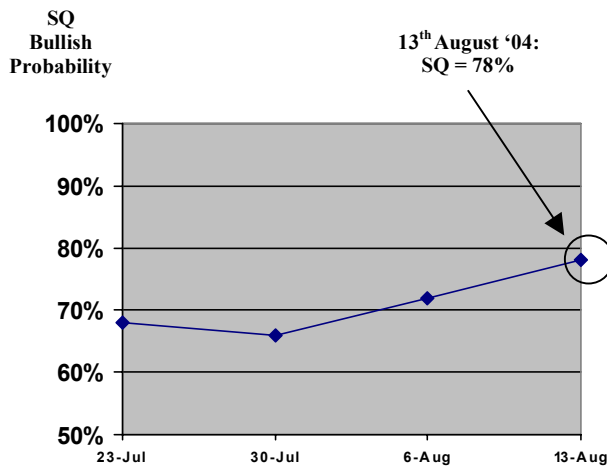
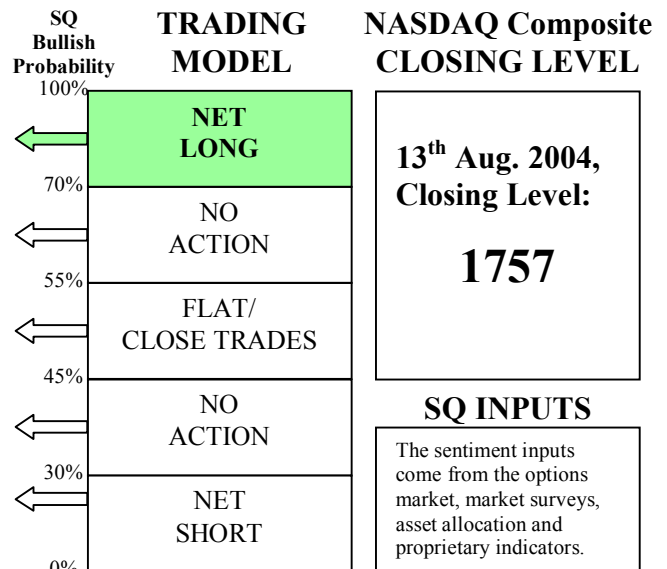


Swing Trading Bulletin

Issue 13,
Market Close,
13th August 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

Although the market danced tantalisingly just above our next LONG order level at 1750 we didn't quite get a fill. Nevertheless pessimism spurted up as SQ jumped to 78% from 72% despite a relatively small drop in the market over the last week. This increasing bearishness was evidenced both in asset allocation and put buying and provides a foundation for adding to LONGs in the coming week. With such a long list of worries including oil prices, terrorism and jobs, further LONGs will be entered at the market open. Other Limit Orders are also now made slightly more aggressive to reflect the higher probability of the trade.

Trading Model Rules

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

- Against the coming week's opening level of the Composite index or Rydex Velocity 100 Fund.
- 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:

NONE

Current Open Positions:

US\$400,000 LONG NASDAQ Composite at average of 1800.5. US\$621,922 in cash.

Limit Orders to Open LONG US\$100,000 @ 1750, 1730 and 1710. Limit Order to Open LONG Rydex Velocity 100 US\$321,922 @ after 1620 is hit. Stop Order to Close Composite LONGs @ 1610, Stop Order to Close Rydex Velocity LONGs @ 1505.

New Trades: (Composite unless otherwise stated) Open LONG US\$200,000 @ Market Open. Leaves US\$421,922 in cash. Cancel Limit Order \$US100,000 LONG @ 1750. Cancel Rydex Velocity 100 Fund Limit Order. Open Rydex Velocity 100 Limit Order LONG \$100,000 @ 1670 and LONG \$121,922 @ 1640. Move Stop on Composite positions from 1610 to 1540

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).

Returns to date of +2.2%. Performance will be measured again when 100% in cash.

1 Winning Closed Trade, 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.