

**MOODCOMPASS<sup>®</sup>**  
**A GUIDE TO THE MOOD CYCLES OF  
NATURE AND CIVILIZATION**

June 2010

Highlights: Increasing global unrest, violence · U.S. debt worries, loss of confidence in U.S. Dollar · Middle East and Korea near critical · Far East high loss natural event.

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## June 2010 – Protests, Violence, and U.S. Debt

### Overview:

With a high Manic social mood configuration, global unrest should be extreme this month— violent escalations are likely, and there is a slightly higher probability of a terror event than usual.

In the economic arena, China and Europe had their turns at crises last month. In June, the economic focus is N. America. Worries about excessive U.S. debt, possible sell-offs in U.S. Treasuries and U.S. Dollars, and discussions of failing U.S. states may arise as the U.S. does its version of last month's European debt crisis.

The situations in the Middle East and Korea are approaching critical levels. Successful resolution and de-escalation are urgent and crucial to global stability.

With the perception of nature reflecting chaos in Eastern N. America, more tornadoes are likely. Nature is perceived as destructive in the Far East. Because of this, a highly destructive event warning has been issued for Eastern China, Korea, and Japan for the month of June.

### Highlights:

**June 1-9: *Don't Panic*** Heightened risk of large loss natural event. World leaders scramble to settle down global instability and panic causing events. People are stressed, and searching for some good news somewhere. U.S. Dollar enjoys status of stable currency.

**June 10-21: *Agitation and Unrest*** The public is restless, agitated. Slightly elevated terror probability. U.S. government focused on keeping order and maintaining stability as society is increasingly unstable. Beginning of decline of the U.S. Dollar.

**June 22-30: *Now Panic*** Panic producing event on a global scale; military escalation likely. Protests and demonstrations may turn violent. Moderately elevated terror probability. Market crash possible. High loss natural event possible. U.S. government focused on keeping order and maintaining stability as society is increasingly unstable.

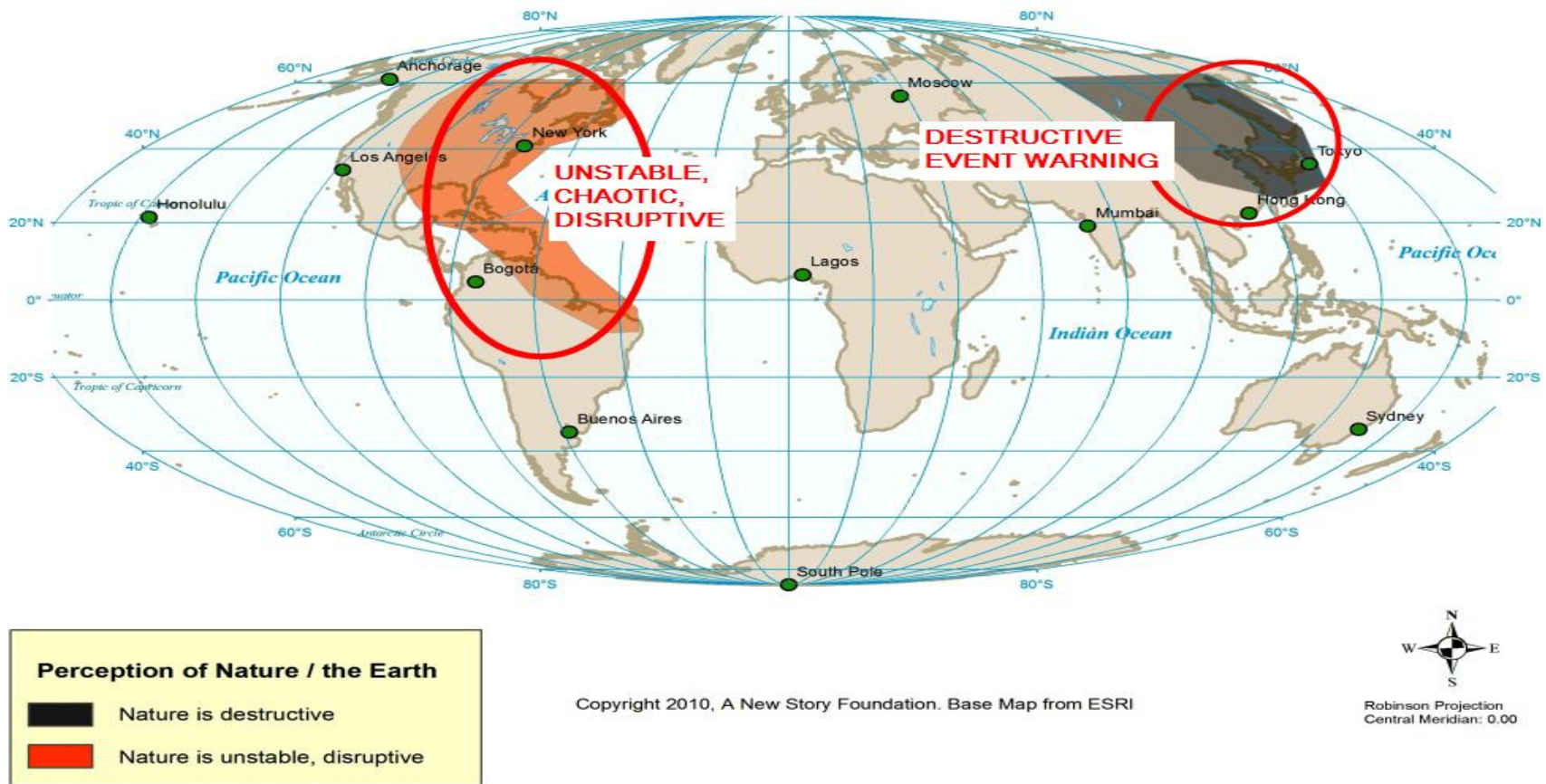
*The charts on the following pages will go into further detail of the social mood changes and corresponding market behavior for this time period. The last few pages of this document will give you a brief orientation to the MoodCompass.*

## 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
6/1 – 6	Heightened risk of large loss natural event (7a). U.S. government extremely polarized (8b).
6/1 – 9	World leaders scramble to settle down global instability and panic causing events (7b). People are stressed, and searching for some good news somewhere (8a). U.S. Dollar enjoys status of stable currency (8b, 9b).
6/10 – 21	The public is restless, agitated. Slightly elevated terror probability (8a). U.S. government focused on keeping order and maintaining stability as society is increasingly unstable. Beginning of decline of the U.S. Dollar (8b).
6/22 - 30	Panic producing event on a global scale; military escalation likely (7b). Protests and demonstrations may turn violent. Moderately elevated terror probability (8a). High loss natural event possible (7a). U.S. government focused on keeping order and maintaining stability as society is increasingly unstable (8b).

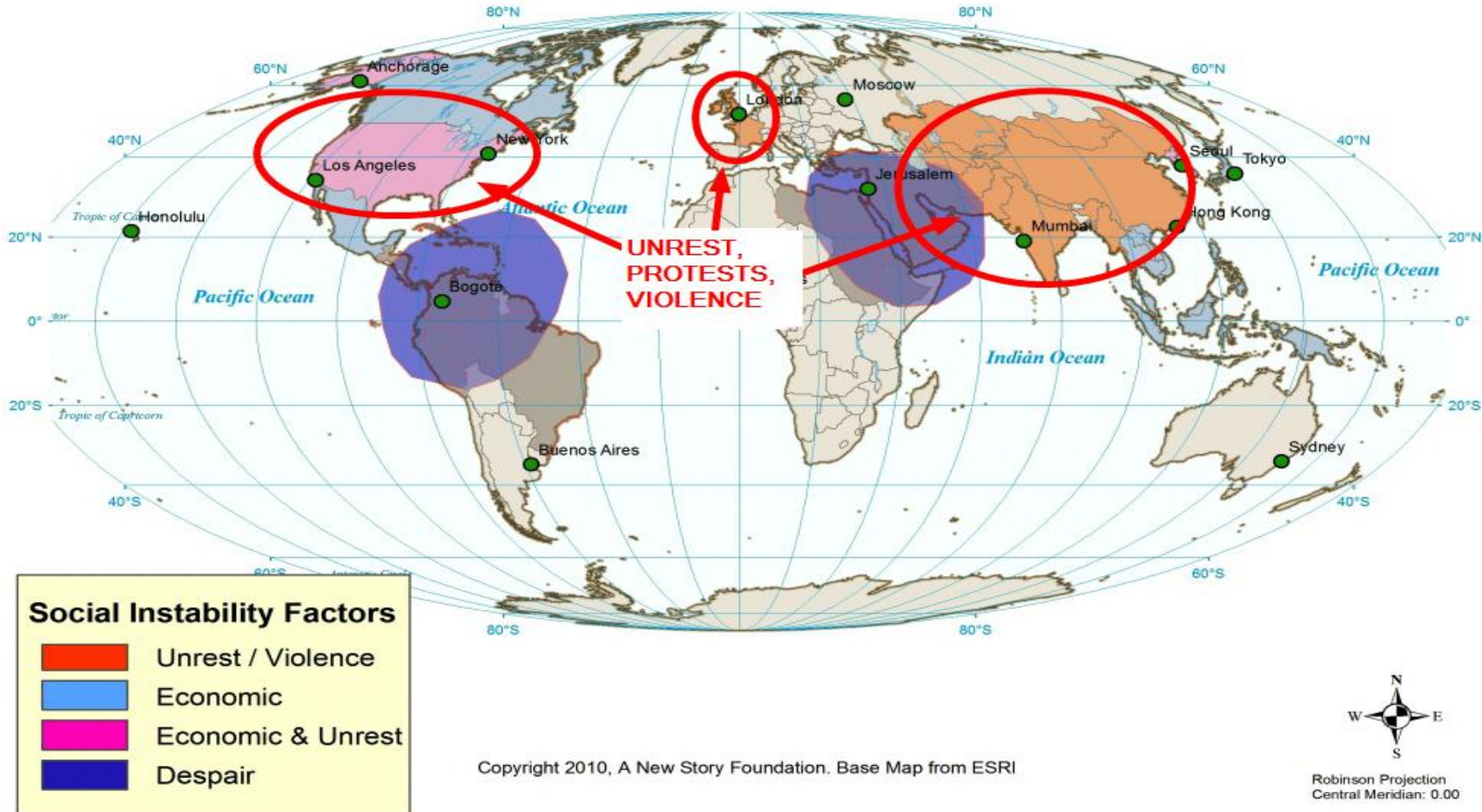
**Human Perception of Nature - June 2010**



In anthropomorphic terms – The Earth is **UNSTABLE, DESTRUCTIVE** (or **DESTRUCTING**).

**Possible physical manifestations** – Nature is seen as **unstable, disruptive, or chaotic** in Eastern N. America, the Caribbean, and Northeastern S. America. Watch for more **tornado outbreaks** in N. America. Look for heightened **tectonic activity** and/or **disruptive weather** in the Caribbean and S. America. Nature is perceived as **serious or deadly** in Far East Asia. This generates a **highly destructive event warning** for E. China, Korea, and Japan.

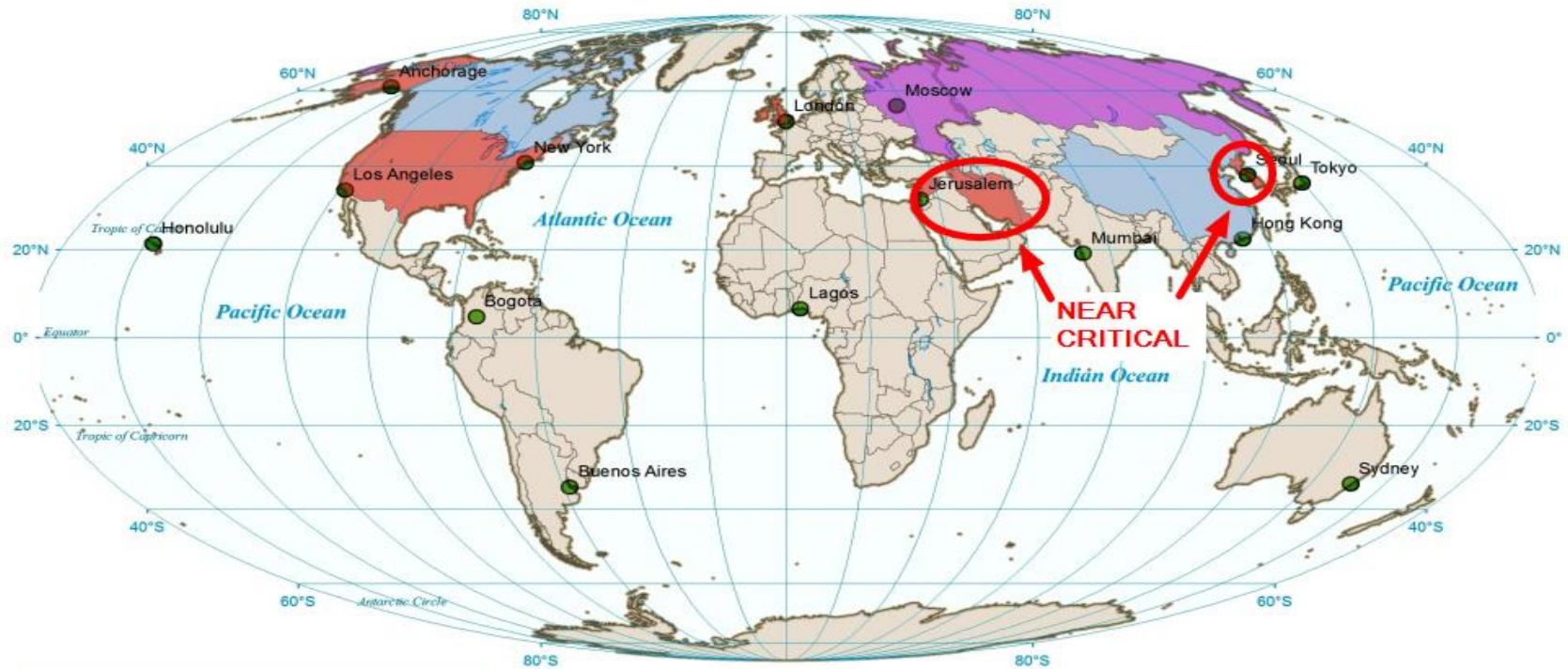
### Social Instability Factors - June 2010





Global unrest should be extreme this month, with violent escalations likely. In the economic arena, China and Europe had their turns last month. In June, the economic focus is N. America. Worries about excessive U.S. debt, possible sell-offs in U.S. Treasuries and U.S. Dollars, and discussions of failing U.S. states may arise as the U.S. does its version of last month's European debt crisis.



### Projected Geopolitical Posturing - June 2010



**Disposition Toward Outsiders**

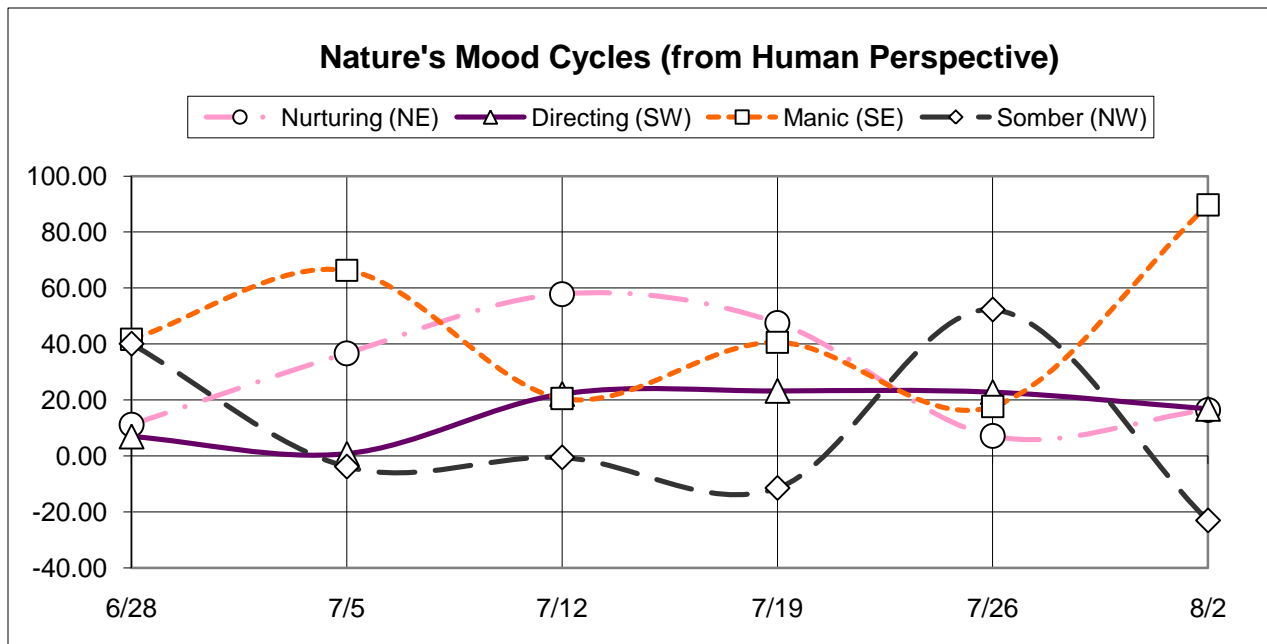
	Hostile / Escalating
	Aggressive / Alert
	Defensive / Diplomatic

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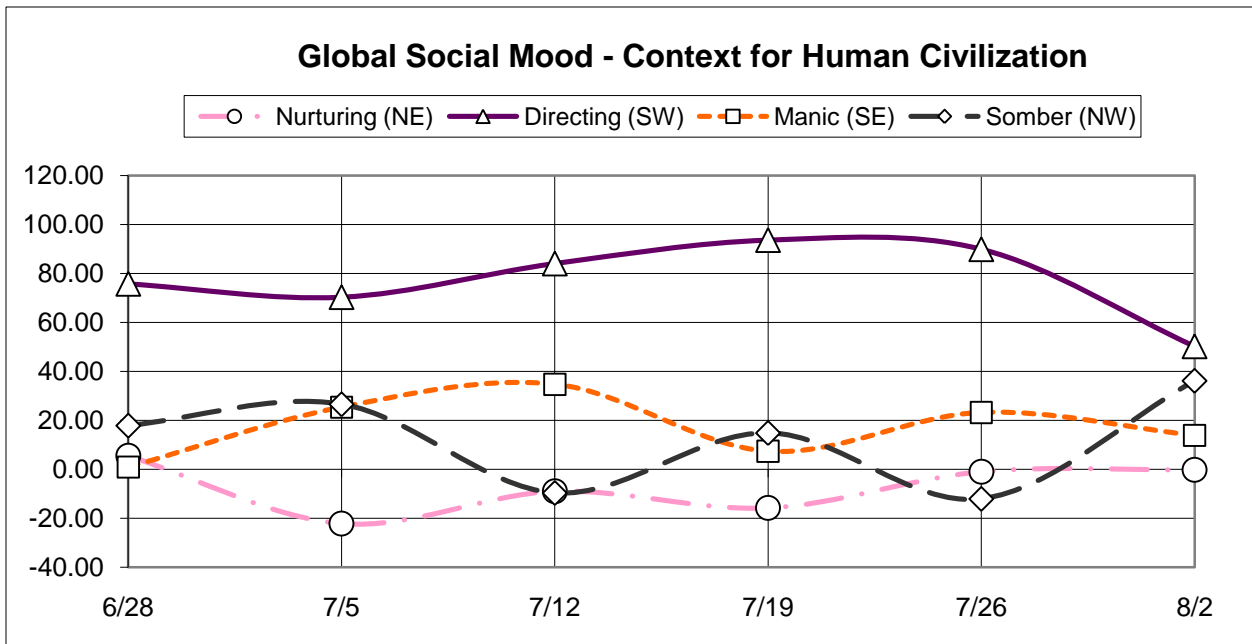


Robinson Projection  
Central Meridian: 0.00

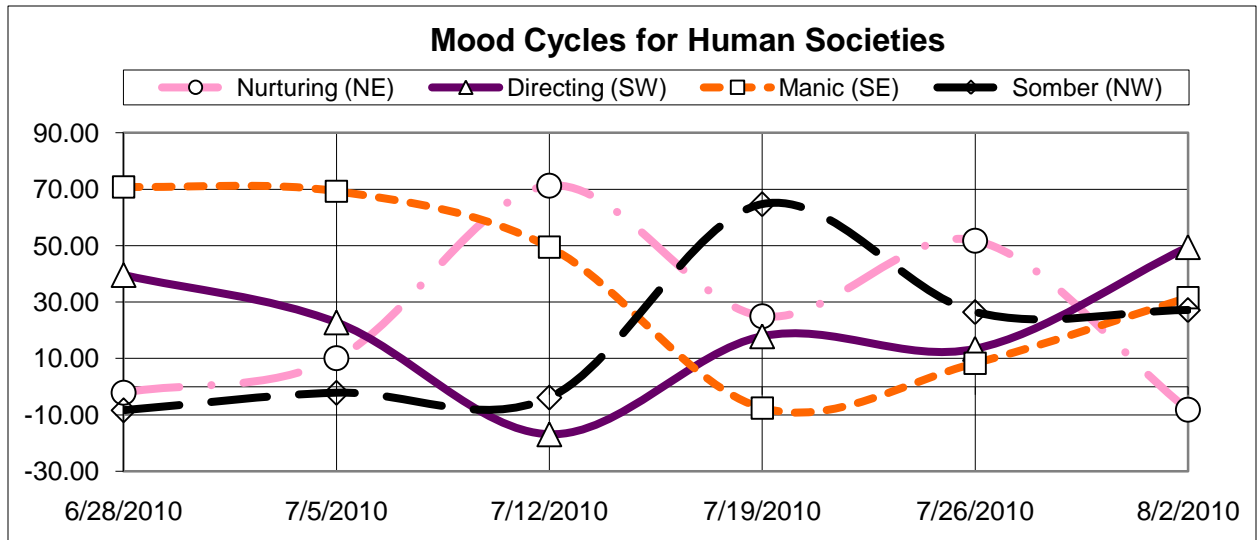
The situations in the Middle East and Korea are approaching critical levels. Successful resolution and de-escalation are urgent and crucial to global stability.



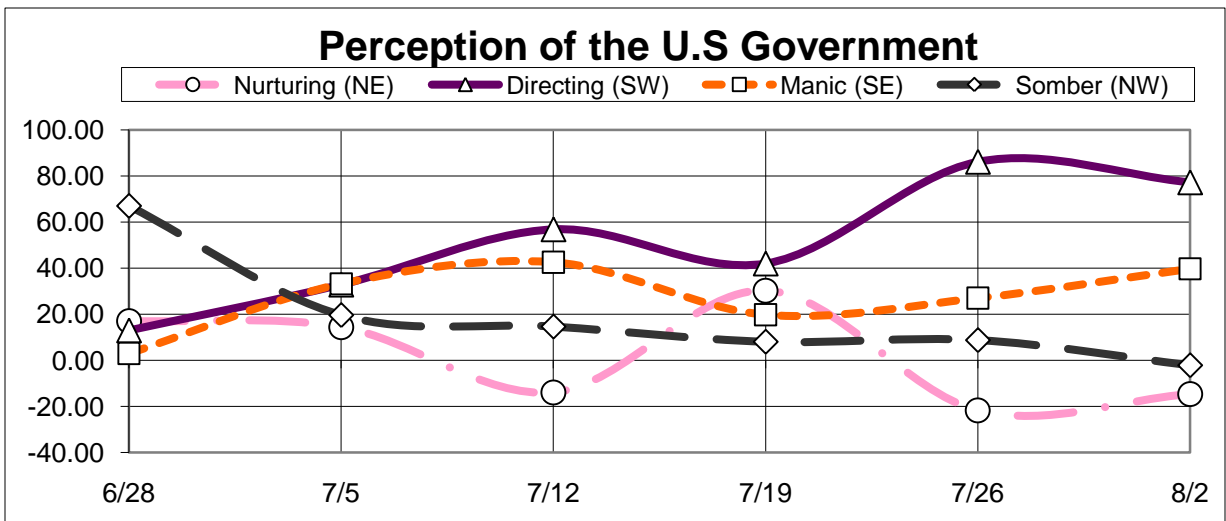
<p><b>Calculating</b>  <i>Anthropomorphically, a natural event here could feel like a planned nature vs. human attack.</i></p>	<p><b>Destructive</b>  <i>Major loss event likely. High entropy factors indicate the perception of nature as destructive.</i></p>
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<p><b>CRISES EVERYWHERE – NO REST FOR GLOBAL LEADERS</b>  <i>The high SW the entire month indicates a very busy month for global leaders. Watch for a month of economic crises, general global instability, and possible heightened military alerts or escalations.</i></p>	<p><b>Settling Down</b>  <i>The intensity of the crises seems to be waning somewhat.</i></p>
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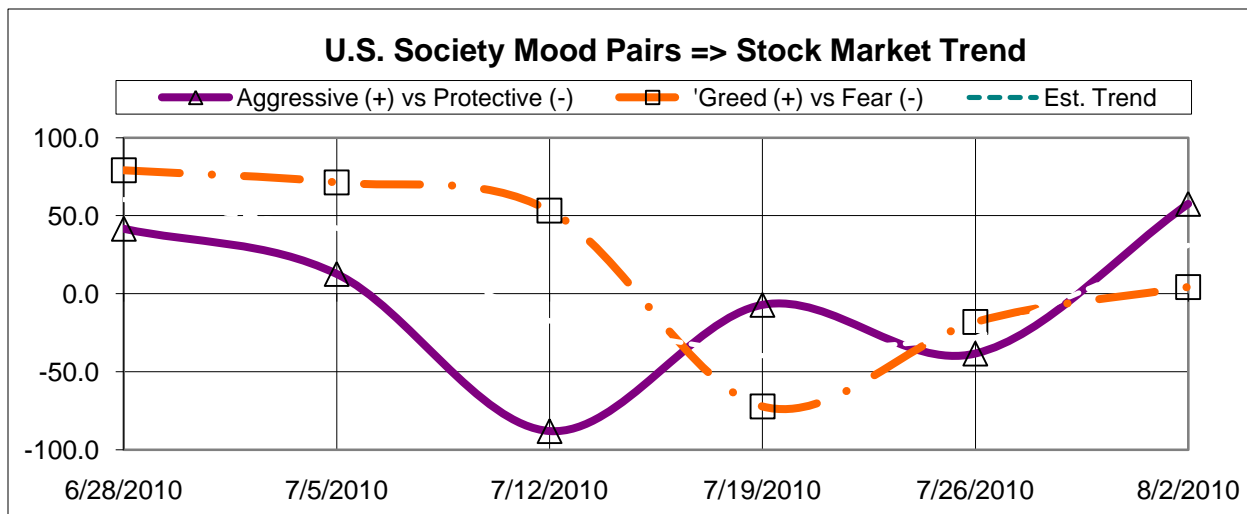


<p><b><i>Protests, violence, and crashes</i></b>  <i>Anxiety is extreme. Protests and demonstrations may turn violent. Elevated concerns with terrorism. Extreme market volatility, with high losses likely.</i></p>		<p><b><i>Economic Freefall</i></b>  <i>An</i></p>	<p><b><i>Respite</i></b>  <i>An</i></p>
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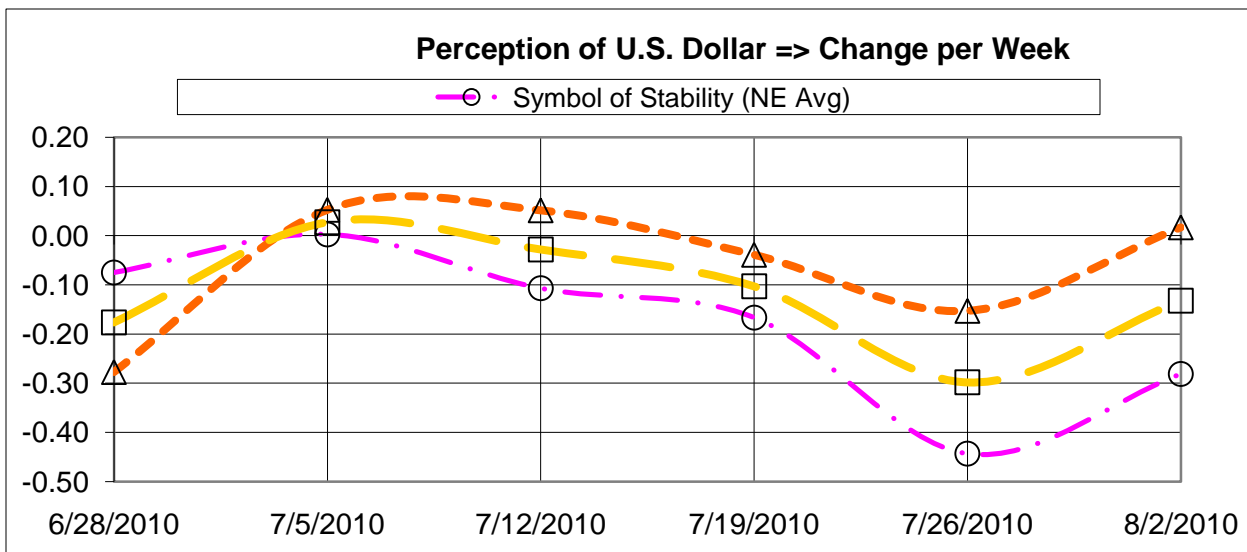
	<p><b><i>Very Busy, Crisis Mode?</i></b></p>	<p><b><i>Decisive Action</i></b>  <i>Extrem</i></p>
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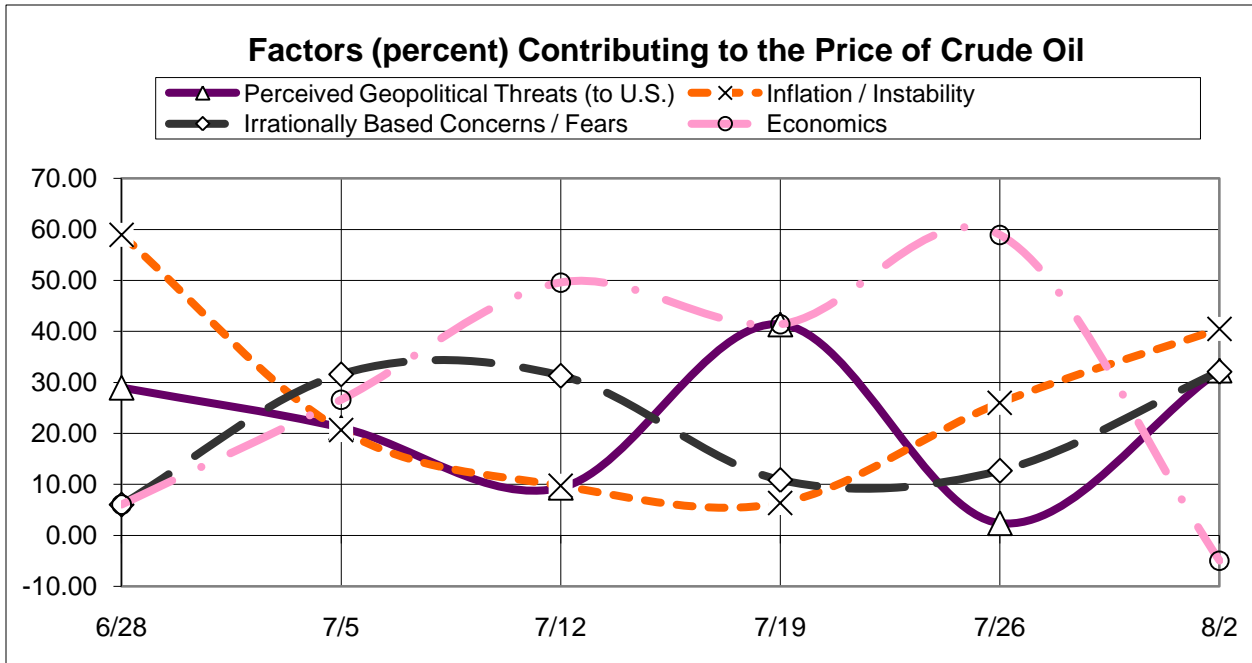
Explanation of chart lines: It is common knowledge among traders that movement in the stock market is based on a “tug of war” between pairs of sentiment. This charts the two primary pairs which correspond to the general stock market trend. “Aggressive vs Protective” is the difference of the values of the two Moodlines “Directing” and “Nurturing.” “Greed vs Fear” is the difference of the values of the two Moodlines “Manic” and “Somber.”

A choppy countertrend pattern much of the month as short covering rallies compete with negative news and surprises. Sharp declines possible near month’s end.



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 should begin a decline that lasts at least several weeks (and possibly much longer) by the middle of the 2<sup>nd</sup> week. Near month end, the Dollar should rebound.

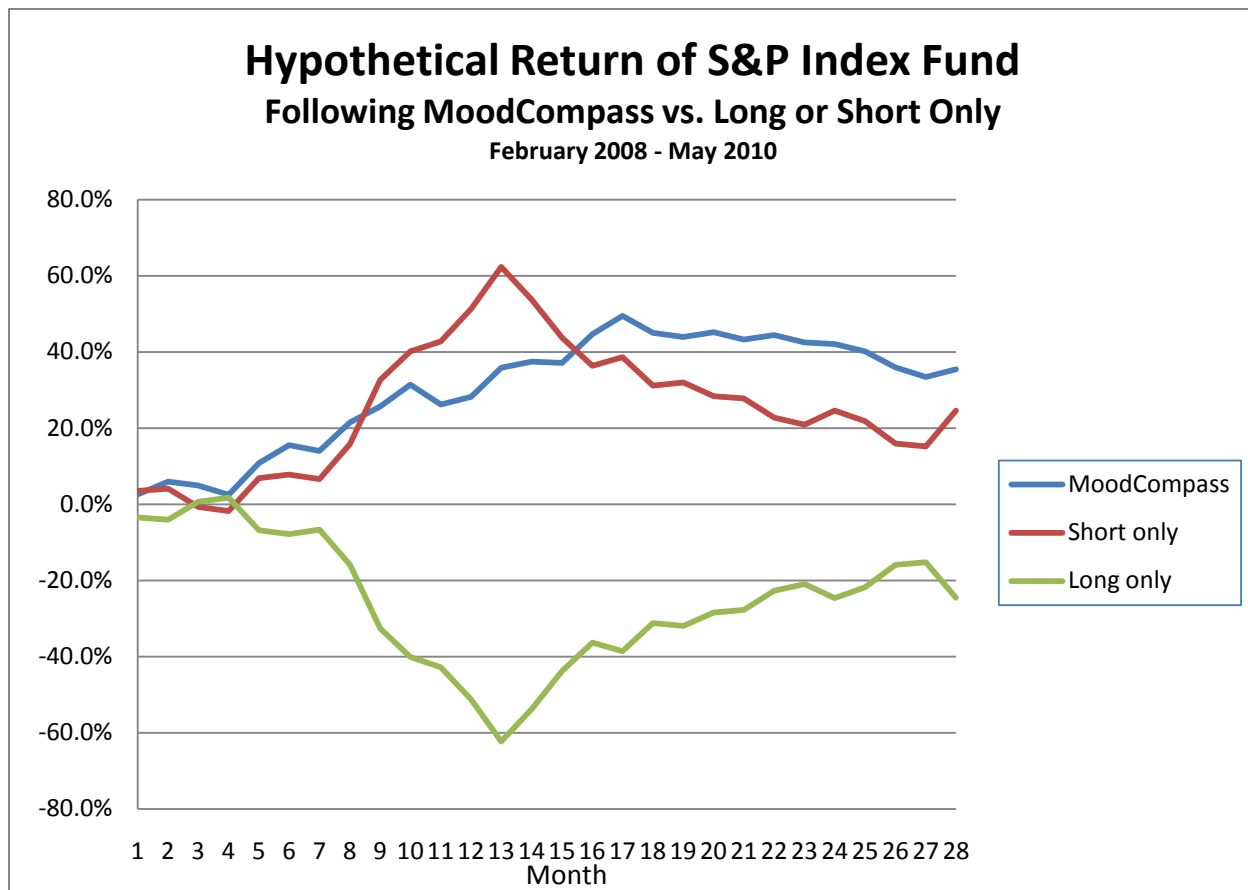


Explanation of chart lines: *The values for the Moodlines (Directing, Manic, and Somber) for U.S. View of “the World” are used to produce this chart. This chart is useful in searching for potential geopolitical events, and escalated irrational fears of supply disruption. It is also useful as a check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

The primary global concern the month is pervasive instability and / or inflation; it is unclear how this will affect the price of oil. Geopolitical concerns are highest between June 2 and June 8 and June 23 through the end of the period.

## Research on MoodCompass Performance

A doctoral student of economics with the University of Milan, Italy (who has since graduated) took on the project of investigating the accuracy of the MoodCompass. Using the MoodCompass as a source for trade signals, Dr. Pagani continues to chart how a hypothetical trader would have done in an S&P ETF against someone in a long only position and short only position. This is a snapshot of the data as of his last update, May 2010.



Feb 2008 to May 2010		
	% Gain Total	Max DD
<b>Mood compass</b>	33.3%	28.1%
<b>Long only</b>	-21.0%	64.1%
<b>Short only</b>	16.2%	47.1%

**How We Did – Comparing our Forecasts with What Happened**  
**Verifiable statements from Highlights, May issue, page 2:**

<b>Date</b>	<b>MoodCompass Statement</b>	<b>Actual Events</b>
May 1-12	<b><i>Tipping Point.</i></b> Social tension is thick. Major shift of perspective and socio-economic trend. Global leaders focused on economic issues and maintaining global peace. Heightened interest in volcanoes and earthquakes.	U.S. wide protest against Arizona immigration law. Greek protests turn violent. Dow Jones drops 1000 points intraday. G7 meets to discuss European economic situation. UN discussion of Iran sanctions and nuclear disarmament. Volcanic ash closing Ireland and U.K airports; delaying transatlantic flights; flights also cancelled in Spain and Morocco. 1 <sup>st</sup> earthquake ever recorded in Ireland. 7.2 quake off Indonesia.
May 13-17	<b><i>Seeking Safety.</i></b> Global preoccupation with limiting losses, damage control and humanitarian aid. U.S. government preoccupied with economic or domestic issues.	Jean Claude Trichet of ECB says Europe still in deepest economic crisis since WWII. Data shows deflationary pressures in U.S. SEC attempts to find cause of May 6 “flash crash.” FEMA opens disaster centers in TN to deal with flood aftermath.
May 23-25	<b><i>Damage Control:</i></b> U.S. government appears weak or vulnerable. Increasing interest in damage control and further risk avoidance. Sharp market losses possible.	Treasuries surge as stocks plunge; investors avoid risk. Euro future in question; U.S. vulnerable to global economy. U.S. looks to China to punish N. Korea and support Iran sanctions.
May 26-31	<b><i>Extreme Safety Seeking:</i></b> Extreme interest in damage control and further risk avoidance. Sharp market losses possible. U.S. government extremely polarized. Heightened risk of large loss natural event.	Explosive volcanic eruptions in Guatemala and Ecuador. Tropical storm Agatha wallops Guatemala. Korea situation precarious. SEC boosting market oversight.

## 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

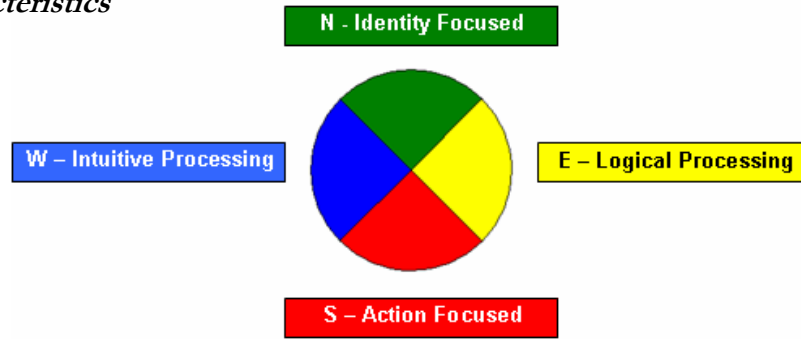
Researchers at A New Story Foundation knew they were on to something big. If they could predict changes in social mood and the potential for instability, and demonstrate that with accurate predictions of the direction and timing of trends of the stock market, the dollar, and crude oil, that information 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:



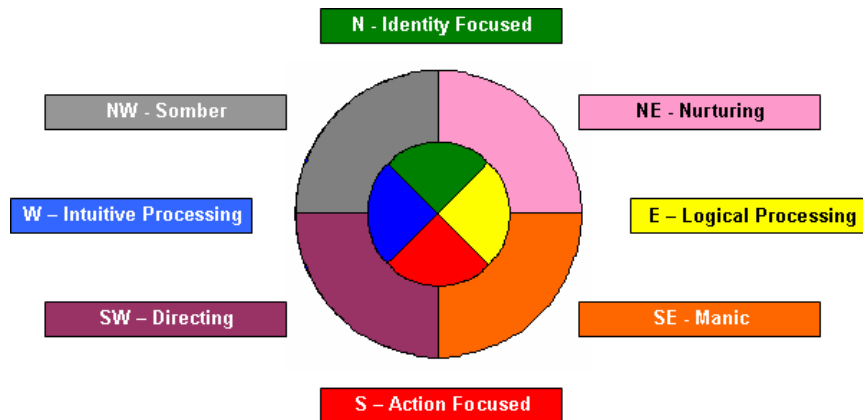
*Primary Characteristics*



*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.



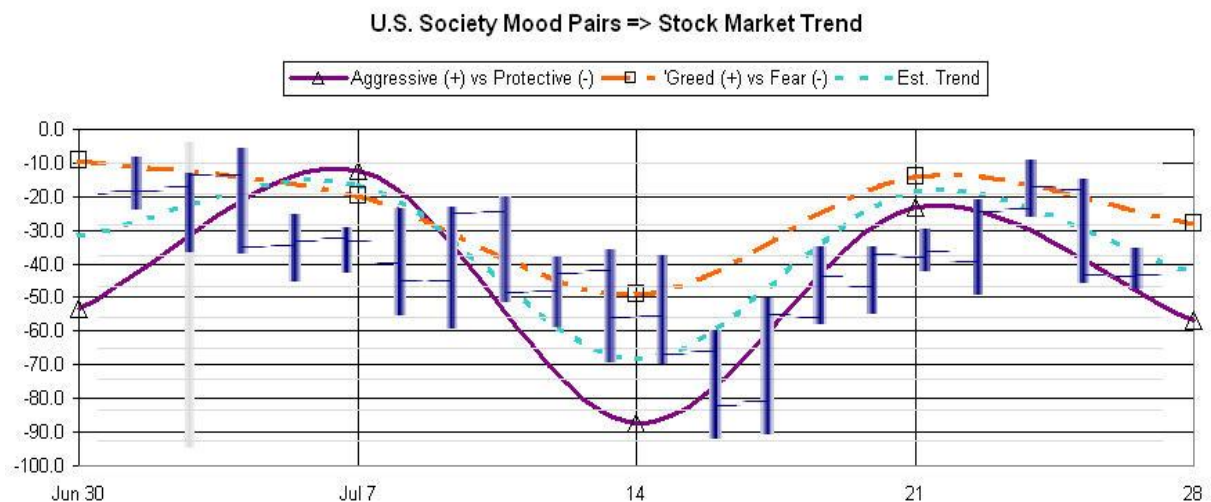
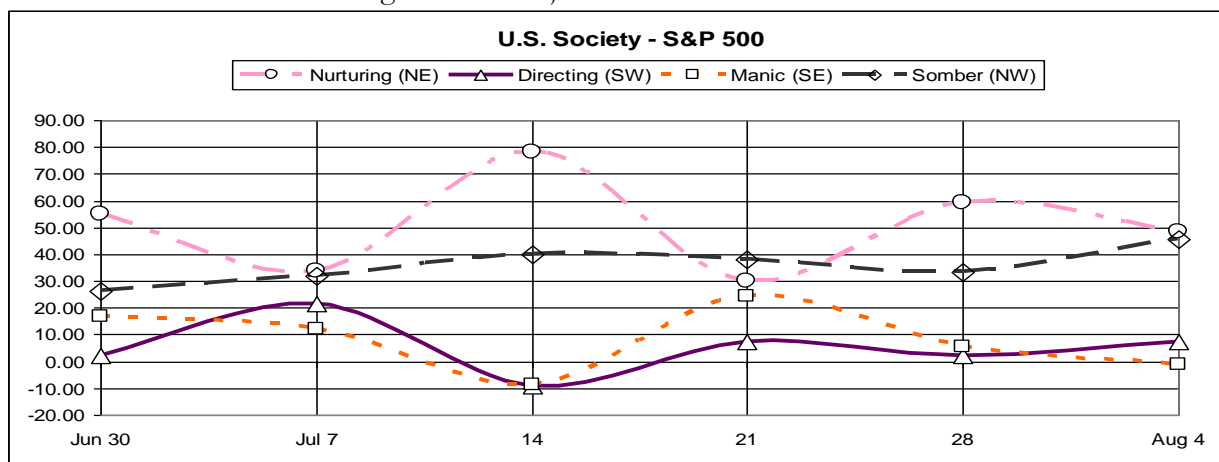
**Tracking Profiles Over Time**

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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Name: \_\_\_\_\_

Address: \_\_\_\_\_

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Phone: \_\_\_\_\_

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Our Website: <http://anewstory.org>

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!