SUPERNATURAL AND SPECTACULAR
WASHINGTON, D.C.'S GEORGETOWN NEIGHBORHOOD IS FILLED WITH FRIGHTENING HISTORY
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OCTOBER 15, 2013

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10.15 Cover_Halloween.indd 1
9/25/13 6:01 AM

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American Airlines cares about your safety. Please keep your seat belt fastened at all times, even when the seat-belt sign is not on.

Web Exclusive
What do very cool people in France have in common with campers, hikers and tourists who visit the country? Donkeys. Visitors rent them; the cool people own them. Seriously.
Twitter Invades the Stock Market

SOCIAL MEDIA is the latest tool for analyzing trends in real time.

SOMEONE WILL LIKELY TWEET THIS story, commenting on it for better or worse. That single tweet, a drop of water, will flow into a gushing fire hose of tweets — something like 400 million worldwide each day on every possible subject.

In Chicago, four sharp guys at a little startup company will filter those tweets, each and every one, looking for the drops of water that carry just the right words — buy is nice, but so is dump — from the right folks. Morgan Stanley is excellent; Paris Hilton, not so much.

The men will place the selected tweets in carefully calibrated historic context. Is the Twitter chatter for, say, Home Depot heavier than usual, especially compared to other home-supply stores? How much heavier?

They will measure how deep and wide the chatter is. Is the surge in Home Depot tweets coming from many quality sources or a relative few? They will measure whether the Twitter chatter is positive or negative — again compared to a precisely developed baseline — and by how much. Is the chatter for Home Depot, for example, full of talk about “going long at 50” and “adding to my position” or “dump at the open” and “swoons amid criticism?” In all, they will aggregate and size up selected Twitter chatter on all U.S. stocks in four essential ways and assign scores. And to what end?

To beat the markets, of course.

Social Market Analytics (SMA), run by the four Chicago guys from a loft space full of rock-band equipment but no desks, is a pioneer in the emerging field of analyzing social-media content to give traders a leg up in the capital markets. Trading is the art and science of absorbing relevant information — the sacking of a CEO, the price of oil in the Middle East, a company’s latest earnings report — and acting on it faster than anyone else. SMA slices and dices billions of tweets, which increasingly are the stream of consciousness of the business world, to give traders an information advantage.

Does this stuff work?

Though the very idea of sifting through social media for an edge on Wall Street is but a few years old, some experts predict it one day will be more useful to traders than traditional economic indicators, such as quarterly federal jobs reports. Social-media data is more current, has a broader base and looks forward, not back.

Eighty-seven percent of Fortune 100 companies use social media. Twitter is the most popular, and companies are not just tapping out missives like, “Check out this video of cute kitty riding a bike.” They’re conducting serious business, as reflected in federal regulators’ decision last April to let companies release key information, such as quarterly earnings reports, on social media such as Twitter.

For its part, SMA offers a wealth of evidence that this stuff does indeed work, but its most convincing selling point might simply be that the New York Stock Exchange in February signed on as a distributor. SMA now is available to all New York Stock Exchange (NYSE) clients who want to subscribe to the service.

When it comes to squeezing “actionable intelligence” — that trader’s edge — from social media, SMA is an “eLewis and iClark” that “stands out,” Tom Watson, vice president of the global-market data group for NYSE Technologies, says in a phone conversation.
The idea of trading on Wall Street based on Twitter “sentiment” can be traced back at least to a landmark, though deeply flawed, study published in the October 2010 issue of the *Journal of Computational Science*. The study’s authors claimed that by using Twitter, they could predict the daily changes in the closing values of the Dow Jones industrial average with 87.6 percent accuracy. Since then, Watson says, the challenge has been to refine the process so that Twitter becomes an ever-more-trustworthy crystal ball.

“How do you filter out the nonsense?” Watson asks in a blog post. “There certainly are scammers and spammers and sarcasm on Twitter. And there certainly are people intent on doing the wrong thing. But that stuff is, unfortunately, human nature and has existed on Wall Street for over a century. It has been a part of business since people started selling things to each other — think snake-oil salesmen.”

Sizing up Twitter sentiment so tellingly that traders would see it as a valuable predictive tool was the holy grail for the four founders of SMA in May 2011, when they began brainstorming. They were sure it was the next big thing.

“We were all developers for trading systems, and we were looking for new projects to work on together, but we didn’t even have a place to meet,” says Joe Gits, president and CEO of SMA. That problem was solved when Jeff Blaschak, another of SMA’s founders, was offered free use of space by his brother-in-law in an office building in Chicago’s Loop. But the formalities of desks, offices and boardrooms have never really mattered much to them. With an MBA and three Ph.D.s among the four of them, they straddle the heady world of academia and the make-a-killling world of the capital markets and appear most comfortable in the deceptively casual culture of startups. They use Skype and email from their suburban homes and treat any coffee shop with Wi-Fi as an office.

The more democratic a workspace is — no walls, no offices, no obvious physical hierarchy — the more creativity is encouraged, Gits says. SMA’s current space, in a hip neighborhood west of the Loop, features a long bar stocked with good beer and a few small,
“Hey, why did we score this tweet?”
June 2013, any Wall Street trader who had
Gits says. “How many decisions are made
yet for SMA, its best data continues to beat
world, 14 minutes can be an eternity.
were by no means sure they had anything at
weekly meetings in those early months,
quick to forget how a single fake tweet
of social-media analysis. None have been
ers might want to act fast.
emeritus of the retail chain Best Buy, sub
can play out:
outperformed the Standard & Poor’s 500
index by 21 percent.
Not until 8:44 a.m. did the major financial-
Blaschak was beating the market. Better
yet for SMA, its best data continues to beat
the market. From December 2011 through
June 2013, any Wall Street trader who had
bought or sold on the basis of SMA’s “high
positive” scores for stocks — those that were
at least two standard deviations above the
normal Twitter “sentiment” — would have
outperformed the Standard & Poor’s 500
index by 21 percent.
Here’s a real-world example of how that
can play out:
Around 8:15 a.m., SMA detected a huge
jump in Twitter chatter about Best Buy and scored
that sentiment as “high positive” — SMA’s
strongest indicator that something big and
good was happening with Best Buy and trad-
ers might want to act fast.
Not until 8:44 a.m. did the major financial-
news services break the news. In the trading
world, 14 minutes can be an eternity.
For all of that, cautious traders are only
now beginning to stick a toe in the water
of social-media analysis. None have been
quick to forget how a single fake tweet
on April 23, 2013 — “Obama is injured” —
rocked the markets. They understandably
are proceeding with caution.
Typical of the early birds is Tom Pruter
of the small Chicago-based trading firm
Drysdale Holdings, an SMA client. “We put
some money behind SMA’s findings with
some success” but backed off when the
market grew choppy, Pruter says. “Now
we’re really going to do a deep dive into it.”
Again, somebody is going to tweet this story. But that tweet, alas, is unlikely to car-
ry much weight at SMA, where they prefer
the chatter of the Wall Street crowd. They eavesdrop every day on some 400,000 trad-
ers, hedge-fund managers and the like.
That’s fine. But would a tweet of this story
at least matter more than a Paris Hilton
tweet?
“Maybe,” Blaschak replies. “A little.”

THE CENTER FOR REGENERATIVE MEDICINE
A NON-SURGICAL TECHNIQUE TO FIGHT AGAINST
ARTHRITIS AND SPORTS INJURIES

The Knee Diaries: SJ is a 60-year-old male with the chief complaint of knee pain who visited
The Center for Regenerative Medicine over a year ago. He was diagnosed with bone-on-bone
osteoarthritis of the left knee, causing much pain and discomfort; at that point he was told
only a total knee replacement could help him. He is otherwise healthy. On exam he had
point tenderness to the medial side of the left knee (medical lingo: inner side). An X-ray
showed severe arthritis of the knee (X-ray on the left). Patient started receiving treatments
at The Center for Regenerative Medicine. Today he is feeling better (X-ray on the right).

This is how it works: The physician introduces Cell Therapy into damaged, arthritic
cells by means of a precise injection. This process is followed by several other modalities,
including Collateral Artery Flow Exercises (C.A.F.E.), in order to accelerate the process.
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to be injected, people usually need a series of 1 to 6 treatments to improve. There is usually
no downtime, and people can go back to their usual activities or work immediately. The
treatments can help most musculoskeletal problems such as low back pain, neck pain,
knee pain, shoulder pain, whiplash, sciatica, tendinitis, sprain, strains, torn ligaments
and cartilage damage.

Located in Miami, Florida, The Center for Regenerative Medicine includes a team
of professionals that are dedicated to improve your quality of life, paving the way to
enhance the science of non-surgical orthopedic medicine. World champions, sports
legends, professional and amateur athletes, dancers, and people with just plain pain
and arthritis go to The Center for Regenerative Medicine for nonsurgical orthopedic
care. Using the facility to improve their condition, thousands of successful cases have
been treated over the past twelve years.

For more information and to read more on “The Knee Diaries”,
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