of their trading activity. Market participants comprise all buyers and sellers. It is believed that some of these factors are associated with economy-wide changes, some are associated with stock market activity, some are associated with industry sectors, and some are associated with stock specific information. In general terms, return factors are unobservable and represent a conceptual way to think about how investors drive returns over time. Collectively, return factors drive overall market returns. Over time, the mix of factors upon which market participants focus changes. Some factor mixes produce higher market returns, while others produce lower, even negative returns. When estimating the market's expected or future return, it is important to know which return factor mix is the current focus of market participants. Embodiments of the present invention provide proxies that capture the current focus of market participants and therefore capture the return factor mix that is the current focus of market participants.

A strategy-based investment system categorizes investment managers and can also be used to categorize the investments they hold based on the strategy being pursued by the manager. The strategy based investment system categorizes investment managers and/or securities based on the way they analyze, buy, and sell assets and liabilities regardless of the name used to reference the investment manager's process. It is based on the self-described investment strategy or strategies of investment management. Investment strategy is sometimes also referred to as investment methodology, or investment technique. Investment strategy can be described in both quantitative and qualitative terms.

A strategy based investment system can be applied to any asset or liability class for which managers make investment decisions based on differing investment strategies. Asset classes that can be characterized by the strategy based investment system include,

but are not limited to, mutual funds, Separately Managed Accounts or SMA's, separate accounts, hedge funds, company stocks, bonds, real estate, venture capital, commodity funds, private equity, energy funds, precious metals, international stocks, and international bonds. It is to be understood that a strategy based investment system is equally applicable to non-equity asset classes.

An individual manager's investment strategy, also referred to as a strategy profile, is generally comprised of self-selected (or manager selected) primary and secondary investment strategies. Within each strategy there will both quantitative and qualitative strategy elements which further describe the way a manager goes about analyzing, buying, and selling assets. The strategy profile for a given manager may include strategy elements from investment strategies other than the strategy elements of the primary and secondary strategies. Primary strategy refers to the investment strategy primarily, or most frequently or consistently, followed by a manager. Secondary strategy refers to the investment strategy secondarily, or, as compared to the primary strategy, next most frequently or consistently, followed by a manager. The manager is free to select as many or as few strategy elements as is needed to describe the investment process. Within the primary and secondary investment strategies, the manager can rank the relative importance of the strategy elements selected.

Active investment managers pursue an investment strategy in order to generate superior returns. This is true of equity managers, as well as investment managers involved with other asset classes. Each strategy focuses on a different subset of return factors and managers in each strategy or who pursue a particular strategy build a unique investment process around this subset of factors. As a consequence, how one strategy compares or ranks compared to other strategies vary over time as market participants,

which is the entire universe of buyers and sellers, not just professional managers, focus on an ever different return factor mix. Because managers pursue their chosen strategy as consistently as possible, strategies provide a prism or lens through which the favored factor mix can be viewed. In other words, strategies stay the same but the favored factor mix is ever changing. Thus assessing a comparative rank of strategies relative to each other identifies which strategies

1. That is, raw Market Barometer measures the strategy rank deviations over the trailing 12 months. Raw Market Barometer's are scaled or normalized to average 10 and truncated to produce a U.S. Market Barometer range of -2 to 22 and an International Market Barometer range of 2 to 18. Each Market Barometer provides an estimate of the expected annual market return over the next month, as is shown below.

Figures 2 and 3 provide evidence regarding Market Barometer predictive power in the context of equities as the asset class. Beginning of month U.S. Market Barometer and International Market Barometer are calculated for each of the 360 months January 1981 through December 2010. For each U.S. Market Barometer value from -2 through 22, the average subsequent S&P 500 annual returns are calculated. The U.S. Market Barometer trend line results are reported in Figure 2 and reveal that average returns increase as U.S. Market Barometer increases. The data reveals that annual average return increases by 1.18%, on average, for every one unit increase in U.S. Market Barometer. That is, the more closely recent strategy ranks match long term strategy ranks, the higher are future market returns. This means that if investors are favoring the return factors underlying what have been the best long term performing strategies, subsequent market returns will on average be higher. While the mix of factors that represent high returns may vary over time, the Market Barometer will accurately capture market participant behavior and be predictive of future market performance. Similarly, if market participants are not favoring the return factors underlying what are the best long term performing strategies, the Market Barometer will show a weak or negative outlook.

The 360 month trend line results for International Market Barometer versus the Morgan Stanley Capital International Europe, Australia and Far East index (EAFE) returns are reported in Figure 3. EAFE returns increase at an average rate of 0.82% when

What is claimed is:

1. A method for forecasting future performance of an equity market, comprising:
    a. Identifying a plurality of primary strategies pursued by investment managers in analyzing equities;
    b. Assigning at least a primary strategy to individual equities;
    c. Calculating, with a processor, a short term average performance for all equities/funds having the same primary strategy;
    d. Ranking the individual short term performance for each strategy using a processor;
    e. Outputting, by a processor, a summary of the differences between ranks determined in the prior step with the long term performance ranks for the strategy; and
    f. Scaling, by a processor, the trailing performance to create a market predictor for the equity market.

2. The method of claim 1, wherein the short term average is a monthly average.

3. The method of claim 1, wherein performance is selected from the group comprising return or fund flow.

4. The method of claim 1, the short term performance ranking is from largest to smallest or from smallest to largest.

5. The method of claim 1, wherein the equity market is a U.S. equity market.

6. The method of claim 1, wherein the primary strategies comprise competitive position, economic conditions, future growth, market conditions, opportunity, profitability, quantitative, risk, social considerations and valuation.

7. A method of forecasting future performance of an asset class where investment managers attempt to outperform one or more known publicly available benchmarks for the asset class, comprising:

a. Identifying a plurality of primary strategies pursued by investment managers in analyzing assets within an asset class;

b. Assigning at least a primary strategy to individual assets within an asset class;

c. Calculating, with a processor, a short term average performance of each asset within a primary strategy;

d. Ranking the individual performance for each primary strategy using a processor;

e. Outputting, by a processor, a summary of the differences between ranks determined in the prior step with the long term performance ranks for the strategy; and,

f. Scaling, by a processor, the trailing performance to create a market predictor for the asset class

8. The method of claim 8, wherein the short term average is a monthly average.

9. The method of claim 8, wherein performance is selected from the group comprising return or fund flow .

10. The method of claim 8, wherein the asset class comprises real estate, precious metals, gem stones, mutual funds, Separately Managed Accounts, separate accounts, hedge

funds, company stocks, bonds, venture capital, commodity funds, private equity, energy funds, precious metals, international stocks, and international bonds.

11. A method for forecasting future performance of an equity market using data from a preexisting strategy based system that categorizes managers as pursuing a strategy and assigns a strategy to individual equities based upon the managers who buy, sell and/or hold those individual equities, comprising:

a. Calculating, with a processor, a short term average performance for all equities/funds having the same primary strategy;

b. Ranking the individual short term performance for each strategy using a processor;

c. Outputting, by a processor, a summary of the differences between ranks determined in the prior step with the long term performance ranks for the strategy; and

d. Scaling, by a processor, the trailing performance to create a market predictor for the equity market.

12. The method of claim 1, wherein the short term average is a monthly average.

13. The method of claim 1, wherein performance is selected from the group comprising return or fund flow.

14. The method of claim 1, the short term performance ranking is from largest to smallest or from smallest to largest.

15. The method of claim 1, wherein the equity market is a U.S. equity market.

16. The method of claim 1, wherein the primary strategies comprise competitive position, economic conditions, future growth, market conditions, opportunity, profitability, quantitative, risk, social considerations and valuation.

What is claimed is:

1. A method for forecasting future performance of an equity market, comprising:

a. Identifying a plurality of primary strategies pursued by investment managers in analyzing equities;

b. Assigning at least a primary strategy to individual equities;

c. Calculating, with a processor, a short term average performance for all equities/funds having the same primary strategy;

d. Obtaining a long term average performance for all equities/funds having a primary strategy;

e. Ranking the individual short term performance for each strategy using a processor;

f. Calculating, by a processor, the difference between ranks determined in the prior step with the long term performance ranks for each strategy for a trailing period;

g. Summing, by a processor, the absolute differences from the prior step; and

h. Scaling, the sum from the prior step, by a processor, to create a predictor for the equity market.

2. The method of claim 1, wherein the short term average performance is a monthly average.

3. The method of claim 1, wherein performance is selected from the group comprising return or fund flow.

4. The method of claim 1, the short term performance ranking is from largest to smallest or from smallest to largest.

5. The method of claim 1, wherein the equity market is a U.S. equity market.

6. The method of claim 1, wherein the primary strategies comprise competitive position, economic conditions, future growth, market conditions, opportunity, profitability, quantitative, risk, social considerations and valuation.

7. A method of forecasting future performance of an asset class where investment managers attempt to outperform one or more known publicly available benchmarks for the asset class, comprising:

a. Identifying a plurality of primary strategies pursued by investment managers in analyzing assets within an asset class;

b. Assigning at least a primary strategy to individual assets within an asset class;

c. Calculating, with a processor, a short term average performance of each asset within a primary strategy;

d. Obtaining a long term average performance of each asset within a primary strategy;

e. Ranking the individual performance for each primary strategy using a processor;

f. Calculating, by a processor, the difference between ranks determined in the prior step with the long term performance ranks for each strategy;

g. Summing, by a processor, the absolute differences from the prior step; and

h. Calculating, by a processor, a new scale for the sUM calculated in the prior step to create a predictor for the asset class.

8. The method of claim 7, wherein the short term average is a monthly average.

9. The method of claim 7, wherein performance is selected from the group comprising return or fund flow.

10. The method of claim 7, wherein the asset class comprises real estate, precious metals, gem stones, mutual funds, Separately Managed Accounts, separate accounts, hedge funds, company stocks, bonds, venture capital, commodity funds, private equity, energy funds, precious metals, international stocks, and international bonds.

11. A method for forecasting future performance of an equity market using data from a preexisting strategy based system that categorizes managers as pursuing a strategy and assigns a strategy to individual equities based upon the managers who buy, sell and/or hold those individual equities, comprising:

a. Calculating, with a processor, a short term average performance for all equities/funds having the same primary strategy;

b. Ranking the individual short term performance for each strategy using a processor;

c. Obtaining a long term average performance for each strategy;

d. Calculating, by a processor, the differences between ranks determined in the prior step with the long term performance ranks for each strategy;

e. Summing, by a processor, the absolute differences from the prior step; and

f. Scaling the sum from the prior step, by a processor, to create a predictor for the equity market.

12. The method of claim 11, wherein the short term average is a monthly average.

13. The method of claim 11, wherein performance is selected from the group comprising return or fund flow.

14. The method of claim 11, wherein the short term performance ranking is from largest to smallest or from smallest to largest.

15. The method of claim 11, wherein the equity market is a U.S. equity market.

16. The method of claim 11, wherein the primary strategies comprise competitive position, economic conditions, future growth, market conditions, opportunity, profitability, quantitative, risk, social considerations and valuation.

17. The method of claim 1, wherein the period for assessing performance is a trailing period of less than, equal to, or greater than three months.

18. The method of claim 7, wherein the period for assessing performance is a trailing period of less than, equal to, or greater than three months.

19. The method of claim 11, wherein the period for assessing performance is a trailing period of less than, equal to, or greater than three months.

20. The method of claim 1, wherein the step of summing the absolute differences from step f comprises, determining the absolute value of the difference between the long term performance rank and short term performance rank for each strategy and then summing the determined absolute values.

21. The method of claim 1, wherein the step of scaling comprises moving the average of the sums of the absolute differences between the long term and short term performance ranks of the strategies.

22. The method of claim 1, wherein the step of scaling comprises truncating the range of the sums of the absolute differences between the long term and short term performance ranks of the strategies.