MMO 2.0

This is similar to the basic futures trading system with added money management features such as stop loss and limit profit targets. It can be accessed at http://collective2.com/go/mmo2.

Historical Performance

Researchers began collecting profile data in July 2007. They used back-testing to arrive at the current analytical model that accurately forecasts the direction and timing of market trends. Below are the results of July-December 2007 applying the current model to past data, yielding a record of 43 wins and 18 losses.

week of:	Jul '07					Aug '07				Sep '07			
	2	9	16	23	30	6	13	20	27	3	10	17	24

S&P 500
+28 (L) +18 (L)   +35 (L)   +55 (W) +16 (W)
-15 (W) -86 (W) -16 (W)   -19 (W)   -6 (W)   -16 (L)

Dollar
+0.8 (W)   +0.6 (W) +0.8 (W)   +0.1 (W)
-0.7 (L)   0-.8 (W) -0.3 (W) -1.1 (W) -0.7 (W)

Crude
+1.2 (W) +1.6 (W) +1.3 (W)   +0.5 (L)   +3.0 (W) +2.8 (W) +2.6 (W) +2.6 (L) +.3 (W)
-3.6 (L)   -0.7 (L)

week of:	Oct '07					Nov '07				Dec '07			
	1	8	15	22	29	5	12	19	26	3	10	17	24

S&P 500
+31 (W) +5 (W)   +38 (W)   +5 (L)   +42 (L)
-68 (L)   -64 (W)   -18 (W)

Dollar
+0.6 (L)   +1.1 (W) +0.4 (W) +1.0 (W) +0.4 (W)
-0.8 (W) -0.2 (W)   -1.0 (L)   -0.4 (L)   -0.7 (L)

Crude
+2.6 (W) +4.7 (W) +3.0 (W) +4.2 (L)   +4.3 (W)   +3.0 (W) +1.9 (W)
-0.5 (L)   -1.9 (W) -0.9 (W)   -9.6 (W) -0.5 (W)