

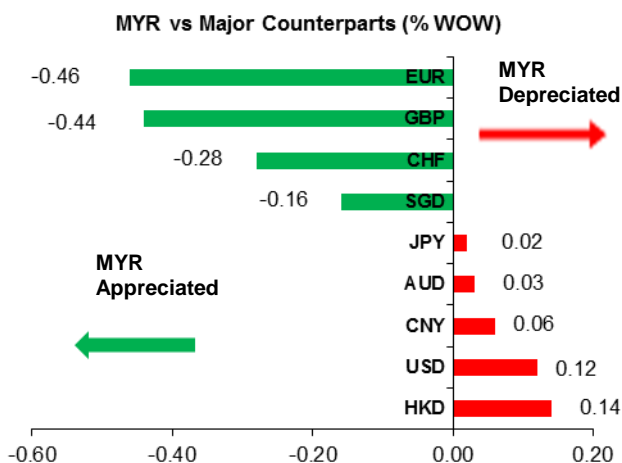
Global Markets Research

Weekly Market Highlights

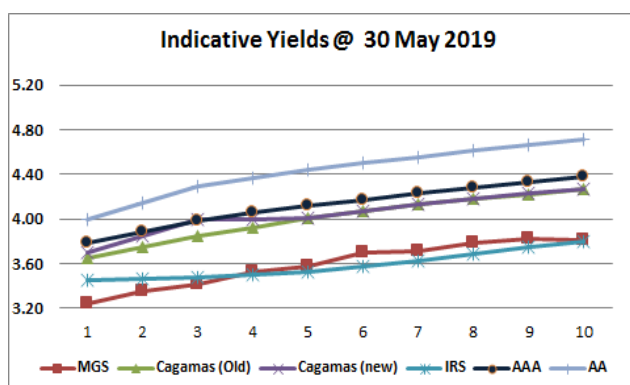
Weekly Performance

	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 and China continued to lock in trade fight this week and the prospect of a thaw seems unlikely as most headlines suggest deteriorating relation instead between the world's two largest economies. Risk-off mode took hold of markets, sending investors retreating from riskier asset classes and flocking to perceived safe havens, driving down stock prices and depressing global bond yields. Talks of China's potential move to cut rare-earth supply to the US has been stoking much of the fear lately. US stocks fell this week, the Dow is on course to post its sixth consecutive weekly fall this week. The broader S&P 500 lost 1.3% while NASDAQ fell 0.9%. Crude oil prices fell sharply taking severe brunt from global trade and Middle East tensions and the lesser-than-expected decline in US crude stocks.
- On the data front, US 1Q GDP growth was revised lower to 3.1% QOQ, goods trade deficit widened to this year's highest on sharp fall in goods exports. Chinese data largely disappointed again with manufacturing PMI fell back to below 50.0. Hong Kong exports fell for the sixth month. Major data next week are US ISM PMI and job reports, Eurozone PMIs, CPI and final GDP reading, Japan PMIs, wage growth and household spending. The ECB is set to leave key rates unchanged while the RBA is likely to cut its cash rate by 25bps to 1.25%.

Forex

- MYR weakened 0.12% WOW to 4.1920 against a broadly stronger USD against EM on continued trade tensions. Pair remains just shy of 4.2000 target resistance level and previous November 2018 high. US just announced 5% tariffs for all Mexican goods putting a dent on broad overall risk sentiment and give the USD a boost especially against EM.
- USD ended stronger against 9 G10s with the USD index settling at 98.142. Technical picture remains bullish as trade tensions continue to weigh. There was a minor pullback due to tepid 1Q inflation number released in conjunction with the GDP read. Tonight the Personal Consumption Expenditure numbers for April which include the core PCE price gauge will be closely watched as an inflationary gauge for a potential Fed rate cut if Fed inflation targets are not met.

Fixed Income

- For the week under review, safe-haven bids continued to drive US Treasuries higher on a bull-flattening bias as President Trump ratchets up further trade tensions with China and also via imposition of new 5% tariffs on Mexico. Overall benchmark yields ended between 8-15bps lower. The 2Y benchmark; reflective of interest rate predictions closed 8bps lower at a 1-year low of 2.15% levels whereas the much-watched 10Y traded within a very wide range of 2.18-2.32%; rallying 10bps lower at 2.21%; the lowest since 2017 and about one full percentage point since October last year. The US-China trade conflict and cracks in the global economy are herding investors to the safest parts of financial markets, pushing yields to multiyear lows and strengthening bets that the Fed will cut interest rates in 2019. Probability of a Fed rate cut is etched at 63% and 79% for the October and December FOMC meetings.
- Local govies were better-bid with overall benchmark yields between 2-4bps lower compared to prior week's levels despite the inclusion of Malaysia (along with 8 other countries that include Vietnam, Singapore etc) in the US Treasury Department's semi-annual currency report. Meanwhile BNM has stated that Malaysia adopts a floating rate exchange rate whilst the MYR is market-determined and not relied upon for export competitiveness. Weekly bond interest was mainly centred in off-the-run 19'-24's and also benchmark 5Y, 10Y bonds. Total weekly volume rose to the highest in a month from prior holiday-shortened week's RM6.3b to RM25.7b. GII bond trades rose to form 44% of overall trades. The 5Y MGS 4/23 rallied 5bps lower at 3.59% whilst and the 10Y benchmark MGS 8/29 (which traded within a narrow 3.79-3.81% band); ended 2bps lower at 3.81%. Thursday's 15Y GII 11/34 auction which drew an average 4.119% saw tremendous institutional support on a BTC ratio of 3.38x

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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

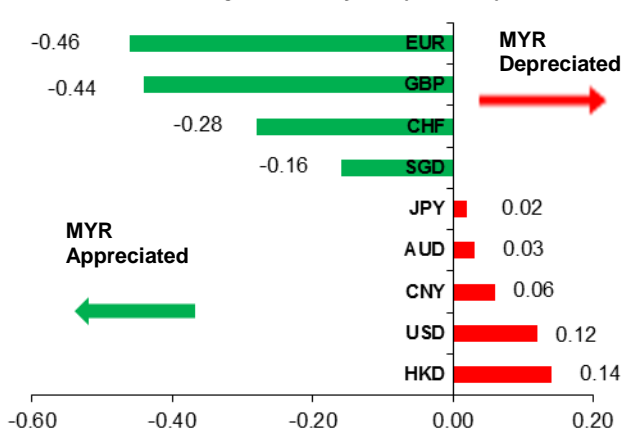
- US and China continued to lock in trade fight this week and the prospect of a thaw seems unlikely as most headlines suggest deteriorating relation instead between the world's two largest economies. Risk-off mode took hold of markets, sending investors retreating from riskier asset classes and flocking to perceived safe havens, driving down stock prices and depressing global bond yields. Talks of China's potential move to cut rare-earth supply to the US has been stoking much of the fear lately. Rare earth elements (REEs) are essential to developing high tech devices and its use spanned from making consumer goods such as smartphones to defense applications such as radar. China hold the largest reserve of REEs and is their biggest exporter, a cut in supply could disrupt the US tech-manufacturing industry. Chinese rhetoric was negative too as a senior Chinese official accused the US for "naked economic terrorism" for deliberately provoking a trade war. US stocks fell this week, the Dow is on course to post its sixth consecutive weekly fall this week. As of Thursday, the benchmark had lost 1.6% compared to last Friday's closing. The broader S&P 500 lost 1.3% while NASDAQ fell 0.9%. Crude oil prices took severe brunt from global trade and Middle East tensions and the lesser-than-expected decline in US crude stocks. Benchmarks WTI and Brent lost around 3% this week and are likely to suffer their second weekly fall. The European Union Parliament elections' produced fragmented results but populist parties garnered lesser than expected votes, easing some concerns over a potential existential crisis for the 28-member bloc. That said, stocks in Europe dropped this week largely on trade tensions and the prickly Italian budget issue.
- Data feeds were lighter this week. US 1Q GDP growth was revised lower to 3.1% QOQ. Goods trade deficit widened to this year's highest on sharp fall in goods exports. Chinese data disappointed again. The official manufacturing PMI fell back below 50.0 neutral threshold in May while industrial profits resumed decline in April after a bump in the previous months pointing to weak factories conditions. Services PMI was flat. Hong Kong foreign trade sector weakened further as exports fell for the sixth running months on slower Chinese and global demand. Sentiments wise, Eurozone overall economic sentiments lifted with consumer confidence improved on solid labour market. UK consumers grew less pessimistic as well but business confidence eased. New Zealand consumers sentiments weakened slightly while that of businesses improved.

The Week Ahead

- Abundance of top-tiered US and Eurozone data will keep markets busy next week. Key US readings include ISM manufacturing and non-manufacturing indexes, nonfarm job report and trade report followed by factory orders, construction spending and wholesales inventories investments. Complementing the above are the final Markit PMIs for both manufacturing and services sector as well as the ADP private payroll number. The Federal Reserve will also publish its fourth Beige Book of the year. US key indicators mostly pointed to easier growth rate this year with the exception of the ever stronger labour market. We foresee the ISM manufacturing index ticking lower this month given the 4-6pts fall in the new orders and productions sub-indexes in April. Friday's NFP meanwhile is likely to defy broader economic trend in the US as hiring continues in the short term.
- It will also be a busier week for Europe. The ECB is expected to keep key rates unchanged on Thursday and maintain an accommodative policy tones as guided by its previous statement. The meeting is one of the last fews to be chaired by outgoing president Mario Draghi with the hawkish Bundesbank president Jens Weidmann emerging as a potential replacement. Eurozone data are top-tiered, starting with the final PMI readings, unemployment rate, CPI, retail sales and the final first quarter GDP growth due on the same day as the central bank's meeting. UK data are limited to Markit PMIs and Halifax House Price Index.
- In Japan, Nikkei manufacturing and services PMIs are due alongside household spending and labour cash earnings, a measurement of wage growth. Other key releases in Asia are China Caixin PMIs, Hong Kong private sector PMI and Singapore PMIs. It will be a busy week for Australia with the RBA slated to meet on Tuesday and looks very likely to deliver a cut in the cash rate. As of writing, markets are pricing in a 95% chance of a 25bps cut to 1.25%. The first quarter GDP growth will be out the following day while other key data include trade report, PMIs, retail sales and home loan approvals. It will be a short week for Malaysia due to festive celebrations. We are expecting April trade report on Monday where another dismal print is expected.

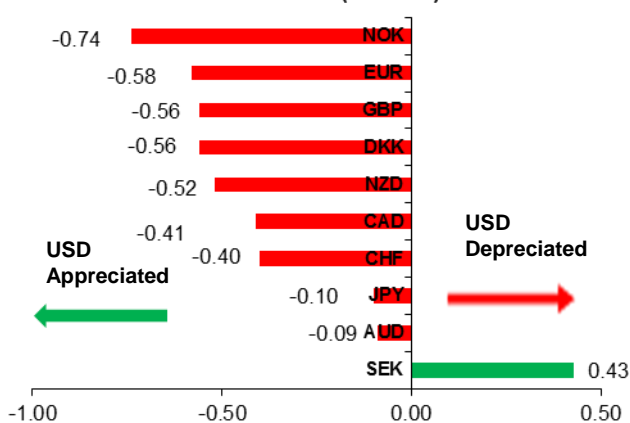
Forex

MYR vs Major Counterparts (% WOW)



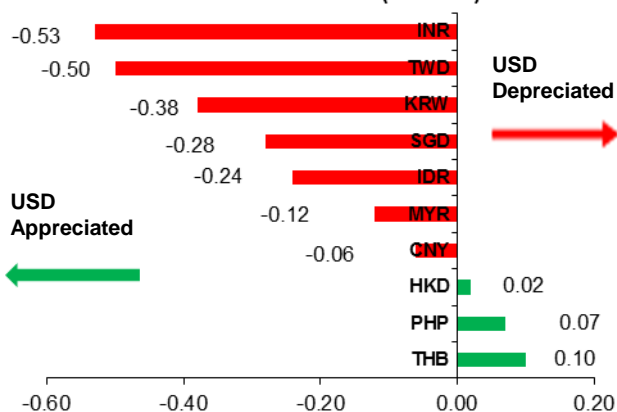
Source: Bloomberg

USD vs the G10s (% WOW)



Source: Bloomberg

USD vs Asian Currencies (% WOW)



Source: Bloomberg

Review and Outlook

- MYR:** MYR weakened 0.12% WOW to 4.1920 against a broadly stronger USD against EM on continued trade tensions. Pair remains just shy of 4.2000 target resistance level and previous November 2018 high. US just announced 5% tariffs for all Mexican goods putting a dent on broad overall risk sentiment and give the USD a boost especially against EM.
- USD:** USD ended stronger against 9 G10s with the USD index settling at 98.142. Technical picture remains bullish as trade tensions continue to weigh. There was a minor pullback due to tepid 1Q inflation number released in conjunction with the GDP read. Tonight the Personal Consumption Expenditure numbers for April which include the core PCE price gauge will be closely watched as an inflationary gauge for a potential Fed rate cut if Fed inflation targets are not met.
- EUR:** EUR lost 0.58% WOW to 1.1129. EUR medium term outlook continues to be bearish as it is unlikely to rally past 1.1230 resistance given current drag exerted by trade worries, global economic growth and Brexit concerns. On technicals, short term moving averages and a falling Ichimoku cloud bottom to continue to act as resistances circa 1.1200.
- GBP:** GBP lost 0.56% WOW to 1.2608 against USD in another steady drop throughout the week as PM May tendered her resignation and a leadership crisis in the UK will further prolong Brexit uncertainties.
- JPY:** JPY lost 0.10% WOW to 109.62. As equities continue to sink on global economic growth worries and continued trade tensions, investors will likely continue to seek safe haven in JPY and CHF. However, pair has been trading between 109 and 110 for the time being being sensitive to trade worries and UST yields. Failure of 109.00 support opens up 108.00 and below which was level not seen since January early this year.
- AUD:** AUD ended 0.09% weaker WOW to 0.6912 in a somewhat neutral to slightly bearish fashion the past week. Investor focus is on RBA interest rate decision next week where market participants are gearing up for a rate cut.
- SGD:** SGD ended 0.28% weaker WOW against the USD at 1.3791 and ended mixed against the G10s as USD continues to strengthen at different paces against EM as risk appetite continues to sour. USD/SGD outlook remains bullish as the broader USD is likely to continue to register gains due to yields differential and equity weakness in Asia due to continuing trade tensions. Suspected concerted Asian central bank intervention likely to keep things muted for now as the pair continues to flirt around 1.3800 area.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1136	39.5710	1.1121	1.1239	1.1183	1.1281	1.1378	Negative
GBPUSD	1.2613	27.8210	1.2477	1.3130	1.2864	1.3009	1.2951	Negative
USDJPY	109.1700	35.6600	108.9800	110.6600	110.4200	110.6000	111.3900	Neutral
USDCNY	6.9134	71.3050	6.7765	6.9712	6.8226	6.7681	6.8303	Positive
USDSGD	1.3802	66.6720	1.3594	1.3862	1.3688	1.3586	1.3656	Positive
AUDUSD	0.6912	39.4640	0.6849	0.7016	0.6970	0.7081	0.7129	Negative
NZDUSD	0.6512	36.1250	0.6479	0.6619	0.6581	0.6740	0.6712	Negative
USDMYR	4.1980	76.2280	4.1322	4.2089	4.1582	4.1118	4.1312	Positive
EURMYR	4.6749	56.8920	4.6287	4.7022	4.6558	4.6447	4.7043	Negative
GBPMYR	5.2951	36.3050	5.2606	5.4626	5.3618	5.3438	5.3483	Negative
JPYMYR	3.8452	72.0990	3.7194	3.8705	3.7627	3.7236	3.7101	Neutral
CHFMYR	4.1751	65.9940	4.0667	4.2033	4.1098	4.0988	4.1543	Neutral
SGDMYR	3.0415	51.3860	3.0327	3.0528	3.0432	3.0276	3.0253	Positive
AUDMYR	2.9016	49.4860	2.8760	2.9190	2.9098	2.9127	2.9522	Negative
NZDMYR	2.7340	43.7300	2.7244	2.7508	2.7444	2.7724	2.7720	Negative

Trader's Comment:

Report showed that US economic growth at the start of the year 2019 was slightly slower than the previous figures but somehow remained hardy despite Trump's extended government shutdown. GDP growth has been revised down from 3.2% to 3.1% QOQ based on the Commerce Department's updated report. The S&P has slipped below 2800, as US equities were sold off sharply and few important support levels were breached.

Trump also has confirmed that US will be imposing 5% tariff on all goods from Mexico On 10th June onwards, which then send markets into risk off mode. China might restrict or cut its export of rare earth materials which are the important components in almost all high tech manufacturing, and if china decided to play the rare earth's card, equity market will be seeing another 2-3% drop. AUD and NZD will be major victim and USD/JPY could head towards 108.00 level.

The 10 years US treasury yield hit to its lowest level in 19 months and currently is trading around 2.198. Generally long term yields on government bonds around the world are smashing to their lowest levels in recent years.

Major G10 currencies are expected to be outperformed by the green back, except for the yen on a 3 to 6 months horizon, and traders are anticipating that US Federal Reserve might go for a rate cuts in the year 2020.

Narrowing down to the EU elections, the political fallout is yet to be clear, as markets been showing little reaction to results. All eyes are on the actual leadership formation in EU and the leadership election in for Tory party. As for the cable, GBP still remained pressure and there might be a possibility hard line Brexit members would dominate the Tory vote and set the UK Parliament on a political collision course. As long as GBP still remain below 1.2700, the downtrend of cable still persists.

Locally, USDMYR strengthens further to the high of 4.1980 on Wednesday. Expect the pair to trade at a higher range of 4.1750 – 4.2150. With all the trade tensions between US and its major trading partners, MYR's strength will still be capped.

Technical Charts

USDMYR



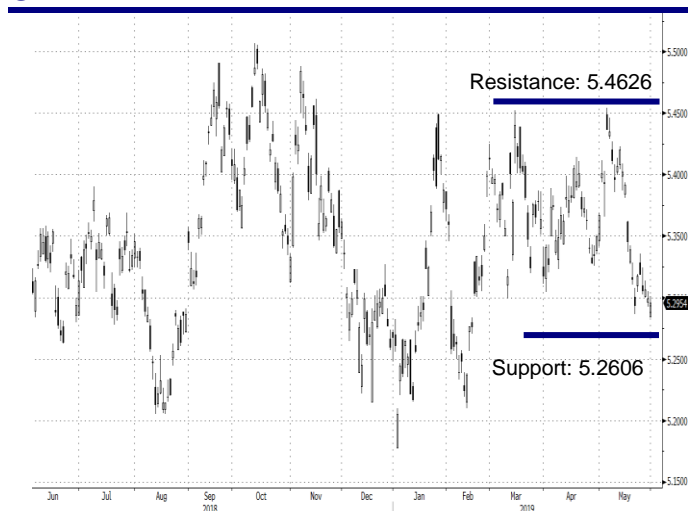
Source: Bloomberg

EURMYR



Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



Source: Bloomberg

AUDMYR



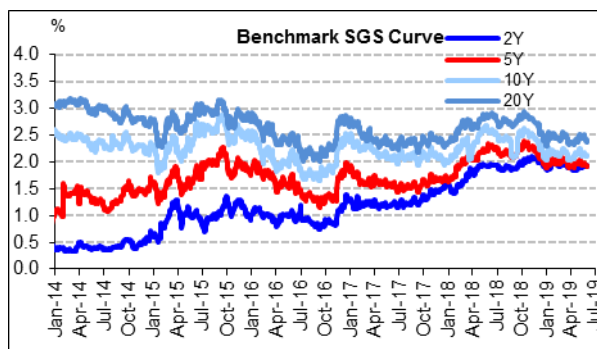
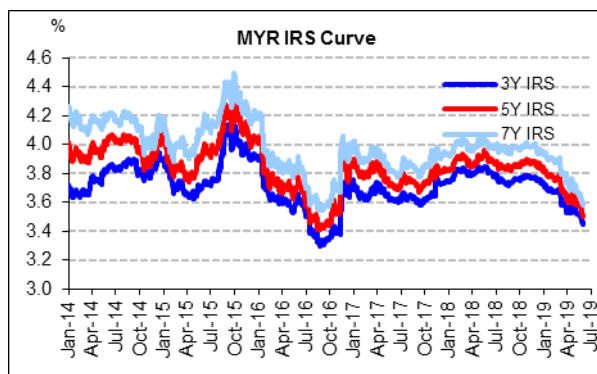
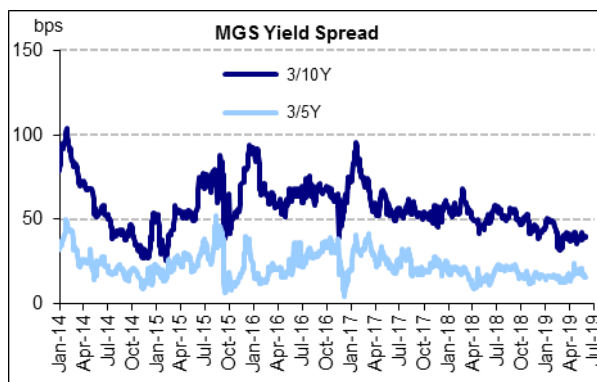
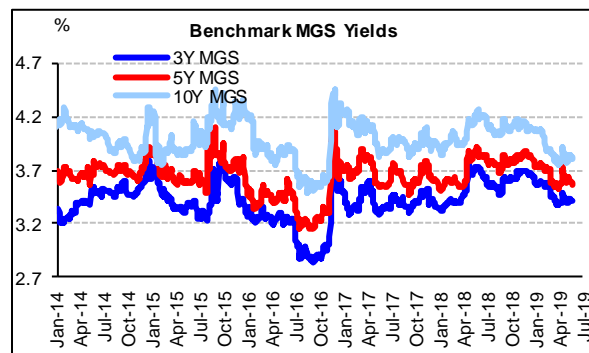
Source: Bloomberg

SGDMYR



Source: Bloomberg

Fixed Income



Review & Outlook

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- Corporate bonds/sukuk saw huge secondary market interest w-o-w largely as the financial markets returned to normalcy following the holiday-shortened week and lower staffing levels with interest mainly across the GG followed by the AA part of the curve as yields trended lower on strong demand. Total market volume bounced back up to RM4.91b (the highest since April); versus prior week's RM1.69b. Public Bank 4/23 topped the weekly volume making its debut trade at 3.90% followed by government-guaranteed PRASA 9/22 which rallied strong by 20bps at 3.58%. This was followed by KHAZANAH 8/23 bonds which edged 1bps lower at 3.79%. AA-rated energy-related SEB 2027-2032 tranches saw up to RM440m in nominal amounts traded this week. The prominent new issuance during the week involved Eco World International Berhad's RM270m of non-rated 14Y bonds with coupon of 6.40%.
- The SGS (govies) curve flattened and shifted lower with benchmark yields rallying 1-7bps down instead compared to prior week's close. The 2Y inched 1bps lower at 1.94% levels whilst the 5Y and 10Y however moved within a smaller range of ~3bps; closing 3bps lower at 1.94% and 2.12% respectively. Despite their AAA rating, the SGS bonds returned a meager 0.25% in May, beating only Indonesia, Turkey and Italy among 46 developed and emerging markets tracked by Bloomberg. (Taking into account fluctuations in exchange rate, these bonds have lost 1.12%). The ongoing global trade war and signs of weaker economic growth has caused the SGD's 6-month forward premiums to shrink for the 5th month. Separately, Credit Suisse has successfully priced \$750m of perpetual NC5 AT1 bond at 5.625% May.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Special Coral Sdn Bhd	RM250.0 million Senior Class A Medium-Term Notes (MTN) (Class A MTN)	AAA	Affirmed
	RM50.0 million Senior Class B MTN (Class B MTN)	AA	Affirmed
	RM800.0 million Subordinated Class MTN	B-	Affirmed
CJ Capital Sdn Bhd	M114 mil Sukuk Murabahah (2010/2020)	AAA/stable	Reaffirmed
Cagamas MBS Berhad	RM2,110.0 million asset-backed Sukuk Musyarakah issuance (CMBS 2007-1-i)	AAA-IS/Stable	Affirmed
	RM2,410.0 million asset-backed fixed rate serial bonds (CMBS 2007-2)	AAA/Stable	Affirmed
	RM2,060.0 million asset-backed fixed rate serial bonds (CMBS 2005-2)	AAA/Stable	Affirmed
	M2,050.0 million asset-backed Sukuk Musyarakah issuance (CMBS 2005-1)	AAA-IS/Stable	Affirmed
Al Dzahab Assets Berhad	Class A Sukuk and Class B Sukuk for the respective Tranches 3 to 5 under the Sukuk Murabahah programme		
	Tranche 3		
	Class A (RM110m)	AAA/Stable	Reaffirmed
	Class B (RM45m)	AAA/Stable	Reaffirmed
	Tranche 4		
	Class A (RM125m)	AAA/Stable	Reaffirmed
	Class B (RM35m)	AAA/Stable	Reaffirmed
	Tranche 5		
	Class A (RM135m)	AAA/Stable	Reaffirmed
	Class B (RM45m)	AA1/Positive	Reaffirmed

Source: RAM, MARC

Economic Calendar						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
03/06	Malaysia	Nikkei Malaysia PMI	May	--	49.4	--
		Exports YOY	Apr	-0.5%	-0.5%	--
		Trade Balance MYR	Apr	12.60b	14.37b	--
11/06		Industrial Production YOY	Apr	--	3.1%	--
		Foreign Reserves	31 May	--	\$102.8b	--
03/06	US	Markit US Manufacturing PMI	May F	50.8	52.6	--
		ISM Manufacturing	May	53.0	52.8	--
		Construction Spending MOM	Apr	0.5%	-0.9%	--
04/06		Factory Orders	Apr	-0.9%	1.9%	--
		Durable Goods Orders	Apr F	--	1.7%	--
		Cap Goods Orders Nondef Ex Air	Apr F	--	0.3%	--
05/06		MBA Mortgage Applications	31 May	--	-3.3%	--
		ADP Employment Change	May	178k	275k	--
		Markit US Services PMI	May F	--	53.0	--
		ISM Non-Manufacturing Index	May	55.6	55.5	--
06/06		U.S. Federal Reserve Releases Beige Book				
		Trade Balance	Apr	-\$50.5b	-\$50.0b	--
		Initial Jobless Claims	01 Jun	--	215k	--
07/06		Change in Nonfarm Payrolls	May	175k	263k	--
		Unemployment Rate	May	3.6%	3.6%	--
		Average Hourly Earnings YOY	May	3.2%	3.2%	--
		Wholesale Inventories MOM	Apr F	--	0.0%	--
		Wholesale Trade Sales MOM	Apr	0.2%	2.3%	--
11/06		NFIB Small Business Optimism	May	--	103.5	--
		PPI Final Demand YOY	May	--	2.2%	--
12/06		MBA Mortgage Applications	07 Jun	--	--	--
		CPI YOY	May	1.8%	2.0%	--
13/06		Import Price Index MOM	May	--	0.2%	--
		Initial Jobless Claims	Jun-08	--	--	--
14/06		Retail Sales Advance MOM	May	0.7%	-0.2%	--
		Industrial Production MOM	May	0.2%	-0.5%	--
		U. of Mich. Sentiment	Jun P	--	--	--
03/06	Eurozone	Markit Eurozone Manufacturing PMI	May F	47.7	47.9	--
04/06		Unemployment Rate	Apr	7.7%	7.7%	--
		CPI Core YOY	May A	1.1%	1.3%	--
		CPI Estimate YOY	May	1.4%	1.7%	--
05/06		Markit Eurozone Services PMI	May F	52.5	52.8	--
		PPI YOY	Apr	--	2.9%	--
		Retail Sales MOM	Apr	--	0.0%	--
06/06		GDP SA QOQ	1Q F	0.4%	0.4%	--
		ECB Main Refinancing Rate	06 Jun	0.0%	0.0%	--
11/06		Sentix Investor Confidence	Jun	--	5.3	--
13/06		Industrial Production SA MOM	Apr	--	-0.3%	--
03/06	UK	Markit UK PMI Manufacturing SA	May	52.0	53.1	--
05/06		Markit/CIPS UK Services PMI	May	50.7	50.4	--
07/06		Halifax House Price 3Mths/Year	May	--	5.0%	--
10/06		GDP MOM	Apr	--	-0.1%	--
		Industrial Production MOM	Apr	--	0.7%	--
		Visible Trade Balance GBP/Mn	Apr	--	-£13650m	--
11/06		Average Weekly Earnings 3M/YOY	Apr	--	3.2%	--
		ILO Unemployment Rate 3Mths	Apr	--	3.8%	--
13/06		RICS House Price Balance	May	--	-23%	--
03/06	Japan	Nikkei Japan PMI Mfg	May F	--	50.2	--
05/06		Nikkei Japan PMI Services	May	--	51.8	--
07/06		Household Spending YOY	Apr	2.6%	2.1%	--
		Labor Cash Earnings YOY	Apr	-0.7%	-1.9%	--

		Leading Index CI	Apr P	96.0	95.9	--
		Coincident Index	Apr P	100.2	99.4	--
11/06		Machine Tool Orders YOY	May P	--	-33.4%	--
12/06		PPI YOY	May	--	1.2%	--
		Core Machine Orders MOM	Apr	--	3.8%	--
14/06		Industrial Production YOY	Apr F	--	--	--
05/06	Hong Kong	Nikkei Hong Kong PMI	May	--	48.4	--
03/06	China	Caixin China PMI Mfg	May	50.0	50.2	--
05/06		Caixin China PMI Services	May	54.3	54.5	--
10/06		Exports YOY	May	-4.0%	-2.7%	--
		Imports YOY	May	-4.0%	4.0%	--
		Trade Balance	May	--	\$13.84b	\$13.83b
12/06		CPI YOY	May	2.5%	2.5%	--
		PPI YOY	May	0.6%	0.9%	--
14/06		Fixed Assets Ex Rural YTD YOY	May	6.2%	6.1%	--
		Industrial Production YOY	May	5.4%	5.4%	--
		Retail Sales YOY	May	8.2%	7.2%	--
03/06	Singapore	Purchasing Managers Index	May	50.1	50.3	--
06/06		Nikkei Singapore PMI	May	--	53.3	--
12/06		Retail Sales YOY	Apr	--	-1.0%	--
03/06	Australia	AiG Perf of Mfg Index	May	--	54.8	--
04/06		Retail Sales MOM	Apr	0.2%	0.3%	--
		RBA Cash Rate Target	04 Jun	1.25%	1.5%	--
05/06		AiG Perf of Services Index	May	--	46.5	--
		GDP SA QOQ	1Q	0.4%	0.2%	--
06/06		Trade Balance	Apr	A\$5000m	A\$4949m	--
07/06		AiG Perf of Construction Index	May	--	42.6	--
		Home Loans MOM	Apr	-0.3%	-2.8%	--
11/06		NAB Business Conditions	May	--	3.0	--
		NAB Business Confidence	May	--	0.0	--
12/06		Westpac Consumer Conf Index	Jun	--	101.3	--
13/06		Employment Change	May	--	28.4k	--
		Unemployment Rate	May	--	5.2%	--
14/06	New Zealand	BusinessNZ Manufacturing PMI	May	--	53.0	--
03/06	Vietnam	Nikkei Vietnam PMI Mfg	May	--	52.5	--

Source: Bloomberg

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