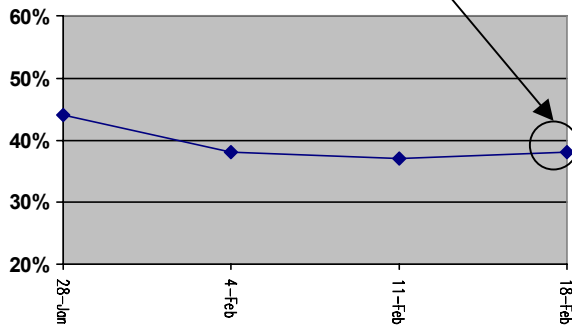


# Swing Trading Bulletin

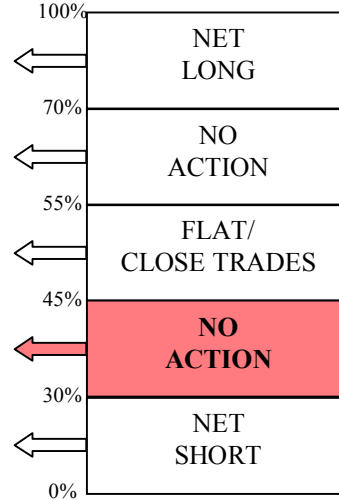
Week 40,  
Market Close,  
18th Feb. 2005

SQ  
Bullish Probability



**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.

SQ  
Bullish Probability



TRADING  
MODEL

NASDAQ Composite  
CLOSING LEVEL

18<sup>th</sup> Feb. 2005,  
Closing Level:

**2059**

SQ INPUTS

The sentiment inputs come from the options market, market surveys, asset allocation and proprietary indicators.

## Commentary

The last week unfolded exactly as we would have liked it to: we got to fill one of our SHORT Limit Orders pretty much at the weekly high, after which the market retreated quickly. This means that we have now rebuilt our SHORT position of \$US 500,000 at an average level of 2090 and this is already showing a useful profit. Market participants are still substantially bullish and we believe that they are likely to come unstuck fairly quickly. Not only is volatility languishing at unsustainable lows but market surveys are showing strong and unwarranted optimism. Just in case the expected scenario takes more time to unfold we are layering in a further SHORT Limit Order above 2100.

## Trading Model Rules

All trades are against the NASDAQ Composite and executed either:

- Against the coming week's opening level of the Composite index.
- Via limit/stop orders at a specified level as described in the prior week's report.

Zero transaction/trading costs assumed and no spread. No interest on cash balances. 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).

## Current Trades and Open Positions

### Trades Executed Last Week:

\$US 100,000 SHORT Opened at 2077 on Monday 14<sup>th</sup> February (Market Open). \$US 200,000 SHORT Opened at 2100 on Tuesday 15<sup>th</sup> February to fill Limit Order.

### Current Open Positions:

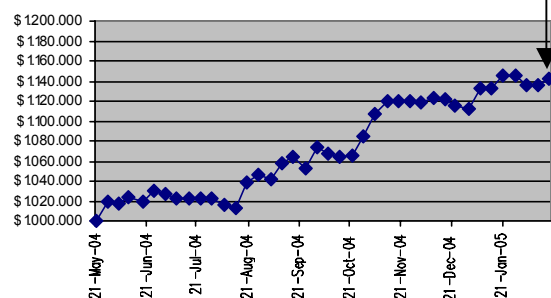
\$US 500,000 SHORT at average level of 2090 (opened on 7<sup>th</sup>, 14<sup>th</sup> and 15<sup>th</sup> February).  
\$US 635,355 in cash.

### Current Pending Orders/New Trades:

Limit Order to Open SHORT \$US 100,000 at 2110.  
Limit Order to Open SHORT \$US 100,000 at 2120.  
Stop Order to Close all SHORT positions at 2450.

## Weekly Performance Track (18<sup>th</sup> Feb. '05)

Starting Capital: US\$1,000,000 (21<sup>st</sup> May 2004).  
3 Winning Closed Trades, 0 Losing Closed Trades.  
Change in NAV since 1 week: + 0.6%  
Change in NAV since inception: +14.3%



**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 such 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.