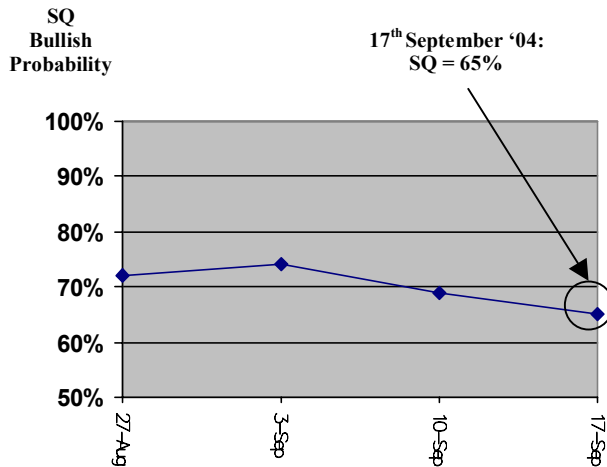
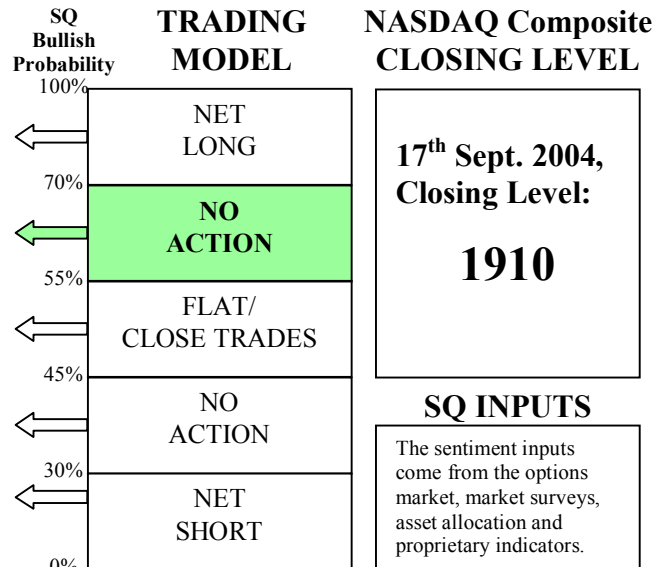


Swing Trading Bulletin

Issue 18,
Market Close,
17th Sept. 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

The NASDAQ Composite moved ahead a modest 0.8% last week as significant volume started to return to the market. Our SQ measure fell back to 65% from 69% as short players continue to get squeezed though we are still some way from experiencing rampant optimism on technology stocks. For safety's sake we will move the "emergency event" stops covering our open LONG position up a touch although there is no substantive change in our trading stance. We still hold our open LONG position with a view to take profits whenever SQ heads back towards the trigger level of 55%.

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\$600,000 LONG NASDAQ Composite at average of 1787 (entered on 6th and 16th August).
US\$421,922 in cash.

Current Pending Orders:

Limit Orders to Open LONG US\$100,000 @ 1780 and 1760.

Stop Order to Close Composite LONGs @ 1580.

New Trades: (Composite unless otherwise stated)
Move Stop Order to Close Composite LONGs from 1580 to 1620.

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.