

**MOODCOMPASS<sup>®</sup>**  
**A GUIDE TO GLOBAL MOOD AND MARKETS**

April 2009

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## April 2009 – Let Me Off this Crazy Ride!

The stock market apparently made a bottom last month, but it's not yet time to celebrate. The cycling of moods in April looks like a harsh dose of reality clashing with burgeoning optimism. It isn't pretty. The focus this month is not primarily the stock market. Believe it or not, there are other things happening in the world and in life to pay attention to.

In general, U.S. Society throughout the month is agitated, perhaps even angry. People are tired of hearing about the economic downturn and what needs to be done about it. They are tired of their government fighting about what should and should not be done. While social unrest around the world last month was quite high, it is yet to be seen whether this fuse gets ignited into some massive demonstration or outbreak in this country.

In the marketplace this month, look for a strong resurgence in the energy markets. Expect the price for oil and gasoline to climb throughout much of the month. There is also extreme action indicated in the currency and bond markets. In a global social and economic sense, things are on the unstable side of the scale.

Of particular concern is the week of April 13<sup>th</sup>. There is the possibility of an unexpected "extreme event" on a global scale. The manifestation in the US government is turmoil and chaos. Whether this occurs in this country, somewhere else, or "everywhere," the scale is large enough to cause at least two weeks of disruption of the government's focus. Public opinion of the government during this period should be extremely low as well.

To summarize, I will quote a colleague who is gifted in the use of metaphor: "April this year is like a sick, twisted roller coaster ride at a creepy, run down carnival. You just want to get off the ride and go home."

Week by week highlights:

**Mar 30 –Apr 5: *Volatile Transition:*** More dissension within the US government. Extreme volatility in the stock market. An attempt at hopeful, wishful thinking in spite of everything in the second half of the week.

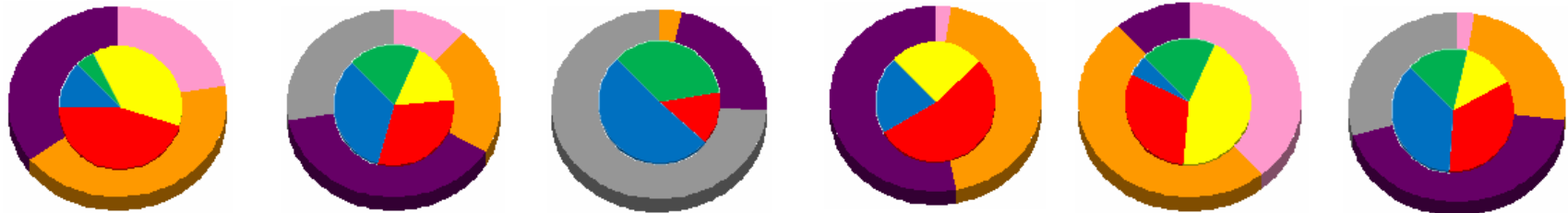
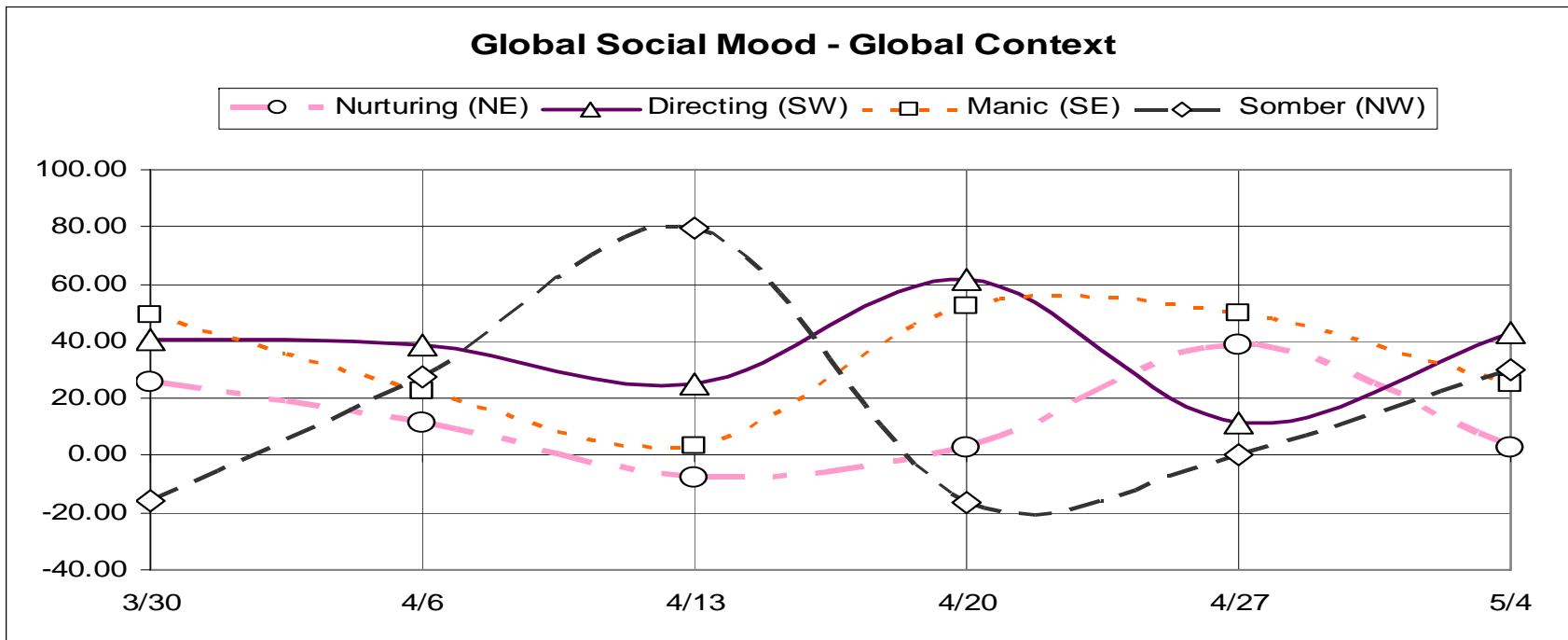
**Apr 6-12: *Decisive Action:*** Strong US government action. Decline in the US Dollar. Extreme volatility in the energy markets. The stock market can't hold onto gains.

**Apr 13-19: *Pain, Fear, and Gloom:*** Crude oil continues to climb. The stock market declines, and then recovers some. A possibility of an extreme event that "no one saw coming."

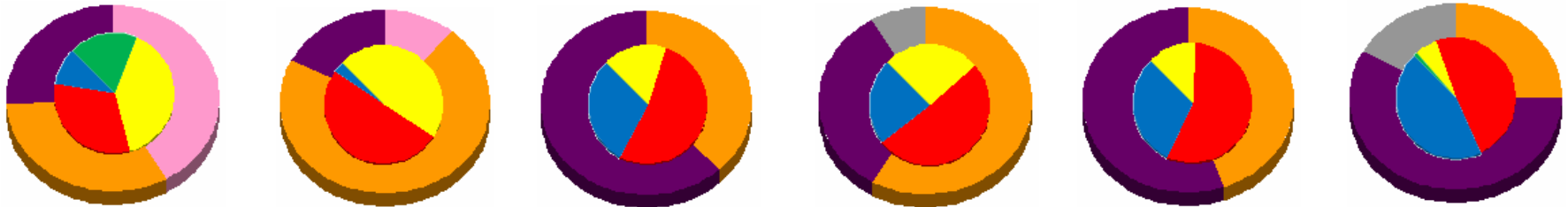
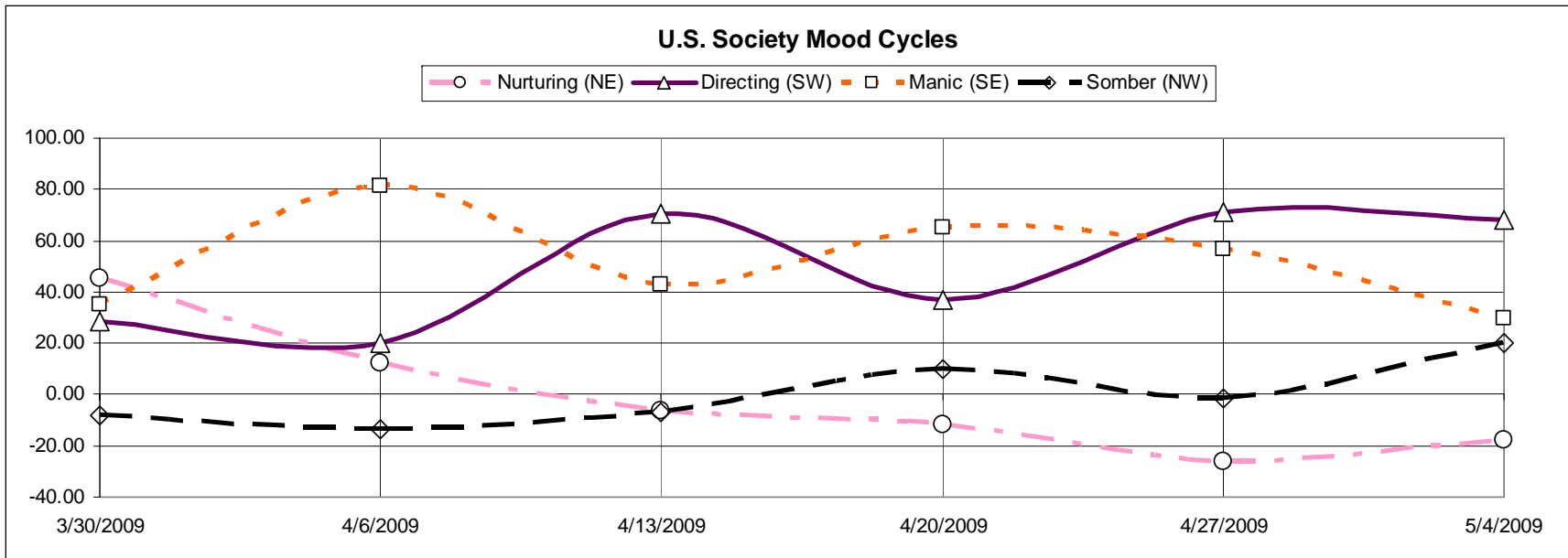
**Apr 20-26: *More Pain and Chaos:*** The US government is "in chaos" and/or trying to restore order in chaos. The stock market makes a last rally attempt and turns down again.

**Apr 27-May 3: *Could We Just Be Done Now?:*** Global events have the focus. People are sick and tired of "economic downturns" and other bad news. The stock market declines.

*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.*

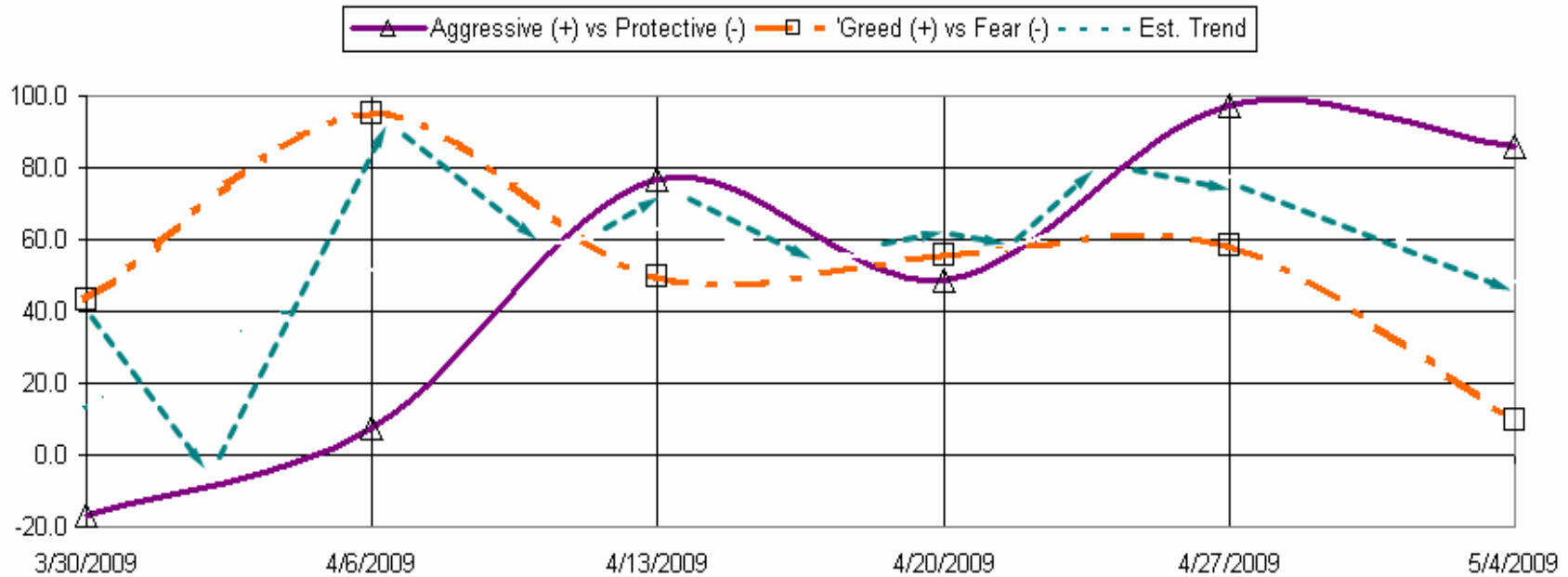


<p><b><i>Transformative Action</i></b>  <i>Decisive action by world leaders (high South) leads to a period of transition where wishful thinking (Somber) is high. However, it is also apparent that all is not well.</i></p>	<p><b><i>Destabilizing Action</i></b>  <i>Aggressive action (high South) leads to uncertainty and anxiety.</i></p>	<p><b><i>From Anxiety to Panic</i></b>  <i>Mild anxieties (high East factors) lead to mini panics (high Directing/Somber). Global markets are likely to decline.</i></p>
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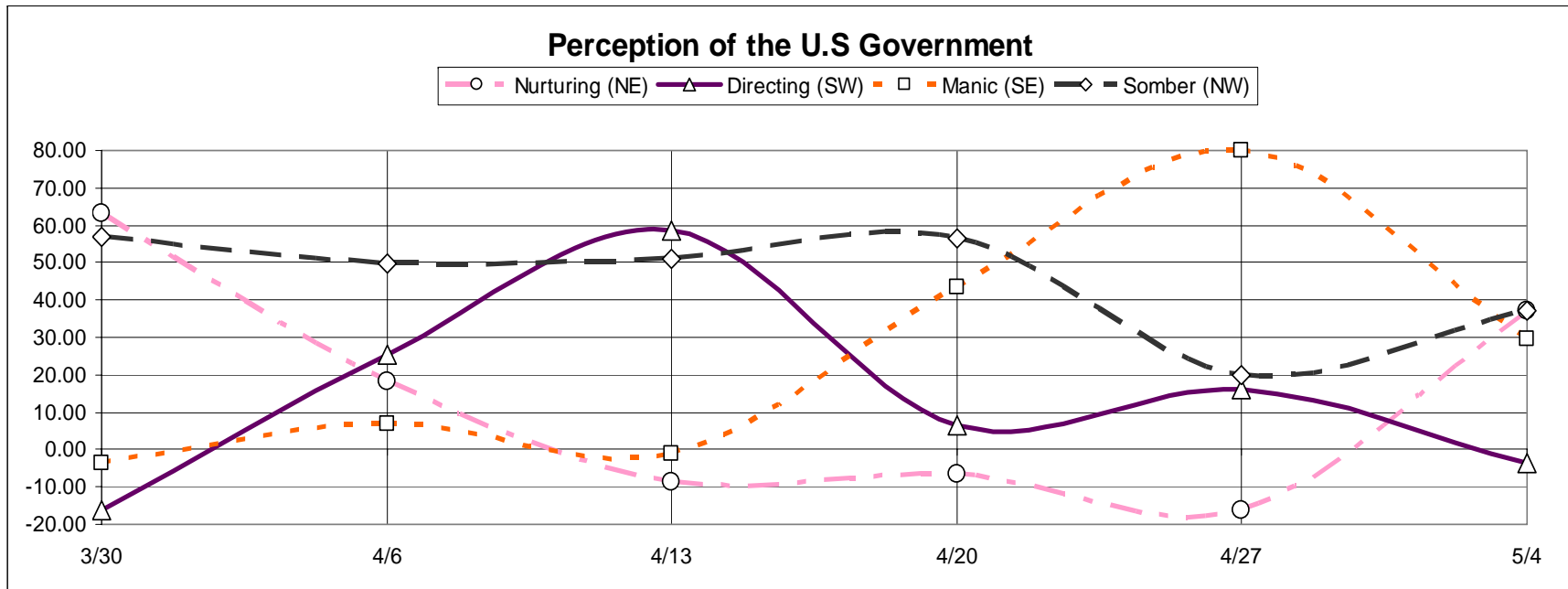
<p><b>Going Nowhere Very Fast</b>  <i>Extreme Manic coincides with caustic disagreements and extremely volatile markets without definite trends.</i></p>	<p><b>Anger, Agitation, and Apathy</b>  <i>Society is fed up with hearing about the economic downturn, government discord, attempted solutions, etc. There is anger and agitation, as well as resignation (high South factors).</i></p>	<p><b>Could We Just Be Done With All This?</b>  <i>Hi Directing indicates an international focus; global events are predominant in the news. Collapsing Manic/Somber indicates a fatigue and/or pulling away from markets, the economy, etc.</i></p>
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U.S. Society Mood Pairs => Stock Market Trend

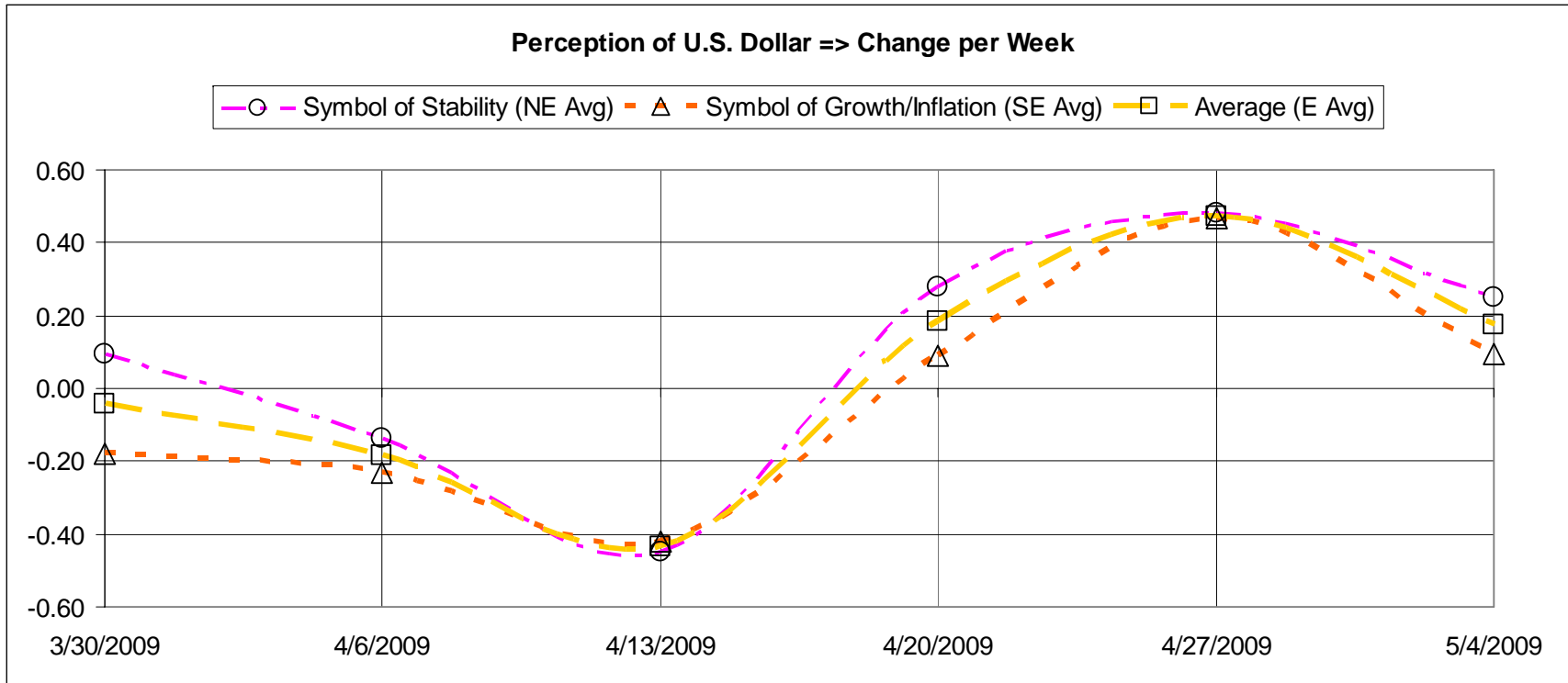


Explanation of chart lines: *It is common knowledge among traders that movement in the stock market is based on a “tug of war” between pairs of sentiment. This charts the two primary pairs which correspond to the general stock market trend. “Aggressive vs Protective” is the difference of the values of the two Moodlines “Directing” and “Nurturing.” “Greed vs Fear” is the difference of the values of the two Moodlines “Manic” and “Somber.”*

Can the stock market be both constricted and extremely volatile? That’s what is indicated for the month of April. In this complex countertrend pattern, March appears to end in a downturn; a brief rally follows; with some brief losses afterwards. Following this is a two week period of very little net change. Near April 23<sup>rd</sup> through the end of this period, a trend is again apparent—down.

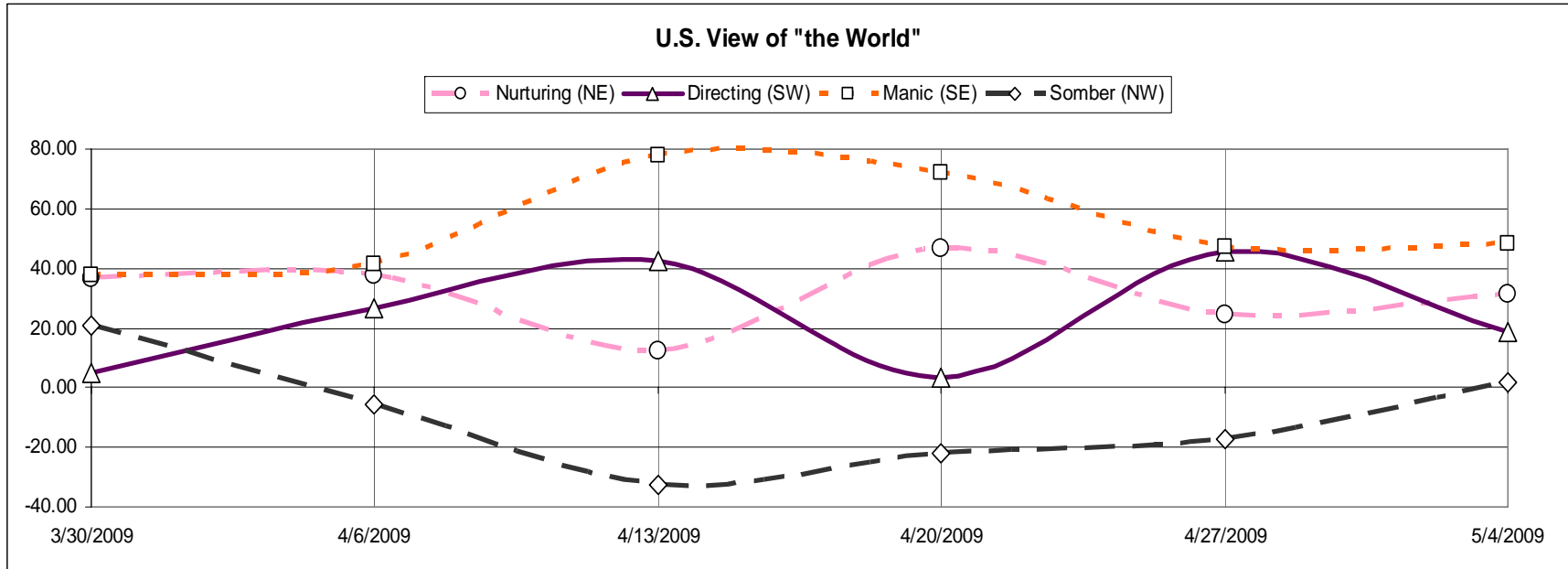


<p><b><i>Mostly Sluggish and Oblivious</i></b>  <i>The government is perceived as clueless and extremely slow to respond (high Somber). However, April 8-13 the government appears more assertive (Directing surge).</i></p>	<p><b><i>Pain and Chaos</i></b>                  With both entropy factors high, the government appears to have its hands full. It may seem slow to respond and out of touch with reality (high Somber) and/or in a state of chaos (high Manic). Public opinion is extremely low. Movement towards resolution of some type is likely towards the end of the month.</p>
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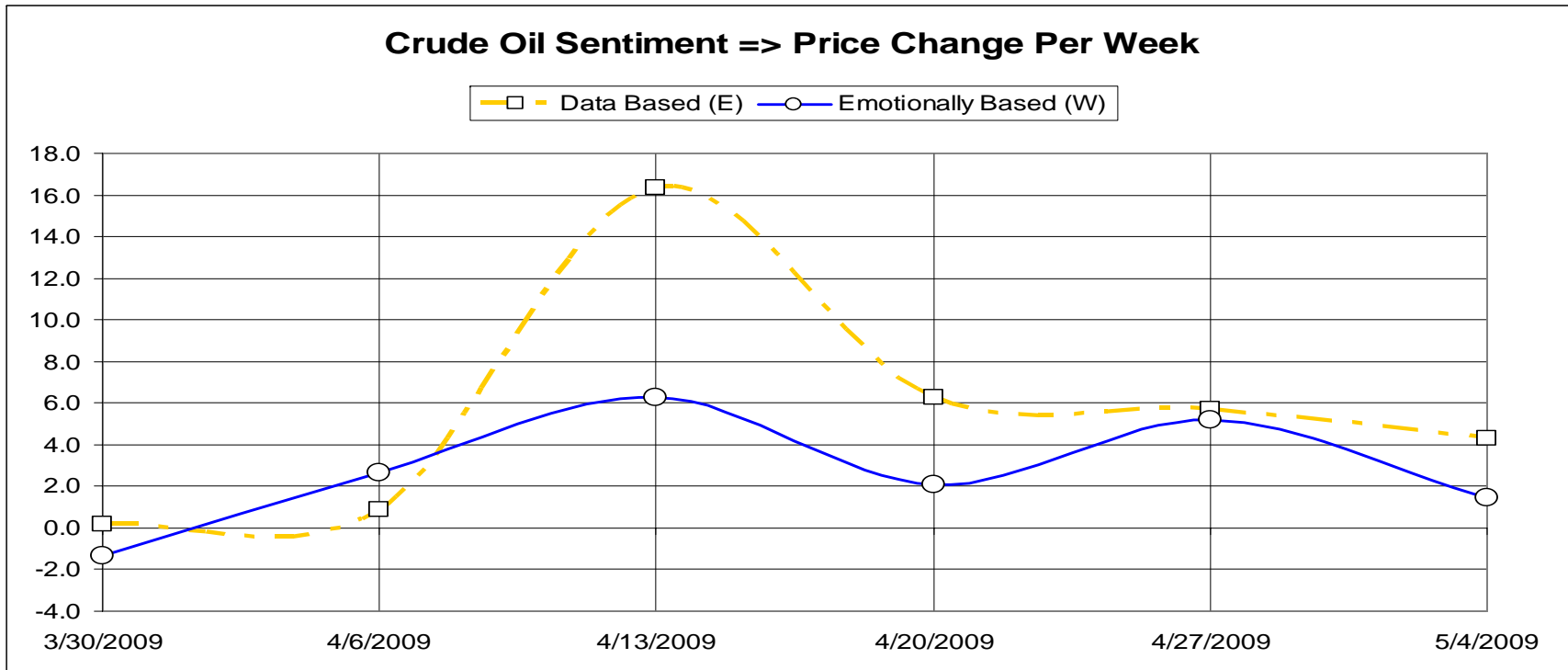
Explanation of chart lines: *The Dollar is a symbol of value, but it not attached to anything “real” such as gold as it was in the past. Its value is based on sentiment, and on the trust of a government to honor its debts. Because of this, its value ebbs and flows along with the oscillations of perception about the U.S. government. The mood factors we call “East” have to do with abstract rational notions such as symbols and ideas. “North” is related to stability, and “South” is related to activity, which in economics corresponds to growth and expansion.*

The Dollar pulls back from its recent rally for approximately the first two weeks of the period. Following this pull back, especially after April 15<sup>th</sup>, it resumes its rally with renewed fervor. The rally may start to slow the final week.



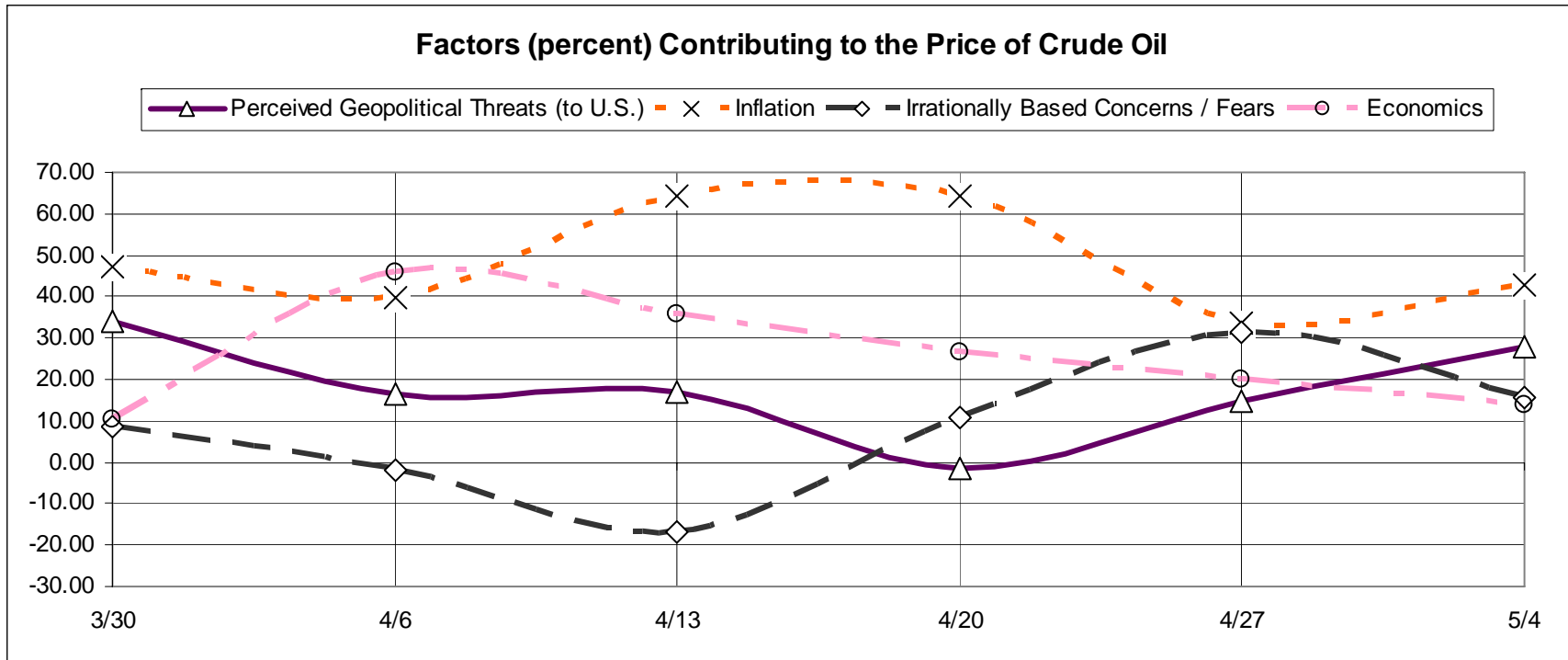
<p><b>All Talk</b> High East is a world of talk, plans, and negotiations.</p>	<p><b>An Unstable / Volatile World</b> Extreme Manic with high Directing is a world perceived as volatile and/or extremely unstable.</p>	<p><b>More Talk</b> Rising East shows a return to talk, negotiations; Manic high indicates that this should have a confrontational nature.</p>	<p><b>A Little Violent</b> Both South factors high indicate concerns around violence in the world.</p>
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Explanation of chart lines: *The price of Crude Oil changes based on supply and demand fundamentals and projections. It is also based on technical trading signals, and emotions such as fear. The “Data Based (E)” line comes from subtracting the Moodline values Nurturing (NE) from Manic (SE). “East” is associated with logic, fundamentals, and data. The “Emotionally Based (W)” line comes from subtracting the Moodline values of Directing (SW) and Somber (NW). “West” is associated with irrationality, delusion, hope and fear. Technical indicators usually try to capture changing emotional factors.*

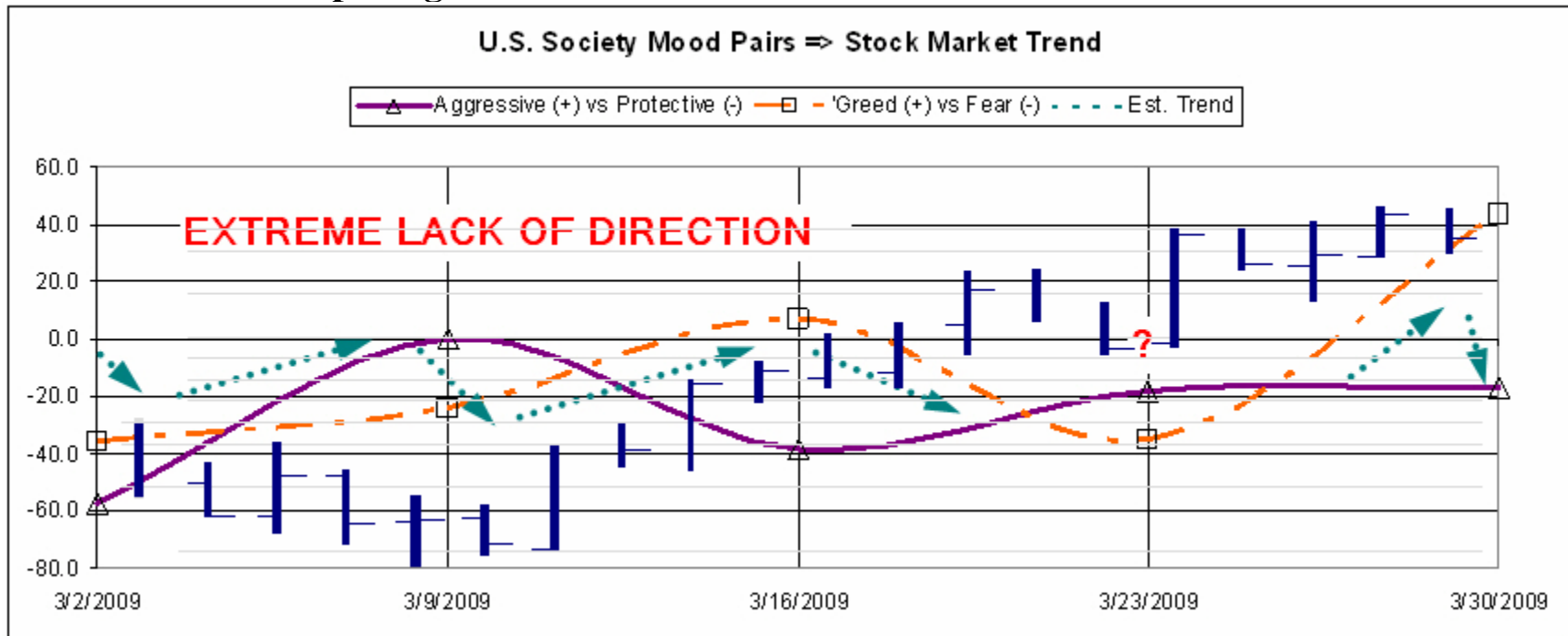
The trend for crude oil for the entire month of April is UP! Extreme volatility is likely the week of April 6<sup>th</sup> and continuing into the following week.



Explanation of chart lines: *The values for the Moodlines (Directing, Manic, and Somber) for U.S. View of “the World” and the inverse of Perception of U.S. Government are combined to produce this chart. This chart is useful in searching for potential geopolitical events, and escalated irrational fears of supply disruption. It is also useful as a check to the direction of the dollar, as high inflation concerns are often linked to a falling dollar.*

Economic concerns are a damping factor in the price of crude oil through approximately April 7<sup>th</sup>. The falling Dollar / inflation concerns are the primary factor in the price of crude through April 22<sup>nd</sup>. April 23<sup>rd</sup> through the remainder of the period reflects rising geopolitical concerns (both factual and imaginary).

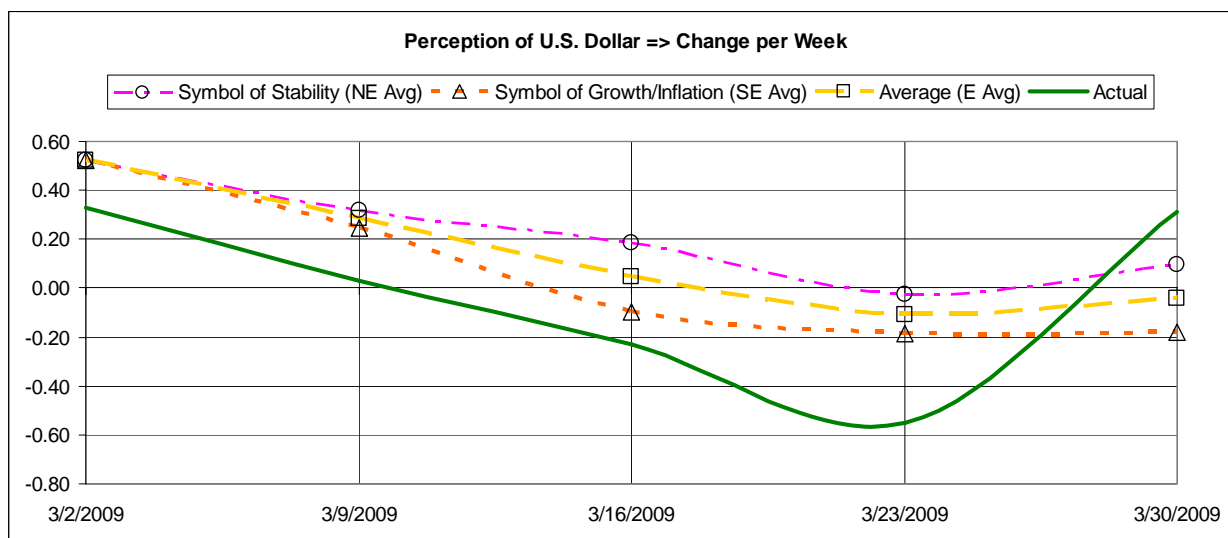
## How We Did – Comparing our Charts with Actuals



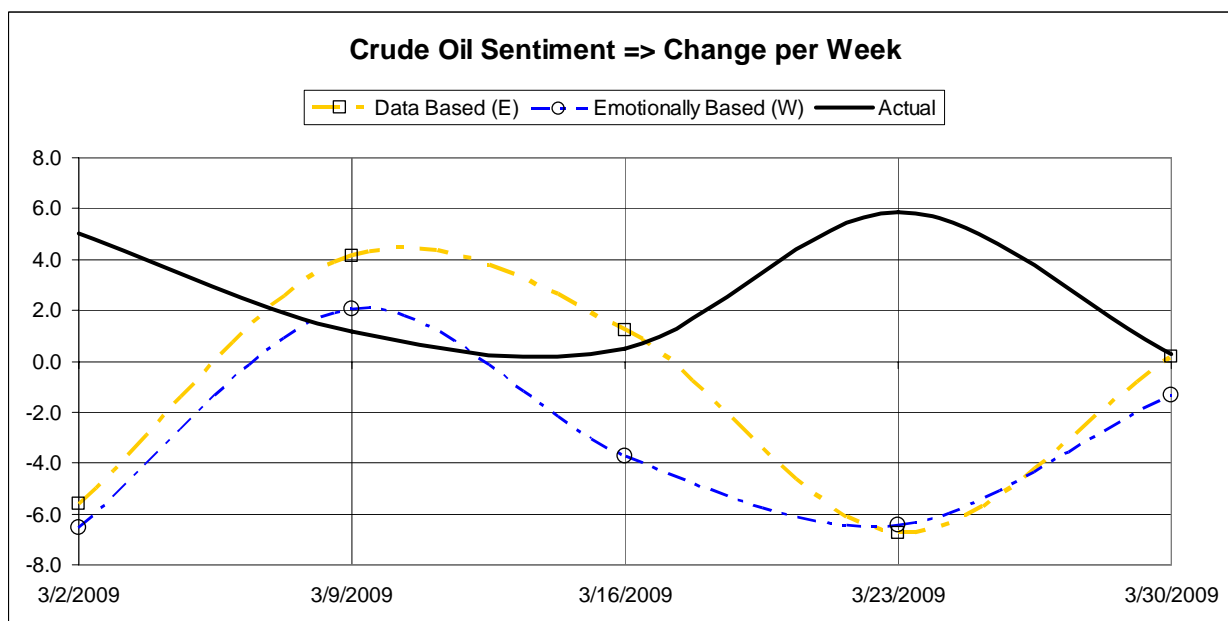
S&P (from previous issue): A complex countertrend pattern coupled with a nearing of the bottom of the long thrust down in the market that began in October 2007, makes estimation of trend this month nearly impossible. Look for any apparent trend to change as soon as it begins to be recognizable as a possible trend. The period 3/19 – 3/24 looks crucial and may coincide with a decision or event that “unlocks” the market bottleneck. Jumping onto a rally even at that point may be premature, and it too may be followed by an even larger decline. What does look clear is a likely stock market bottom that holds for some time either this month or in early April.

Actual: The market bottomed on March 9, then proceeded to make a steady climb. Intraday, markets would change direction several times within the day on a regular basis throughout this entire period. The configuration for this period, the “life” polarity over the “entropy” polarity, had not been observed prior to this month. It is fitting that it should be associated with the beginning of a new primary trend up. Whether we were correct in calling a lasting market bottom or not, will not be known for several months.

## How We Did – Comparing our Charts with Actuals



Dollar (from previous issue): The trend for sentiment toward the U.S. Dollar in March is a steady decrease in confidence as a source of stability or safe haven in uncertain times. A correction in the Dollar uptrend is likely, especially after March 10. As month's end approaches, so too does a near term bottom for the Dollar. Actual: Great correlation with our model. The Dollar made a low on March 19<sup>th</sup>.



Crude (from previous issue): The first week is extremely ambivalent as it starts with extreme downward pressure on crude prices and tries to recover later in the week. A pre-OPEC surge is possible the week of the 9<sup>th</sup> through the 17<sup>th</sup>, with a post-OPEC sell-off just as likely through the 25<sup>th</sup>. Some stabilization and even a possible increase is likely afterwards, but any gains will be short-lived. Actual: Almost an exact inverse correlation to the model.

## 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.

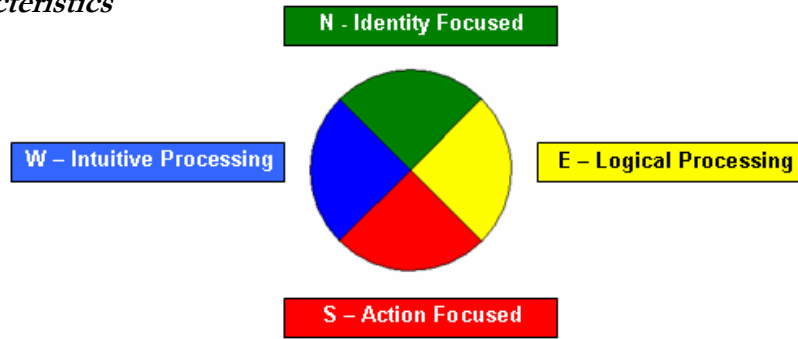
### MoodCompass was Born

Researchers at A New Story Foundation knew they were on to something big. If they could predict changes in social mood and the potential for instability, and demonstrate that with accurate predictions of the direction and timing of trends of the stock market, the dollar, and crude oil, that information would surely be valuable to managers, planners, and even the investment community itself. They could not only use it to raise money for the foundation, but more importantly to raise awareness about issues surrounding sustainability. They decided to make their global mood and market forecasting information available to interested parties, 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*

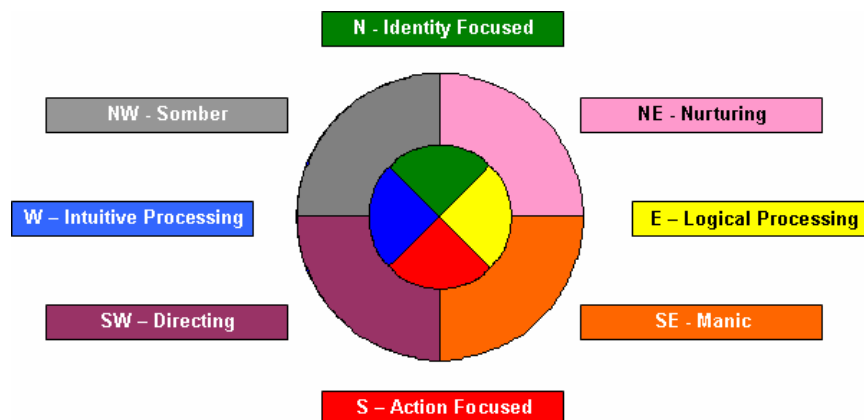


*Hybrid Characteristics*



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 its “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:



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.

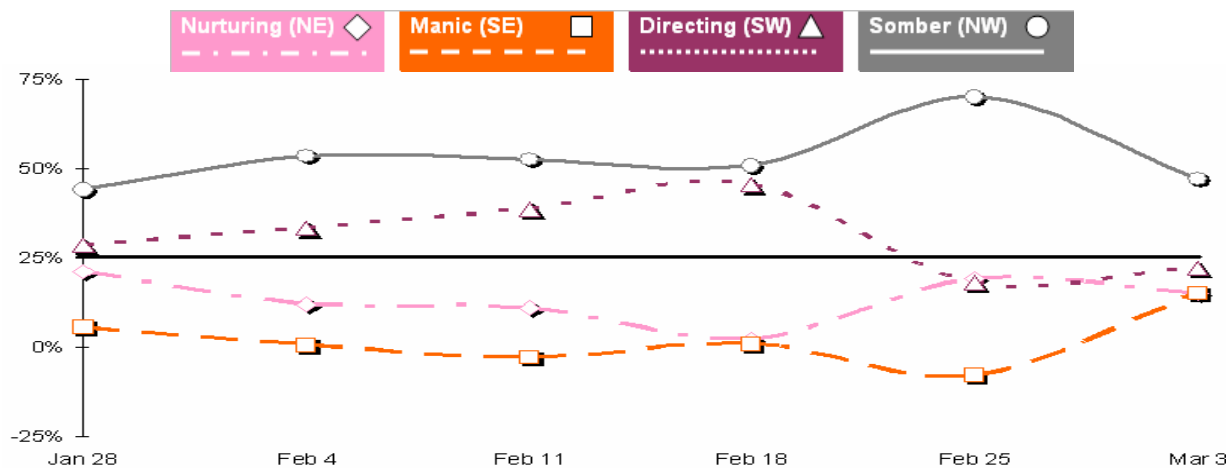
## Tracking Profiles Over Time

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).



**Philosophy and Methodology:** For more information on our research and methodology, please see: <http://anewstory.org/documents/methodology.pdf>.

**Technical Details:** For more information on how Moodlines are converted to market forecasts see [http://anewstory.org/documents/market\\_movement\\_from\\_moodlines.pdf](http://anewstory.org/documents/market_movement_from_moodlines.pdf).