

Global Markets Research

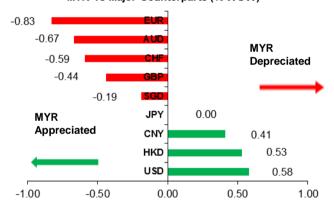
Weekly Market Highlights

Weekly Performance

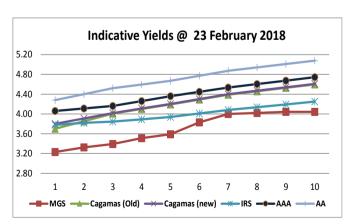
	Macro	Currency	Equity	10-y Govt Bond Yields
US	\leftrightarrow	↑	\downarrow	↑
EU	\downarrow	\downarrow	↑	\downarrow
UK	\leftrightarrow	\downarrow	↑	\downarrow
Japan	\leftrightarrow	\downarrow	↑	\downarrow
Malaysia	\leftrightarrow	\downarrow	↑	↑
China	\longleftrightarrow	\downarrow	↑	↑
Hong Kong	\longleftrightarrow	\downarrow	\downarrow	↑
Singapore	\uparrow	\downarrow	\uparrow	↑

Weekly MYR Performance

MYR vs Major Counterparts (% WOW)



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- FOMC minutes certainly took center stage especially with its shift towards a more hawkish bias, cementing the case for an interest rate hike in March. Policy maerks saw "substantial underlying economic momentum" and turned more confidence that inflation is "moving up" while the labour markets continued to tighten. Fed officials further highlighted that the strengthening US economy "increased the likelihood that a gradual upward trajectory" of the Fed Funds Rate would be appropriate, shifting away from its usual subtle tone of "further gradual increases". Futures implied probability of a March rate hike has since shored up to 100% since the Jan-31 FOMC meeting.
- RBA was also in the limelight although there was no fresh leads to its monetary policy quidance. Dataflow over the week was mainly mixed across the economic under our radar with the exception of the Eurozone which skewed to the downside
- · We will see the return of a heavier economic calendar in the week ahead with the US leading the way. Market-moving first tier US data in the pipeline include second reading of 4Q GDP, PCE core, personal income & spending, durable goods orders, PMI & ISM manufacturing. Uni Michigan consumer sentiments, new home sales and a number of home sales and regional manufacturing activity reports. We do not expect these data to sway expectations of a March Fed rate hike but chances are this could influence the pace of policy normalization for the remaining of the year. In addition, Markit and other survey authorities is due to release their reports on PMI manufacturing and services performance for the month of February to shed more lights on the pace of global recovery.

Forex

- MYR weakened 0.58% WOW to 3.9170 against USD but managed to advance against 9 G10s that also tumbled against the greenback. We are slightly bearish on MYR against USD next week, anticipating a potentially firmer greenback to dampen MYR buying interest. MYR revival will depend on rebound in regional risk appetite and the few local data, but we reckon that gains may be modest. USDMYR is at a technical crossroad; closings above 3.8874 must be sustained in order to extend the recent rebound that is likely to target 3.9258 in due time, otherwise a return to 3.8663 is highly likely
- USD advanced against all G10s while the DXY jumped 1.28% WOW to 89.73, lifted by the positive tone from FOMC minutes. Expect USD to resume its recent rebound next week in anticipation of potential upsides in US data. Caution that downside surprises in data, especially US GDP, will threaten to end the current mild bullish bias in USD. DXY keeps a mild upside momentum and still trades within a minor bullish trend, which suggests further gains are likely. We expect a test at 90.56 soon, and breaking this completes a bullish pattern that could push DXY higher to 91.57.

Fixed Income

- For the week under review; US Treasuries saw yields spike by 3-8bps across the curve. The yield curve steepened at the longer end with 2s10s narrowing to 67bps whilst the 5s30s spread went wider at 55bps instead. The 2Y which is reflective of interest rate predictions rose 3bps settling at 2.22% levels w-o-w whereas the widely-followed 10Y sovereign benchmark swung within a narrow range of 2.88-2.95% levels before settling at the higher end of 2.92% compared to 2.88% the previous week. This week saw a flurry of debt issuances by the Treasury that capped a \$258b of debt sales within three days as part of its plan to finance the widening budget deficit to make up for the lost revenue from tax cuts. All told, the auctions reveal there's demand for UST's even as supply ramps up but investors may require higher yield to step in.
- · Local benchmark govvies saw yields 2-7bps higher w-o-w (save for the front-end 3Y); taking cue from UST movements. Overall interest in local govvies was muted post-CNY with weekly volume at a mere RM7.25b versus RM11.9b the previous week due to the holiday-shortened week arising from lunar new year. Interest was scattered across tenures with MGS having a bigger share of the overall govvies volume at 3:1 ratio. The auction calendar was light with the reopening of 10Y MGS 11/27 slated for next week only. Both foreign/offshore interest and local players were also seen dabbling in some shorter off-the-runs i.e. GII 2020-22's and MGS 2019-22's. Both the benchmark 7Y MGS 9/24 and 10Y 11/27 traded within a wider range of 5-6bps settling at 4.01% and 4.06% respectively. The upcoming week may see investors turning cautious in view of rising UST yields and lack of local leads. Although the global equities markets have stabilized; investors have not discounted the risk of further market response to rising rates.



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Macroeconomics

6-month Macro Outlook

	Economy	Inflation	Interest Rate	Currency
US	\uparrow	\longleftrightarrow	\uparrow	\longleftrightarrow
EU	\longleftrightarrow	\longleftrightarrow	\longleftrightarrow	\longleftrightarrow
UK	\downarrow	\longleftrightarrow	\uparrow	\longleftrightarrow
Japan	\longleftrightarrow	\longleftrightarrow	\longleftrightarrow	\downarrow
Australia	\longleftrightarrow	\longleftrightarrow	\longleftrightarrow	\longleftrightarrow
China	\longleftrightarrow	\longleftrightarrow	\longleftrightarrow	\downarrow
Malaysia	\downarrow	\downarrow	\longleftrightarrow	\downarrow
Thailand	\longleftrightarrow	\longleftrightarrow	\uparrow	\longleftrightarrow
Indonesia	\longleftrightarrow	\longleftrightarrow	\longleftrightarrow	\longleftrightarrow
Singapore	\downarrow	\longleftrightarrow	\longleftrightarrow	\longleftrightarrow

Review

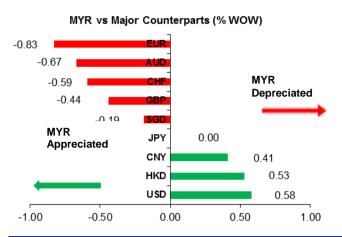
- FOMC minutes certainly took center stage especially with its shift towards a more hawkish bias, cementing the case for an interest rate hike in March. Policy maerks saw "substantial underlying economic momentum" and turned more confidence that inflation is "moving up" while the labour markets continued to tighten. Fed officials further highlighted that the strengthening US economy "increased the likelihood that a gradual upward trajectory" of the Fed Funds Rate would be appropriate, shifting away from its usual subtle tone of "further gradual increases". Futures implied probability of a March rate hike has since shored up to 100% since the Jan-31 FOMC meeting.
- RBA was also in the limelight although there was no fresh leads to its monetary policy guidance. RBA minutes reiterated upside surprises in inflation and downtrend in unemployment rate are "likely to occur only gradually" and that wage growth has remained subdued which could lead to weaker than expected growth in consumption. Singing the same tune, RBA Governor Phillip Lower said the central bank "does not see a strong case for a near term adjustment of monetary policy", giving current assessment on unemployment and inflation. This reinforced our view for RBA to stay pat in the near future
- Dataflow over the week was mainly mixed across the economic under our radar with the exception of the Eurozone which skewed to the downside. PMI showed both the manufacturing and services sectors expanded at a slower than expected pace in February. On the contrary, PMI readings in the US surprised on the upside with manufacturing expanded at its best pace since Oct-14 while the services sector ticked up to a 6-month high. Other indicators also showed sentiments in the Eurozone have turned softer. ZEW survey showed economic sentiments softened in February while consumer confidence pulled back sharply in the same month, raising concerns if the Eurozone economy has seen its best days.
- In the US, contrary to positive signs seen in manufacturing and services, housing numbers remained uneven. Housing starts and building permits surpriased on the upside but existing home sales and mortgage applications disappointed and contracted. This, coupled with a soft retail sales print seen earlier, casted doubts on the strength of the US consumer sector.
- In the Asian region, Japanese data dominated. While the increase in Japan machine tool orders reaffirmed business spending, all industry activity index pointed to softer performance in overall industries as faster growth in industrial production was offset by declines in services and construction.

The Week Ahead...

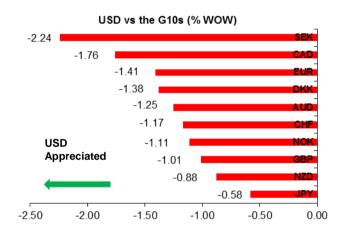
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- It is also time of the month again for Markit and other survey authorities to release their reports on PMI manufacturing and services performance and this spans across the globe including countries under our radar namely the US, Eurozone, UK, China, Japan, Singapore, and Australia.
- On top of that, country-specific data on the deck are economic confidence, consumer confidence, CPI, PPI, and unemployment rate in the Eurozone, Nationwide house prices, mortgage approvals, consumer confidence and net consumer credit in the UK. Meanwhile in Japan, leading index, retail sales, housing starts, industrial production, consumer confidence, jobless rate and overall household spending are in the pipeline. Hong Kong will also see the release of 4Q GDP number, retail sales and exports while industrial production is due out of Singapore, At the local front, Nikkei PMI aside, CPI for the month of January is on the cards where a below 3% print is expected due to the high base effect last year.



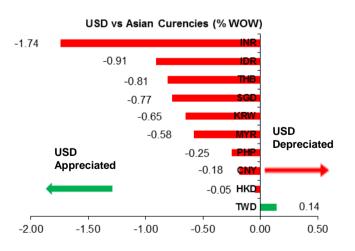
Forex



Source: Bloombera



Source: Bloomberg



Source: Bloomberg

Review and Outlook

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- USD: USD advanced against all G10s while the DXY jumped 1.28% WOW to 89.73, lifted by the positive tone from FOMC minutes. Expect USD to resume its recent rebound next week in anticipation of potential upsides in US data. Caution that downside surprises in data, especially US GDP, will threaten to end the current mild bullish bias in USD. DXY keeps a mild upside momentum and still trades within a minor bullish trend, which suggests further gains are likely. We expect a test at 90.56 soon, and breaking this completes a bullish pattern that could push DXY higher to 91.57.
- EUR: EUR tumbled 1.41% WOW to 1.2330 against a rebounding USD and retreated against 7 G10s on risk-off sentiment in Europe as well as on softer than expected Eurozone data. EUR is bearish in line with our view of a firmer USD. EUR will be impacted by performance of Eurozone data that appears to be slightly slanted towards the downside. Revival will depend on USD weakness, but gains are likely to lose traction going into Italian elections on 4 Mar. EURUSD is trading within a minor bearish trend. Losses below at least 1.2284 is likely, with scope to test even 1.2214. This trend will be invalidated by a close above 1.2380.
- GBP: GBP fell 1.01% WOW to 1.3956 against USD but managed to beat 7 G10s on improved demand as European majors sank. We are bearish on GBP against USD, weighed down by recent negative development on the UK macro front that has somewhat cast doubts on BOE's hawkish tone. Markets awaiting Brexit development would keep GBPUSD muted. Downside momentum continues to build while GBPUSD's current minor bearish trend hints at a drop below at least 1.3918. Do not rule out a test at 1.3886, below which will leave 1.3771 unprotected.
- JPY: JPY weakened 0.58% WOW to 106.75 against a firmer USD but advanced against all other G10s, supported by demand for refuge in the markets. JPY remains slightly bearish in line with our view of a firmer USD but losses may be kept minimal by anticipated risk-off sentiment in the markets, more so if Japan's data surprises to the upside. Unless USDJPY closes below 106.59 today, minor bullish trend continues to prevail and suggests a climb to 107.84 - 108.54 going forward. However, we remain skeptical that higher climbs can be made thereafter.
- AUD: AUD tumbled 1.25% WOW to 0.7846 against USD and slipped against 5 G10s, weighed down by risk-off in the markets though losses were narrowed on firmer commodities. We expect AUD to be weighed down by rebound in USD next week, more so if data from China disappoints. Prevailing risk-off heading into various US data would also keep rebounds subdued. There is potential for further losses in AUDUSD going forward. Losses below 0.7803 are expected, and a close below 0.7771 is likely a signal of the onset of a longer-term downtrend.
- SGD: SGD weakened 0.77% WOW to 1.3192 agaisnt a firmer USD but managed to beat 9 G10s amid risk aversion in the markets. We are slightly bearish on SGD as we anticipate USD to extend its rebound next week, while potential risk-off in the markets as well as likelihood of softer China data are also expected to weigh on SGD. Unless USDSGD closes below 1.3135 today, we maintain that USDSGD is taking aim at 1.3304 next. Note that breaking above 1.3304 completes a bullish signal that could trigger an advance to 1.3408.



Technical Analysis:

Current	44 day DCI	Supp	Support -		Moving Averages			
Currency	price	14-day RSI	Resistance		30 Days	100 Days	200 Days	Call
EURUSD	1.2304	49.7040	1.2212	1.2522	1.2344	1.1975	1.1785	Negative
GBPUSD	1.3947	51.2080	1.3771	1.4229	1.3990	1.3523	1.3270	Negative
USDJPY	106.9300	37.2910	105.7500	110.5700	108.8600	111.6300	111.3600	Negative
USDCNY	6.3435	44.0340	6.2667	6.3842	6.3689	6.5340	6.6376	Positive
USDSGD	1.3225	51.9840	1.3054	1.3311	1.3178	1.3405	1.3543	Positive
AUDUSD	0.7827	43.3090	0.7727	0.8091	0.7943	0.7774	0.7779	Negative
NZDUSD	0.7301	50.3880	0.7214	0.7427	0.7318	0.7083	0.7171	Negative
USDMYR	3.9097	42.1270	3.8690	3.9454	3.9242	4.0821	4.1802	Neutral
EURMYR	4.8108	44.4730	4.7987	4.8651	4.8273	4.8740	4.8943	Negative
GBPMYR	5.4530	47.9680	5.4139	5.5389	5.4657	5.5016	5.5293	Negative
JPYMYR	3.6565	61.3450	3.5236	3.6885	3.5929	3.6511	3.7494	Negative
CHFMYR	4.1834	54.7150	4.1211	4.2289	4.1487	4.1911	4.3040	Negative
SGDMYR	2.9562	38.0700	2.9501	2.9802	2.9729	3.0392	3.0778	Negative
AUDMYR	3.0599	35.8530	3.0366	3.1558	3.1124	3.1712	3.2386	Negative
NZDMYR	2.8545	46.1190	2.8333	2.8893	2.8669	2.8895	2.9880	Negative

Trader's Comment:

With China out most of the week, US yields continued to inch higher, assisted by somewhat hawkish FOMC minutes which suggested more than 3 rate hikes this year. With risk premium getting compressed, it makes sense for markets to go risk-off and stocks and commodities continued to underperform. News of the Indian bank fraud too spooked markets into going risk-off.

DXY rose steadily by about 1+% from 89.0 at the start of the week to a high of 90.2, with commodity currencies ie CAD and NZD taking the worst hits. It didn't help that major data releases out of the EU, UK and Canada were rather weak while US printed strong PMI and unemployment numbers. Surprisingly, markets actually went risk on and DXY took a plunge right after the strong unemployment data out of the US last night, but that was very short lived and has since recovered. Next week in the pipeline is quite a long list of data releases mainly from the US, EU and UK, comprising of CPI and PMI flashes amongst others, so expecting trading to be rangy with some kneejerk reactions.

Locally, USDMYR too wasn't spared from the USD strength and saw a range of 3.8855-3.9200 this week. As of writing USDMYR is trading around 3.9100, towards the top end of the range. With some expectations of election news to be announced soon, market players are getting rather cautious. USDMYR term swaps getting aggressively sold suggests that markets might be short of USD funding. With no new intel, expect USDMYR to hold within 3.88-3.94.



Technical Charts





Source: Bloomberg

GBPMYR



Source: Bloomberg

AUDMYR



Source: Bloomberg

EURMYR



Source: Bloomberg

JPYMYR



Source: Bloomberg

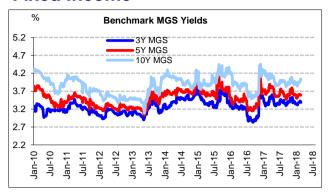
SGDMYR

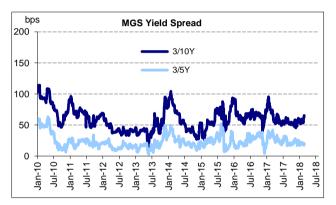


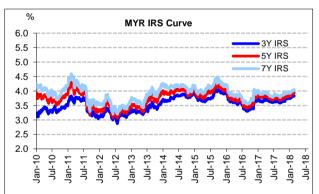
Source: Bloomberg

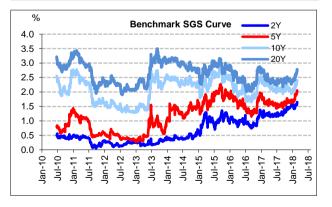


Fixed Income









Review & Outlook

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- Local benchmark govvies saw yields 2-7bps higher w-o-w (save for the front-end 3Y); taking cue from UST movements. Overall interest in local govvies was muted post-CNY with weekly volume at a mere RM7.25b versus RM11.9b the previous week due to the holiday-shortened week arising from lunar new year. Interest was scattered across tenures with MGS having a bigger share of the overall govvies volume at 3:1 ratio. The auction calendar was light with the reopening of 10Y MGS 11/27 slated for next week only. Both foreign/offshore interest and local players were also seen dabbling in some shorter off-the-runs i.e. GII 2020-22's and MGS 2019-22's. Both the benchmark 7Y MGS 9/24 and 10Y 11/27 traded within a wider range of 5-6bps settling at 4.01% and 4.06% respectively. The upcoming week may see investors turning cautious in view of rising UST yields and lack of local leads. Although the global equities markets have stabilized; investors have not discounted the risk of further market response to rising rates.
- Corporate bonds/sukuk saw lower secondary volume of RM1.98b amid holiday-shortened week. Interest was mainly skewed towards AAA and AA-part of the yield curve on mixed yields. Both buyers and sellers showed interest in both i.e. front-end and also in the longer tenures as well. The AA-rated TNB 8/32 and Westport 3/28 bonds topped weekly volume closing 1bps higher at 4.01% and a whopping 41bps higher at 4.90% respectively compared to previous-done levels. This was followed by Southern Power Genertion 2025-26 and also PTPTN 3/21 (Govt-Guaranteed). Maybank 24nc19 was bidded up closing 3bps lower at 4.54%. In the primary space; DANAINFRA issued RM4.0b of Govt-Guaranteed bonds with tenors ranging from 7-30Y at coupons ranging from 4.37% to 5.36% levels. Expect both the AAA and AA-rated bonds to be sought after on liquidity and yield requirements.
- SGS (govvies) were sold-off aggressively across the curve somewhat mirroring UST's as benchmark yields and spiked 10-13bps w-o-w. The 2Y closed at 1.65% whilst the 5Y and 10Y were more volatile compared to previous week; moving within a massive range of about 30bps closing at 2.05% and 2.41% respectively. The upcoming auction for the 30Y is expected to receive a boost from a softer inflation report with headline CPI dropping to zero percent. MAS may raise the currency's NEER in ther immediate future with SGS expecting to benefit from its policy expectations and possible SGD appreciation as well.



	Ratin	g Action	
Issuer	PDS Description	Rating/Outlook	Action
Al Dzahab Assets Berhad	RM135.0 million Class A Sukuk	AAA/Stable	Assigned
	RM45.0 million Class B Sukuk	AA3/Stable	Assigned

Source: RAM Ratings, MARC



ECONOMIC CALENDAR RELEASE DATE

Date	Country	Event	Reporting	Survey	Prior	Revised
02/28	Malaysia	CPI YOY	Period Jan	2.8%	3.5%	
03/01		Nikkei PMI	Feb		50.5	
03/05		Exports YOY	Jan		4.7%	
03/07		BNM OPR	Mar 7		3.25%	
00/01		Foreign reserves	Feb 28		J.2570 	
02/26	us	Chicago Fed national activity index	Jan	0.25	0.27	
02/20		New home sales MOM	Jan	3.4%	-9.3%	
		Dallas Fed manufacturing	Feb	30.0	33.4	
02/27		Durable goods orders	Jan P	-2.3%	2.8%	
UZIZI		S&P CoreLogivc house prices YOY	Dec	-2.5 /6	6.41%	
		Richmond Fed manufacturing	Feb	 15	14	
		Conference Board consumer confidence	Feb	125.7	125.4	
00/00		MBA mortgage applications	Feb 23	123. <i>1</i>	-6.6%	-
02/28		GDP QOQ				-
		Chicago PMI	4Q S	2.6%	2.6%	
			Feb	64.0	65.7	
00/04		Pending home sales MOM PCE core YOY	Jan	0.5%	0.5%	
03/01			Jan	1.6%	1.5%	
		Personal income	Jan	0.2%	0.4%	
		Personal spending	Jan	0.2%	0.4%	
		Initial jobless claims	Feb 24		222k	
		PMI manufacturing	Feb F		55.9	
		ISM manufacturing	Feb	58.6	59.1	
03/02		Uni Michigan consumer sentiments	Feb F	98.0	99.9	
03/05		PMI services	Feb F		55.9	
		ISM services	Feb		59.9	
03/06		Factory orders	Jan		1.7%	
		Durable goods orders	Jan F			
03/07		MBA mortgage applications	Mar 2			
		ADP employment change	Feb		234k	
		Trade balance	Jan		-\$53.1b	
03/08		Fed Beige Book				
		Consumer credit	Jan		\$18.4b	
		Initial jobless claims	Mar 3			
03/09		Change in nonfarm payroll	Feb	200k	200k	
		Unemployment rate	Feb	4.1%	4.1%	
02/27	Eurozone	Economic confidence	Feb	114.0	114.7	
		Biz climate indicator	Feb	1.49	1.54	
		Consumer confidence	Feb F	0.1	0.1	
02/28		CPI estimate YOY	Feb	1.2%	1.3%	
03/01		PMI manufacturing	Feb F	58.5	58.5	
		Unemployment rate	Jan	8.6%	8.7%	
03/02		PPI YOY	Jan	1.6%	2.2%	
03/05		PMI srevices	Feb F		56.7	
		Sentix investor confidence	Mar		31.9	
		Retail sales MOM	Jan		-1.1%	
03/07		GDP SA QOQ	4Q		0.6%	
03/08		ECB main refinancing rate	Mar 8		0.00%	
02/28	UK	GfK consumer confidence	Feb	-10	-9	
02/28-03/3		Nationwide house prices YOY	Feb		3.2%	
03/01		Net consumer credit	Jan		1.5b	
		Mortgage approvals	Feb	62.0k	61.0k	
		PMI manufacturing	Feb	55.2	55.3	
03/02		PMI construction	Feb		50.2	
03/05		PMI services	Feb		53.0	
03/07		Halifax house prices YOY	Feb		2.2%	
03/08		RICS house prices balance	Feb		8%	
33,30		2	1 60	- -	J /0	



03/09		Visible trade balance	Jan		-13576m	
		Industrial production MOM	Jan		-1.3%	
		NIESR GDP estimate	Feb		0.5%	
02/26	Japan	Leading index	Dec F		107.9	
		Coincident index	Dec F		120.7	
02/28		Retail sales MOM	Jan	-0.6%	0.9%	
		Retail trade YOY	Jan	2.5%	3.6%	
		Industrial production MOM	Jan P	-4.2%	2.9%	
		Housing starts YOY	Jan	-4.8%	-2.1%	
03/01		Nikkei PMI	Feb F		54.0	
		Consumer confidence	Feb	44.8	44.7	
03/02		Jobless rate	Jan	2.8%	2.8%	
		Overall household spending YOY	Jan	-0.4%	-0.1%	
03/05		Nikkei PMI services	Feb		51.9	
03/07		Leading index	Jan P			
		Coincident index	Jan P			
03/08		BOP current account balance	Jan		797.2b	
		GDP SA QOQ	4Q F		0.5%	
		Eco Watcher current	Feb		49.9	
		Eco Watcher outlook	Feb		52.4	
02/28	China	PMI services	Feb		55.3	
		PMI manufacturing	Feb	51.2	51.3	
03/01		Caixin PMI manufacturing	Feb	51.3	51.5	
03/05		Caixing PMI services	Feb		54.7	
03/08		Exports YOY	Feb		11.1%	
3/08-18		FDI YOY	Feb		0.3%	
03/09		PPI YOY	Feb		4.3%	
		CPI YOY	Feb		1.5%	
02/27	Hong Kong	Exports YOY	Jan		6.0%	
02/28	0 0	GDP YOY	4Q	2.8%	3.6%	
03/02		Retail sales value YOY	Jan		5.8%	
03/05		Nikkei PMI	Feb		51.1	
02/26	Singapore	Industrial production YOY	Jan	7.8%	-3.9%	
03/02	3g	PMI	Feb		53.1	
03/05		Nikkei PMI	Feb		53.6	
03/01	Australia	AiG manufacturing index	Feb		58.7	
03/05		AiG services index	Feb		54.9	
00,00		Building approvals MOM	Jan		-20.0%	
03/06		Retail sales MOM	Jan		-0.5%	
00,00		RBA cash target rate	Mar 6	1.50%	1.50%	
03/07		GDP SA QOQ	4Q	1.50 /6	0.6%	
03/08		Trade balance	Jan		-A\$1358m	
02/27	New Zealand	Trade balance NZD	Jan	-100m	640m	
02/28	New Zealana	ANZ biz confidence	Feb	-100111	-37.8	
03/02		Building permits MOM	Jan		-9.6%	
2/25-28	Vietnam	Exports YOY YTD	Feb		-9.0% 33.1%	
_,_0 _0	Ficalani	CPI YOY	Feb		33.1% 2.65%	
		Industrial production YOY				
		Retail sales YTD YOY	Feb		20.9%	
03/01		Nikkei PMI manufacturing	Feb Feb		9.5%	
03/01 03/06-13		Domestic vehicle sales YOY			53.4	
<i>1</i> 3/00-13		Domestic vehicle sales TOT	Feb		29.4%	



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