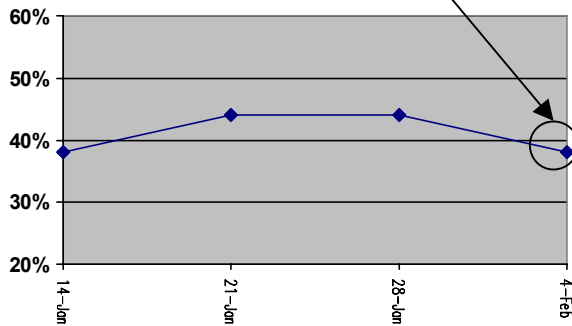


# Swing Trading Bulletin

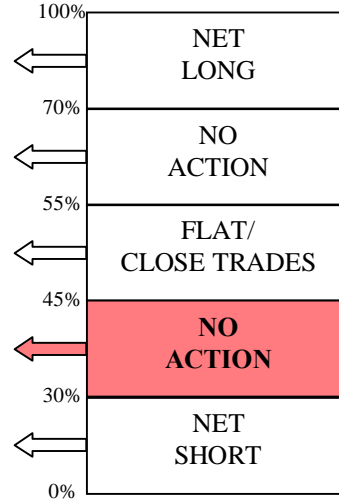
Week 38,  
Market Close,  
4th Feb. 2005

SQ  
Bullish Probability



4<sup>th</sup> February '05:  
SQ = 38%

SQ  
Bullish Probability



TRADING  
MODEL

NASDAQ Composite  
CLOSING LEVEL

4<sup>th</sup> Feb. 2005,  
Closing Level:  
**2087**

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

Due to a move up in the NASDAQ Composite we were stopped out on our open SHORT position at 2078 last Wednesday – a good thing as the market closed the week even higher. This yielded a useful further \$15,392 cash profit and brings our NAV since May 21<sup>st</sup> 2004 up to + 13.5%. The last week saw a remarkable deflation of volatility suggesting that very complacent long-only fund managers see little need to purchase downside insurance. Although SQ has fallen to 38% - still above the SHORT trigger of 30% - we will aggressively rebuild our SHORTs at the market open due to the striking volatility phenomenon described. Further SHORT scale-in Limit Orders are also now set up.

## 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:

\$US 500,000 SHORT Closed at 2078 on Wednesday 2<sup>nd</sup> February (Stop activated). This closed SHORT positions opened on 1<sup>st</sup> to 3<sup>rd</sup> December 2004 at an average level of 2144.

### Current Open Positions:

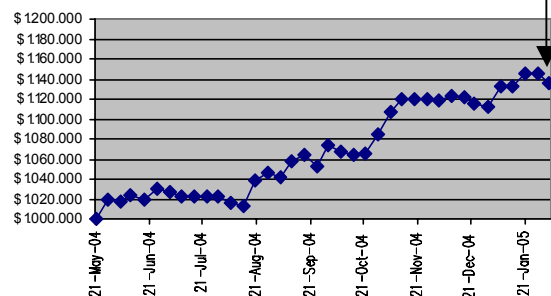
\$US 1,135,355 in cash.

### Current Pending Orders/New Trades:

Open SHORT \$US 200,000 at Market Open on Monday February 7<sup>th</sup>.  
Limit Order to Open SHORT \$US 200,000 at 2100.  
Limit Order to Open SHORT \$US 100,000 at 2120.  
Stop Order to Close SHORTs at 2450.

## Weekly Performance Track (4<sup>th</sup> Feb. '05)

Starting Capital: US\$1,000,000 (21<sup>st</sup> May 2004).  
3 Winning Closed Trades, 0 Losing Closed Trades.  
Change in NAV since 1 week: - 0.9%  
Change in NAV since inception: **+13.5%**



**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.