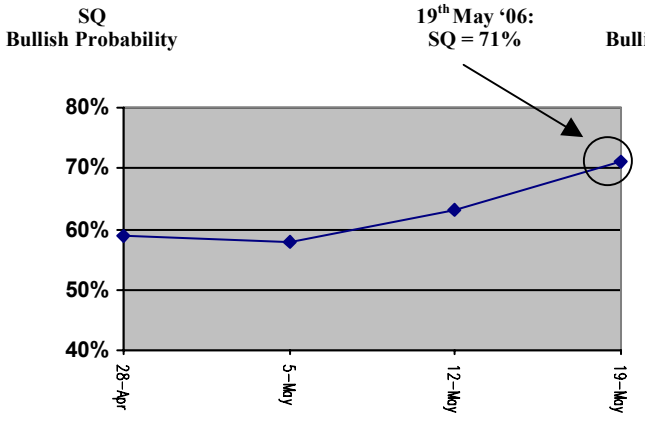
CONTRAQUANT LIMITED
MARKET TIMING - SENTIMENT ANALYSIS - POSITION TRADING

SQ/BULLISH PROBABILITY of
71%
over the next 2 weeks to 4 months

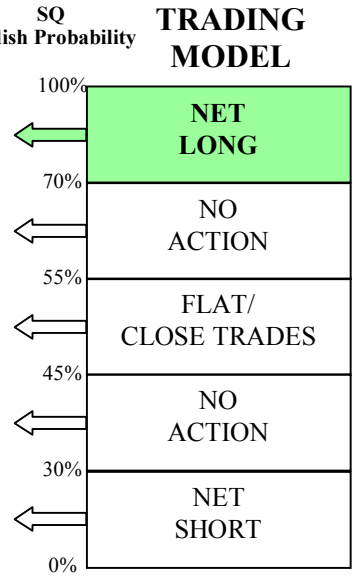
19th May 2006:
NET LONG

Swing Trading Bulletin

Week 105, Market Close, 19th May 2006



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.



NASDAQ Composite CLOSING LEVEL

19th May 2006, Closing Level:

2194

SQ INPUTS

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

Commentary

After further market declines last week we are pleased to have a LONG trading opportunity at last as the model has moved above its 70% trigger level. Therefore we begin to scale in at the market open on Monday while setting up further Limit Orders in case the market falls further. If the sharpness of recent falls leads to panic this will allow us to get fully into the trade. It certainly feels good to re-enter the market after a period on the sidelines.

Trading Model Rules

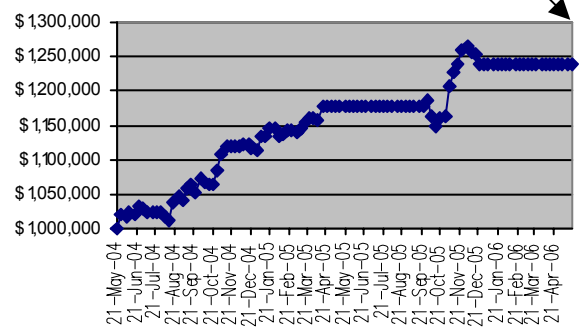
All trades are against the NASDAQ Composite and executed either:
(i) Against the coming week's opening level of the Composite index.
(ii) Via limit/stop orders at a specified level as described in the prior week's report.
Zero transaction/trading costs assumed and no spread. No interest on cash balances. 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:
NONE.
Current Open Positions:
$US 1,240,024 in cash.
Current Pending Orders/New Trades:
Market Order to Open LONG $US 600,000 at opening level on Monday 22nd May 2006.
Limit Order to Open LONG $US 200,000 at 2176.
Limit Order to Open LONG $US 200,000 at 2154.
Stop Order to Close all positions at 1850.

Weekly Performance Track (19th May '06)

Starting Capital: US$1,000,000 (21st May 2004).
5 Winning Closed Trades, 0 Losing Closed Trades.
Change in NAV since 1 week ago: + 0.0%
Change in NAV since inception: **+24.0%**



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Sent by email, Saturday 20th May 2006, to Mr Jafar Omid, Mr Jack Schwager, Dr Andrew Coles, Mr Rupen Soochak, Mr Christian Voit, Mr Gerwin Kugi.