

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

September 2009

4 Pages of Maps Now Included!

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September 2009 – Please Remain Calm

The last few months have seen global society move from the brink of despair to a hopeful optimism that things may actually be starting to get better (even while jobs and homes continue to be lost). Wall Street has given new meaning to irrational exuberance, as bullish sentiment indicators reach extremes that exceed the levels of the market peak of October 2007. There are rumors expressed by some commentators that there never even was a recession to begin with.

In March, we cautioned to look for such an extreme in optimism in the months ahead, as it would be the signal that things would be about to get really bad. We are here now. September is a month of paradox, confusion, turbulence, and cross currents. It is a month where hope continues to push forward, as reality persistently slaps it down. There could be large stock market declines as well as huge market rallies as people struggle to find their bearings. There are indications of high economic concerns on a global scale, yet concurrent concerns about inflation are not out of the question. Another crisis regarding the fate of the U.S. Dollar may reappear, while the Dollar builds a solid foundation from which to rally from in the coming months.

In the geopolitical arena, there is increasing violence likely in Nigeria and more civil unrest likely in Iran. Either of these could cause supply concerns in the energy markets. There is a general deterioration in the desire for cooperation among nations, most notably from Russia and the Middle East arena. Global relationships could also deteriorate with Afghanistan, Pakistan and even India. The United States could begin to show an increasingly unfriendly tone this month as well.

In the natural world, it's the peak of hurricane season, increasing the likelihood of tropical storms and cyclones. There is also a curious indication of concerns with disease outbreaks in Asia which merits watching. Overall, September should be an interesting, if not painful month, as we all try to orient ourselves to a shifting, changing reality. Global leaders should be working overtime to ensure us that all is well, and above all to "please remain calm."

Week by Week Highlights:

August 31 – September 6: *Instability.* Global panic. U.S. government appears “surprised.” Increased geopolitical focus. Stock market lower. Heightened disease concerns, primarily in Asia.

September 7 - 20: *Tension Building.* Growing global economic concerns. Possible crude oil supply concerns. Increase in tropical storm activity. U.S. government in denial about the severity of the situation(s).

September 20 - 27: *Extreme Volatility!* High inflation concerns. Possible final stock market top and U.S. Dollar bottom (if it hasn’t occurred already). Renewed geopolitical concerns. Global leaders try to maintain stability. Markets could be extremely volatile.

September 28 – October 4: *Looking Shaky.* U.S. government in turmoil, caught between foreign and domestic issues. Stock market looking shaky. Large stock market decline is imminent.

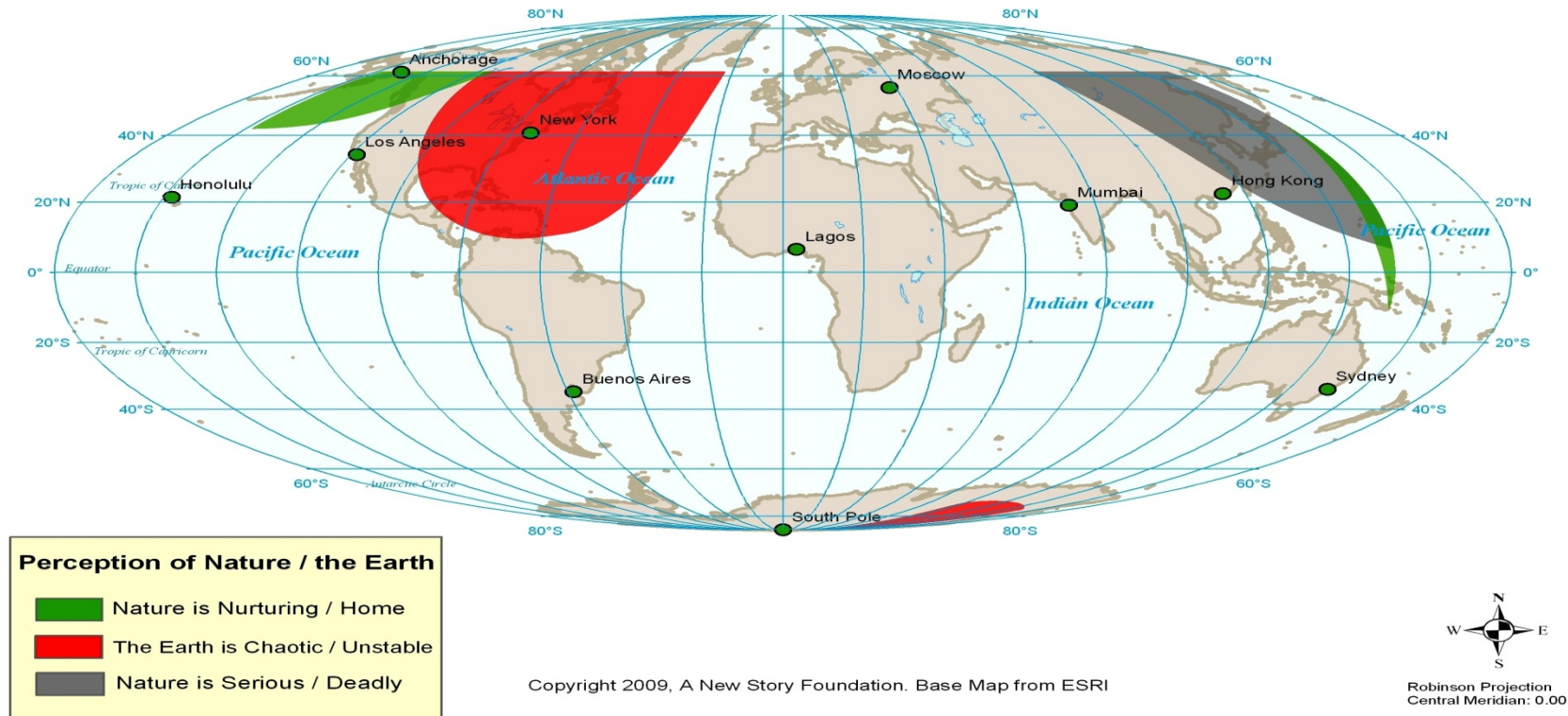
The charts on the following pages will go into further detail of the social mood changes and corresponding market behavior for this time period. The last few pages of this document will give you a brief orientation to the MoodCompass.

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 week by week highlights found on page 3 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
8/31 – 9/3	REALITY hits, global panic response, optimism fades (10). Stock market lower (12). U.S. government appears in chaos and/or incompetent (13). U.S. Dollar rallies (14). Increased geopolitical focus (15). Heightened disease concerns, primarily in Asia (5, 9).
8/31-9/20	Geopolitical tension possibly leading to energy supply concerns (15). Growing economic concerns, primarily in U.S. and Europe. (7, 15).
9/8 – 21	Hurricane Season in full force (6). U.S. government in denial or delusional about the severity of the problem(s) (13).
9/21 – 27	High inflation concerns (15). Possible finalé to the U.S. Dollar demise ideation (14, 15). Renewed geopolitical concerns (15).
9/22 – 25	U.S. government attempts to stabilize situation. Possible stock market top from the March rally (11, 12) and U.S. Dollar bottom (14).
9/28 – 10/4	U.S. government in turmoil caught between foreign and domestic issues (10, 11, 13). Stock market looking shaky (12).

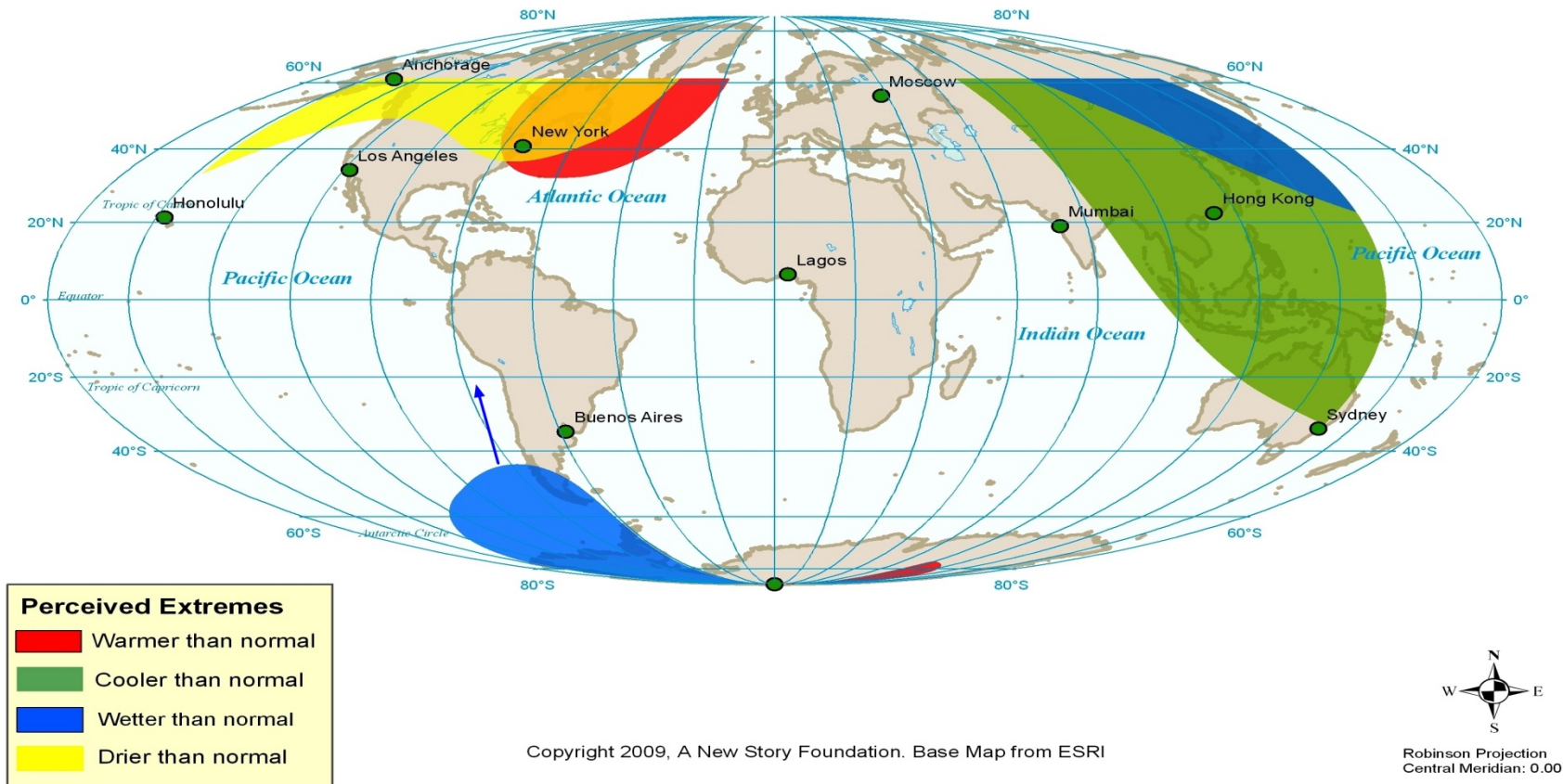
Human Perception of Nature - September 2009



In anthropomorphic terms - The primary configuration for the way humans perceive Nature for the month of September is moderate “South” or Volatile. Gaia is **restless**. It is as if “she” is fidgety and full of energy that must be released somehow and somewhere.

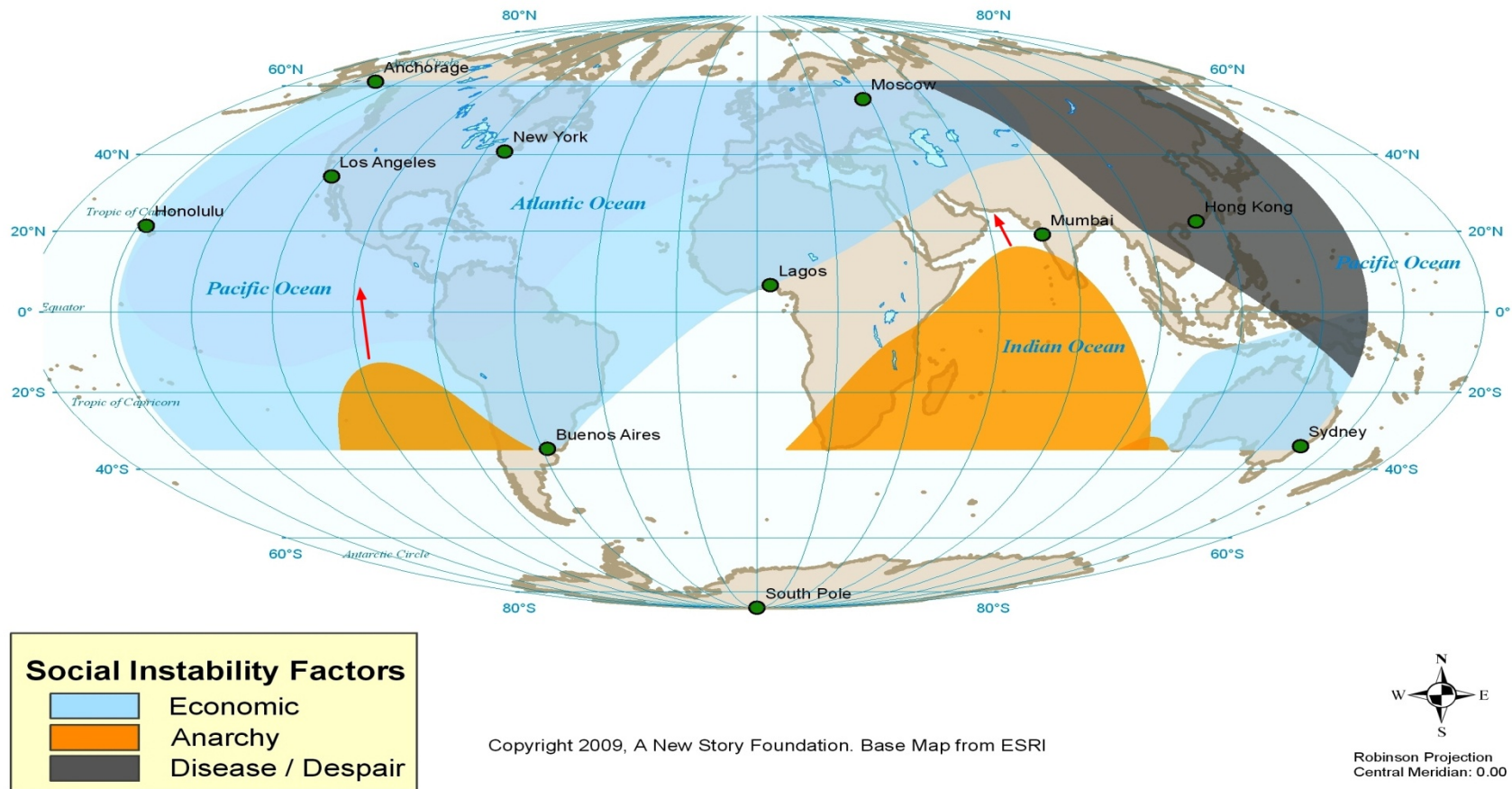
Possible physical manifestations – South is associated with **heat, movement, and instability**. The chaos factor is elevated from the northern part of South America into the Caribbean and up through Eastern Canada. This could indicate the **unstable weather** often accompanying hurricane season. Instability near the South Pole could be a result of **climate change**. Nature is seen as serious or deadly in parts of Asia. This can be associated with **deadly storms** or concerns with **disease outbreaks**. The best **feel good** place to be in September is the Pacific Northwest, including Alaska.

Projected Weather Extremes - September 2009



Weather Extremes – Watch for drier than normal conditions in North America and Hawaii, with the possible exception in the southwestern United States. This is an unlikely time for any drought relief to occur in those areas. Look for wetter than normal conditions in northeastern parts of Asia, and along the western coast of South America. The latter could be related to the El Niño effect. Warmer than usual conditions may be experienced in the northeastern United States, and in eastern Canada. Cooler than normal temperatures are likely in much of Asia, Indonesia, and in parts of Australia.

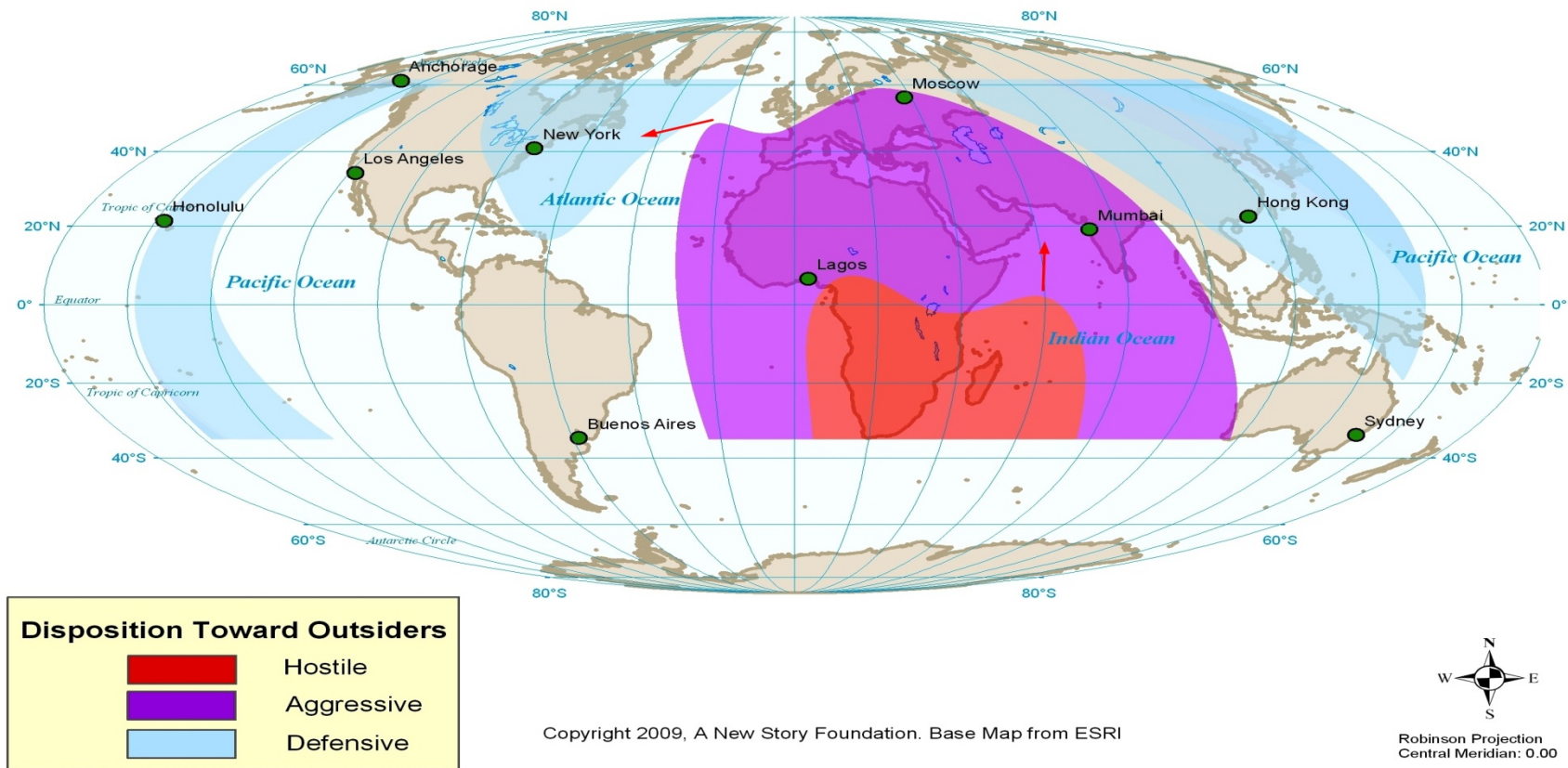
Social Instability Factors - September 2009



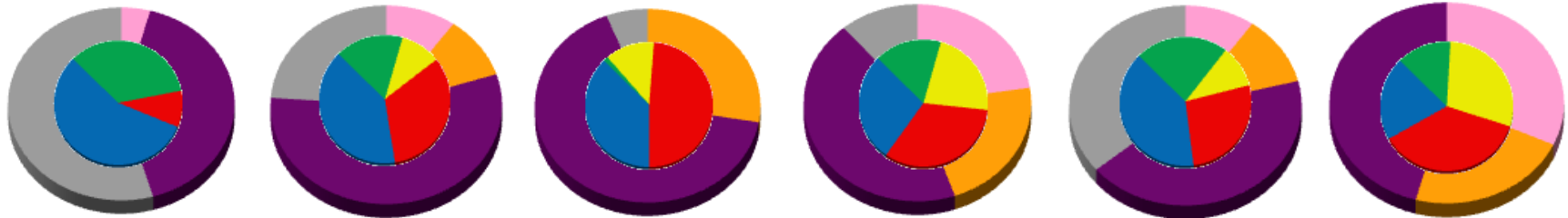
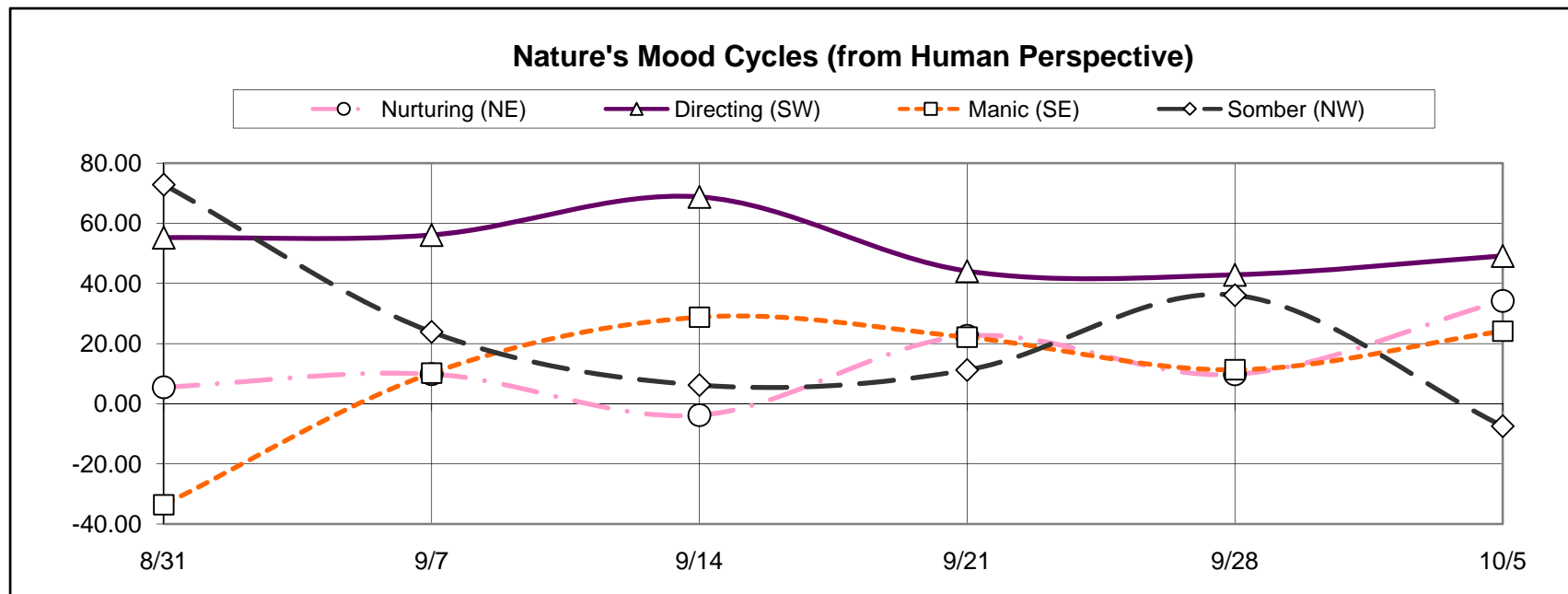
There is a notable increase in the economic instability factor in the Americas, Europe, Russia, and Australia indicating that a global economic crisis is likely.

The anarchy factor is significantly elevated in the area of Iran and Afghanistan. Further unrest may be indicated in Iran. There is a "wave" of anarchy headed toward Western North America or Mexico. Watch for any developments of unrest in California or Mexico. Significant concerns with disease outbreaks may be seen in Asia.

Projected Geopolitical Posturing - September 2009



The United States, Canada and most Asian nations show a defensive posture and should be extremely interested in diplomacy and negotiations. Russia takes an aggressive stance with the rest of the world and is seen as unfriendly or uncooperative. Heightened aggressive positions should be noted in the Middle East, Afghanistan, Pakistan, and even India. The United States should at some point take a less cordial tone in its international relations. There is a heightened risk of violence in Western Africa. Pay particular attention to Nigeria. There is an increasing likelihood of violent escalation in the area of Iran and Afghanistan.



Less Ominous

Diminishing Somber shows lowered perception of anything "ominous". High W factors indicate likelihood for extra rain, especially northeast Asia (as indicated on the weather map).

Hurricane Season

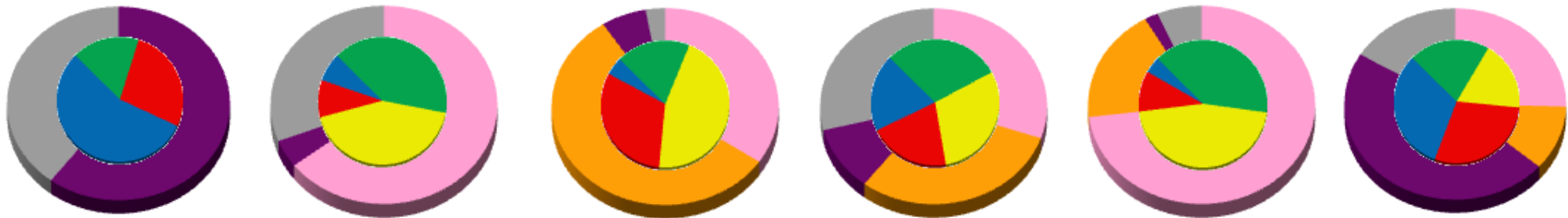
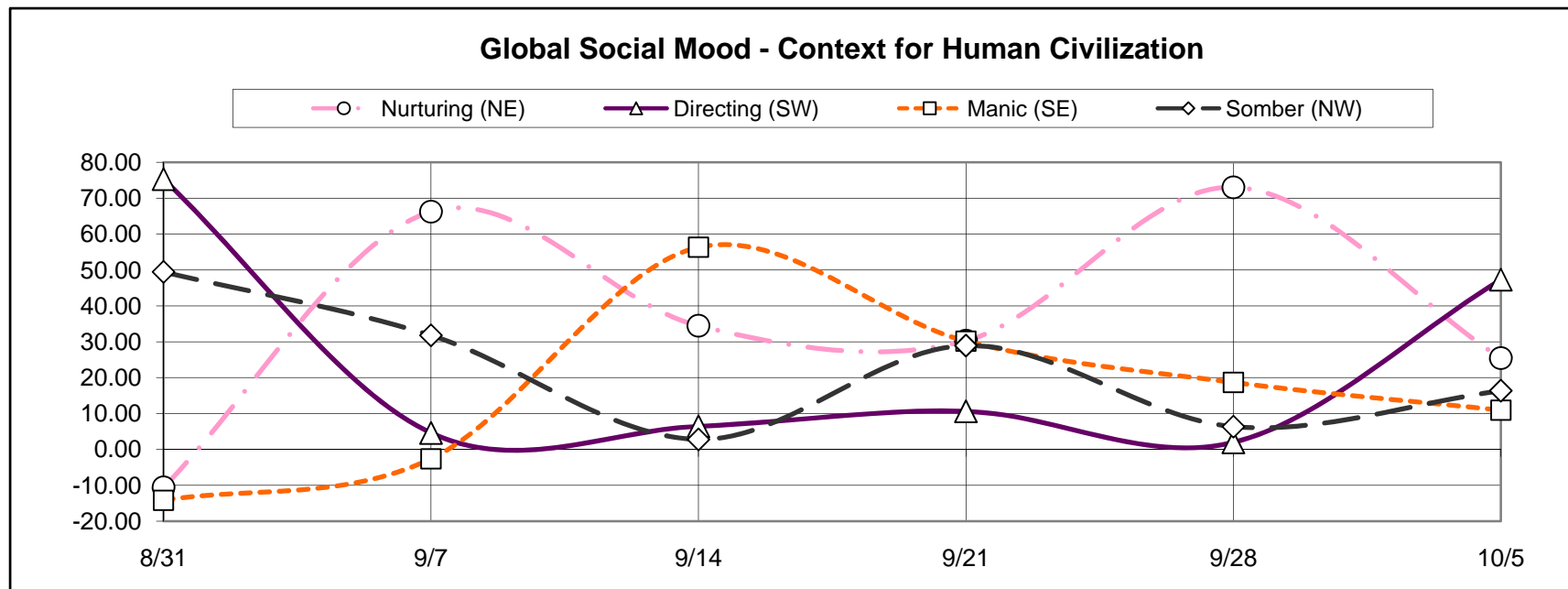
High S/SW could literally refer to "energized water," in other words an increase in tropical storms and/or hurricanes.

Just Wet

Areas indicated for extra rain (i.e. northeast Asia) would be most likely to get that now (high W/SW).

Looking Good

High phi factors indicate a benign view of nature.

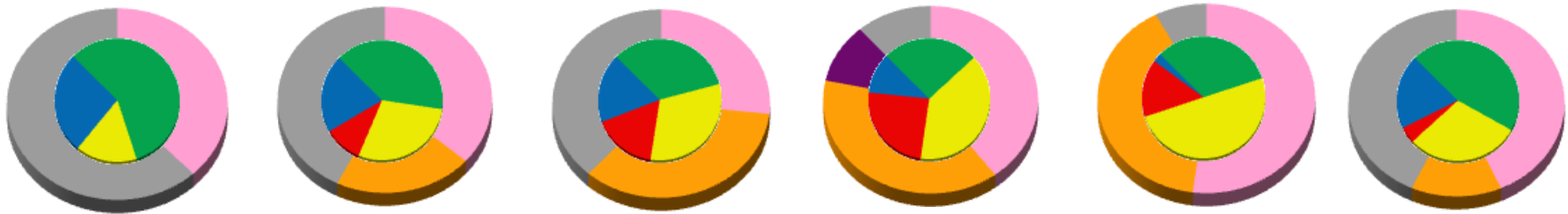
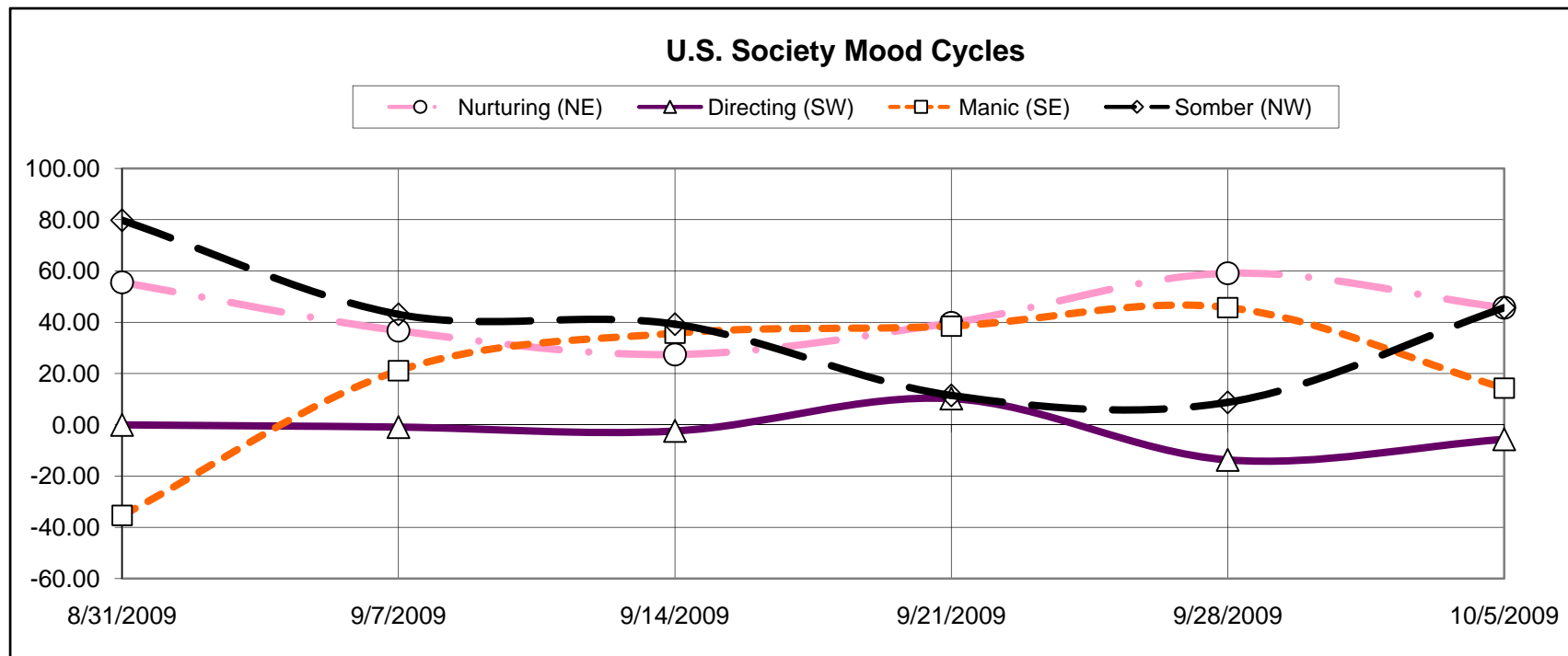


Reality Breaks through Denial
PANIC (high SW/NW) shows up on a global scale. Optimism (SW) fades.

Safety Seeking and Confusion
High NE indicates Safety seeking. This is followed by confusion (high SE/NE).

Calming Down
Whether by government intervention or otherwise, there is a pause in the commotion.

Safety Seeking Again
A large surge in the Safety Seeking configuration. Global leaders try to keep the peace and soothe frayed nerves.



Losing that tight grip.

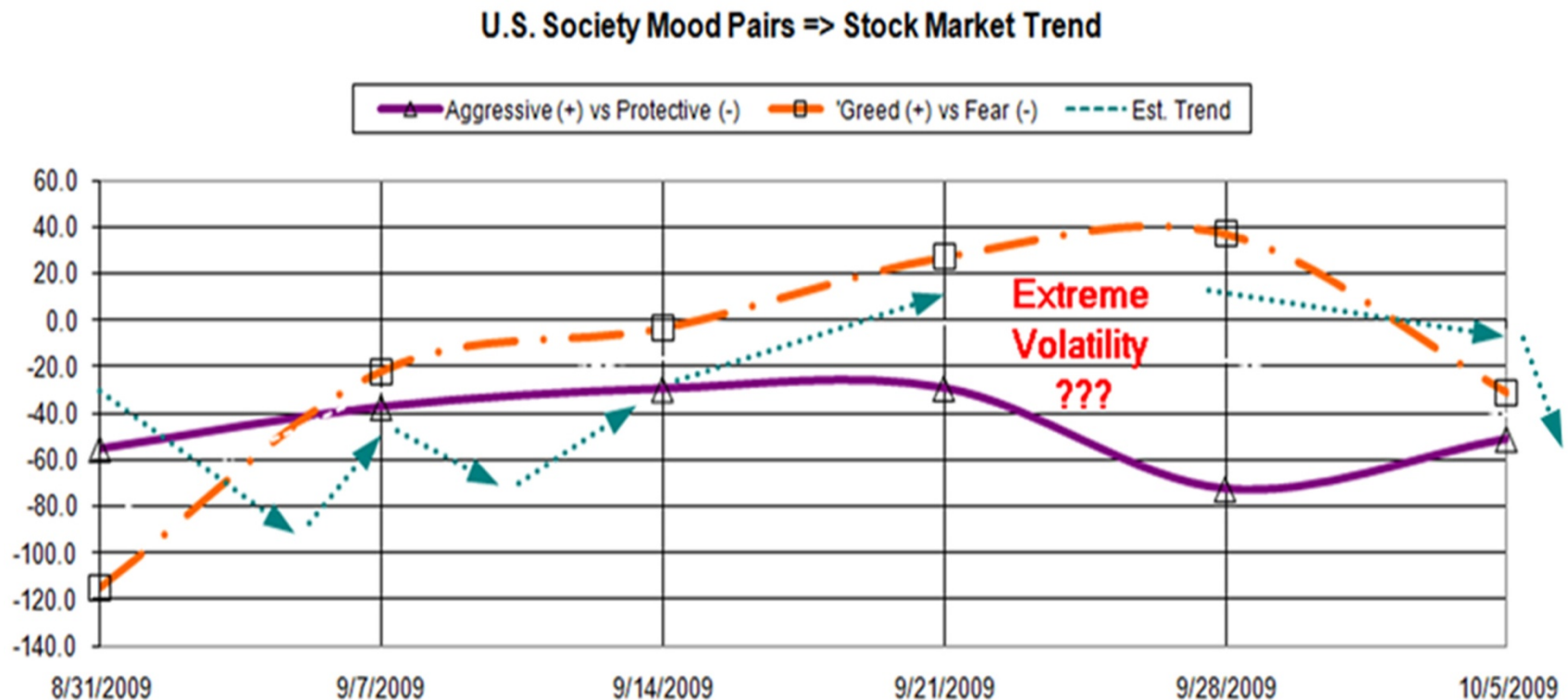
High N factors suggest a paralysis as far as taking decisive action, but it's in decline. Tension is extreme. Then, it is released in a painful way (high entropy factors after Sept 9th).

Confusion

A twisted and confused mix of sentiment. An attempt to rally optimism (SW).

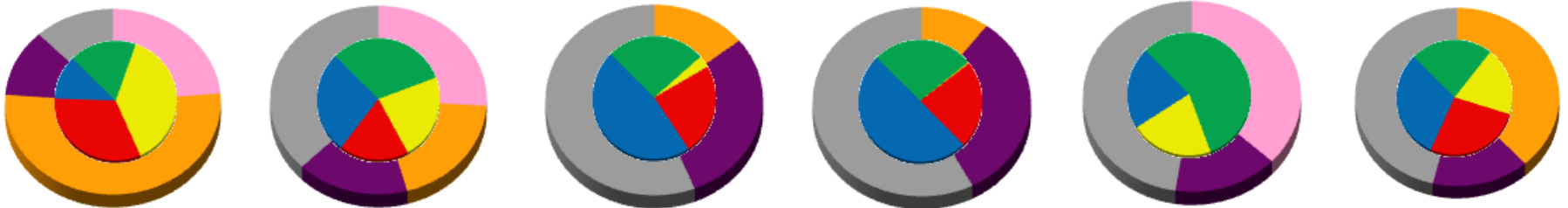
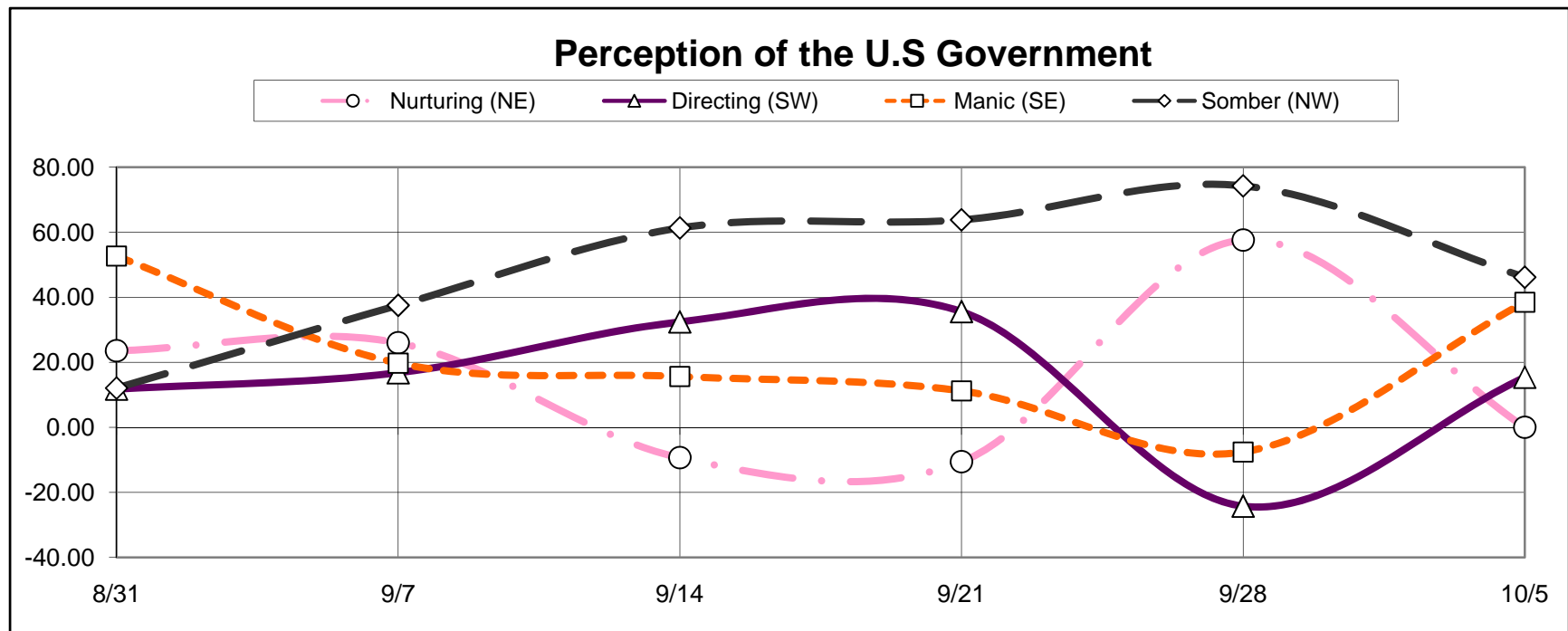
Silver Linings meet Fading Optimism

Optimism (SW) fades in the midst of the "silver linings" configuration (high NE/SE) the week of the 21st. Confusion continues as a Somber mood begins to rise the week of the 28th.



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 “safety seeking” from the end of August should taper off around September 3rd. In the midst of global economic crises, and possible geopolitical uncertainty, the market still shows a tenacious tendency to climb. However, this could be due to government intervention of some sort. By the end of the week of September 21st, there should be little left to keep the rally going, no matter how hard the government tries. It is possible that this could be the last gasp of the great bear market rally that began in March. CAUTION: While the trend this month might show a slight upward bias, the volatility, the proximity to the end of the March rally, and the beginning of what should be unprecedented market declines make any long position excessively risky.



IT Hits the Fan!

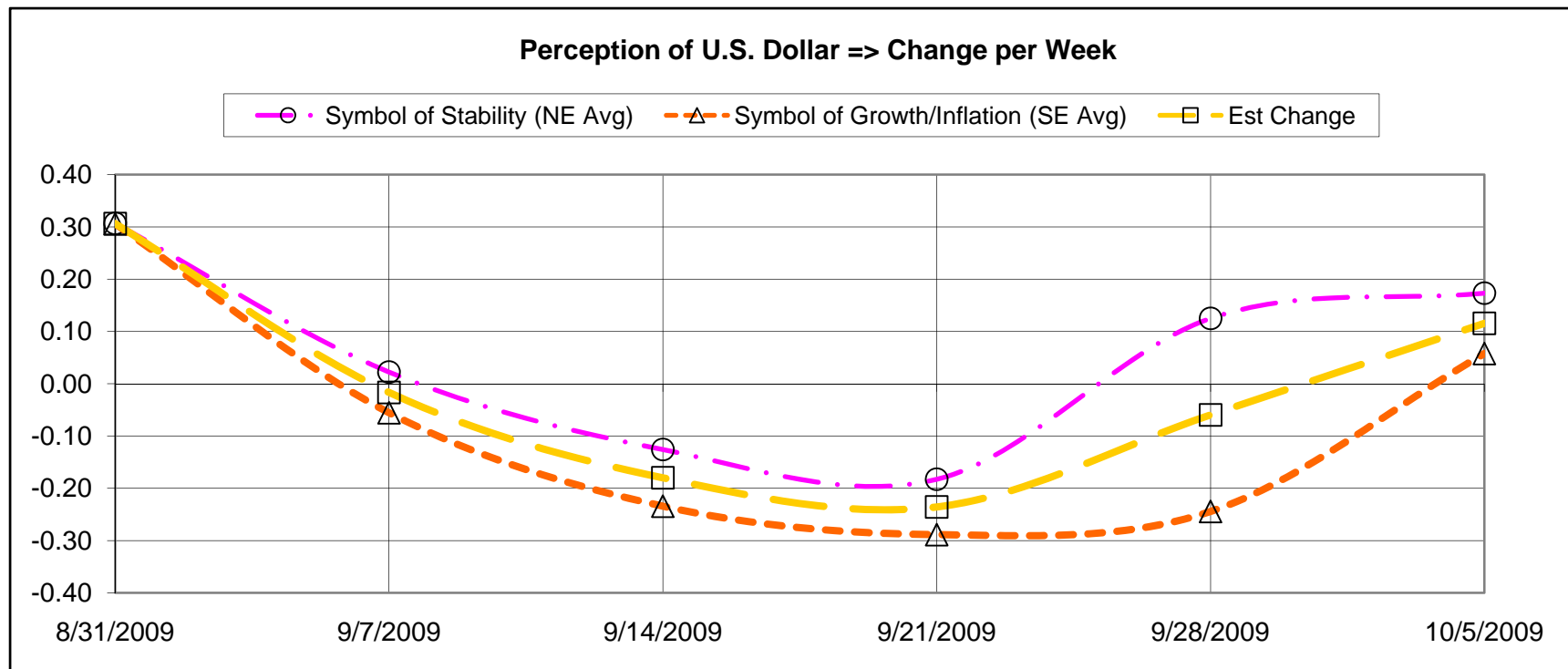
New opportunities for the government to appear less than competent (Manic peak). They then quickly find a calm front to assure the public (N factors high).

In Denial, or Delusional

The U.S. government is not lying, they are either delusional or in denial of the seriousness of the situation. They really believe things are better or getting better. It would be prudent to note what the government says during this time, because they are likely mistaken about it.

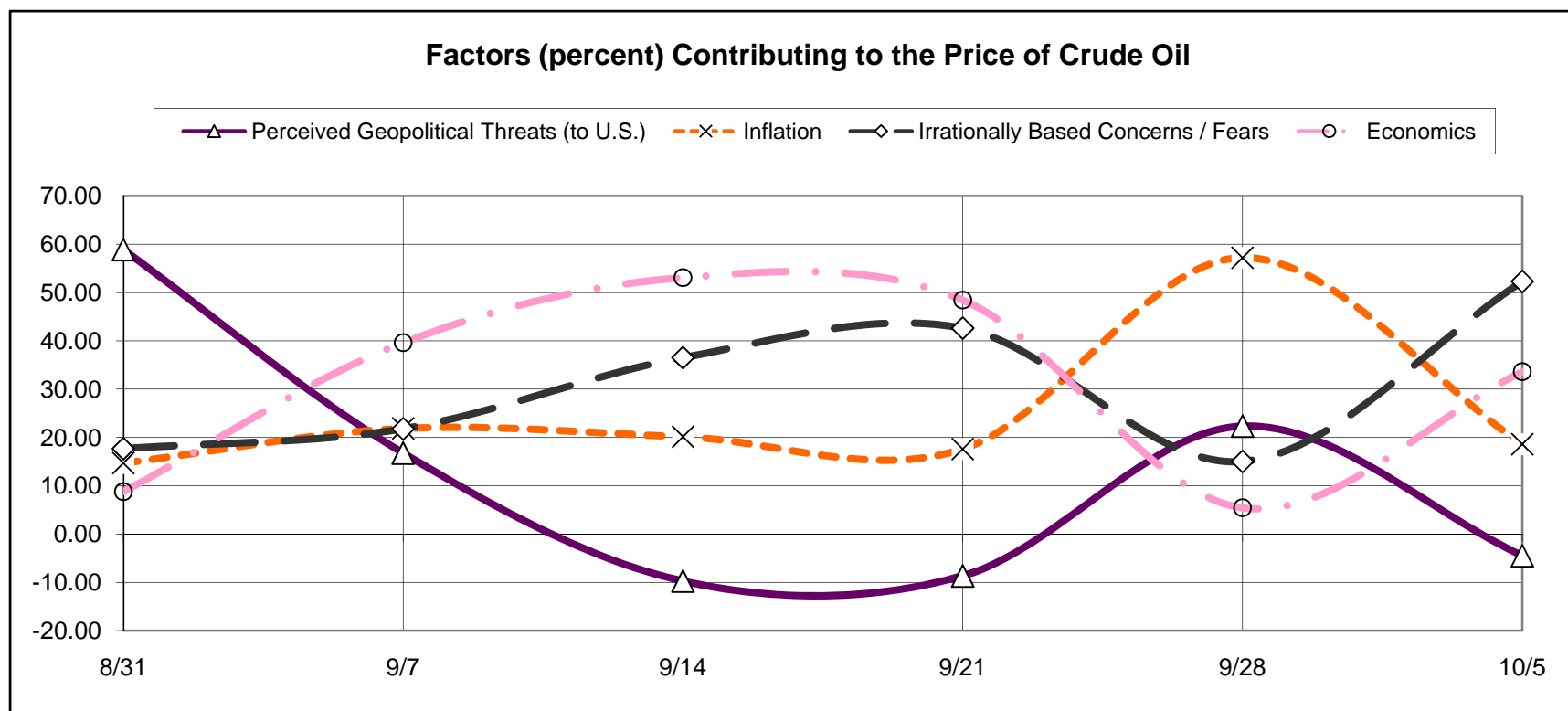
Stay Calm

High North factors indicates a calming persona the week of the 21st. This fades into something much less stable the following 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.*

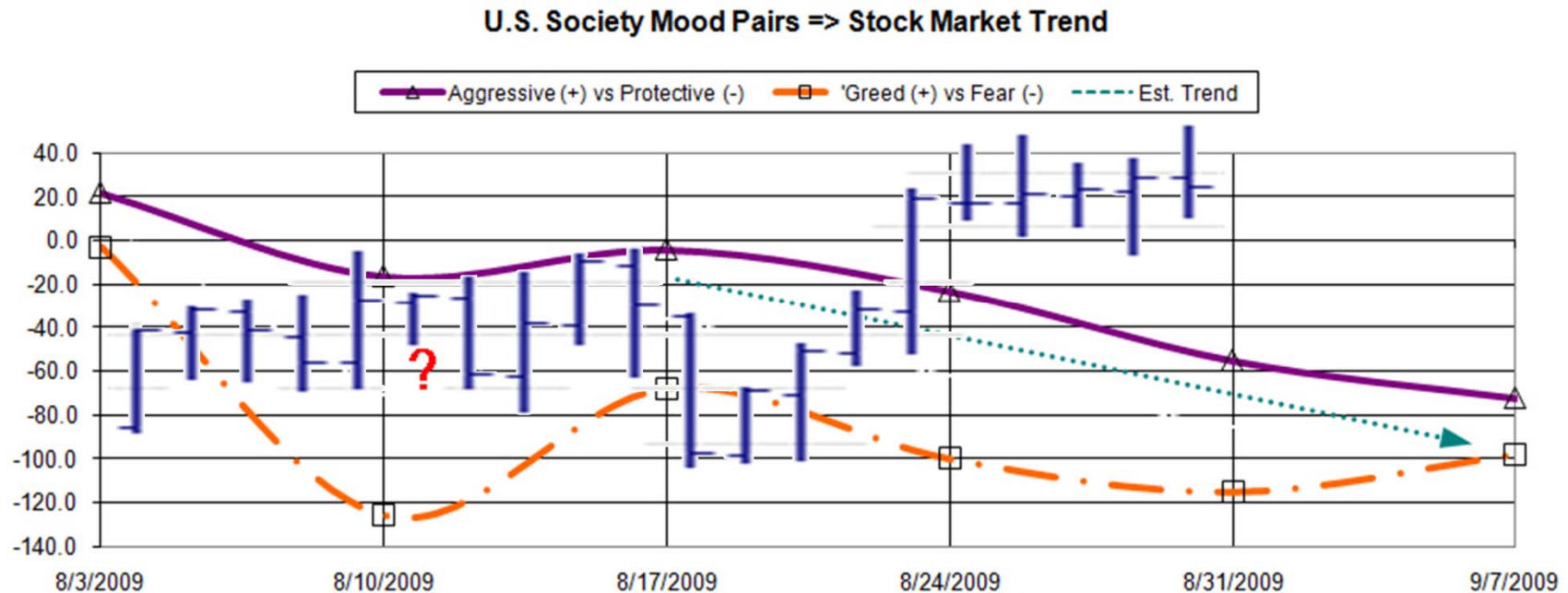
This chart shows the Dollar declining through the week of September 21st, yet the chart on the following page shows low inflation concerns for much of this time. One possibility is that a lack of trend is indicated, or even an inversion with our model. However, this ambivalence could also indicate a major trend change, i.e. the final bottoming process for the U.S. Dollar. If so, the week of the 28th could be the beginning of a long climb in relative strength for the Dollar.



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 geopolitical tension surge indicated near the end of August is replaced with high concerns for the economy as September begins. Economic concerns have been most often associated with the demand side, leading to a decline in crude prices. However, with the association to external threats, one must wonder if the economic concerns could be associated with a supply disruption. The week of the 21st holds a curious surge both in inflation concerns and geopolitical attention. October begins with nothing supporting crude prices, but irrationally based concerns. This also supports an upward trend move in the Dollar.

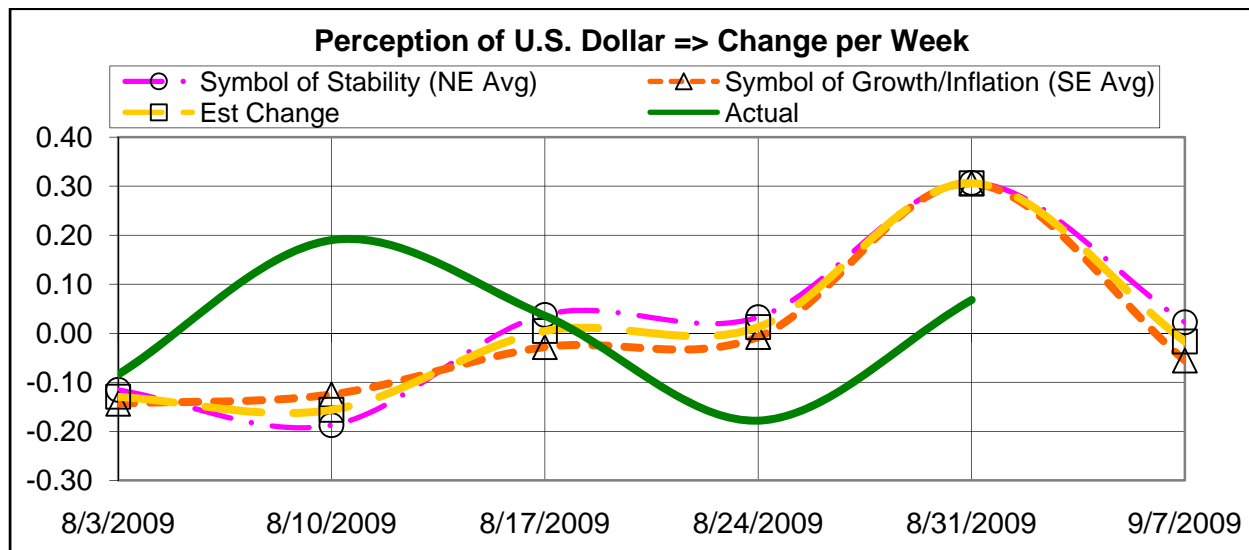
How We Did – Comparing our Charts with Actuals



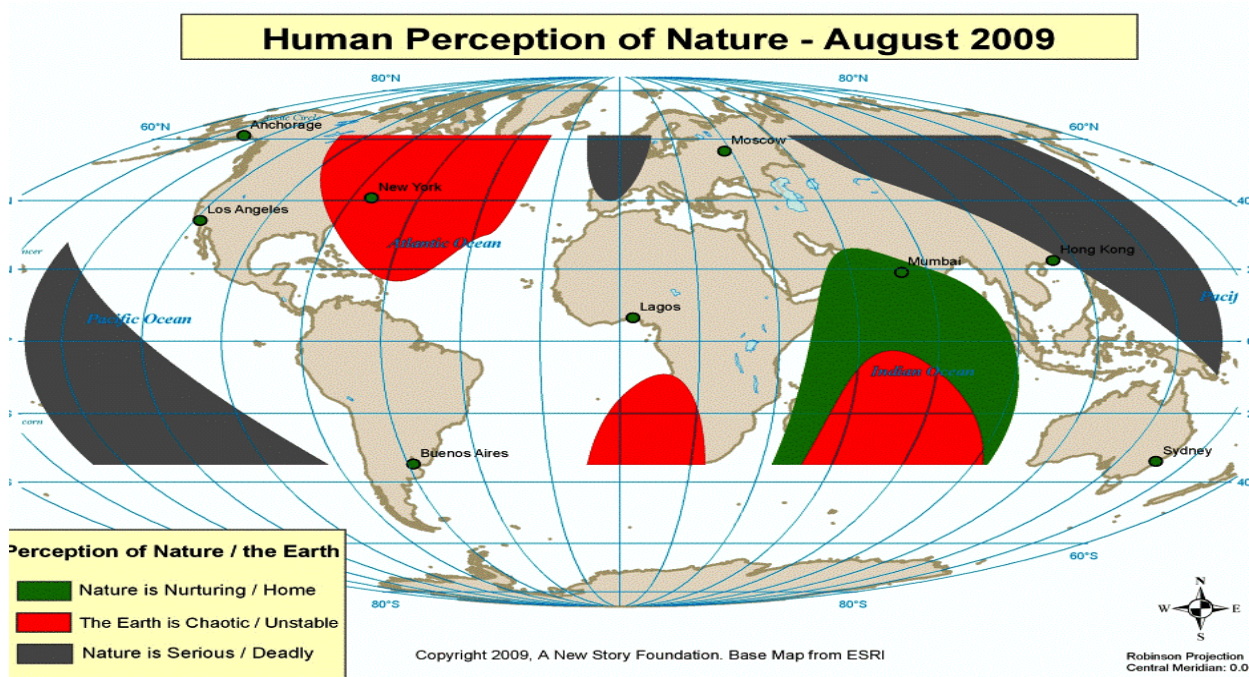
Actual data source: futuresource.com

S&P (from previous issue): As the summer rally nears completion, there should be very little observable trend (Aggressive vs. Protective close to zero), although high volatility is possible at any time. At some point after the 17th, things should begin to look increasingly ominous. However, markets could continue to be counter-intuitive until something jolts them back into reality. Such a “jolt” is likely after the 24th. Actual: The market moved sideways for the first two weeks (we did not project a trend for that period). There was a break down on the 17th, followed by a sharp upward reversal (we said it could continue to move in a “counter-intuitive” manner). The week of the 24th saw a return to a sideways motion. The expected “jolt” had not yet occurred as of the publication date of this issue, but is anticipated the week of August 31st.

How We Did – Comparing our Charts with Actuals



Dollar (from previous issue): The Dollar may look like it's on shaky ground the first half of August. However, as geopolitical tensions rise and social mood begins to turn negative, the Dollar could rally quite a bit. It may then have to give a little of that rapid climb back some as September begins. Actual: The Dollar was inverted to our model for the first two weeks, and then followed it well. The gains the last week were not as great as were anticipated.



Actual: **Green** - Nature was somewhat less friendly than July. **Red**- [Three minor earthquakes](#) in E Tennessee. [7.6 quake off India](#) triggers brief tsunami watch. [Hurricane Bill](#) brings rough seas to East Coast. [Hurricane Danny](#) projected to hit New York / New England. **Gray**- [Chinese town quarantined](#) due to plague. [Typhoon](#) causes 1 million to evacuate China. [Mudslide buries 600](#) Taiwan villagers.

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.

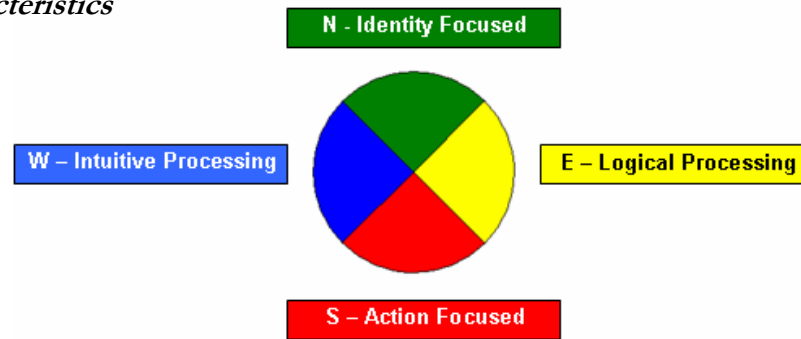
Researchers spent the rest of 2007 analyzing these correlations and identifying the mood configurations corresponding with various social responses and market reactions. By the end of 2007 they had successfully generated a model for each segment that very accurately predicted whether its corresponding market was trending up or down and when the trend was likely to shift.

MoodCompass was Born

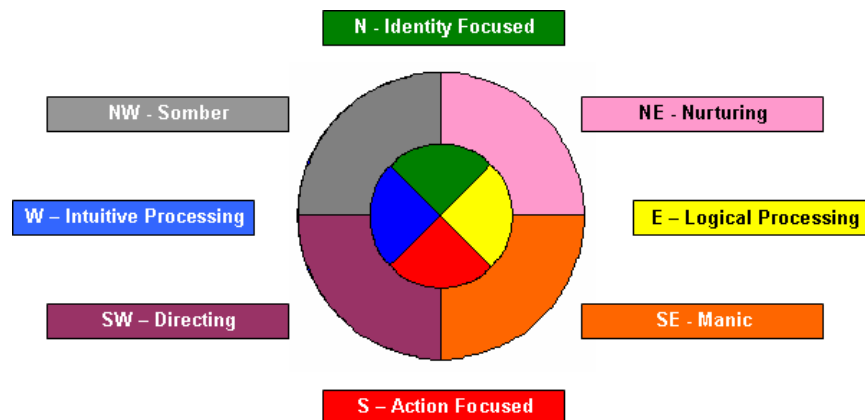
Researchers at A New Story Foundation knew they were on to something big. If they could predict changes in social mood and the potential for instability, and demonstrate that with accurate predictions of the direction and timing of trends of the stock market, the dollar, and crude oil, that information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

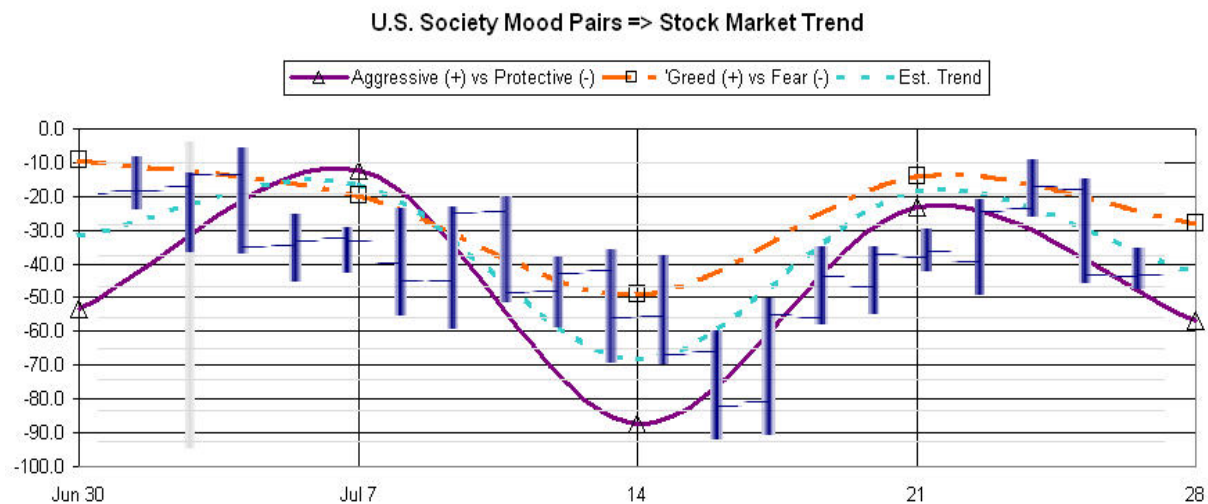
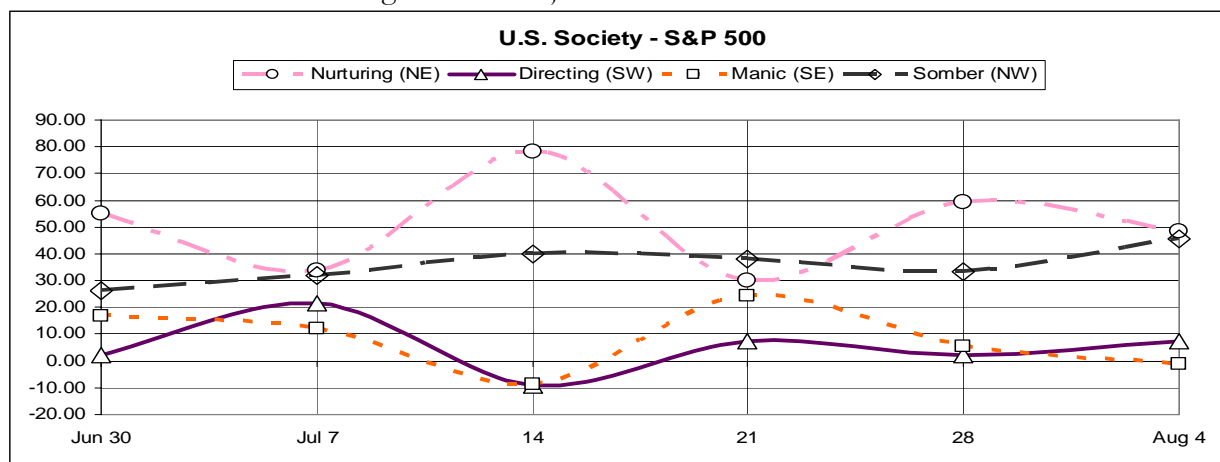
**Tracking Profiles Over Time**

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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