MOODCOMPASS®
A GUIDE TO GLOBAL MOOD AND MARKETS

July 2009

July 2009 – A War Dance

   While most of our social mood data comes from the United States, the patterns showing up here also manifest in societies throughout the world, and often in a more extreme manner. Last November, exactly where the social configuration indicated "chaos breaks out," the Mumbai terrorist attacks occurred. Last month, exactly where a "paradigm shift" was indicated, riots and protests in favor of a new leader were seen in Iran.

   In the first half of July, is a social configuration known as the "War Dance." Metaphorically, think of warriors putting on war paint, pounding their chests, and beating on drums. Expect to see a surge in nationalism and the mentality of "good guys" and "bad guys." The configuration for the US government is indicative of both high activity and "posturing" with the outside world. However, this occurs after the societal "War Dance" indicating that this action is likely responsive. Also, while "forceful," the U.S. action should be primarily diplomatic (SE over SW).

   With all of this, there are no indications of any new major outbreaks of war at this time. However, watch for the "War Dance" posturing and beginnings of a response before the 14th of the month. While at this time, it is not yet possible to pinpoint where the focal point of this "War Dance" will manifest, the most likely candidates are N. Korea and Iran. This "War Dance" configuration reappears at month's end. Should the government assure that "all is well" at that time, be wary, as this would be coincident with a "denial" configuration.

    There are no indications of a likelihood of actual disruptions in the supply of crude oil. However, when people are worried, even needlessly, they can resort to hoarding. Please refer to our Public Panic Crisis Event presentation for more information on this phenomenon (it is available on our website at: http://anewstory.org/documents/public_panic_crisis.ppt). The most likely period for a manifestation of panic in the markets or otherwise is July 23 – 28. The likely public response to rising oil and gas prices near the 13th is unclear.

Week by Week Highlights:

July 6-12: *War Dance.* A large "flight to safety" response (stock and commodity market decline, U.S. Dollar rise) early in the week. For the remainder of the week into early next week, look for heightened international posturing, dramatic crude oil climb, and possible stock market rally.

July 13-19: *Turbulent Pause.* Strong aggressive international posturing followed by increased diplomatic efforts. Markets are down to sideways.

July 20-26: *Panic.* Diplomatic efforts are in high gear. Mid-week into early next week look for a sharp market decline and gains in the U.S. Dollar. Manifestations of public panic are possible.

July 27-Aug 2: *More War Dancing.* Early week market declines. Then mid to late week crude oil rise, inflation concerns begin to resurface, and the U.S. Dollar declines. The U.S. government is in denial about actual progress made in solving the crisis, as a resurgence is around the corner.

Special Insert: The Next Six Months -- A Volatile World

A New Story Foundation has just completed a six month global mood and market outlook. Here is a brief summary for July - December 2009.

Look for global tensions to flare this summer and reach a peak in the fall. If the usual players are involved, then look for: 1) The issue regarding the US Dollar and world reserve currency should continue to increase tensions with the US, China, and Russia. 2) Russia is likely to be doing the natural gas hostage play again, increasing tensions with Europe and former Soviet States. 3) Also, watch for a hot spot in the Middle East due to the instability in Iran, and possible nervousness on the part of Israel and/or Iraq. 4) North Korea should continue to be an uncertain annoyance in the background.
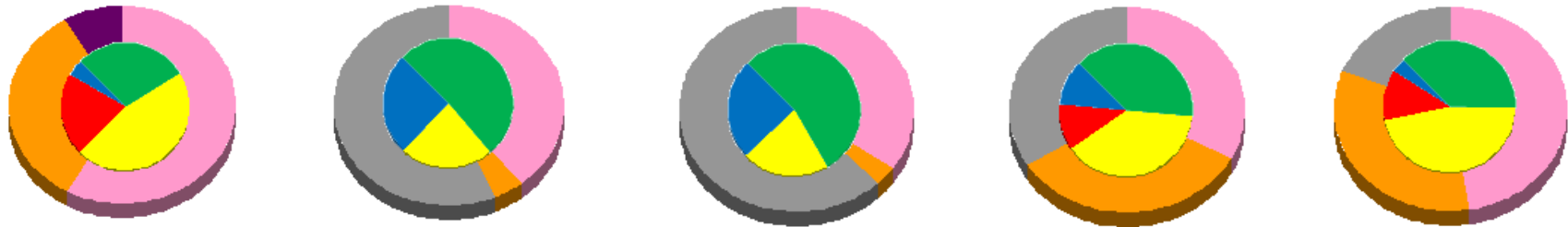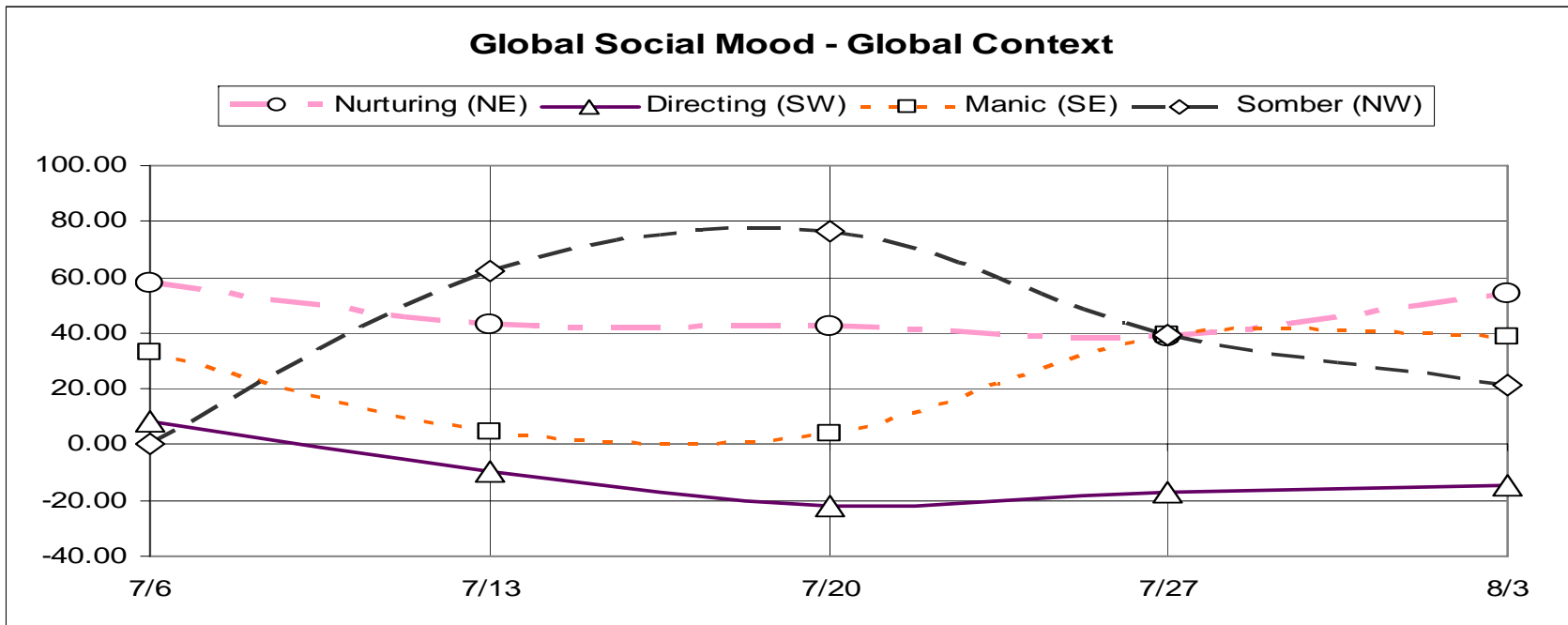
The global economic picture should continue to deteriorate, and markets should generally be down to sideways through October. Unemployment should climb well beyond current levels. Look for valiant government efforts to turn things around by the end of the year. Near year's end should be the beginnings of a turnaround in sentiment that should continue into early 2010. Expect a surge of hope (or denial) in November, and an attempt to see "silver linings" within a context of bad data or news in December.

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.
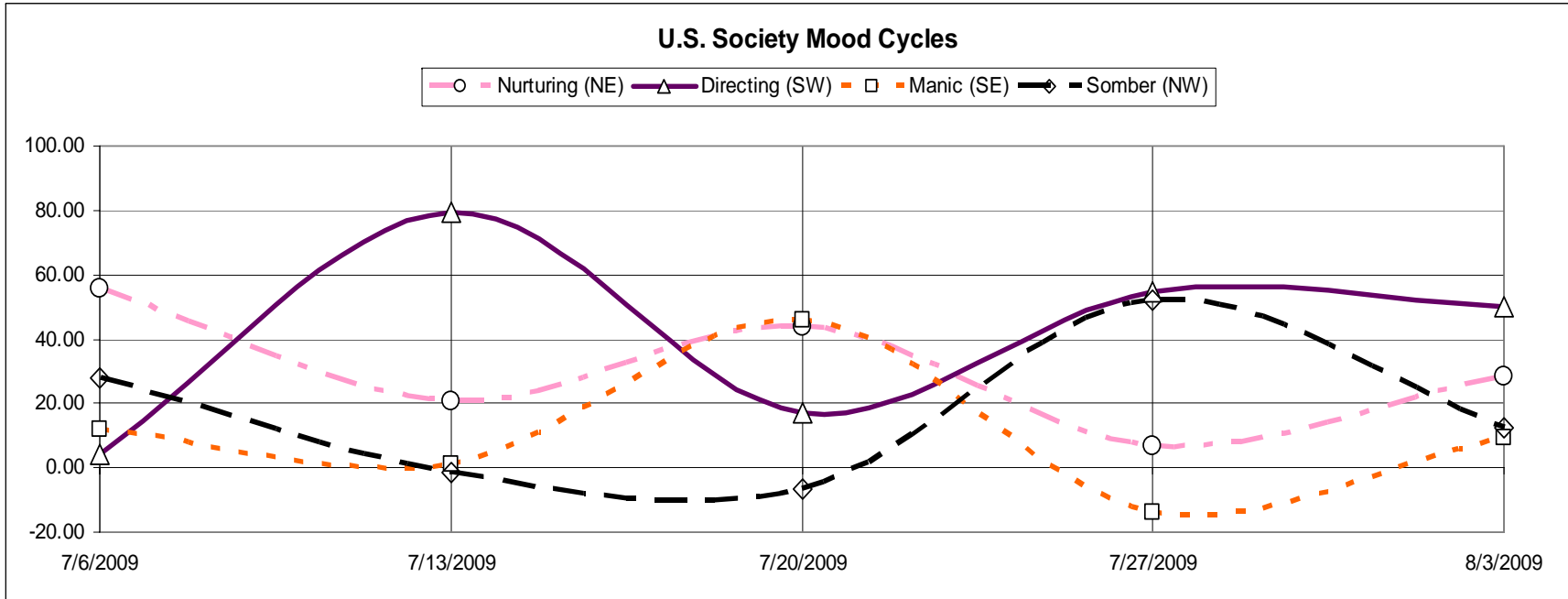
SUMMARY OF CHART ANALYSIS

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 pages 1-2 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
7/6 – 7/7	Flight to safety (5). Large stock market decline (5, 6). U.S. government recovering from a possible weekend or early week crisis (7). Dramatic U.S. Dollar rise (8). Crude oil declines (10).
7/8 – 7/14	War Dance social configuration (5). Possible aggressive U.S. response (7). Crude oil climbs substantially (10). "Animal spirits" in markets (5, 6).
7/15 – 7/21	Big focus on data/news (5). Increasing diplomatic efforts (7). U.S. Dollar gains (8). Markets are down to sideways (6).
7/22 – 7/28	Manifestations of public panic possible (5). Sharp market decline likely (5, 6). Diplomatic efforts in high gear (7). U.S. Dollar gains (8).
7/29 – 8/2	Return to War Dance configuration (5). Markets rally (5, 6). U.S. government in denial about actual progress made (7). U.S. Dollar declines (8). Crude oil rises (10). Inflation concerns begin to reappear (11).

Global Social Mood - Global Context

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

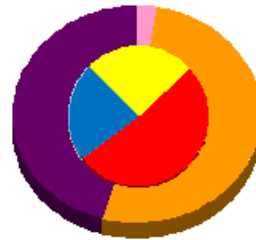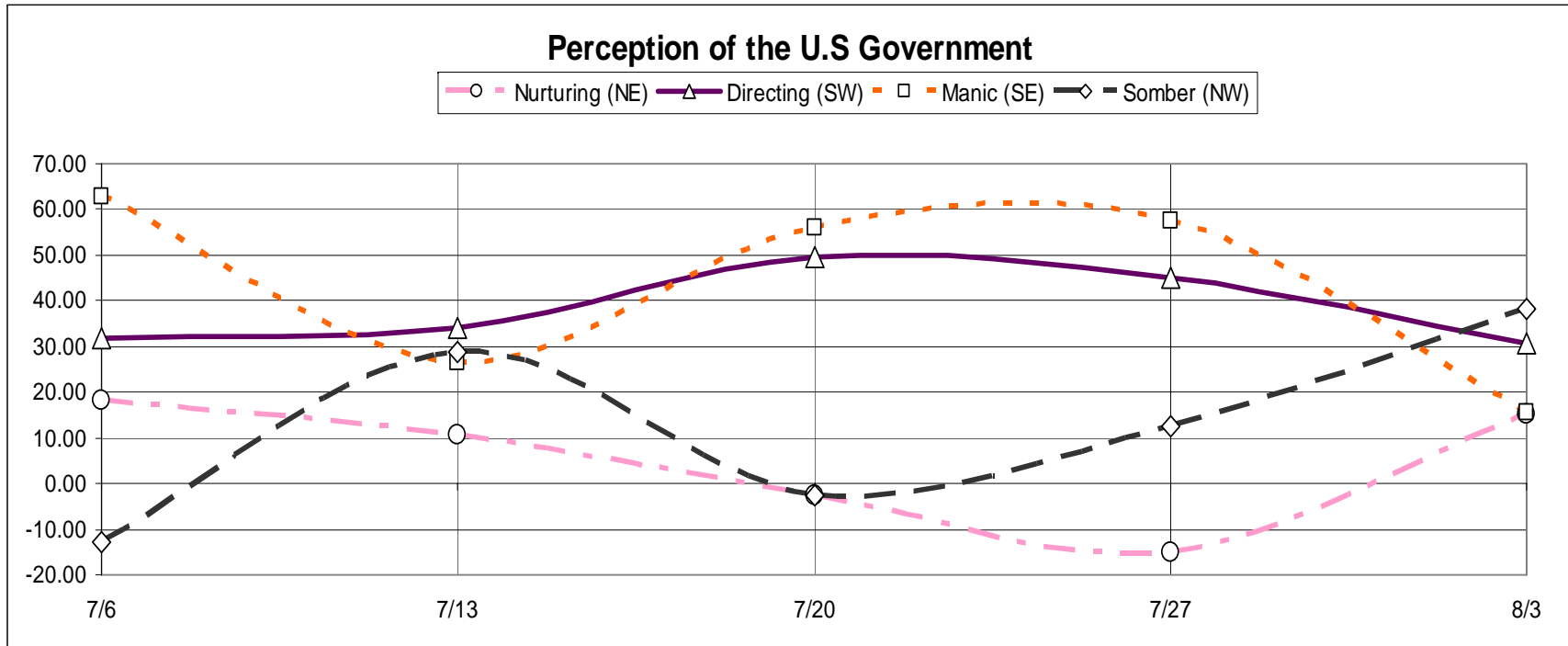| Clarity	Focus on Order, Stability, and the System of Things	Vulnerability
Both East factors high indicate a general perception of clarity regarding global issues and concerns.	*The global context is one of preserving the status quo, the way the global system functions. As a whole, world leader show a strong aversion toward geopolitical instability, national aggression, or any escalation of violence.*	*There may be a dawning realization of the vulnerabilities inherent in the system, and its inability to stop self interested parties, such as "rogue" leaders or nations.*

U.S. Society Mood Cycles

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

Hide!	War Dance	Turbulent Pause	Panic!!!	Return to War Dance
Flight to safety configuration. Markets decline.	*Muscle flexing against an enemy. "Good guys" vs "Bad guys." "Animal spirits" seen in markets.*	*An intermediary configuration. Markets decline, then move sideways. Big focus on data/news 7/15 – 21.*	*Manifestation of public panic is possible. Sharp market decline is likely.*	*More muscle flexing and polarization. Markets may rally into month's end.*

U.S. Society Mood Pairs => Stock Market Trend
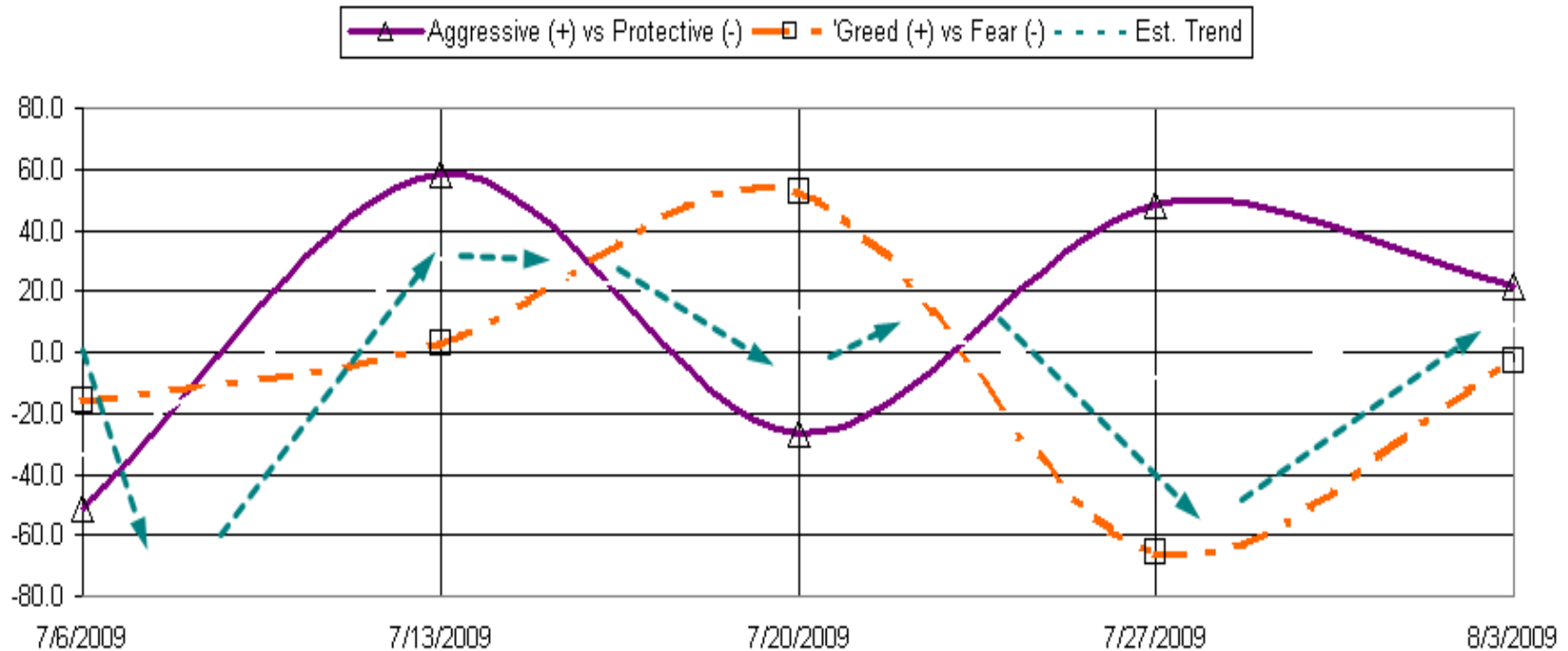
Explanation of chart lines: *It is common knowledge among traders that movement in the stock market is based on a "tug of war" between pairs of sentiment. This charts the two primary pairs which correspond to the general stock market trend. "Aggressive vs Protective" is the difference of the values of the two Moodlines "Directing" and "Nurturing." "Greed vs Fear" is the difference of the values of the two Moodlines "Manic" and "Somber."*

A sharp decline is possible 7/6 – 7, followed by a choppy upward climb through 7/10. Markets should be down to sideways 7/13 – 7/28, with a possible steep decline possible 7/23 – 27. A rally of sorts is possible at month's end.
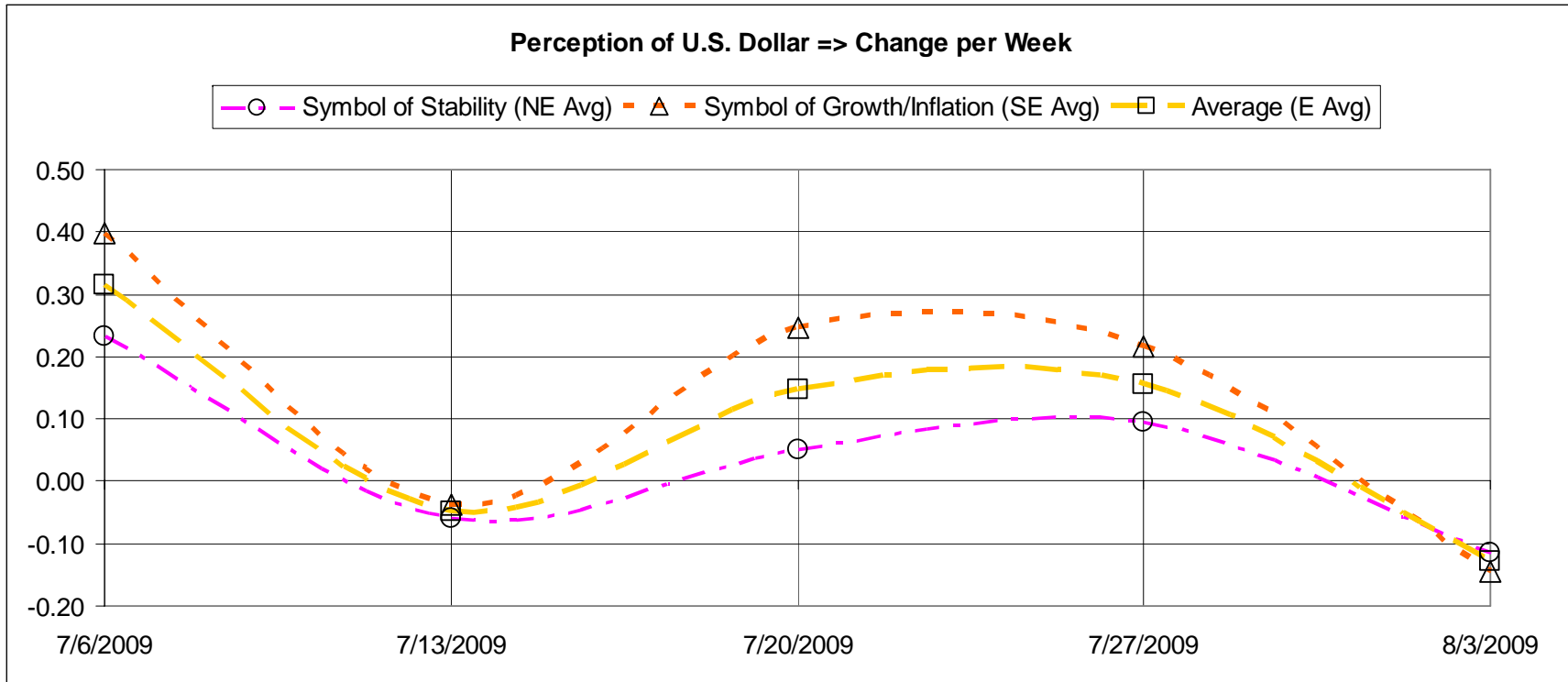
Perception of the U.S Government

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

Weekend Chaos?
Decreasing chaos from a high July 4th weekend indicates a possible recovery from a weekend or early week crisis.

Aggressive Posturing and Diplomacy
U.S. government is extremely active (both S factors high). Actions after 7/15 are more diplomatic than aggressive (SE over SW).
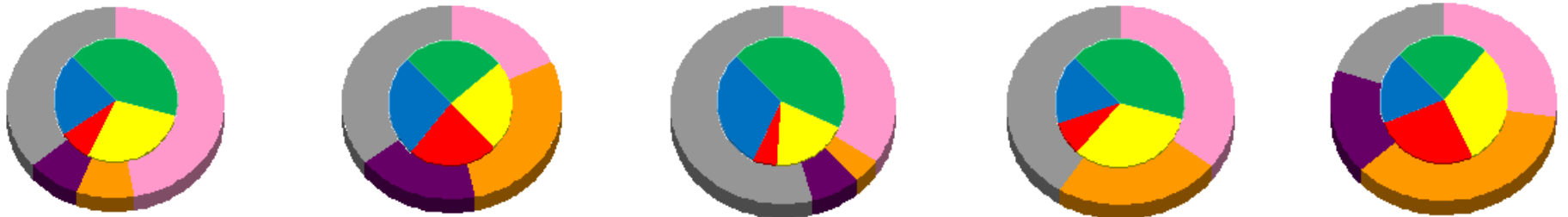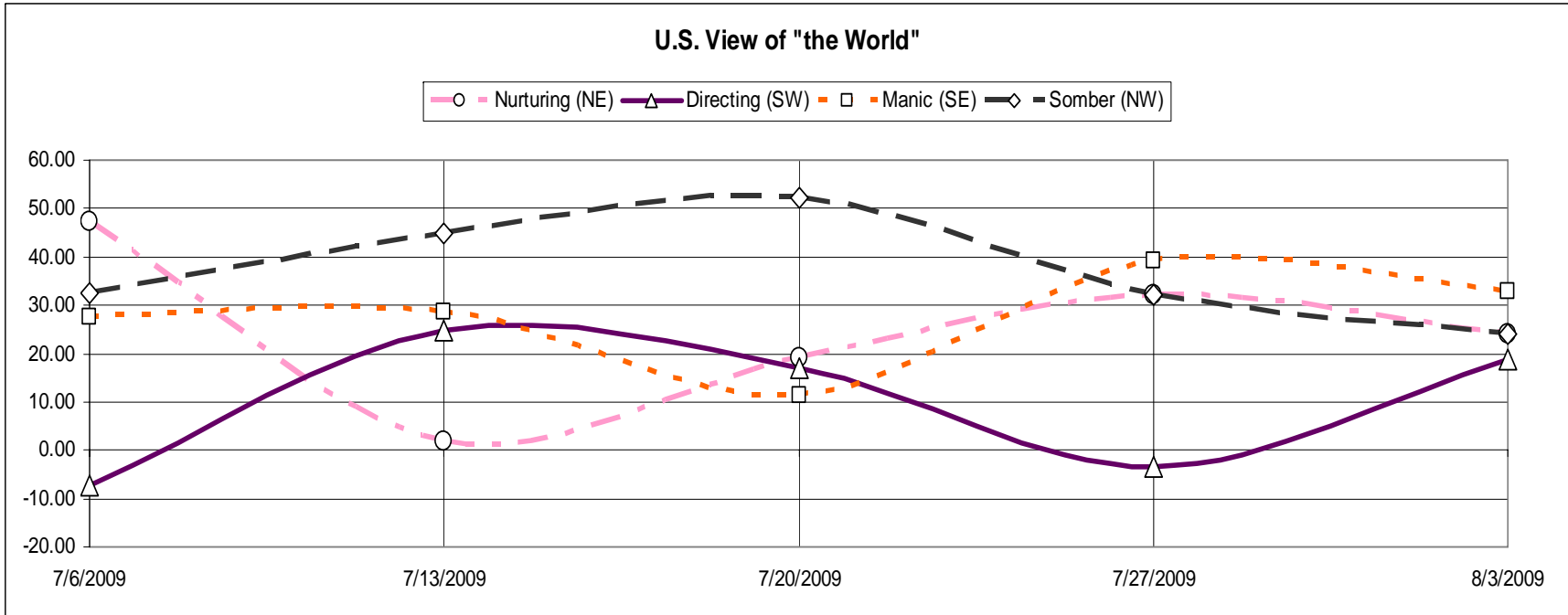
Denial
Government is inappropriately relaxing, or wrongly implying a crisis is over.
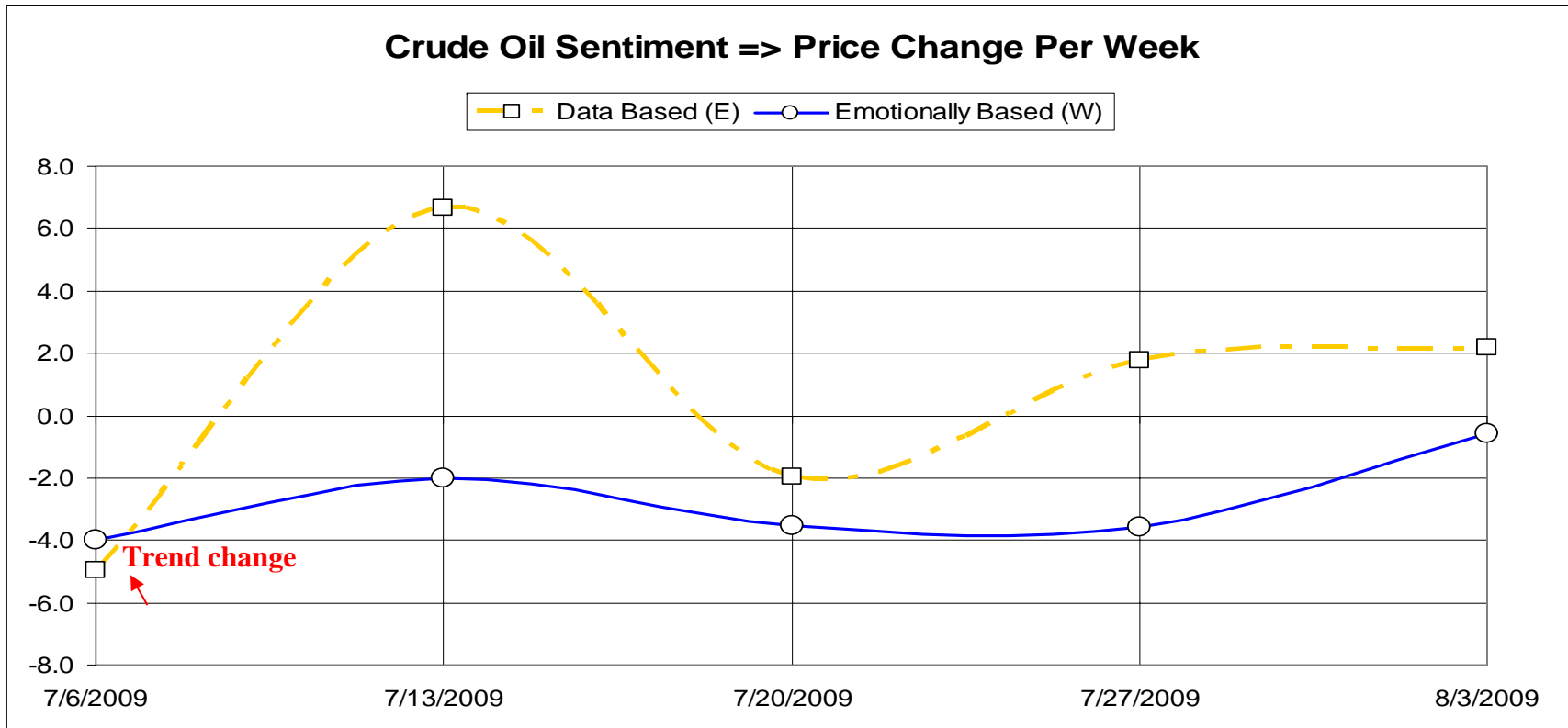
Perception of U.S. Dollar => Change per Week

—○— Symbol of Stability (NE Avg) - △ - Symbol of Growth/Inflation (SE Avg) -□- Average (E Avg)

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 is primarily on an upward trend the entire month (E Avg > 0). Greatest upward momentum is near 7/6. Look for pullback 7/9 – 16, and after 7/28.
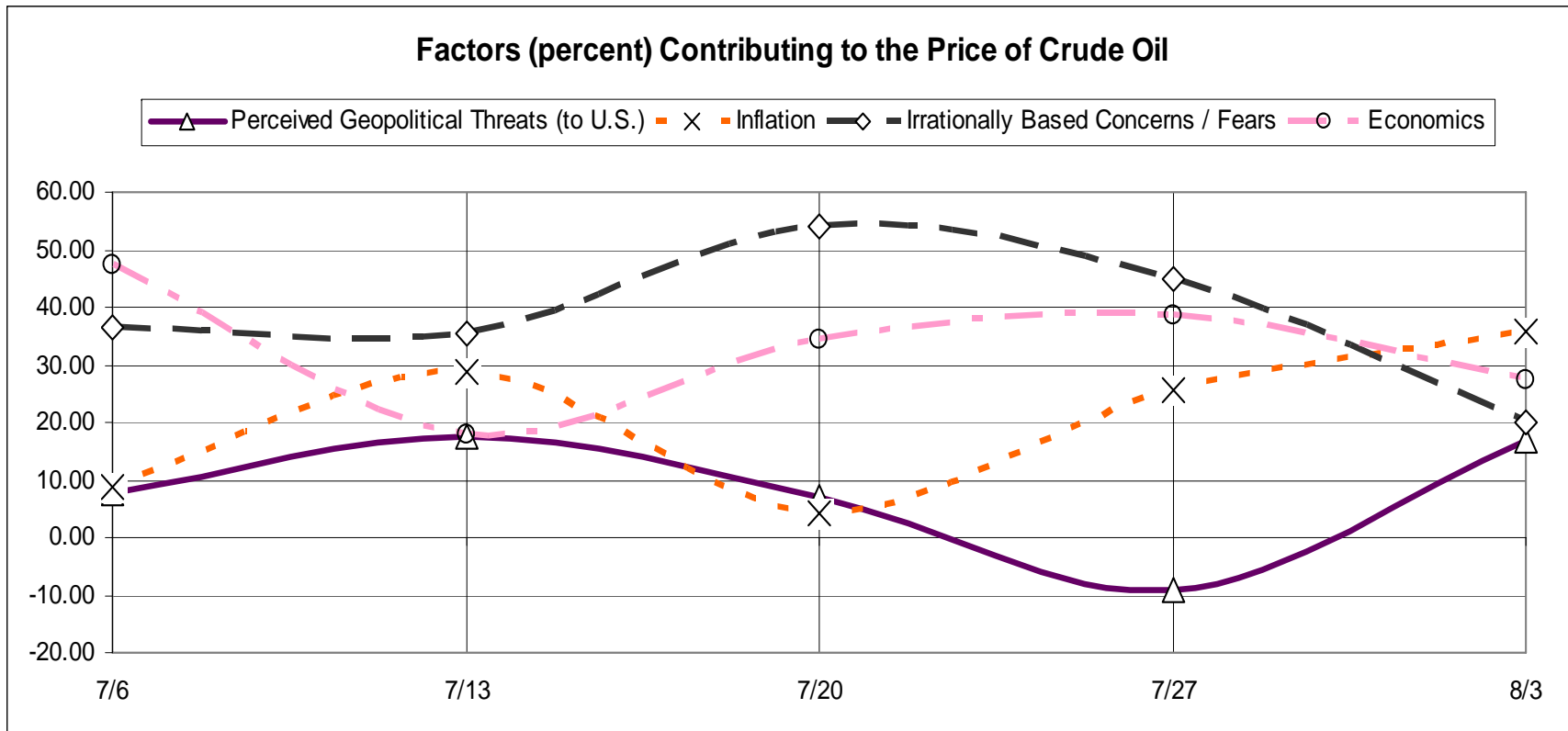
U.S. View of "the World"

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

Evil or Just Broken?
High entropy factors after 7/7 indicate projections of "evil" or decline on the rest of the world.

Delusional or Strategic Pause?
There may be disagreement with how world affairs are being handled with the "delusional" configuration through 7/17. Following this is a waiting period.

Victim or Ripe for Attack?
The victim configuration (-SW) indicates the perception of a vulnerable world in need of protection.

Crude Oil Sentiment => Price Change Per Week

Legend: ⊡ - Data Based (E)   ⊝— Emotionally Based (W)

Trend change

X-axis: 7/6/2009   7/13/2009   7/20/2009   7/27/2009   8/3/2009

Y-axis: -8.0, -6.0, -4.0, -2.0, 0.0, 2.0, 4.0, 6.0, 8.0

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.*

Crude could decline sharply 7/6. An abrupt trend change should then cause crude to climb, with the largest upside momentum near 7/10 – 13. Little change is likely 7/15 – 22, followed by a slow climb the remainder of the period.

Factors (percent) Contributing to the Price of Crude Oil

Legend: Perceived Geopolitical Threats (to U.S.) — Inflation — Irrationally Based Concerns / Fears — Economics

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.*

The economy is the prime concern through 7/7. The remainder of the period, crude is supported primarily by concerns or fears of an irrational nature. Inflation is much less of a concern this month than it has been for some time, consistent with an outlook for a rising Dollar. There is little perception of actual geopolitical threat to the U.S.

## How We Did – Comparing our Charts with Actuals
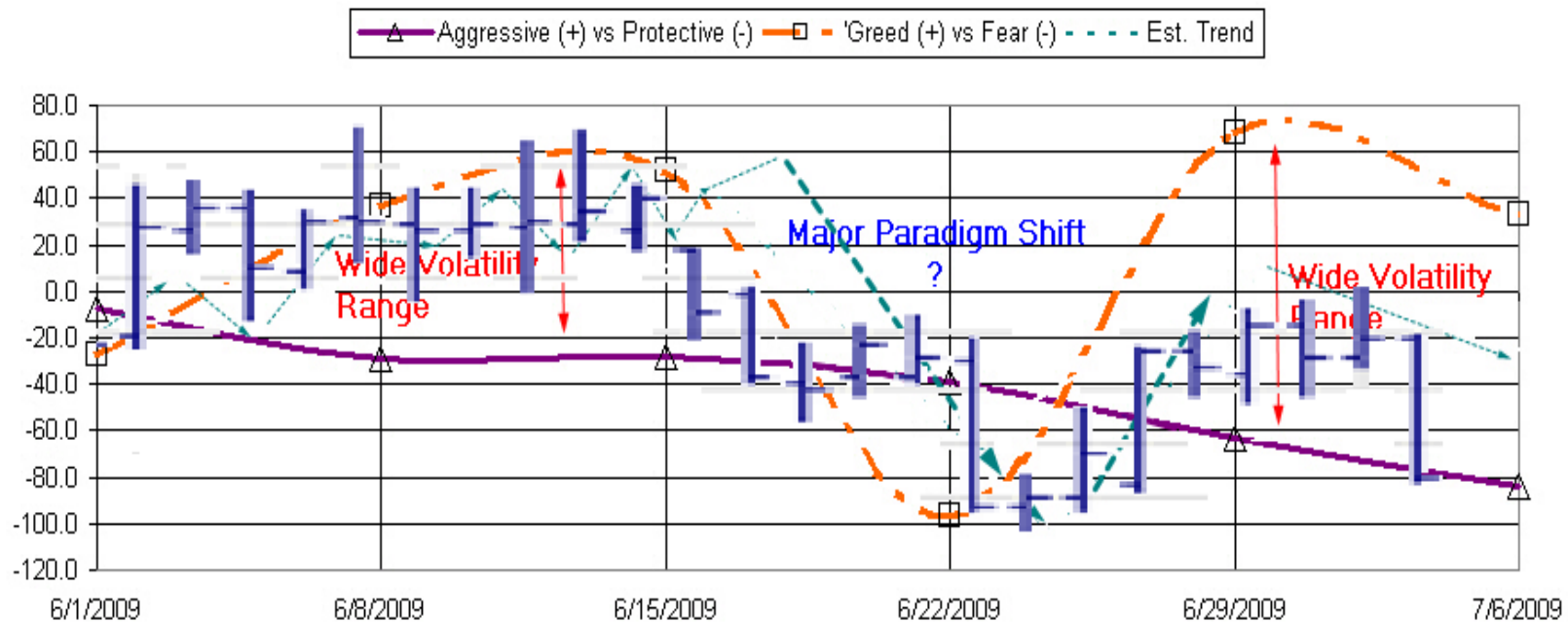
Actual data source: futuresource.com

S&P *(from previous issue): The entire period is rife with an incredible amount of confusion and cross-currents. The social mood steadily decreases in optimism, making shorting the stock market the logical choice. However, incredible short selling rallies are likely to occur at frequent intervals. There is an indication of a major paradigm shift near the 16th – 24th, but its full implications for the stock market are unclear... The overall trend is likely down to sideways.* Actual: Market was both volatile and sideways through the 13th, and declined the 15th through the 23rd. There was a rally as indicated through the 29th, followed by a sell off as indicated.

How We Did – Comparing our Charts with Actuals
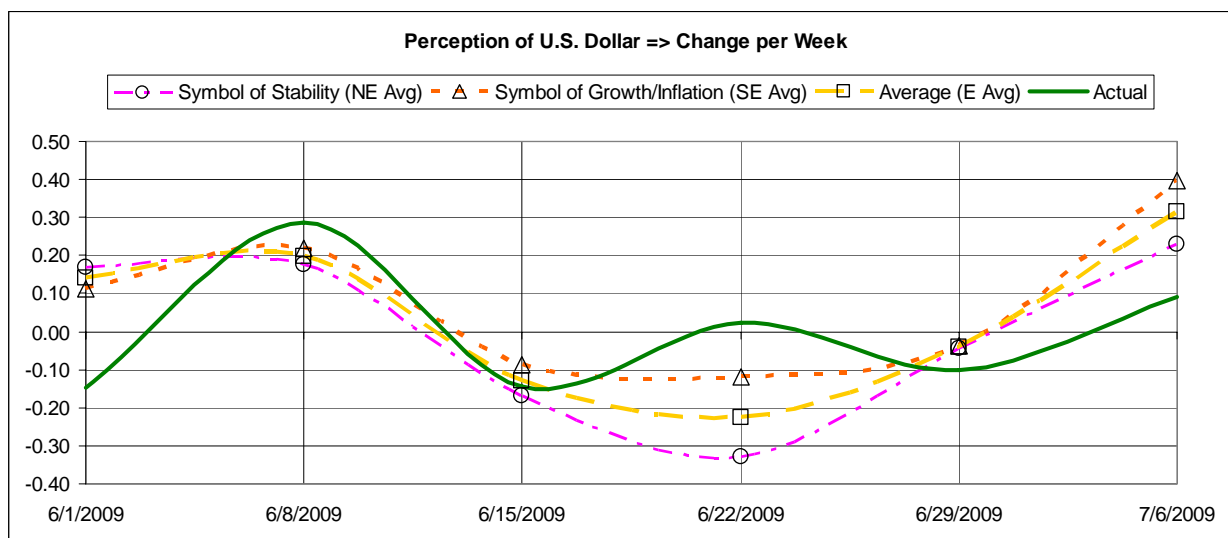
Dollar (*from previous issue*): *Just when it looks like the Dollar might be bouncing back (June 1-10), the U.S. Dollar looses its footing again. The sell-off through the week of the 15th could be quite substantial. The decline should slow the week of the 22nd. The final week should be volatile as the Dollar attempts to restrengthen.* Actual: Great correlation with the model.
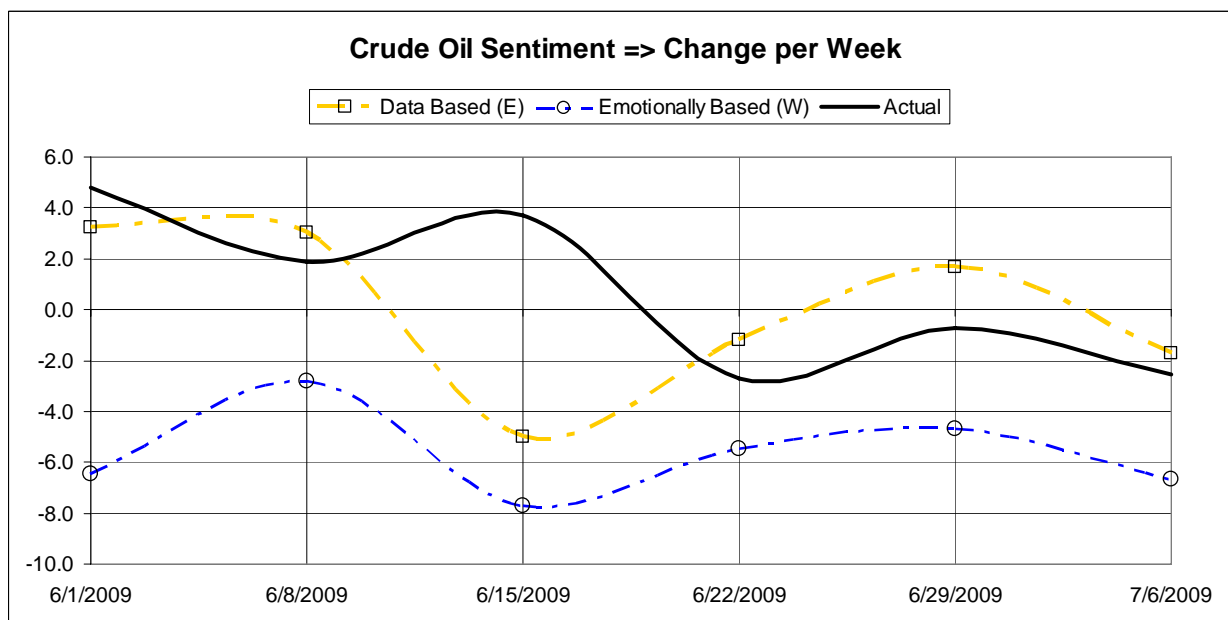
Crude (*from previous issue*): *The primary indication for crude this month is that while there may volatility, there should be very little trend. The most bearish week for crude is the week of June 8th, followed by more decline into the following week. The overall movement should be down to sideways. If our models are correct, there is an unusual disconnect between crude prices and the Dollar, as both may be declining at the same time between June 11 – 16.* Actual: Inverse to the model for the 1st two weeks (before paradigm shift), then very good fit for the last three (after paradigm shift).

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:
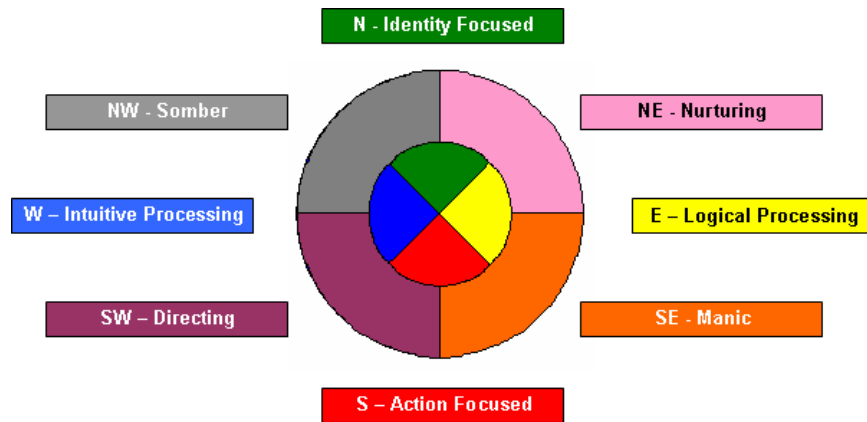
Primary Characteristics
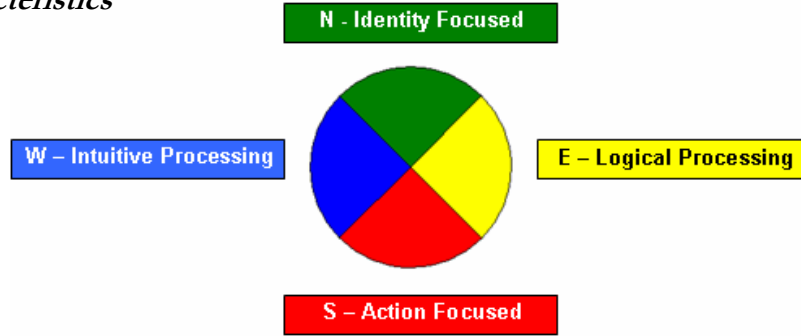
Hybrid Characteristics

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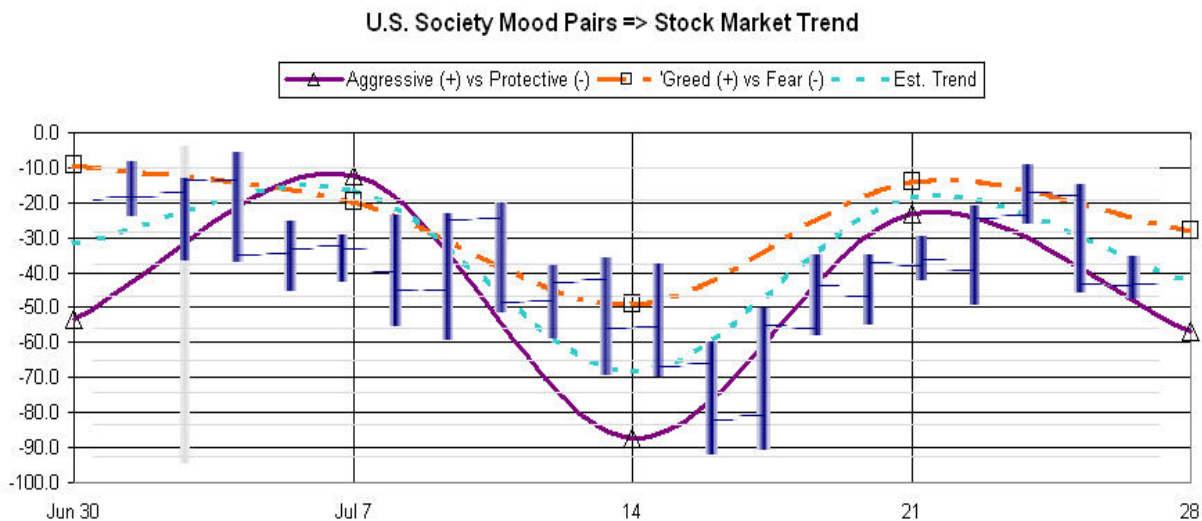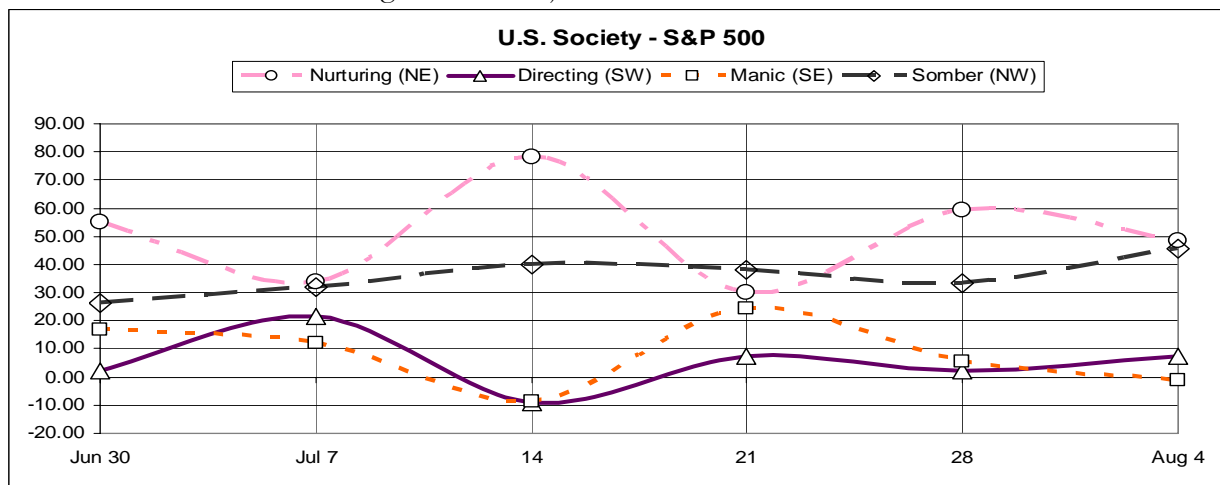
Philosophy and Methodology: For more information on our research and methodology, please see: http://anewstory.org/documents/methodology.pdf.

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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Our Website: http://anewstory.org

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Thanks for your support!