

GLOBAL MARKET UPDATE

Relations wane between Beijing and the West

In response to China's security crackdown in Hong Kong, France and Germany have proposed new retaliation measures to the EU. These new measures include granting political refuge for activists, offering additional scholarships for Hong Kong students and also banning the export of police equipment such as tear gas.

Since Hong Kong's security law was enacted, Canada and Australia have suspended their extradition treaties with Hong Kong. Whilst Australia has also offered to extend visas to Hong Kong residents by five years - providing a pathway to permanent residency for up to 10,000 people. In a similar vein, the UK has promised to offer nearly 3 million Hong Kong residents with British national overseas status. It's clear that international relations with Beijing have worsened in recent weeks, with western democracies demonstrating a more unified response to China. We continue to remain cognisant of the increasing political risks in the region.

Meanwhile, mainland indices in China rallied last week after a state-run publication praised the country's economic recovery and endorsed the rally in equities. This sent the benchmark Shanghai Composite Index to a two-year high.

THIS WEEK'S GLOBAL EQUITY MARKET MOVERS

DEVELOPED	
Top 3	Luxembourg 2.59% Sweden 2.20% Denmark 2.00%
Bottom 3	Australia -2.26% New Zealand -0.90% Spain -0.60%

EMERGING	
Top 3	China A 8.34% South Africa 3.54% Brazil 3.19%
Bottom 3	Mexico -4.40% Greece -3.39% Chile -3.03%

FRONTIER	
Top 3	Argentina 7.06% Vietnam 2.93% Lebanon 2.66%
Bottom 3	Kenya -2.74% Romania -2.20% Kazakhstan -1.18%

UNITED STATES

The US stock market edged higher late in the week, with the S&P rising 1.76% and the NASDAQ rising 4.01%. USD weakened slightly with the dollar index falling 0.54%. By the end of the trading week, the 2-year Treasury yield was largely flat at 0.15%, whilst the 10-year yield fell to 0.63%.

EUROPE

Most European markets moved slightly over the week: France (-0.22%), Germany (+1.36%), Italy (+0.72%), Spain (-0.6%), UK (+0.25%). The 10-year German sovereign yield finished the week at -0.46% (-3 bps) while the UK 10-year Gilts ended the week at 0.17% (-3 bps).

ASIA

The MSCI Asia Ex. Japan index rose 3.56% in USD over the week, being the largest risers, the China A shares (+8.34%), followed by Hong Kong (+2.90%), Pakistan (+3.17%) and Vietnam (+2.93%).

In India, the government held back the release of complete industrial production data for May. However, the index numbers released from the ministry of statistics showed that **industrial production contracted by 34.7% in May**. This, compared to a contraction of 57.6% in April, indicates a **gradual pickup in industrial activity**.

Consumer price inflation in China accelerated marginally, to 2.5% YoY in June. The disinflation trend seen in May came to a halt, since pork meat and fresh vegetable shortages contributed to the higher headline gauge. Food prices stayed elevated due to the tighter supply of meat following the suspension of imports from countries, whilst the vegetable supply was negatively impacted by the heavy rains. Meanwhile, **producer price inflation remained in the negative territory, as it was -3% YoY in June**. Producer price deflation persisted, since crude oil prices remained depressed in June relative to a year ago.

The central bank of Malaysia reduced the key policy rate by 25bp to 1.75%, 125bp in total since the beginning of the year. The Monetary Policy Council concluded that to sustain the economic recovery would likely call for additional financial loosening in the coming months, as risks could arise from the deterioration of labour market conditions.

By opting for a 100bp interest rate cut, **the central bank of Sri Lanka lowered the key policy rate to 4.50%**. The monetary authority deemed that rate reduction appropriate, since the domestic economy was significantly damaged by the lockdown measures.

LATIN AMERICA

Latin America indices were mixed over the week with Chile closing negative (-3.03%), Brazil rising (+3.07%), Peru up (+0.61%), Mexico falling sharply (-4.40%) and Argentina up substantially (+7.06%).

Retail sales volume in Brazil declined 7.2% YoY in May. Although the volume of sales was significantly lower than a year ago, compared with April, retail sales exhibited some recovery, as it rose 13.9% relative to the previous month – suggesting the start of a recovery period.

On Monday, 6th July, it was announced that President Bolsonaro once again had himself tested for Covid-19, after showing symptoms. On Tuesday, the test results came back positive. Brazil's President claimed that he was getting treated with hydroxychloroquine – despite the lack of scientific evidence, which would underscore the drug's effectiveness. Assuming that the President makes a full and quick recovery, it is very unlikely that his management of the national epidemic would change. If the president (unexpectedly) does not make a recovery, power would pass to the vice-president.

Mexican IP unexpectedly plummeted by a record in May as **Latin America's second largest economy faces its deepest contraction in almost a century** – a contraction this large was not expected. Production fell 30.7% in May compared with the same time last year, the national statistics institute reported. This was larger than the previous record of 29.3% plunge in April, hence the month on month decline was 1.8%.

Peru's central bank held its benchmark lending rate at a record low of 0.25% for a third month as expected to support borrowing after a virus induced lockdown sent the economy into a crisis and left companies scrambling for credit. A staggered reopening of the economy is going ahead even as the government struggles to control the outbreak. This is to limit the already known expectation that Peru is likely to suffer its largest economic contraction in a century.

AFRICA

African markets were mixed over the week. Egypt (+2.65%) and South Africa (+3.54%) led the pack, while Kenya (-2.74%) and Morocco (-0.25%) lagged.

Consumer confidence in South Africa decreased to a 35-year low in 2Q20, sinking deeper into negative territory as the coronavirus pandemic damaged the economy. The index slumped to -33 points in the quarter after registering -9 points in 1Q20. According to the written commentary, 'millions of workers were placed on unpaid leave or reduced pay' or even made redundant. Later, manufacturing production data was released, which showed that **manufacturing activity halved in April** compared with the level of output a year ago. The severity of the decline was primarily due to the stringent lockdown measures imposed by the government.

Inflation in Egypt picked up in June and reached 5.6% YoY, up from 4.7% YoY in May. The acceleration in headline inflation was linked to the alcohol and tobacco price increase, whilst annual food price deflation reversed. Although inflation sped up from May to June, the headline gauge remains well below the midpoint of the central bank's inflation target, which is 9%.

Morocco's GDP contracted 13.8% YoY in 2Q20, following a moderate 0.3% YoY increase in 1Q20. The sharp decline in 2Q20 was due to the severe negative effects of the coronavirus and the related stringent lockdown measures - both home and abroad. The contraction was in large part due to an 18% drop in international demand for Moroccan products, leading to a slump in exports from leading sectors such as the automotive and textile industries, whilst domestic demand was less badly hit. Later, Morocco's government reviewed and updated the economic assumptions for the 2020 budget. **The cabinet now expects real GDP to decline 5% in 2020** and foresees the budget deficit at 7.5% of GDP this year.

*PLEASE CONTINUE FOR
MARKET DATA*

GLOBAL MARKET DATA

6 - 13 JULY

Equities				Return (USD)				YTD (Local)	Volume 1wk/3mo
Name	BBG Code	Country	Price	1 Week	MTD	YTD	1Y		
North America									
S&P 500 INDEX	SPX Index	US	3,185.04	1.76%	2.73%	-1.42%	6.17%		78%
RUSSELL 2000 INDEX	RTY Index	US	1,422.68	-0.64%	-1.30%	-14.73%	-8.68%		82%
NASDAQ COMPOSITE INDEX	CCMP Index	US	10,617.44	4.01%	5.55%	18.33%	29.54%		90%
S&P/TSX COMPOSITE INDEX	SPTSX Index	Canada	15,713.82	0.40%	1.34%	-12.17%	-8.65%	-7.91%	68%
S&P 500 CONS DISCRET IDX	S5COND Index	376.44	1,125.92	4.83%	7.09%	14.16%	15.42%		73%
S&P 500 CONS STAPLES IDX	S5CONS Index	US	619.33	2.47%	2.99%	-4.27%	0.90%		82%
S&P 500 FINANCIALS INDEX	S5FINL Index	US	389.97	2.15%	1.16%	-23.74%	-16.51%		77%
S&P 500 HEALTH CARE IDX	S5HLTH Index	US	1,173.97	-0.88%	0.53%	-1.20%	8.47%		73%
S&P 500 INFO TECH INDEX	S5INFT Index	US	1,901.29	2.70%	3.33%	18.01%	34.53%		81%
S&P 500 ENERGY INDEX	S5ENRS Index	US	270.32	-4.64%	-5.96%	-40.78%	-43.11%		79%
S&P 500 ECO SECTORS IDX	SPXL1 Index	US	3,185.04	1.76%	2.73%	-1.42%	6.17%		78%
S&P 500 INDUSTRIALS INDEX	S5INDU Index	US	574.69	-1.39%	-1.09%	-16.42%	-11.44%		71%
S&P 500 MATERIALS INDEX	S5MATR Index	US	364.88	0.76%	2.83%	-5.43%	0.70%		97%
S&P 500 REAL ESTATE IDX	S5RLST Index	US	217.32	-1.76%	0.43%	-9.57%	-7.10%		72%
S&P 500 COMM SVC	S5TELS Index	US	192.39	4.68%	6.95%	5.92%	13.40%		90%
S&P 500 UTILITIES INDEX	S5UTIL Index	US	293.66	-0.18%	2.33%	-10.57%	-5.13%		82%
Europe									
Euro Stoxx 50 Pr	SX5E Index	Europe	3,296.22	0.57%	2.44%	-11.43%	-5.35%	-11.99%	69%
CAC 40 INDEX	CAC Index	France	4,970.48	-0.22%	1.21%	-16.33%	-10.11%	-16.85%	74%
DAX INDEX	DAX Index	Germany	12,633.71	1.36%	3.14%	-3.89%	2.86%	-4.64%	66%
Athex Composite Share Pr	ASE Index	Greece	632.97	-3.39%	-0.43%	-30.51%	-26.38%	-30.95%	49%
FTSE MIB INDEX	FTSEMIB Index	Italy	19,767.60	0.72%	2.54%	-15.24%	-10.47%	-15.91%	69%
AEX-Index	AEX Index	Netherlands	570.52	0.85%	2.44%	-5.04%	1.03%	-5.63%	68%
PSI All-Share Index GR	BVLX Index	Portugal	3,290.78	3.03%	4.74%	-1.59%	3.73%	-2.21%	61%
MOEX Russia Index	IMOEX Index	Russia	2,800.94	0.85%	2.53%	-19.57%	-10.95%	-8.04%	69%
IBEX 35 INDEX	IBEX Index	Spain	7,321.10	-0.60%	1.75%	-22.85%	-20.79%	-23.33%	68%
OMX STOCKHOLM 30 INDEX	OMX Index	Sweden	1,711.62	2.20%	4.07%	-2.05%	8.33%	-3.40%	69%
SWISS MARKET INDEX	SMI Index	Switzerland	10,229.97	1.48%	2.52%	-0.85%	8.94%	-3.64%	62%
BIST 100 INDEX	XU100 Index	Turkey	114,808.60	-0.82%	-1.64%	-13.05%	-4.68%	0.34%	182%
FTSE 100 INDEX	UKX Index	UK	6,095.41	0.25%	0.77%	-23.06%	-18.15%	-19.19%	67%
Asia Pacific									
S&P/ASX 200 INDEX	AS51 Index	Australia	5,919.22	-2.26%	1.13%	-12.46%	-12.32%	-11.44%	71%
DSE 30 Index	DS30 Index	Bangladesh	1,383.71	2.19%	2.01%	-9.52%	-26.62%	-9.51%	
HANG SENG CHINA ENT INDX	HSCEI Index	China "H"	10,541.26	2.90%	8.01%	-5.15%	-1.35%	-5.61%	177%
SHANGHAI SE COMPOSITE	SHCOMP Index	China "A"	3,383.27	8.34%	14.43%	10.35%	13.82%	10.92%	236%
HANG SENG INDEX	HSI Index	HK	25,727.41	1.38%	5.32%	-8.28%	-8.68%	-8.73%	161%
Nifty 50	NIFTY Index	India	10,768.05	0.78%	5.03%	-16.17%	-15.38%	-11.51%	89%
JAKARTA COMPOSITE INDEX	JCI Index	Indonesia	5,031.26	1.59%	2.49%	-23.14%	-23.68%	-20.13%	118%
NIKKEI 225	NKY Index	Japan	22,290.81	0.49%	0.87%	-4.03%	4.48%	-5.77%	82%
KOSPI 200 INDEX	KOSPI2 Index	Korea	285.06	-0.48%	1.72%	-6.55%	2.52%	-2.96%	69%
Laos Composite Index	LSXC Index	Laos	598.39	2.86%	1.11%	-19.16%	-23.30%	-17.82%	39%
FTSE Bursa Malaysia KLCI	FBMKLCI index	Malaysia	1,591.84	3.03%	6.50%	-3.94%	-8.56%	0.19%	88%
KSE-100 INDEX	KSE100 Index	Pakistan	36,190.40	3.17%	5.62%	-17.75%	1.42%	-11.16%	164%
PSEI - PHILIPPINE SE IDX	PCOMP Index	Philippines	6,197.38	-2.68%	0.48%	-18.46%	-21.26%	-20.70%	91%
STRAITS TIMES INDEX STI	FSSTI Index	Singapore	2,652.65	0.08%	2.51%	-20.54%	-22.88%	-17.69%	57%
SRI LANKA COLOMBO ALL SH	CSEALL Index	Sri Lanka	4,992.62	-1.11%	-2.83%	-20.53%	-15.25%	-18.54%	98%
TAIWAN TAIEX INDEX	TWSE Index	Taiwan	12,073.68	1.31%	3.94%	1.87%	16.84%	0.64%	128%
STOCK EXCH OF THAI INDEX	SET Index	Thailand	1,350.50	-2.25%	-0.63%	-18.28%	-23.92%	-14.52%	101%
HO CHI MINH STOCK INDEX	VNINDEX Index	Vietnam	871.21	2.93%	5.71%	-9.33%	-10.86%	-9.34%	78%
Rest of the World									
DFM GENERAL INDEX	DFMGI Index	Dubai	2,085.85	1.00%	0.82%	-24.69%	-22.47%	-24.69%	101%
S&P Merval TR ARS	MERVAL Index	Argentina	42,747.55	7.06%	9.75%	-13.39%	-41.45%	2.58%	115%
S&P/CLX IPSA (CLP) TR	IPSA Index	Chile	4,029.40	-3.03%	5.26%	-18.34%	-31.84%	-13.71%	94%
COLOMBIA COLCAP INDEX	COLCAP Index	Colombia	1,147.78	3.13%	7.48%	-37.14%	-36.40%	-30.96%	53%
S&P/BMV IPC	MEXBOL Index	Mexico	36,465.46	-4.40%	-1.11%	-29.84%	-28.00%	-16.25%	70%
Bolsa de Panama General	BVPSBVPS Index	Panama	371.61	-0.76%	-1.20%	-18.28%	-15.91%	-18.28%	90%
S&P/BVLPeruGeneralTRPEN	SPBPLPGT Index	Peru	16,671.15	0.61%	-0.11%	-23.39%	-24.63%	-18.78%	76%
EGYPT HERMES INDEX	HERMES Index	Egypt	1,063.08	2.65%	2.88%	-18.30%	-17.26%	-18.57%	178%
GSE Composite Index	GGSECI Index	Ghana	1,872.77	-0.64%	-1.19%	-18.02%	-25.52%	-17.03%	59%
Nairobi SE 20 Share	KNSMIDX Index	Kenya	1,901.28	-2.74%	-2.59%	-32.21%	-31.94%	-28.37%	127%
MASI Free Float Index	MOSENEW Index	Morocco	10,148.91	-0.25%	0.43%	-17.33%	-10.58%	-16.62%	21%
NIGERIA STCK EXC ALL SHR	NGSEINDX Index	Nigeria	24,306.36	-0.22%	-0.90%	-14.88%	-21.46%	-9.45%	71%
FTSE/JSE AFRICA TOP40 IX	TOP40 Index	South Africa	51,154.08	3.54%	5.62%	-16.13%	-16.95%	0.67%	74%
Average				0.84%	2.44%	-12.23%	-9.44%	-11.92%	88%
Top 25%				2.51%	4.24%	-4.21%	1.70%	-5.61%	93%
Bottom 25%				-0.64%	0.47%	-18.64%	-21.71%	-18.28%	69%

GLOBAL MARKET DATA

6 - 13 JULY

FX (vs USD)			Return +ive=USD Stronger			
Name	BBG Code	Price	1 Week	MTD	YTD	1Y
DOLLAR INDEX SPOT	DXY Index	96.65	-0.54%	-0.76%	0.27%	-0.41%
USD-EUR X-RATE	USDEUR Curncy	0.89	-0.51%	-0.49%	-0.63%	-0.39%
Russian Ruble SPOT (TOM)	USD RUB Curncy	70.87	-0.87%	-0.42%	14.24%	12.75%
USD-TRY X-RATE	USDTRY Curncy	6.86	0.01%	0.17%	15.40%	21.17%
USD-GBP X-RATE	USDGBP Curncy	0.79	-1.23%	-1.94%	5.08%	-0.83%
Bloomberg JPMorgan Asia Dollar	ADXY Index	103.28	0.32%	0.38%	-1.79%	-1.78%
USD-AUD X-RATE	USDAUD Curncy	1.44	-0.01%	-0.74%	1.17%	0.54%
USD-CNY X-RATE	USDCNY Curncy	7.00	-0.95%	-0.93%	0.52%	1.88%
USD-INR X-RATE	USDINR Curncy	75.20	0.73%	-0.48%	5.56%	9.86%
USD-JPY X-RATE	USDJPY Curncy	106.91	-0.56%	-0.85%	-1.54%	-1.43%
USD-KRW X-RATE	USDKRW Curncy	1,200.62	0.19%	0.05%	4.04%	2.31%
USD-TWD X-RATE	USDTWD Curncy	29.55	0.07%	-0.05%	-1.21%	-4.71%
USD-ARS X-RATE	USDARS Curncy	70.83	0.36%	0.61%	18.40%	70.22%
USD-BRL X-RATE	USDBRL Curncy	5.32	0.18%	-2.15%	32.89%	42.09%
USD-CLP X-RATE	USDCLP Curncy	792.43	-1.12%	-3.31%	5.55%	16.50%
USD-MXN X-RATE	USDMXN Curncy	22.54	0.51%	-2.23%	19.36%	18.10%
USD-EGP X-RATE	USDEGP Curncy	15.99	-0.80%	-1.01%	-0.36%	-3.60%
USD-NGN X-RATE	USDNGN Curncy	388.00	0.10%	0.19%	6.39%	7.78%
USD-ZAR X-RATE	USDZAR Curncy	16.78	-1.55%	-3.47%	20.03%	20.33%
Commodities			Return (USD)			
WTI CRUDE FUTURE Aug20	CLA Comdty	40.55	-0.25%	3.26%	-30.46%	-29.59%
BRENT CRUDE FUTR Sep20	COA Comdty	43.24	1.03%	4.77%	-30.79%	-31.99%
Baltic Dry Index	BDIY Comdty	1,810.00	-4.44%	0.61%	66.06%	-0.33%
Natural Gas Futures	NGI Comdty	1.81	4.09%	3.08%	-17.54%	-25.29%
Gold Spot \$/Oz	XAU Curncy	1,794.66	1.11%	0.62%	17.85%	27.21%
Silver Spot \$/Oz	XAG Curncy	18.67	3.43%	2.52%	4.03%	23.13%
LME COPPER 3MO (\$)	LMCADSO3 Comdty	6,412.00	6.56%	6.60%	3.85%	7.67%
Government Bond Yields %			Change (percentage points)			
US Generic Govt 2 Yr	USGG2YR Index	0.15	0.00	0.00	-1.42	-1.71
US Generic Govt 5 Yr	USGG5YR Index	0.31	0.01	0.02	-1.39	-1.59
US Generic Govt 10 Yr	USGG10YR Index	0.64	-0.02	-0.01	-1.27	-1.49
Canadian Govt Bonds 10 Year No	GCAN10YR Index	0.55	-0.01	0.02	-1.15	-1.08
Mexico Generic 10 Year	GMXN10YR Index	5.69	-0.04	-0.15	-1.22	-1.98
UK Gilts 10 Yr	GUKG10 Index	0.16	-0.03	-0.02	-0.67	-0.68
Switzerland Govt Bonds 10 Year	GSWISS10 Index	-0.46	-0.08	-0.02	0.01	0.04
GERMANY GOVT BND 2 YR BKO	GDBR2 Index	-0.69	-0.01	0.00	-0.09	0.04
GERMANY GOVT BND 5 YR OBL	GDBR5 Index	-0.67	0.01	0.03	-0.19	-0.09
GERMANY GOVT BND 10 YR DBR	GDBR10 Index	-0.47	-0.03	-0.01	-0.28	-0.24
French Generic Govt 10Y Yield	GTFRF10Y Govt	-0.14	-0.03	-0.03	-0.26	-0.16
Greece Generic Govt 10Y Yield	GTGRD10Y Govt	1.20	0.05	0.00	-0.23	-1.05
Italy Generic Govt 10Y Yield	GBTPGR10 Index	1.23	-0.03	-0.03	-0.19	-0.47
Spain Generic Govt 10Y Yield	GSPG10YR Index	0.41	-0.03	-0.05	-0.06	-0.06
Portugal Generic Govt 10Y Yield	GSPT10YR Index	0.42	-0.01	-0.06	-0.02	-0.15
Australia Govt 10 Yr	GACGB10 Index	0.86	-0.05	-0.01	-0.51	-0.48
India Govt Bond Generic Bid Yi	GIND10YR Index	5.76	-0.09	-0.13	-0.80	-0.74
KCMP South Korea Treasury Bond	GVSK10YR Index	1.40	0.01	0.01	-0.28	-0.15
Japan Govt 10 Yr	GJGB10 Index	0.03	0.00	0.00	0.04	0.16
South Africa Govt Bonds 10 Yea	GSAB10YR Index	9.50	0.08	0.24	0.47	0.81
Corporate Credit Indices			Change (Bps) +ive = Widening			
MARKIT ITRX EUR XOVER 06/25	ITRXEXE CBIL Curncy	376.44	4.37	-7.04	170.15	131.08
MARKIT ITRX EUROPE 06/25	ITRXEBE CBIL Curncy	63.36	-0.68	-3.59	19.30	14.16
MARKIT ITRX EUR SNR FIN 06/25	ITRXESE CBIL Curncy	76.55	0.91	-3.74	24.92	16.85
MARKIT ITRX EUR SUB FIN 06/25	ITRXEUE CBIL Curncy	157.87	-0.18	-10.46	45.39	29.99
MARKIT CDX.NA.I.G.34 06/25	IBOXUMAE CBIL Curncy	73.93	1.03	-1.90	29.90	22.04
MARKIT CDX.NA.HY.34 06/25*	IBOXHYSE CBIL Curncy	499.63	2.40	-11.42	228.21	183.07
Implied Volatility (Equity Index)			Change (Volatility Points) +ive = Volatility Rising			
Eurostoxx 3month ATM	SXSE Index	25.34	0.41	-1.27	12.71	13.12
FTSE 100 500 3month ATM	UKX Index	23.60	0.58	-1.79	12.05	13.28
Hang Seng 3month ATM	HSI Index	23.10	2.52	1.30	7.27	8.27
Nikkei 3month ATM	NKY Index	22.59	1.13	-2.26	8.85	9.48
S&P 500 3month ATM	SPX Index	24.10	-0.01	-1.28	11.15	11.90
Volatility (VIX)	VIX Index	27.29	-0.39	-3.14	13.51	14.36
Inflation (Long term inflation expectation proxy) %			Change (percentage points)			
US 5Y5YF Inflation Swap		1.80	-0.08	0.01	-0.31	-0.28
UK 5Y5YF Inflation Swap		3.61	-0.09	-0.04	0.04	0.01
JPY 5Y5YF Inflation Swap		-0.19	0.00	0.00	-0.34	-0.30
EUR 5Y5YF Inflation Swap		1.07	-0.06	-0.05	-0.26	-0.18
Economic Data Surprise (+ive/-ive = above/below expectations)						
Citi Economic Surprise Index	CESIAPAC Index	-27.90				
Citi Economic Surprise Index -	CESICNY Index	16.70				
Citi Economic Surprise Index -	CESIEM Index	-23.20				
Citi Economic Surprise Index -	CESIEUR Index	-38.80				
Citi Economic Surprise Index -	CESIG10 Index	79.60				
Citi Economic Surprise - Japan	CESIJPY Index	-76.00				
Citi Economic Surprise Index -	CESILTAM Index	16.70				
Citi Economic Surprise - Unite	CESIUSD Index	225.90				



EUROPE & UK

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All performance data is weekly and in USD unless otherwise specified.

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