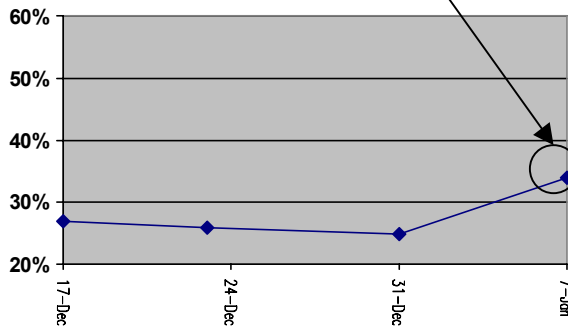


# Swing Trading Bulletin

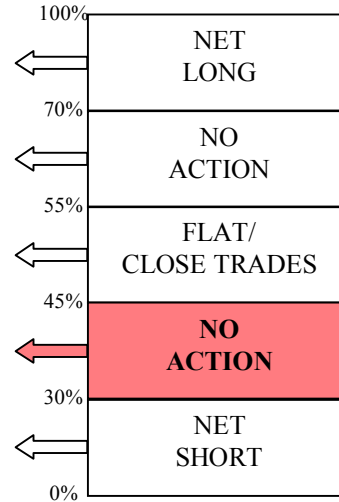
Issue 34,  
Market Close,  
7th Jan. 2005

SQ  
Bullish Probability



7th January '05:  
SQ = 34%

SQ  
Bullish Probability



TRADING  
MODEL

NASDAQ Composite  
CLOSING LEVEL

7th Jan. 2005,  
Closing Level:

**2089**

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

The market peaked last Monday at only a few points below our next SHORT Limit Order of 2195, unfortunately just denying us a further fill. Nevertheless the subsequent sharp drop in the NASDAQ Composite boosted the NAV of our fund to an all-time high as we remain SHORT from an average level of 2144. This bearish start to the year has punctured some of the excess optimism in the market and now forms the basis of two core scenarios. Either, with euphoria now pricked, there will be a temporary snap move back up; or, the recent move lower will extend itself. We are happy with our current posture and prepared for either scenario.

## 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.

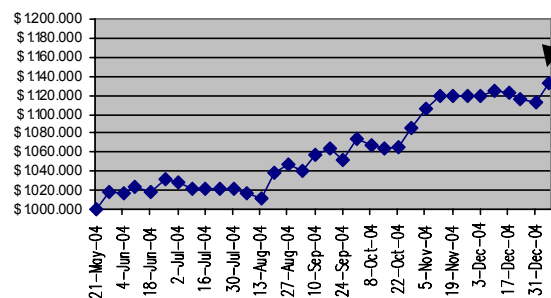
## Weekly Performance Track (7th Jan. '05)

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: +1.8%

Change in NAV since inception: +13.3%



**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.