

MOODCOMPASS®
A GUIDE TO THE MOOD CYCLES OF
NATURE AND CIVILIZATION

May 2010

Highlights: Growing global unrest • Economic “recovery” in jeopardy • Middle East and Korea risks increasing • More volcanoes, earthquakes, and other disasters

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May 2010 – Fear, Hate, and Eruptions

Tempers are high and patience is thin. Fear and uncertainty can only be held so long before they crystallize into hate. With people suspicious of their governments and each other, at some point government officials will begin to fear the people. Civil unrest should continue to increase on a global scale this month. There will be some point, perhaps this month, where governments will begin to take measures to insure against what is considered unacceptable levels of instability.

The month of May is a tipping point. The social mood configuration bears an uncanny resemblance to that seen in March 2009, except this time it represents a major change in trend to the downside. Whether it represents a major downturn for several months or for several years is yet to be seen. However, odds are that it is the latter. With the social mood continuing to sour internally, and the geopolitical situation becoming increasingly unstable, hopes for a sustained economic recovery could begin to look doubtful.

In addition to the high potential for social eruptions, it is likely that the natural world parallels, volcanoes and earthquakes, are in the news again in May. The highest likelihood for tectonic events is in the Americas; but the Iran/Iraq area is also a candidate. A highly destructive event of some type is likely for Far East Asia (i.e. E. China, Japan, and Korea) and/or Papua New Guinea.

As we watch the ramifications of the Gulf of Mexico oil spill unfold, we will be faced with visible evidence of civilization's destructive impacts on the life potential of the Earth. Is it too far a leap to consider that humanity is not immune to the downturn in Earth's productivity? Will we continue to look for props, patches and loopholes, or do we have the capacity to pause and consider a course correction while such choices still remain? If humanity and the rest of nature indeed have a shared tipping point, such choices would need to be made rather quickly, if at all.

Highlights:

May 1-12: *Tipping Point.* Social tension is thick. Major shift of perspective and socioeconomic trend. Global leaders focused on economic issues and maintaining global peace. Heightened interest in volcanoes and earthquakes.

May 13-17: *Seeking Safety.* Global preoccupation with limiting losses, damage control and humanitarian aid. U.S. government preoccupied with economic or domestic issues.

May 23-25: *Damage Control.* U.S. government appears weak or vulnerable. Increasing interest in damage control and further risk avoidance. Sharp market losses possible.

May 26-31: *Extreme Safety Seeking.* 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.

June 1-7: *Natural Hazard.* Heightened risk of large loss natural event.

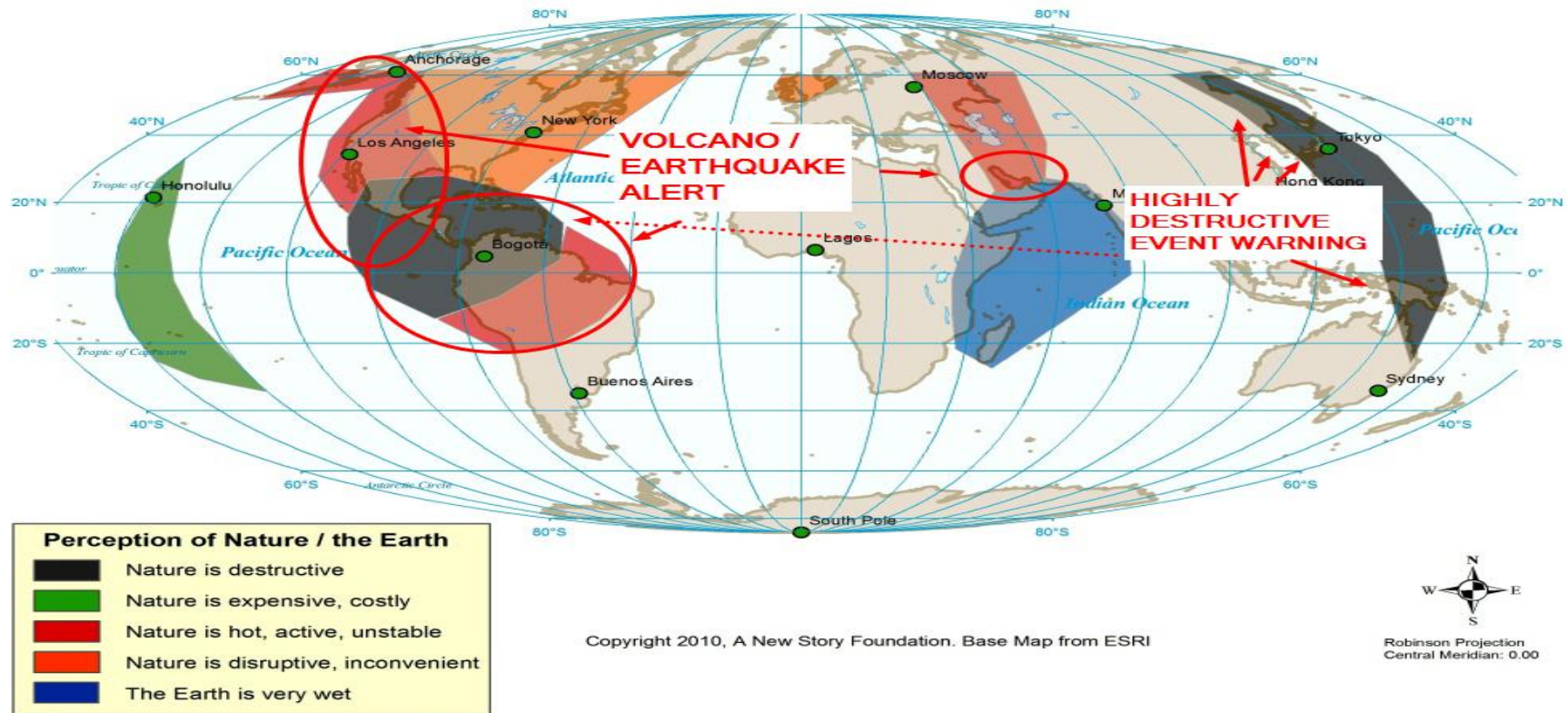
The charts on the following pages will go into further detail of the social mood changes and corresponding market behavior for this time period. The last few pages of this document will give you a brief orientation to the MoodCompass.

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
5/1-10	Tipping point. Global leaders focused on economic issues and maintaining global peace (7b). Social tension is thick. A “shoe” is waiting to drop (8a).
5/1-12	Heightened interest in volcanoes and earthquakes (7a).
5/6-24	U.S. government appears weak or vulnerable. Gov’t highly preoccupied with economic and domestic issues (8b).
5/11-18	Seeking Safety. Preoccupation with limiting losses, damage control and humanitarian aid (7b). Major shift of perspective and socioeconomic trend (8a).
5-19-20	Pause (7b).
5/21 – 31	Extreme safety seeking. Extreme interest in damage control and further risk avoidance (7b).
5/26 – 6/4	Heightened risk of large loss natural event (7a). U.S. government extremely polarized (8b).

Human Perception of Nature - May 2010



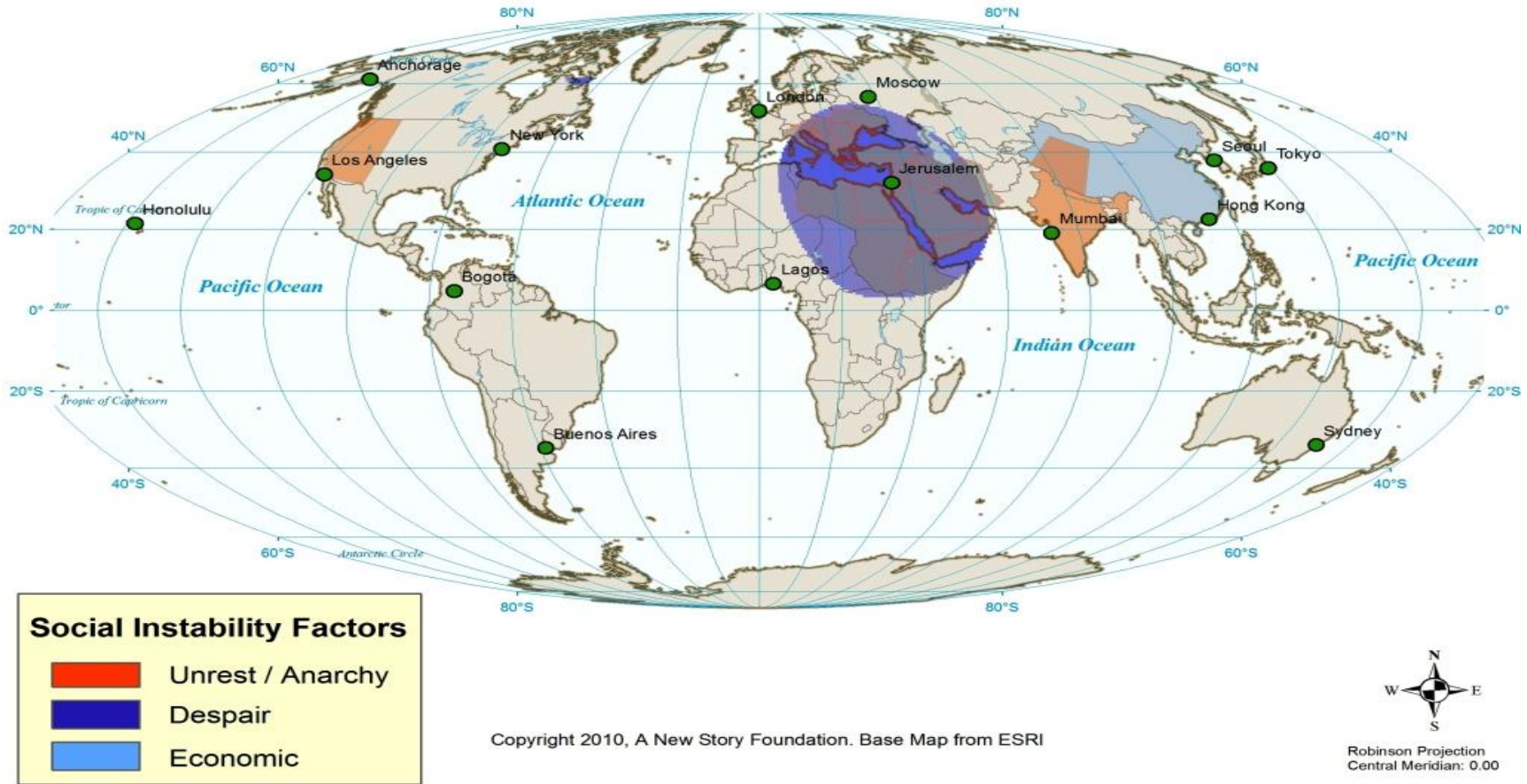
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Robinson Projection
Central Meridian: 0.00

In anthropomorphic terms – The Earth is MOVING, CHANGING, DYING.

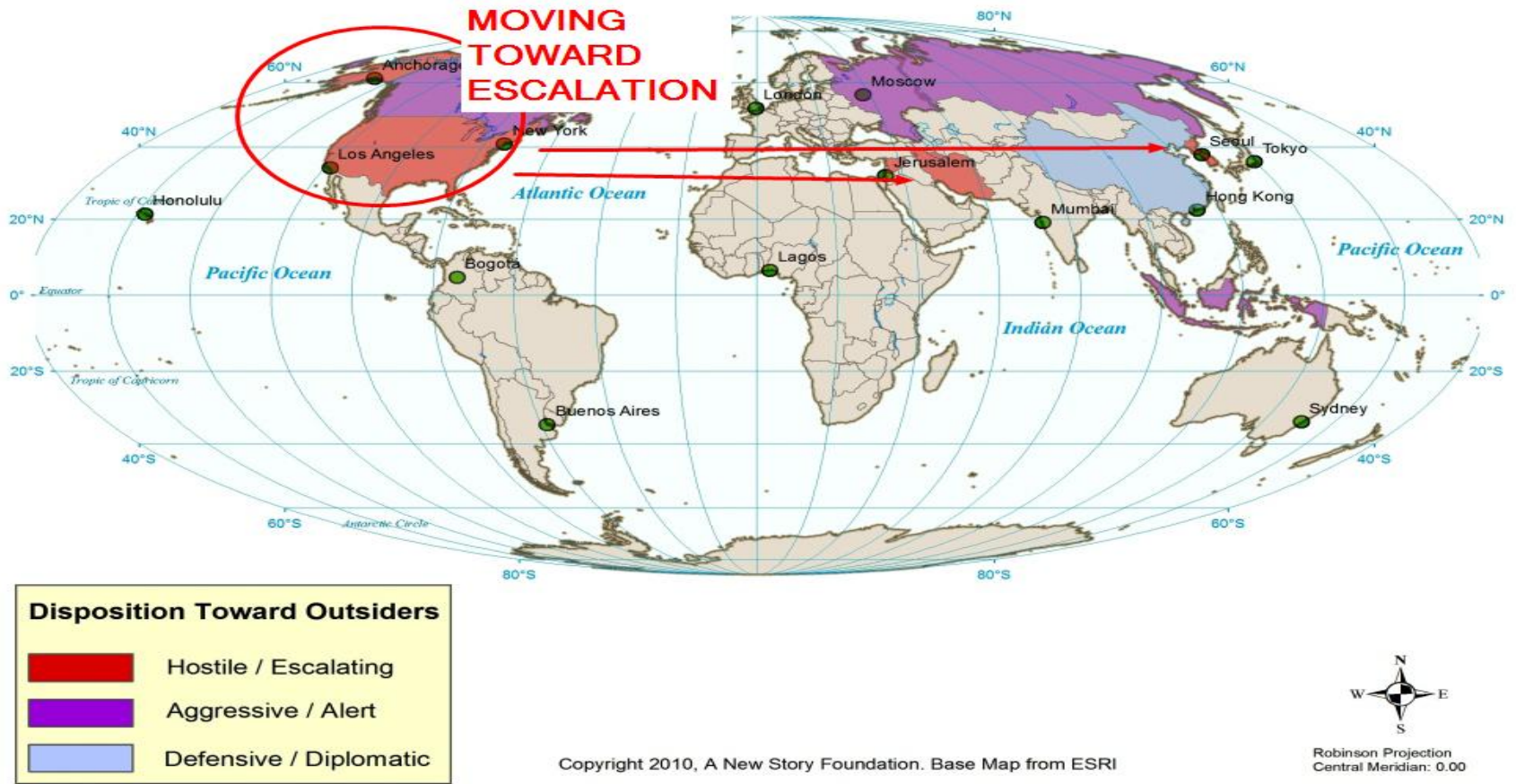
Possible physical manifestations – The earth is perceived as **hot** and **in motion** in portions of the Americas, and in the area of Iran and Iraq. This generates a **volcano/earthquake** alert. Nature is perceived as serious or deadly in Mexico, Central America, and portions of South America as well as the Gulf of Mexico. This may indicate a serious **tectonic event**, but could also be referencing the Gulf oil spill which has already occurred. The perception of nature as serious or deadly in the Far East generates a highly destructive event warning for E. China, Korea, Japan, and/or Papua New Guinea. The primary perception of nature surrounding the Indian Ocean is **wet**, and **wet weather** is likely. Nature is seen as **expensive or costly** for Hawaii residents, and is viewed as **disruptive, chaotic** or **inconvenient** for residents of Eastern N. America and Great Britain. The latter may signal weather that is **disruptive** to business as usual.

Social Instability Factors - May 2010

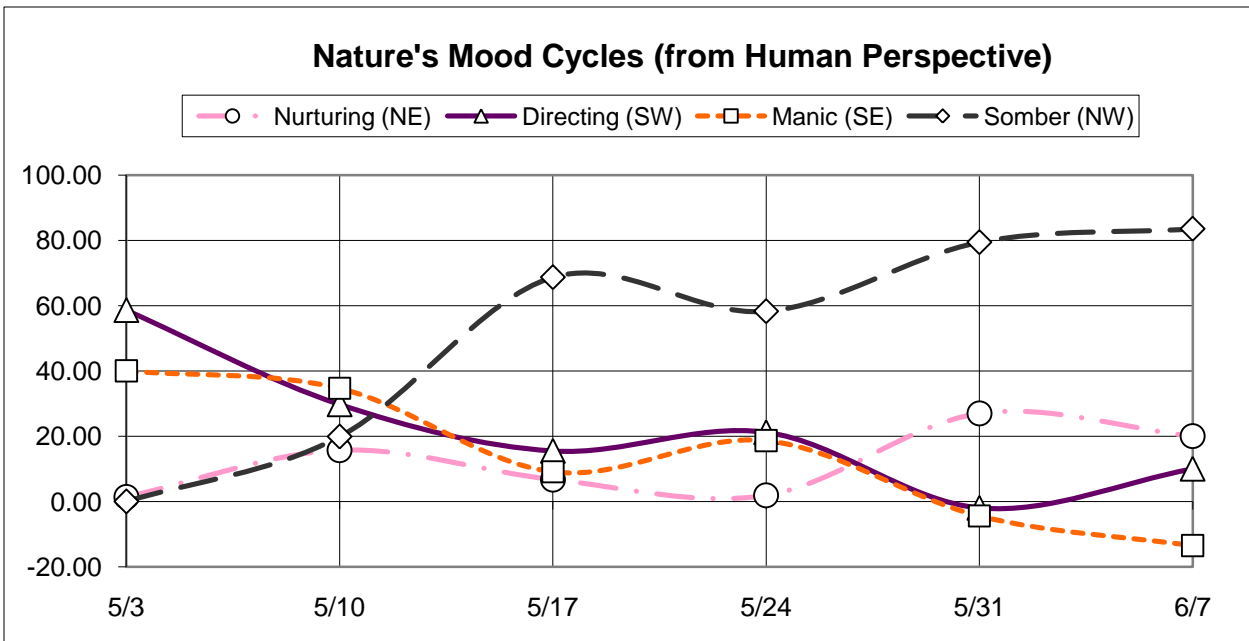


Civil unrest is increasing globally, however the anarchy factor is especially high in the Western United States, Western China, and India. Watch for an increase in protests and concerns with terrorism. The Chinese government may finally get to see the economic slowdown it has been trying to enable. However, they may get more than they bargained for. The ominous mood configuration surrounding the Mediterranean and Middle East is usually associated with sickness, helplessness, and despair. Something should have the people in this region unusually somber.

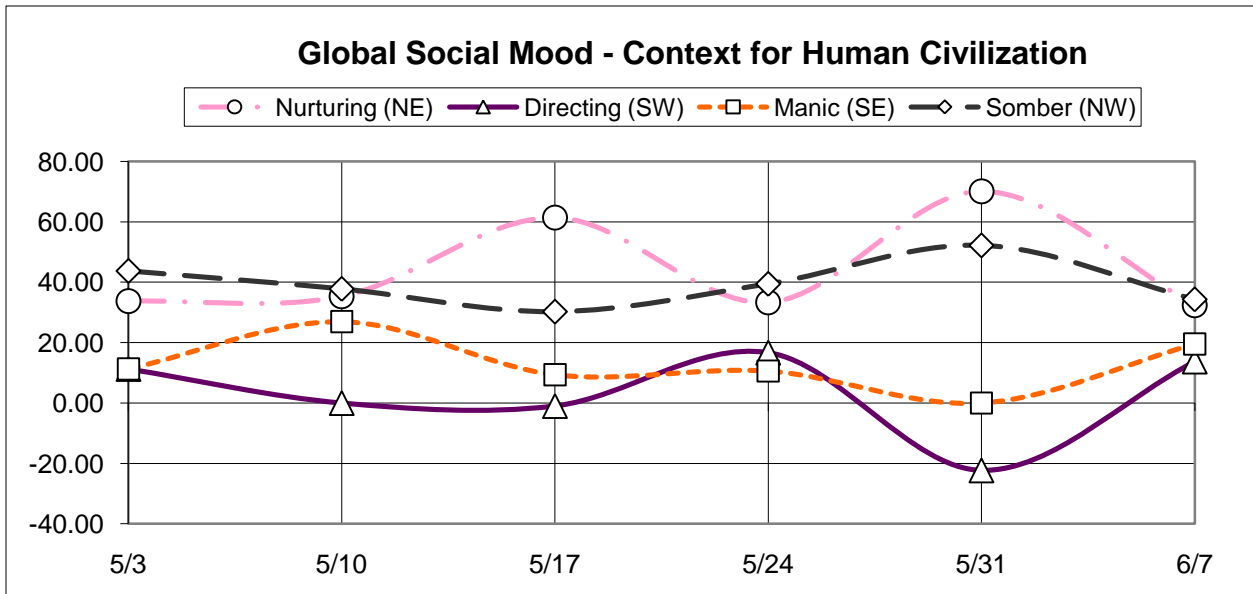
Projected Geopolitical Posturing - May 2010



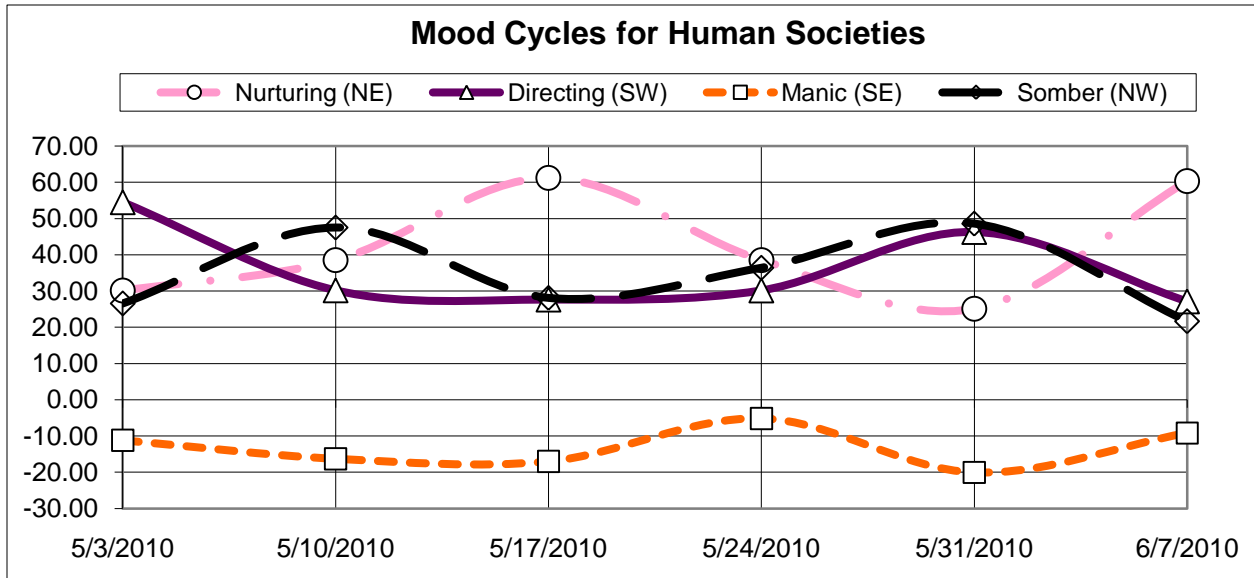
Global tension is quite high in May, and decisions made this month could have long-lasting effects. The U.S. continues to edge closer to geopolitical conflicts it would rather not deal with. N. Korea is of significant concern this month with an increasing potential for a situation that gets out of control. The Middle East situation is extremely tense, and should be closely watched. The path of least resistance is in the direction of increasing volatility.



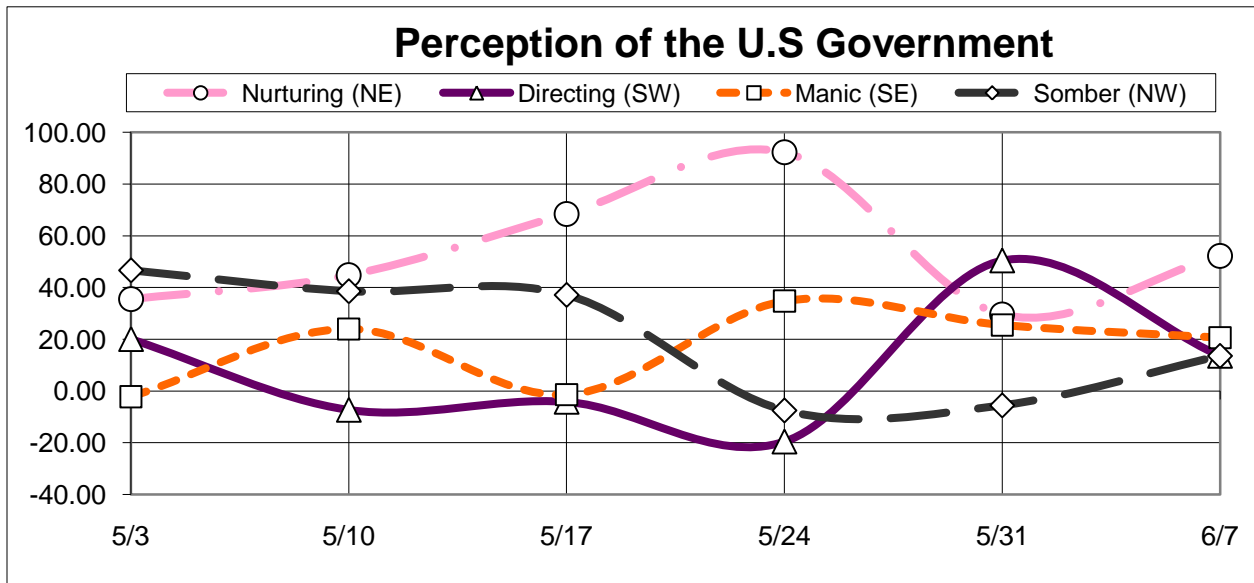
<p><i>Moving, Destructive</i> Heightened interest in volcanoes and earthquakes likely.</p>	<p><i>Serious, Liquid, Moving</i> Risks of volcanoes and earthquakes continue, accompanied by storm or water damage risk.</p>	<p><i>Serious / Deadly</i> Nature is perceived as serious or deadly. Large loss event is possible.</p>
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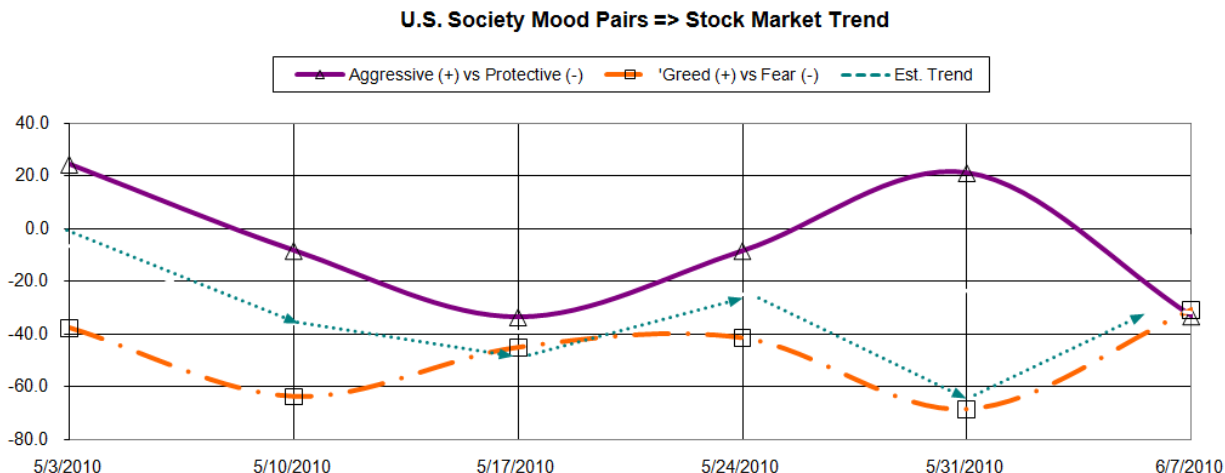
<p><i>Economy, Peace</i> Global leaders focus on economic issues and maintaining global peace. Calm before the storm configuration (N/NW).</p>	<p><i>Seeking Safety</i> Preoccupation with limiting losses, damage control, and humanitarian aid (high NE).</p>	<p><i>Pause</i> Moment of breath-catching, and encouragement</p>	<p><i>Safety Seeking in Earnest</i> Extreme interest in damage control and further risk avoidance (NE+/SW-).</p>
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<p>Tipping Point <i>The tension is thick. A “shoe” is waiting to drop (N/NW).</i></p>	<p>Major Shift of Perspective and Socioeconomic Trend <i>This entire period shows a profound shifting of sentiment. Such a shift has not occurred since March of 2009, when the economic crisis first began to show signs of turning. Since the markets have been rallying, and hope of economic recovery has been high, this type of shift is likely to be extremely negative in direction and effect for some time to come.</i></p>
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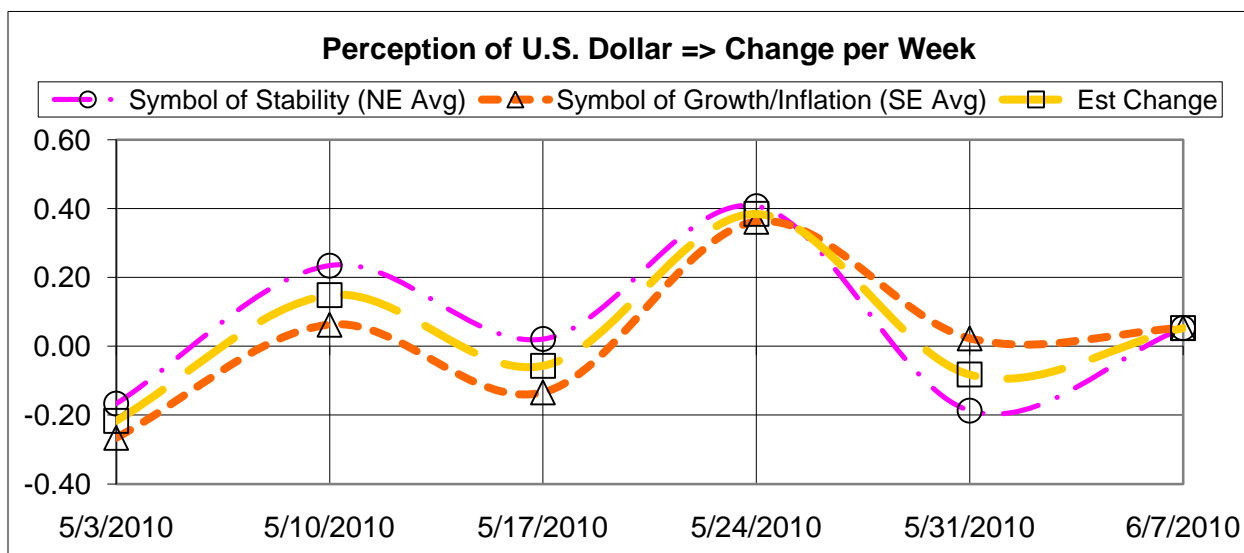


<p>U.S. Gov't Appears Weak or Vulnerable <i>High NE, low SW signals a U.S. government that appears weak or vulnerable and is preoccupied with economic and domestic issues.</i></p>	<p>Polarization <i>Life vs. Entropy factors displays a major rift in government.</i></p>
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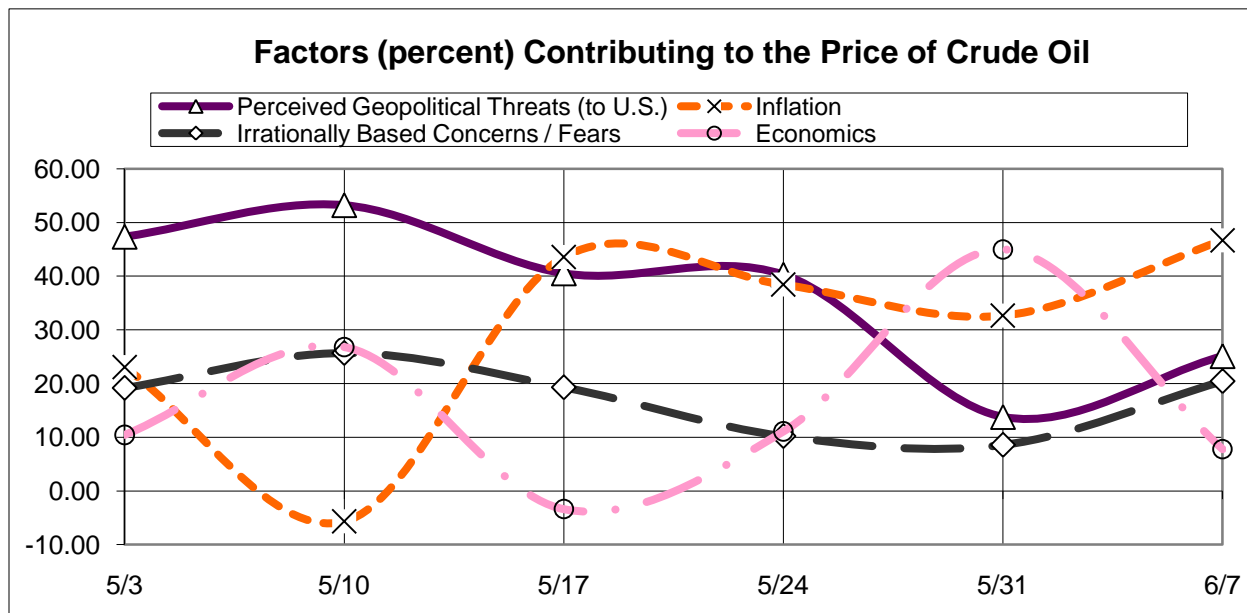
Explanation of chart lines: It is common knowledge among traders that movement in the stock market is based on a “tug of war” between pairs of sentiment. This charts the two primary pairs which correspond to the general stock market trend. “Aggressive vs Protective” is the difference of the values of the two Moodlines “Directing” and “Nurturing.” “Greed vs Fear” is the difference of the values of the two Moodlines “Manic” and “Somber.”

A volatile month with sharp sell-offs as well as rallies possible. Due to the social mood configuration showing a major shift in trend, it is likely that the market top of the March 2009 rally has concluded (or is reached within the first few days of May).



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 be on an uptrend, if it follows the model. However, this model has been running inverted of late, and is likely to continue to do so in May. Until this cycle shift is complete (near the end of the first week of June), there is low confidence in this chart’s forecast.

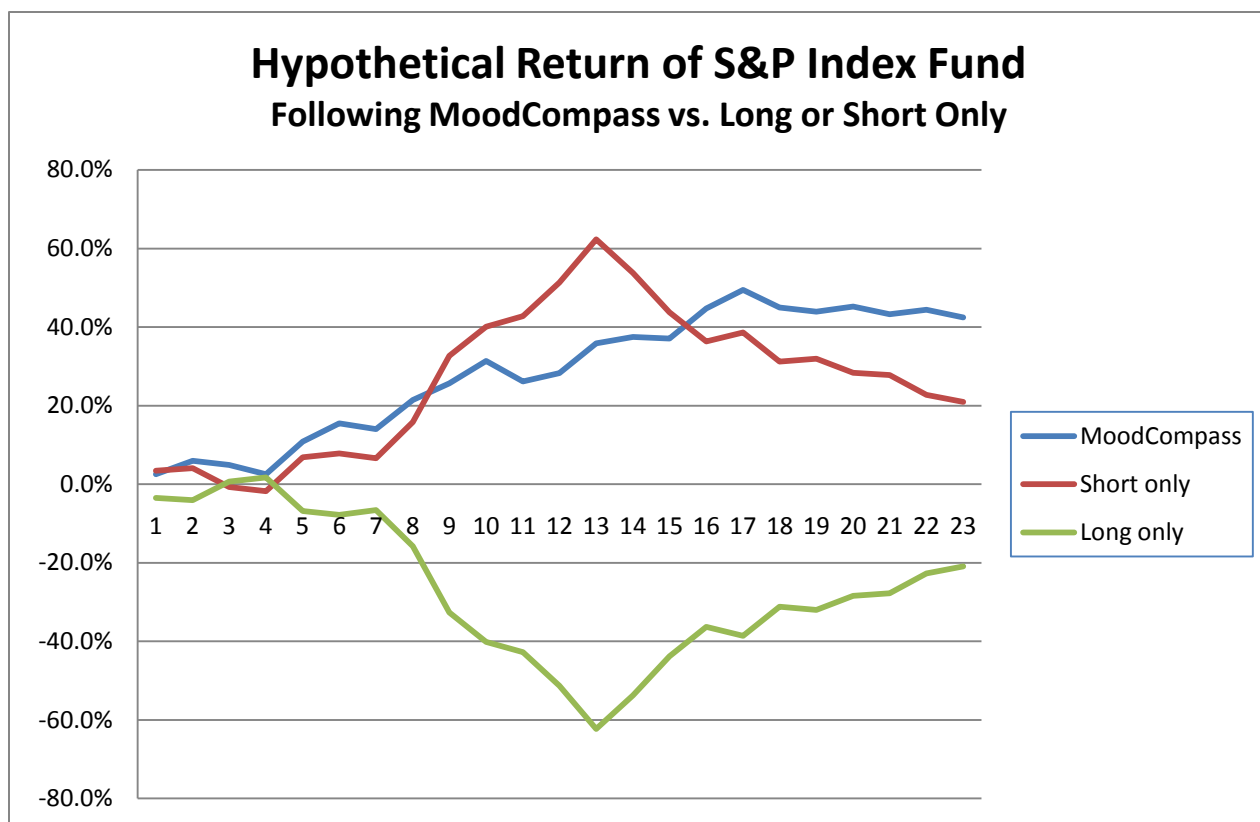


Explanation of chart lines: *The values for the Moodlines (Directing, Manic, and Somber) for U.S. View of “the World” are used to produce this chart. This chart is useful in searching for potential geopolitical events, and escalated irrational fears of supply disruption. It is also useful as a check 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 largest gains in crude prices would be likely the first week of May and perhaps into the following week, as geopolitical tension is in the forefront as a concern. The week of the 24th through the end of the month may see a crude price collapse as economic concerns rise sharply to the forefront. It is not clear whether the high inflation concerns indicated from May 17th through the end of the period would be due to a falling Dollar, U.S. Treasury sell-off, or extreme crude oil prices.

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, January 2010.



Feb 2008 to January 2010

	% Gain Total	Max DD
Mood compass	42.7%	18.1%
Long only	-22.1%	64.1%
Short only	28.4%	41.4%

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

Date	MoodCompass Statement	Actual Events
Apr 6-13	Global leaders concerned with civil unrest and terrorism. U.S. gov't in crisis mode. Something has people's attention and panic likely. Markets may decline sharply. Investors bailing out of U.S. Dollars and U.S. markets. High interest in volcanoes and earthquakes.	Krygystan coup; U.S. air base closes. Thailand unrest extreme; Red-Shirts clash with military. U.S. Dollar Index declines along with commodities. Ahmadinejad asks millions to leave Tehran due to earthquake possibility. Email hoax of imminent major quake puts L.A. residents in a panic. OK legislature proposes militia to defend against Federal government.
Apr 14 -20	High global tension/polarization. Something has people's attention and . panic still possible. Heightened interest in volcanoes and earthquakes.	Iceland volcano eruption causes travel chaos in Europe. 7.1 quake in W. China kills 2000+. Goldman Sachs accused of fraud; shares drop 13% in one day. Arizona legislature passes "presumed illegal" immigration bill; Mexico issues travel warning. Armed "March on Washington" for gun rights.
Apr 29-30	Strong geopolitical focus; crude prices may rise sharply. Heightened interest in volcanoes and earthquakes	Iran warns Israel it will stand by Syria, and will "cut off the feet" of any attackers. Crude prices rise in spite of sizeable stock market decline.

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.

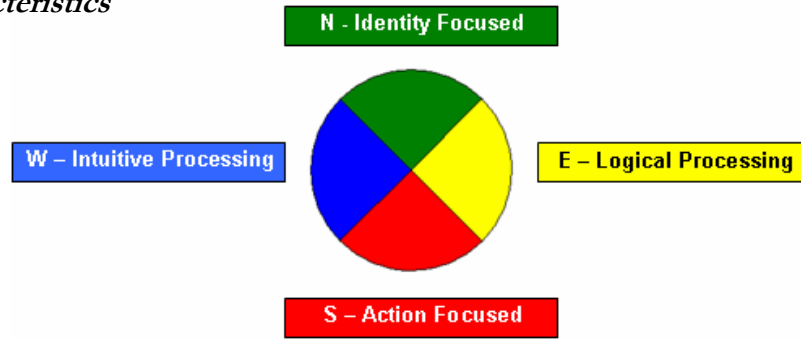
MoodCompass was Born

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:

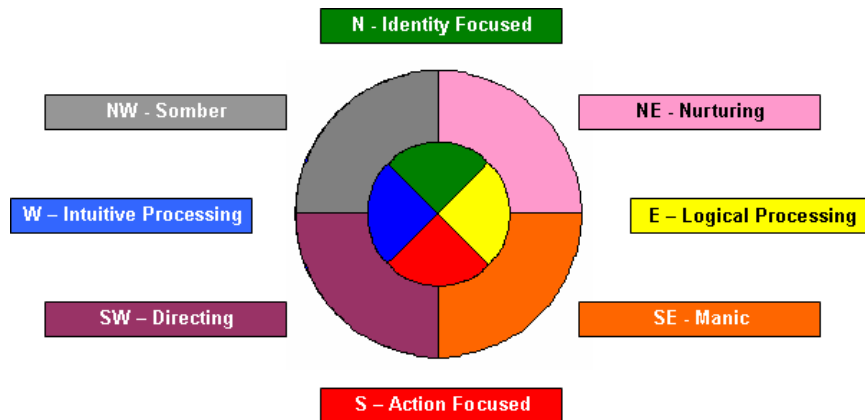
Primary Characteristics



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.



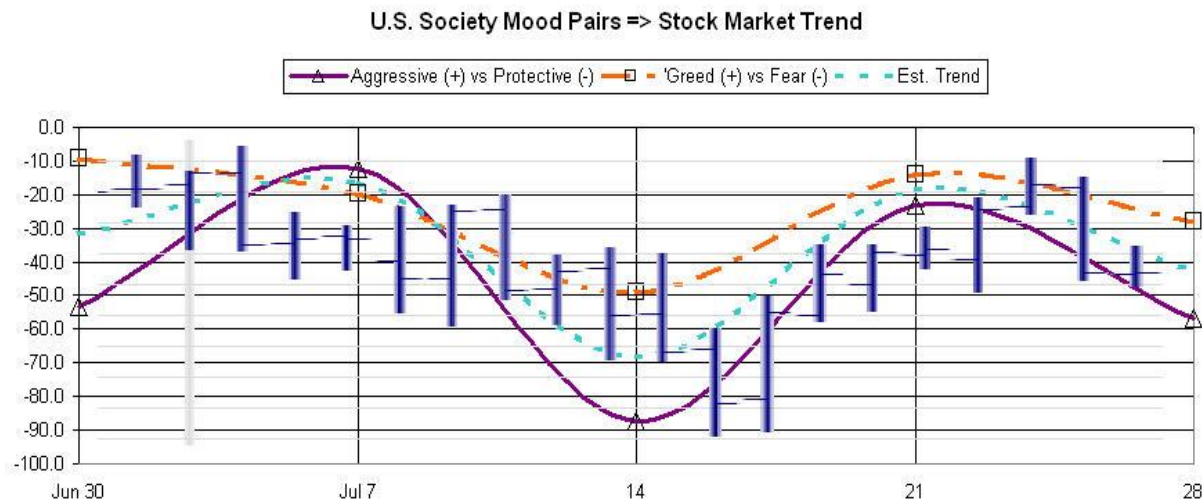
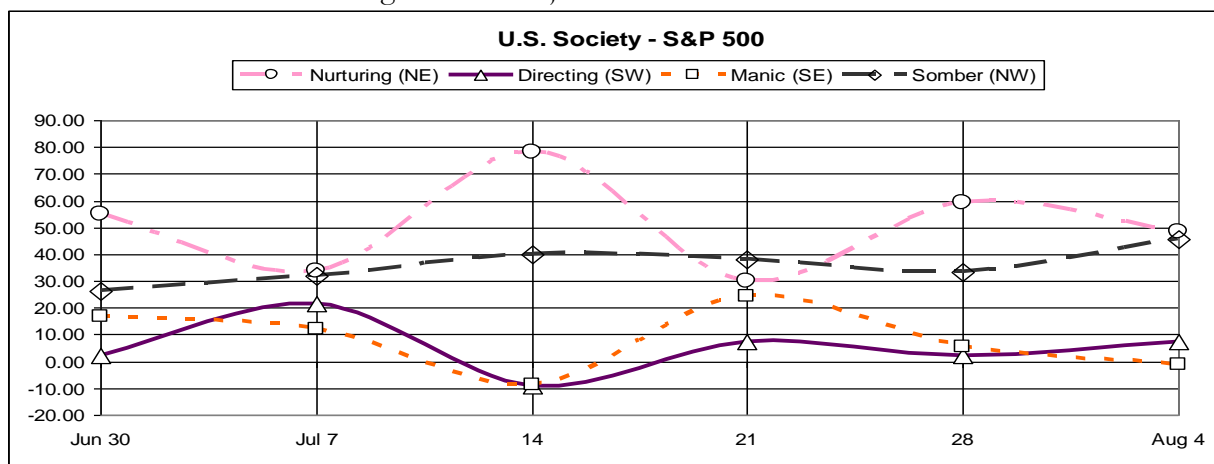
Tracking Profiles Over Time

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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