

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

June 2009

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## June 2009 – Considering the Demise of America

The month of June is showing extremely complex social mood patterns, and the issues under consideration this month should be similarly complex. Following what may be some type of extreme event on or before June 3<sup>rd</sup>, there is a background of general anxiety throughout the month. With both “East” factors high, the global context is of high level meetings, negotiations and diplomacy. The very symbols of the global system, currency and credit, are likely subjects of discussion and reevaluation.

There is a curious configuration appearing in the mood pattern for US society mid month. It signals a sociological event, a paradigm shift related to identity. What does it mean to be an American? The idea of the United States and its place within the world system are considered and evaluated. Questions such as, “Is the United States past its prime? Is it overextended beyond repair?” “Is the US Dollar still a preferred reserve currency?” are all likely topics of discussion. The resolution to these questions will be interesting to watch as it unfolds. It could be one of resignation, or it could lead to a renewed sense of vision for the American people as well as a new urgency to succeed and lead the way to a global recovery.

Week by week highlights:

**June 1-7: *Now What?*** A possible serious situation or event by June 3<sup>rd</sup>. The US government is primarily focused on domestic issues. The US Dollar makes moderate gains. Anxiety is high and protectionism is on the rise. Crude oil declines.

**June 8-14: *Anxious and Aimless.*** There is a high level of general anxiety and aimlessness. Markets may be volatile, but have little discernable trend. Another sell-off in US treasuries is likely. The US Dollar begins to lose ground again. Crude oil declines.

**June 15-21: *Paradigm Shift.*** What America means in the world, and what it means to be American are examined and reassessed. A large stock market decline is possible. Strong US government leadership is required. Crude oil continues to decline. Watch for possible government intervention in the markets.

**June 22-28: *Resolution.*** The US identity crisis is resolved one way or another. The stock market halts its decline early in the week. Currency and energy markets begin to stabilize. A sizeable stock market relief rally is possible.

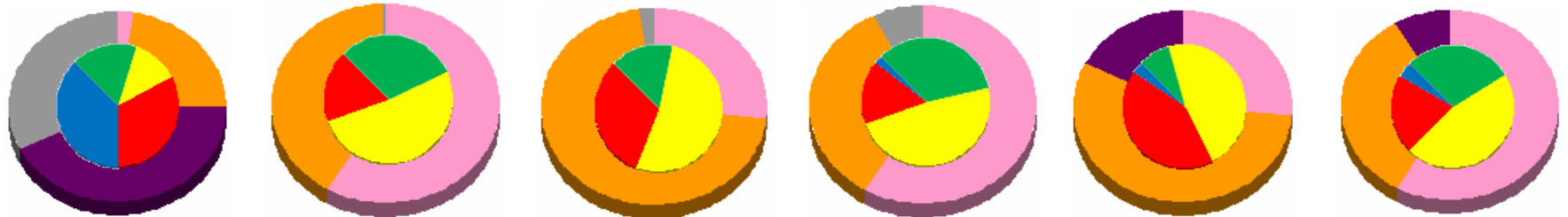
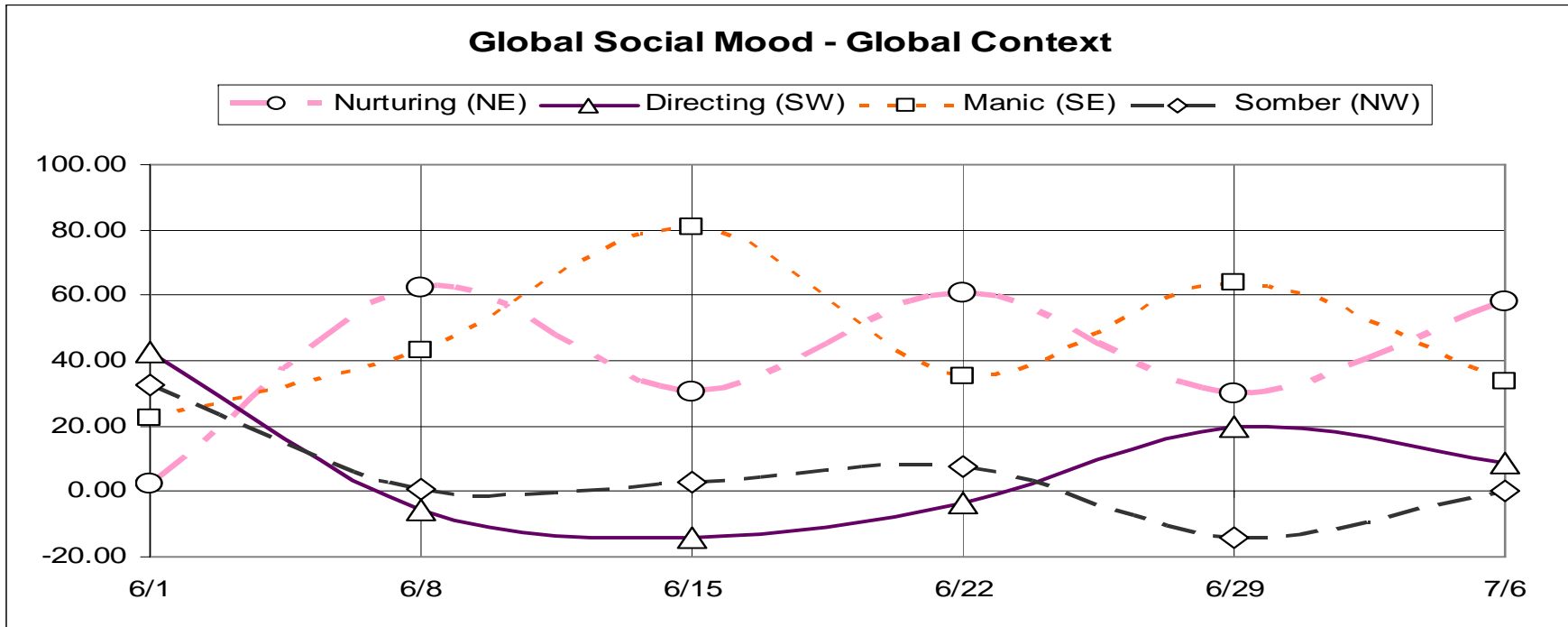
**June 29-July 5: *Drifting.*** The stock market drifts lower. The US government stays alert and ready. The US Dollar begins to recover. Crude oil declines.

*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.*

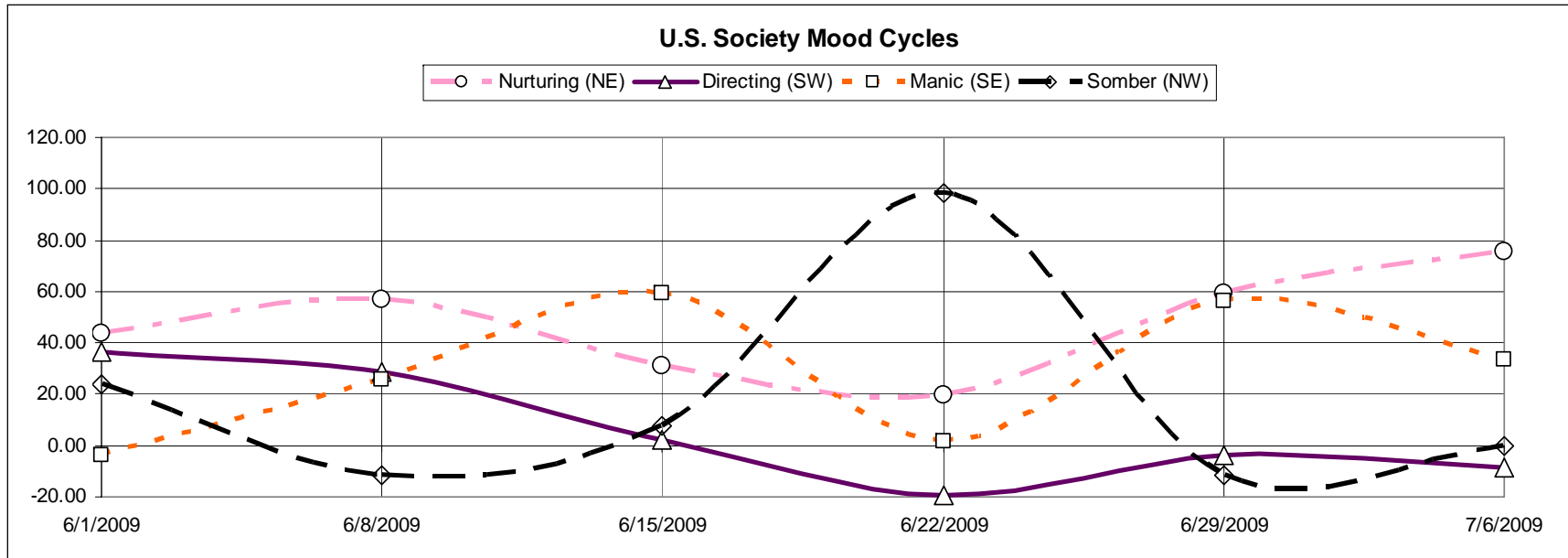
## SUMMARY OF CHART ANALYSIS

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 table below summarizes the findings for this month. The final step is to take the information in this table, examine it for consistency and likelihood, and construct the narrative for the month and the week by week highlights found on the first page of this publication. Page numbers of corresponding charts are included in parenthesis ().

Date Range	Summary of Chart Indications
6/1 – 6/2	Subsiding panic (3). Market relief rally (5). Primary US government focus is domestic issues (6). Dollar stabilizing (7). Extreme Somber – Non U.S. World [response to flu or other natural disaster?] (8); not economic; not likely, but possibly geopolitical (10).
6/3 – 7/5	Global context of high anxiety and confusion. Negotiations, diplomacy, and currency thematic (i.e. global communication, and the symbols and structures of the global system). (3).
6/3 – 7	Anxiety, protectionism (3, 4). Primary US government focus is domestic issues (6). Dollar makes moderate gains (7). Crude declines (9).
6/8 – 15	High anxiety and aimlessness (4). Markets volatile with no discernable trend (4,5). U.S. government activity level increasing (6). US Dollar begins to lose ground (7). Crude declines sharply (9). Sell-off in US Treasuries likely (10).
6/16 – 23	Paradigm shift related to America and being American (4). Large stock market decline possible (5). Strong US government leadership required (6). US Dollar should decline sharply (7), but inflation concern lower (10) [possible government currency intervention?]. Crude continues to decline (9).
6/24 – 29	Attempt to see silver linings in bad situation (4). Large stock market relief rally possible (5). Currency and energy markets stabilize (9).
6/30 – 7/5	Stock market drifts lower (5). U.S. government stays in ready mode (6). US Dollar recovering. Crude declines (9).

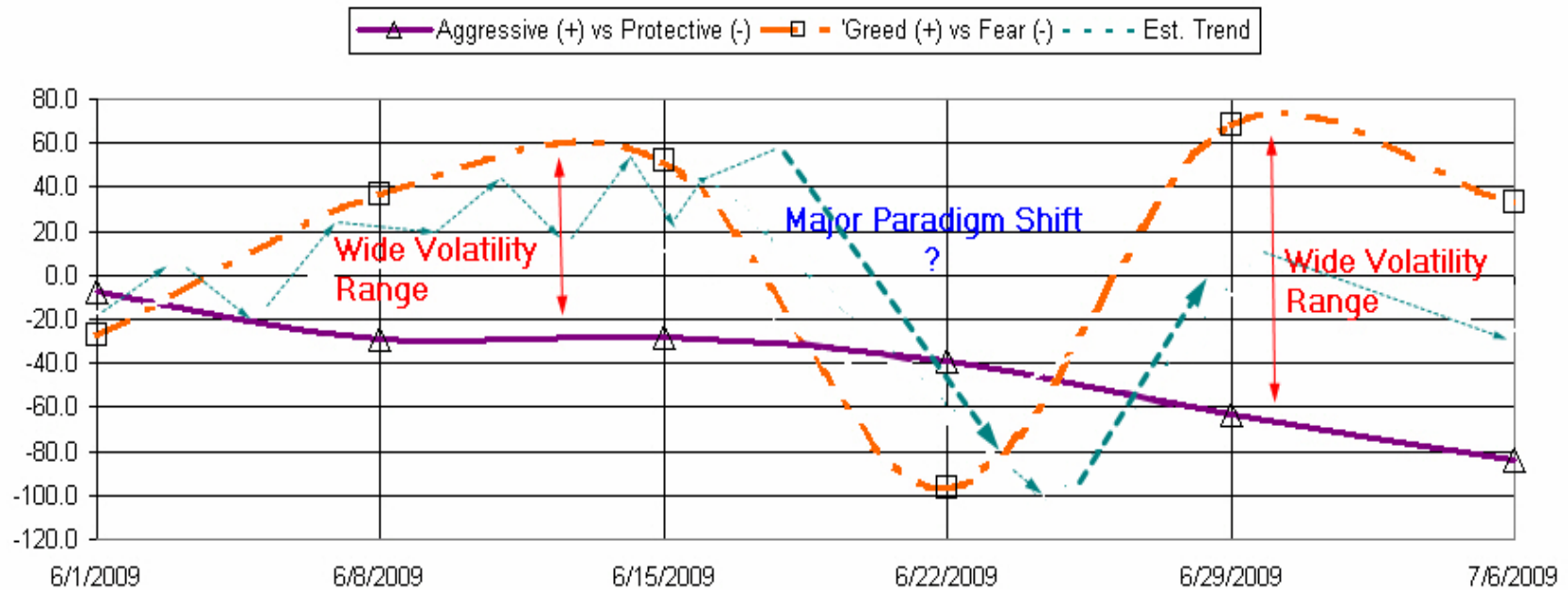


<p><b>High Anxiety &amp; Confusion; Negotiations, Diplomacy, Currency Thematic</b>                  With both East factors high the entire month, high anxiety, confusion, and lack of direction are pervasive. Global issues in the fore are the symbols of global trade: currency and credit. High level negotiations and diplomacy with various high profile players are focal throughout the period.</p>	<p><b>More of the Same; Higher Volatility</b>                  Whatever issues are on the table, the volatility ramps up near 6/24 through the remainder of the period.</p>
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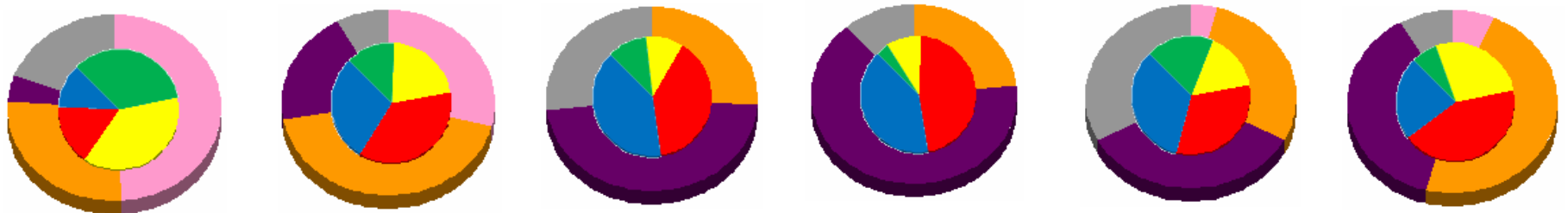
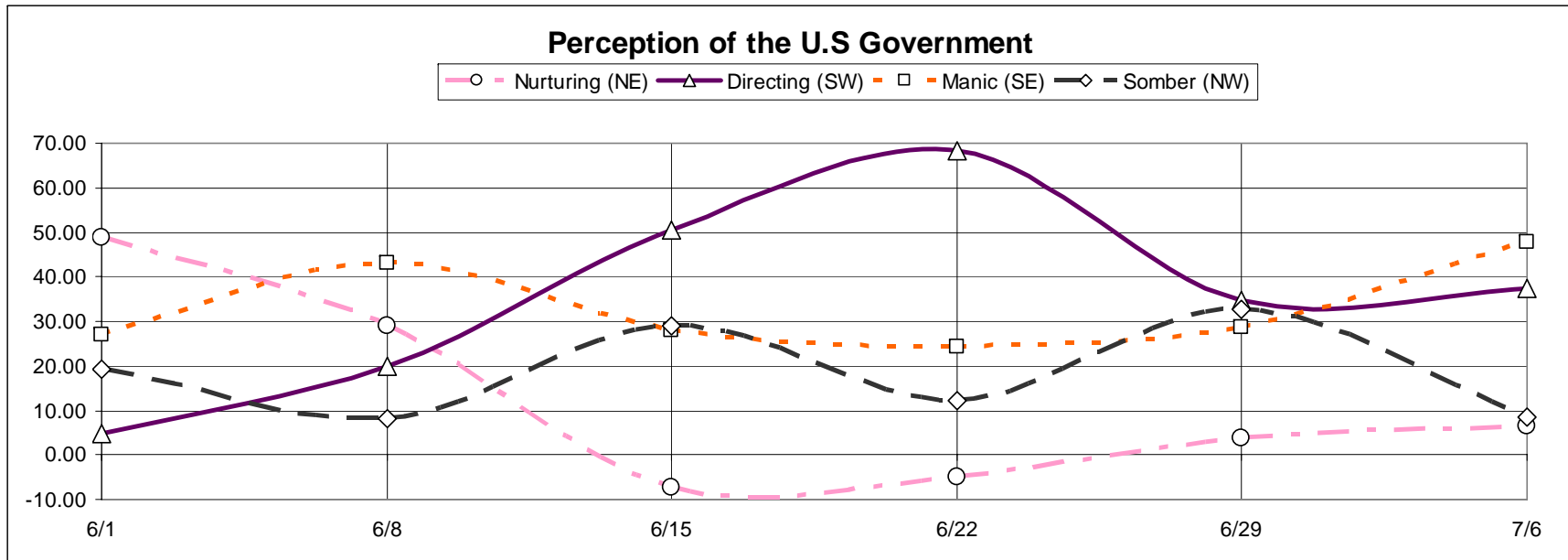
<p><b>More Green Shoots?</b>  <i>There's a renewed push to see new life and hope, to maintain the search for "green shoots" in the economy and hope in the future (both life factors high).</i></p>	<p><b>High Anxiety and Aimlessness</b>  <i>Both East factors high indicate high anxiety and confusion. Markets are likely volatile, but with no discernable trend.</i></p>	<p><b>A Paradigm Shift</b>  <i>This curious extreme Somber pulse signals a sociological event; a paradigm shift of some sort. This could be surrounding what America or American means (high North = identity).</i></p>	<p><b>Silver Linings?</b>  <i>High Nurturing/Manic is an attempt to see silver linings in an otherwise bad situation. However, the drooping Manic indicates that such an attitude will not be easily maintained.</i></p>
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## U.S. Society Mood Pairs =&gt; Stock Market Trend

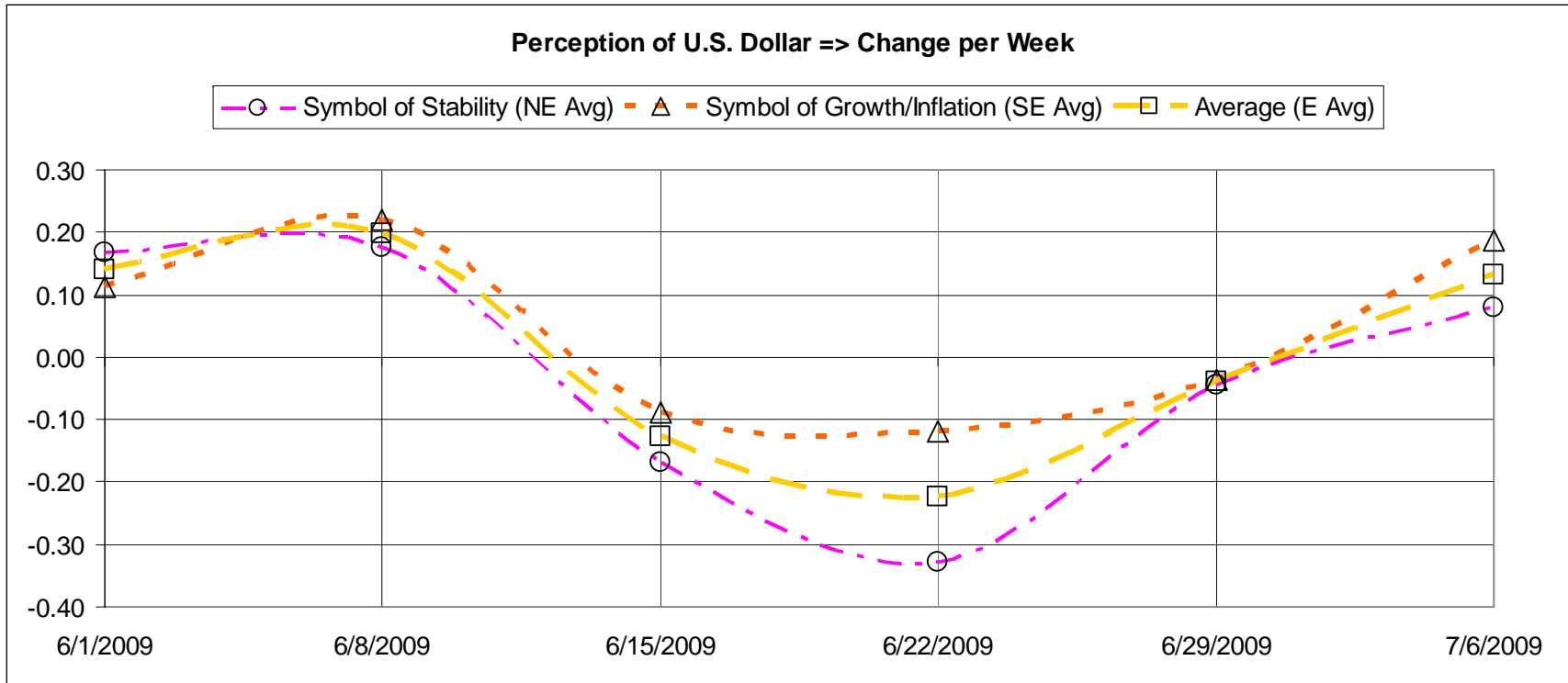


Explanation of chart lines: It is common knowledge among traders that movement in the stock market is based on a “tug of war” between pairs of sentiment. This charts the two primary pairs which correspond to the general stock market trend. “Aggressive vs Protective” is the difference of the values of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

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 16<sup>th</sup> – 24<sup>th</sup>, but its full implications for the stock market are unclear. While the overall trend is likely down to sideways, the extreme volatility ranges (+ or – 60 S&P points at the maximum) make a practical trend estimation unfeasible. (Note: In the chart above, higher confidence trend estimates are rendered as thicker dashed lines).



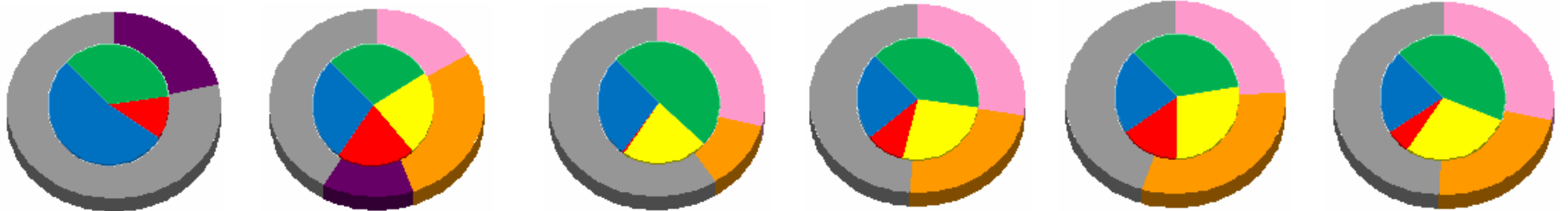
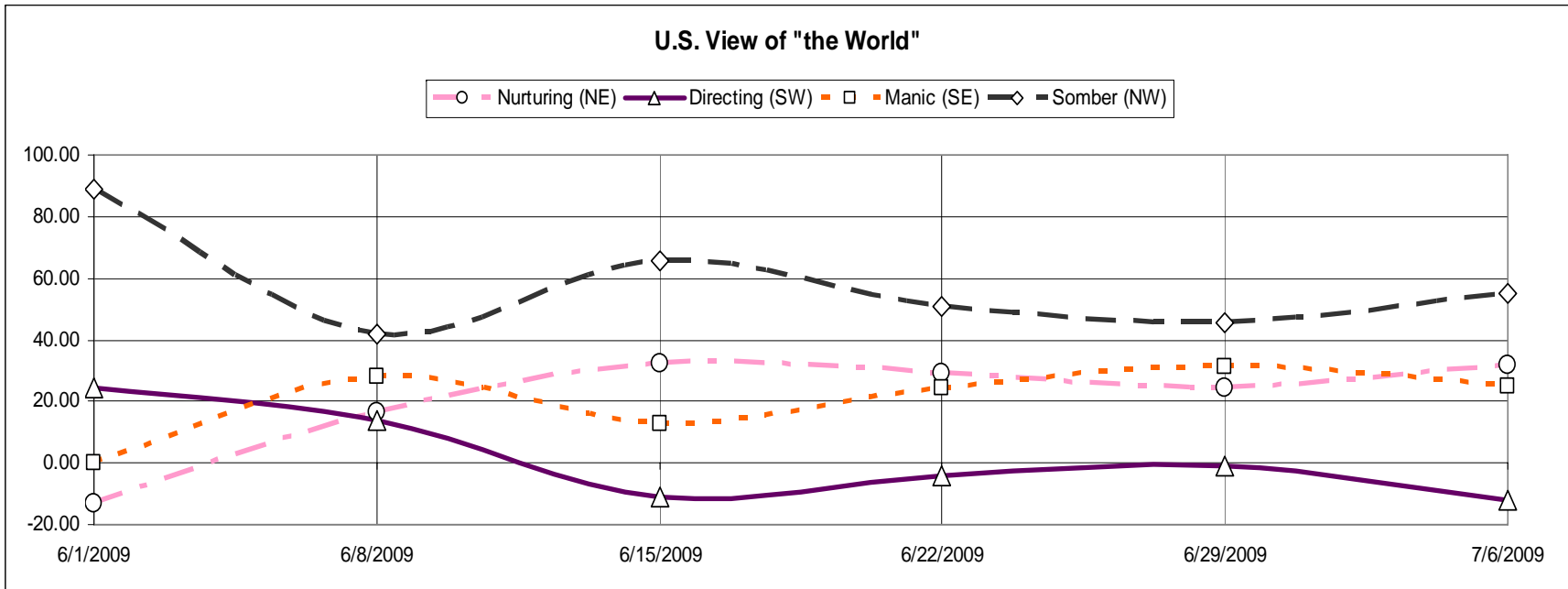
<p><b>Talking and Negotiating</b>  <i>High East factors indicate a period of lots of talk, negotiations, and diplomacy. 6/4-10 is more confrontational than 6/1-3.</i></p>	<p><b>Strong Leadership Required!</b>  <i>An unusually strong US government response is perceived as necessary (Directing surge). This comes at the same time as a likely US Dollar sell-off (p7) high economic concerns (p10) and a societal paradigm shift (p4,5).</i></p>	<p><b>Into Action</b>  <i>With both South factors high, the government is perceived as extremely busy, or at least running around in circles very quickly.</i></p>
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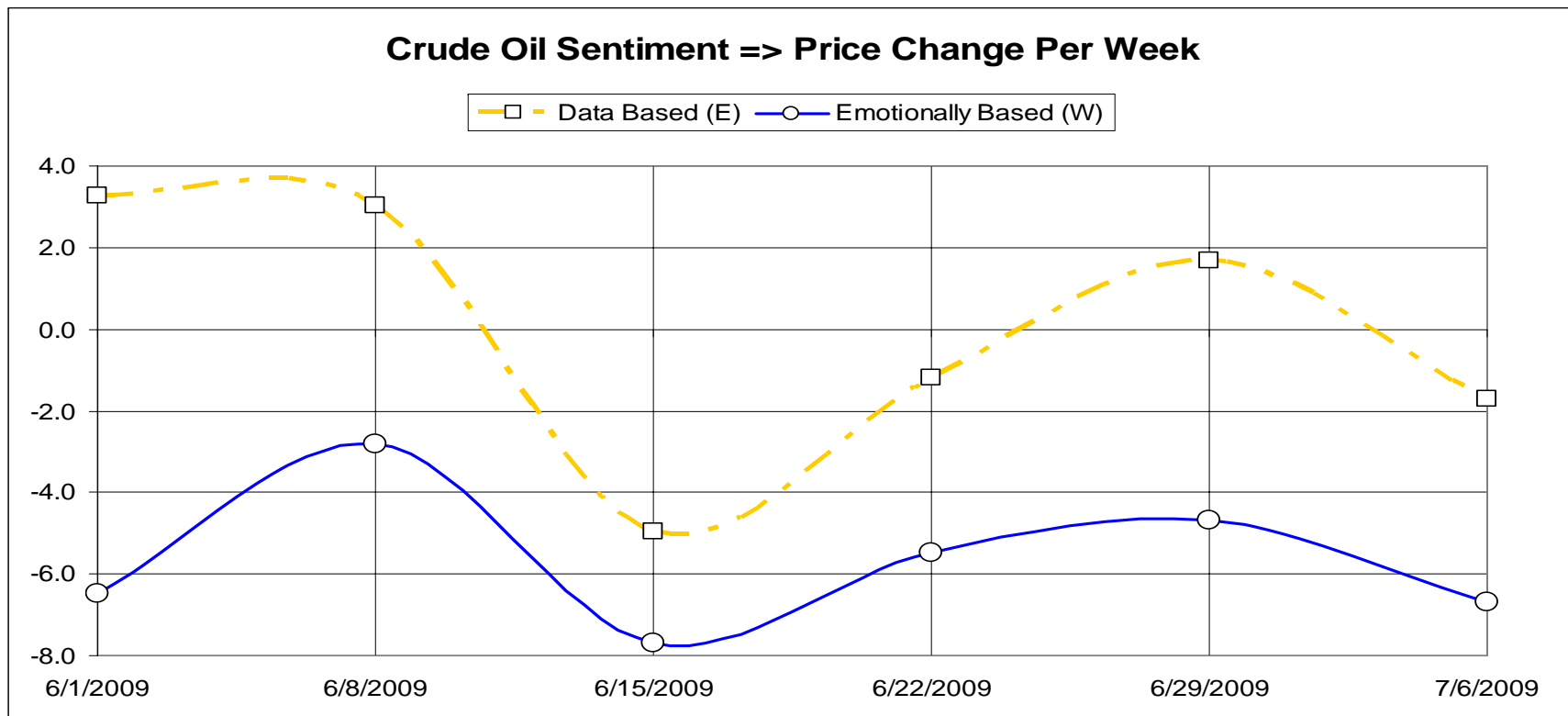
Explanation of chart lines: *The Dollar is a symbol of value, but it not attached to anything “real” such as gold as it was in the past. Its value is based on sentiment, and on the trust of a government to honor its debts. Because of this, its value ebbs and flows along with the oscillations of perception 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.*

Just when it looks like the Dollar might be bouncing back (June 1-10), the U.S. Dollar loses its footing again. The sell-off through the week of the 15th could be quite substantial. The decline should slow the week of the 22<sup>nd</sup>. The final week should be volatile as the Dollar attempts to restrengthen.



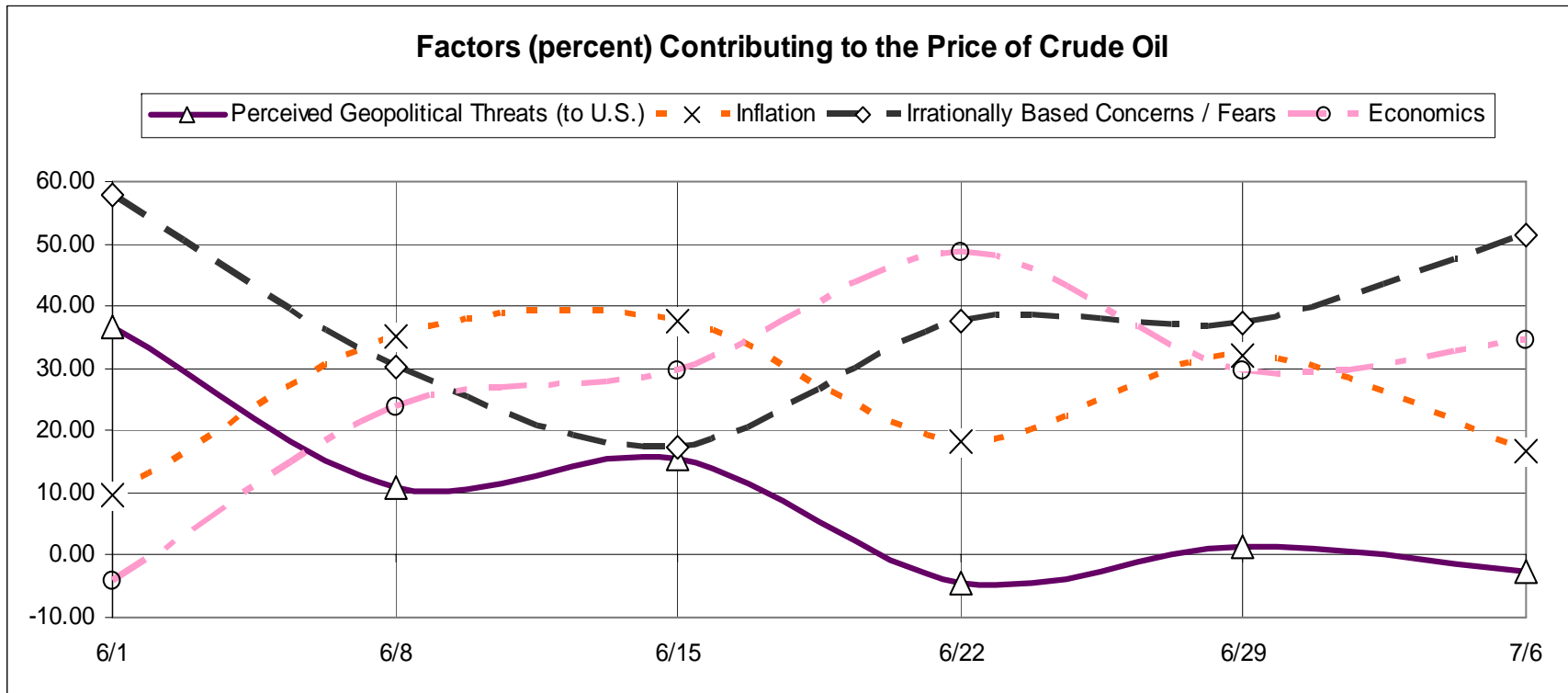


<p><b>Big Event?</b> Possible serious situation or event. World response is "Somber."</p>	<p><b>In Transition, Without Direction</b> The world is "on hold" and in the midst of a major transition phase. High Somber is a perception of stagnation, sickness and/or sorrow.</p>
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Explanation 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.*

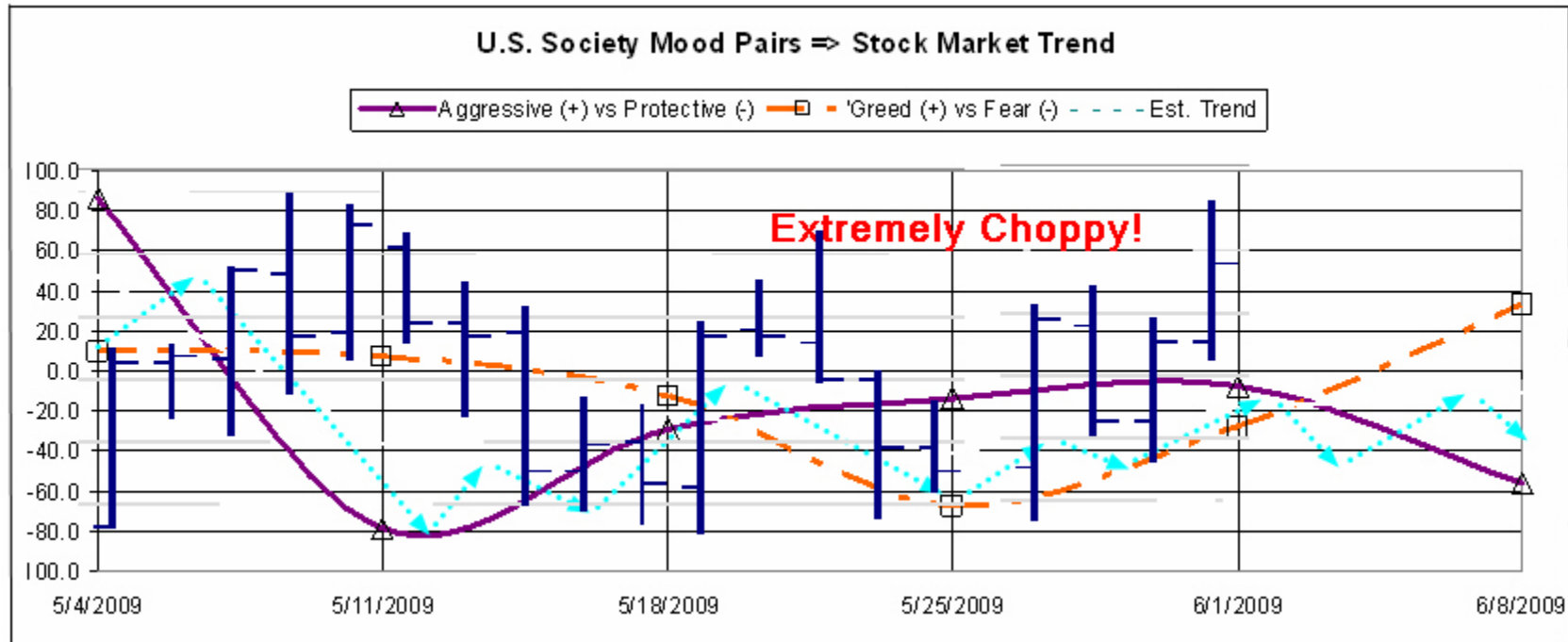
The primary indication for crude this month is that while there may volatility, there should be very little trend. The most bearish week for crude is the week of June 8<sup>th</sup>, followed by more decline into the following week. The overall movement should be down to sideways. If our models are correct, there is an unusual disconnect between crude prices and the Dollar, as both may be declining at the same time between June 11 – 16.



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.*

This chart, in addition to information specific to the crude market, provides the following valuable information for June:  
 After 6/3, there is relatively little concern with geopolitical threats. 6/5 – 16 the Dollar will likely be declining as the inflation concern is high (also, US treasuries may be declining). 6/16 - 6/24 the stock market is likely declining as the economy is of high concern (alt interpretation of high Nurturing is crude supply disruption, also an economic concern).

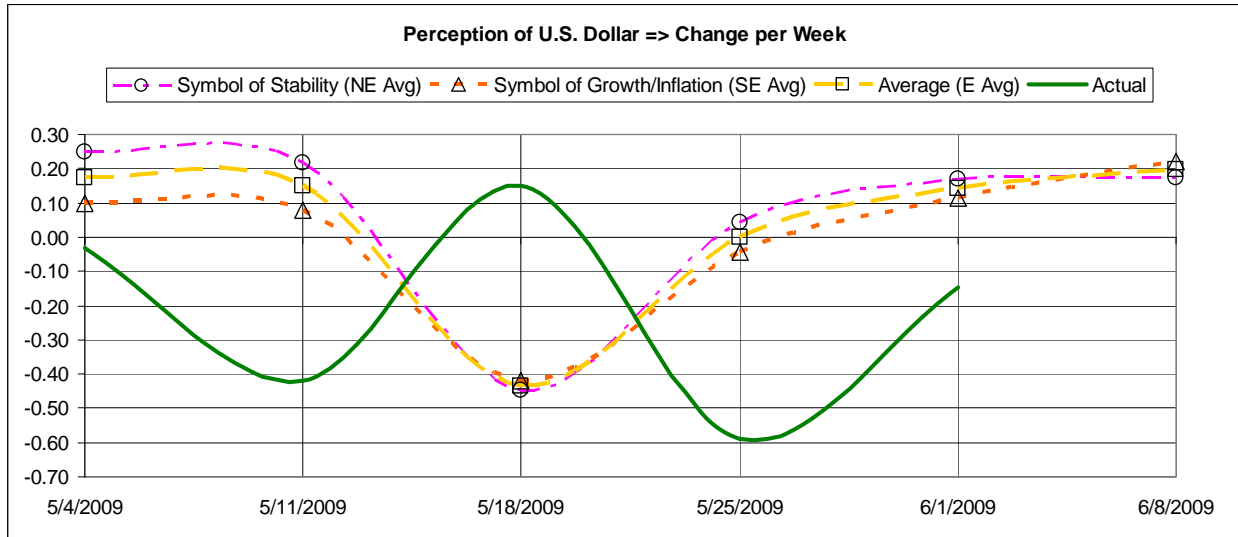
How We Did – Comparing our Charts with Actuals



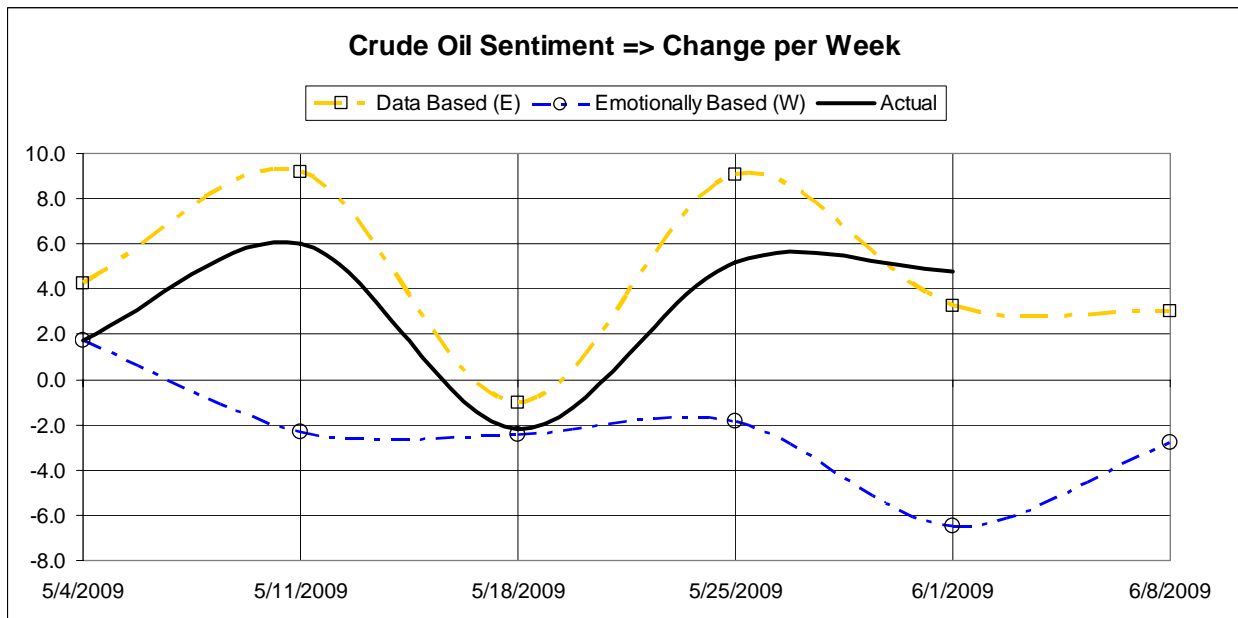
Actual data source: futuresource.com

S&P (from previous issue): The trend for this period, if one could call it a trend, is down to sideways. This is an extremely choppy, transitional period. Surprises will be on the downside, causing any gains to be sold off. However, relief rallies, when they occur, could be formidable. An extreme market correction is possible May 6 – 11. Actual: There was little to no trend apparent; it was primarily a sideways market. Price action was indeed extremely choppy with strong sell-offs and formidable rallies.

### How We Did – Comparing our Charts with Actuals



Dollar (from previous issue): The U.S. Dollar is relatively stable this month with a slight upward bias. There may be a pullback May 12 – 18. This configuration, the appearance of one sharp divergent week, often appears when our models have been inverted (as they were last month) and then are re-righting themselves. Actual: As suspected, model was inverted and appears to have righted itself the week of the 25<sup>th</sup>.



Crude (from previous issue): The best time for crude oil this period should be early on, but as with almost every other market at this time, trend is difficult to determine. There may be good reasons for crude to go up, especially the week of May 4 and May 18. However, emotionally, the market is being weighed down heavily, most noticeably the last week of May and into the beginning of June. Wild speculation is not in vogue for the time being. Actual: Prices followed the model extremely well until the very end. A sell-off is due immediately for prices to continue to fit 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.

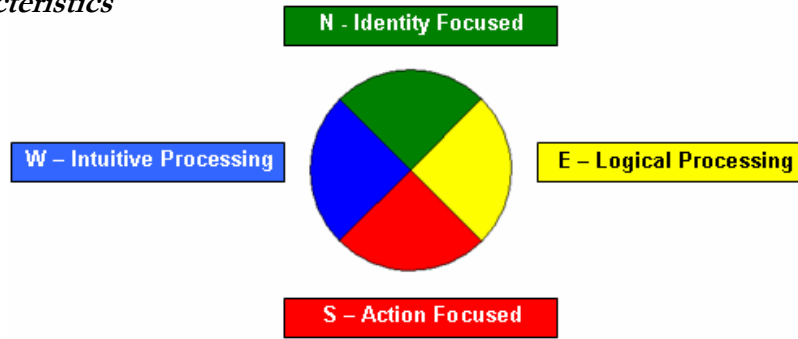
### MoodCompass was Born

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*

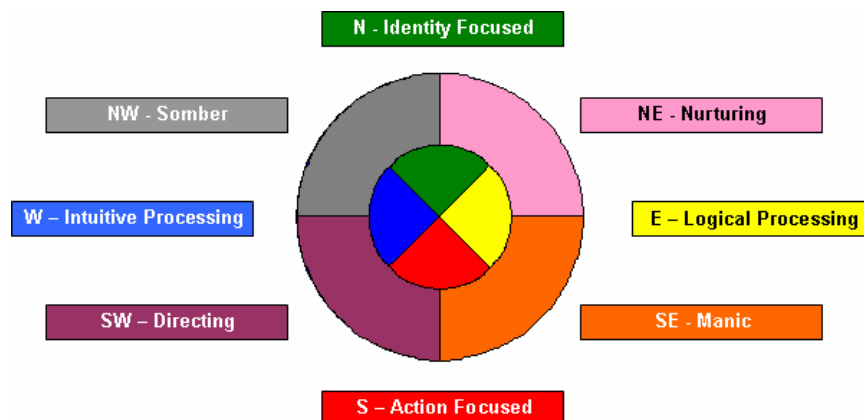


*Hybrid Characteristics*



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.

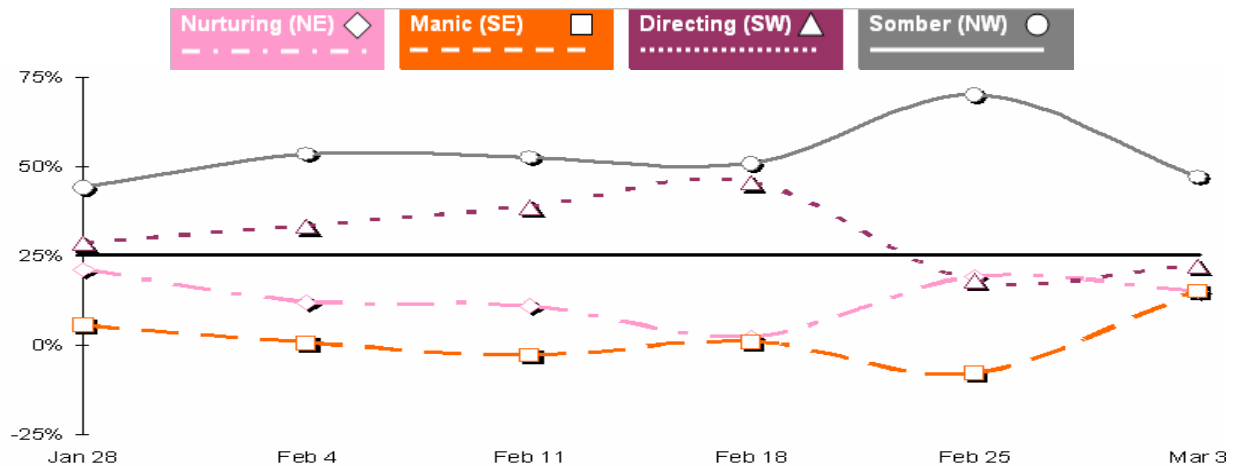
## Tracking Profiles Over Time

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>.



**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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Thanks for your support!