MOODCOMPASS®
A GUIDE TO GLOBAL MOOD AND MARKETS

May 2009

May 2009 – Did Somebody Say "All Clear"?

Last month there was an indication of an "unexpected 'extreme event' on a global scale." It was somewhat of a puzzle for us, as the effects on the government appeared to be extreme, yet there was no indication of a stock market crash or heightened geopolitical concerns. If it wasn't the economy, a war, or a terrorist attack, what could possibly put the U.S. government into such a tizzy? As events unfolded during the month, the swine flu scare was the best fit for this "extreme event." While we had cited the beginning of the event as likely to be the week of the 13th, the crisis point indicated by our U.S. government chart was April 24-27, exactly where the flu made U.S. (and world) headlines.

As of this writing, there is a downplaying of the seriousness of this flu by the World Health Organization. While its trivialization may or may not end up being a correct assessment, it is important to notice that the alert level is still being maintained at 5. While we are not public health or epidemiology experts in any sense of the word, there are some signals in our social mood and perception charts that encourage continued vigilance for the time being. 1) The global context for the week of May 4 is one of denial of the full extent of a very serious situation. 2) There are indications of a situation that is seen as extremely serious by U.S. society mid to late month with concurrent panic on a global scale. 3) While there may be economic ramifications, the situation does not appear to be primarily economic.

Of course, this is a new month, and there could be completely new problems that fulfill these criteria. The concern is that a brush off of the swine flu and later resurgence of panic regarding its spread or seriousness is much too consistent with the three factors listed above to allow complacency about it just yet. Whether it ends up being "just a flu" in reality or not, panic, and its effect on our daily lives, is all about perception.

Week by week highlights:

May 4–10: *Can't Take Anymore*. A possible last push towards hope and optimism. A serious situation met with denial. Safety seeking behavior, including stock market decline that continues into next week.

May 11-17: *Somebody Fix This!* The Stock market continues its decline and bounces. Government intervention / strong action may seem necessary. Concerns about both the economy and inflation are likely.

May 18-24: *More Panic.* Panic on a global scale. Situation seen as serious in the U.S (a refocus on the flu issue?) The stock market declines into early next week.

May 25-31: *Take a Break.* Panic subsides. Relief rally in the markets. Currency markets stabilize.
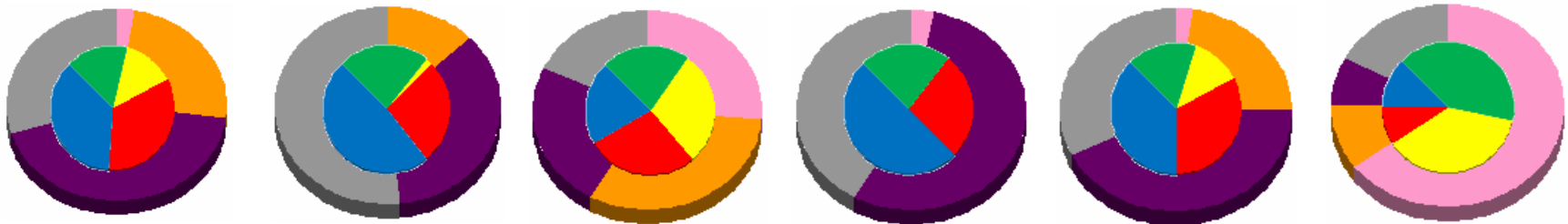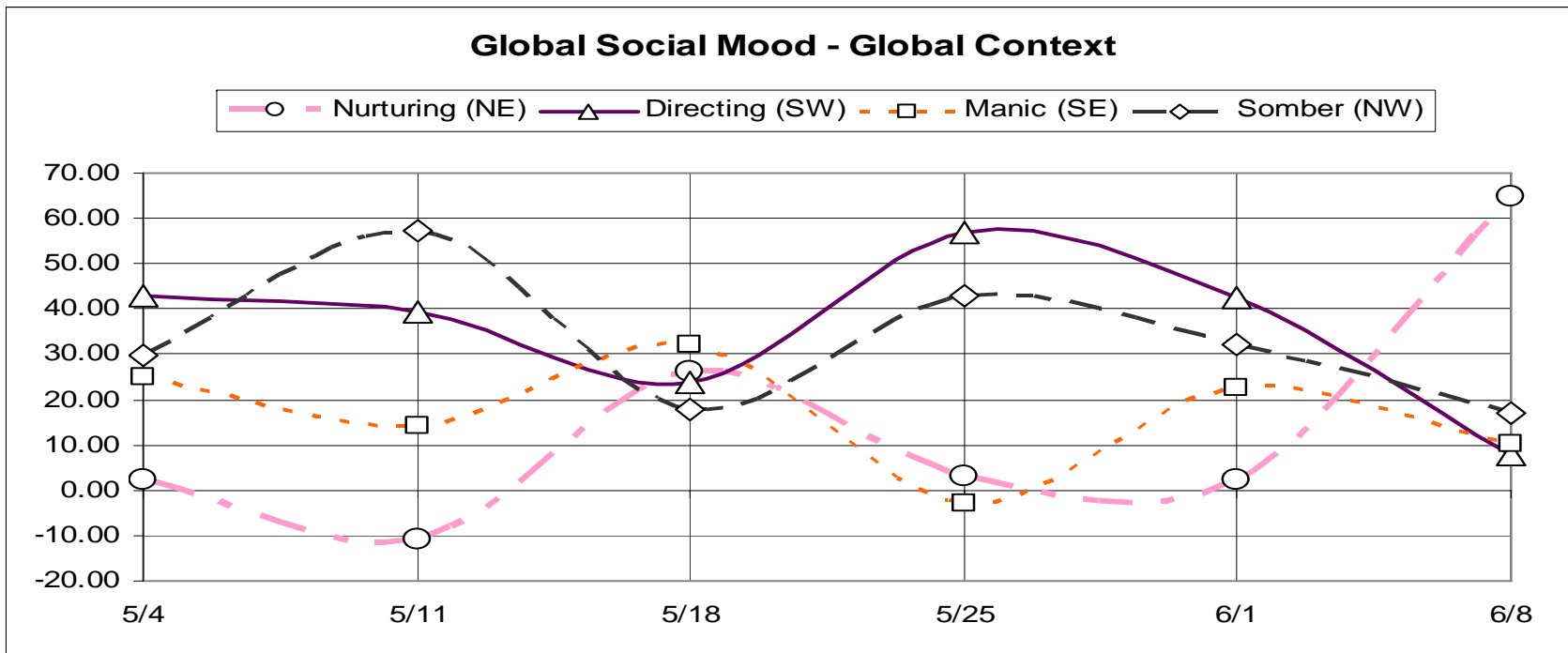
Jun 1-7: *Now What?* Serious situation abroad, but the US government is primarily focused on domestic issues. US Dollar makes moderate gains. Anxiety is high and protectionism is on the rise. Crude oil declines.

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.
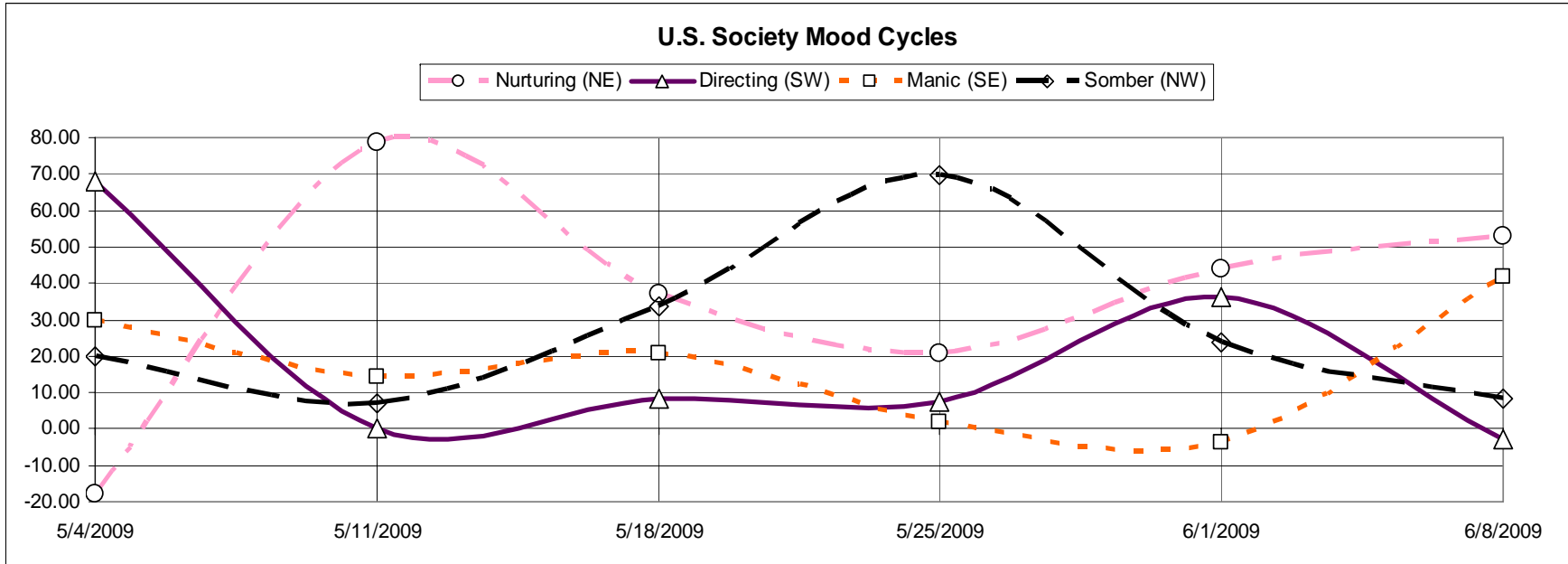
- NEW SECTION THIS MONTH -

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 (page numbers of corresponding charts are included in parenthesis). 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.
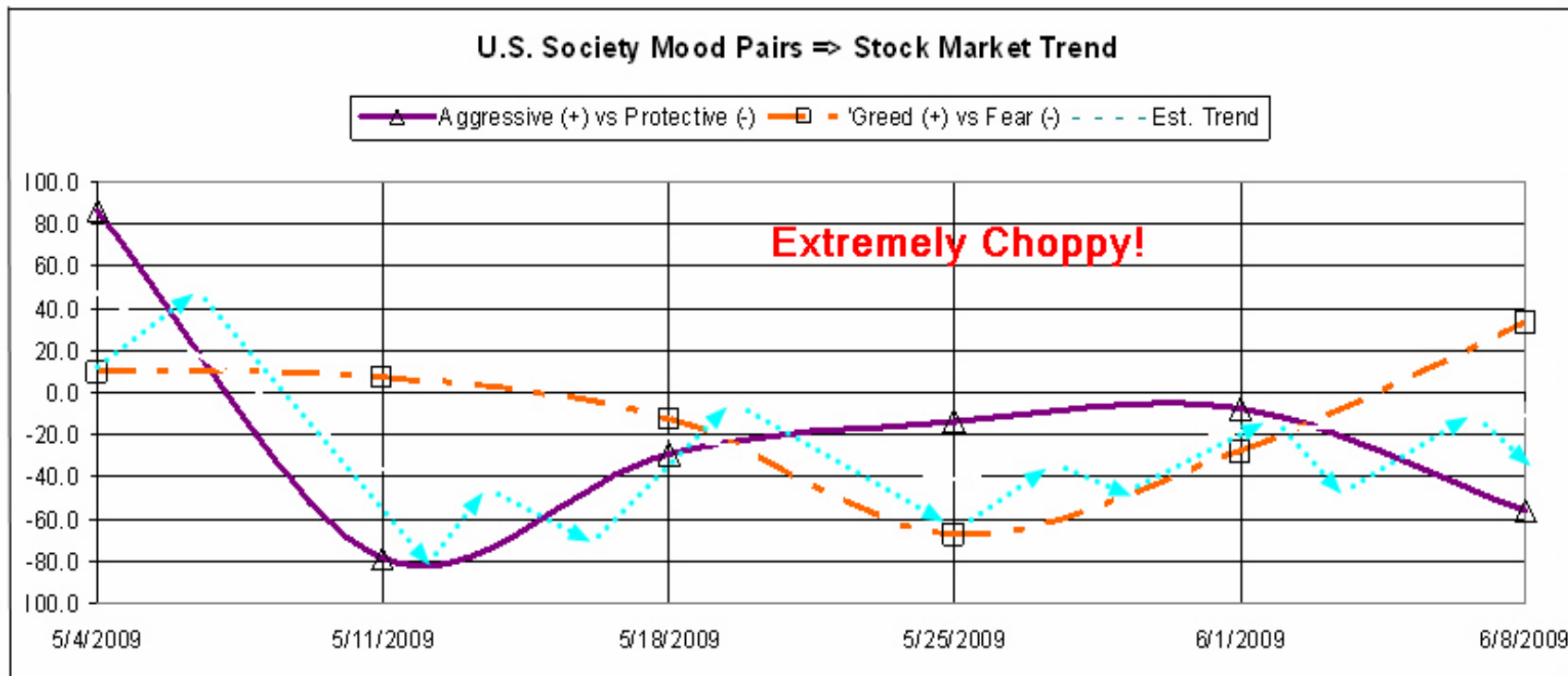
Date Range	Summary of Chart Indications
5/4 – 5	Climax effort in hope and optimism (3-5).
5/6 – 13	Serious situation, responded to with denial (3). Safety seeking market behavior (4) (Stock decline (5), possible Dollar rise (7)). "Reason" supports large crude rise; "emotions" a decline (9).
5/15 – 18	Turning point (3, 4). Relief rally in the stock market (5). Government action / intervention perceived to be required (6). Dollar decline (7). Concern about both the economy and inflation (10).
5/19 - 25	Panic (3). Extreme Somber – U.S. [possible refocus on flu?] (4). Stock market decline (5). "Reason" supports large crude rise; "emotions" a decline (9).
5/26 – 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. [flu or other natural disaster?] (8); not economic, but possibly geopolitical (10).
6/3 – 7	Anxiety, protectionism (3, 4). Primary US government focus is domestic issues (6). Dollar makes moderate gains (7). Crude declines (9).

Global Social Mood - Global Context

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

	Somewhat Serious	*A Bit of Panic*	*Subsiding Panic*	*Pulling Inward*
	After 5/5, things begin to look increasingly serious (Somber). Yet, the response is less serious than it "should" be, as denial runs high (Somber/Directing). There is a "turning point" near 5/14-18.	*A moderate rise in Directing/Somber indicates a global background of "moderate" panic.*	*The world catches its breath and looks around, questioning whether panic is an appropriate response.*	*Anixiety is high (Nurturing), as well as a trend toward protectionism.*

U.S. Society Mood Cycles
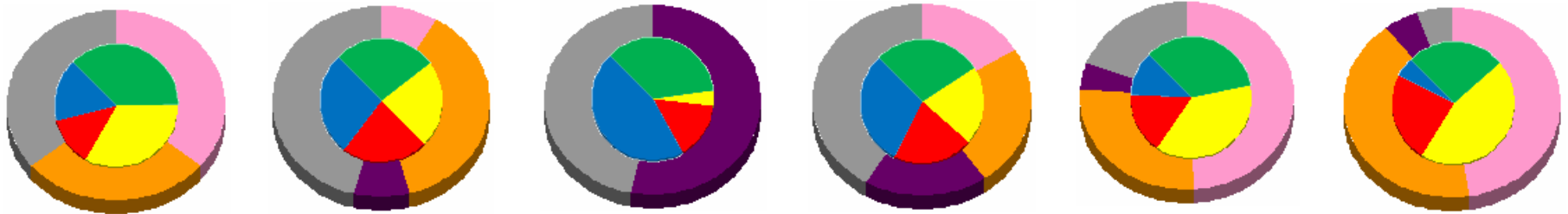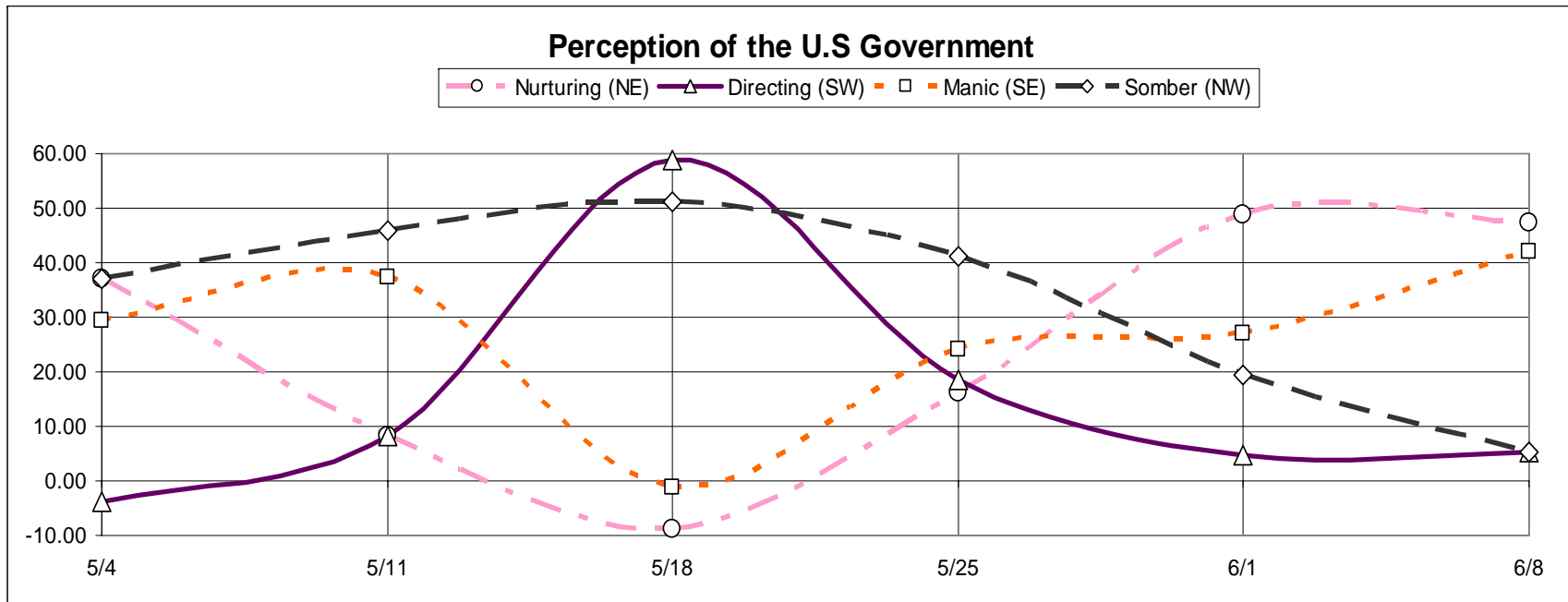
Legend: —○— Nurturing (NE)   —△— Directing (SW)   —□— Manic (SE)   —◇— Somber (NW)

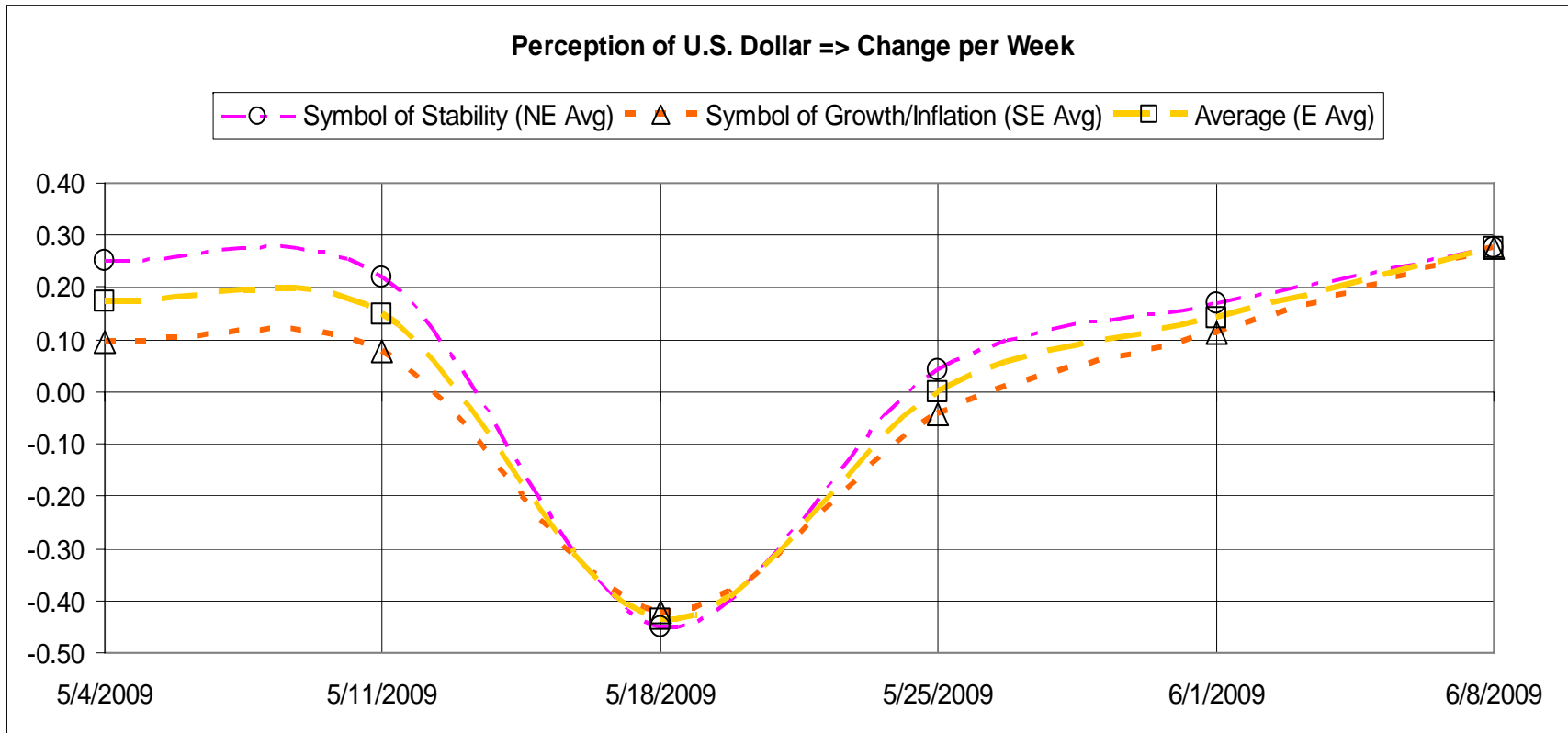| One Last Push	Seeking Safety!	Relief!?	Maybe it Really is Serious?	Anxiously "Crossing Fingers"
Hope and optimism give all they can give.	*Extreme Nurturing indicates a hunkering down and general safety seeking behavior. A rather large stock market correction is likely.*	*Both North factors high indicate some sense of stability or relief, at least for a moment.*	*Emotional gyrations continue as the seriousness of the situation starts to dawn on people for a moment (high Somber).*	*Things are not "good," but a people's ability to see silver linings and a bright side continue to be utterly amazing (Nurturing/Directing then Nurturing/Manic).*

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 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.**
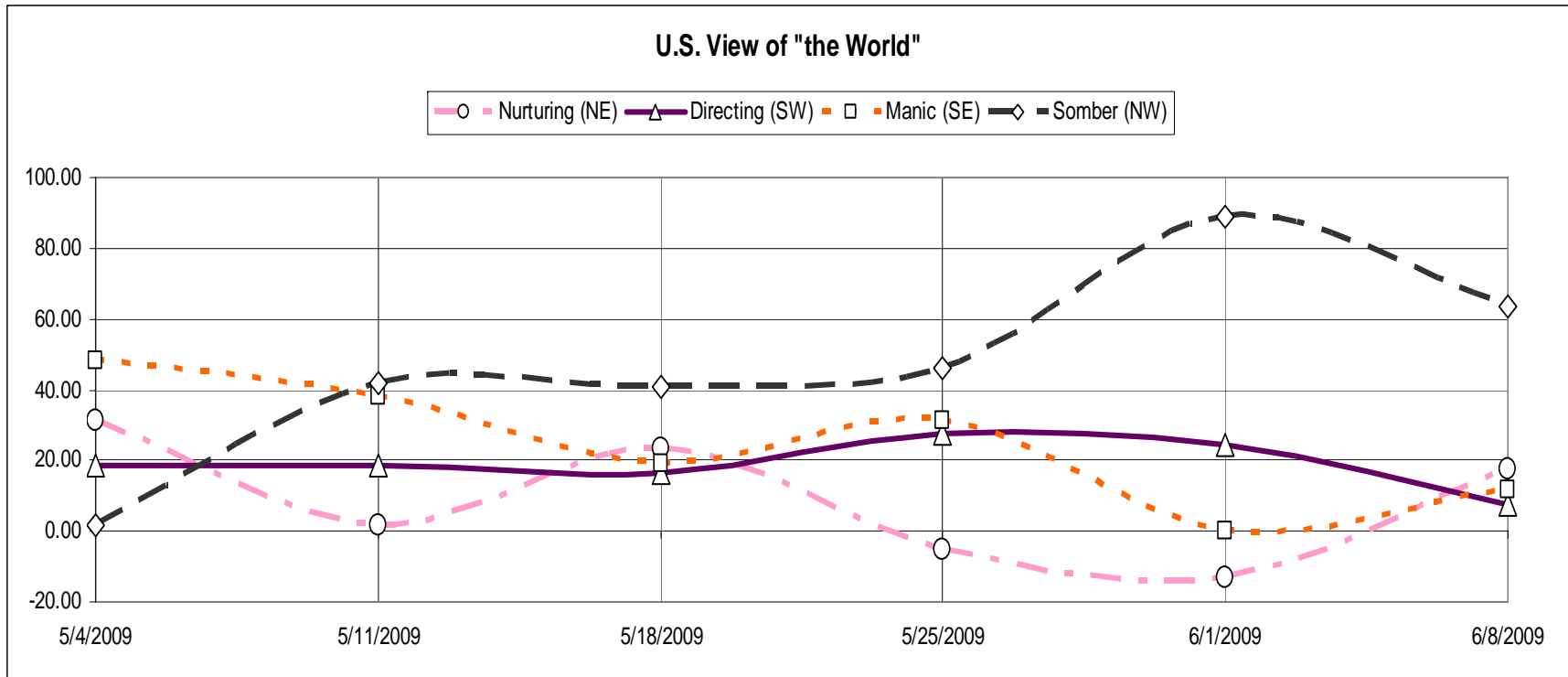
Perception of the U.S Government

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

Continuing Turmoil	Strong Action!	Maintaining Order, Taking Care of Our Own
High entropy factors continuing from last month indicate a government with its hands full, low public opinion/trust, and a lot going on behind the scenes.	*An unusually strong US government response is perceived as necessary (Directing surge).*	The government focus is one of maintaining order / calm (Somber) and is primarily concerned with domestic issues (high Nurturing low Directing). A developing move toward protectionism may be indicated.

**Perception of U.S. Dollar => Change per Week**

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 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.
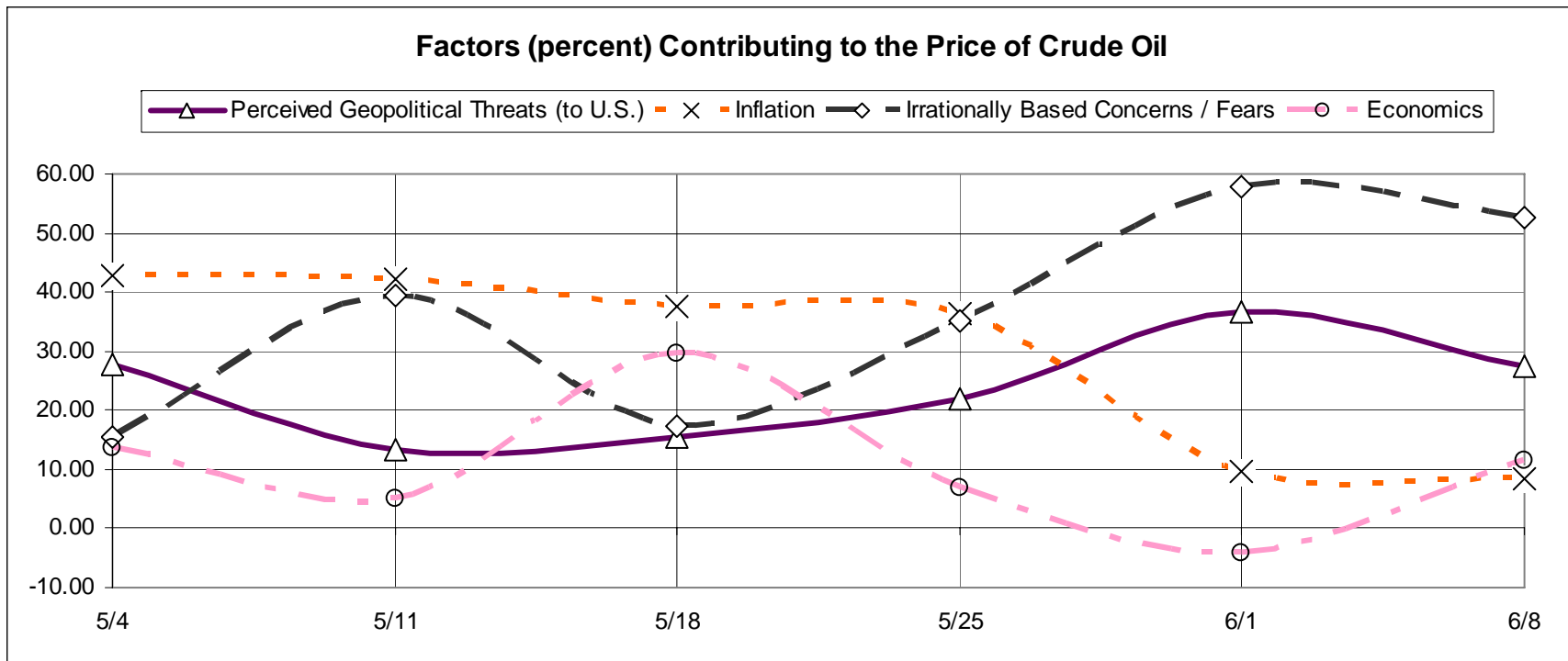
U.S. View of "the World"

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

	In Decline		Not Well at All
	Both entropy factors high indicate a world perceived as in decline or slightly "ill." Some slight mitigation in this perception may be experienced May 15 – 19.		*Extreme Somber indicates a world perceived to be in a very serious situation and either figuratively or literally "ill."*

Crude Oil Sentiment => Price Change Per Week

Legend: – □ – Data Based (E)   —○— Emotionally Based (W)
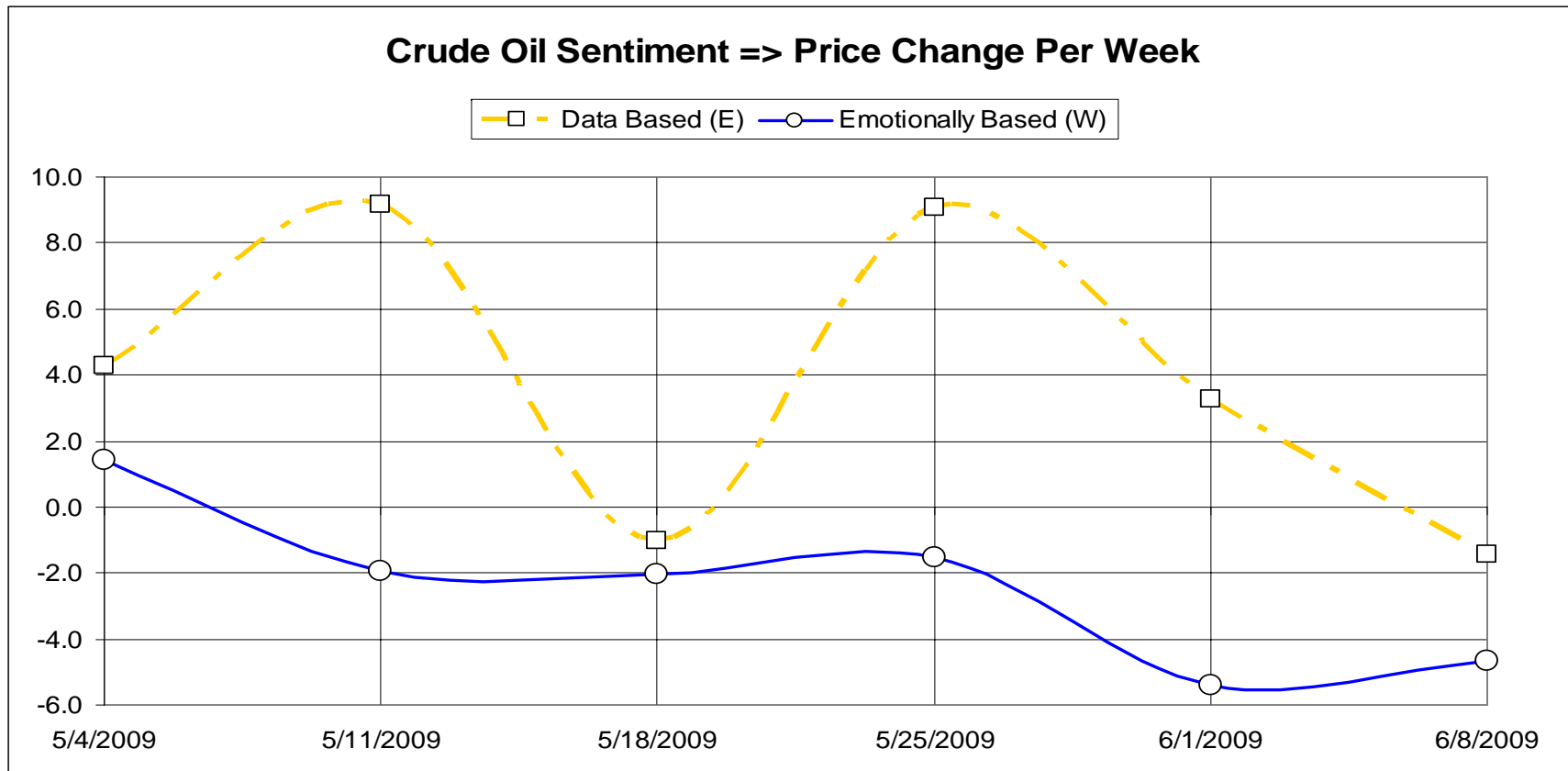
Explanation of chart lines: The price of Crude Oil changes based on supply and demand fundamentals and projections. It is also based on technical trading signals, and emotions such as fear. The "Data Based (E)" line comes from subtracting the Moodline values Nurturing (NE) from Manic (SE). "East" is 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 best week 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.

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.*

Inflation or potential inflation is the primary concern that props up crude prices for most of the month. Worries of a more irrational nature are in the forefront after May 25 through the remainder of the period, and are also significant through not primary May 6 – 11. The economy or supply and demand issues are of little concern for most of this period. However, possible supply disruption or economic concerns may be an issue May 15 – 19. Somewhat heightened geopolitical factors may also be in focus May 27 through the remainder of the period, although this too is not primary.
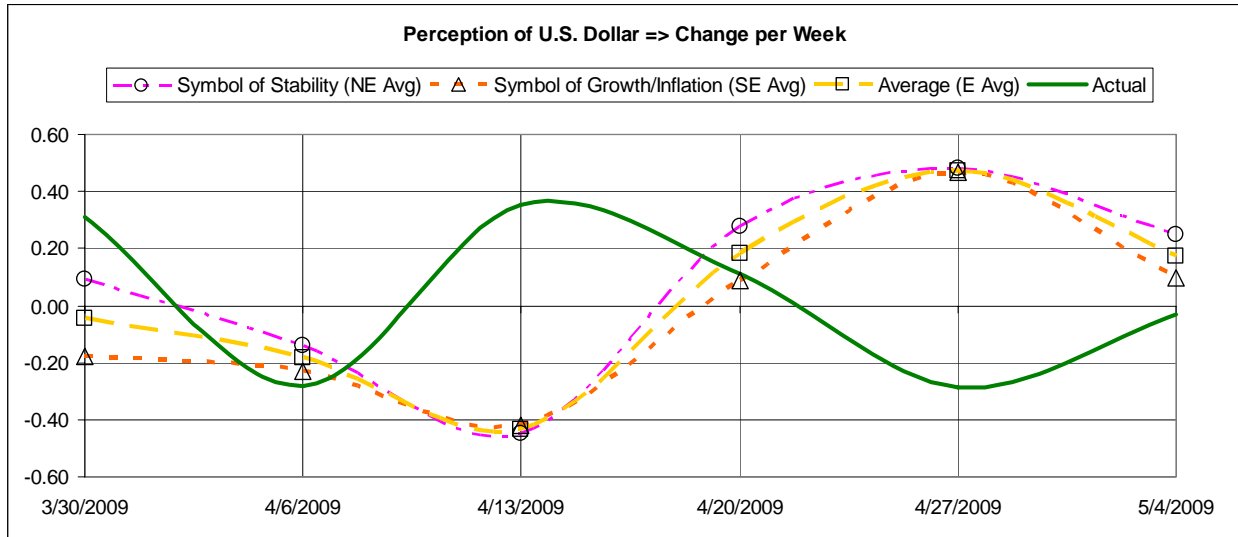
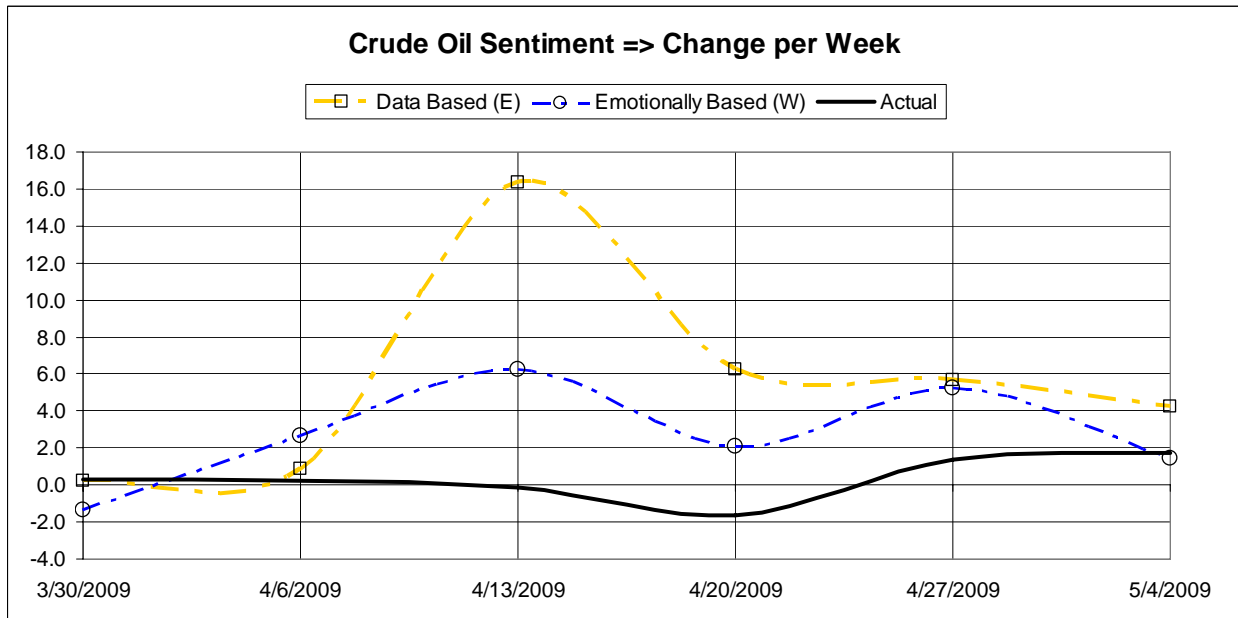## How We Did – Comparing our Charts with Actuals
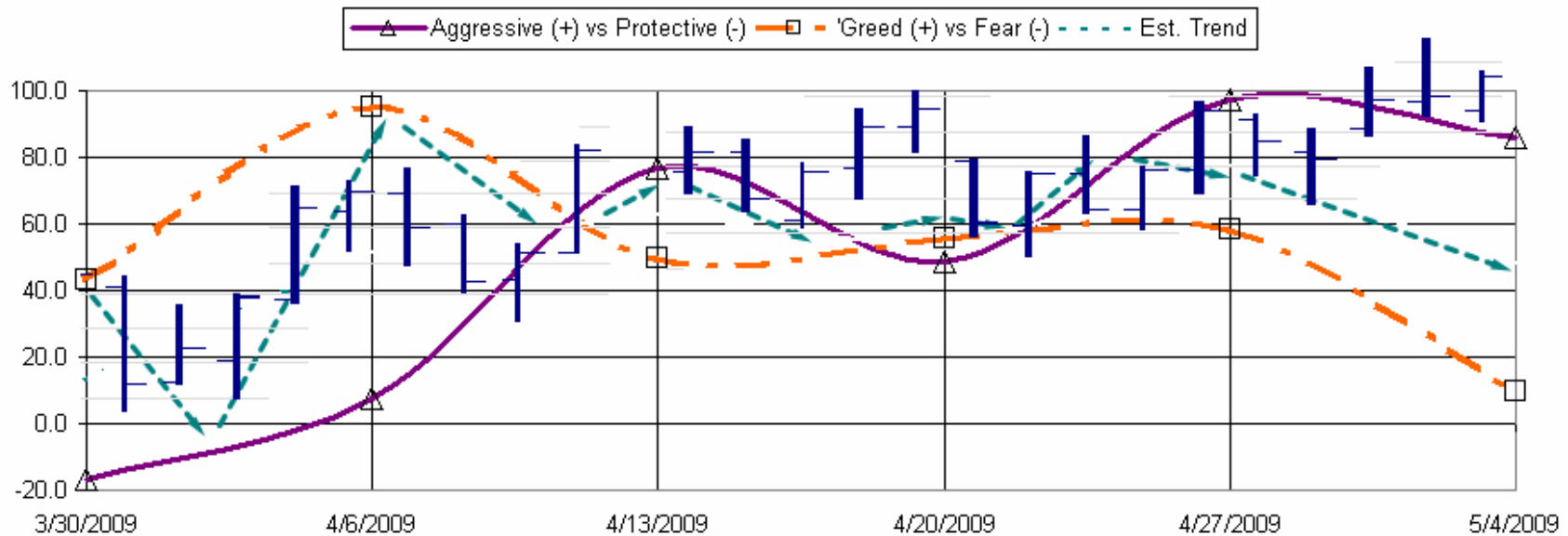
Actual data source: futuresource.com

S&P *(from previous issue): Can the stock market be both constricted and extremely volatile? That's what is indicated for the month of April. In this complex countertrend pattern, March appears to end in a downturn; a brief rally follows; with some brief losses afterwards. Following this is a two week period of very little net change. Near April 23rd through the end of this period, a trend is again apparent—down.* Actual: The market was indeed extremely volatile and constrained to a narrow range for most of the month. The final week, the market continued to move up even as the mood was turning down. This however is not sustainable, and indicates that relatively soon a sharp correction to where the market "should" be is forthcoming.

How We Did – Comparing our Charts with Actuals

Perception of U.S. Dollar => Change per Week

Legend: — ○ — Symbol of Stability (NE Avg)　- △ - Symbol of Growth/Inflation (SE Avg)　- ☐ - Average (E Avg)　—— Actual

Dollar (*from previous issue): The Dollar pulls back from its recent rally for approximately the first two weeks of the period. Following this pull back, especially after April 15th, it resumes its rally with renewed fervor. The rally may start to slow the final week.* Actual: Almost an exact inverse correlation to the model.

Crude Oil Sentiment => Change per Week

Legend: - ☐ - Data Based (E)　— ○ — Emotionally Based (W)　—— Actual

Crude (*from previous issue): The trend for crude oil for the entire month of April is UP! Extreme volatility is likely the week of April 6th and continuing into the following week.* Actual: This single spike in the forecast signaled a realignment of our models with the actuals after the inversion the previous month (completion of a phase shift). The Dollar for May appears to be showing this same realignment configuration. We overlooked this with crude last month.

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:
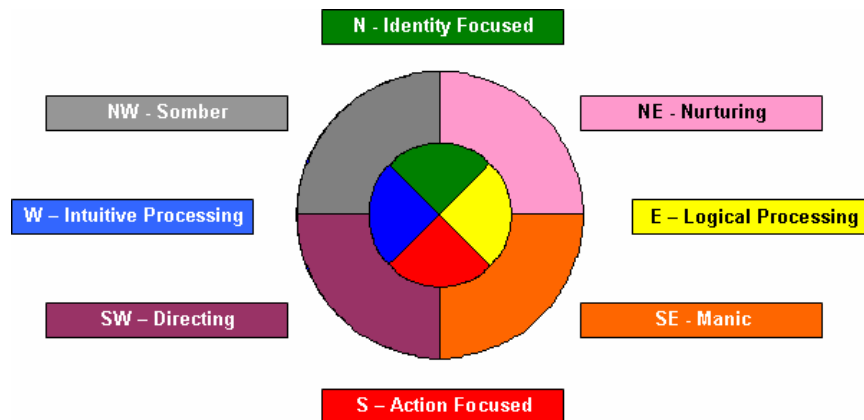
Primary Characteristics
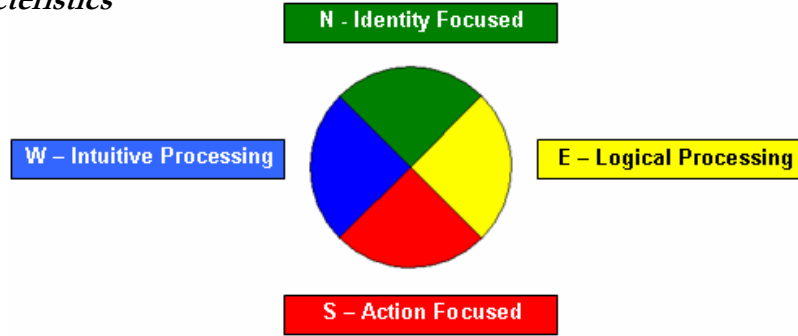
Hybrid Characteristics

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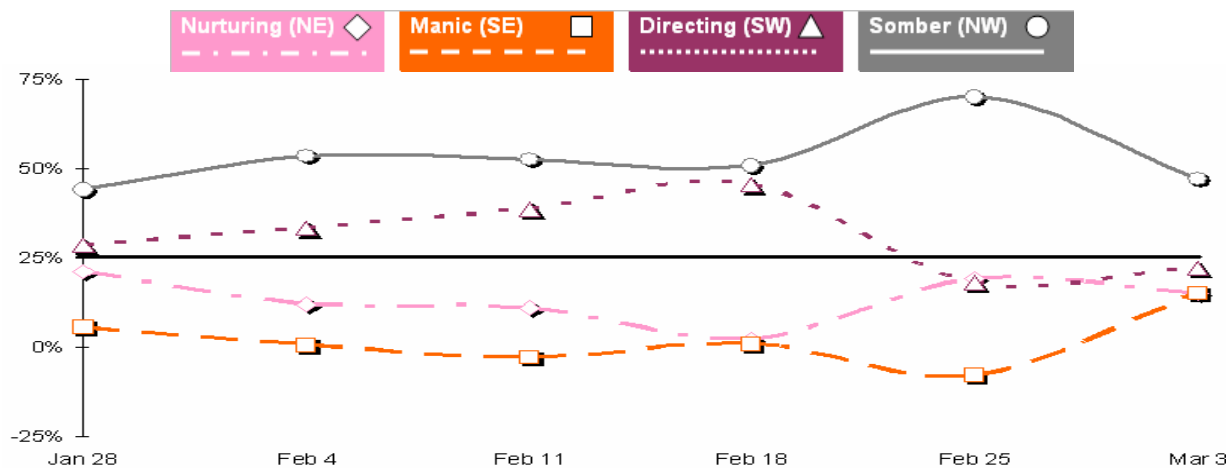
Philosophy and Methodology: For more information on our research and methodology, please see: http://anewstory.org/documents/methodology.pdf.

Technical Details: For more information on how Moodlines are converted to market forecasts see http://anewstory.org/documents/market_movement_from_moodlines.pdf.