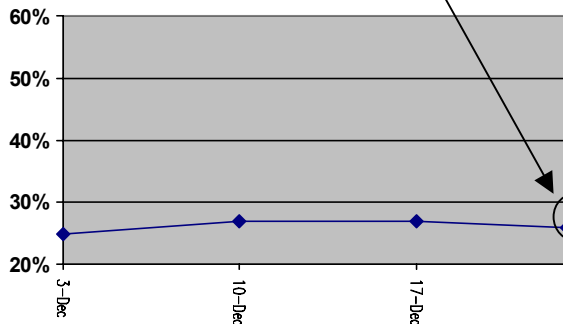


# Swing Trading Bulletin

Issue 32,  
Market Close,  
23rd Dec. 2004

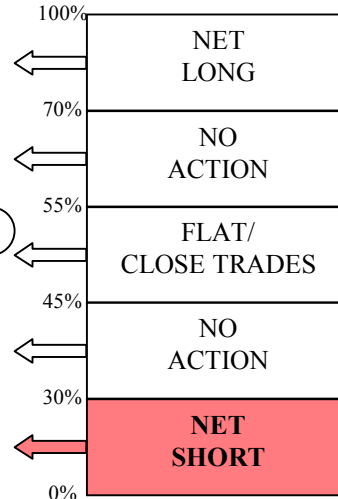
SQ  
Bullish Probability



**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.

23<sup>rd</sup> December '04:  
SQ = 26%

SQ  
Bullish Probability



NASDAQ Composite  
CLOSING LEVEL

23<sup>rd</sup> Dec. 2004,  
Closing Level:

**2161**

NOTE: Markets were closed all day on Friday 24<sup>th</sup> December

**SQ INPUTS**

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

## Commentary

In a truncated week characterised by low volumes the NASDAQ Composite continued to edge upwards. It feels good as contrarians to be positioned short with such a firm sense of optimism in the air and we await with anticipation whatever the New Year brings. The ideal scenario would be a short-term extension of the current bullish trend to allow a further build-up of our SHORT position and to this end our Limit Orders remain in place.

## 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:**

NONE.

**Current Open Positions:**

\$US500,000 SHORT at average level of 2144

(opened on 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> December 2004)

\$US619,963 in cash

Stop to Close all SHORT positions at 2480

**Current Pending Orders:**

Limit Orders as follows:

Open SHORT \$US100k @ 2195

Open SHORT \$US100k @ 2210

Open SHORT \$US100k @ 2225

**New Trades:**

NONE.

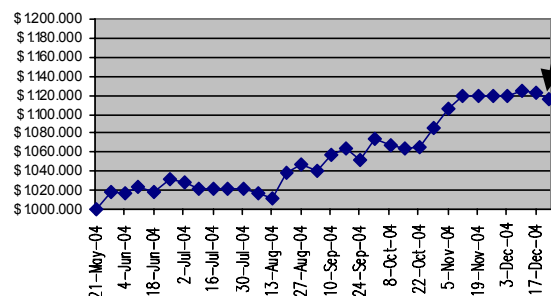
## Weekly Performance Track (23<sup>rd</sup> Dec. '04)

Starting Capital: US\$1,000,000 (21<sup>st</sup> May 2004).

2 Winning Closed Trades, 0 Losing Closed Trades.

Change in NAV since 1 week: -0.5%

Change in NAV since inception: **+11.6%**



**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.

Sent by email, Sunday 26<sup>th</sup> December 2004, to Mr Jafar Omid, Mr Jack Schwager, Dr Andrew Coles, Mr Rupen Sookchak, Mr Christian Voit, Mr Gerwin Kugi.