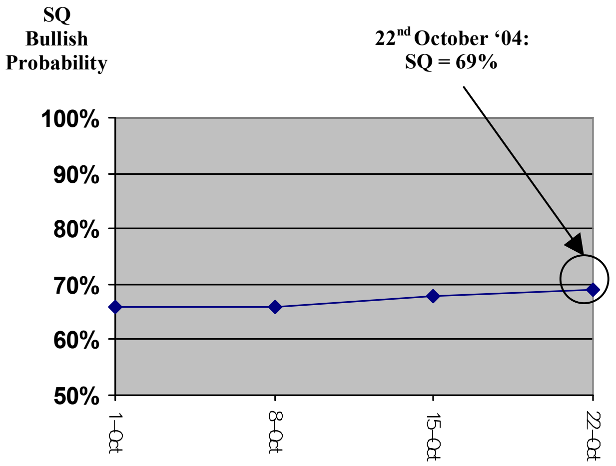
CONTRAQUANT LIMITED
MARKET TIMING - SENTIMENT ANALYSIS - POSITION TRADING

SQ/BULLISH PROBABILITY of
69%
over the next 2 weeks to 4 months

22nd October 2004:
NO ACTION

Swing Trading Bulletin

Issue 23, Market Close, 22nd Oct. 2004



SQ Bullish Probability / **TRADING MODEL**

SQ Bullish Probability	TRADING MODEL
100% – 70%	NET LONG
70% – 55%	**NO ACTION**
55% – 45%	FLAT/ CLOSE TRADES
45% – 30%	NO ACTION
30% – 0%	NET SHORT

NASDAQ Composite CLOSING LEVEL

22nd Oct. 2004, Closing Level:

1915

SQ INPUTS

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

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

In the last week the NASDAQ Composite rose a modest 0.2% as it outperformed by resisting the broader market's decline. Although the NASDAQ has risen more than 9% since the August lows there is still an overriding scepticism in the air: our SQ measure has only dropped to 69% from 78% over the same period. Despite the NASDAQ's relative strength, the DOW hit a fresh 2004 low on Friday of 9758. Indeed, one of our proprietary model inputs has a DOW counterpart now showing a potential bounce in the DOW that is likely to carry our open position in the NASDAQ up with it. We 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:
(i) Against the coming week's opening level of the Composite index or Rydex Velocity 100 Fund.
(ii) 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 @ 1620.
New Trades:
NONE

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.

Sent by email, Saturday 23rd October 2004, to Mr Jafar Omid, Mr Jack Schwager, Dr Andrew Coles, Mr Rupen Soochak, Mr Christian Voit, Mr Gerwin Kugi.