

# Weekly Focus

## Growth fears hit markets

**This week growth fears hit financial markets with stock market volatility picking up, bond yields and commodity prices falling and the USD strengthening.** This is broadly in line with the playbook for financial markets when the business cycle peaks, that we outlined in *Strategy: Peak performance in assets and the end of deflation*, 2 July 2021. For financial markets *momentum* in activity and inflation is what matters the most rather than the *level*. And momentum is coming down for both economic activity as well as inflation.

**On the economic front worsening Chinese data and a sharp drop in US consumer confidence for August have fuelled concerns** that global growth will disappoint, and the spread of the Covid delta variant will create new headwinds for the global economy going into the autumn and winter, when temperatures drop. Chinese industrial production and retail sales both disappointed again in July adding to the downside risks for the world's second largest economy, see *China Macro Monitor – Intensifying slowdown puts drag on global cycle*, 18 August 2021. In the US some areas are already seeing severe pressure on hospitals from the latest Covid-19 wave. US retail sales this week also dropped 1% m/m although the level is still very high.

**When it comes to inflation a decline in commodity prices lately is set to push down headline inflation in US and the euro area soon.** This week copper prices dropped close to 10% and oil prices declined to the lowest level since in three months. However, freight rates have shot higher again lately after a the third-largest port in the world, the Ningbo-Zhoushan port in China, was partially closed after a person tested positive for Covid-19. For more on inflation trends see *Global Inflation Watch – Commodity pressure eases further but freight rates leap again*, 19 August 2021.

**The minutes from the July FOMC meeting** showed that most participants “judged that it could be appropriate to start reducing the pace of asset purchases this year”. This is in line with our expectations that the Fed will announce a plan for tapering in September and begin gradual tapering in December. The Fed has met its’ inflation goal and expects to have achieved “substantial progress” towards its’ employment goal soon. A tapering announcement could challenge risk sentiment further if global economic indicators soften more than expected during the fall. This is a risk that needs monitoring in coming months.

**Over the coming week we get more information on the state of the global economy** with US and euro flash PMI's as well as the German ifo business survey. We look for a small decline in all the surveys. The Fed Jackson Hole conference will also be watched closely for any signals regarding tapering of asset purchases. The US also releases durable goods orders, the best investment indicator for the country. Orders have been on a steep rising path for over a year now but with tentative signs of losing momentum lately. US personal spending will add more information on goods vs service consumption. The question is if service consumption is dampened by the recent rise in infections as have been indicated in some high-frequency data. Goods consumption will likely decline in line with what we saw in the retail sales number this week. US core PCE inflation will also be in focus to see if the monthly momentum comes down as was the case in the CPI release.

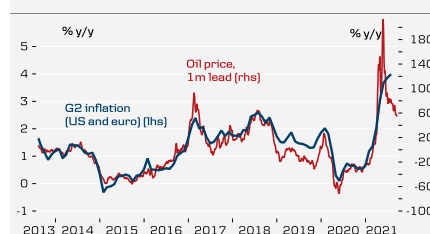
### Key market movers

- Monday: US and Euro Flash PMI, US existing home sales
- Wednesday: US durable goods orders
- Thursday: Fed Jackson Hole conference, Euro M3 and credit
- Friday: US personal spending and core PCE inflation

### Selected reading from Danske Bank

- *Global Inflation Watch – Commodity pressures ease but freight rates leap again*, 19 August 2021
- *FX Forecast Update – Risk are tilted towards more upside for dollar*, 18 August 2021
- *Climate Research: “Fit for 55” – The EU Commission gets specific*, 17 August 2021

### Easing inflation pressure from commodity prices



Source: Macrobond

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# Scandi market movers

- In Denmark, Monday is scheduled to bring consumer expectations for August, and we anticipate an increase to 4.0 from 2.6 in July. Many Danes are now experiencing a return to normality, while the impact of COVID-19 is beginning to fade as vaccines are rolled out. We expect these factors will help lift consumer expectations for both their own and the Danish economy.

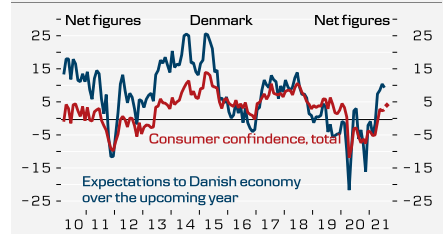
Retails sales figures for July are due on Thursday, and we already have a good indication of consumption for the month from our Spending Monitor. This suggests that consumption was 10% up on the same month in 2019. We expect Thursday's figures to paint a similar picture, thus confirming that consumption remains buoyant.

- In Sweden, the GDP indicator printed a surprisingly strong +0.9 % s.a. gain in Q2. The pattern however over the past couple of quarters is that the indicator has over-estimated the actual GDP increase slightly. That said there are other peculiarities that suggests a weaker increase in Q2 than the indicator showed. 1) The consumption indicator actually declined by 0.9 % qoq s.a, implying a drag on GDP growth of about 0.4 percentage points. 2) Inventory data suggest there was an inventory decline in Q2 vs a rise in Q1, contributing some -0.3 p.p. to quarterly growth. 3) Price adjusted net goods exports was only slightly positive and hence the outcome to a large extent hinges on the development of "merchanting" item. Supposing this was positive, net exports may have added say +0.4 p.p. to GDP. 4) Hence, adding up it seems as if gross fixed investment and public spending will have to add some 1.1 p.p. contributing to keep Q2 GDP growth at 0.9 % qoq. This appears a bit stretched in our view and thus a downward revision seems likely. We put it at +0.7% qoq and 9.1 % yoy.

- The July LFS, retail sales and trade balance will give a first glimpse of Q3 growth developments.

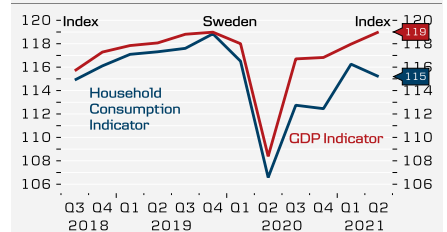
- In **Norway**, retail sales levelled off in June after a big leap the previous month. With pretty much everyone holidaying within the country, we expect another good month for consumer spending in July. With consumption shifting more towards various types of services as the coronavirus restrictions are lifted, we nevertheless expect retail sales to fall 2% m/m in July.

## We anticipate higher consumer expectations in August



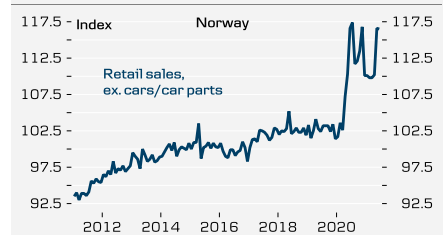
Source: Statistics Denmark, Macrobond Financial

## Sweden: Consumption and GDP indicators giving different Q2 signals



Source: SCB

## Retail sales to come down over the autumn



Source: Macrobond, Danske Bank

# Scandi update

## Denmark – GDP above pre-corona levels

Statistics Denmark’s GDP indicator for Q2 is pointing to 2.2% growth compared to Q1 2021. Hence, GDP is at a higher level now than prior to the corona crisis but still below the expected level if it were not for corona. The gradual reopening of the economy has resulted in the service sector pulling growth up. Extensive restrictions were still in place at the start of Q2, which is the main reason why growth is not even higher, though the rolling back of these measures is expected to contribute to growth in Q3. Very substantial public health sector spending, including the massive testing programme, also helped boost growth. Industrial production declined in Q2 and is assumed to have contributed negatively to growth, as is also reflected in exports, which did not have an impressive quarter. Materials shortages and bottlenecks in global supply chains are part of the reason for this. The economy is still not in top gear, as not all parts are functioning normally yet, with especially those dependent on foreign tourists still operating below pre-corona levels.

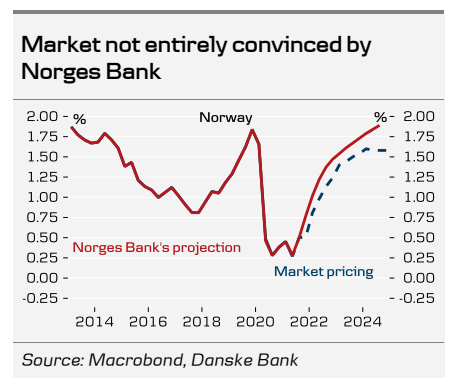
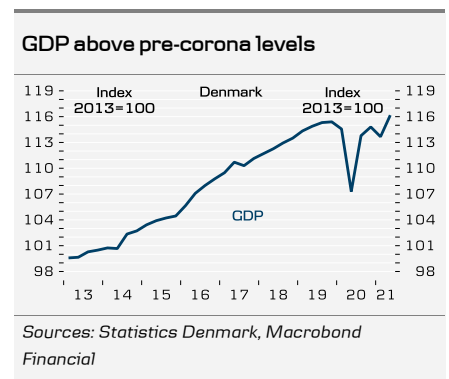
Wage-earner employment figures show 25,000 more employees in June, and this follows the record-high increase of 35,000 in May. The culture & leisure along with the hotel & restaurant sectors led the way, though both still have some way to go before reaching pre-pandemic levels of employment. The health service was another key contributor, as many are still employed in corona-related positions. The labour market has experienced a historically speedy recovery, and there are now 46,000 more employees than in February 2020, prior to the pandemic. We expect the surge in employment will begin to fade during the current quarter. Some of the momentum from everyone having to be employed at once following the reopening will presumably slow, and as the need for testing capacity declines some labour will be freed up that can be channelled into other sectors. Industry, however, does not share the same outlook in terms of labour resources. A major global rotation from the consumption of goods to the consumption of services is what is needed for industry to shake off its labour shortage problems

## Sweden – no data releases

There were no data releases in Sweden last week to comment on.

## Norway – Norges Bank on hold but signals September hike

As expected, Norges Bank left its policy rate at 0% at the week’s rate-setting meeting. This was one of the bank’s interim meetings, with no monetary policy report or press conference. In its press release, the bank notes that economic developments since its meeting in June have been broadly as projected. Global growth has been as expected, and domestic growth slightly better. Oil prices are a little lower than anticipated, but the krone much weaker. Inflation has come down largely as predicted, but the prospect of stronger growth means that there is reason to expect inflation to pick up again. The housing market has also been slightly weaker than projected, but not to the point where it is likely to have any real impact on rate setting in the near term. The bank points out that although infections are now on the rise again, hospital admissions remain low, and together with a high vaccination rate this will reduce the need for further rounds of strict coronavirus restrictions. The bank therefore reiterates the message from June that the policy rate will most likely be raised in September.



# Activity tracker

Euro area	Last obs	Value	Last 4 months	1W chg.	1M chg.	Low
Bundesbank weekly activity index*	Week 33	0.75		0.13	-0.28	-6.0
German truck toll mileage (1w m.a.), % y/y	11-Aug	1.2%		-1 p.p.	-2.8 p.p.	-16.2%
OpenTable restaurant bookings, Germany (1w m.a.)**	18-Aug	50.0%		-0.1 p.p.	7.1 p.p.	-100%
<b>USA</b>						
NY Fed weekly economic index*	Week 33	7.96		-0.15	-0.97	-11.3
Transaction card spending, (1w m.a.), % y/y	08-Aug	21.9%		-2.7 p.p.	-6.5 p.p.	-40.6%
OpenTable restaurant bookings (1w m.a.)**	18-Aug	-10.1%		0 p.p.	-5.2 p.p.	-100%
<b>Google mobility trends retail &amp; recreation (1w m.a.)**</b>						
Germany	16-Aug	4.3%		1 p.p.	6.6 p.p.	-67.3%
France		-3.1%		-5 p.p.	-3.4 p.p.	-88.0%
Italy		0.7%		-5 p.p.	0 p.p.	-88.9%
Spain		-9.0%		-2.6 p.p.	1.6 p.p.	-91.7%
UK		-5.9%		2.6 p.p.	8.4 p.p.	-77.6%
Japan		-10.1%		2.4 p.p.	1 p.p.	-37.9%
United States		-4.0%		-0.6 p.p.	-0.6 p.p.	-46.1%
<b>Electricity demand (1w m.a.)***</b>						
Germany	19-Aug	-0.1%		3.7 p.p.	-1.7 p.p.	-10.9%
France		1.7%		5.3 p.p.	7.4 p.p.	-22.0%
Italy		13.9%		9.6 p.p.	15.7 p.p.	-16.2%
Spain		4.5%		7.9 p.p.	7.8 p.p.	-23.6%
UK		0.0%		0 p.p.	0 p.p.	-22.2%
Japan	18-Aug	-3.4%		-2 p.p.	-5.5 p.p.	-7.3%
United States		0.7%		-0.8 p.p.	3.5 p.p.	-12.5%

\*NOWcast, Actual index value, \*\*Relative to same day/week in 2019, \*\*\*Relative to same day/week in 15-19 avg.

Source: Google mobility data, ENTSO-E, EIA, Open Table, Statistisches Bundesamt, TextilWirtschaft, Bundesbank, NY Fed, Macrobond Financial

# Calendar

Monday, August 23, 2021				Period	Danske Bank	Consensus	Previous
2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Aug			53.0
2:30	JPY	Markit PMI services, preliminary	Index	Aug			47.4
8:00	DKK	Consumer confidence	Net. bal.	Aug			2.6
9:15	FRF	PMI manufacturing, preliminary	Index	Aug		57.0	58.0
9:15	FRF	PMI services, preliminary	Index	Aug		56.5	56.8
9:30	DEM	PMI manufacturing, preliminary	Index	Aug		65.0	65.9
9:30	DEM	PMI services, preliminary	Index	Aug		61.0	61.8
10:00	EUR	PMI manufacturing, preliminary	Index	Aug		62.0	62.8
10:00	EUR	PMI composite, preliminary	Index	Aug		59.6	60.2
10:00	EUR	PMI services, preliminary	Index	Aug		59.4	59.8
10:30	GBP	PMI manufacturing, preliminary	Index	Aug		59.5	60.4
10:30	GBP	PMI services, preliminary	Index	Aug		59.1	59.6
15:45	USD	Markit PMI manufacturing, preliminary	Index	Aug		63.0	63.4
15:45	USD	Markit PMI service, preliminary	Index	Aug		59.2	59.9
16:00	EUR	Consumer confidence	Net bal.	Aug		-5.0	-4.4
16:00	USD	Existing home sales	m (m/m)	Jul		5.84	5.86(0.014)
Tuesday, August 24, 2021				Period	Danske Bank	Consensus	Previous
8:00	DEM	GDP, final	q/q y/y	2nd quarter		1.5% 9.2%	1.5% 9.2%
8:00	DEM	Private consumption	q/q	2nd quarter		4.0%	-5.4%
8:00	DEM	Government consumption	q/q	2nd quarter		0.9%	0.2%
8:00	DEM	Gross fixed investments	q/q	2nd quarter		1.5%	0.3%
14:00	HUF	Central Bank of Hungary rate decision	%		1.2%	1.5%	1.2%
16:00	USD	New home sales	1000 (m/m)	Jul		700	676.0 (-6.6%)
Wednesday, August 25, 2021				Period	Danske Bank	Consensus	Previous
7:00	JPY	Leading economic index, final	Index	Jun			104.1
10:00	DEM	IFO - business climate	Index	Aug		100.4	100.8
10:00	DEM	IFO - current assessment	Index	Aug		100.8	100.4
10:00	DEM	IFO - expectations	Index	Aug		100.2	101.2
14:30	USD	Core capital goods orders, preliminary	%	Jul			0.7%
16:30	USD	DOE U.S. crude oil inventories	K				-3233
Thursday, August 26, 2021				Period	Danske Bank	Consensus	Previous
8:00	DEM	GfK consumer confidence	Net. Bal.	Sep		-0.4	-0.3
8:00	DKK	Retail sales	m/m y/y	Jul			-0.4% 6.6%
8:45	FRF	Business confidence	Index	Aug		113.0	113.0
9:30	SEK	PPI	m/m y/y	Jul			1.5% 9.6%
9:30	SEK	Household lending	y/y	Jul			6.2%
10:00	EUR	Money supply (M3)	y/y	Jul		7.9%	8.3%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Jul		7.9%	8.3%
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Jul		7.9%	8.3%
14:30	USD	Initial jobless claims	1000				348
14:30	USD	GDP, ___ release	q/q AR	2nd quarter		0.066	0.065
14:30	USD	PCE core	q/q AR	2nd quarter			0.061
Friday, August 27, 2021				Period	Danske Bank	Consensus	Previous
-	DEM	Retail sales	m/m y/y	Jul		-0.6% _	4.5% 6.5%
-	EUR	Moody's may publish France's debt rating					
3:30	CNY	Industrial profits	y/y	Jul			20.0%
8:00	NOK	Retail sales, s.a.	m/m	Jul			-0.1%
8:45	FRF	Consumer confidence	Index	Aug		100.0	101.0
9:00	SEK	Consumer confidence	Index	Aug			106.5
9:00	SEK	Economic Tendency Survey	Index	Aug			122.4
9:00	SEK	Manufacturing confidence	Index	Aug			129.2
9:30	SEK	Trade balance	SEK bn	Jul			10.3
9:30	SEK	Retail sales s.a.	m/m y/y	Jul			-0.3% 8.5%
9:30	SEK	GDP	q/q y/y	2nd quarter	0.7% _	0.8% _	0.8% 0.0%
14:30	USD	Personal spending	m/m	Jul		0.4%	1.0%
14:30	USD	PCE core	m/m y/y	Jul		0.3% 3.6%	0.4% 3.5%
14:30	USD	PCE headline	m/m y/y	Jul		0.4% 4.1%	0.5% 4.0%
14:30	USD	Advance goods trade balance	USD bn	Jul		-90.0	-91.2
16:00	USD	University of Michigan Confidence, final	Index	Aug		70.9	70.2

Source: Danske Bank

# Macroeconomic forecast

## Macro forecast. Scandinavia

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Wage growth <sup>1</sup>	Unem-ploym <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Denmark	2020	-2.1	-1.4	-1.7	5.1	-7.0	-4.1	0.4	2.3	4.7	-0.6	42.2	8.2
	2021	3.0	3.0	0.9	3.0	9.7	8.1	1.2	2.7	4.4	-2.1	38.7	8.4
	2022	3.5	4.0	0.2	3.5	7.0	6.4	1.2	2.5	3.8	-0.4	37.3	8.5
Sweden	2020	-3.1	-4.7	-0.5	0.6	-5.2	-5.8	0.5	2.0	8.3	-3.1	37.7	1.4
	2021	3.7	3.4	1.7	2.5	8.8	7.0	1.3	1.9	8.5	-0.6	38.0	6.6
	2022	3.4	4.1	1.4	3.7	4.0	4.1	0.7	1.9	7.3	0.1	35.0	6.4
Norway	2020	-2.5	-6.9	1.7	-3.8	-0.5	-11.9	1.3	3.1	5.0	-	-	-
	2021	3.7	5.0	2.5	1.0	2.7	3.5	3.1	2.7	3.3	-	-	-
	2022	3.7	7.4	1.8	2.0	6.5	7.0	1.7	3.1	2.5	-	-	-

## Macro forecast. Euroland

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Wage growth <sup>1</sup>	Unem-ploym <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Euro area	2020	-6.5	-8.0	1.4	-7.6	-9.4	-9.2	0.3	-0.6	7.9	-7.2	98.0	3.0
	2021	4.7	2.6	3.3	5.0	10.0	8.2	1.9	3.1	8.4	-7.8	102.2	3.1
	2022	4.1	5.7	1.8	2.1	4.6	4.3	1.5	2.0	8.3	-4.4	102.3	3.1
Germany	2020	-4.9	-6.2	3.7	-3.5	-10.2	-9.0	0.4	0.0	3.9	-4.2	69.8	6.9
	2021	3.2	-0.7	1.8	3.2	12.0	9.9	2.7	1.2	4.3	-7.5	73.0	7.5
	2022	4.0	5.1	1.4	2.1	5.0	4.3	1.7	1.8	3.8	-2.5	72.1	6.9
Finland	2020	-2.7	-4.8	0.5	-0.7	-6.7	-6.4	0.3	1.8	7.8	-5.4	69.5	0.8
	2021	2.6	4.0	1.5	4.0	3.5	5.0	1.7	2.5	7.7	-4.7	70.8	-0.2
	2022	2.9	3.0	1.0	3.0	6.0	5.0	1.6	2.7	7.1	-2.3	70.5	-0.2

## Macro forecast. Global

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Wage growth <sup>1</sup>	Unem-ploym <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
USA	2020	-3.4	-3.8	2.5	-2.7	-13.6	-8.9	1.2	4.6	8.1	-16.0	126.4	-2.1
	2021	7.5	8.4	1.6	8.9	5.6	11.2	4.4	2.0	4.7	-12.2	132.3	-2.1
	2022	5.3	6.7	3.1	3.7	2.0	4.4	3.1	2.3	3.5	-7.2	131.9	-2.1
China	2020	2.3	1.5	-	3.0	-	-	3.0	7.5	-	-11.9	-	0.6
	2021	9.0	9.0	-	10.0	-	-	2.0	7.0	-	-11.8	-	0.4
	2022	5.4	7.0	-	4.0	-	-	2.5	7.0	-	10.9	-	0.4
UK	2020	-9.8	-10.6	-6.5	-8.8	-15.8	-17.8	0.9	2.0	4.5	-12.2	104.5	-2.0
	2021	5.2	4.2	4.0	6.2	6.4	6.1	2.4	1.2	4.9	-7.7	109.3	-3.8
	2022	6.9	8.3	2.1	11.9	5.9	8.2	2.7	1.6	4.6	-4.5	108.3	-3.6
Japan	2020	-4.9	-6.4	2.7	-4.2	-12.4	-6.8	-0.2	-	2.8	-	-	-
	2021	3.1	1.3	3.3	3.3	10.5	2.5	0.3	-	2.7	-	-	-
	2022	2.0	2.4	-1.1	3.2	4.1	3.5	0.6	-	2.5	-	-	-

Source: OECD and Danske Bank. 1) % y/y. 2) % contribution to GDP growth. 3) % of labour force. 4) % 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	20-Aug	0.25	0.13	0.31	1.24	116.7	-	637.0	909.5	884.1
	+3m	0.25	0.11	0.30	1.70	116.0	-	641.4	896.6	879.3
	+6m	0.25	0.11	0.40	2.00	115.0	-	647.4	921.7	895.7
	+12m	0.25	0.28	0.85	2.20	115.0	-	647.4	913.0	904.3
EUR	20-Aug	-0.50	-0.55	-0.50	-0.12	-	116.7	743.7	1061.7	1032.2
	+3m	-0.50	-0.54	-0.45	0.25	-	116.0	744.0	1040.0	1020.0
	+6m	-0.50	-0.54	-0.45	0.35	-	115.0	744.5	1060.0	1030.0
	+12m	-0.50	-0.54	-0.40	0.65	-	115.0	744.5	1050.0	1040.0
JPY	20-Aug	-0.10	-0.10	-0.02	0.04	120.5	109.6	6.17	8.81	8.56
	+3m	-0.10	-	-	-	128.8	111.0	5.78	8.08	7.92
	+6m	-0.10	-	-	-	127.7	111.0	5.83	8.30	8.07
	+12m	-0.10	-	-	-	128.8	112.0	5.78	8.15	8.07
GBP	20-Aug	0.10	0.07	0.46	0.80	85.8	136.1	867.1	1238.0	1203.5
	+3m	0.10	0.07	0.40	1.25	84.0	138.1	885.7	1238.1	1214.3
	+6m	0.10	0.07	0.45	1.35	84.0	136.9	886.3	1261.9	1226.2
	+12m	0.10	0.07	0.60	1.75	83.0	138.6	897.0	1265.1	1253.0
CHF	20-Aug	-0.75	-0.77	-0.67	-0.18	107.1	91.7	694.4	991.4	963.8
	+3m	-0.75	-	-	-	110.0	94.8	676.4	945.5	927.3
	+6m	-0.75	-	-	-	111.0	96.5	670.7	955.0	927.9
	+12m	-0.75	-	-	-	111.0	96.5	670.7	945.9	936.9
DKK	20-Aug	-0.50	-0.21	-0.14	0.18	743.68	637.03	-	142.76	138.79
	+3m	-0.60	-0.30	-0.15	0.52	744.00	641.38	-	139.78	137.10
	+6m	-0.60	-0.30	-0.17	0.60	744.50	647.39	-	142.38	138.35
	+12m	-0.60	-0.30	-0.12	0.90	744.50	647.39	-	141.03	139.69
SEK	20-Aug	0.00	-0.01	0.05	0.52	1032.2	884.1	72.1	102.9	100.0
	+3m	0.00	-0.04	0.07	0.90	1020.0	879.3	72.9	102.0	-
	+6m	0.00	-0.04	0.05	0.95	1030.0	895.7	72.3	102.9	-
	+12m	0.00	-0.04	0.05	1.05	1040.0	904.3	71.6	101.0	-
NOK	20-Aug	0.00	0.41	1.06	1.45	1061.7	909.5	70.0	100.0	97.2
	+3m	0.25	0.40	1.15	2.00	1040.0	896.6	71.5	-	98.1
	+6m	0.25	0.89	1.45	2.15	1060.0	921.7	70.2	-	97.2
	+12m	0.50	0.90	1.65	2.30	1050.0	913.0	70.9	-	99.0

Commodities												
	20-Aug	2021				2022				Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2021	2022	
ICE Brent	66	55	65	70	70	73	73	73	73	65	73	

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