

05 April 2024

Weekly Focus

Decent data over Easter dampen rate cut expectations

Positive data surprises especially in the US have continued to mostly drive interest rates higher and the USD stronger over the last two weeks. Americans increased their consumption by 0.4% in February and reduced their savings rate to its lowest level since December 2022, while the ISM survey showed a clear positive surprise in March for US manufacturers who are now reporting expansion, also for the first time since 2022. While core PCE inflation (the Fed's preferred measure) came out as expected for February, 0.3% m/m price increase is still too much, and the January number was revised up to 0.5% m/m. All in all, the data does not support an early rate cut. Fed Chair Jerome Powell, among others, signalled over Easter that the direction of interest rates is still down, but that the strong data allows for waiting in order to gain more confidence about declining inflation before moving. The market is now pricing almost no chance of a May rate cut, instead looking for June. Key data to watch will be the jobs report later today (Friday) and March CPI on Wednesday next week.

In the euro area, inflation in March was slightly lower than expected, with the core price measure increasing 2.9% y/y. According to the ECB, that corresponds to a bit more than 0.2% m/m, so still to the high side in terms of reaching the 2% annual inflation target, especially as service inflation is 0.4% m/m. In other words, the concern remains that a tight labour market and high wage growth will keep inflation running. The euro area unemployment rate was 6.5% in February, and since earlier data was revised, that still means a record low. Euro area PMIs for March point to economic growth for the first time since May last year.

None of this will likely have changed the quite clearly communicated view from the ECB that there will be no rate change at next week's meeting but that a rate cut in June is to be expected. This means that the meeting on Thursday is unlikely to be a major market mover. We expect the ECB to restate the outlook for a June cut provided that the disinflation process continues, and to clarify that it is a 25bp rate cut and not 50bp, as some market participants have been speculating lately. We do not expect them to give strong guidance as to what will happen after June.

The 2023 budget deficit in France was 5.5% of GDP, significantly higher than expected, drawing negative comments from rating agency Moody's. S&P already has France on negative outlook and there is clearly risk of a downgrade.

Not only US manufacturers reported progress in March. In China, manufacturing PMIs also rose and especially the official version delivered a strong positive surprise. The manufacturing upswing is supporting commodity prices which are generally rising, not least the oil price which is also affected by the conflicts in the Middle East and the war between Russia and Ukraine. However, we are starting to see signs that the manufacturing sector has stopped improving, for example in export data from Asian countries that are usually leading indicators. This includes Japan where the Tankan business survey showed weaker (but still strong) manufacturing – but also the best sentiment among large non-manufacturers since the early 1990s.

Key global views

- Weak near-term growth outlook in the US and the euro area, but recovery from summer 2024
- US and euro area inflation set to decline further, but core inflation to remain sticky
- We expect 3 rate cuts of 25bp from both ECB and Fed this year

Key market movers

- Tuesday: US NFIB small business survey
- Wednesday: US CPI and FOMC minutes, New Zealand rate decision
- Thursday: ECB rate decision, China CPI, US PPI
- Friday: US Michigan consumer survey

Selected reading from Danske Bank

- [ECB preview – An intention to cut](#), 5 April
- [Research Euro Area – euro area productivity falling behind](#), 3 April
- [Research Global Diverging Demographics – the Global Workforce Puzzle](#), 5 April
- [Executive Briefing](#), 4 April

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Scandi market movers

- In **Denmark**, next week begins with industrial production for February on Monday. After a strong finish to 2023, production declined by 3.5% in January compared to December. The decline was less pronounced when excluding pharmaceuticals, with this figure showing a 0.9% drop. Recent global manufacturing PMIs still indicate a rebound, but things have not gone as well as hoped, especially in Europe. It will be interesting to see what February's print shows.

On Wednesday, we get the CPI print for March. We expect inflation increased to 1.2% in March from 0.8% in February. Energy prices are the key driver as the large March price decline from last year rolls out of the inflation measure. A significant base effect on food pulls in the other direction. The underlying price pressure in the economy has been modest since summer as opposed to the pick-up in the euro area.

On Thursday we get home prices from Boligsiden for March. Statistics from the broker *home* showed a decline of 1.6% m/m in apartment prices, most pronounced in Copenhagen where prices dropped 3.2% compared to February. House prices were virtually unchanged from February. We expect the figures from Boligsiden to paint the same picture.

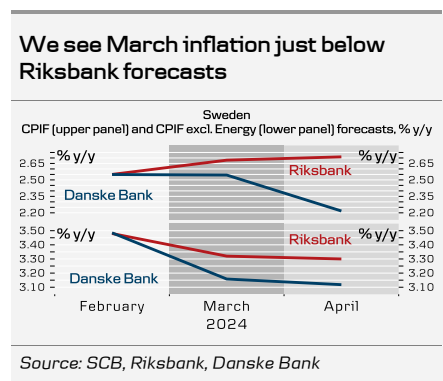
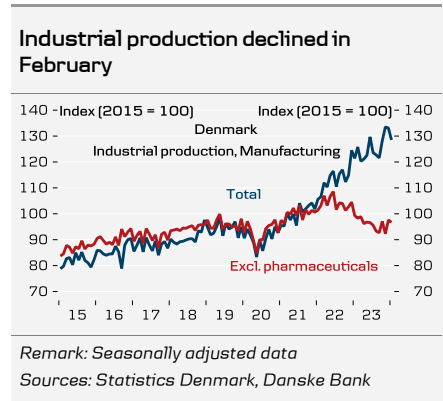
Friday brings flash unemployment for March. Unemployment increased slightly, by 300 persons, in February. Unemployment has remained at remarkably low levels despite a slowdown in activity through most of 2023, at least outside pharmaceuticals, with employers keen to fill many of their vacancies and retain their employees. We think unemployment is going to continue to slowly increase over the year, especially due to wage increases.

Also on Friday, we will get bankruptcies for March. Bankruptcies have been on a downward trend since stabilising at a relatively high level throughout 2023. In February, 212 active companies went bankrupt, which is around the average since 2010. We look forward to Friday's print.

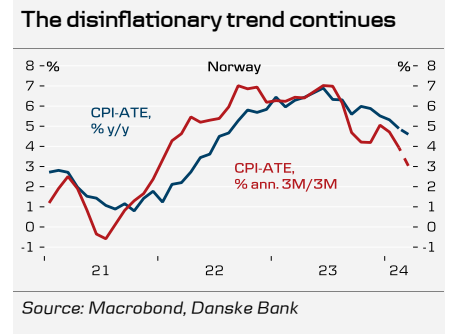
- It will be an eventful week for **Swedish** markets. The focus will be on the March inflation release on Friday 12 April. We expect March data to behave roughly as the pre-pandemic normal, although the early Easter may cause disruptions to price patterns, especially when it comes to travel. We forecast CPIF and CPIF excl. Energy at 2.6 % y/y and 3.2 % y/y, which is 0.1 percentage points below Riksbank's new forecasts on both accounts.

There are several Riksbank speeches this week. Governor Thedeén gives no less than three speeches on monetary policy on Monday 8 April. Deputy Governors Flodén and Jansson speak on the same subject on the 9 and 11 April, respectively.

There is also additional data of interest. Mid-week, February GDP, PVI and consumption indicators will be released. In broad terms we expect the data to support our case for an improving economic outlook as laid out in *Nordic Outlook*. Finally, Prospera also releases March money market inflation expectations. These should now be fully in line with the 2 % target on all horizons.



- There has been a clear disinflationary trend in **Norway** in recent months. Core inflation fell from 5.3% to 4.9% in February, and the underlying trend (3M/3M annualized) fell to 3.9%, the lowest level in more than two years. In fact, the seasonally adjusted figures show that prices were unchanged from January to February. Although we believe that the declining trend will continue throughout the year, we will probably see a certain correction after the low February figures, especially for Norwegian-produced goods ex. food and for services ex. rent. On the other hand, we believe that the trend of lower imported inflation will continue, and we expect roughly unchanged inflation in rents. Overall, we therefore expect core inflation to rise 0.3% m/m, which will pull annual growth down to 4.6% in March. In that case, it will be marginally lower than Norges Bank's estimate from the monetary policy report of 4.7%.



Scandi update

Denmark – Large upwards revision in Q4 GDP growth

Last week saw a significant upward revision to the GDP growth figures for Q4 2023, which showed that the economy expanded at an impressive rate of 2.6% q/q, surpassing the initial estimate of 2.0%. This adjustment can be largely attributed to robust growth in the manufacturing sector, with Novo Nordisk likely a key contributor. Additionally, there was a notable surge in consumer spending, fuelled by a sharp increase in automobile sales and heightened heating consumption. This revision means that growth for the whole of 2023 was 1.9%.

Flash wages for the private sector showed an increase of 5.3% y/y in Q1 2024. This is likely the highest annual wage hike in the past 35 years, and points to a 4% increase in real wages over the past year. The print could have been higher if we go by the centrally negotiated wage agreements which pointed to a 6% increase, but it seems that local agreements resulted in lower pay increases likely because many companies cannot yet afford a full pass-through. Regardless, we expect wage growth to continue and for real private wages to reach their Q3 2021 peak a year from now.

February retail sales were up 2.2% m/m adjusted for seasonality and inflation. Retail sales have been on a bumpy ride since the start of 2023, but the trend has been slightly positive. Low unemployment and slowing inflation have meant that consumers have more to spend. However, we have yet to see a consumption boom, but we think the increasing purchasing power of consumers along with the expected fall in interest rates will boost retail sales during 2024. Note that there is considerable uncertainty to the retail sales index which has diverged from the VAT-based retail sales series. However, February’s print is in line with card transactions data for retail which also showed an improvement.

February’s final unemployment print confirmed the preliminary print, showing an increase of 300 unemployed persons.

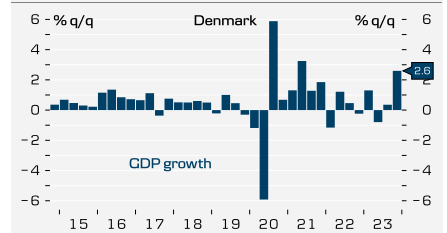
As expected, Danmarks Nationalbank did not intervene in the currency market in March.

Sweden – PMI's and Riksbank activity

The only statistic releases this week from Sweden was the PMI. Manufacturing PMI reached expansionary ground once again at 50.0 which was its highest level since July 2022. The output sub-index was the biggest contributor to the rise, followed by new orders and employment. On the other hand, delivery times was the main negative contributor that decreased 0.7 p.p.. However, the PMI report states that this development is not due to the unrest in the Red Sea and altered shipping routes, but instead due to current lower economic activity. The print also gives us further confirmation for our case of a turnaround in the global manufacturing sector, and an especially pronounced and early one in Sweden. This is seen as new orders now increased to 50.9, thus adding up to an increase of 2.6 in Q1 2024, mainly driven by new orders in the export sector.

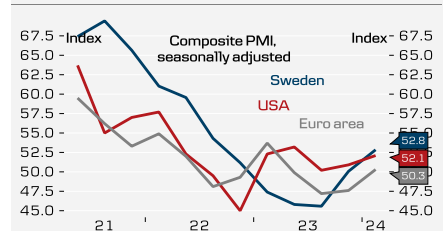
Services PMI reached a very decent 53.9 where all sub-indices printed above the 50 threshold, whereas the headline number was mainly pulled higher by business volume, new orders, and employment. The price index for raw materials and intermediate goods fell by four index points to 58.5 and thereby placed it back to its declining trend after the unexpected uptick in February. Although price pressure is lower compared to a year ago, it

GDP growth for Q4 was revised up to 2.6%



Source: Danske Bank, Statistics Denmark, Macrobond Financial

Distinct upswing in the Swedish business cycle



Source: Swedbank, S&P Global

is still significantly higher compared to the manufacturing side, where the corresponding index in March was noted at 47.3, i.e. falling prices. All in all, this should be positive news for the Riksbank either way. Composite PMI rose for the fifth month in a row pulling it to the highest level since November 2022 and even at a higher level than the current one in the US. Thereby the Composite index has been in expansionary territory for four consecutive months, which strengthens our forecast of a strengthened Swedish business cycle over the spring of 2024 and furthermore also provides good conditions for a strong GDP print for Q1 2024.

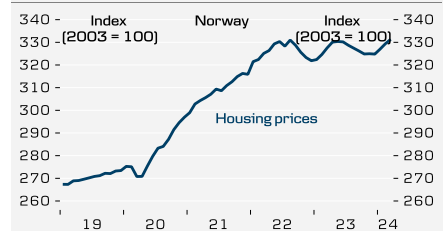
The minutes from the Riksbank's monetary policy meeting in March were published and showed that all members were clearly more comfortable with the current inflation and forecast allowing a first cut in the near-term. The risks that were flagged were mainly related to foreign developments such as the strong US economy, geopolitical risk, and rate decisions of the major central banks, which subsequently could impact the SEK. We argue that this favours keeping rates on hold in May to get more clarity on the actions of the Fed (1 May and 12 June) as well as ECB (6 June) ahead of the Riksbank's June-meeting. Read our full *Flash comment Riksbank – March 2024 minutes*, 4 April.

The Riksbank submitted to the Riksdag a proposal to restore their equity to the statutory base level (2/3 of the target level) of SEK 41.7bn. The supplement of SEK 43.7bn is in line with previous expectations, and the National Debt Office had already included it in its latest borrowing report expecting a payment of SEK 40bn to the Riksbank.

Norway – renewed optimism in the housing market

A clear confirmation of the increasing optimism (or maybe less pessimism) among households can be seen in the housing market. As the peak in mortgage rates seems to have been reached, a lot of uncertainty regarding the housing market has vanished and focus has turned to the lack of supply as housing starts have been extremely weak for more than a year. The latter has led many analysts, including Norges Bank, to forecast a sharp rise in prices for the next four years. Naturally, this has caused many potential buyers to jump off the fence. As a result, housing prices are up 1.3 % in Q1. Regarding monetary policy, we reckon this will affect the risk assessment at Norges Bank, allowing the central bank to focus on bringing inflation down without worrying about financial stability.

Housing prices are stabilizing



Source: Macrobond, Danske Bank

Calendar – 8-12 April 2024

During the week				Period	Danske Bank	Consensus	Previous
Sun 07	CNY	Foreign exchange reserves	USD bn	Mar		3229.0	3225.8
Monday, April 8, 2024				Period	Danske Bank	Consensus	Previous
1:30	JPY	Labour cash earnings	y/y	Feb		1.8%	2.0%
7:45	CHF	Unemployment	%	Mar		2.2%	2.2%
8:00	SEK	Budget balance	SEK bn	Mar			74.3
8:00	DKK	Industrial production	m/m	Feb			-3.5%
8:00	NOK	Manufacturing production	m/mly/y	Feb			0.0% -0.3%
8:00	NOK	Industrial production	m/mly/y	Feb			2.1% 8.3%
8:00	DEM	Industrial production	m/mly/y	Feb		0.2% -7.1%	1.0% -5.5%
10:30	EUR	Sentix Investor Confidence	Index	Apr		-8.5	-10.5
Tuesday, April 9, 2024				Period	Danske Bank	Consensus	Previous
-	CNY	Money supply M2	y/y	Mar		8.7%	8.7%
1:00	USD	Fed's Kashkari speaks					
6:00	SEK	Maklarstatistik Swedish housing price data					
7:00	JPY	Consumer confidence	Index	Mar		39.6	39.1
8:00	DKK	Current account (nsa sa)	DKK bn	Feb			↓25.5
8:00	DKK	Trade balance ex ships	DKK bn	Feb			10.5
8:00	DKK	Exports	m/m	Feb			1050.0%
12:00	USD	NFIB small business optimism	Index	Mar		90.0	89.4
Wednesday, April 10, 2024				Period	Danske Bank	Consensus	Previous
4:00	NZD	Reserve Bank of New Zealand (cash rate decision)	%		5.5%	5.5%	5.5%
8:00	NOK	Core inflation (CPI-ATE)	m/mly/y	Mar	0.3% 4.6%	↓4.7%	0.4% 4.9%
8:00	SEK	Industrial orders	m/mly/y	Feb			-9.7% -6.1%
8:00	SEK	Private Sector Production	m/mly/y	Feb			-0.6% -1.6%
8:00	SEK	Household consumption	m/mly/y	Feb			-0.7% -0.7%
8:00	NOK	CPI	m/mly/y	Mar		↓4.1%	0.2% 4.5%
8:00	NOK	PPI	m/mly/y	Mar			-2.5% -12.6%
8:00	DKK	CPI	m/mly/y	Mar	0.2% 1.2%		0.5% 0.8%
14:30	USD	CPI headline	m/mly/y	Mar	0.3% 3.4%	0.3% 3.5%	0.4% 3.2%
14:30	USD	CPI core	m/mly/y	Mar	0.3% 3.7%	0.3% 3.7%	0.4% 3.8%
14:45	USD	Fed's Bowman speaks					
15:45	CAD	Bank of Canada rate decision	%		5.0%	5.0%	5.0%
16:30	USD	DOE U.S. crude oil inventories	K				3210
20:00	USD	Budget statement	USD bn	Mar			-296.3
20:00	USD	FOMC minutes					
Thursday, April 11, 2024				Period	Danske Bank	Consensus	Previous
1:01	GBP	RICS house price balance	Index	Mar		-0.1	-0.1
3:30	CNY	CPI	y/y	Mar		0.4%	0.7%
3:30	CNY	PPI	y/y	Mar		-2.8%	-2.7%
8:00	NOK	GDP (mainland)	m/m	Feb	0.0%	0.2%	0.4%
8:00	SEK	Prospera inflation expectations					
14:15	EUR	ECB announces deposit rate	%		4.00%	4.00%	4.00%
14:15	EUR	ECB's Lagarde speaks at press conference				0.045	0.045
14:30	USD	PPI	m/mly/y	Mar		0.3%↓	0.6% 1.6%
14:30	USD	PPI core	m/mly/y	Mar		0.2%↓	0.3% 2.0%
14:30	USD	Initial jobless claims	1000				221
14:45	USD	Fed's Williams speaks					
14:45	EUR	ECB's Lagarde speaks					
14:45	EUR	ECB's Lagarde speaks					
19:30	USD	Fed's Bostic speaks					
Friday, April 12, 2024				Period	Danske Bank	Consensus	Previous
-	CNY	Trade balance	USD bn	Mar		70.2	39.7
6:30	JPY	Industrial production	m/mly/y	Feb			-0.1% -3.4%
8:00	SEK	CPI	m/mly/y	Mar	0.5% 4.4%	0.5% 4.4%	0.2% 4.5%
8:00	GBP	Monthly GDP estimate	m/m q/q	Feb		0.001 0.001	0.002 -0.001
8:00	GBP	Index of services	m/m 3m/3m	Feb		0.001 0	0.002 0
8:00	SEK	Underlying inflation CPIF	m/mly/y	Mar	0.4% 2.6%	0.4% 2.5%	0.2% 2.5%
8:00	SEK	Underlying inflation CPIF excl energy	m/mly/y	Mar	0.3% 3.2%	0.3% 3.2%	0.6% 3.5%
8:00	DEM	HICP, final	m/mly/y	Mar		0.6% 2.3%	0.6% 2.3%
8:45	FRF	HICP, final	m/mly/y	Mar		0.3% 2.4%	0.3% 2.4%
9:00	ESP	HICP, final	m/mly/y	Mar		1.3% 3.2%	1.3% 3.2%
10:00	EUR	ECB's survey of professional forecasters					
14:30	USD	Import prices	m/mly/y	Mar		0.3%↓	0.3% -0.8%
16:00	USD	University of Michigan Confidence, preliminary	Index	Apr		78.7	79.4
20:30	USD	Fed's Bostic speaks					
21:30	USD	Fed's Daly speaks					

Source: Danske Bank

Macroeconomic forecast

Macro forecast. Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Denmark	2023	1.9	1.0	0.0	-5.0	13.4	8.6	3.3	4.1	2.8	3.5	29.7	13.2
	2024	2.1	2.2	1.3	-1.9	8.8	6.3	2.0	5.3	3.0	1.9	28.0	12.5
	2025	2.0	1.7	1.8	2.4	1.9	1.7	1.9	3.6	3.1	1.1	26.7	12.5
Sweden	2023	0.2	-2.5	1.8	-1.2	3.7	-0.6	8.6	3.8	7.7	-0.4	29.0	5.8
	2024	1.5	1.7	0.7	-0.5	3.0	2.9	2.5	3.3	8.3	-0.8	30.0	5.9
	2025	2.0	2.4	1.5	2.7	3.2	3.8	1.0	2.5	8.1	-0.8	30.0	5.6
Norway	2023	1.1	-0.7	3.6	0.3	1.4	0.7	5.5	5.3	1.8	-	-	-
	2024	1.1	1.3	2.0	4.0	3.5	1.5	3.8	4.7	2.3	-	-	-
	2025	2.1	2.5	1.6	4.0	2.0	1.8	2.0	3.5	2.5	-	-	-

Macro forecast. Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Euro area	2023	0.5	0.6	0.7	1.4	-0.9	-1.4	5.4	4.5	6.5	-3.2	90.6	2.5
	2024	0.5	0.7	0.9	1.8	1.2	1.9	2.4	4.3	6.6	-2.9	89.9	2.0
	2025	1.3	1.5	1.0	1.2	2.9	3.1	2.1	3.4	6.6	-2.7	89.0	2.0
Finland	2023	-1.0	0.4	4.5	-4.2	-1.7	-7.1	6.3	4.2	7.2	-2.7	75.8	-1.4
	2024	-0.4	0.2	0.1	-1.5	-2.0	-1.0	2.0	3.5	7.9	-3.6	78.0	-0.4
	2025	1.9	1.2	0.2	4.0	3.0	2.5	1.6	2.5	7.4	-2.8	78.7	0.0

Macro forecast. Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
USA	2023	2.5	2.2	4.1	0.6	2.6	-1.7	4.1	4.3	3.6	-5.8	124.6	-3.0
	2024	2.0	1.6	3.5	2.1	2.3	2.8	2.9	3.2	3.9	-5.8	126.8	-2.8
	2025	1.4	1.1	2.0	3.6	2.9	4.4	2.3	2.5	4.2	-5.8	128.6	-2.6
China	2023	5.2	6.6	-	4.6	-	-	0.2	-	5.2	-7.1	83.0	1.5
	2024	4.5	5.5	-	3.8	-	-	0.7	-	5.2	-7.0	87.4	1.4
	2025	4.5	5.5	-	3.8	-	-	1.5	-	5.2	-7.3	91.8	1.1
UK	2023	0.1	-	-	-	-	-	7.3	-	4.0	-	-	-
	2024	0.0	-	-	-	-	-	2.5	-	4.5	-	-	-
	2025	1.0	-	-	-	-	-	1.9	-	4.9	-	-	-

Source: OECD and Danske Bank. 1) % y/y. 2) % of labour force. 3) % of GDP.

Financial forecast

Bond and money markets

		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD*	04-Apr	5.50	-	4.58	3.95	0.92	-	6.86	10.68	10.57
	+3m	5.25	-	4.20	3.90	0.92	-	6.84	10.73	10.46
	+6m	5.00	-	3.97	3.90	0.93	-	6.96	11.21	10.84
	+12m	4.50	-	3.80	3.90	0.95	-	7.10	11.52	10.95
EUR	04-Apr	4.00	3.84	3.15	2.64	-	1.09	7.4594	11.61	11.49
	+3m	3.75	3.62	3.02	2.65	-	1.09	7.4550	11.70	11.40
	+6m	3.50	3.42	2.77	2.65	-	1.07	7.4500	12.00	11.60
	+12m	3.00	2.95	2.50	2.65	-	1.05	7.4500	12.10	11.50
JPY	04-Apr	0.10	-	-	-	0.006	0.007	4.53	7.04	6.97
	+3m	0.10	-	-	-	0.006	0.007	4.72	7.40	7.21
	+6m	0.20	-	-	-	0.007	0.007	4.87	7.84	7.58
	+12m	0.20	-	-	-	0.007	0.007	5.07	8.23	7.82
GBP*	04-Apr	5.25	-	4.39	3.71	1.17	1.07	8.70	13.54	13.39
	+3m	5.00	-	4.32	3.70	1.14	1.24	8.47	13.30	12.95
	+6m	4.75	-	4.12	3.70	1.12	1.20	8.37	13.48	13.03
	+12m	4.50	-	3.90	3.70	1.12	1.18	8.37	13.60	12.92
CHF	04-Apr	1.50	-	-	-	1.02	1.11	7.59	11.81	11.68
	+3m	1.25	-	-	-	1.02	1.11	7.61	11.94	11.63
	+6m	1.00	-	-	-	1.03	1.10	7.68	12.37	11.96
	+12m	0.50	-	-	-	1.04	1.09	7.76	12.60	11.98
DKK	04-Apr	3.60	3.83	3.26	2.78	0.134	0.146	-	1.56	1.54
	+3m	3.35	3.55	3.20	2.85	0.134	0.146	-	1.57	1.53
	+6m	3.10	3.29	2.94	2.85	0.134	0.144	-	1.61	1.56
	+12m	2.60	2.80	2.65	2.85	0.134	0.141	-	1.62	1.54
SEK	04-Apr	4.00	4.02	3.29	2.75	0.087	0.095	0.65	1.01	-
	+3m	3.75	3.87	2.81	2.80	0.088	0.096	0.65	1.03	-
	+6m	3.50	3.61	2.69	2.86	0.086	0.092	0.64	1.03	-
	+12m	3.00	3.15	2.50	2.90	0.087	0.091	0.65	1.05	-
NOK	04-Apr	4.50	4.78	4.50	3.81	0.086	0.094	0.64	-	0.99
	+3m	4.50	4.64	4.25	3.70	0.085	0.093	0.64	-	0.97
	+6m	4.25	4.29	3.94	3.65	0.083	0.089	0.62	-	0.97
	+12m	3.75	3.80	3.70	3.60	0.083	0.087	0.62	-	0.95

*Notes: GBP swaps are SONIA, USD swaps are SOFR

Commodities

	04-Apr	2023				2024				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2023	2024
ICE Brent	91	82	78	86	83	82	80	80	80	82	80

Source Danske Bank

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