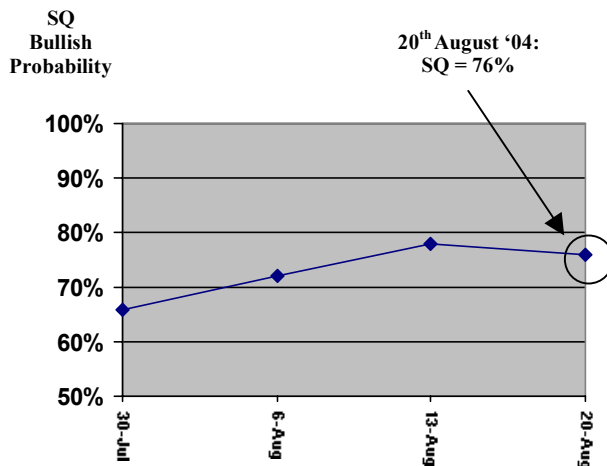
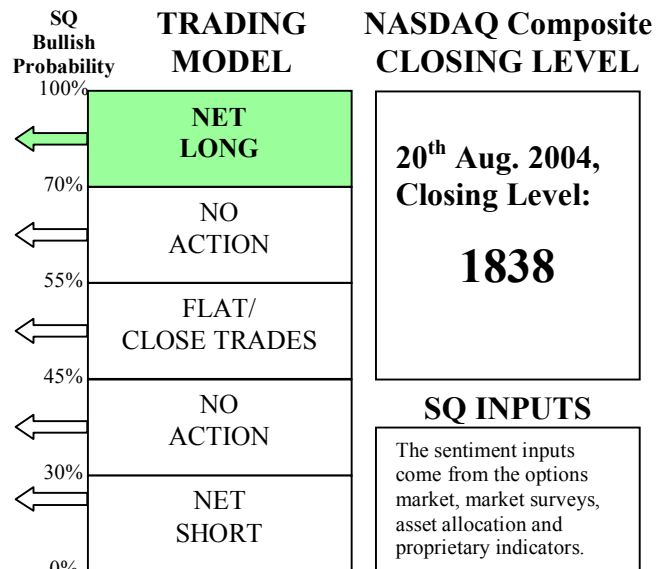


# Swing Trading Bulletin

Issue 14,  
Market Close,  
20th 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](mailto:info@contraquant.com) for further information.



## Commentary

As stated in last week's report, we added a further \$200,000 to our LONG position at the market open on Monday at a level of 1760. This leaves us with nearly 60% of our capital invested LONG at an average of 1787. From this point the market spurted up steadily for a week's gain of 4.6%. Despite this jump, overriding sentiment remains negative with SQ only edging down slightly to 76% as oil prices continued to move higher. This is exactly the "wall of worry" we like to see to set up a bullish trend and we therefore remain firmly LONG.

## 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:

\$US200,000 LONG opened on 16<sup>th</sup> August 2004 at Market Open level of 1760, NASDAQ Composite.

### Current Open Positions:

US\$600,000 LONG NASDAQ Composite at average of 1787. US\$421,922 in cash.

### Current Pending Orders:

Limit Orders to Open LONG US\$100,000 @ 1730 and 1710. Limit Order to Open LONG Rydex Velocity 100 US\$100,000 @ 1670 and US\$121,922 @ 1640. Stop Order to Close Composite LONGs @ 1540, Stop Order to Close Rydex Velocity LONGs @ 1505.

**New Trades:** (Composite unless otherwise stated) Move 2\*US\$100,000 NASDAQ Composite LONG Limit Orders currently @ 1730 and 1710 to 1780 and 1760 respectively.

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 (21<sup>st</sup> 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.