MOODCOMPASS®
PROPHET FOR YOUR PORTFOLIO™

March 2008

March News Highlights
[The following is based on a combination of recent events,
global trends, and the March oscillations of social mood]

Geopolitical Tensions Escalate -- US Stock Market Crashes

Following on increasing geopolitical crises from last month, tensions in Israel reach a high pitch, with violence in Gaza and a new war looming with Hezbollah in Lebanon. Peace negotiations brokered by the US forestall major Israeli retaliation, but tensions remain high all month, punctuated with increasing outbreaks of violence. Both Hamas and Hezbollah are increasingly vocal throughout the month, taunting and threatening Israel. Israeli forces and embassies remain on high alert. Syria may take up sides this round, and Iran reiterates its firm backing of Syria should Israel attack. Israel's PM Ehud Olmert continues to assert that Iran is conducting secret efforts to develop a nuclear warhead, in increasingly hostile tones.

The situation in the Darfur region of Sudan will have become critical early in March. The United Nations gives repeated warnings of a full-scale war spanning the entire region, encompassing neighboring Somalia, Eritrea, and Chad, perhaps spreading into DRC and/or the northern part of Kenya. Widespread starvation will reach critical levels, as food aid deliveries are intercepted before they can reach distribution points. Fragile Kenyan peace negotiations may break down as a result.

The United States will continue to have difficulty in reviving the waning interest of countries assisting its efforts in Afghanistan, even as Taliban resurgence advances on positions long secured by coalition forces. Continued post-election instability in neighboring Pakistan will further stretch the American forces, and may lead to a crisis near month's end. India may make a statement of caution toward the Musharraf government if the instability is not quelled.

Economic conditions worldwide deteriorate through March, resulting in a rapid decline in US stock prices across all sectors through mid-month, and reaching new lows by month end (estimated losses 15-20%). There may be scattered news and rumors of renegotiating global currencies agreements, resulting in several sharp drops in the USD. Continued high prices in crude oil will be driven by Middle East instability, tempered by recession indicators in the US, and coupled with record-high reserve levels. OPEC negotiations may be strained as various elements renew their push for a general acceptance of a "basket of currencies," heavily weighted with Euros and Yuan.

Social Mood Parallels with November 2007

In November of 2007 the S&P 500 dropped 7% at the lows. Below are the MoodLines for November. The stock market dropped hardest when the Nurturing line was farthest away from the other three. For a society, extreme Nurturing without the benefit of the other mood components signifies anxiety, feelings of vulnerability, and is often accompanied by a "take money off the table" stock market behavior.

U.S. Society - S&P 500

Nurturing (NE)   Directing (SW)   Manic (SE)   Somber (NW)
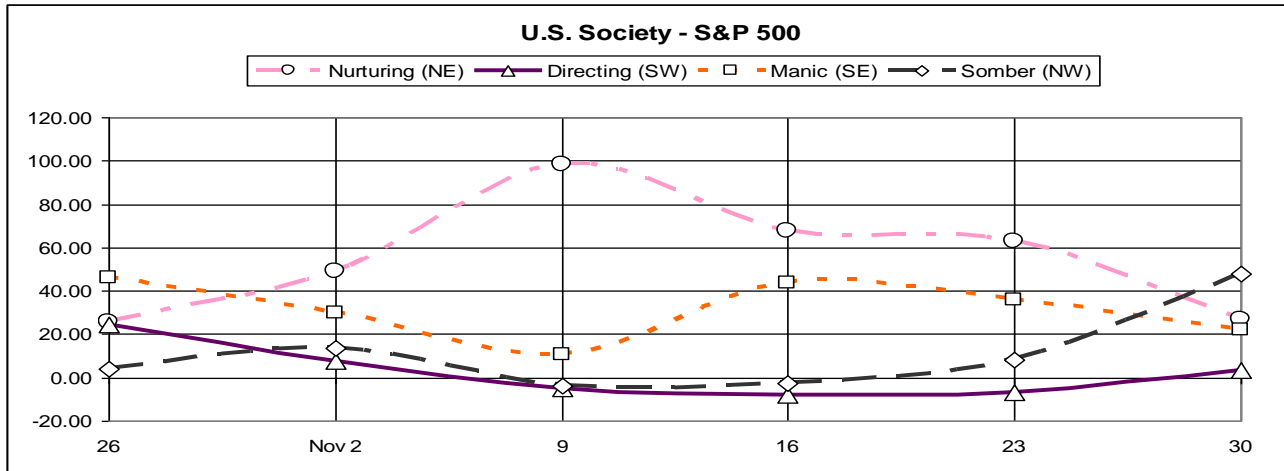
The chart below is the MoodLines for March 2008. The high and separated Nurturing lines indicate that March is a more severe display of this extreme Nurturing configuration. U.S. society in March may be experiencing heightened anxiety, feeling unprotected or unsafe, especially at the peak areas where Nurtuing is highest and Directing is lowest. Stock market declines should be much more severe than November 2007. While we use several tools to analyze the relationships of the MoodLines in order to make a forecast, this is a case where we have the benefit of a previous period with enough similarity that a severe downturn can be seen simply by comparing the two periods.

U.S. Society - S&P 500

Nurturing (NE)   Directing (SW)   Manic (SE)   Somber (NW)

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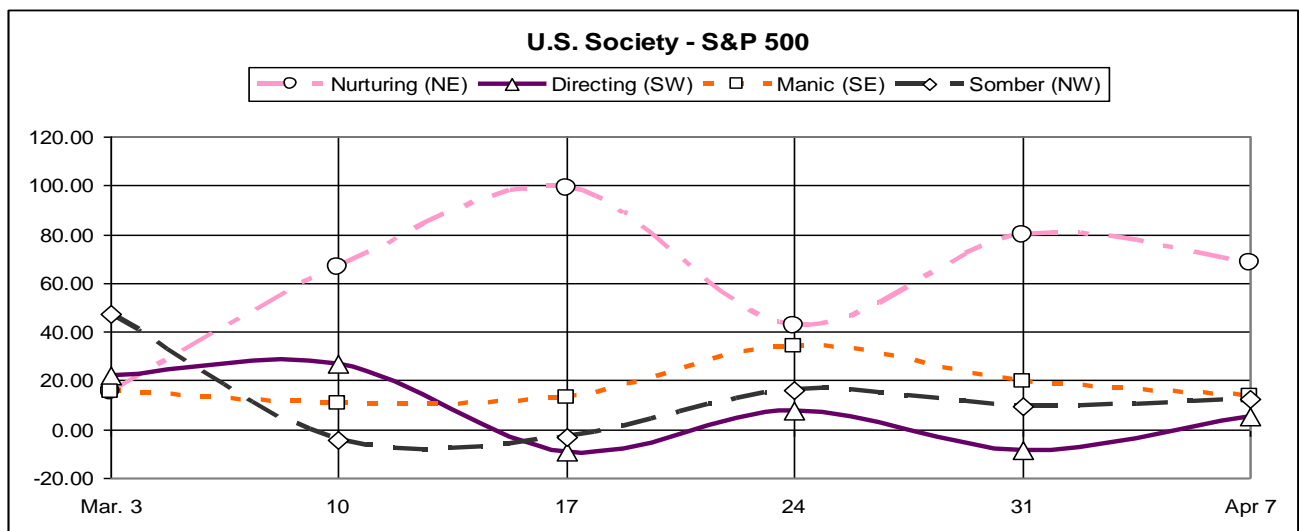
Mood and Timeline Summary

The defining shift in mood for February was seen in the extreme change in the way that United States society views the rest of the world. Previously, the world was seen as a relatively stable place to transact business. Although there had been concerns about a slowdown in the U.S. economy, there was an assumption that growth in the rest of the world would well be able to compensate. The shift in February from high Directing to high Manic saw the view of the non-U.S. world change from a growth focus to one of uncertainty, chaos, and fragmentation. Geopolitical uncertainty propelled crude oil to new records in spite of the undue stress such high prices are placing on already fragile economies. In March, this theme of an unsafe world is continued. In such an uncertain geopolitical context, what else can global investors do, but make a massive move to "take money off the table?" Thus the global sell-off ensues. U.S. markets can expect to lose between 15-20% at the lowest points this month.
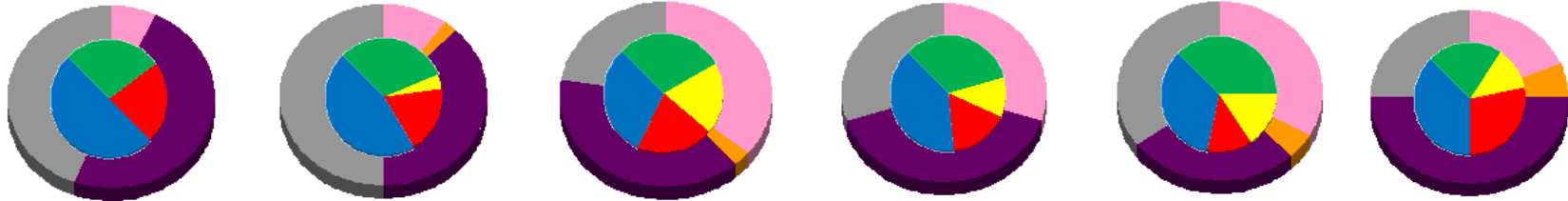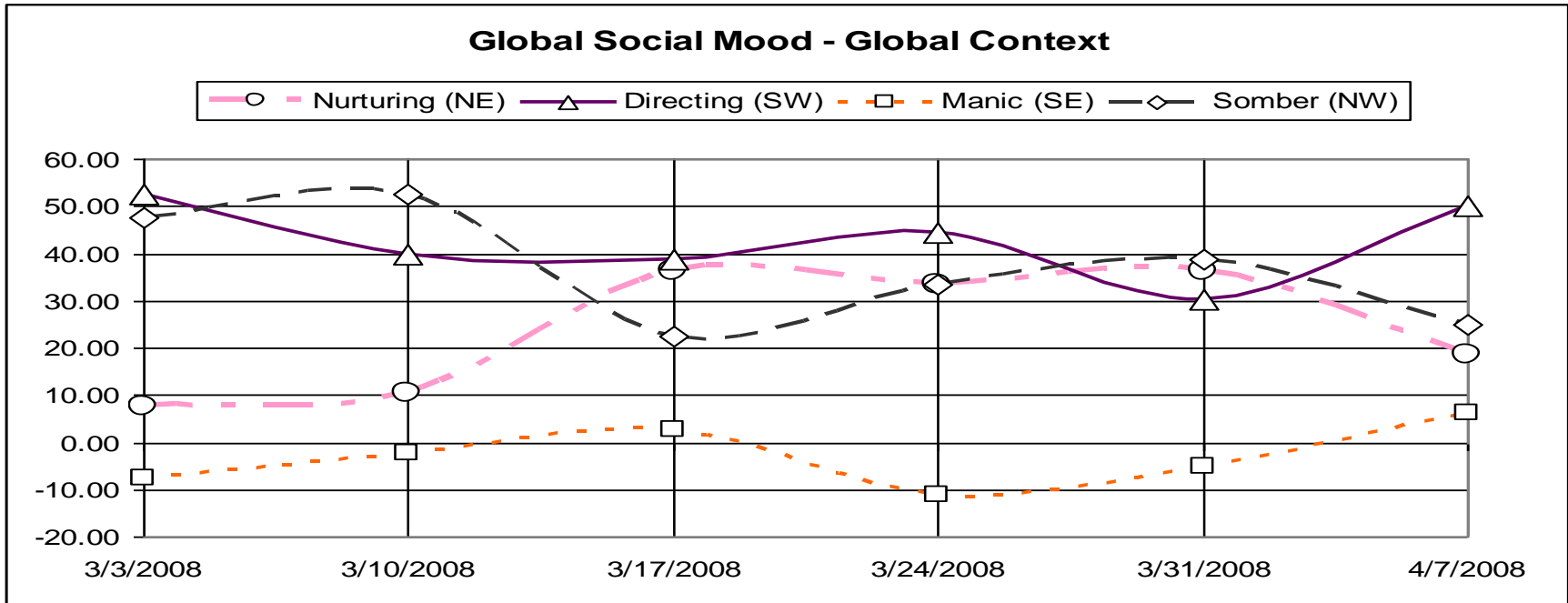
March 3-16: There is considerable conflict in the world and political conflict in the U.S (the stage for this was set in February). The stock market declines substantially (10-15%).

March 17-23: The world's focus is on the global economy—it's in trouble. A rate cut by the FOMC causes further loss of faith in the dollar and commodity prices to climb. The stock market pauses in its decline.
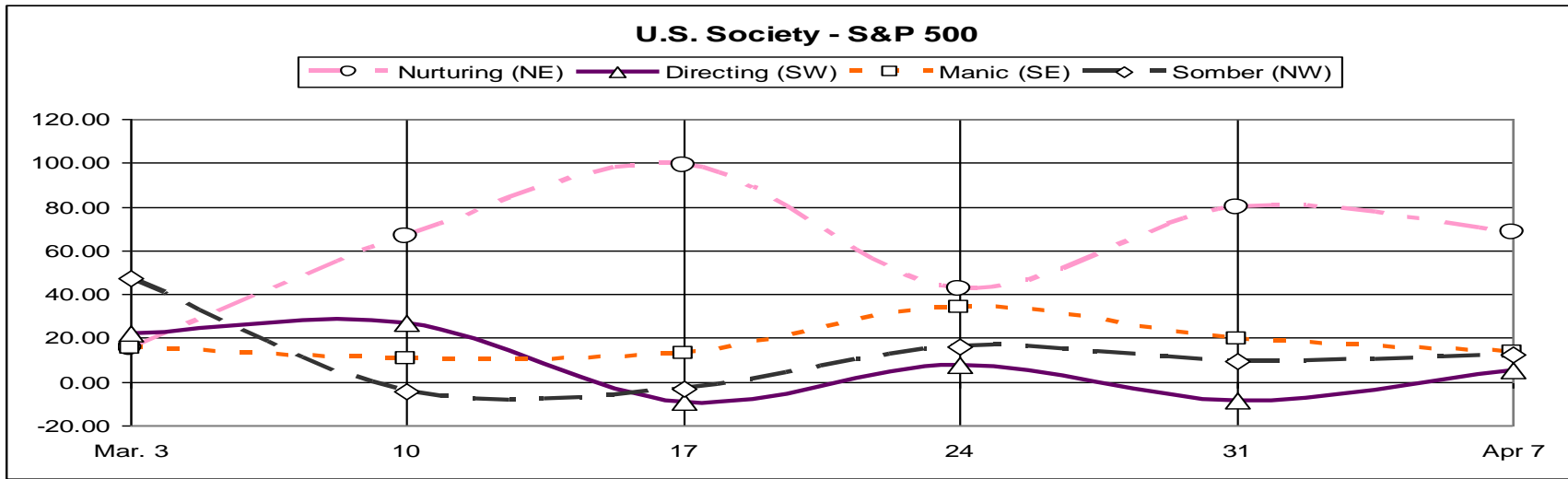
March 24-30: Global power conflicts reach a climax and the world tries to calm down the situation by diplomacy and extensive negotiations, and possibly a religious outreach. The U.S. stock market continues to decline; losses in Europe and Asia are especially high.

March 31- April 6: The stock market bottoms causing considerable relief. The ECB may finally cut rates. Crude oil is beginning to show a tendency towards a new downward trend. There is renewed optimism, at least for the moment.
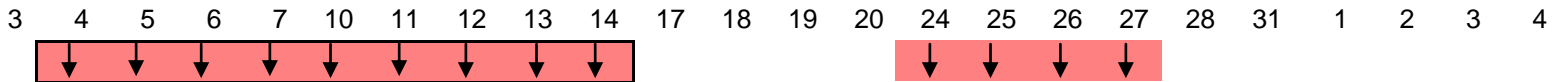
The charts on the following pages will go into further detail of the social mood changes and corresponding market behavior for this time period. The last few pages of this document will give you a brief orientation to the MoodCompass.
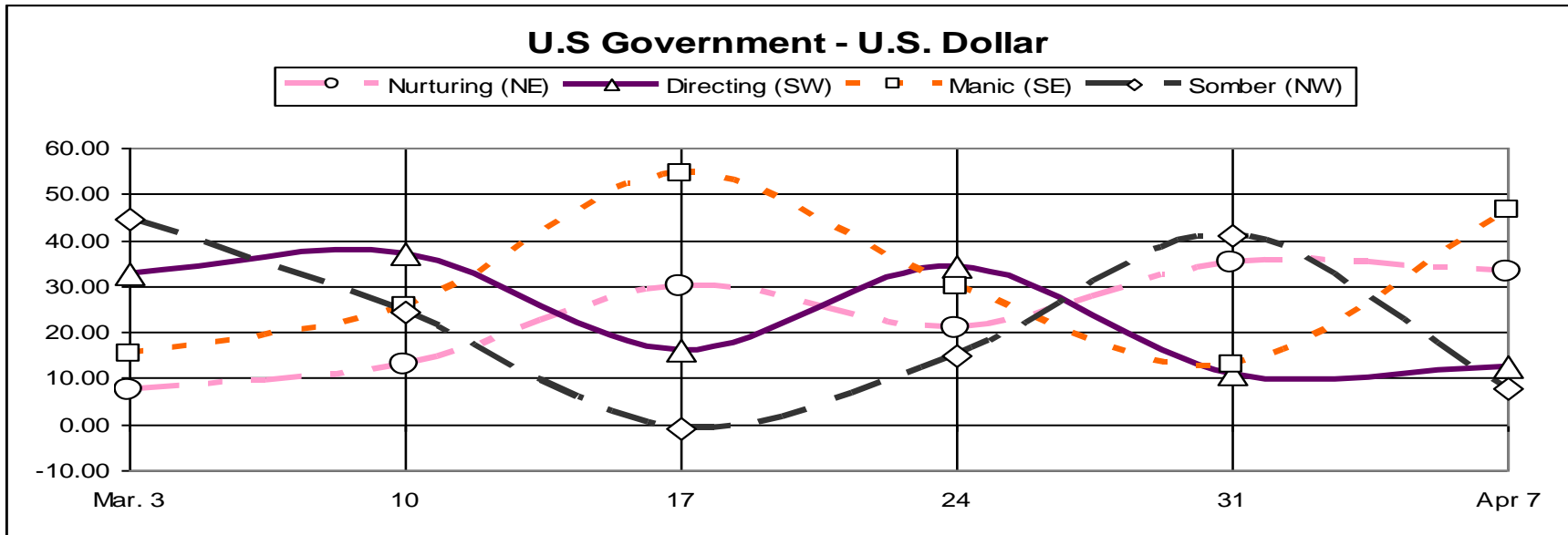
Global Social Mood - Global Context

Legend: Nurturing (NE) · Directing (SW) · Manic (SE) · Somber (NW)

X-axis dates: 3/3/2008, 3/10/2008, 3/17/2008, 3/24/2008, 3/31/2008, 4/7/2008

Panic and Confusion (high West)	Optimism Up (Directing up)	World seeks "God"	Hope returns (Increasing Directing-Manic)
Fear runs high in the world as scary possibilities fuel wild imaginations. Global stock market sell-off, esp. 3/4-3/13. Increased volatility (Manic) and focus on domestic security (Nurturing) after 3/10.	*Slight increase in optimism. Volatility down (Manic down).*	*Things look so bad that organized prayer vigils for world peace and stability possible (Somber-Directing-Nurturing combo).*	*At least for this week, there is room for hope again (after 4/2).*

U.S. Society - S&P 500

Nurturing (NE) — Directing (SW) — Manic (SE) — Somber (NW)

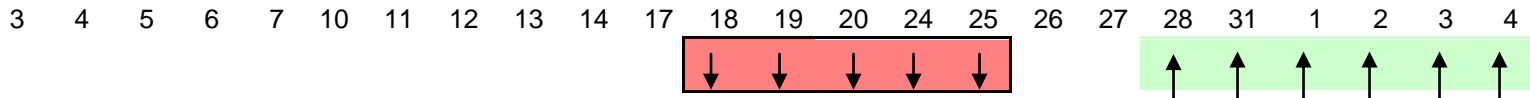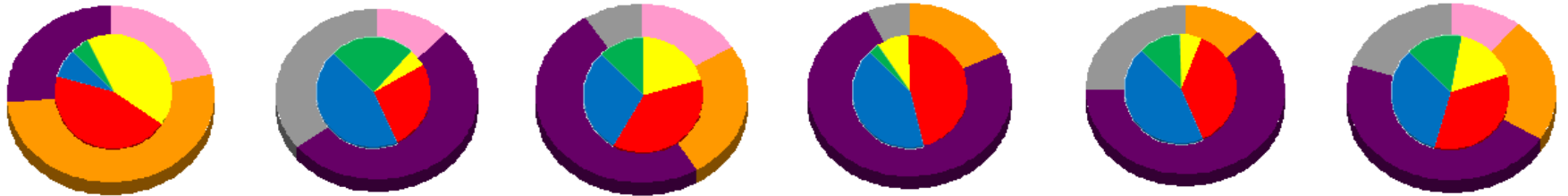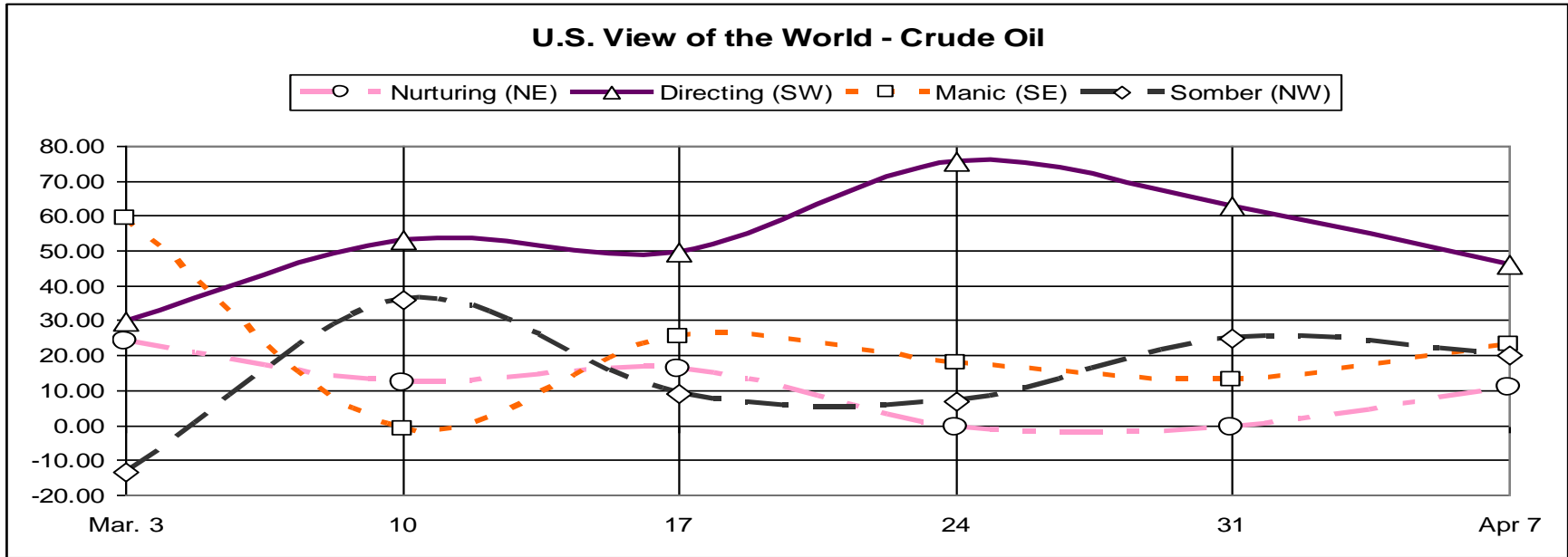|						
	Mar. 3	10	17	24	31	Apr 7

Stock Market Sell-off!! (Excessive Nurturing) Desire to take money off the table and keep it "close to home" runs high. Very similar signature to Nov. 2007. Most severe decline likely 3/4-3/13.	Rate Cut Rally (lower Nurturing) Constraints to spending/credit are likely eased via FOMC meeting. Possible relief rally, but tenuous.	Further declines (rising Nurturing) New lows are possible this week.	Consolidation Slightly lowered Nurturing and rising Directing signal that a bottom is in place for the moment.

3   4   5   6   7   10   11   12   13   14   17   18   19   20   24   25   26   27   28   31   1   2   3   4

U.S Government - U.S. Dollar

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

Y-axis: 60.00, 50.00, 40.00, 30.00, 20.00, 10.00, 0.00, -10.00
X-axis: Mar. 3, 10, 17, 24, 31, Apr 7

Dollar Decline (high West)	**Dollar Gains (rising East)**	**Big Decline!! (lower East)**	**Transition**	**Dollar Firms (High North, rising East)**
Dollar likely to lose ground through 3/11. Extreme cross-currents, little trend.	Dollar should climb, especially after 3/11 with Manic and Nurturing rise.	Substantial loss 3/17-3/26. High Manic signals mistrust of gov't. interventions and perception of incompetence.	A period of cross-currents and trend transformation as the dollar's place in global economy is reassessed.	Dollar gets a firm footing and climbs, esp. near the end of the week.

3 4 5 6 7 10 11 12 13 14 17 18 19 20 24 25 26 27 28 31 1 2 3 4

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U.S. View of the World - Crude Oil

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

Paralysis (Directing vs. Somber)	Final Push (Directing surge)	Geopolitical Climax, then Slight Decline (Directing Peak; Increasing Somber)
Extreme geopolitical tension pushes crude oil up as economic concerns pull it down. Extreme volatility, little trend.	A combination of geopolitics and inflation hedging push up crude.	Prices should slowly begin to taper off, esp after 3/26. Decline too slight to call a trend.

3 4 5 6 7 10 11 12 13 14 17 18 19 20 24 25 26 27 28 31 1 2 3 4

↑ ↑ ↑

The following is a listing of our "scores" for the trend bar calls made in the MoodCompass for 2008 (as of 2/24/08). The appropriate futures contract is entered at market close the day before the trend bar begins. It is exited at market close the day that the trend bar ends. A "Win" is generated when a theoretical trade was profitable, a "Loss" when it was not. The net score adds up the absolute value of the amount of win points and subtracts the amount of points lost.

Crude Oil Scores

Trade #	Date In	Contract	Price In	Date Out	Price Out	change	W/L
08C01	4-Jan	CLG8	97.91	11-Jan	92.69	-5.2	W
08C02	18-Jan	CLH8	89.92	25-Jan	90.71	0.8	W
08C03	30-Jan	CLH8	92.33	4-Feb	90	-2.3	L
08C04	4-Feb	CLH8	90	14-Feb	95.42	5.4	L
08C05	14-Feb	CLJ8	95.55	22-Feb	98.78	3.2	W
					Net Score	1	W

Dollar Scores

Trade #	Date In	Contract	Price In	Date Out	Price Out	change	W/L
08D01	14-Jan	DXH8	75.7	18-Jan	76.5	0.8	W
08D02	23-Jan	DXH8	76.54	29-Jan	75.69	-0.9	W
08D03	31-Jan	DXH8	75.29	7-Feb	77.07	1.8	W
					Net Score	3	W

Stock Market Scores

Trade #	Date In	Contract	Price In	Date Out	Price Out	change	W/L
08S01	10-Jan	SPH8	1421	18-Jan	1325	-96	W
08S02	30-Jan	SPH8	1351	7-Feb	1340	-11	W
08S03	11-Feb	SPH8	1338	15-Feb	1351	13	W
08S04	15-Feb	SPH8	1351	22-Feb	1356	5	L
					Net Score	115	W

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 the direction and timing of trends in the stock market, the dollar, and crude oil with accuracy, that information would surely be valuable to 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. That's when they connected with Tom Courts, an entrepreneur and marketer with connections to A New Story (his brother is one of the researchers). They teamed-up to distribute their market forecasting information, 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
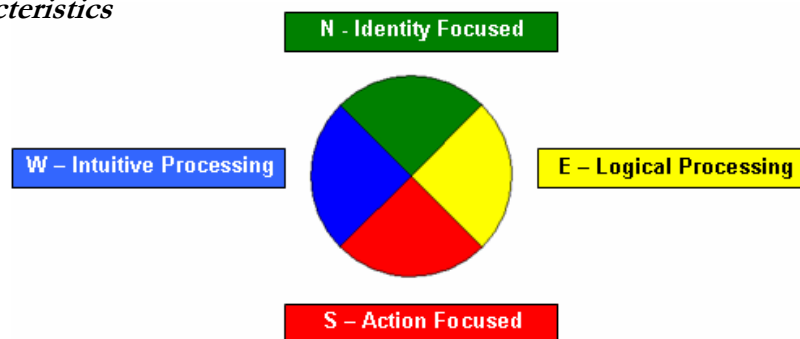
Hybrid Characteristics

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 is "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:
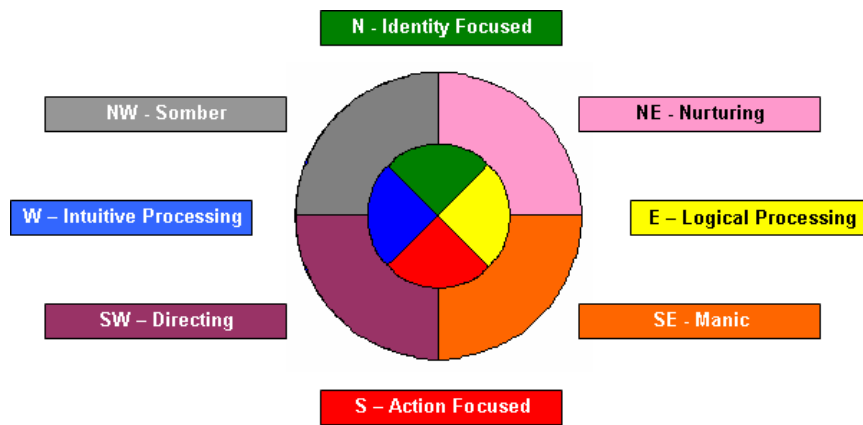
For example, the primary characteristic (W) Intuitive Processing is a combination of the two hybrid characteristics (SW) Directing and (NW) Somber. Likewise, the hybrid characteristic (NE) Nurturing is a combination of (N) Identity Focused and (E) Logic Processing.

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).
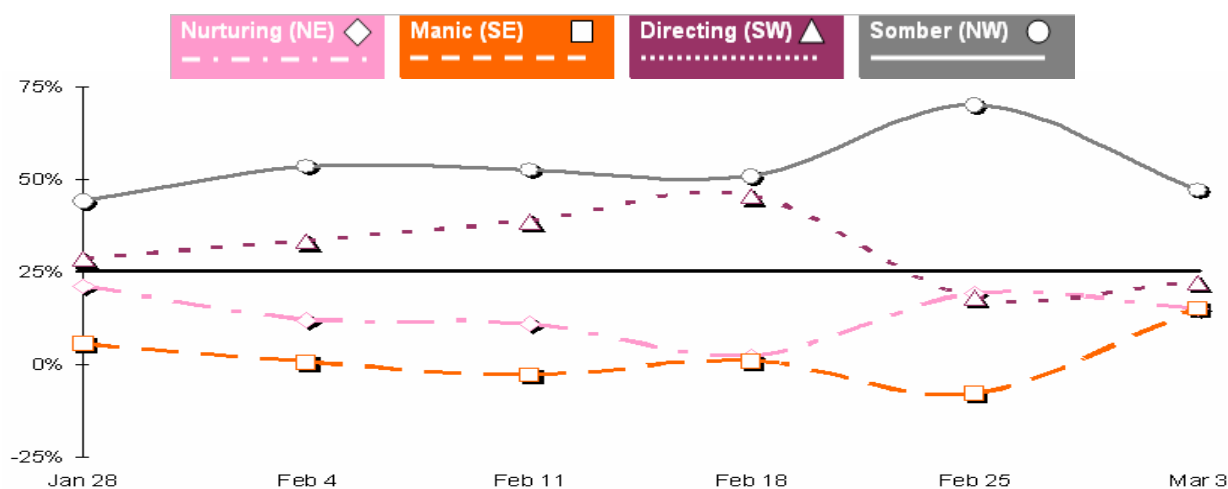
## The End Result—Accurate Financial Market Forecasts

Market forecasts are presented using "TrendBars," a timeline that displays our forecasted trends and historical results. Below are the TrendBars for January 2008 (as of January 25th). The four completed trends were wins, two trends are in-progress, and two trends were forecasted to begin on the last day of the month.
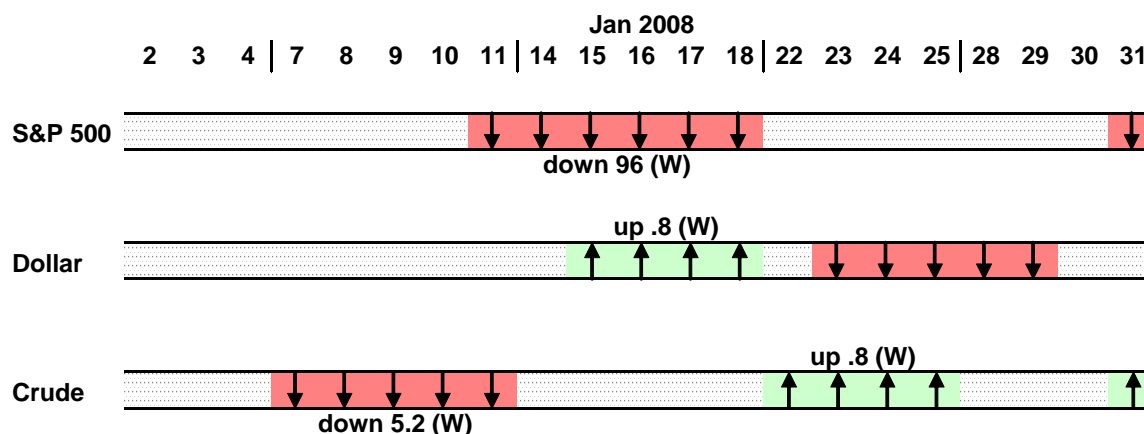
While we do not recommend any specific types of trades based on our information, we do gauge the success of our forecasts. We measure the success of each trend based on prices from the futures markets—the S&P 500 index, the dollar index, and the price of crude oil. We use pit trading prices at the market-on-close (MOC) entering and exiting each trend. For example, on the S&P 500 TrendBar above, the change in index price from MOC on January 10th through MOC on January 18th was 96 points.

Historical Performance

Researchers began collecting profile data in July 2007. They used back-testing to arrive at the current analytical model that accurately forecasts the direction and timing of market trends. Below are the results of July-December 2007 applying the current model to past data, yielding a record of 43 wins and 18 losses.
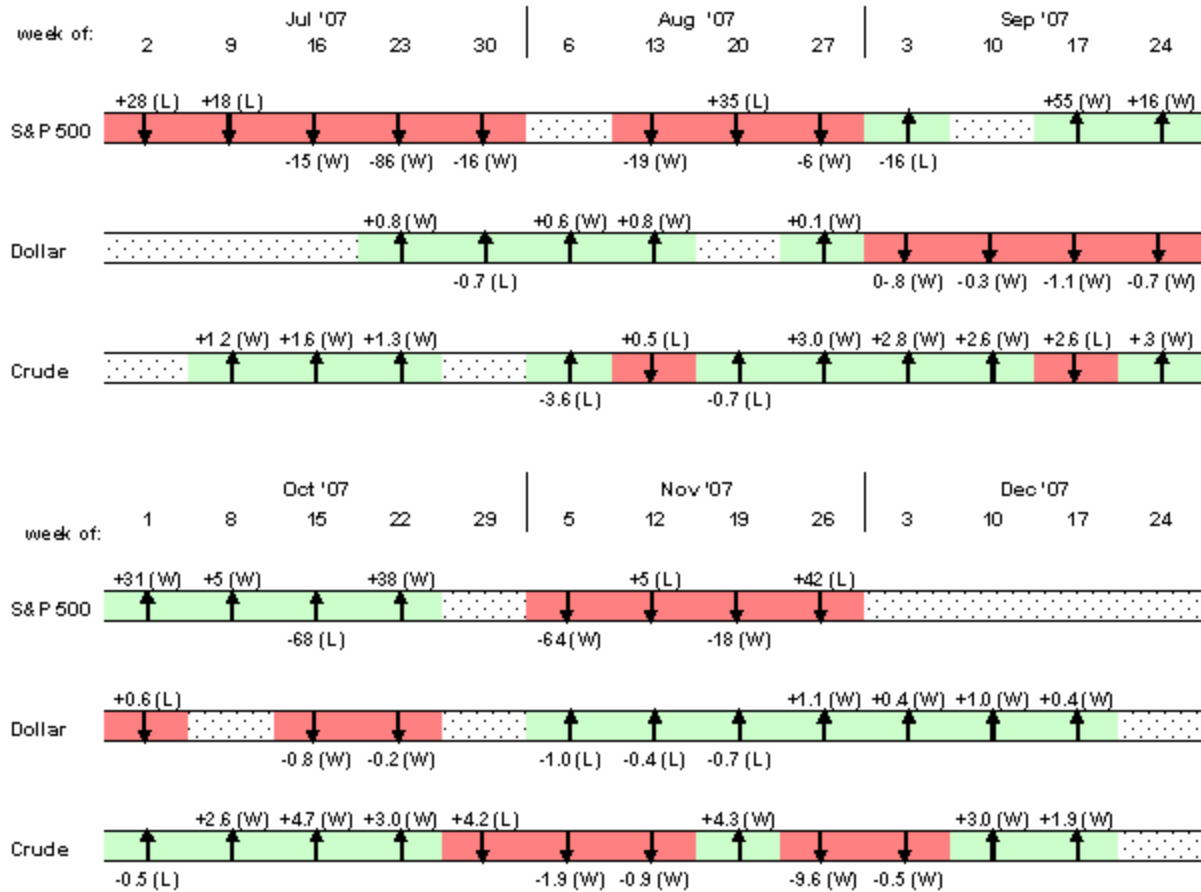
As of Jan. 25, 2008, MoodCompass has produced 4 wins and 0 losses, including the correct forecast of the massive stock market decline the week of Jan. 14. Unlike the week-to-week data from 2007, MoodCompass now pinpoints trends to the day.