

MOODCOMPASS[®]
A GUIDE TO THE MOOD CYCLES OF
NATURE AND CIVILIZATION

December 2009

Highlights: Expanding economic concerns, increased global tension among key players, U.S. Dollar crisis or U.S. Treasuries sell-off, and a possible U.S. west coast earthquake.

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December 2009 – Spending Sprees and Hangovers

Since September, the global mood has been in a process of peaking optimism within a larger downturn (that is still only just beginning). It has been difficult for many to truly believe in an economic recovery, but more and more have decided to embrace it whole heartedly. While efforts to keep the global consumption machine moving have been no less than heroic, they cannot much longer forestall the inevitable. Trying to spend one's way out of a situation that resulted from over consumption and over spending in the first place is like trying to pick oneself up by one's own boot straps. Eventually, the result is falling on one's face. The topping process in the markets and the recovery is nearly complete. This month is a glimpse at some of the unintended consequences that have been purchased in an attempt to continue to keep the global wheels turning at an unsustainable pace.

Beginning with the second week of December, geopolitical concerns are on the rise. Key global players such as China and the United States may be less than cooperative with each other; Russia may be at odds with Eastern Europe; and we must not forget the wild cards—Iran and N. Korea which may add renewed trouble to the global balancing act at a moment's notice. Displays of discontent or unrest are more likely on a global scale, and incidents of violence may be seen to be up as well. In the middle of the month, there are indications that inflation concerns will rise dramatically. This should be accompanied by either a sharp sell-off in U.S. Dollars, U.S. Treasuries, or both. Concurrently, confidence in the U.S. government will diminish, and there may be worries that the global system is breaking down. Immediately surrounding the Christmas holiday there may be some relief. However, as the New Year begins, geopolitical worries and systemic risks again come to the foreground as noteworthy threats to the fragile house of cards that have been so carefully stacked in place.

Week by Week Highlights:

November 30 – December 6: *Hitting a Wall.* Sustainable economic recovery comes into doubt. Markets falter. U.S. Dollar turns up.

December 7 – 13: *What in the World?* Geopolitical concerns increasing. Increased likelihood for displays of civil unrest or discontent. Violence on the increase. Markets extremely volatile.

December 14 – 20: *They all fall down.* Sharp sell-off in U.S. Dollars and/or U.S. Treasuries. Inflation concerns skyrocket. Global system appears to be breaking down. Diminishing confidence in the U.S. government.

December 21 – 27: *Enough already.* Climax to the crises of the last couple of weeks, followed by denial and oblivion in time for the holidays. Disruptive holiday weather likely.

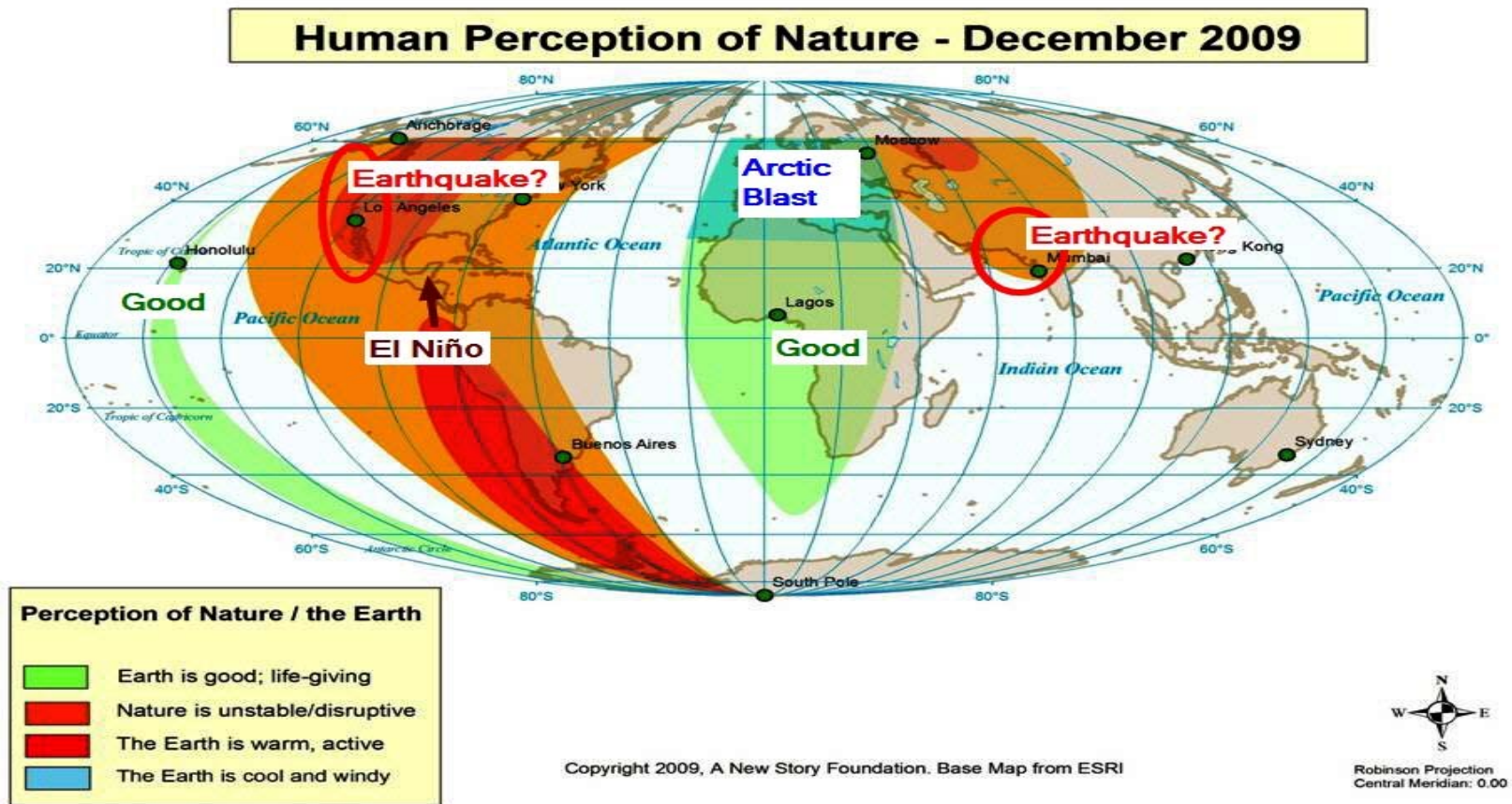
December 28 – January 3: *More trouble in the world.* Geopolitical issues rise significantly. People are agitated and confused. Global system appears to be breaking down again.

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.

SUMMARY OF CHART ANALYSIS

After the data is gathered for the month and the mood cycles recalibrated, as needed, the charts on the following pages are constructed from the projected social mood and perceptions for the period covered by this issue of MoodCompass. Themes and patterns within and between charts are looked for and analyzed. The final step is to take the information in this table (below), examine it for consistency and likelihood, and construct the narrative for the month and the week by week highlights found on page 2 of this publication. The table below summarizes the findings for this month. Page numbers of corresponding charts are included in parenthesis ().

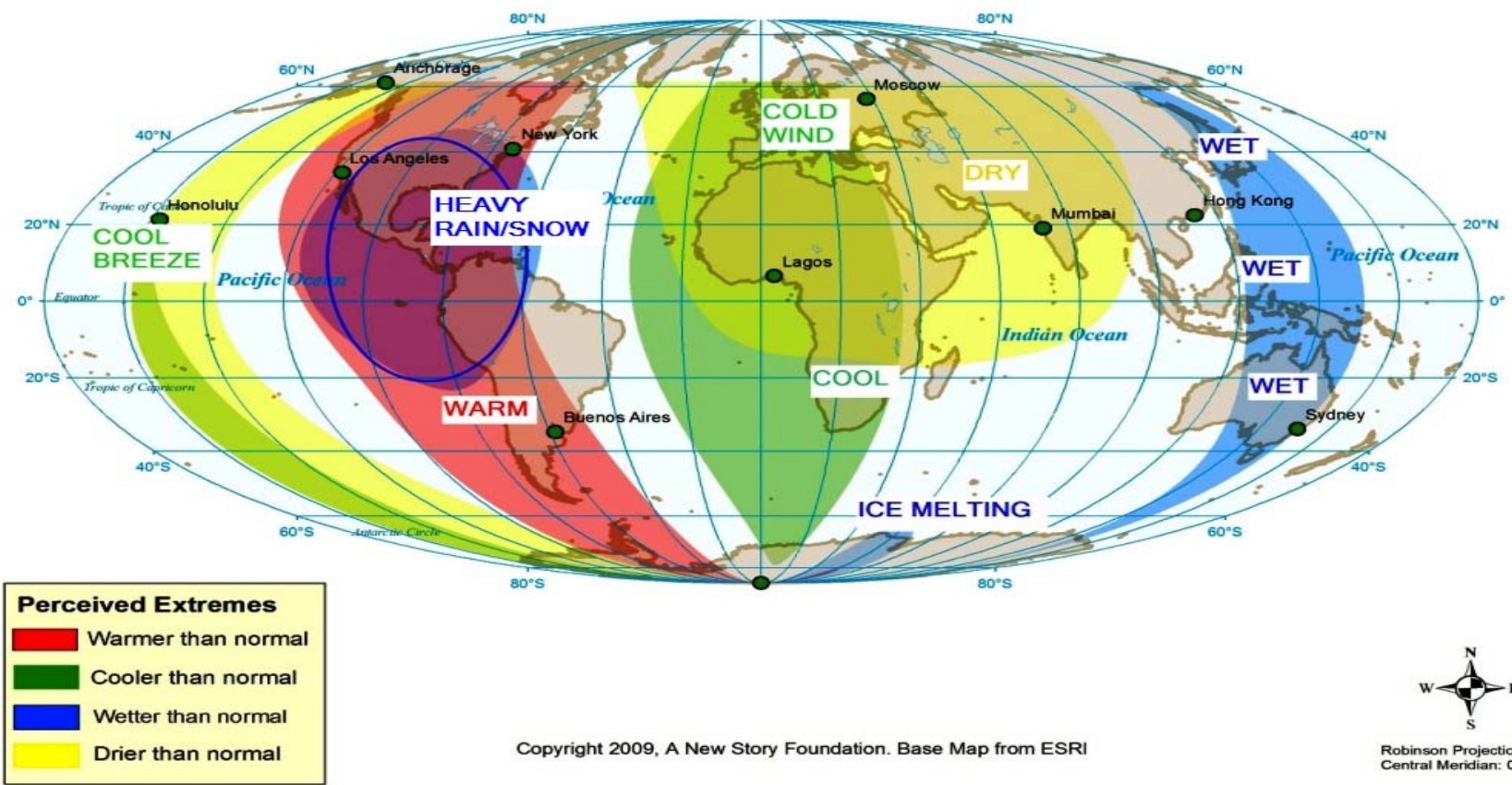
Date Range	Summary of Chart Indications
11/30 – 12/8	Economic recovery comes into doubt (9). Markets falter (10). U.S. Dollar turns up (13).
12/9 – 13	Rise in geopolitical concerns (14).
12/9 – 23	Global system breaking down (9). Increased likelihood of civil unrest or displays of discontent (10). Violence may be up (10). Markets are extremely volatile and generally down (10, 11). The U.S. government appears sick or broken (12).
12/24 – 30	People are oblivious or in denial (10). Disruptive holiday weather likely (8).
12/29 – 1/3	U.S. government looks “vulnerable” (12).
12/31 – 1/3	Geopolitical issues rise significantly (14). People are agitated and confused (10). Global system appears to breaking down again (9).



In anthropomorphic terms – The Earth is **UNBALANCED**, seeking to call attention to overlooked and neglected excesses.

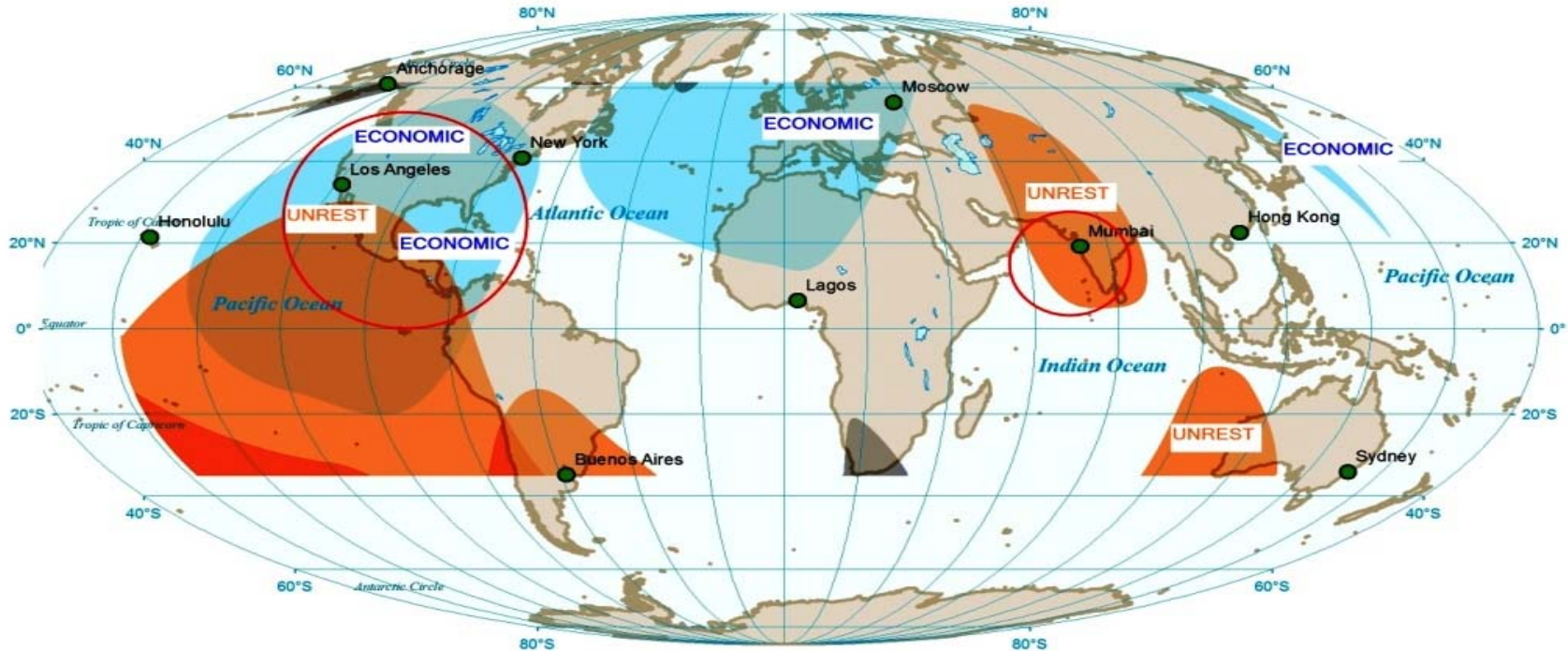
Possible physical manifestations – A view that Nature is **disruptive** or **annoying** is prevalent in the Americas and Western Asia. This accompanied by the El Niño effect may signal **disruptive weather** in the United States (which could make holiday travel somewhat annoying). The combination of active and disruptive indicates a higher than normal probability for an **earthquake** on the U.S. west coast. Pakistan and the surrounding area show a similar indication. A combination of cool and windy in Europe makes an **arctic blast** a strong possibility. The best **feel good** places in Nature are Hawaii and Western Africa.

Projected Weather Extremes - December 2009



Weather Extremes – A combination of weather that is “**warmer than normal**” and “**wetter than normal**” could produce heavy rains or flooding in the region of southern North America to northern South America. A combination of **cooler** and **drier** than normal weather may signal a cold wind event or arctic blast in Western Europe, and a nice cool breeze for Hawaii. **Drier** than normal conditions are likely in western Asia; **wetter** than normal conditions should be seen in Japan, Korea, Papua New Guinea, and Australia. **Wetter** than normal conditions in Antarctica could spell trouble in terms of rapidly melting ice and as climate change conditions continue to worsen.

Social Instability Factors - December 2009



Social Instability Factors

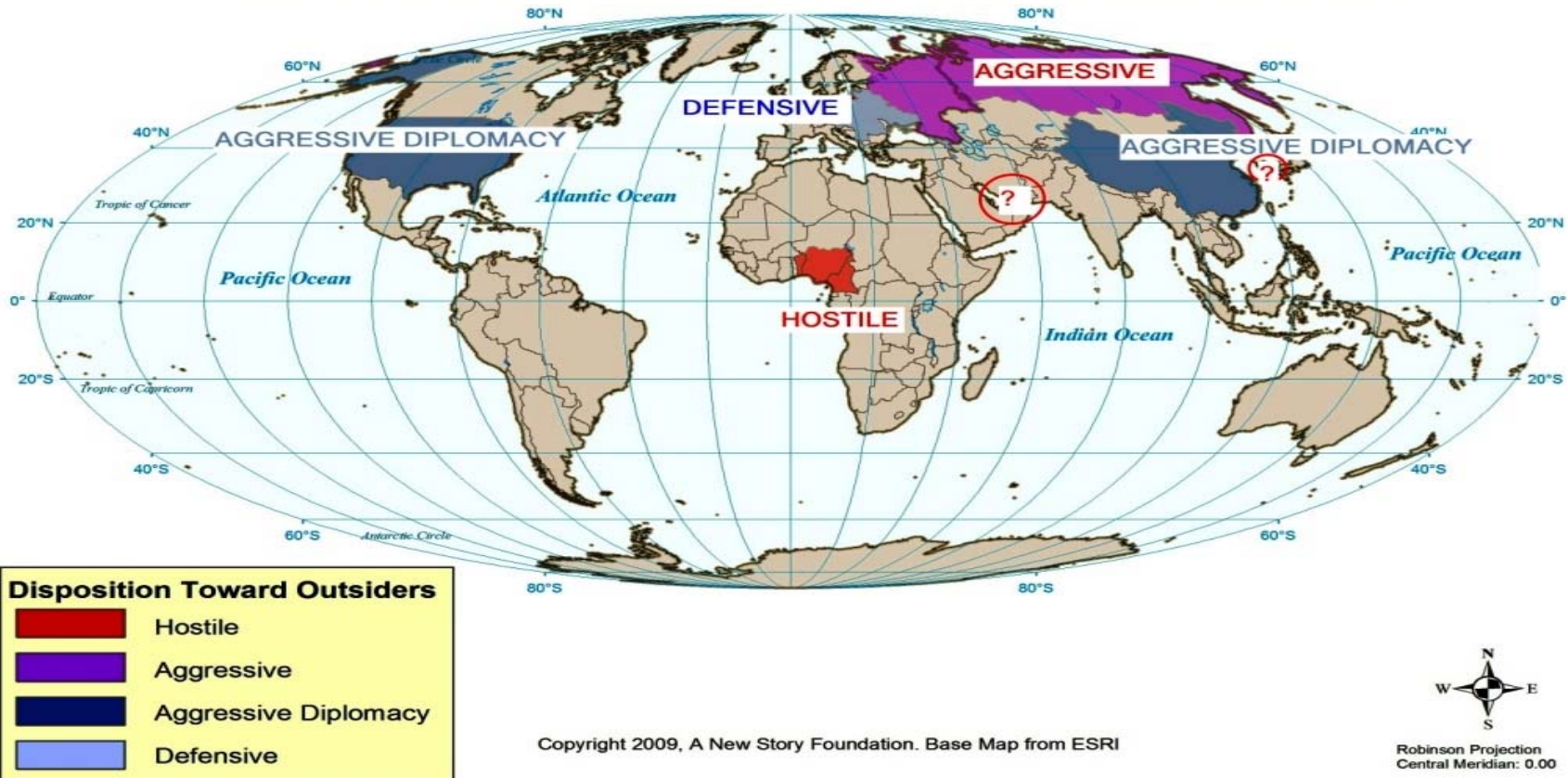
- Economic
- Anarchy
- Disease / Despair

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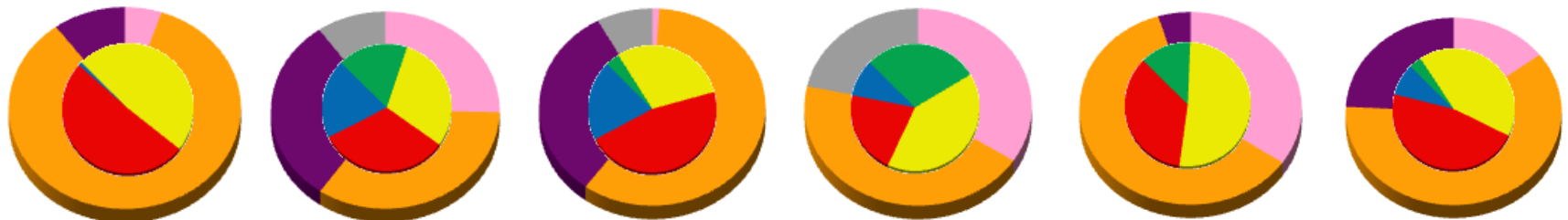
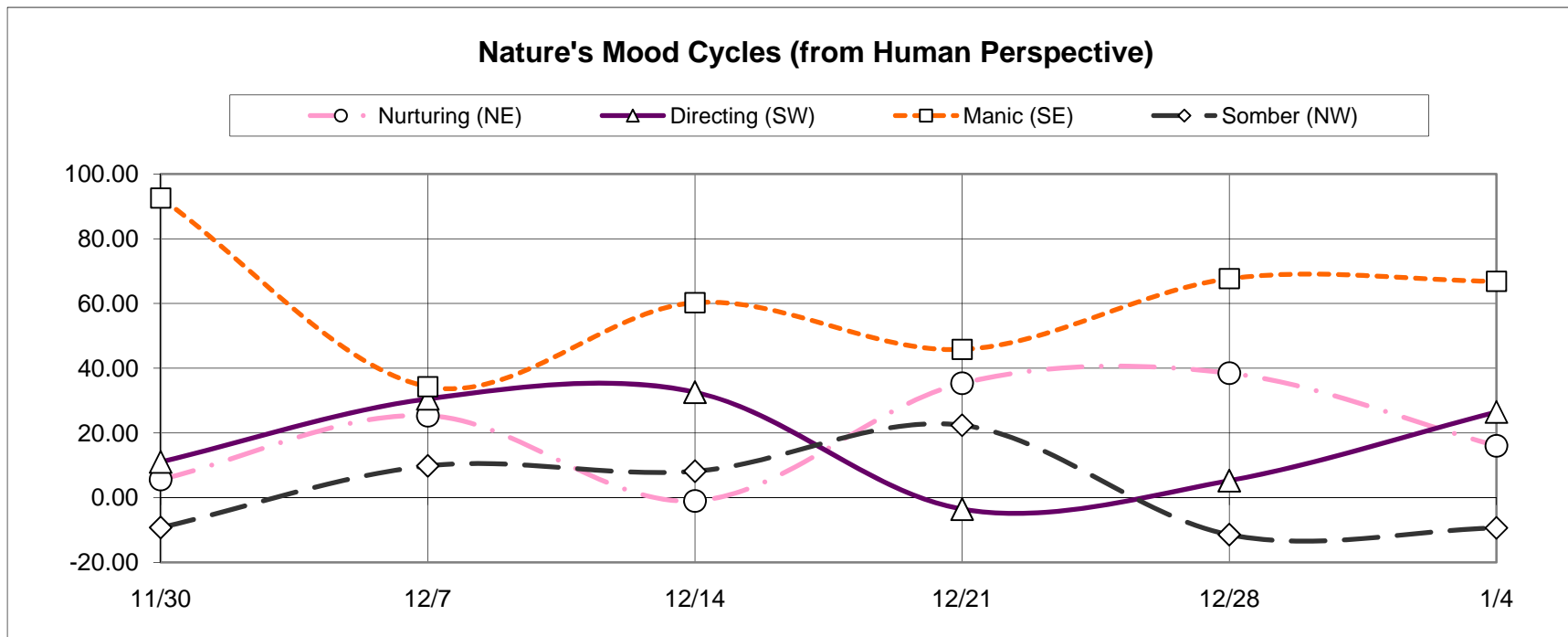
Robinson Projection
Central Meridian: 0.00

Economic concerns in December are more widespread than they were in November, especially in the United States, Mexico, Europe, Russia, and Japan. There is an increased global risk for displays of discontent or civil unrest. Especially watch Mexico, the United States, Pakistan, India, and Western Australia. The heightened Mania combined with economic worries may also point to a focus on overspending or inflation concern in the United States.

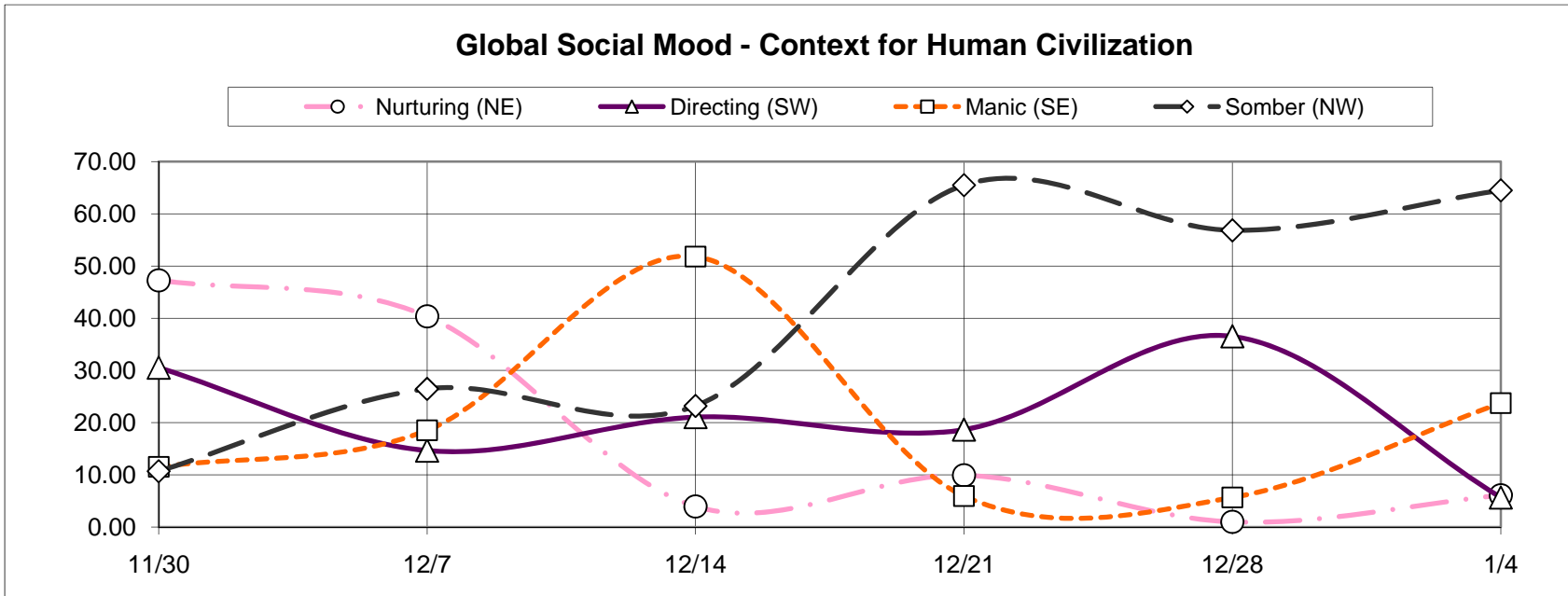
Projected Geopolitical Posturing - December 2009



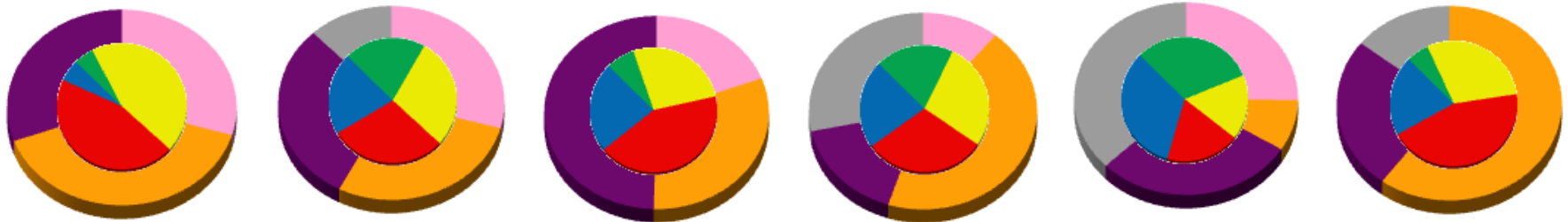
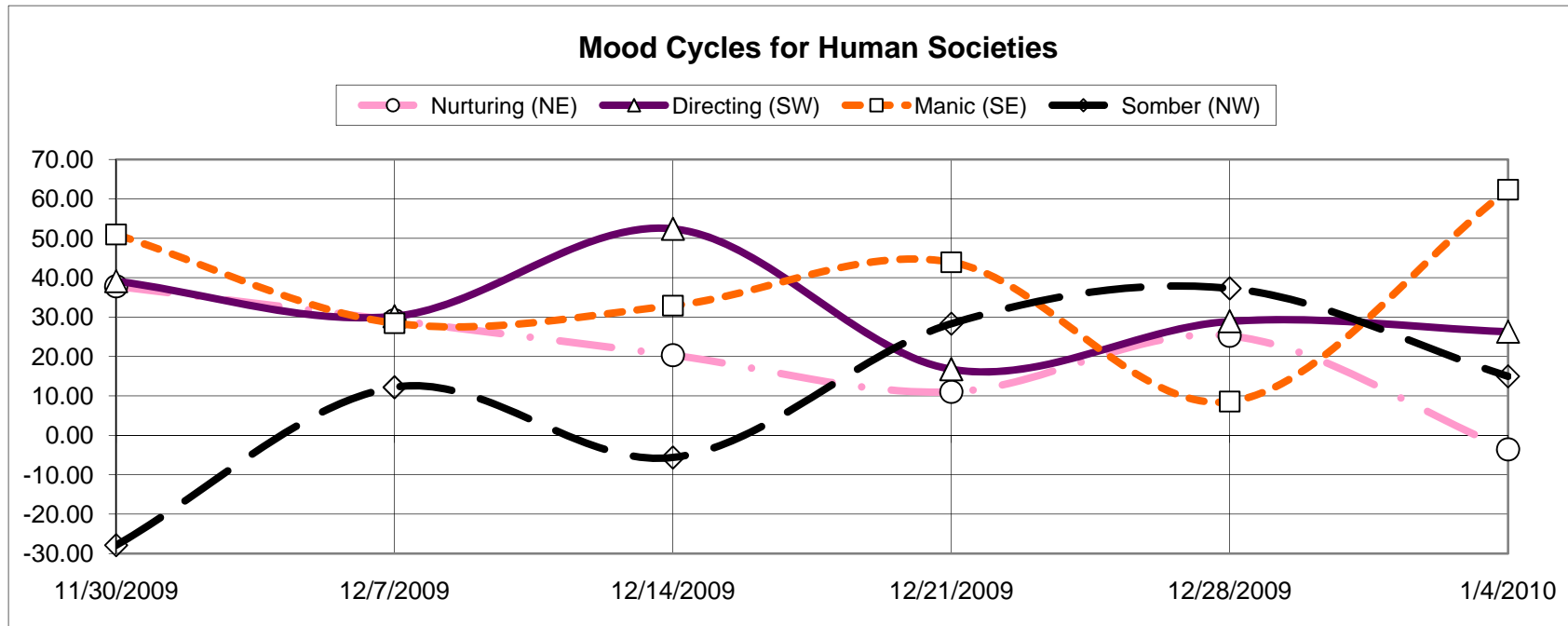
While uncertainty remains regarding Iran and N. Korea, the primary focus in December are key global players vying for dominance on the global scene. The United States and China use intense and aggressive tactics in their diplomatic efforts, possibly with each other. With Russia showing an aggressive posture and Eastern Europe showing a defensive one, old questions may resurface such as natural gas flow or the fate of former Soviet states. The Nigeria area shows a hostile stance. This is likely the continued ill will toward foreign oil companies.



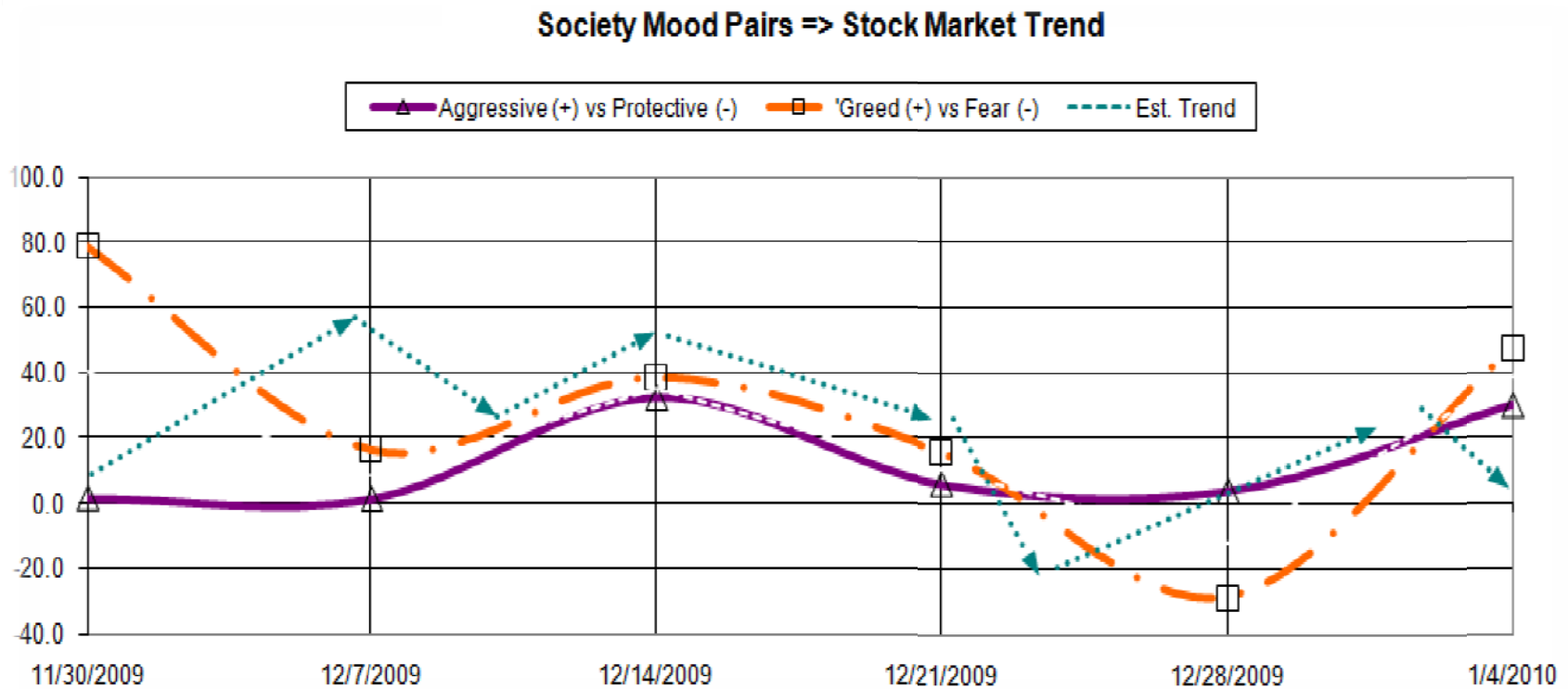
<p>Transitioning Seasons continuing to shift cooler in the North and warmer in the South.</p>	<p>Active Nature is busy, active or in motion (both S factors high). Highest probability period for earthquake events.</p>	<p>Windy or Dry Highest probability for events involving strong winds (both E factors high).</p>	<p>Annoying or Disruptive Nature is seen as disruptive to business as usual, or inconvenient (high SE, low NW).</p>
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<p>Hitting a Wall <i>Feelings of “green shoots” (high phi factors) hit a brick wall (high N factors). The global recovery comes into doubt.</i></p>	<p>Breakdown, Consequences and Gloom <i>The global system appears to be breaking down (high entropy factors). This is followed by limitations and gloom (high NW, low SE) through 12/23.</i></p>	<p>Denial, then Breakdown <i>The holiday period is accompanied by denial (high NW/SW). Right around the dawn of the New Year high entropy factors return to signal global breakdown.</i></p>
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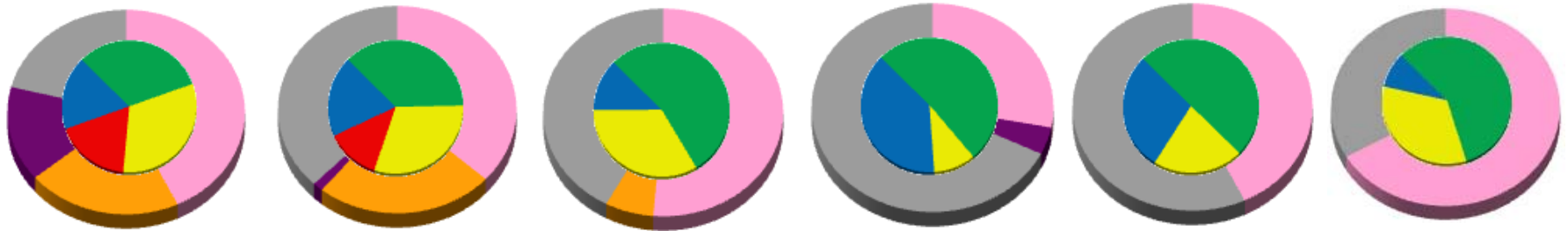
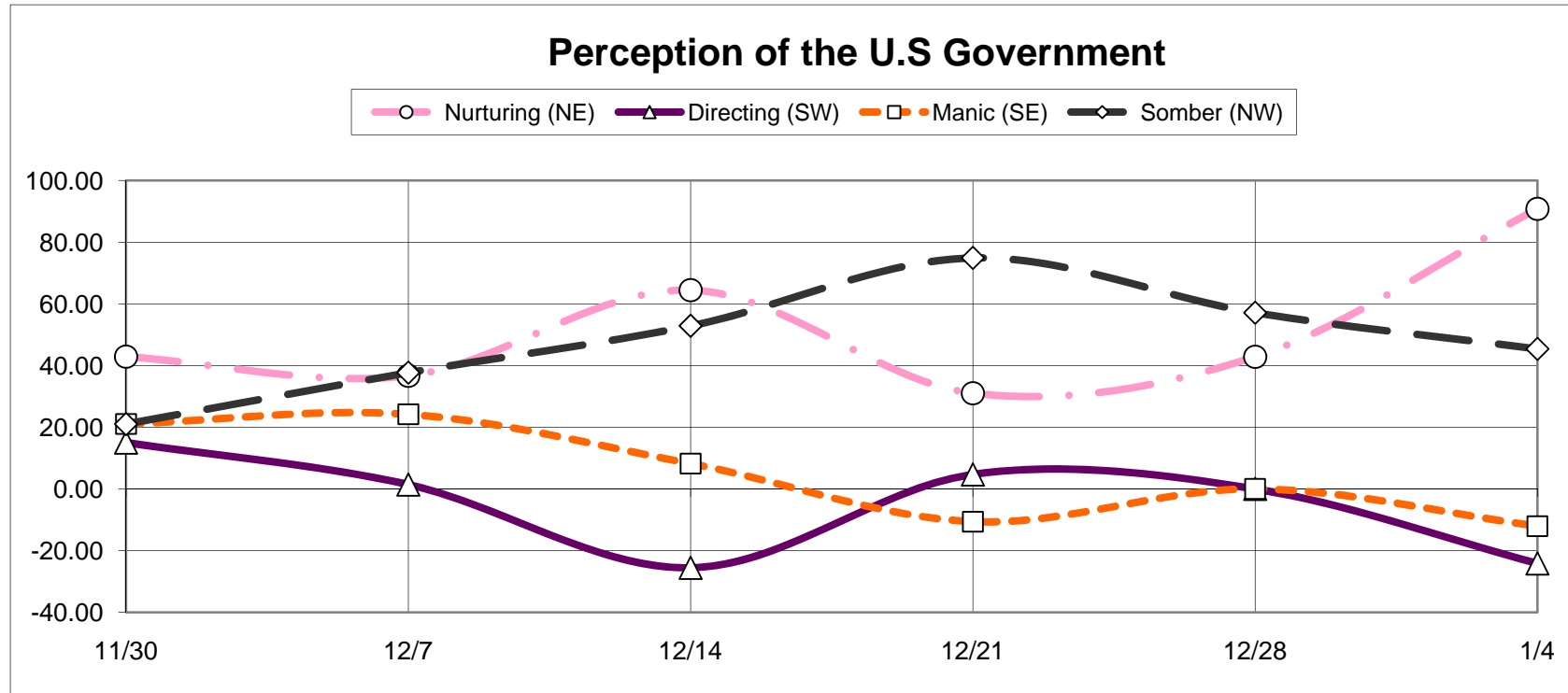


<p><i>Slowing Down</i> <i>Risk behaviors abate, and upward momentum in markets slow (declining S factors).</i></p>	<p><i>Directed Volatility, Outrage</i> <i>Violence is on the increase, and possible displays of discontent or civil unrest. Markets are in decline (high SW/SE).</i></p>	<p><i>Breakdown</i> <i>High entropy indicates a perception of decline.</i></p>	<p><i>Denial and Confusion</i> <i>People find their capacity for denying the obvious as the holidays approach (high NW/SW). The New Year brings confusion (high SE).</i></p>
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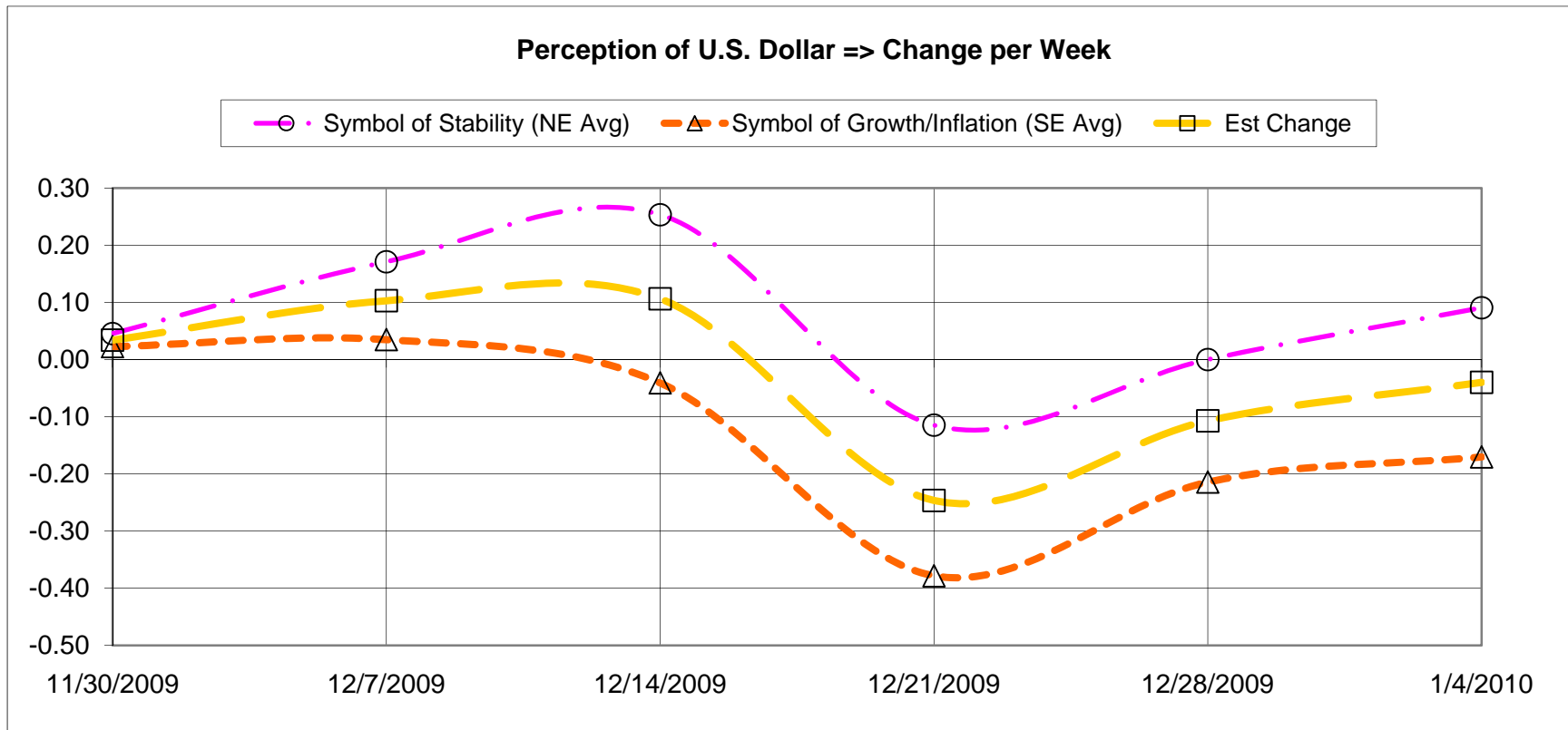


Explanation of chart lines: *It is common knowledge among traders that movement in the stock market is based on a “tug of war” between pairs of sentiment. This charts the two primary pairs which correspond to the general stock market trend. “Aggressive vs Protective” is the difference of the values of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

The markets should take a choppy downward path through the 22nd. There may be a rally immediately before and after the Christmas holiday. There is likely at least one more big rally left in the market as this decline has the appearance of a countertrend move. What this means: **The final top for the March 2009 rally occurs in early December, or it will occur in January.**

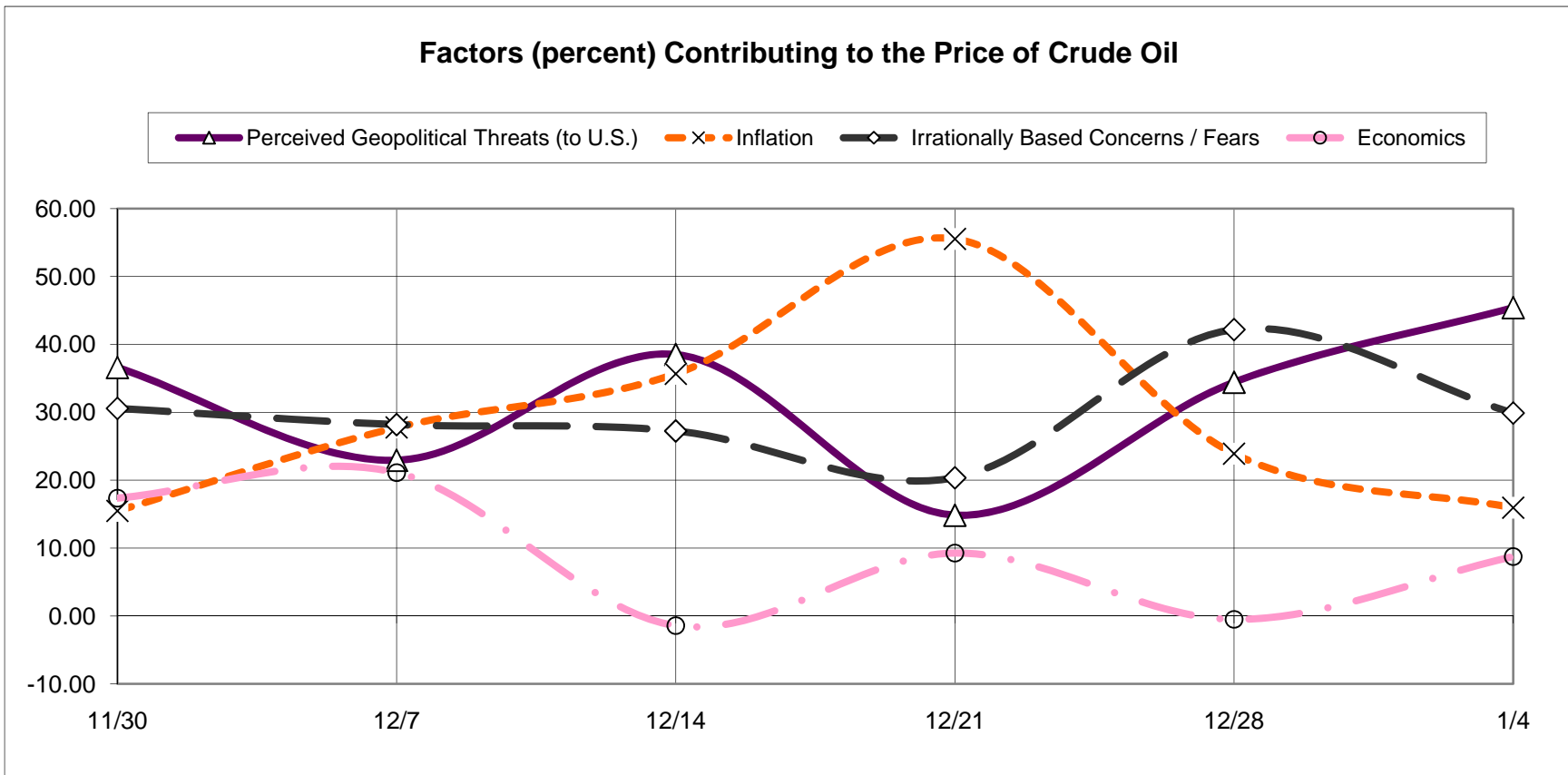


<p><i>Running into Walls</i> <i>The government is viewed as having little room to maneuver (high N factors), this could be related to record budget deficits and perceived over spending.</i></p>	<p><i>A Has Been</i> <i>The government is viewed as sick or broken with very high NW and low SE.</i></p>	<p><i>Vulnerable</i> <i>The U.S. is extremely vulnerable looking (NE).</i></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 gains in strength through the week of the 7th. This is followed by a strong sell off in either Dollars or U.S. Treasuries or both beginning the week of the 14th. Some stabilization may occur as the year ends.

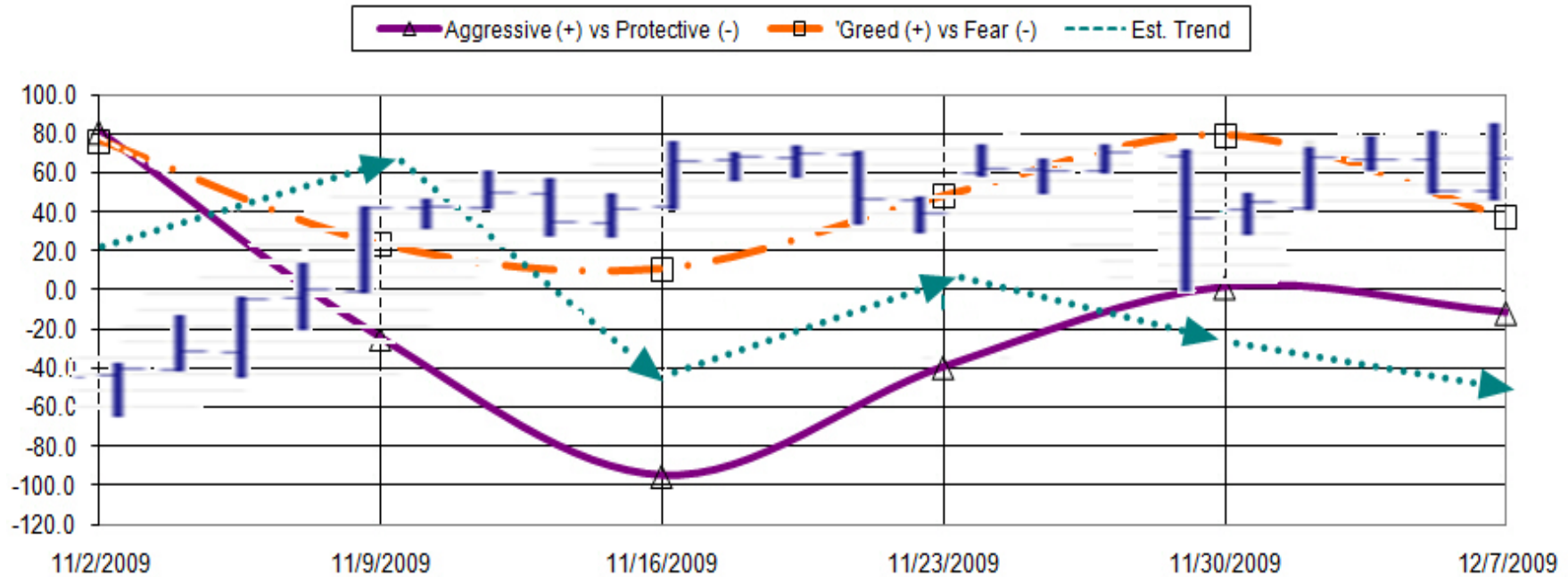


Explanation of chart lines: The values for the Moodlines (Directing, Manic, and Somber) for U.S. View of “the World” are used to produce this chart. This chart is useful in searching for potential geopolitical events, and escalated irrational fears of supply disruption. It is also useful as a check to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

There is little to support crude prices as December begins. However, in the second week, both geopolitical and inflation concerns begin to rise. A U.S. Dollar or U.S. Treasuries crisis is likely the week of the 14th, as inflation concerns peak abruptly. As the New Year begins, geopolitical issues again rise to the forefront.

How We Did – Comparing our Charts with Actuals

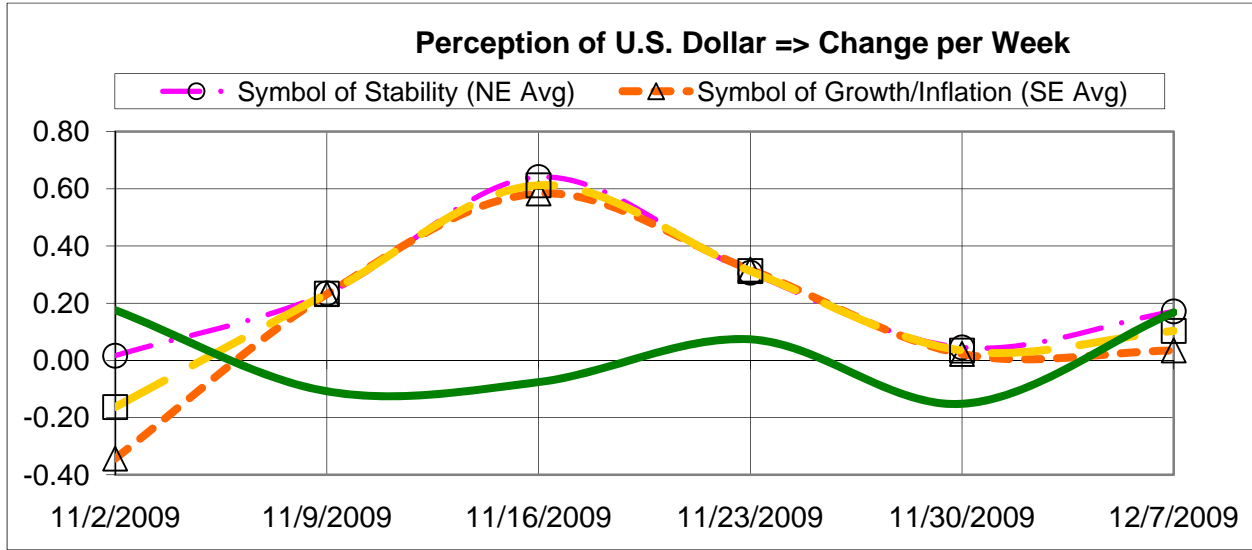
U.S. Society Mood Pairs => Stock Market Trend



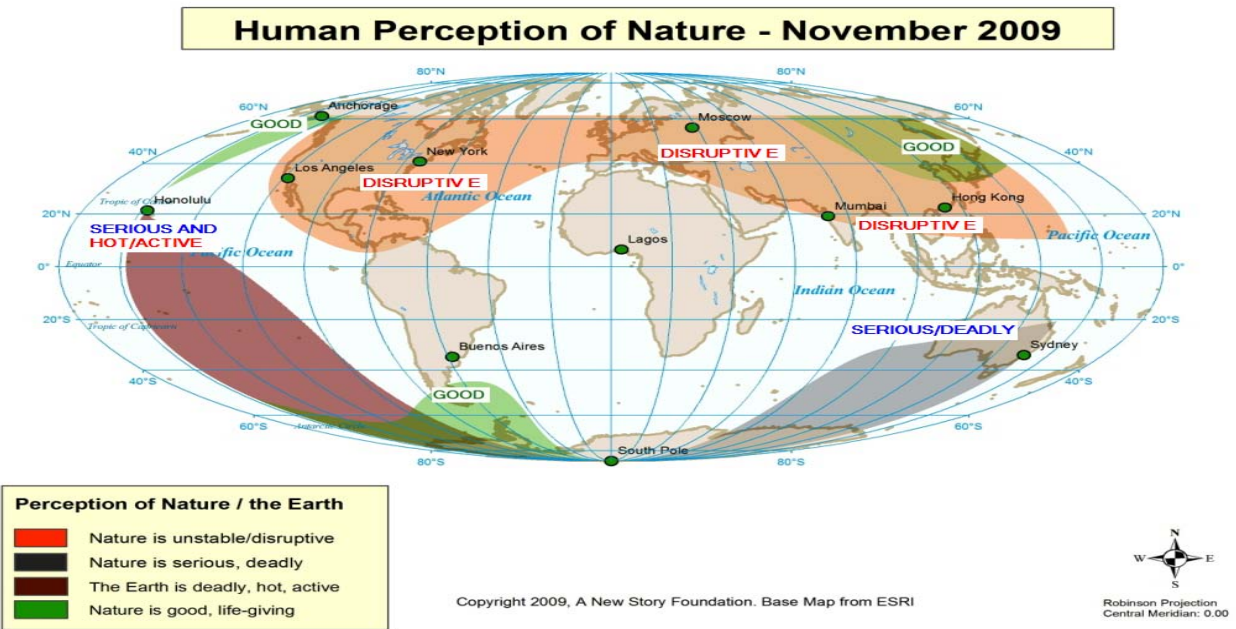
Actual data source: futuresource.com

S&P (from previous issue): The overall trend has likely turned down, but may be choppy and confused for much of the month. The clearest directional period is the sell-off indicated the week of November 9th. There is destabilization in the markets after the 23rd. Although the configuration is ambivalent, given the overall picture, the most likely direction is down. Actual: The trend was indeed choppy and confused for much of the month. There was destabilization after the 23rd. The overall direction was up and then sideways.

How We Did – Comparing our Charts with Actuals



Dollar (from previous issue): The trend for the U.S. Dollar should be primarily up for most of this period, although there may be a final “crisis” very early in November. The largest gains should be November 9 – November 20. Actual: Trend is in process of changing (change per week near 0), so little correlation with model is expected. The “final crisis” may be yet to come.



Actual: **Maroon** - [Volcano](#) activity elevated (20). Kilauea eruption begins (26). **Orange** - [Ida](#) batters Nicaragua (4). [Dozens dead](#) in El Salvador flooding (8). [Oil cos shut output](#) due to hurricane (8). [Scores injured](#) in Indonesia quake (8). [Mumbai comes](#) to a standstill after cyclone alert (11). [U.S. swine-flu](#) cases/deaths continue to rise (12). [Major flooding](#) disrupts UK (20). [800-year flood](#) levels drown Irish towns (21). **Gray** – Nothing noted.

About MoodCompass

Originally Developed to Study Sustainability

MoodCompass is based on a systems 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. Since 2006, 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 mood configurations corresponding with various social responses and market reactions. By the end of 2007 they had successfully generated a model for each segment that very accurately predicted whether its corresponding market was trending up or down and when the trend was likely to shift.

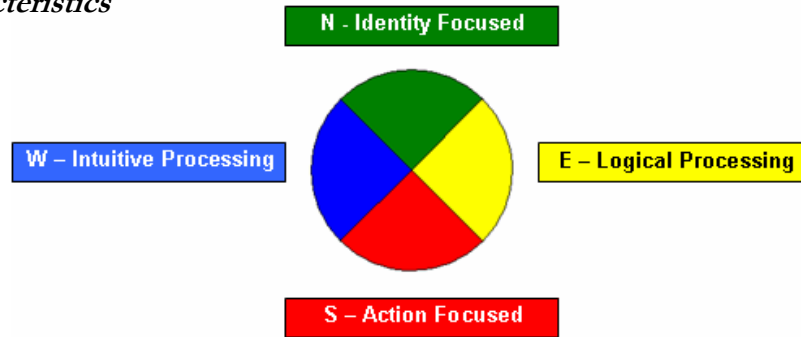
MoodCompass was Born

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. 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 research sponsors, 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), directing behavior (southwest), manic expression (southeast), 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:

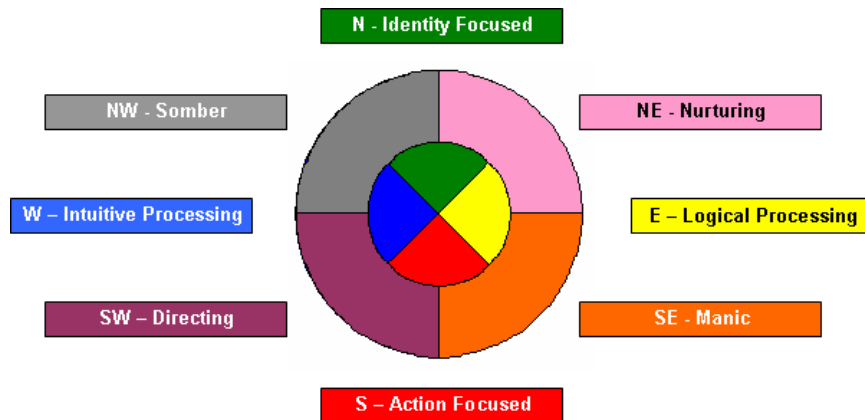
Primary Characteristics



Hybrid Characteristics



The two sets of characteristics are inter-related. Each characteristic is a combination of the two that surround it. This relationship can be 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.



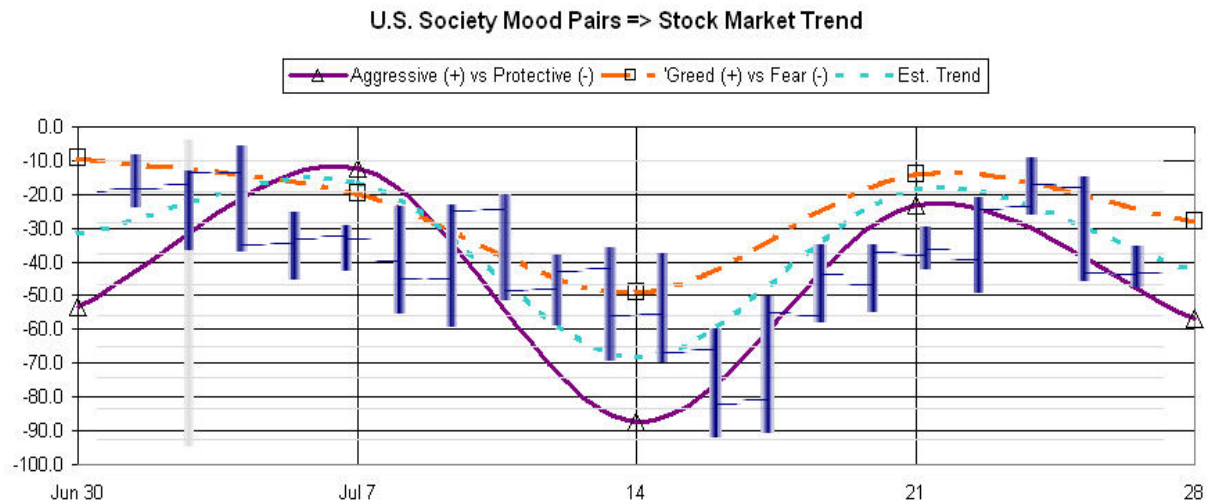
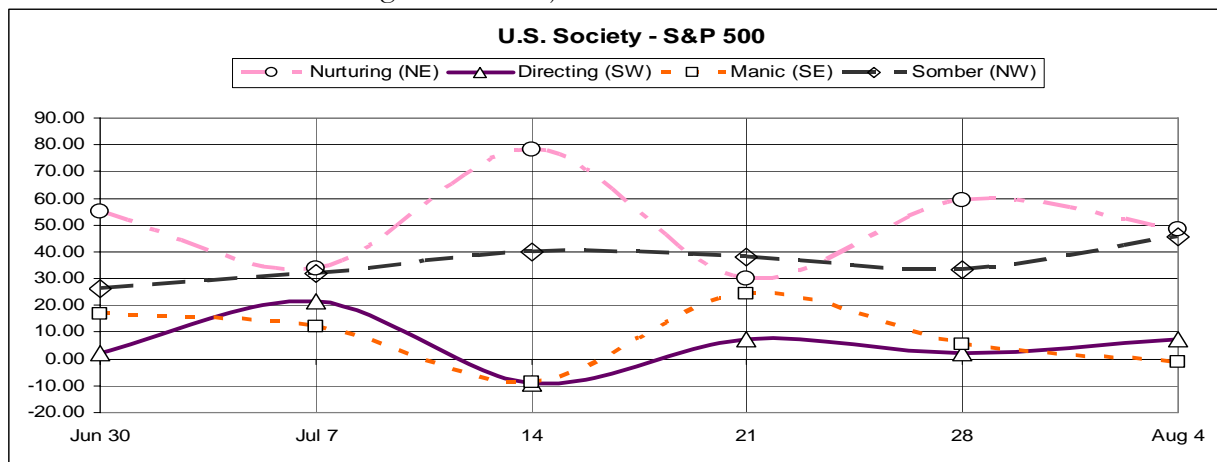
Tracking Profiles Over Time

During the course of each month, researchers collect information surrounding current events and perceived future events, and qualitatively assess how much of each of the eight characteristics the entity under observation manifests. This assessment is ultimately plotted (as “mood lines”) and extended into the future to generate the MoodCompass forecasts. The four primary characteristics and four hybrid characteristics are evaluated separately, and analyzed in

conjunction. Researchers have found that when plotted over time, each set of the four characteristics tends to oscillate in a somewhat regular pattern. The pattern can be extended into the future by estimating a best fit sine wave function. Researchers periodically ‘recalibrate’ the mood lines with the current events data, and readjust the best fit sine function. For convenience, and ease of presentation, only the moodlines of the four hybrid characteristics are presented in the MoodCompass.

Future forecasts are examined for indications of significant changes in social stability, government focus or activity level, and ways the outside world is perceived. Market models have been developed which accurately forecasts stock market movement from the U.S. society moodlines, U.S. Dollar value from changes in the way the U.S. government is perceived, and factors affecting the price of crude oil from the way the U.S. views the world.

The two figures below show the July 2008 moodlines for U.S. society and the derived stock market forecast (as published June 27, 2008). Actual stock market data from futuresource.com has been overlaid on the bottom figure to show just how well the data matched the forecasted trend.



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

MoodCompass Subscription Application

I am interested in the work of A New Story Foundation, encouraging “new stories” that lead to a culture of sustainability, as well as its work in tracking and forecasting social and economic risks of instability.

Please write a few sentences describing how you can support the work. Suggested monetary pledge is \$40 per month. For support other than a monthly monetary pledge, let’s discuss it. Future issues will be sent upon receipt of either your pledge or documentation of your alternative support as agreed. Here is how I can help in the work:

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