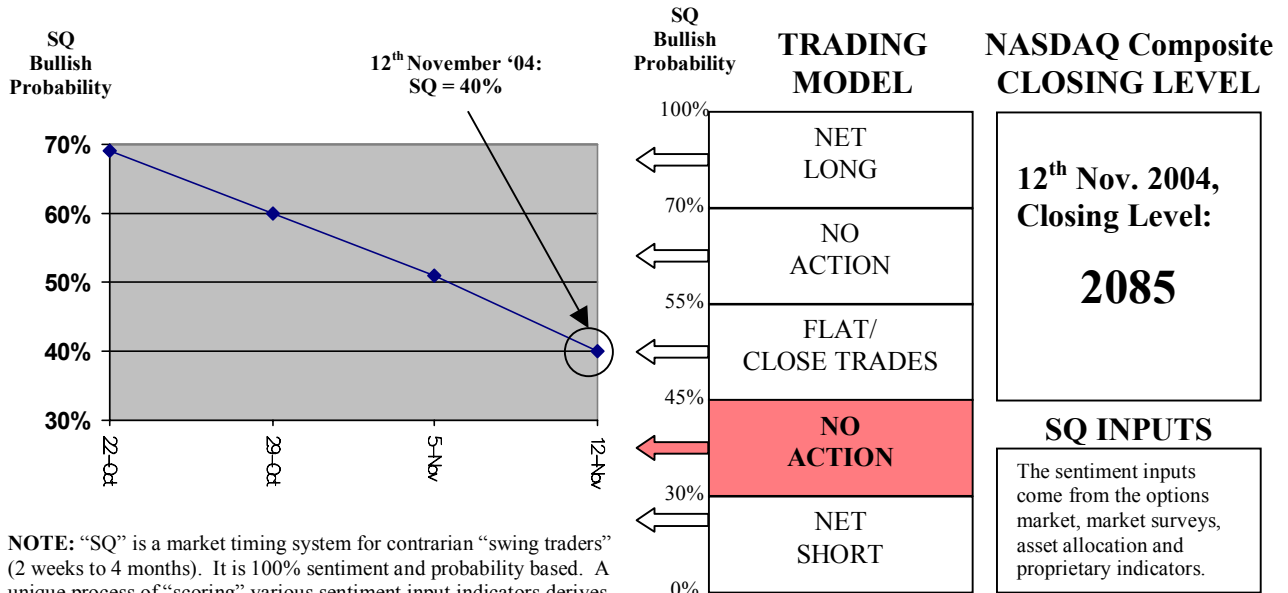


Swing Trading Bulletin

Issue 26,
Market Close,
12th Nov. 2004



NOTE: "SQ" is a market timing system for contrarian "swing traders" (2 weeks to 4 months). It is 100% sentiment and probability based. A unique process of "scoring" various sentiment input indicators derives a bullish probability for the market - SQ. This activates the trading model (above right) at certain trigger points. Contact info@contraquant.com for further information.

Commentary

We were surprised that our tight trailing Stop at 2032 was not activated: the low for the week at 2032.37 (Wednesday) was a lucky narrow miss. Then on Friday our "Limit Sell" at 2079 was filled to close the LONG position entered in August (at an average 1787). This generated a 16.3% profit on the trade, which, when applied to the \$600,000 deployed, yielded a profit of \$98,041. Adding this to previous gains we are now 100% cash with \$1,119,963. This is 12% up on our starting capital of May 21st 2004 after 2 winning closed trades. SQ fell sharply again to 40% and is moving closer to our short trade trigger at 30%.

Trading Model Rules

All trades against the NASDAQ Composite or Rydex Velocity 100 Fund (200% leveraged against the NASDAQ 100) and executed either:

- (i) Against the coming week's opening level of the Composite index or Rydex Velocity 100 Fund.
- (ii) Via limit/stop orders at a specified level as described in the prior week's report. For the Rydex Velocity 100 Fund trades are executed against the Fund's next day opening price after the trigger level specified on the NASDAQ Composite is touched. Zero transaction/trading costs assumed and no spread. No interest on cash balances.

Current Trades and Open Positions

Trades Executed Last Week:

US\$600,000 LONG NASDAQ Composite position closed at 2079 on Friday 12th November.

Current Open Positions:

US\$1,119,963 in cash.

Current Pending Orders:

NONE.

New Trades:

NONE.

Note: All stop and limit orders entered at the next market open on a "good until cancelled" basis; specified order levels correspond to the NASDAQ Composite. Cancellation can take place only within a report such as this. All trades executed at closest exact level (no fractions).

Performance to Date

Starting Capital: US\$1,000,000 (21st May 2004).

Current Capital: US\$1,119,963.

Returns to date of +12.0%.

2 Winning Closed Trades, 0 Losing Closed Trades.

Disclaimer: The timing signals and comments provided by ContraQuant Limited are for research and information purposes only, and should not be considered as investment advice. Descriptions of trading posture and trades simulate our own investment activity, and do not in any way infer that such actions are likely to be profitable. Reliance upon information provided by ContraQuant Limited is at your own risk, and we shall not be held liable for any loss due to posted timing signals and comments. Further, ContraQuant Limited is not registered with any association in any capacity to give investment advice. This document may not be reproduced nor copies circulated without prior authority.