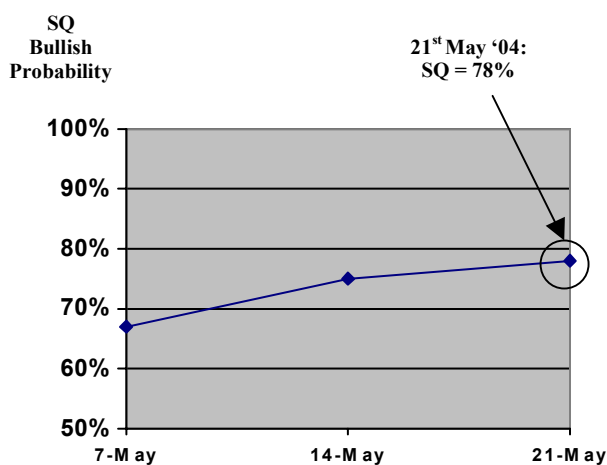
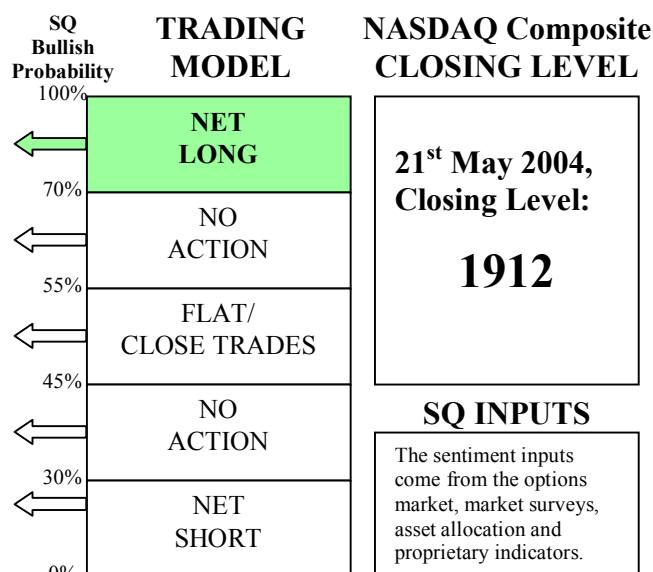


# Swing Trading Bulletin

Issue 1,  
Market Close,  
21st May 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.



## Commentary

Several of our model's sentiment inputs were pushed to pessimistic extremes in the last week. Primarily this was shown in heavy put buying just below current levels and this is now expected to support the market. Our bullish probability of 78% is high enough to provide for an attractive long trade. We are therefore opening a long position of US\$600k on Monday 24<sup>th</sup> May at the market's opening level, thereby committing 60% of our capital. Several further limit LONG orders have also been set up in case the market drops. As will always be the case, a blanket stop order has been placed to cover extreme event risk.

## 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.

Note: Zero transaction/trading costs assumed.

## Current Trades and Open Positions

Starting Capital: US\$1,000,000 cash  
 Current Open Positions: 100% cash  
 New Trades:  
 Open LONG US\$600k NASDAQ Comp.@ Market (24<sup>th</sup> May 2004, at cash opening level)  
 Leaves US\$400k cash.  
 Open the following Limit Orders:  
 Open LONG US\$100k @ 1895  
 Open LONG US\$100k @ 1875  
 Open the following Stop Orders:  
 Close all LONG positions @ 1760

Note: All stop and limit orders are entered at the next market open on a "good until cancelled" basis. Cancellation can take place only within a report such as this one. All trades are executed at the closest exact level (no fractions) and without spread.

## Performance to Date

Starting Capital: US\$1,000,000 (21<sup>st</sup> May 2004).  
 Performance is measured at points when we are 100% in cash. This is the first report.

## Feedback

Please contact [info@contraquant.com](mailto:info@contraquant.com)

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