

# **MISI AT A GLIMPSE**

**January 29<sup>th</sup> to February 29<sup>th</sup>, 2008**

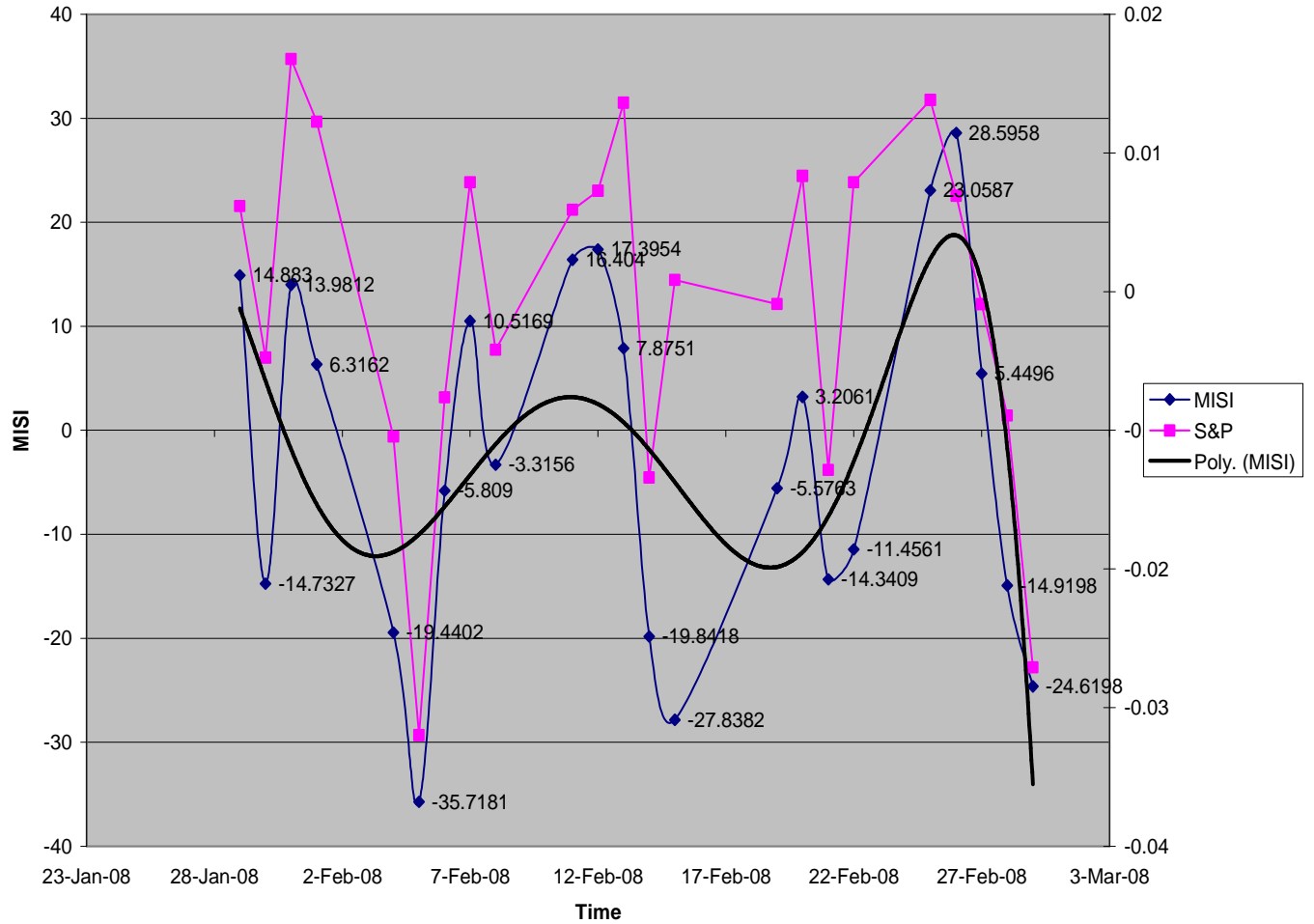
## The Massachusetts Investor Sentiment Index

The Massachusetts Investment Sentiment Index (MISI) is a market-based measure of investor sentiment for firms that either are headquartered in Massachusetts or have a significant presence in the state. The MISI is constructed using firms that are in the [Massachusetts Bloomberg Index \(BBMX\)](#), which follows 240-250 firms which span more than 50 industries and range in size from \$2 million to \$42 billion in market capitalization. Daily returns for each of the securities in the BBMX and the average standard deviation of daily returns over the previous five days (the "historic volatility") are computed. The MISI is constructed every day using a correlation of the daily returns and the historic volatility.

The MISI can range from a low of -100 to a high of +100. For values between -10 to +10 the market is classified as risk-neutral, for values between -10 and -30 the market is labeled moderately risk-averse, and for values less than -30 the market is considered highly risk-averse. Similarly, if MISI falls between +10 and +30, the market is labeled moderately risk-seeking, and if the index exceeds +30, the market is considered highly risk-seeking.

Movements in the MISI capture both positive and negative news concerning Massachusetts firms and the region's economy. Also, changes in the MISI closely replicate changes in the BBMX. The MISI and the BBMX return for the same trading day has, on average, a significant correlation coefficient of about seventy-five percent.

## Massachusetts Investor Sentiment Index (MISI) and the S&P Index from January 29, 2008 to February 29, 2008

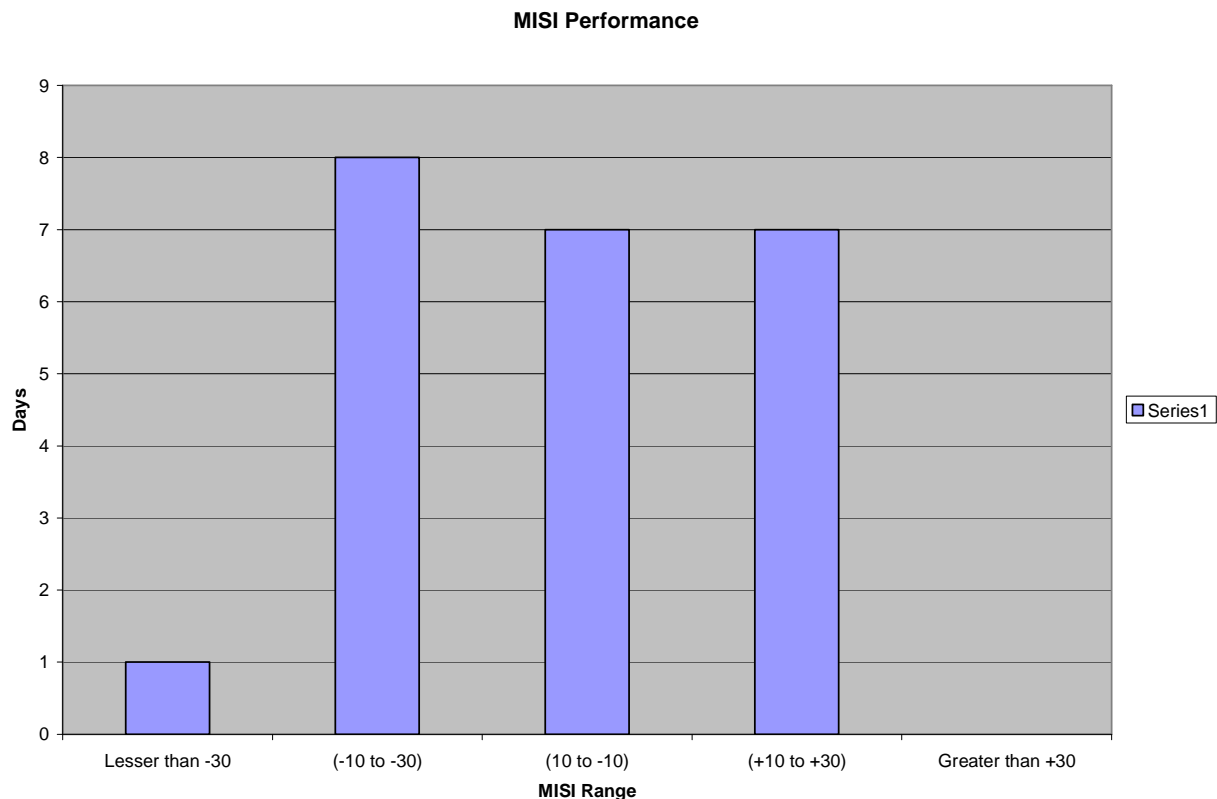


## EXECUTIVE SUMMARY

Analysis based on Massachusetts Investor Sentiment Index (MISI) and the S&P Index from January 29, 2008 to February 29, 2008.

- The Massachusetts Investment Sentiment Index (MISI) is a market based measure of investor sentiment for firms that are either headquartered in Massachusetts or have a significant presence in the state.
- The MISI is constructed using firms that are in the Massachusetts Bloomberg Index (MBI).

**In the last 30 days the market sentiment was:**



### **High:**

- Never high risk-seeking.
- One day on February 5<sup>th</sup>, it was highly risk-averse.

### **Moderate:**

- Eight days or 34% of the days, it was moderately risk-averse with an average score of -18.40.

- Seven days or 30% of the days, it was of moderately risk-seeking with an average score of 17.83.

**Neutral:**

- Seven days or 30% of the days, the market's sentiment was risk-neutral with an average score of 1.16.

**Conclusion:**

- Daily price movements in MBI & S&P Index are significantly related to investor sentiment.
- Most of the month, February 4<sup>th</sup> to 22<sup>nd</sup>, the market sentiment has been mostly risk-averse.
- This trend changed with the investor's sentiments being maximum risk seeking on February 26<sup>th</sup>.
- The Trend line denotes a further decline in the market sentiment.