

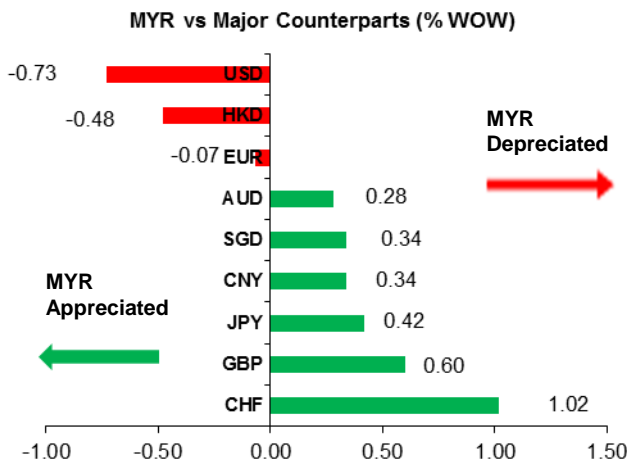
Global Markets Research

Weekly Market Highlights

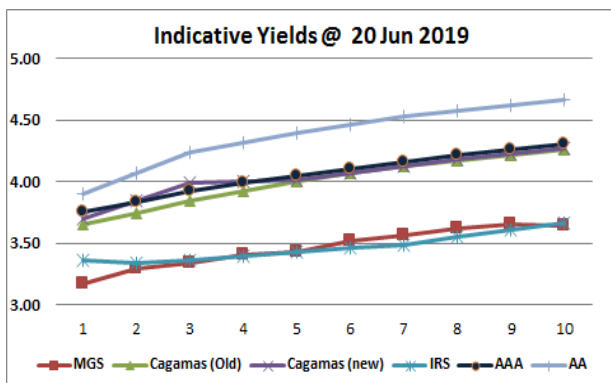
Weekly Performance

	Macro	Currency	Equity	10-y Govt Bond Yields
US	↔	↓	↑	↓
EU	↓	↑	↑	↓
UK	↓	↑	↑	↓
Japan	↓	↑	↑	↓
Malaysia	↔	↑	↑	↓
China	↔	↑	↑	↓
Hong Kong	↔	↑	↑	↓
Singapore	↓	↑	↑	↓

Weekly MYR Performance



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- US stocks bounced up this week, fuelled by rate cuts expectations after the Federal Reserve withdrew its patient stance on monetary policy and dropped hints that it is willing to cut rates to support the waning growth momentum in the US amidst global trade uncertainties. Stocks have been steadily increasing for the past few days but were pushed further up. Most notably the broader S&P 500 index managed to set a new record high on Thursday, adding 2.3% over the week. Blue Chip Dow rose 2.5% while tech-heavy NASDAQ notched a 3.3% gain. The Bank of England kept Bank rate unchanged on Thursday and maintained its hawkish stance but stroke a cautious tone over growth outlook. The BOJ also kept its ultraloose monetary policy in place as widely expected. The doves took hold elsewhere too as the RBA June meeting minutes signalled more potential rate cuts this year while ECB chief Mario Draghi said that additional stimulus would be required if outlook didn't improve. Crude oil prices spiked this week as Iran shot down a US surveillance drone, intensifying US-Iran tensions.
- Key data next week include US final 1Q GDP growth, core PCE price index, consumer spending and personal income, Eurozone Economic Sentiment and flash June HICP inflation, UK final GDP growth, Japan jobless rate, China NBS PMI and industrial profits. RBNZ will announce OCR decision.

Forex

- MYR strengthened 0.73% WOW to 4.1470 against a broadly weaker USD as markets readjust to the prospect of a more pervasive shift in global monetary policy led by a dovish Fed. Given the strength of the move, we are likely to see a pullback to the 4.1265 area which is the 50% Fibonacci retracement level of the March to June move if USDMYR can sustain below the 4.1600 mark.
- USD ended weaker against the G10s on Fed rate cut expectations and a dovish FOMC with the USD index settling at 96.629. Technical picture turns bearish as market readjusts positioning to reflect an impending Fed rate cut which could happen as early as July and as deep as 50 bps.

Fixed Income

- For the week under review, save-haven bids continued to drive US Treasuries higher despite the Fed staying pat on interest rates in last week's FOMC meeting; as the dovish language in itself was an indication of potential cuts in the coming months. The curve shifted lower as overall benchmark yields ended between 6-7bps lower. The 2Y benchmark; reflective of interest rate predictions closed 6bps lower at a 2-year low of 1.78% levels whereas the much-watched 10Y traded within a wider range of 2.00-2.09% whilst rallying up to intra-day lows of 1.97% before closing 7bps lower at 2.03% (lowest since September 2017). Despite solid retail sales last week and a rebound in industrial output; sentiment was fragile. However, even with China slashing its holding of US treasuries by \$7.5b to a two-year low of \$1.11 trillion in April; UST's took cue from the trend set by European bonds following dovish comments from ECB on potential additional stimulus for the region. Meanwhile futures implied probability is now pricing in 100% odds of the Fed cutting in July, comprising 76% odds for a 25bps cut and 24% for a 50bps cut.
- Local govies rallied for the week under review with overall benchmark yields closing between 5-11bps lower compared to prior week's levels mirroring global bond movements. Overall benchmark yields closed 1-9bps lower as the curve bull-flattened. Weekly bond interest was mainly centred in off-the-run 19'-21's and also previous and current benchmark 10Y, 15Y bonds. Weekly volume rose to RM25.0b from prior week's RM20.8. GII bond trades dropped to form 35% of overall trades. The newly-issued 5Y MGS 6/24 rallied 5bps lower at 3.42% whilst and the 10Y benchmark MGS 8/29 (which traded within a wide 3.64-3.72% band); ended 9bps lower at 3.64%. Meanwhile market players are weighing the possibility of BNM sanctioning an additional OPR rate cut on account of potential slower economic growth from fallout due to ongoing global trade issues. Contrary to many other Asian countries, Malaysia's OPR is not languishing at record lows and this shall give BNM additional scope to act on policy adjustments.

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Macroeconomics

6-month Macro Outlook

	Economy	Inflation	Interest Rate	Currency
US	↓	↔	↓	↔
EU	↓	↔	↔	↑
UK	↓	↔	↔	↑
Japan	↓	↔	↔	↑
Australia	↓	↔	↓	↔
China	↓	↔	↔	↓
Malaysia	↓	↔	↔	↓
Thailand	↓	↔	↔	↓
Indonesia	↓	↔	↓	↓
Singapore	↓	↔	↔	↓

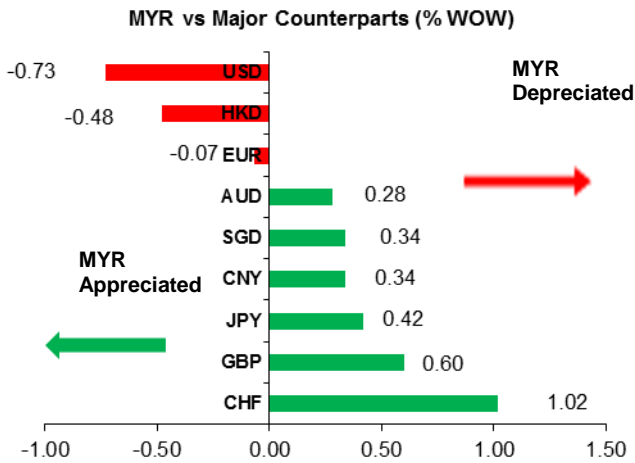
The Week in Review

- US stocks bounced up this week, fuelled by rate cuts expectations after the Federal Reserve withdrew its patient stance on monetary policy and dropped hints that it is willing to cut rates to support the waning growth momentum in the US amidst global trade uncertainties. The newly released dot plot suggests that more policy makers are seeing lower rates and Fed Chair Jerome Powell pointed out that trade developments have been the key driver behind this sentiment. The Fed's expected dovish tilts sent investors raising bets on rate cuts with futures pricing in as many as three cuts by the end of 2019 and the first one to come as soon as late July. Stocks have been steadily increasing for the past few days but were pushed further up. Most notably the broader S&P 500 index managed to set a new record high on Thursday, adding 2.3% over the week. Blue Chip Dow rose 2.5% while tech-heavy NASDAQ notched a 3.3% gain.
- Meanwhile, the Bank of England kept Bank rate unchanged on Thursday and maintained its hawkish stance but stroke a cautious tone over growth outlook, leading to some speculations that it is paving way for a removal of its tightening bias to join its global peers to ease monetary policy. The base scenario however remains for the BOE to stay pat most likely until current Brexit uncertainties ease a little. The quandary is showing no sign of improvement especially with Brexit hardliner Boris Johnson topping the the race to be the next Prime Minister. Johnson had said before that he would lead Britain out of the the European Union with out without a deal. Over the other side of the globe, the BOJ also kept its ultraloose monetary policy in place as widely expected and did not provide any revision nor comment on outlook. The doves took hold elsewhere too as the RBA June meeting minutes signalled more potential rate cuts this year while ECB chief Mario Draghi said that additional stimulus would be required if outlook didn't improve. Crude oil prices spiked this week as Iran shot down a US surveillance drone, intensifying US-Iran tensions.
- US data turned out largely weak especially in the manufacturing sector. Both NY Fed and Philly Fed manufacturing indexes recorded sharp declines. Eurozone labour cost picked up in 1Q but HICP inflation eased to 1.2% YOY in May. German investors confidence plunged while consumer confidence slipped further in the Eurozone. UK headline CPI fell to BOE's 2% target. Japan CPI ticked lower with core CPI coming in at a mere 0.8% YOY. New Zealand 1Q GDP growth steadied at 0.6% QOQ.

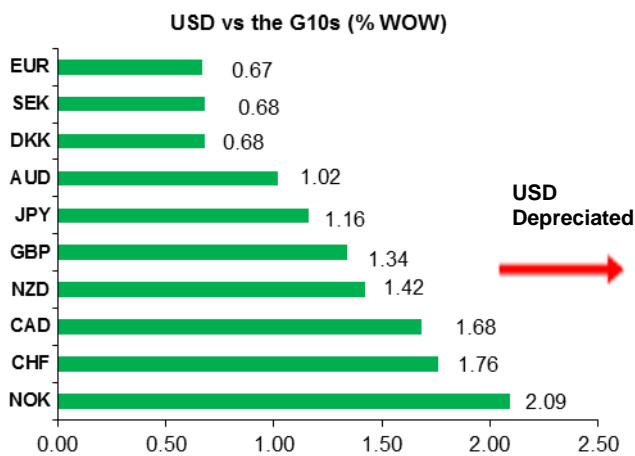
The Week Ahead

- Markets will be paying close attention to next week's G20 Summit in Japan where President Trump is set to meet President Xi to rekindle stalling trade talks. More first tiered data are coming out from the US next week with highlights being the final reading of 1Q GDP growth where consensus are calling for an upward revision to 3.2% QOQ. The personal outlay report which comprises of US personal income, personal spending and the core PCE inflation is slated for a Friday release. Consumer spending slowed in April and is likely ticking up slightly in May taking cue from the higher retail sales in the same month. Core PCE inflation is expected to steady at 1.6% YOY amidst a general lack of price pressure and this would further confirm the Fed's bearish outlook over inflation this year and next. Data for the US range include regional manufacturing surveys (Dallas Fed, Richmond Fed, Kansas City Fed Manufacturing Index and the Chicago MNI), housing data such as FHFA house price index, S&P Corelogic Price Index, new home sales and pending home sale and key gauges of consumer confidence. Official data from the census bureau are durable goods orders and the advance goods trade report.
- In Europe, the European Commission will publish its headline Economic Sentiment Index and the Eurostat to release the flash estimate for June HICP inflation rate. UK data are limited to the final reading of 1Q GDP, Nationwide House Price Index, GfK Consumer Confidence and Lloyds Business Barometer. Asian economic calendar was modestly packed. Key data for Japan include jobless rate and industrial production, retail sales, housing starts and leading index. China is set to publish its industrial profits figure as well as the manufacturing and non-manufacturing PMIs. Closer to home, CPI and industrial production are due in neighbouring Singapore. Down under, it will be a quiet week for Australia with no relevant data on the deck. In contrast, it will be a rather busy week for New Zealand as the RBNZ is set announced its OCR decision while data releases include trade report and the ANZ business and consumer confidence indexes. Malaysia CPI is due on Wednesday and another near-zero reading is expected.

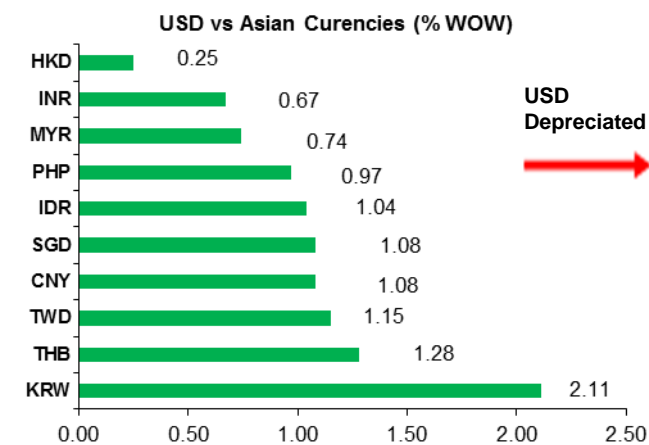
Forex



Source: Bloomberg



Source: Bloomberg



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Review and Outlook

- MYR:** MYR strengthened 0.73% WOW to 4.1470 against a broadly weaker USD as markets dovish Fed. Given the strength of the move, we are likely to see a pullback to the 4.1265 area which is the 50% Fibonacci retracement level of the March to June move if USDMYR can sustain below the 4.1600 mark.
- USD:** USD ended weaker against the G10s on Fed rate cut expectations and a dovish FOMC with the USD index settling at 96.629. Technical picture turns bearish as market readjusts positioning to reflect an impending Fed rate cut which could happen as early as July and as deep as 50 bps.
- EUR:** EUR strengthened 0.67% WOW to 1.1293 on a broadly weaker USD in tandem with lower UST yields. EUR managed to pierce through Ichimoku cloud top and open above the cloud top today circa 1.1280. We expect continued bullish EUR against the USD with the Ichimoku cloud top to provide short term support as market readjusts positioning to reflect the Fed.
- GBP:** GBP gained 1.34% WOW to 1.2702 against a broadly weaker USD. GBP is looking bullish in the short term in line with broad USD weakness. We maintain GBP bearishness in the medium term as nagging Brexit concerns and UK leadership issues continue to weigh with resistance coming in at 1.2823 and 1.2929.
- JPY:** JPY gained 1.16% WOW to 107.30 as UST yields dive down on Fed rate cut expectations and a broadly weak USD. Pair looks set to challenge fresh crash lows if the USD weakness theme continues to be supported by lower UST yields.
- AUD:** AUD ended 1.02% stronger WOW at 0.6923 in a continuous rise throughout the week as markets readjust positioning to reflect a dovish Fed. AUD is also supported by continued commodity strength led by a weaker USD and rising geopolitical tensions in the Middle East. However, we remain bearish AUD over the medium term as a dovish RBA is likely to follow the Fed in a cut-for-cut scenario to support the Australian economy.
- SGD:** SGD ended stronger by 1.08% WOW against the USD at 1.3563 as USD continues to weaken especially against lower yielding perceived safe haven currencies like the SGD. Pair looks set to target YTD lows circa 1.3450 if USD weakness theme sustains with short term resistances capping around 1.3600 and 1.3635.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1295	57.7280	1.1115	1.1359	1.1219	1.1260	1.1350	Positive
GBPUSD	1.2707	49.7740	1.2553	1.2765	1.2696	1.2957	1.2928	Neutral
USDJPY	107.2800	25.9870	107.2400	109.7400	108.9300	110.4300	111.1500	Negative
USDCNY	6.8519	39.1050	6.8767	6.9395	6.8988	6.7801	6.8335	Neutral
USDSGD	1.3560	34.9380	1.3545	1.3819	1.3703	1.3601	1.3650	Negative
AUDUSD	0.6922	47.4620	0.6851	0.7011	0.6923	0.7044	0.7109	Negative
NZDUSD	0.6584	51.8890	0.6474	0.6658	0.6556	0.6705	0.6710	Negative
USDMYR	4.1470	40.2790	4.1495	4.2034	4.1711	4.1182	4.1358	Negative
EURMYR	4.6882	54.1830	4.6586	4.7136	4.6785	4.6430	4.7043	Negative
GBPMYR	5.2763	42.3850	5.2467	5.3297	5.3250	5.3461	5.3502	Negative
JPYMYR	3.8507	62.3360	3.8061	3.8724	3.8218	3.7303	3.7199	Positive
CHFMYR	4.2028	63.2330	4.1583	4.2156	4.1703	4.1055	4.1507	Positive
SGDMYR	3.0585	62.3230	3.0334	3.0579	3.0457	3.0297	3.0293	Neutral
AUDMYR	2.8705	38.6570	2.8597	2.9190	2.8924	2.9063	2.9456	Negative
NZDMYR	2.7329	46.6010	2.7146	2.7569	2.7369	2.7671	2.7732	Negative

Trader's Comment:

Dollar index fell below the 97.00 handle and hit the low of 96.57, after the Fed made a dovish statement on the FOMC meeting. As for now, the central bank maintained the rate but also leaves the door open to future cuts and they also dropped the word “patient” in its policy statement. The dollar was literally destroyed across the board in Asian and early European trading hours this week after the Fed has hinted that it will cut rates at its next meeting in July 2019. The UST 10-year yields hit the low of 1.974% before recovers to 2.00%.

Another big factor in market conditions which is beyond the Fed's control as trade relations with China will drive the business decisions far more than any tweak in the Fed fund rate. Hence, traders will be focusing on the coming G-20 meeting between Trump and Xi. If the negotiation happens to fail or no meaningful progress, most likely it will trigger a capitulation by dollar bulls and USDJPY will hit a fresh yearly low. USDJPY broke the bottom of its 2 week long range and might be heading towards the level of 106.50. As for now, BOJ has no immediate plans to add accommodation.

Locally, USDMYR traded around the range of 4.1465 – 4.1840 for the week. Govies yields came off sharply after the dovish Fed, 5yr MGS yield down 4bps and 10yr MGS down 7 bps WoW. For the coming week, USDMYR is expected to trade around the range of 4.1250 – 4.1700. Would prefer to sell the pair on rally on broad dollar weakness.

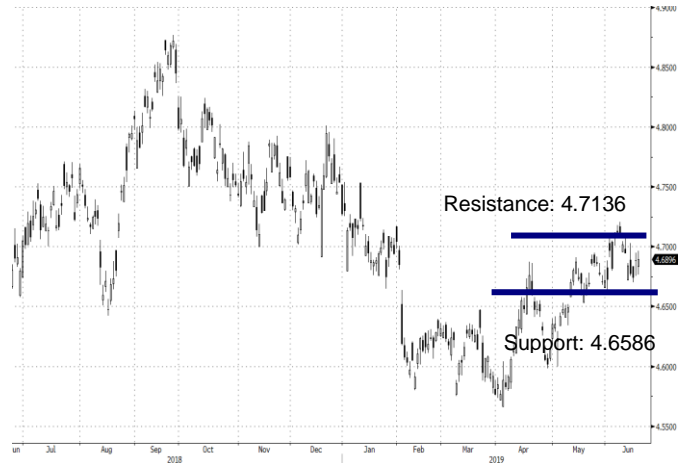
Technical Charts

USDMYR



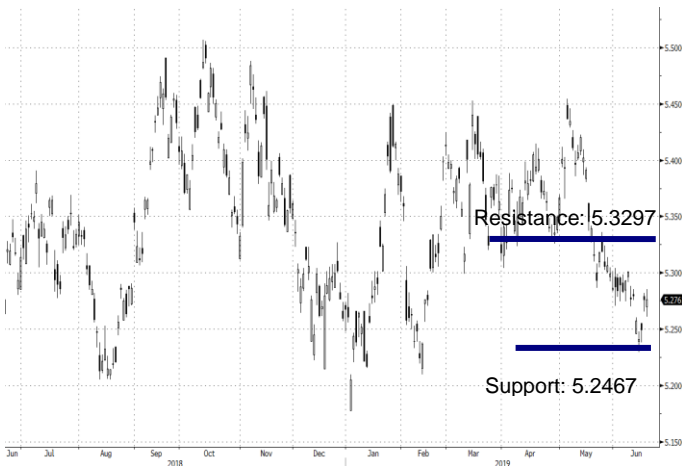
Source: Bloomberg

EURMYR



Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



Source: Bloomberg

AUDMYR



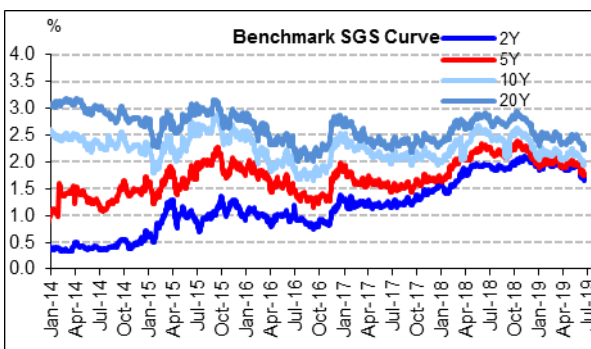
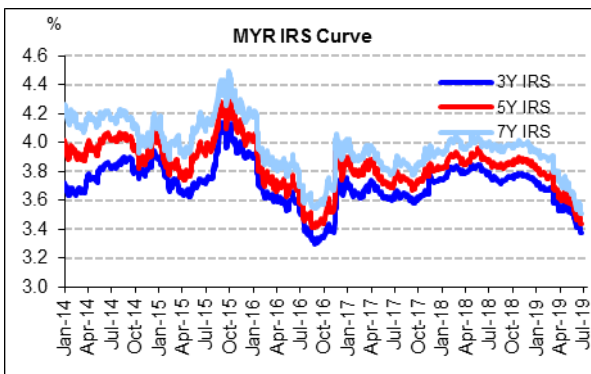
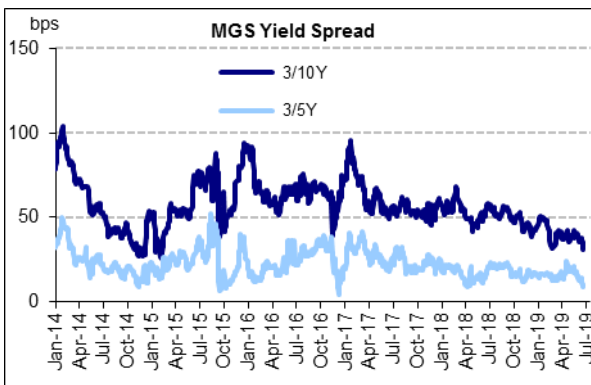
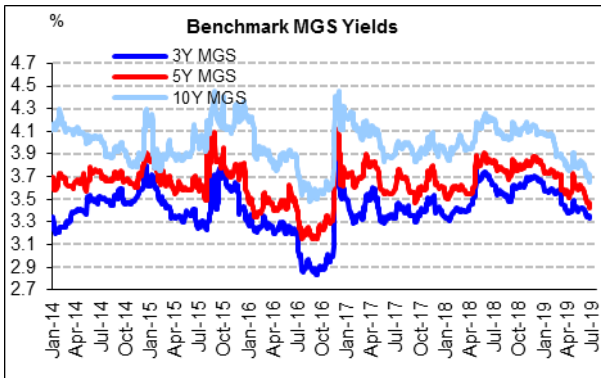
Source: Bloomberg

SGDMYR



Source: Bloomberg

Fixed Income



Review & Outlook

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- Corporate bonds/sukuk saw decent secondary market interest w-o-w well. Interest was mainly across the GG followed by the AA-part of the curve as yields generally closed lower on strong demand. Total market volume eased slightly to RM3.89b versus prior week's RM4.18b. The longer-end GOVCO 2/32 (GG) topped the weekly volume edging 2bps lower at 4.15% followed by Jambatan Kedua Sdn Bhd 7/26 (GG) which also rallied by 9bps at 3.88% levels. The third highest volume was generated by AA1-rated KLK 9/22 bonds which closed a whopping 43bps lower at 3.83%. The prominent new issuances during the week involved Hong Leong group of companies i.e. Hong Leong Bank, Hong Leong Financial Group, Hong Leong Investment Bank and Hong leong Islamic Bank's RM RM2.6b AA-rated issuances of 29NC24 bonds with coupons ranging between 4.23-4.30%
- The SGS (govies) curve flattened and shifted lower with benchmark yields mostly rallying 1-6bps save for the longer ends which moved the opposite direction instead compared to prior week's close. The 2Y inched moved 6bps lower at 1.65% levels whilst the 5Y and 10Y however moved within a wider range of -4-5bps; edging 1bps lower at 1.75% and 1.94% respectively. The ongoing global trade war and signs of weaker economic growth is expected to benefit the nation's sovereigns which are highly correlated with UST's. Declining USD money-market rates have kept SGD funding costs low are also another positive for bonds. Separately, Keppel Infrastructure Trust (KIT) has announced the issuance of S\$100m, 4.75% subordinated perpetual securities tranche under its S\$1.0b multi-currency debt issuance programme. Expected issuance date is 25th June.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
NUR Power Sdn Bhd	RM650 million Guaranteed Sukuk Mudharabah (2012/2027) (the Sukuk) Tranche 1 Tranche 2	AAA(BG)/Stable AAA(FG)/Stable	Reaffirmed Reaffirmed
MBSB Bank Berhad	RM2,295 million Structured Covered Sukuk Murabahah Programme Tranche 1-Tranche 4	AA1/Stable	Reaffirmed
	Financial Institution Ratings	A2/Stable/P1	Reaffirmed
Malaysia Building Society Berhad (MBSB)	Corporate Credit Rating	To A2/Stable/P1 from A3/Stable/P2	Upgraded
TIME dotcom Berhad	RM1 billion Islamic MTN Programme (2015/2035)	AA3/Positive	Reaffirmed.Outlook upgraded
TSH Sukuk Murabahah Sdn Bhd	M50.0 million Sukuk Murabahah Commercial Papers (Sukuk Murabahah ICP)	From MARC-1-IS to MARC-2-IS	Lowered
	RM150.0 million Sukuk Murabahah Medium-Term Notes (Sukuk Murabahah IMTN) programme	From AA-IS to A+IS	Lowered
TSH Sukuk Ijarah Sdn Bhd	RM300.0 million Sukuk Ijarah Medium-Term Notes (Sukuk Ijarah IMTN)	From AA-IS to A+IS	Lowered

Source: RAM; MARC

Economic Calendar						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
26/06	Malaysia	CPI YOY	May	0.3%	0.2%	--
01/07		Markit Malaysia PMI Mfg	Jun	--	48.8	--
04/07		Exports YOY	May	--	1.1%	--
		Trade Balance MYR	May	--	10.86b	--
05/07		Foreign Reserves	28 Jun	--	--	--
24/06	US	Chicago Fed Nat Activity Index	May	0.10	-0.45	--
		Dallas Fed Manf. Activity	Jun	1.0	-5.3	--
25/06		FHFA House Price Index MOM	Apr	--	0.1%	--
		S&P CoreLogic CS 20-City YOY NSA	Apr	2.55	2.7%	--
		Richmond Fed Manufact. Index	Jun	7.0	5.0	--
		New Home Sales MOM	May	1.8%	-6.9%	--
		Conf. Board Consumer Confidence	Jun	132.0	134.1	--
26/06		MBA Mortgage Applications	21 Jun	--	-3.4%	--
		Wholesale Inventories MOM	May P	--	0.8%	--
		Durable Goods Orders	May P	--	-2.1%	--
		Cap Goods Orders Nondef Ex Air	May P	--	-1.0%	--
		Advance Goods Trade Balance	May	-\$71.7b	-\$72.1b	--
27/06		GDP Annualized QOQ	1Q T	3.2%	3.1%	--
		Initial Jobless Claims	22 Jun	--	216k	--
		Pending Home Sales MOM	May	1.0%	-1.5%	--
		Kansas City Fed Manf. Activity	Jun	--	4.0	--
28/06		Personal Income	May	0.3%	0.5%	--
		Personal Spending	May	0.4%	0.3%	--
		Core PCE Price Index YOY	May	1.6%	1.6%	--
		MNI Chicago PMI	Jun	54.0	54.2	--
		U. of Mich. Sentiment	Jun F	97.1	97.9	--
01/07		Markit US Manufacturing PMI	Jun F	--	50.5	--
		ISM Manufacturing	Jun	--	52.1	--
		Construction Spending MOM	May	--	0.0%	--
03/07		MBA Mortgage Applications	28 Jun	--	--	--
		ADP Employment Change	Jun	--	27k	--
		Trade Balance	May	--	-\$50.8b	--
		Initial Jobless Claims	29 Jun	--	--	--
		Markit US Services PMI	Jun F	--	--	--
		Factory Orders	May	--	-0.8%	--
		Durable Goods Orders	May F	--	--	--
		Cap Goods Orders Nondef Ex Air	May F	--	--	--
		ISM Non-Manufacturing Index	Jun	--	56.9	--
05/07		Change in Nonfarm Payrolls	Jun	--	75k	--
		Unemployment Rate	Jun	--	3.6%	--
		Average Hourly Earnings YOY	Jun	--	3.1%	--
27/06	Eurozone	Economic Confidence	Jun	104.9	105.1	--

		Consumer Confidence	Jun F	--	-6.5	--
28/06		CPI Core YOY	Jun A	0.8%	0.8%	--
		CPI Estimate YOY	Jun	1.3%	1.2%	--
01/07		Markit Eurozone Manufacturing PMI	Jun F	--	47.7	--
		Unemployment Rate	May	--	7.6%	--
02/07		PPI YOY	May	--	2.6%	--
03/07		Markit Eurozone Services PMI	Jun F	--	--	--
04/07		Retail Sales MOM	May	--	-0.4%	--
28/06	UK	GfK Consumer Confidence	Jun	-11.0	-10.0	--
		Lloyds Business Barometer	Jun	--	10.0	--
		GDP QOQ	1Q F	0.5%	0.5%	--
		Nationwide House Px NSA YOY	Jun	--	0.6%	--
01/07		Mortgage Approvals	May	--	66.3k	--
		Markit UK PMI Manufacturing SA	Jun	--	49.4	--
02/07		Markit/CIPS UK Construction PMI	Jun	--	48.6	--
03/07		Markit/CIPS UK Services PMI	Jun	--	51	--
05/07		Halifax House Price 3Mths/Year	Jun	--	5.2%	--
24/06	Japan	Leading Index CI	Apr F	--	95.5	--
		Coincident Index	Apr F	--	101.9	--
27/06		Retail Sales YOY	May	1.2%	0.5%	0.4%
28/06		Jobless Rate	May	2.4%	2.4%	--
		Job-To-Applicant Ratio	May	1.63	1.63	--
		Industrial Production YOY	May P	-3.0%	-1.1%	--
		Housing Starts YOY	May	-4.2%	-5.7%	--
01/07		Tankan Large Mfg Index	2Q	9.0	12.0	--
		Tankan Large Non-Mfg Index	2Q	20.0	21.0	--
		Tankan Large All Industry Capex	2Q	8.1%	1.2%	--
		Markit Japan PMI Mfg	Jun F	--	49.8	--
03/07		Markit Japan PMI Services	Jun	--	51.7	--
05/07		Household Spending YOY	May	--	1.3%	--
		Leading Index CI	May P	--	--	--
		Coincident Index	May P	--	--	--
27/06	China	Industrial Profits YOY	May	--	-3.7%	--
30/06		Manufacturing PMI	Jun	49.7	49.4	--
		Non-manufacturing PMI	Jun	54.2	54.3	--
01/07		Caixin China PMI Mfg	Jun	50.1	50.2	--
03/07		Caixin China PMI Services	Jun	--	52.7	--
24/06	Singapore	CPI YOY	May	0.6%	0.8%	--
26/06		Industrial Production YOY	May	-1.6%	0.1%	--
03/07		Markit Singapore PMI	Jun	--	52.1	--
		Purchasing Managers Index	Jun	--	49.9	--
01/07	Australia	AiG Perf of Mfg Index	Jun	--	52.7	--
02/07		RBA Cash Rate Target	02 Jul	1.25%	1.25%	--
03/07		AiG Perf of Services Index	Jun	--	52.5	--
		Trade Balance	May	--	A\$4871m	--

04/07		Retail Sales MOM	May	--	-0.1%	--
25/06	New Zealand	Trade Balance NZD	May	200m	433m	--
		Exports NZD	May	5.61m	5.55b	--
26/06		RBNZ Official Cash Rate	26 Jun	1.5%	1.5%	--
27/06		ANZ Business Confidence	Jun	--	-32	--
28/06		ANZ Consumer Confidence Index	Jun	--	119.3	--
25-30/06	Vietnam	Industrial Production YOY	Jun	--	10.0%	--
		Retail Sales YTD YOY	Jun	--	11.6%	--
		Trade Balance	Jun	-\$900m	-\$1300m	--
		GDP YOY	2Q	6.61%	6.79%	--
		CPI YOY	Jun	2.46%	2.88%	--
		Exports YOY	Jun	8.1%	7.5%	--
01/07		Markit Vietnam PMI Mfg	Jun	--	52.0	--

Source: Bloomberg

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