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# **Text Analytics Applied**

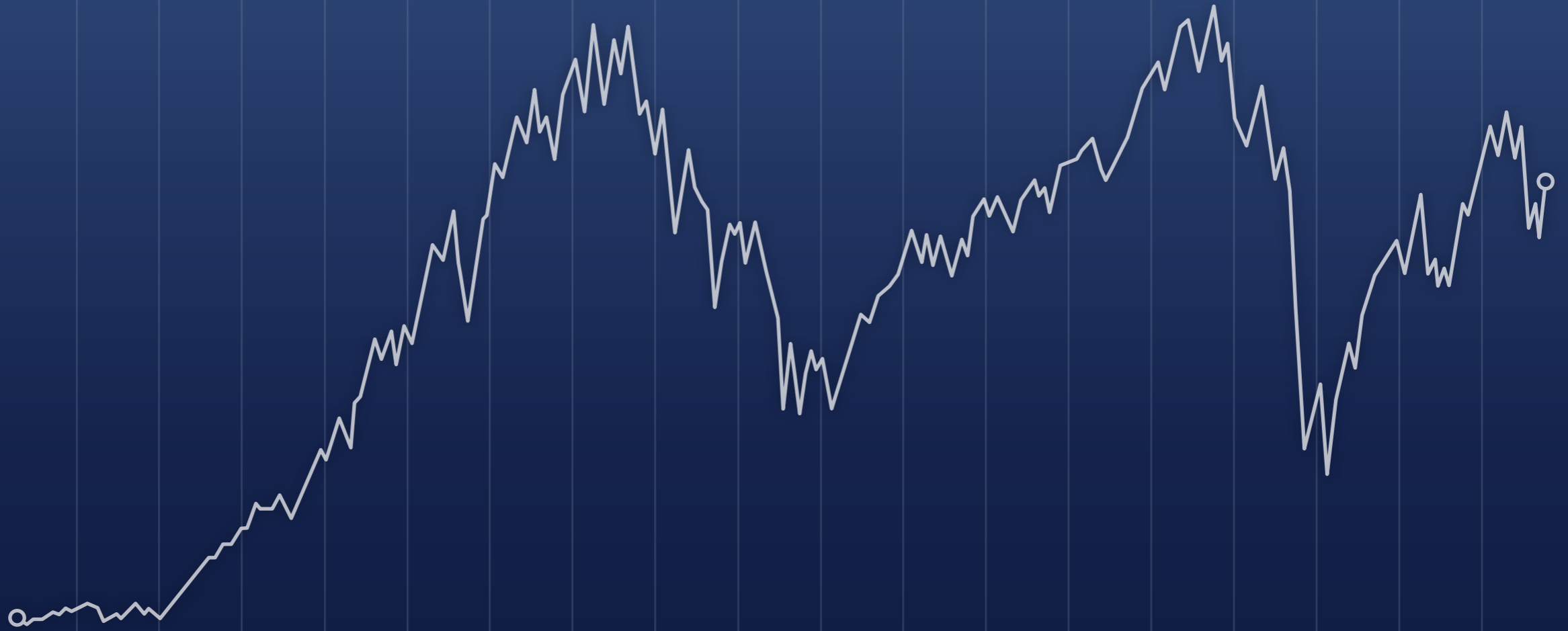
In Forecasting Financial Markets

**Kevin John Coogan**

Founder & CEO, AmalgaMood

# S&P 500 Index

05/93—11/11



# S&P 500 Index

05/93—11/11



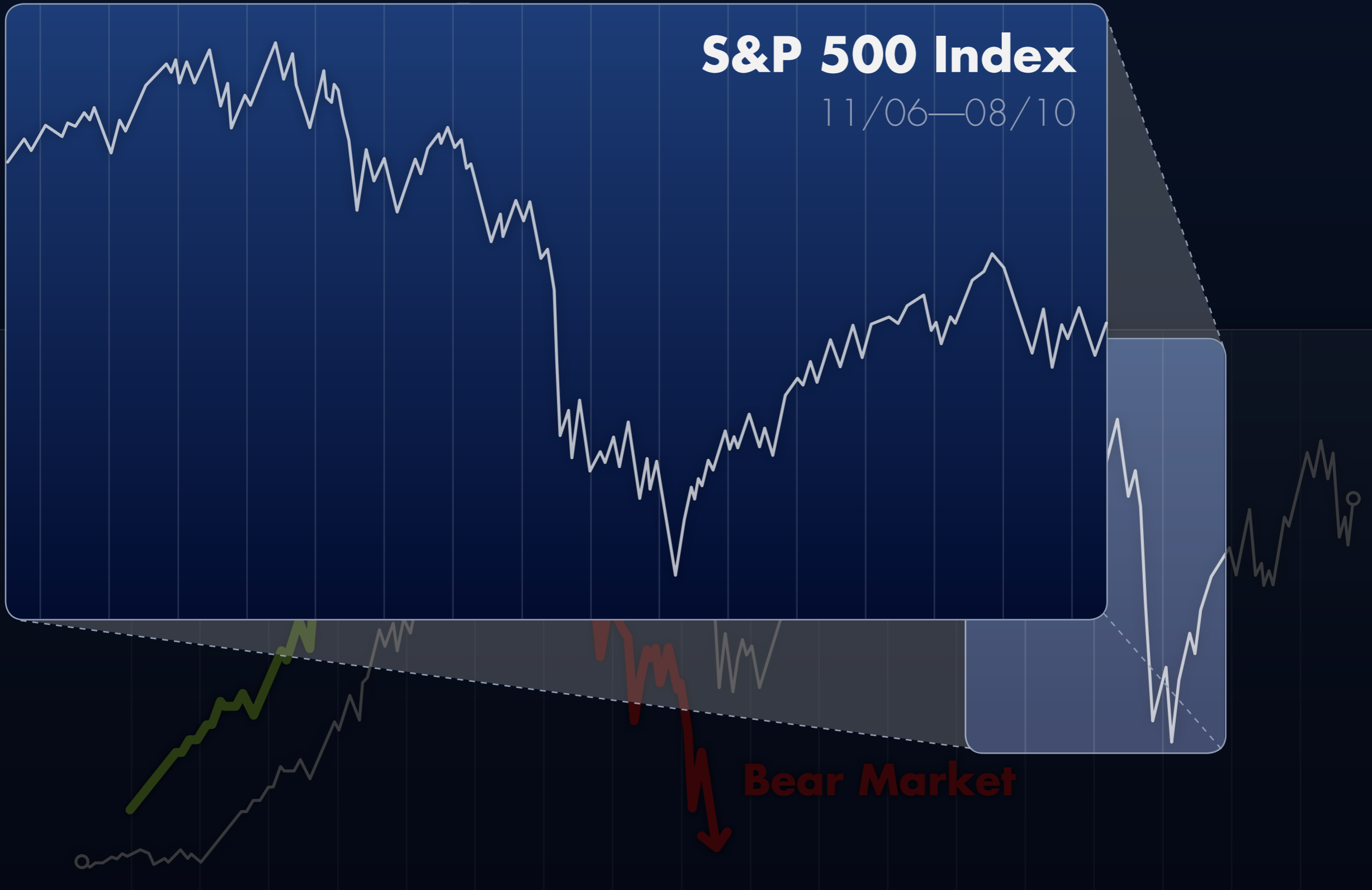
# S&P 500 Index

05/93—11/11



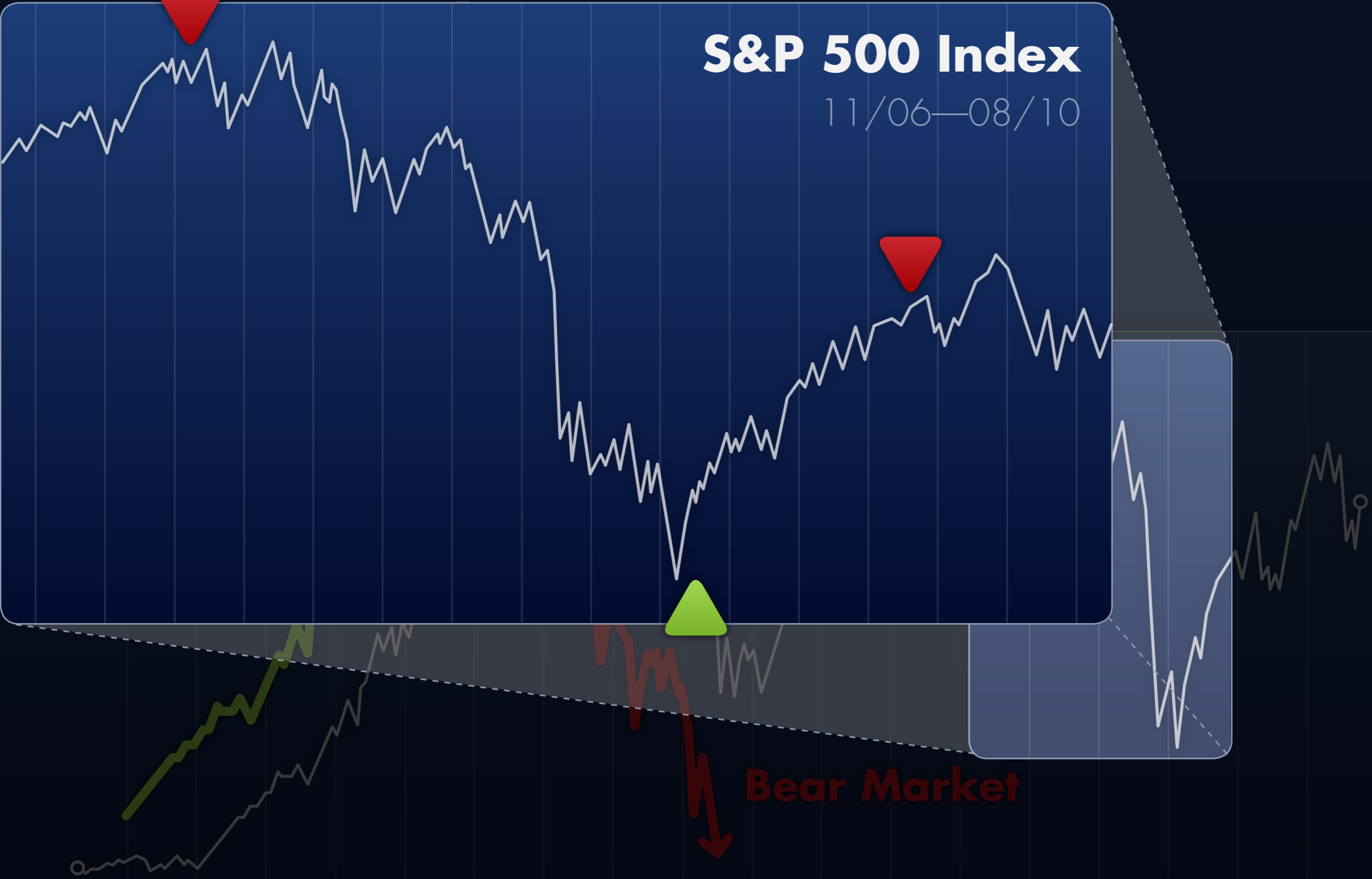
# S&P 500 Index

11/06—08/10



# S&P 500 Index

11/06—08/10



**Bear Market**

# HEDGNAV vs. S&P Global 1200

11/06—8/10





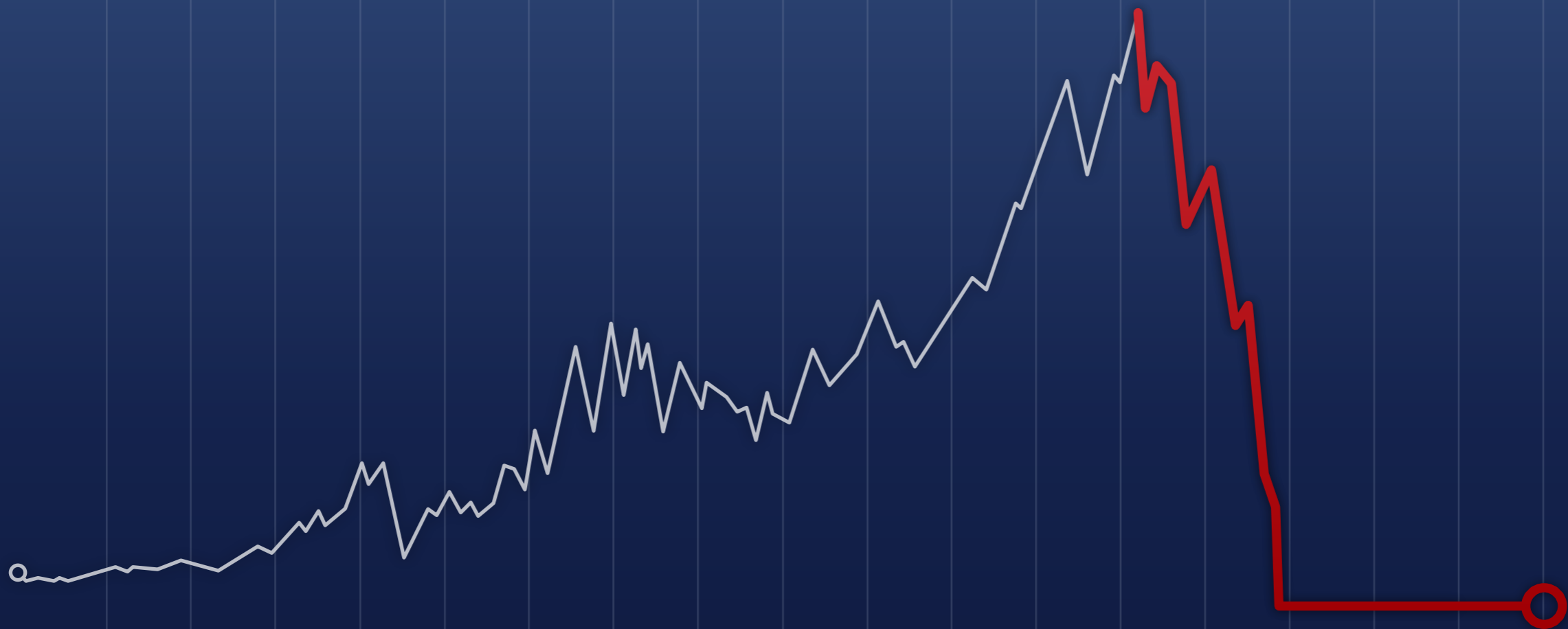
# Lehman Brothers

06/94—2/07



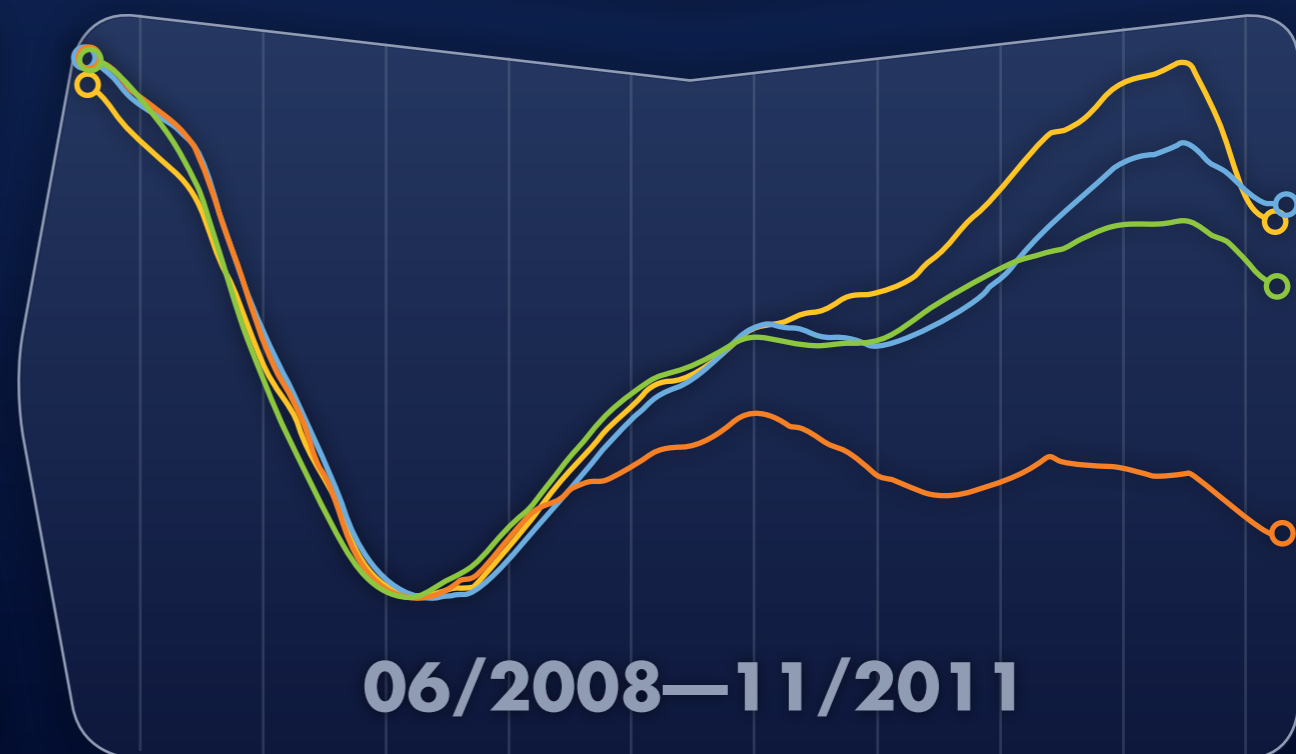
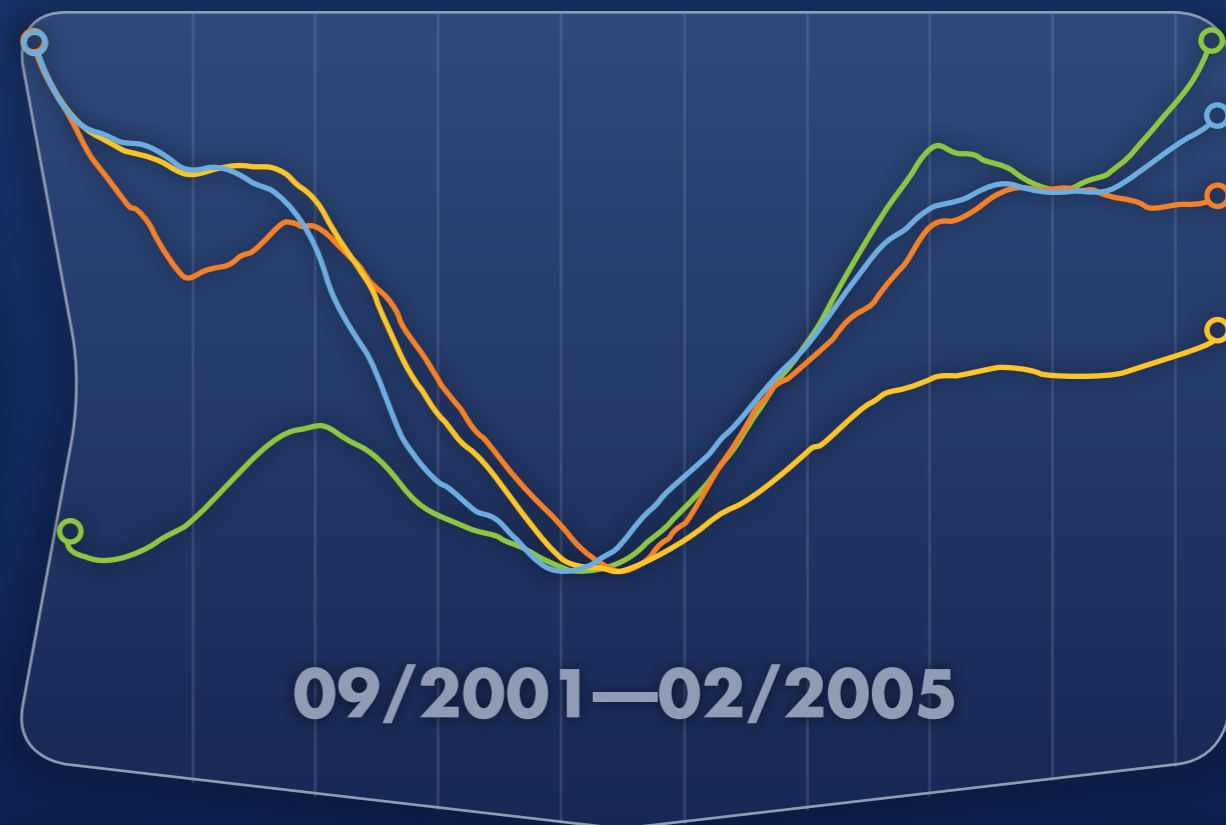
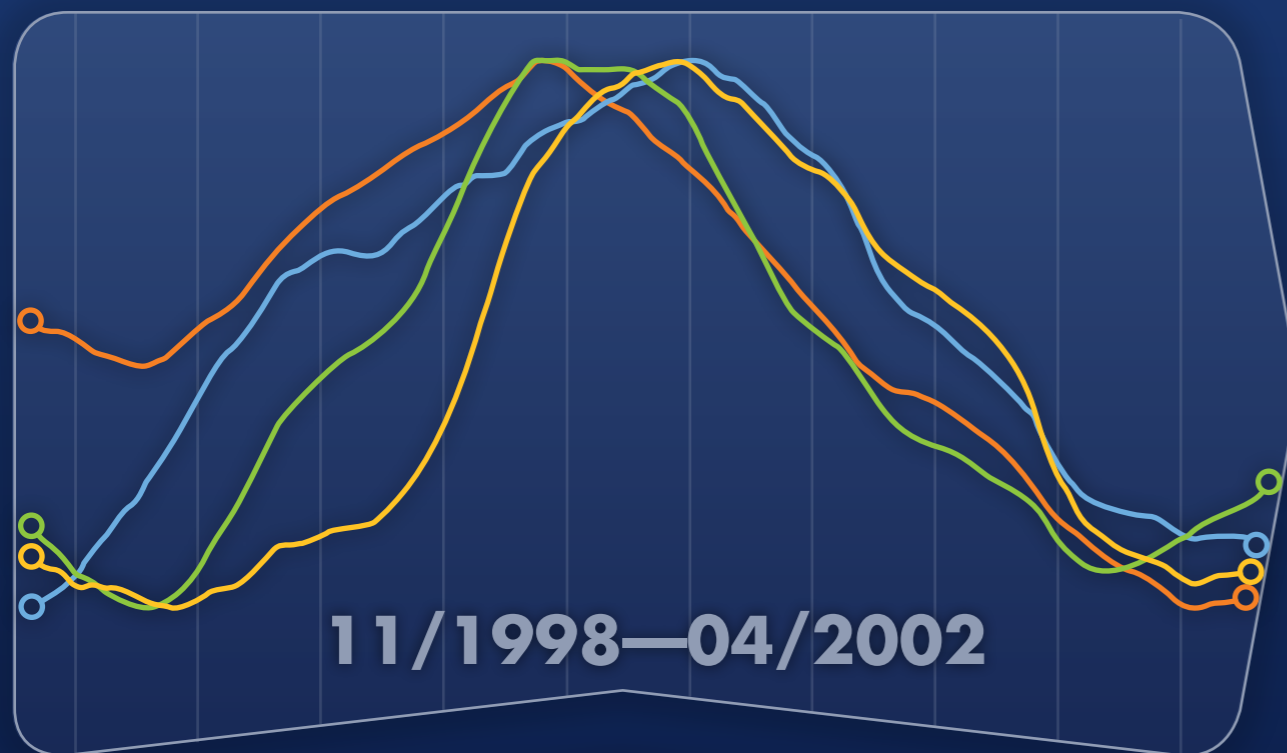
# Lehman Brothers

06/94—11/2011





# Global Market Synchronization



# The Challenge at Hand:

Problems With the Status Quo



**Massive Bull and Bear Equity Markets**

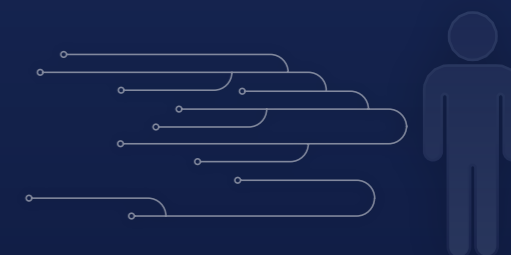
**Experts Making Incorrect Market Decisions**

**Global Equity Market Synchronization**

**Information Overload**



Goldman Sachs  
Merril Lynch  
Lehman Brothers  
Bear Sterns  
Citibank  
Morgan Stanley



# The Challenge at Hand:

Problems With the Status Quo



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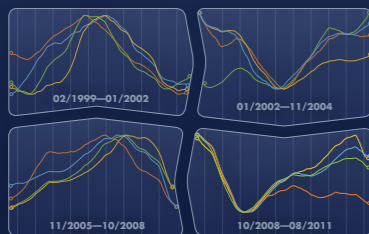


**Massive Bull and Bear Equity Markets**

**Experts Making Incorrect Market Decisions**

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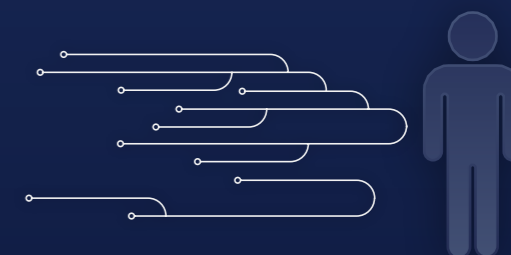
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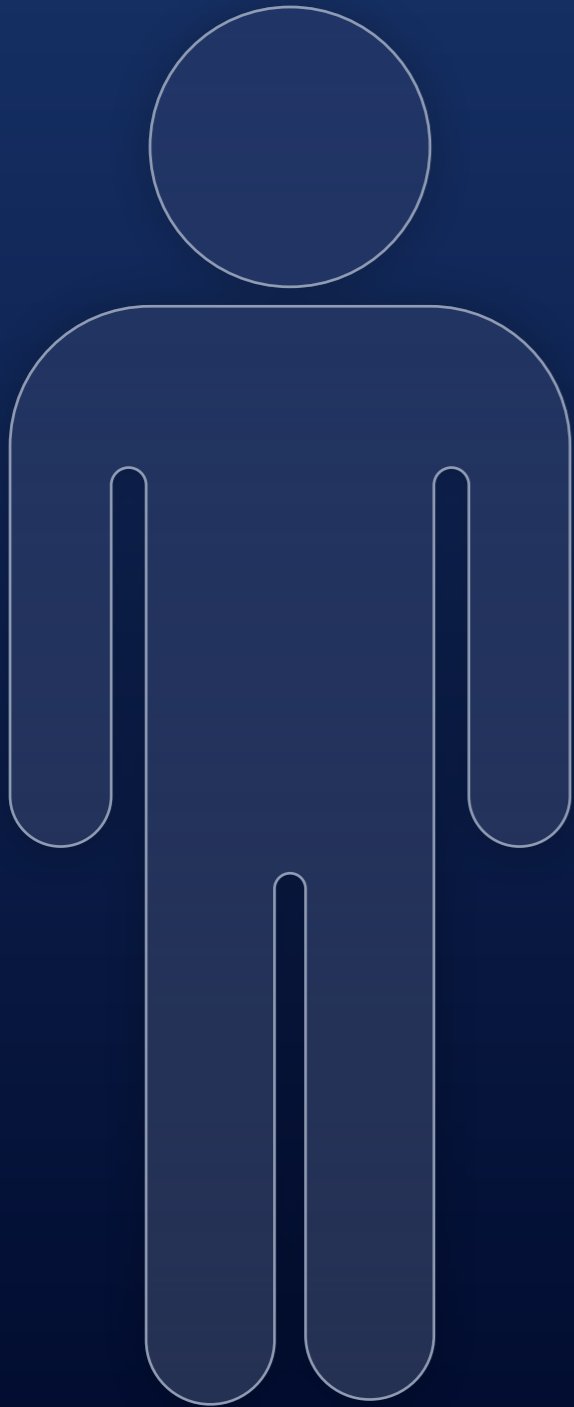
Goldman Sachs  
Merril Lynch  
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Morgan Stanley





# Expert Model

Outdated Approach to Analysis



**Potentially Unreliable**

**Limited Perspective**

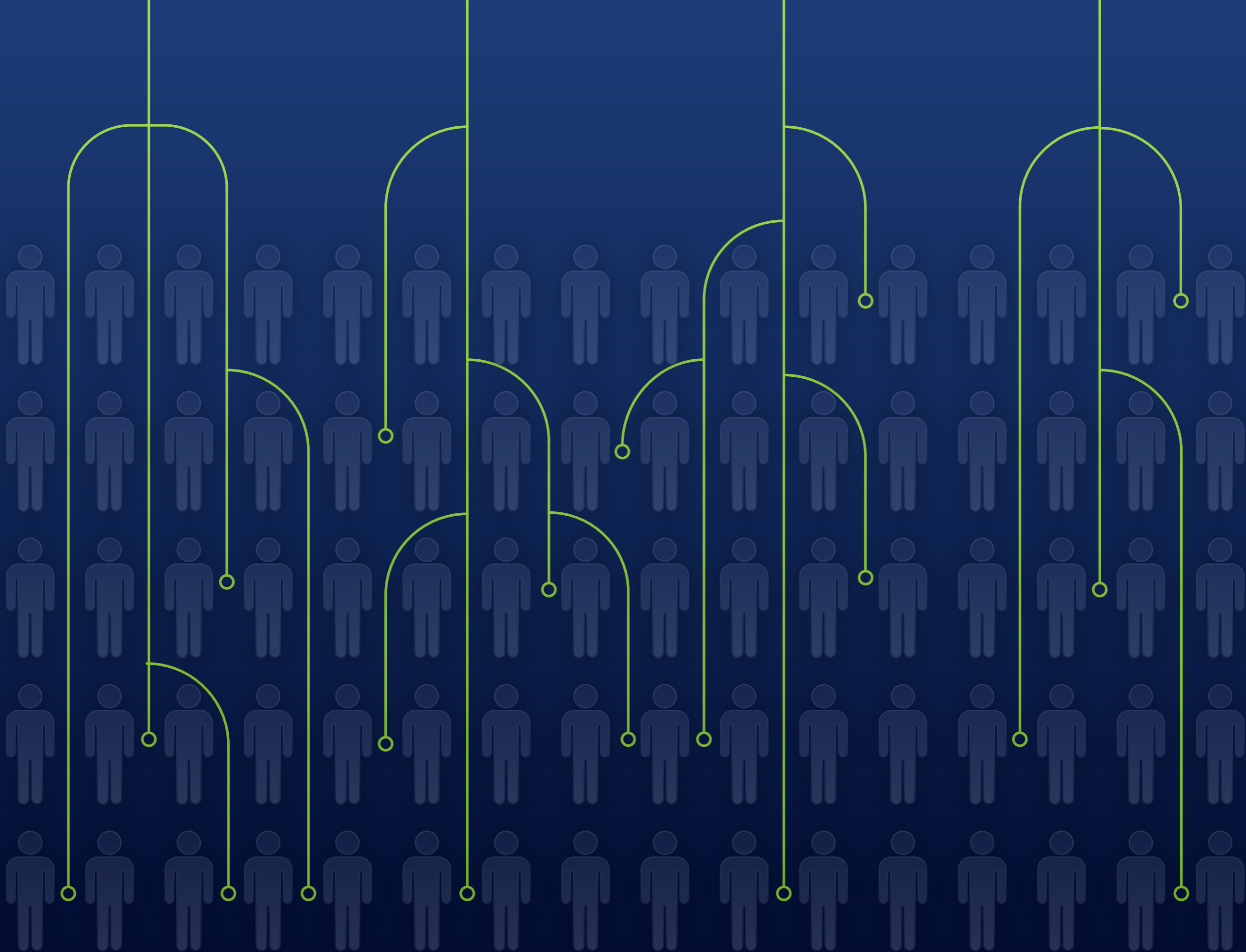
**Not As Consistent As...**



# Collective Voice Model

The AmalgaMood Advantage







**Blogs**

**News Media**

**Micro Blogs**

**Social Media**

# Differentiation

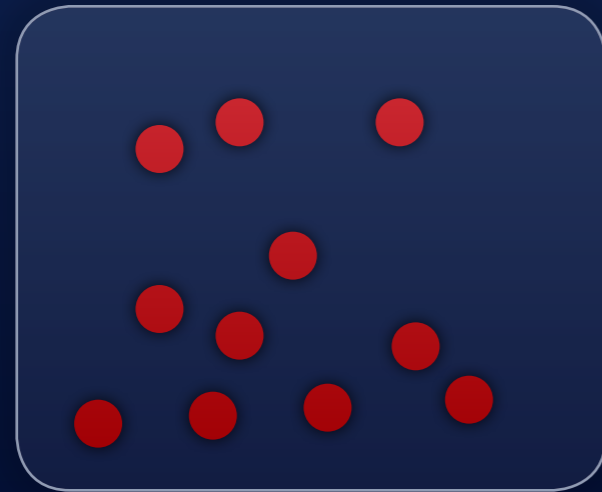
AmalgaMood vs. Other Text Analytics Approaches

**Many Information Sources**



Short Term  
Day Trading  
Arbitrage

**Long Term**  
Bull/Bear  
Asset Allocation



Other Approaches

Single Information Source

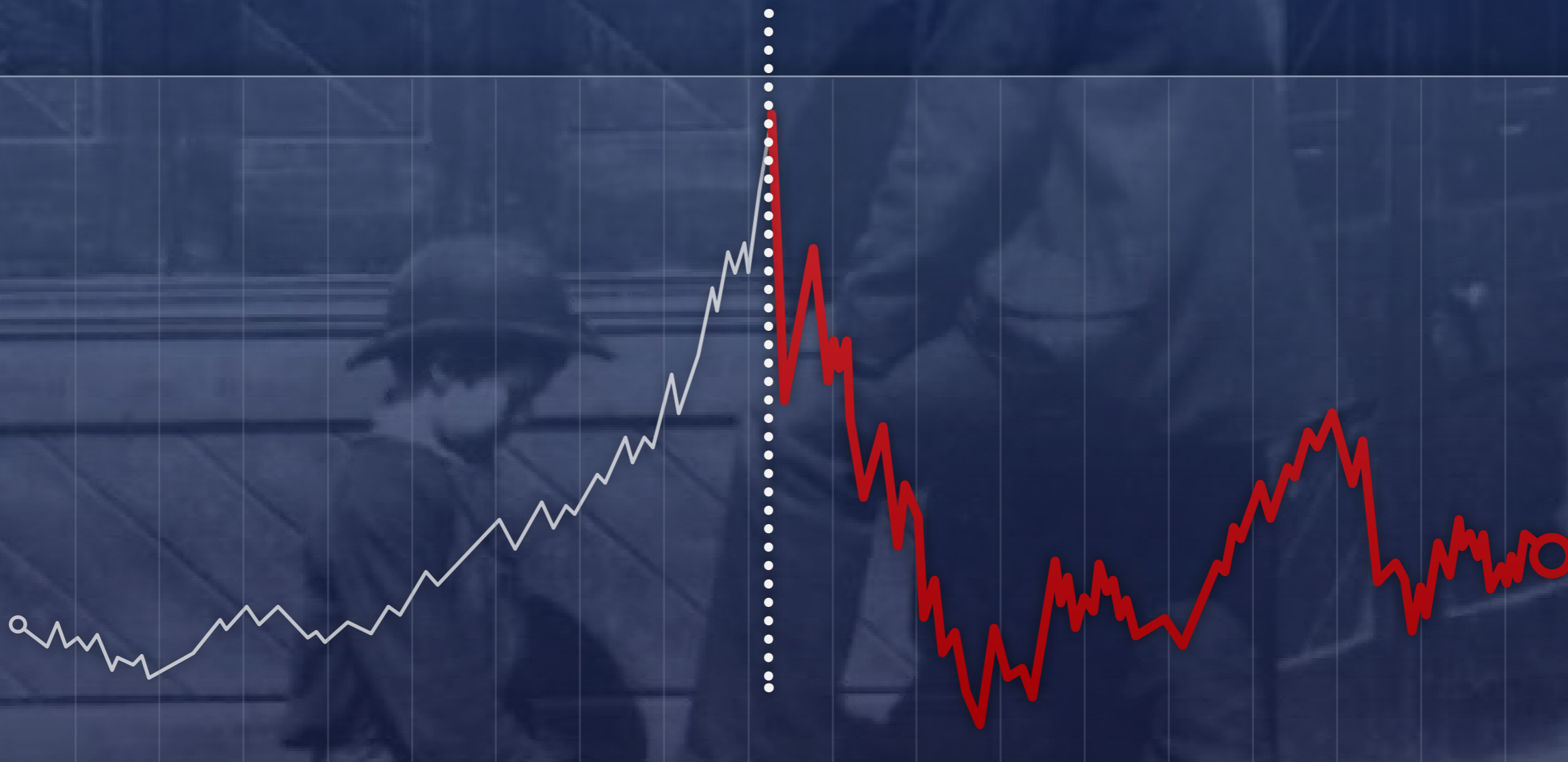
# A Shoe Shine Boy's Predicition

U.S. Markets 1920—1939



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U.S. Markets 1920—1939



# Magazine Covers





# Magazine Covers



# S&P 500 Index

05/93—11/11



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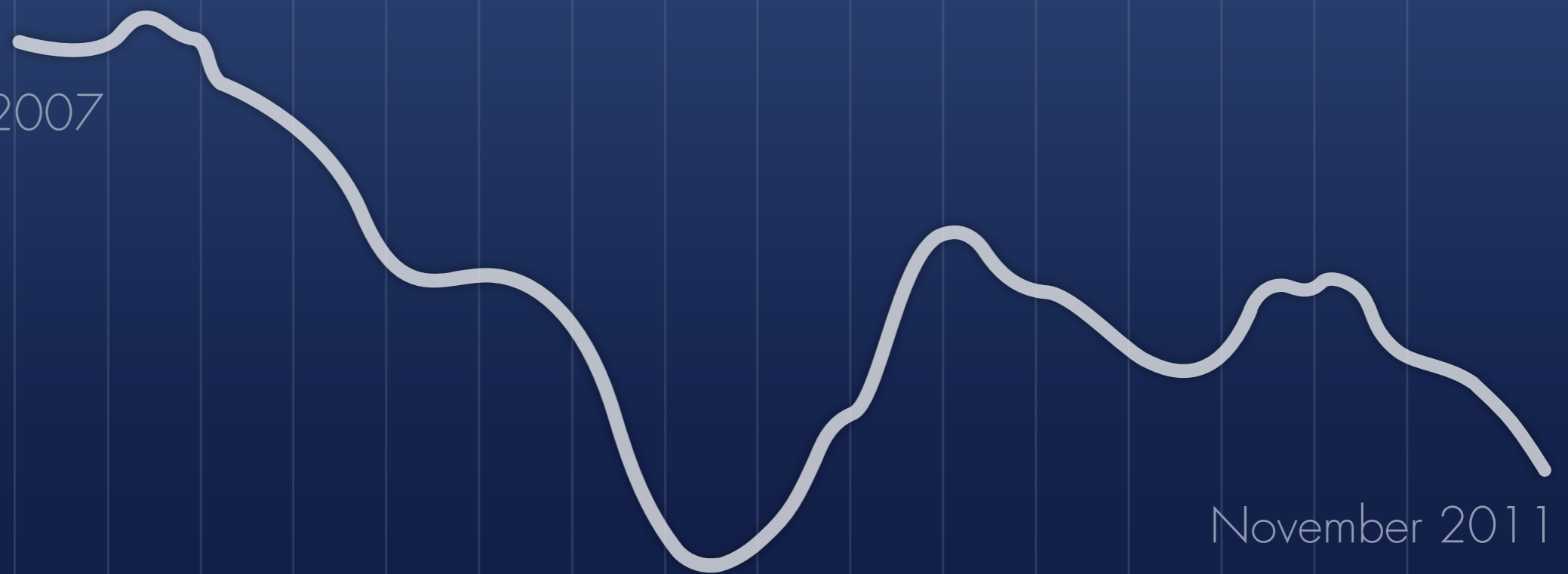
# The Mood Index

AmalgaMood's Text Analytics Approach

Mood Index

January 2007

November 2011



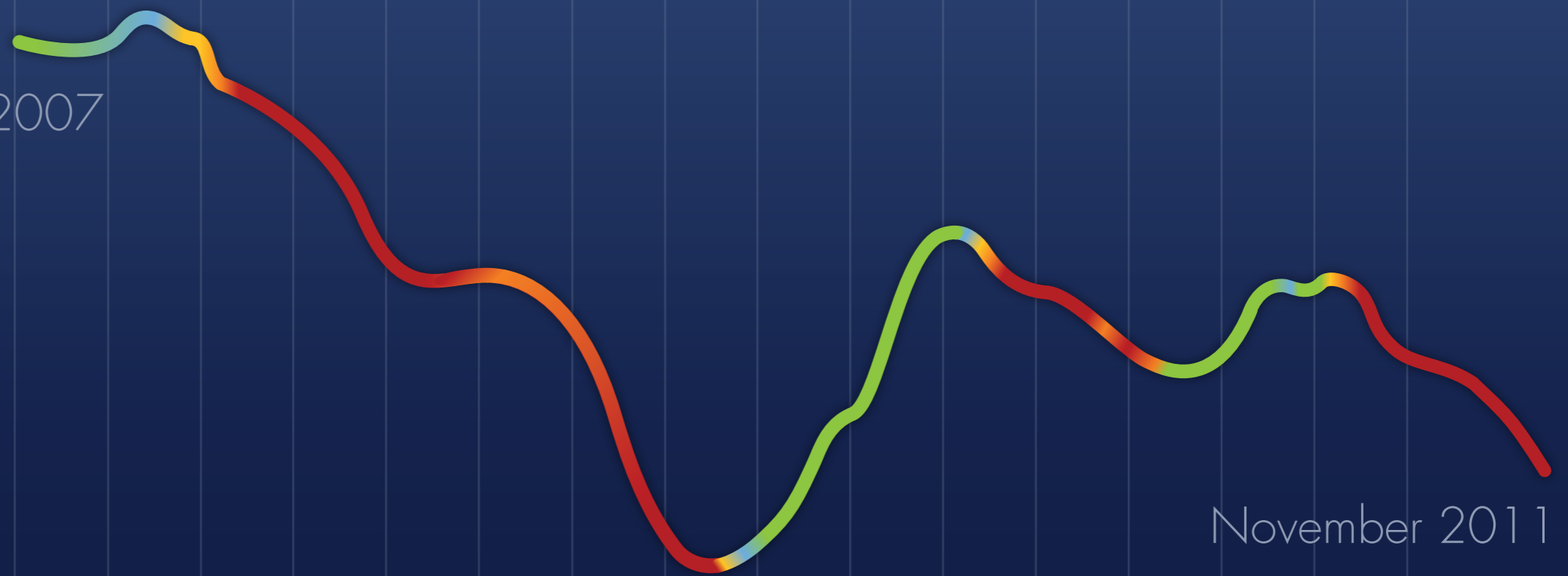
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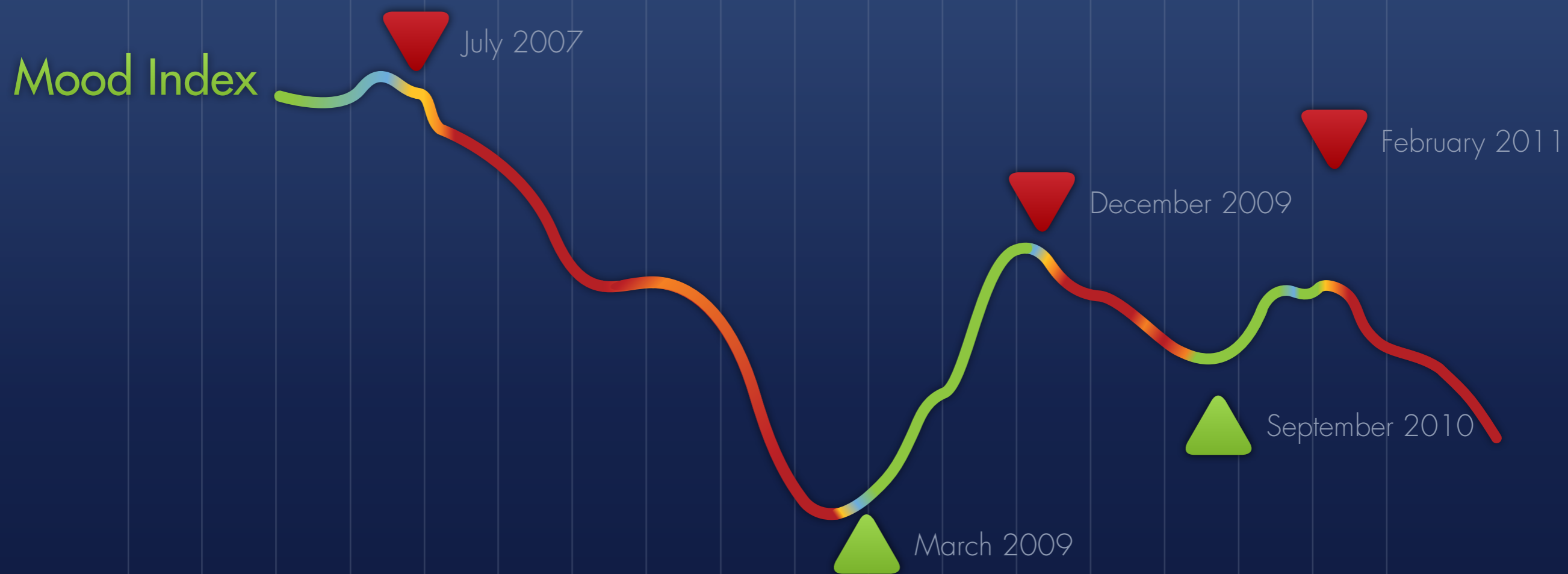
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# The Mood Index

AmalgaMood's Text Analytics Approach



# The Mood Index

AmalgaMood's Text Analytics Approach



# The Mood Index

AmalgaMood's Text Analytics Approach





# Performance—Mood Index

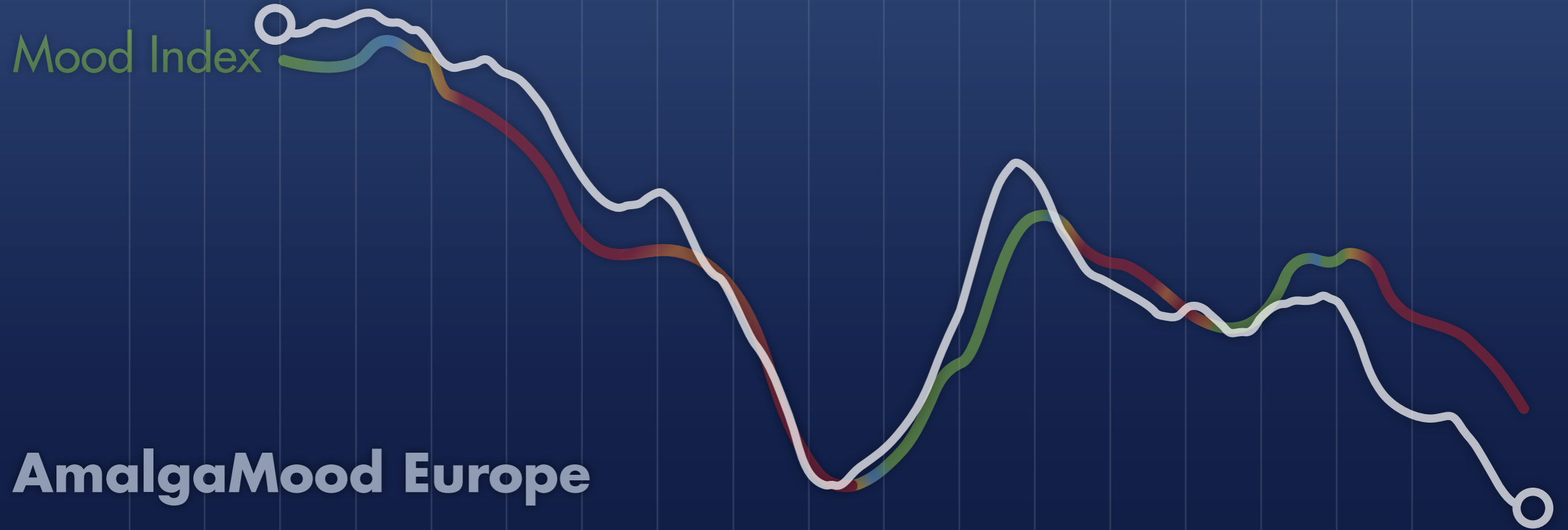
Back-Tested 01/07—11/11

## AmalgaMood vs. the Equity Market:

	No. of Trades	Days Long	Days Short	Performance
<b>Mood Index:</b>	<b>6</b>	<b>35%</b>	<b>65%</b>	<b>176%</b>
S&P 500:	1	100%	0%	-12%

# Europe's Depressed State

Regional Sub-Indices



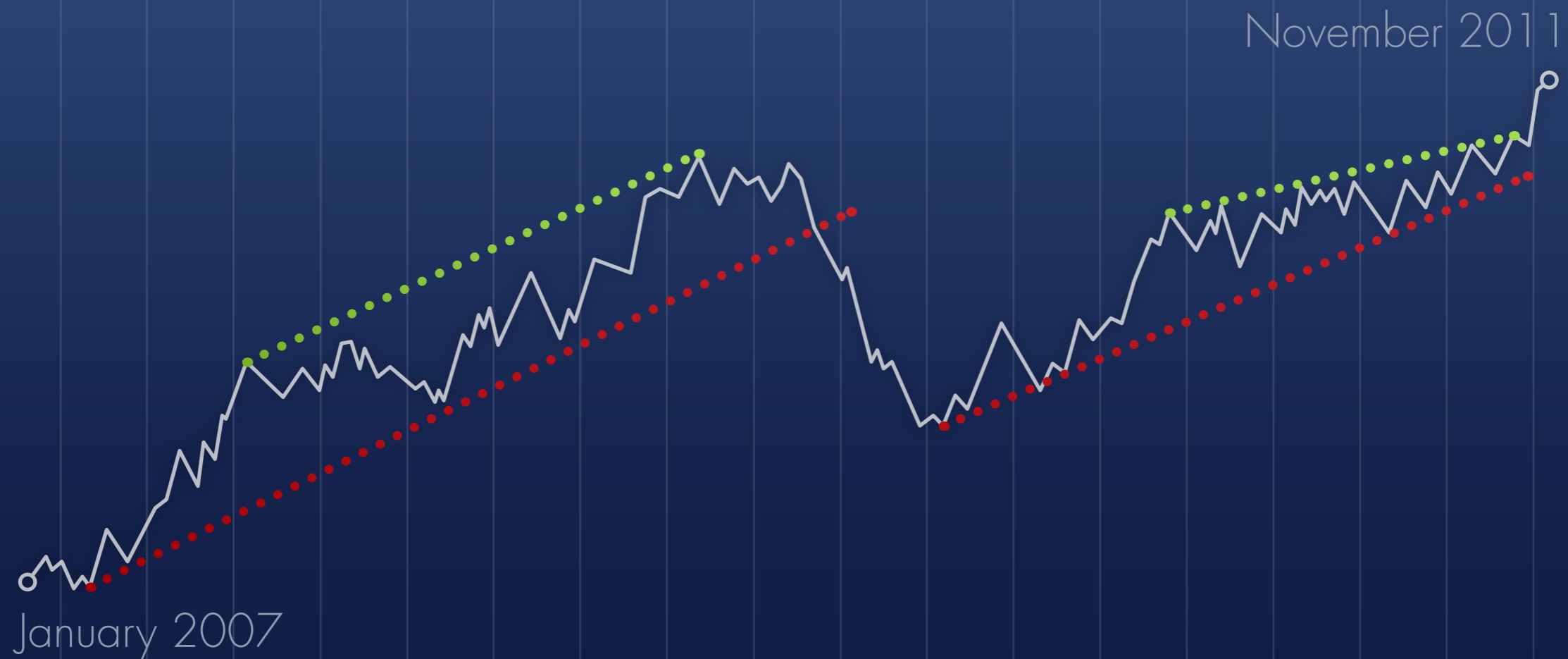
# Mood Dispersion Index

Measuring Instability of Mood



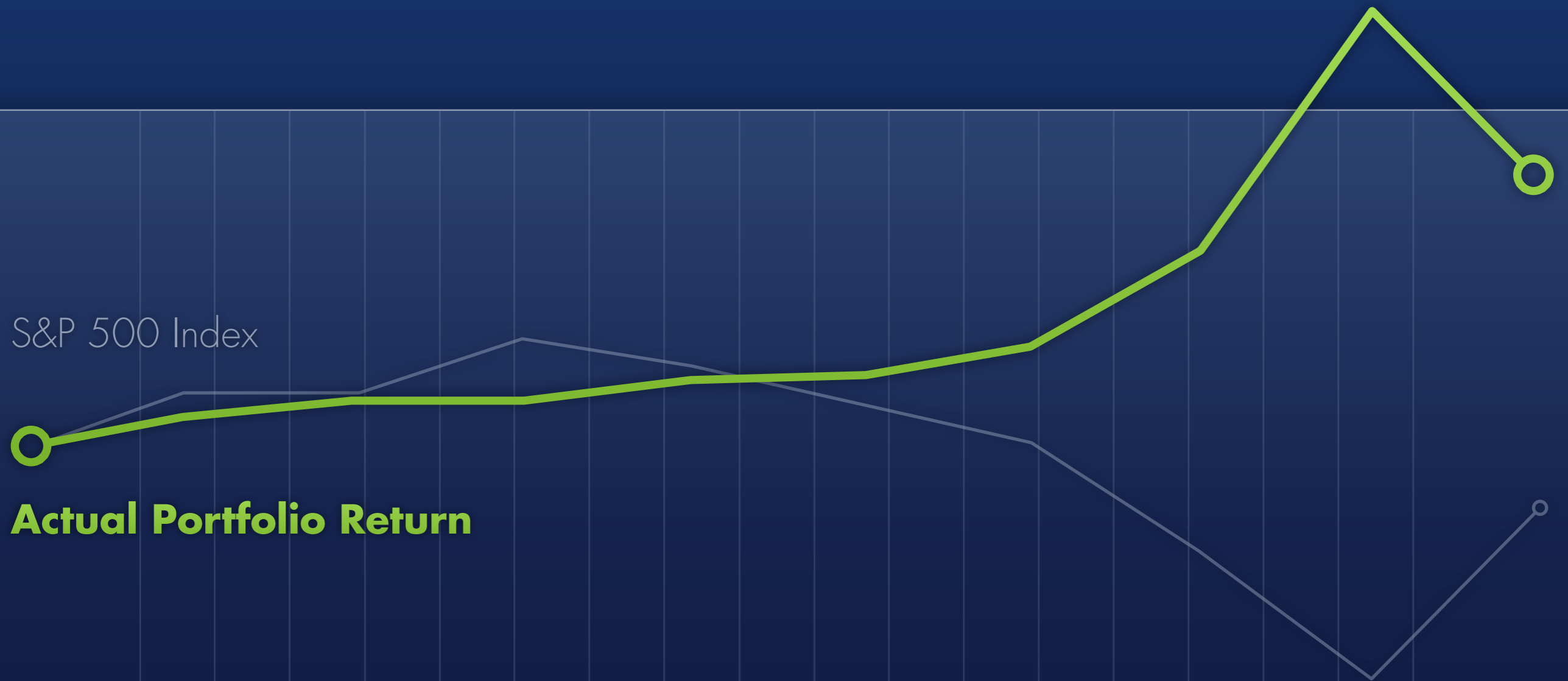
# Mood Dispersion Index

Measuring Instability of Mood



# Portfolio Return Data

January—October



S&P 500 Index

**Actual Portfolio Return**

# Potential Growth

The Future of Text Analytics in Finance

	2012e	2016e
<b>TA Focused Funds:</b>		
Funds	5	100
% Total	0.08%	1.20%
Assets Under Management	U.S. \$100 Million	<b>\$50 Billion</b>
% Total Assets Under Management	0.002%	1.52%
<b>TA Going Mainstream:</b>		
Fundamental Stock Analysis	No	<b>Yes</b>
Technical Analysis	No	<b>Yes</b>
Portfolio Risk Analysis	No	<b>Yes</b> (Nobel)



AmalgaMood LLC is a Washington D.C. based Financial Market Information Intelligence company. It focuses on using text analytics and quantitative analysis on such publicly available information as social media, blogs, micro-blogs, traditional news, and user generated content to determine the social mood towards financial market instruments. Its system is based on a patent-pending process.

As applied to equity investing, AmalgaMood's Mood Index would have kept investors out of the equity markets during the entirety of the 2007-09 bear market, while signaling re-entrance within three weeks of the March 2009 low. More recently, its Mood Index highlighted a deteriorating equity environment prior to the July-August 2011 global equity collapse.

Twitter+ @amalgamood

email+ Kevin.J.Coogan@amalgamood.com

**www.AmalgaMood.com**