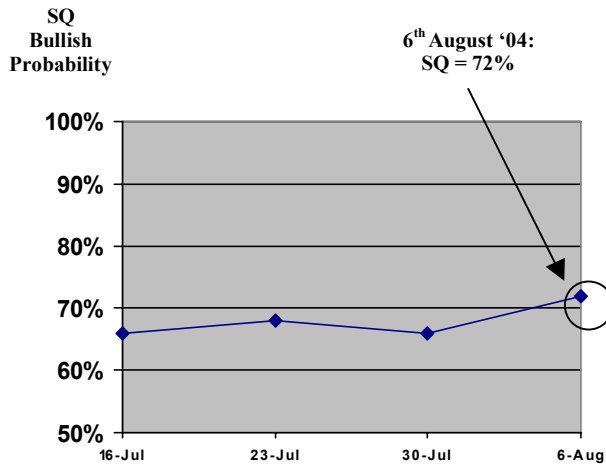
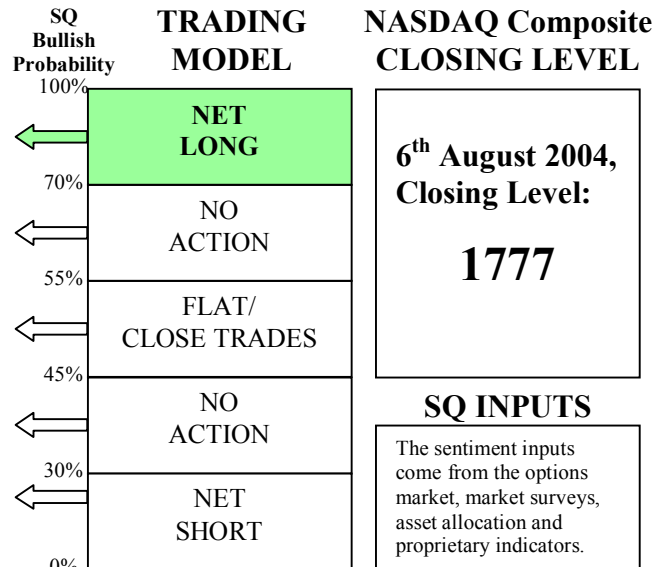


# Swing Trading Bulletin

Issue 12,  
Market Close,  
6th August 2004



**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](mailto:info@contraquant.com) for further information.



## Commentary

The NASDAQ Composite saw a hefty 5.8% fall on the week which pushed SQ above 70% and began scaling us in to LONGs. Certainly there is a notable build-up of pessimism as major US indices have all now hit 2004 lows. Whilst an attractive LONG swing trade is set up, we will scale in further only if there is a greater puncturing of the complacency that has dominated this market in 2004. For example, further put buying could prove that market players are not only fearful but also actively speculating on the bearish trend continuing. Progressive LONG Limit Orders are in place to cover this possibility.

## Trading Model Rules

All trades against the NASDAQ Composite or Rydex Velocity 100 Fund (200% leveraged against the NASDAQ 100) and executed either:

- Against the coming week's opening level of the Composite index or Rydex Velocity 100 Fund.
- 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:

US\$200,000 LONG opened at 1806 on August 6th (Both Limit Orders set at 1820 and 1810 were filled at 1806 after gap down from Aug 5<sup>th</sup> close at 1822)  
US\$200,000 LONG opened at 1795 on August 6th

### Current Open Positions:

US\$400,000 LONG NASDAQ Composite at average level of 1800.5. US\$621,922 in cash Stop Order, Close Composite LONGs @ 1610  
**New Trades:** (Composite unless otherwise stated)  
Limit Order to Open LONG US\$100,000 @ 1750  
Limit Order to Open LONG US\$100,000 @ 1730  
Limit Order to Open LONG US\$100,000 @ 1710  
Limit Order to Open LONG Rydex Velocity 100 Fund US\$321,922 @ next day opening price after 1620 on the NASDAQ Composite is hit.  
Stop Order, Close Rydex Velocity LONGs @ 1505

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 (21<sup>st</sup> 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.

**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.