

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

February 2011

Highlights: Civil unrest/violence · War Talk · Terrorism Concerns ·
Stock market sell-off · Disruptive & destructive natural events

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February 2011 – Animosity and Rumors of War

In January, we began to get a glimpse of a shift in global context for 2011. In the U.S., a congresswoman was shot, and in North Africa, uprisings and revolutions threatened global stability. February appears to continue in the same direction, but with added intensity, with mid-month likely to be climactic in some way. After that, the mood shifts from a focus on instability, toward more direct or ominous geopolitical threats as well as an increased focus on terror and terrorism.

Nature is perceived in February to be extremely antagonistic to the modern civilized lifestyle. Watch for blizzards and other natural events to disrupt travel and possibly cause heavy losses of life or property.

Highlights:

Jan 31 – Feb 8: Facing the New Reality. Reality sets in for global leaders as global situation deteriorates. U.S. government factions, still highly polarized, move into action; the government is perceived to be delusional or in denial. Geopolitical concerns are moderately elevated. Increased safety seeking behavior; public feeling vulnerable. Increased risk aversion. Sharp stock market decline likely. Elevated concern with energy supply disruptions. There is a heightened risk for moderate earthquakes and for modern lifestyle-disrupting (transportation, electric power, etc.) natural events.

Feb 9 – Feb 15: Rising Instability. Global leaders in panic mode or causing panic. Extreme concern with global instability. Increased safety seeking behavior; public feeling vulnerable. Increased risk aversion. Sharp stock market decline likely. Elevated concern with energy supply disruptions. U.S. government seen as delusional or in denial; situation becoming serious. There is a heightened risk for modern lifestyle-disrupting (transportation, electric power, etc.) natural events.

Feb 16 – Feb 24: Terrorism and War Talk. Extreme concern with geopolitical threats. U.S. government situation serious; seen as weak or vulnerable. High risk of widespread unrest; increase in terrorist activity or discussion of terrorism. People try to regroup. High societal polarization. Realization that the world has changed. U.S. Dollar reverses direction of the last two weeks. Heightened risk for serious or high loss natural events.

Feb 25 – Feb 28: Bad News. The news or facts are against the U.S. government

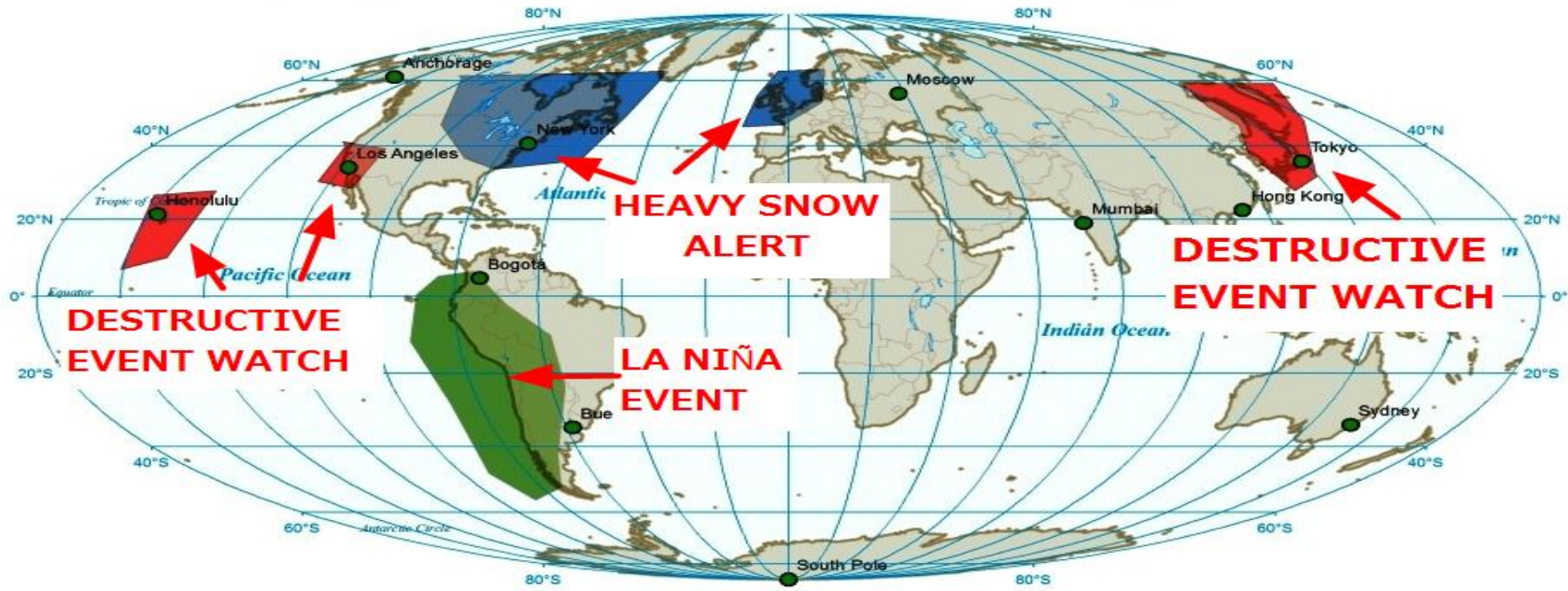
The charts on the following pages will go into further detail of the social mood changes and corresponding market behavior for this time period. The last few pages of this document will give you a brief orientation to the MoodCompass.

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 “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 |
|-------------|--|
| 1/31 – 2/2 | Reality sets in for global leaders (7b). U.S. government factions, still highly polarized, move into action (8b). Heightened earthquake risk (7a). |
| 1/31 – 2/15 | Increased safety seeking behavior; public feeling vulnerable. Increased risk aversion. Market sell—off likely (8a). Sharp stock market decline likely (9a). Elevated concern with energy supply disruptions (10). |
| 2/3 – 7 | Global situation deteriorating (7b). Moderately elevated geopolitical concerns (10). |
| 2/4 – 10 | U.S. government seen as delusional or in denial (8b). |
| 2/3 – 15 | Heightened risk for modern lifestyle-disrupting (transportation, electric power, etc.) natural events (7a). |
| 2/9 – 15 | Global leaders in panic mode or causing panic (7b). Extreme concern with global instability (10). |
| 2/11 – 17 | Situation re: U.S. government extremely serious (8b). |
| 2/16 – 24 | U.S. government seen as weak or vulnerable (8b). Extreme concern with geopolitical threats (10). Heightened risk for serious or high loss natural events (7a). |
| 2/17 – 28 | High risk of widespread unrest; increase in terrorist activity or discussion of terrorism (7b). People try to regroup. High societal polarization. Realization that the world has changed (8a). U.S. Dollar reverses direction of the last two weeks (9b). |
| 2/24 – 28 | The news or facts are against the U.S. government (8b). |

Human Perception of Nature - February 2011



Perception of Nature / the Earth

- Nature is destructive
- Nature is wet, stormy
- Nature is cold

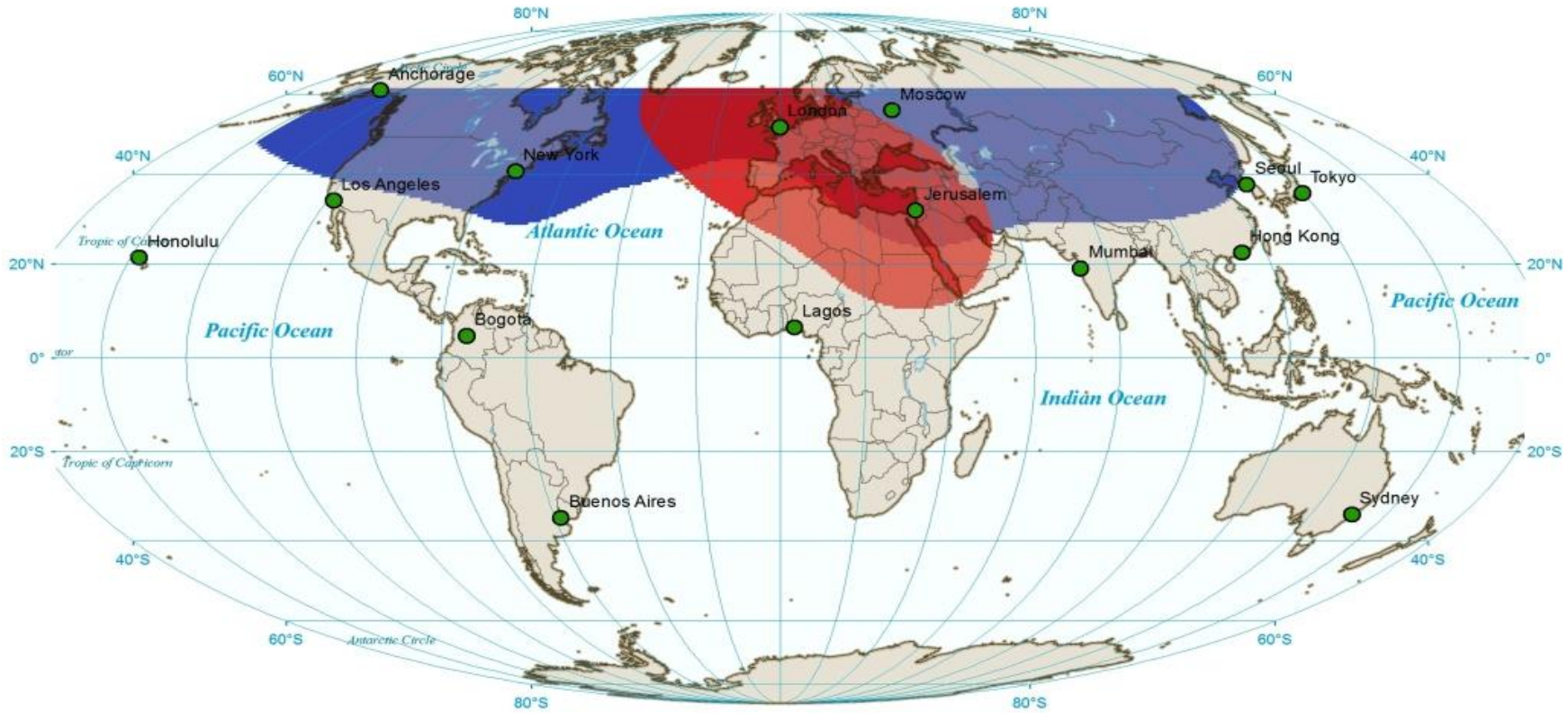
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In anthropomorphic terms – Nature is **AT ODDS WITH CIVILIZATION**. Events disruptive to modern civilization are likely (transportation, electric power, etc.); also events affecting large population centers.

Possible physical manifestations – Nature is seen as **DESTRUCTIVE** in Hawaii, Southern California, and Far East Asia. This generates a **DESTRUCTIVE EVENT WATCH**. Nature is **WET/STORMY** for residents of Northeastern North America and Europe. **Heavy precipitation** is likely. Nature is seen as **COLDER** than usual off Western S. America. This reflects a La Niña event.

Social Instability Factors - February 2011



Social Instability Factors

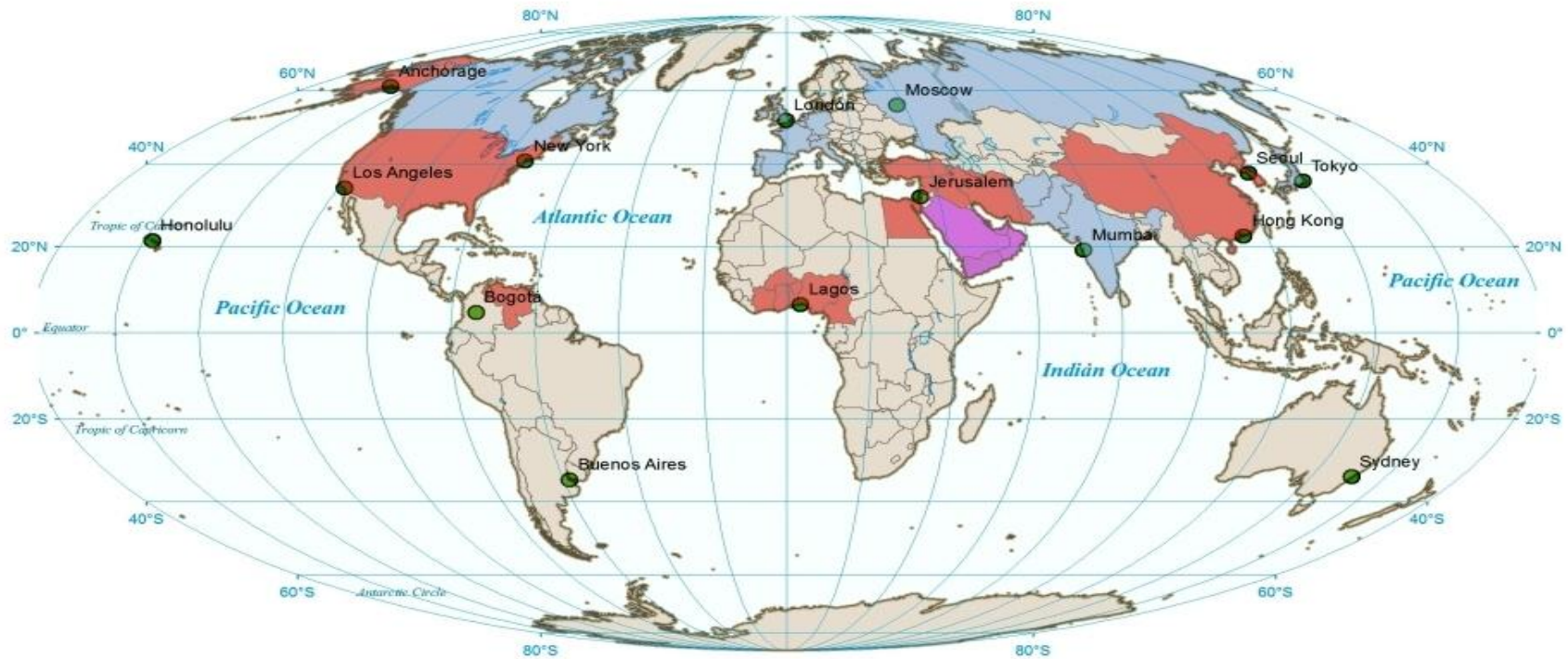
- Unrest / Violence
- Panic

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Unrest and violence are most likely in Europe, N. Africa, and the Middle East. Panic responses, including high market volatility, are likely in the United States, Canada, Europe, and most of Asia.

Projected Geopolitical Posturing - February 2011



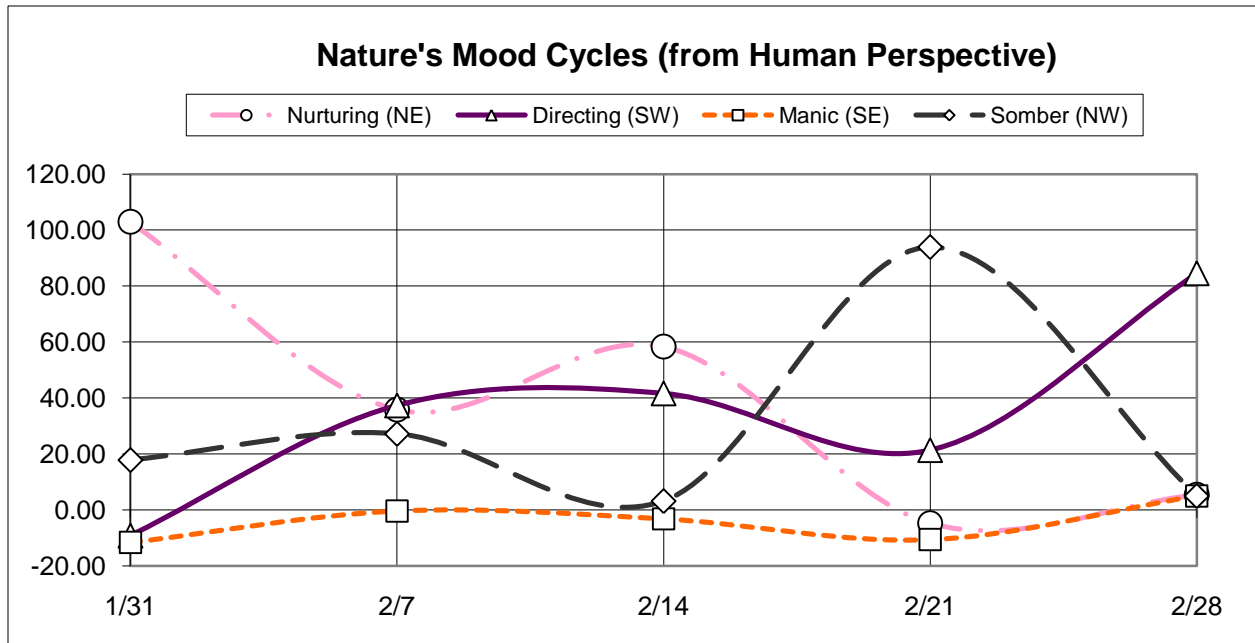
Disposition Toward Outsiders

- Hostile / Escalating
- Aggressive / Alert
- Defensive / Diplomatic

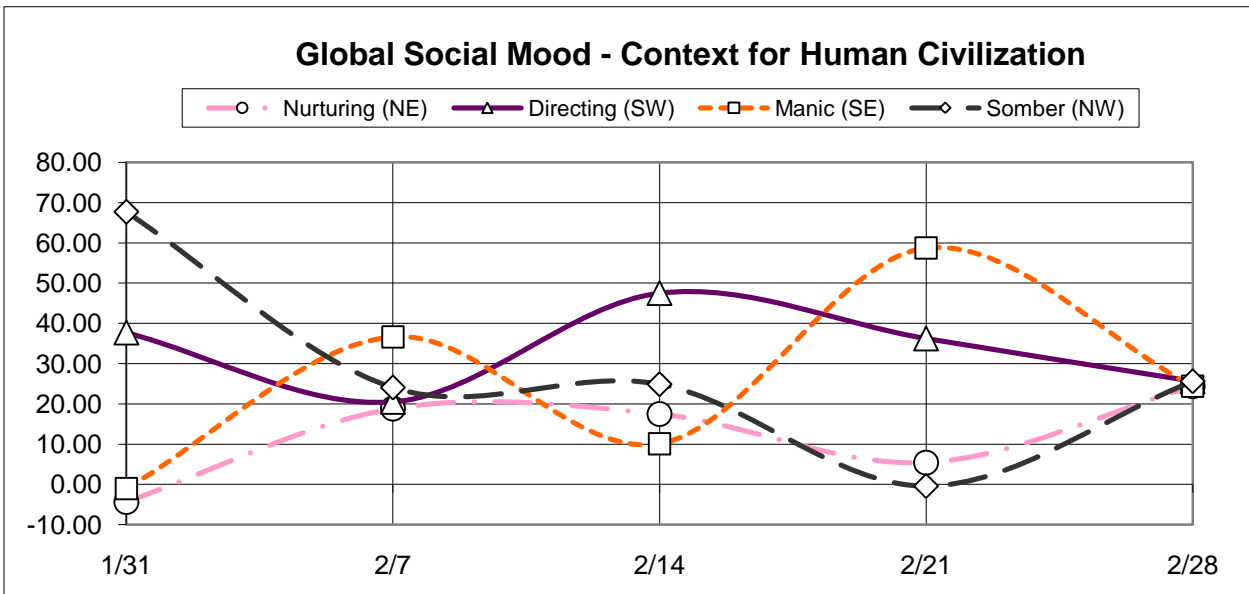
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Robinson Projection
Central Meridian: 0.00

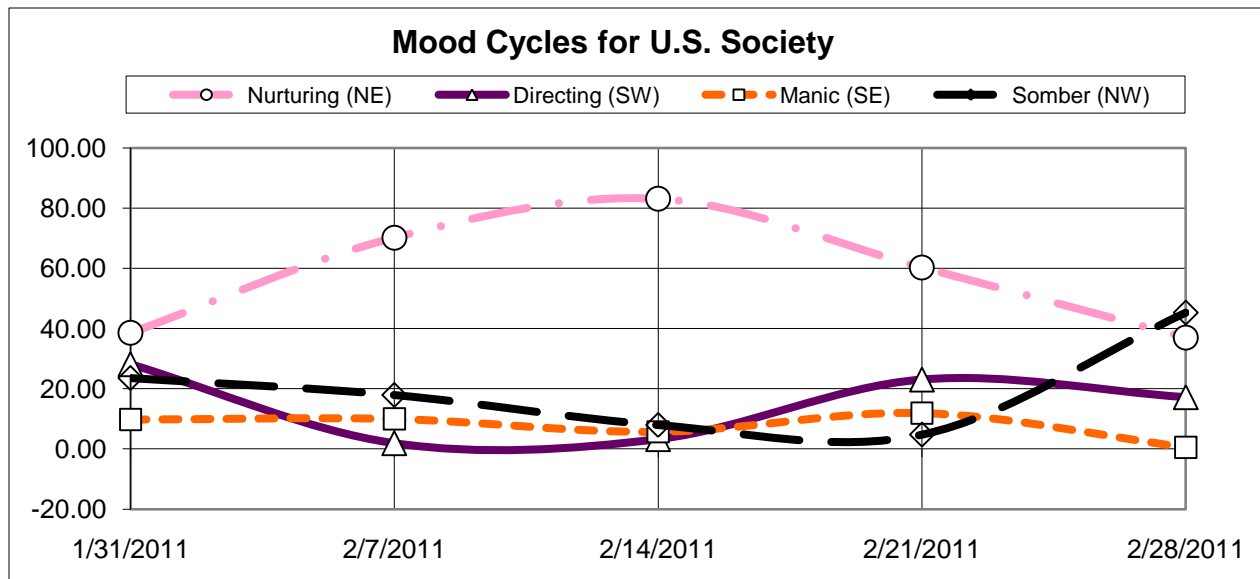
Global tension is elevated and escalating compared to recent months. The area of highest concern is the Middle East, and possibly Korea. The United States and China are becoming overtly less cordial as tension escalates.



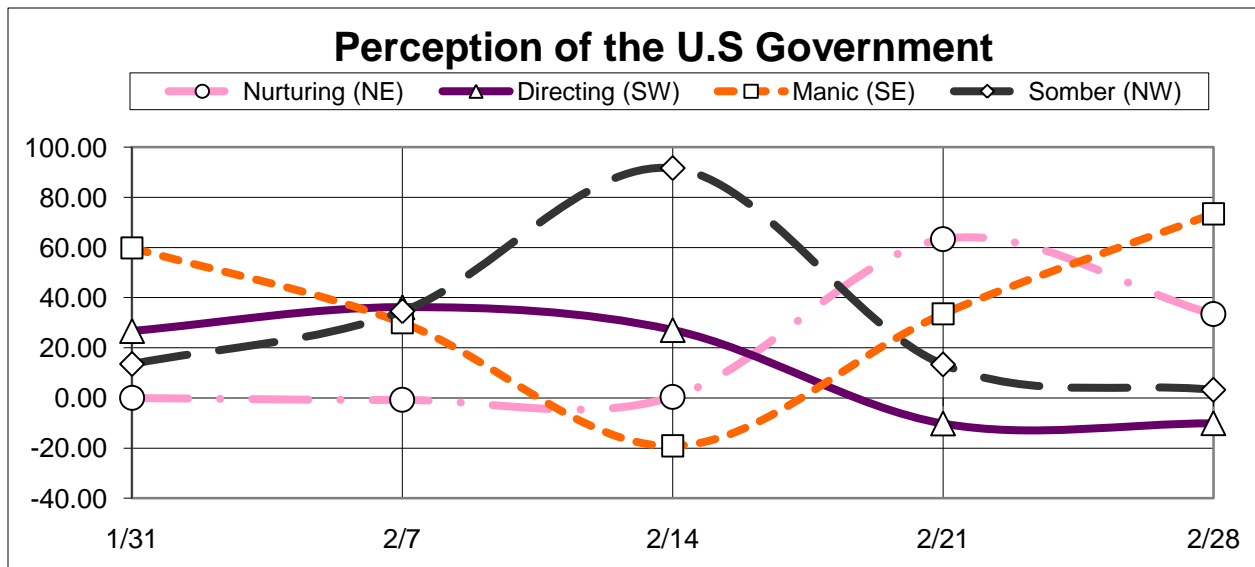
| | | | |
|--|--|--|--|
| <p>Earth Focus Elevated potential for earthquakes (N shifting).</p> | <p>Nature Against Civilization Phi vs. Entropy polarities indicates events disruptive to civilization are likely. (transportation, electric power, etc.).</p> | <p>Extremely Serious Nature means business. High loss events possible (NW+, SE-).</p> | |
|--|--|--|--|



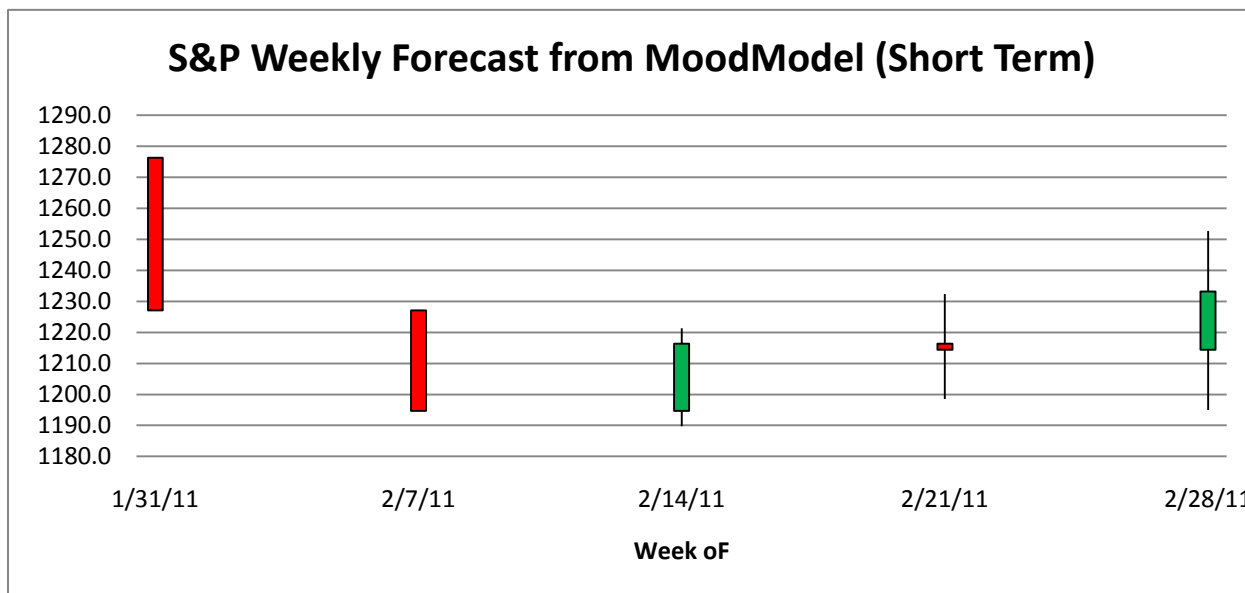
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| <p>Reality The veil of delusion fades (NW/SW)</p> | <p>Deterioration High entropy factors.</p> | <p>Panic Global leaders in panic mode or causing panic (SW/NW).</p> | <p>Destabilization High potential for widespread unrest or protests; increase in terrorist activity and/or discussion of terrorism.</p> |
|--|---|--|--|



| | |
|---|--|
| <p>Seeking Safety / Feeling Vulnerable <i>Safety seeking behavior; risk aversion. Stock market sell-off likely (NE+, SW-; entropy factors in parallel).</i></p> | <p>New Paradigm <i>People try to regroup. Yet, a realization that things are different (phi vs. entropy; then NW+, SE-). Highly polarized into “good guys” and “bad guys”.</i></p> |
|---|--|

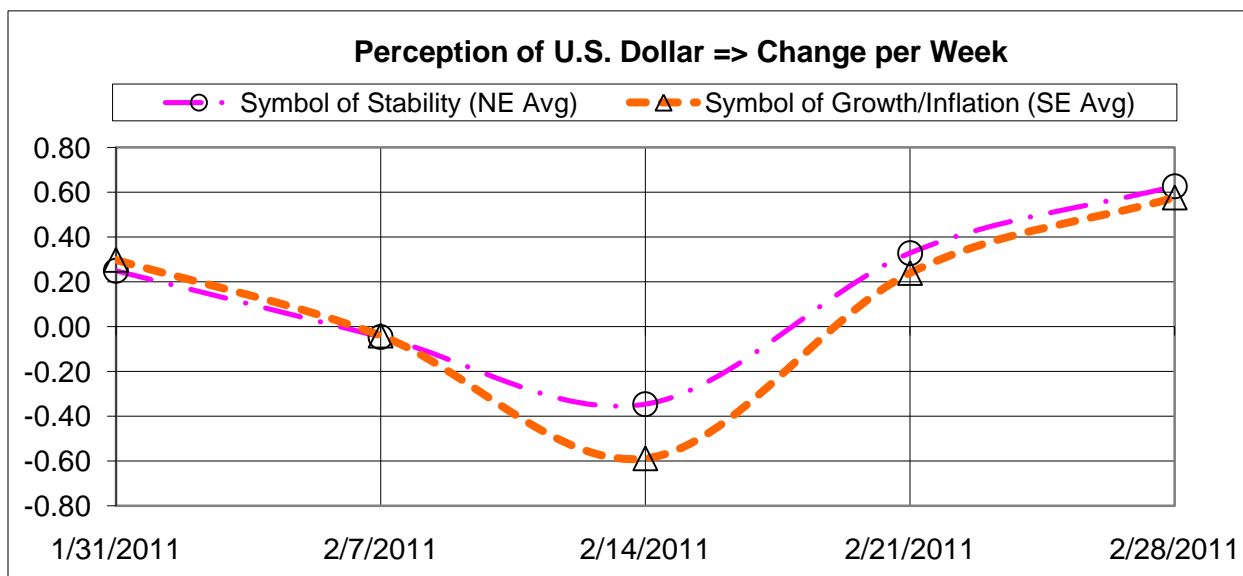


| | | | | |
|---|--|--|--|---|
| <p>Into Action <i>High S factors signify a resolution toward action. Government still highly polarized.</i></p> | <p>Delusional <i>U.S. government is seen as delusional or in denial (NW / SW).</i></p> | <p>Extremely Serious <i>The situation related to U.S. gov't is extremely serious (NW+, SE-).</i></p> | <p>Vulnerable <i>U.S. government is viewed as weak or vulnerable (NE+, SW-).</i></p> | <p>Bad News <i>The facts are against U.S. (SE/NE)</i></p> |
|---|--|--|--|---|



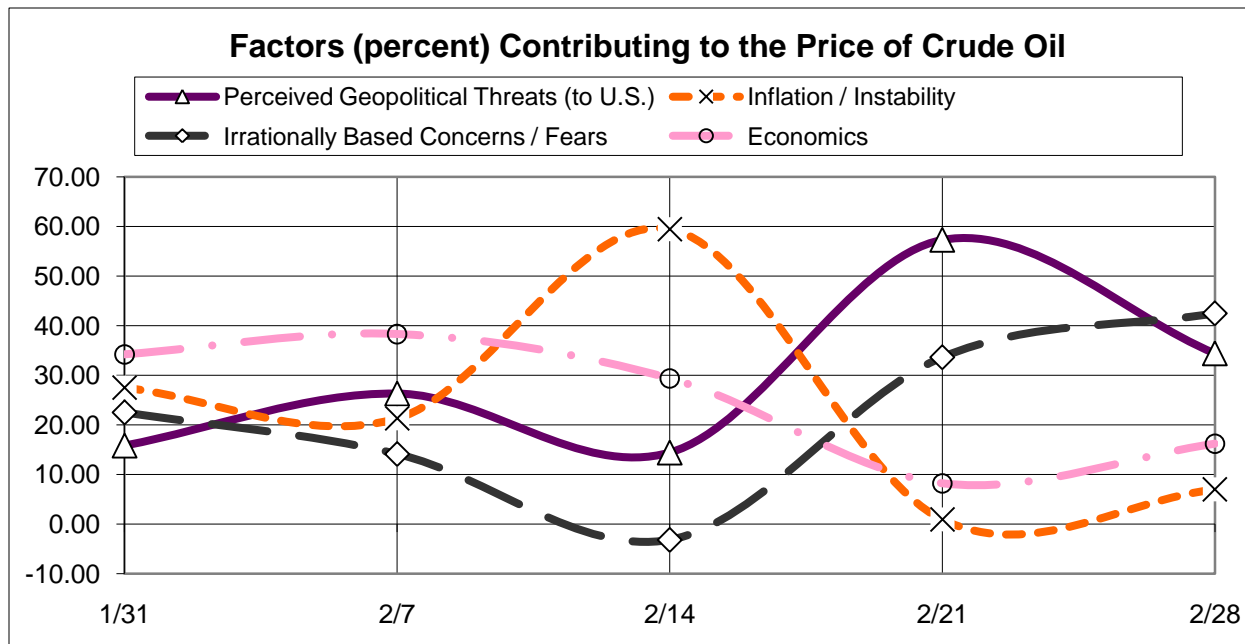
Explanation of chart: *The MoodCompass stock market forecast is the output of a model that assesses the patterns of the Human Society Moodlines and converts them into stock market prices.*

A sharp market drop is likely the first two weeks of February. This should be followed by short covering and consolidation. Note: the market is currently 40% above where the long term model indicates it “should” be. A sell-off could exceed the amounts indicated here.



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.*

If this model continues to be inverted, as it was last month, the first two weeks should hold strong Dollar gains and the second half of the month should see consolidation and correction. If not, the reverse should be true. Either way, there is a shift in direction likely around 2/17.



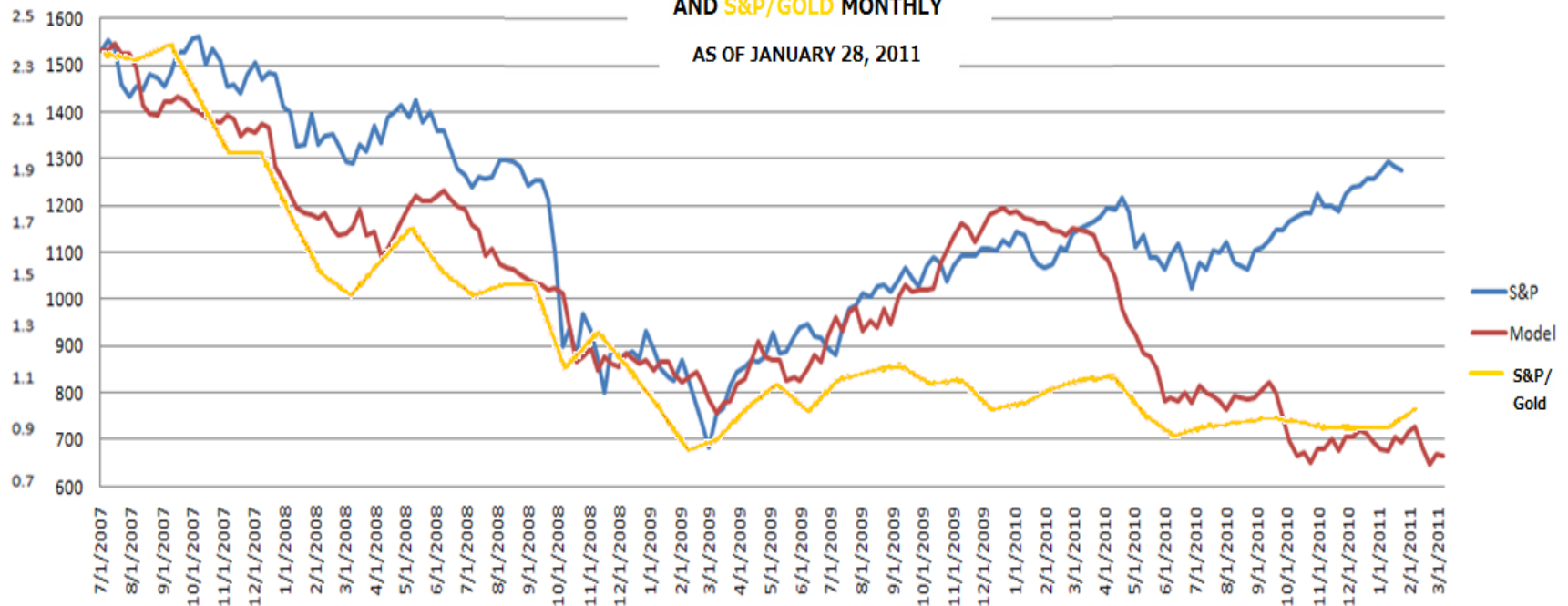
Explanation of chart lines: *The values for the Moodlines (Directing, Manic, and Somber) for U.S. View of “the World” are used to produce this chart. This chart is useful in searching for potential geopolitical events, and escalated irrational fears of supply disruption. It is also useful as a check 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.*

Concerns with potential supply disruptions continues through 2/15. Concerns with geopolitical threats are moderately elevated 2/2 – 2/7, and become a high concern 2/16 - 2/24. Global instability (or inflation issues) may be the top concern affecting markets 2/9 – 2/16.

Tracking MoodCompass Performance

One of the best objective measures of the oscillations of social mood is the stock market. The stock market goes up and down with *expectations* of how well (or bad) things will be in the near future, and there is an abundance of minute by minute data. The chart below compares the output of a model generated from published *Moodlines*, and compares them with actual weekly S&P prices and monthly S&P/Gold ratio (S&P data from Yahoo Financial; Gold data from futuresource.com). While market trend generally follows this collective mood generated model, it may be of interest to note that at the beginning of major trend changes, especially downturns, markets (investors) tend to oppose the trend change. This is later resolved in what is referred to as capitulation (realigning with the mood trend, then accelerating past the indicated mood level). Note that much of this “lag” is eliminated with the S&P/Gold ratio.

Weekly S&P Forecast from Collective Mood
VS. ACTUAL S&P WEEKLY CLOSE
AND S&P/GOLD MONTHLY
 AS OF JANUARY 28, 2011



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.

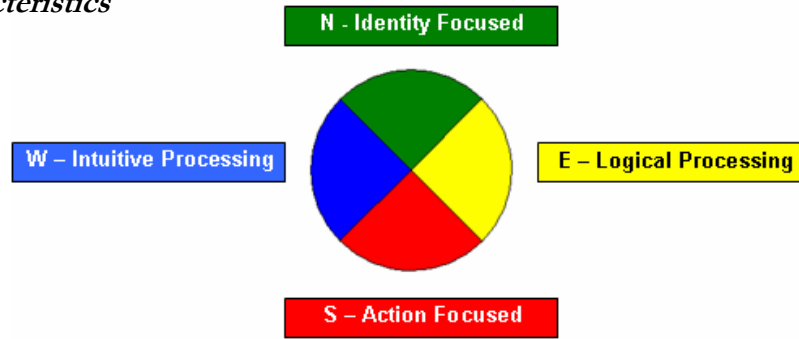
MoodCompass was Born

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:

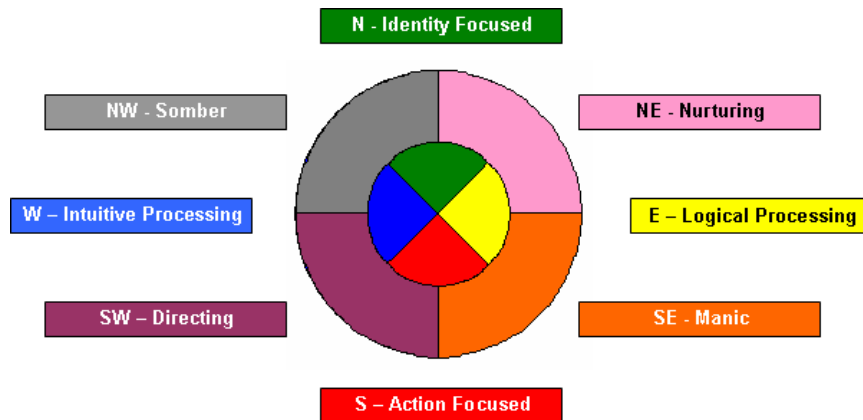
Primary Characteristics



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.



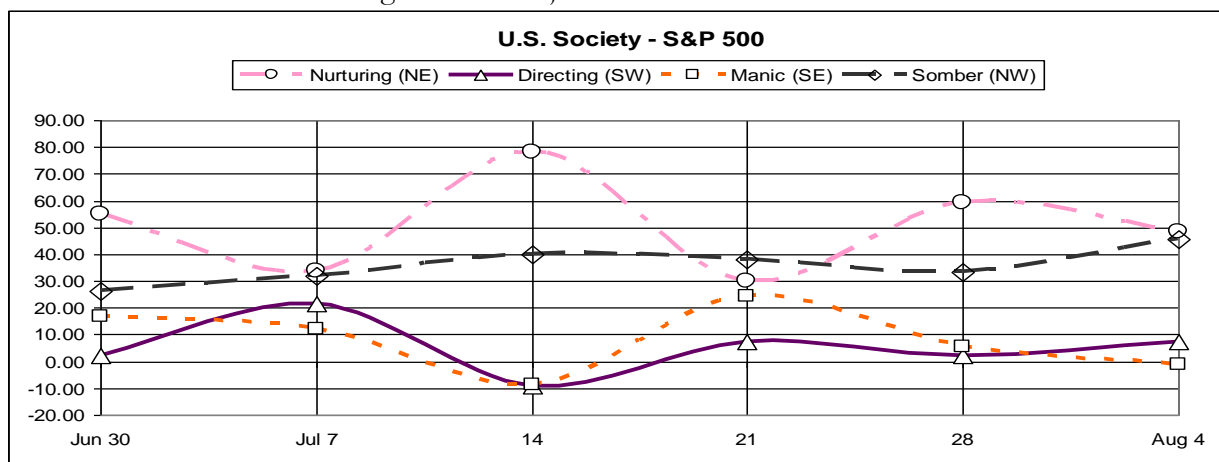
Tracking Profiles Over Time

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

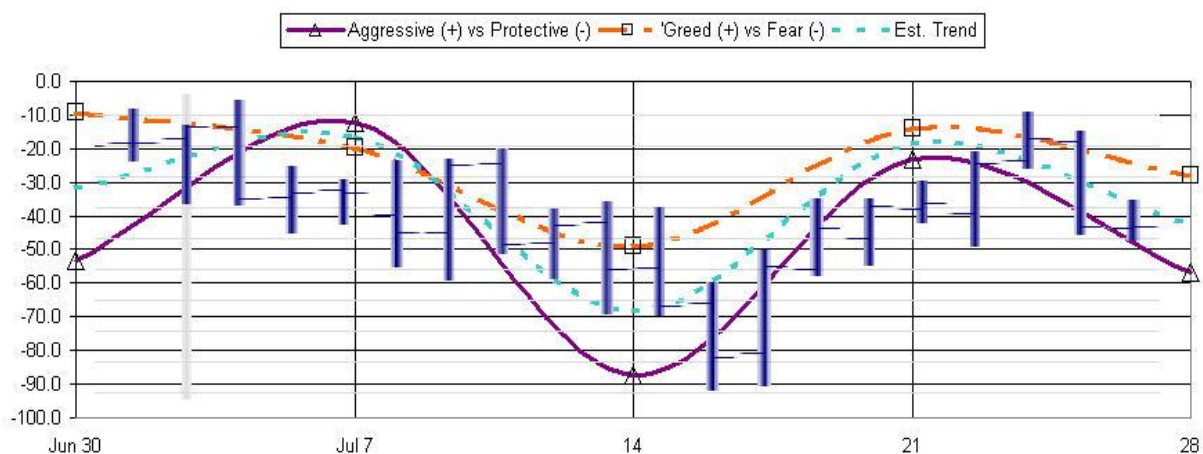
conjunction. Researchers have found that when plotted over time, each set of the four characteristics tends to oscillate in a somewhat regular pattern. The pattern can be extended into the future by estimating a best fit sine wave function. Researchers periodically ‘recalibrate’ the mood lines with the 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.



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

Name: _____

Address: _____

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Send no money now. Upon approval of your application, you will receive the current issue of MoodCompass. Monthly pledges can be automatically processed through Paypal. We also accept checks. We reserve the right to deny any application or terminate any subscription at any time for any reason.

Thanks for your support!

How We Did - Themes from MoodCompass in the News:**Civil Unrest/Violence:**

- 01/05/11 [Omaha highschool student kills Vice Principal then self](#)
- 01/06/11 [Packages explode in two U.S. government buildings](#)
- 01/07/11 [Package ignites at D.C. mail facility](#)
- 01/09/11 [Arizona shooting: U.S. Rep Giffords hit at meeting with constituents; others wounded/killed](#)
- 01/13/11 [Uptick in death threats against Sarah Palin](#)
- 01/18/11: [Domestic terror attack foiled in Spokane](#)
- 01/19/11: [Multiple school shootings cause turmoil for Los Angeles schools](#)
- 01/24/11: [Terror attack at Moscow airport; explosion kills 35+](#)
- 01/25/11: [11 U.S. police officers killed in 24 hours](#)
[Protesters demand Egyptian President resign](#)
- 01/27/11: [Mom shoots kids for being "mouthy"](#)

For MoodCompass subscribers who trade and invest:

The *MoodCompass*® combines the holistic–systems framework of the OneWheel® paradigm with the mathematical scaling and modeling of the Compass System®. It gives an overview of forecasted mood, perception, and behavior of global human society and the world in which we live. While the MoodCompass predicts mood, and not events, its usefulness arises in the relationship between certain mood configurations and often accompanying real world events. While a course of conduct regarding investments can be formulated from the implications presented in MoodCompass, at no time will A New Story Foundation make specific recommendations for any specific person, and at no time may a reader, caller or viewer be justified in inferring that any such advice is intended. Investing carries risk of losses, and trading futures or options is especially risky because these instruments are highly leveraged, and traders can lose more than their initial margin funds. Information provided by A New Story Foundation is expressed in good faith, but it is not guaranteed. The measurements that form the Moodline data, as well as the interpretations of presented Moodlines are made with care and experienced judgment, however, they are subject to human error. Long–term success trading or investing in the markets demands recognition of the fact that error and uncertainty are part of any effort to assess future probabilities. Please ask your broker or your advisor to explain all risks to you before making any trading and investing decisions.