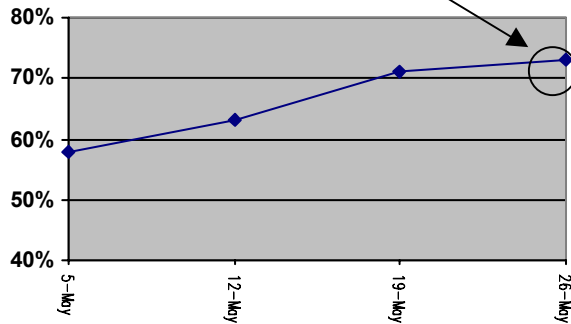


# Swing Trading Bulletin

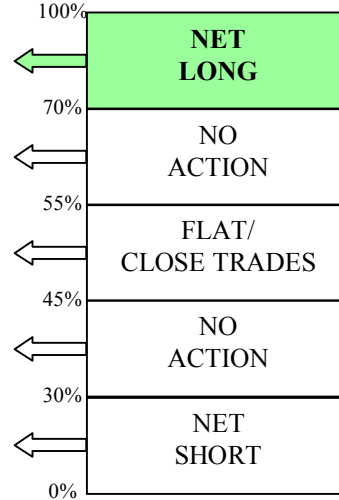
Week 106,  
Market Close,  
26th May 2006

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.

SQ  
Bullish Probability



TRADING  
MODEL

NASDAQ Composite  
CLOSING LEVEL

26<sup>th</sup> May 2006,  
Closing Level:

**2210**

SQ INPUTS

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

## Commentary

We were filled last week on all three Orders that were committed to in last week's report. These trades were filled at the market opening on Monday and later at even better levels to build an open LONG position of \$1,000,000 at an average level of 2173. At the same time, our SQ model reading stayed above 70% as the market rebounded and moved our trade into immediate profit. A final Limit Order for our remaining capital is now set up in case the market pulls back once more. Either way, we are confident in riding this LONG trade from the favourable entry established.

## 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:

LONG \$US 600,000 at market opening level of 2178 (Mon. 22<sup>nd</sup> May). Further \$US 200,000 LONG filled at 2176 (also 22<sup>nd</sup> May). Further \$US 200,000 LONG filled at 2154 (Wed. 24<sup>th</sup> May).

### Current Open Positions:

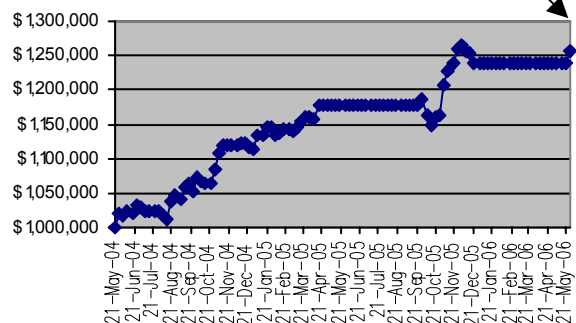
\$US 1,000,000 LONG at average level of 2173.  
\$US 240,024 in cash.

### Current Pending Orders/New Trades:

Limit Order to Open LONG \$US 240,024 at 2164.  
Stop Order to Close all positions at 1850.

## Weekly Performance Track (26th May '06)

Starting Capital: US\$1,000,000 (21<sup>st</sup> May 2004).  
5 Winning Closed Trades, 0 Losing Closed Trades.  
Change in NAV since 1 week ago: +1.4%  
Change in NAV since inception: +25.7%



**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.