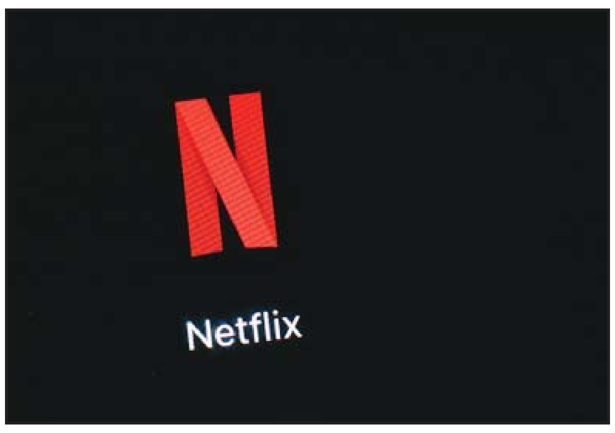
This file photo shows the Netflix app on an iPad in Baltimore. Netflix reports earnings on July 17. (AP)



Netflix shares sink 11%, analysts still see growth

Wall Street brokerages stuck to a positive outlook on Netflix Inc on Thursday, betting that a strong content slate for the rest of 2019 would reverse shock losses in US subscribers in the second quarter that sank its stock price.

Shares in the company fell 11% in early trade, as investors worried over lower-than-expected global growth and signs of trouble in its US base.

Six brokerages cut their share price targets to reflect the dip in the shares, but there were no cuts to their ratings on the stock, still seen by a majority of Wall Street firms as a high-potential growth business and a clear "buy".

The company added just 2.83 million international paid streaming subscribers, compared with street expectations of 4.8 million. Brokers Cowen & Co calculated it had missed expectations for second-quarter subscriber numbers three times in the last four years.

"The subscriber miss wasn't unprecedented, though the international miss magnitude was greater than normal," RBC Capital Markets analysts said.

"But Q2 results do highlight the importance of a strong content slate and at least raise the question of whether NFLX needs to be more restrained with price increase pacing."

Netflix, which has 151.6 million customers, raised prices in Britain, Switzerland, Greece and Western Europe in the quarter.

Morningstar analysts said the company had conditioned users to expect strong original content every quarter and when the slate is weak or less known, the like of drive marginal subscribers to join or renew becomes harder, especially when prices are rising. (RTRS)

Business Plus

Real estate brokers stepping up their online marketing efforts

As housing market wavers, brokers strategize to get buyers

In this file photo, Jeff Benach, co-owner of Lexington Homes poses for a portrait inside his office in Chicago. Lexington Homes, which has townhouse and single-family developments in the Chicago area, has been building smaller projects than in the past, Benach says. (AP)

'I'd love to believe that we will get some momentum back some day, but I think the Chicago housing market will never see even close to the volume that we had before, at least in my lifetime'

By Joyce M. Rosenberg

The persistently slow housing market has Debra Goodwin creating cooking videos to try to sell a house. Glenn Phillips finds himself explaining to sellers the reasons why they might have to take a loss on their homes.

Real estate agents have developed new strategies as they contend with a housing market that still hasn't fully recovered from the crash that began in 2006. For many, revenue is flat because of a shortage of homes in the low-to-middle market, while higher-priced homes languish because they're too expensive for many buyers.

Goodwin, who sells houses in Westchester County, north of New York City, creates videos to show off a home's strongest selling points to pique potential buyers' interest.

"If a house has a great kitchen I might cook in the kitchen. Maybe they have a beautiful wine cellar or storage unit then I would feature that," says Goodwin, who's based in Irvington, New York.

Sales of already occupied homes rose 2.5% in May after two months of declines but were down more than 1% from a year earlier and 4.5% from two years ago, according to the National Association of Realtors. Even with the recent pick-up, sales are weak because the number of homes on the market has fallen in recent years - many foreclosed homes were bought by investors and turned into rental properties, while prices for many homes haven't returned to pre-recession levels, discouraging owners from selling.

Prices have risen enough, however, to outpace the modest gains in Americans' incomes; prices rose 4.5% last year while incomes grew 3.2%, according to figures from the government and CoreLogic, a provider of business information.

Goodwin, whose revenue has been flat over the past year, has to be more proactive than in the past, when a posting on the real estate website Multiple Listing Service was standard operating procedure. Besides using videos that she posts on her website, she'll seek publicity on a local TV station for some higher-end homes.

"You can't just post on MLS and hope someone finds it," Goodwin says.

Phillips and the agents at his company, Lake Homes Realty, have learned that to sell a high-end property, they may need to be brutally honest with homeowners whose asking price is way above what the market will bring. That's a tactic brokers didn't need to use before the housing crash.

"We started over a year ago, when we anticipated a slowdown. We started aggressively training agents to negotiate listing prices," says Phillips, whose company is based in Hoover, Alabama, but sells lakefront homes in about half the states.

Phillips' revenue growth has slowed the past two years. In 2018, revenue rose 22%, less than the 40% he expected based on prior years. So far in 2019, revenue is up 15%. The problem is that houses on the market are priced higher than what buyers are willing to pay.

Homebuilders are having similar struggles. New home sales dropped nearly 8% in May from April as would-be buyers shied away from higher-priced homes in the Northeast and the West, according to the Commerce Department. Sales were down 3.7% from a year earlier.

Lexington Homes, which has townhouse and single-family developments in the Chicago area, has been building smaller projects, co-owner Jeff Benach says. While in the past a development would have between 150 and 650 homes, now they tend to run between 20 and 50. And homes in some developments sell slower than expected, leading Benach to offer incentives like more expensive fixtures to encourage people to buy.

"I'd love to believe that we will get some momentum back some day, but I think the Chicago housing market will never see even close to the volume that we had before, at least in my lifetime," Benach says.

Many real estate brokers have learned to be bloggers and experts in search engine optimization, the process that helps companies rank high in online searches. Pavel Khaykin, who buys homes in Massachusetts and rents or sells them, has started blogging on topics like foreclosure.

"If someone in a town in Massachusetts is facing foreclosure, they can land on our website and potentially reach out to us," he says.

Khaykin says his revenue has been flat over the past year because of the lower inventory of available homes and because of too-high prices.

"The sellers that are overpricing their homes when they list them are learning that buyers are not rushing immediately anymore to purchase their homes - unless it's a highly desirable area of the city," he says.

Brokers are stepping up their online marketing efforts. Phillips' website offers help for homeowners, such as tips for getting a lake house ready for sale, but they have to submit their email address. It's a tactic many businesses including retailers, restaurants and other service providers use to connect with customers.

James McGrath uses his brokerage's incentive, a commission rebate, to get a top spot in search results. McGrath's New York City-based brokerage, Yoreevo, charges buyers 3% and gives them back 2% at closing. Because the incentive is a prominent feature of Yoreevo's website, the company is highly visible in a search for "commission rebate."

The strategy is bringing Yoreevo revenue growth although the New York real estate market is struggling and there is a lot of competition among brokers.

"If you can think of new ways of getting in front of people and new ways to market yourself, you can gain market share," McGrath says. (AP)

Source of bitcoin's wild price swings remains a mystery

Algorithms scour social media for clues to crypto moves

'There may be some value in sentiment analysis in crypto, but most of the time what people tweet may be a lagging indicator of the price move'

LONDON, July 18, (RTRS): After months of relative calm in cryptocurrency markets, bitcoin exploded back into life in April with its sharpest price jump in over a year – but few people could convincingly explain why.

The 20% leap focused investors' attention on one of the enduring mysteries of cryptocurrencies: what moves the price of an emerging asset in an opaque, largely unregulated market?

For some, the answer lies on social media. Hedge funds and asset managers seeking an edge are training computers to scrape social media sites for triggers that could move the price of digital currencies.

Their goal: crafting algorithms capable of picking out price "signals" from the background noise of sites ranging from Reddit and WeChat to Twitter and Telegram.

Many investors already use computer models to identify, and trade, price differences across hundreds of cryptocurrency trading exchanges.

But with opportunities for arbitrage narrowing as the nascent sector develops, big players are increasingly looking to build or buy more sophisticated robots to find market-moving signals online, according to interviews with six hedge funds and asset managers and three software developers.

Yet while the use of algorithms, or algos, for parsing social media may be growing, some of those interviewed said major challenges and risks remain to their wider deployment, from cost to complexity.

"It's an arms race for money managers," said Bin Ren, CEO of Elwood Asset Management, which specialises in digital assets and is owned by Brevan Howard founder Alan Howard.

"Very few players are able to implement and deliver it, but I believe it is highly profitable."

Such "sentiment analysis," as computer-driven reading of the social media mood is known, is used as a tool in traditional markets like equities and foreign exchange to trade on consumer feelings towards a company or asset.

But it could be of greater significance in cryptocurrency markets, where there are few authoritative sources of information, such as central banks, scarcely any reliable data to gauge asset value like economic indicators and financial statements, and a high proportion of individual investors.

It is also early days for the technique in the crypto sector, with scant industry-wide data on performance and many questions over its effectiveness. None of the institutions Reuters spoke to would give details of the performance of their algorithms, citing commercial confidentiality.

To be sure, digital currencies do share some drivers with traditional markets such as comments by policymakers. Bitcoin can be sensitive to remarks by regulators in particular: It fell sharply last week after the US Federal Reserve chief called for a halt to Facebook's planned Libra cryptocurrency project.

But given cryptocurrencies have been entwined with the internet from their dawn a decade ago, when the word was spread in forums and chatrooms, it would seem to make sense to search for price triggers online.

Still, it's far from cheap or simple to design an algorithm that can find market-moving signals in the cacophonous world of social media, analysing huge numbers of posts in dozens of languages while sifting out unreliable information.

Andrea Leccese, president of Bluesky Capital, an investment firm in New York, said upfront costs for a robot capable of only reading Twitter in English were between $500,000 to $1 million, with most of the money spent on skilled developers. That has deterred Bluesky from using the technique, he said.

One daunting challenge is the sheer number of social media channels. Beyond Twitter, sites often used by cryptocurrency aficionados include Telegram, a messaging app with public channels and Reddit, a messaging board.

In Asia, home to many retail traders, apps like Line in Japan and Kakao in South Korea are popular.

Tens of thousands of comments on cryptocurrencies are pumped out around the clock across both national and international channels.

Reddit's main forum, or subreddit, for bitcoin alone has 1.1 million members. Twitter also sees tens of thousands of posts mentioning bitcoin every day, with between 14,000 and 32,000 daily for the last three months, according to the BitInfoCharts website.

In an attempt to extract meaning from this mayhem, algorithms use so-called natural language processing – identifying key words and emotions that indicate changes in how social media users view certain digital currencies.

Investors using algorithms say they can also identify patterns for information that gains traction online.

"The information propagates not randomly, but through a very well-defined structure – it's like a tree," said Elwood's Ren, which has used sentiment analysis for nearly two years after developing its own software.

"It's very similar to modelling the spreading of a virus."

Other investors emphasised the challenges in teaching machines to spot biased or inaccurate information. A Reuters report last November found that many social media users take money for positive reviews of digital coins.

BitSpread, a cryptocurrency asset manager based in London and Singapore, uses its own capital to trade using an algorithm it started developing about a year ago, its CEO Cedric Jeanson told Reuters.

It is a relatively narrowly targeted software. Aggregating Twitter feeds, it looks out for posts on the liquidation, or closing, of positions at exchanges.

"It's a matter of gathering all the info, trying to understand who is trading where, what kind of liquidation can appear," he said. "It's a strategy that makes sense."

However, he acknowledged the drawbacks.

"The sentiment itself, what we see on Twitter, can be really geared towards fake news. We are always very cautious about what we're reading in the news because, most of the time, we've seen that there's a bias."

Many algorithms use machine learning, where they are supposed to improve through experience and better understand how social media posts translate into market movements.

Developers often identify key people with outsized voices and large numbers of followers to weight more heavily in their algorithm, said Bijan Farsijani of Augmento, a Berlin-based startup that launched an algo for sentiment analysis last month.

He said a number of hedge funds had bought the software from his company since the launch.

"There may be some value in sentiment analysis in crypto, but most of the time what people tweet may be a lagging indicator of the price move," said Leccese of Bluesky Capital.