

Swing Trading Bulletin

Week 37,
Market Close,
28th Jan. 2005

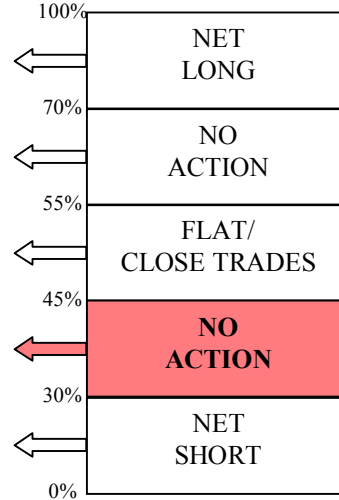
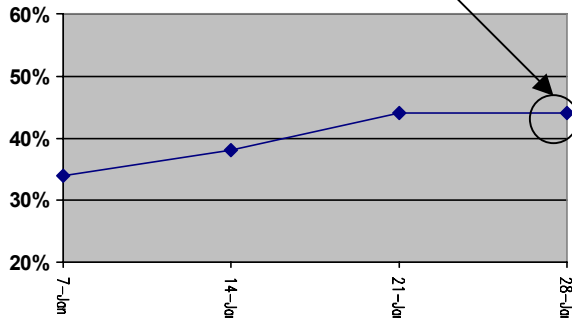
SQ
Bullish Probability

28th January '05:
SQ = 44%

SQ
Bullish Probability

TRADING
MODEL

NASDAQ Composite
CLOSING LEVEL



28th Jan. 2005,
Closing Level:

2036

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.

Commentary

There was minimal net change last week both in the NASDAQ Composite and in our summary SQ measure of sentiment. We have now set up our open trade to be in a "no lose" situation with one of two scenarios likely to unfold in the coming weeks. Either the bearish trend so far this year will reverse, in which case our trailing stop at 2078 will be activated to realise the profits on our SHORT position; alternatively there will be further market falls in which case we will trail our stops down as we further increase open profits on the current trade. We will continue to track closely the impact of the bearish start to the year on our battery of sentiment measures.

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 1st, 2nd and 3rd December 2004)
\$US619,963 in cash
Stop to Close all SHORT positions at 2078

Current Pending Orders/New Trades:

NONE.

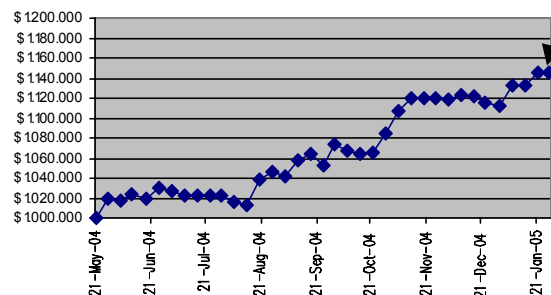
Weekly Performance Track (28th Jan. '05)

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

2 Winning Closed Trades, 0 Losing Closed Trades.

Change in NAV since 1 week: +0.0%

Change in NAV since inception: **+14.5%**



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