



# Global Financial Institutions' Market Outlook 2024

Natixis IM Solutions - Advisory

January 2024

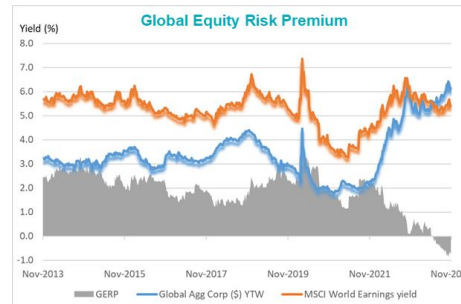
# Rear view mirror: GFIs' positioning for 2023

		GFI #1	GFI #2	GFI #3	GFI #4	GFI #5	GFI #6	GFI #7	GFI #8	GFI #9	GFI #10	GFI #11	GFI #12	GFI #13	GFI #14	GFI #15	GFI #16	GFI #17	GFI #18	GFI #19	GFI #20	GFI #21	NIM	Overall
Equities	US	+	=	=	+	=	+	=	+	=	=	+	+	=	-	=	-	-	=	-	-	-	+	=
	Europe	-	=	-	-	+	-	-	-	-	-	-	-	=	-	+	-	=	-	=	=	=	+	-
	Japan	=	=	+	=	+	-	=	=	=	-	=	=	=	=	+	=	-	=	-	-	=	+	-
	EM	=	+	=	=	+	+	+	=	-	+	+	+	=	=	+	-	-	-	=	=	=	+	+
Fixed Income	Gov US	+	+	=	+	=	+	+	-	=	-	=	+	-	+	+	=	+	+	=	=	+	+	+
	Gov Europe	+	+	+	+	=	-	=	-	=	=	=	=	-	+	+	=	+	+	=	=	+	+	+
	IG US	=	+	=	+	+	+	+	=	=	+	+	+	-	+	+	=	+	+	-	+	+	+	+
	IG Europe	=	+	=	+	+	+	+	=	=	+	+	+	-	+	+	=	+	+	-	+	+	=	+
	HY US	-	-	=	-	=	=	+	-	=	-	=	+	=	-	=	-	-	-	-	-	=	-	-
	HY Europe	-	-	=	-	=	-	=	-	=	-	=	=	=	-	=	-	-	-	-	-	=	-	-
	EM	=	+	=	-	+	-	+	-	=	=	+	=	=	-	+	=	=	-	-	-	=	+	-
Liquid Alts.		+	+		-	=	+	+	=	+	+	+	+	+	=	+	=		-	+	+	+		+
FX - USD	USD	=	+	=	-	=	=	=	-	=	-	=	=	-	+	-	-	=	=	-		-	-	-
Commodities		=	=	-	+	+	=	=	+	=	+	+	+	=	+	+	=	+	+	-	=	-	-	+
Gold		=	=	=	+	+	+	+	=	=	=	+	-	-	+	+	+	+	+	+	=	+	+	+
Real Estate		=	-	-	=	=	=	=	=	=	-	=	-	-	=	+	=	=	-	-	-	+	-	=

Source: Natixis IM Solutions, based on open information published by some of the largest Global Financial Institutions ('GFI') worldwide as identified by Natixis IM. Not every GFI has explicitly mentioned their allocation for each asset class shown in the matrix, in which case assumptions have been made based on the relevant GFI's macro views. The main purpose of this matrix is to compare the asset allocation of GFI.

# 2023 in review

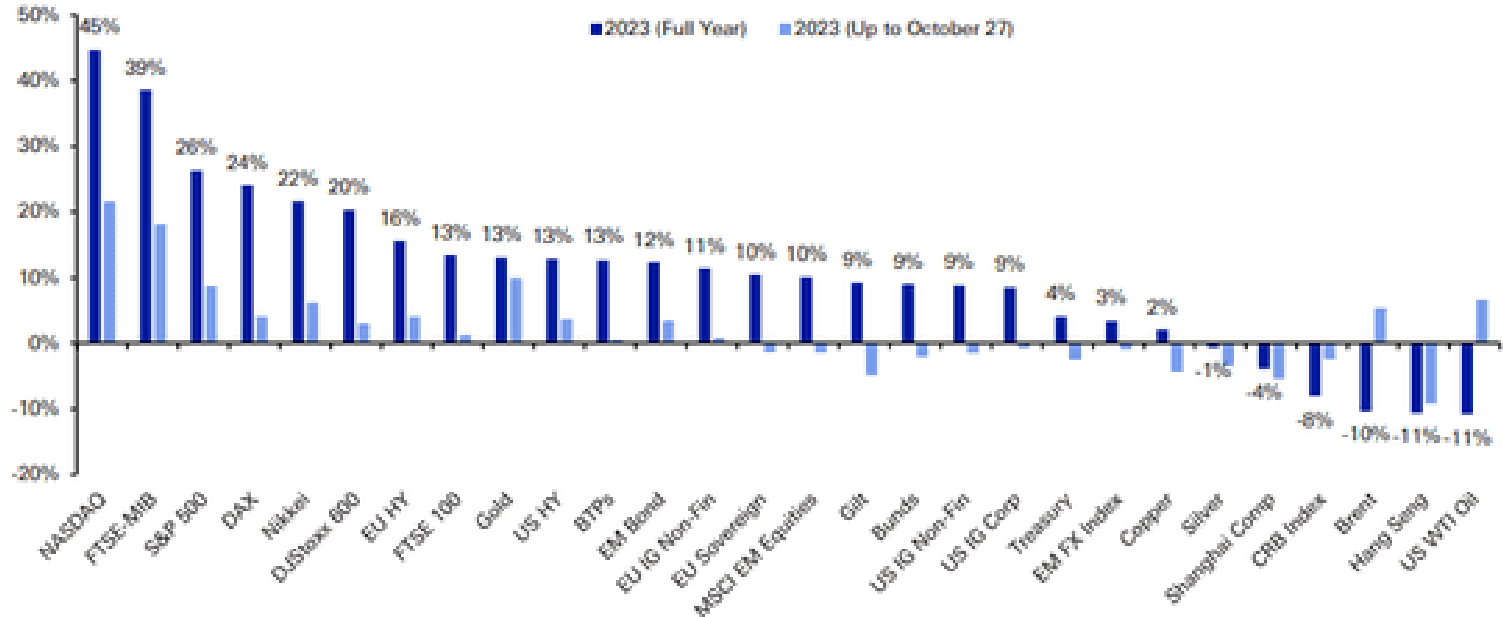
- GFI strategists had another humbling year in 2023
  - 2023 was expected to be the year of Fixed Income but bonds plunged for months before reversing in November
  - Contrary to most forecasts, risk assets posted strong performances in 2023
  - Two Black Swans (2020: Covid crisis; 2022: War in Ukraine) created an unprecedented and difficult-to-navigate environment
- The most announced Global Recession did not materialize
- The US economy proved resilient whilst China's woes deepened
- A tall wall of worries created a sticky pessimism with investors (which reversed markedly in November)
- "Cash is King" has been the moto of most investors in 2023
- Equity performance concentrated in the most volatile sector, epitomized by the Magnificent Seven
- Thanks to elevated real and nominal yields, bonds staged a tectonic come back in investors portfolios
  - HTM bond funds were best-sellers
  - Equity Risk Premia shrunk to zero
  - The days of easy money and TINA are over



Source: Natixis IM, Bloomberg – December 2023

# 2023: a great year for financial assets

Last year ended on a strong note, in particular for developed market equities and high yield

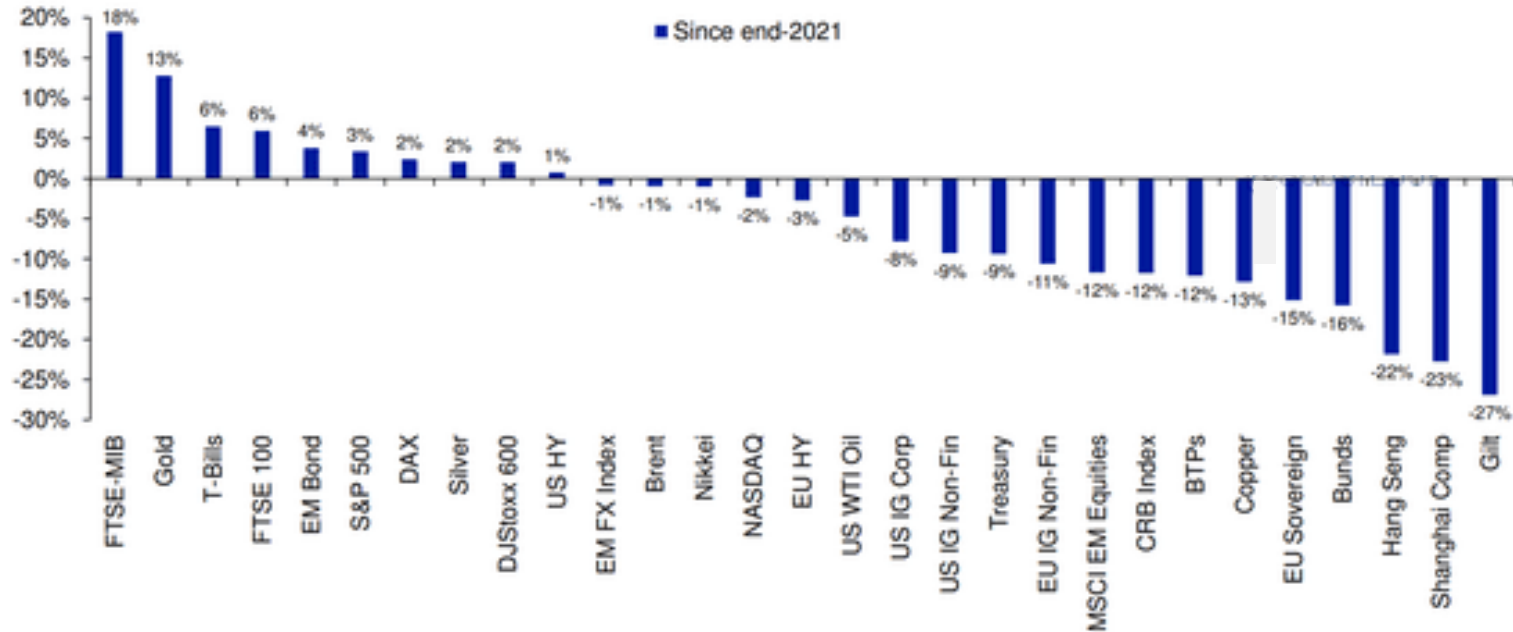


Source: DeutscheBank, Bloomberg, DS – Jan 2024. Past performance is no guarantee of future results.

# ... but investors are still licking their wounds from 2022

Most assets - including Nasdaq and Long Gilts - haven't fully recovered from their lows

Selected global total returns (USD terms) from the end of 2021 to the end of 2023



Source: DeutscheBank, Bloomberg, DS – Jan 2024. Past performance is no guarantee of future results.

# GFI's 2024 Macro Backdrop

- Base case: higher interest rates start to bite, leading to an economic slowdown / mild recession worldwide but no broad-based economic collapse
- The US to continue to lead the world economy, with most developed economies (in particular in Europe) narrowly avoiding a recession
- EM economies: India to take the lead on the economic front; “Onshoring” / “Re-shoring” / “China +1” to benefit Mexico, Canada and Vietnam in particular; China to enter a “new normal” of lower growth
- Central banks pivot to easier policies is setting the stage for a late year risk assets rally; however CB’s new target rates may be higher than in the previous decade
  - ⇒ rate cuts won’t be as steep as expected by many investors
- Economic consensus is quite strong with few outliers calling for a hard economic landing
- Key stakes for 2024:
  - The outcome of central banks’ battle against inflation
  - Consumer and business’ health in the new rates environment
  - Global geopolitics to take centre stage, with 64 general elections in 2024 including the US, the UK and Taiwan

# Looking into 2024

GFI's recommendations by asset class and strategy ( + : Buy / Overweight = Neutral - : Sell / Underweight )

		GFI #1	GFI #2	GFI #3	GFI #4	GFI #5	GFI #6	GFI #7	GFI #8	GFI #9	GFI #10	GFI #11	GFI #12	GFI #13	GFI #14	GFI #15	GFI #16	GFI #17	GFI #18	GFI #19	GFI #20	NIM	Overall	
Equities	US	+	=	-	=	=	=	+	+	=	+	+	+	=	+	=	-	=	+	+	+	+	+	
	Europe	=	=	+	+	-	-	-	=	=	=	-	-	-	=	-	=	=	=	=	=	=	=	
	Japan	=	+	+	+	+	=	=	+	+	=	+	=	+	=	+	+	=	=	+	=	+	+	
	EM	=	+	=	=	=	-	+	+	=	=	+	=	-	=	-	-	=	-	+	=	=	=	
Fixed Income	Gov US	+	+	+	+	=	=	+	+	+	+	+	+	+	+	+	+	+	=	+	+	+	+	
	Gov Europe	=	+	+	=	=	+	+	-	+	+	+	+	+	+	+	+	+	=	+	+	+	+	
	IG US	+	=	+	+	-	=	+	+	+	=	+	=	+	+	+	+	+	+	+	+	+	+	
	IG Europe	=	=	+	+	-	+	+	+	+	=	+	=	+	+	+	+	+	+	+	+	+	+	
	HY US	-	-	+	-	=	=	=	-	-	=	=	-	-	=	=	-	+	-	+	=	=	-	
	HY Europe	-	=	=	-	=	+	=	-	-	=	=	-	-	=	=	=	+	-	+	=	=	=	
	EM	=	+	+	-	=	+	+	+	=	+	=	=	=	+	=	+	+	-	=	=	-	+	
	Inflation	=	=	=	=	+	=	=	=	=	+	-	=	+	+	=	=	=	=	=	=	=	-	=
	Alternatives	=	+	=	-	+	+	+	+	+	+	=	+	-	+	=	-	=	=	-	=	+	=	+
FX	USD	=	-	=	=	=	=	=	-	=	+	+	-	=	+	=	=	=	=	=	=	-	-	
	EUR	=	=	=	=	=	=	=	=	=	=	-	+	=	-	=	=	=	=	=	=	+	+	
	EM	=	+	=	=	=	=	=	+	=	+	=	=	=	+	=	=	=	=	=	-	+	+	
Commodities	+	+	=	=	=	=	+	=	+	=	=	-	+	=	-	+	=	=	-	+	=	=	=	
Cash	=	+	=	+	=	-	-	-	-	-	-	=	-	=	=	-	-	-	=	=	-	=	-	

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# GFI Market Outlook Analysis

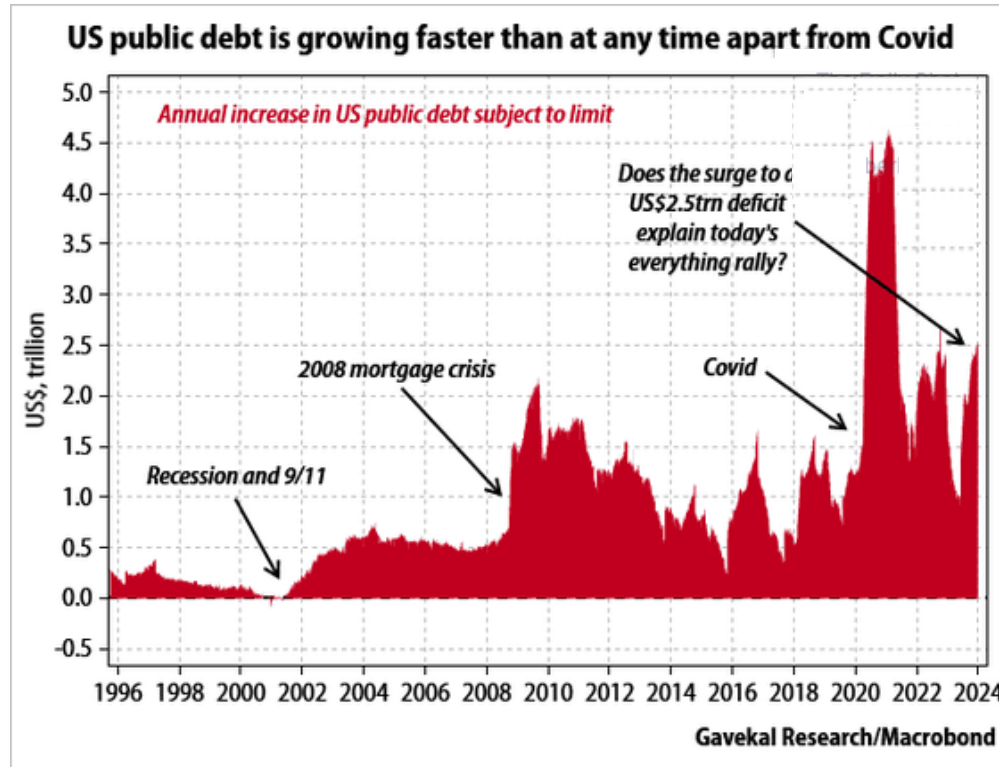
- **Many GFIs are “sitting on the fence” in their performance forecasts for 2024; what do you do when you’ve missed the boat ? Take the long view ...**
- Whilst very few GFI would bet against US Equities, many are undecided re European stocks which they still consider as very cheap on a relative basis
- Fixed Income (Government Bonds, IG Credit) to have a great year ... again
- Cash positions recommended to be trimmed in 2024 by most GFIs
- GFIs very cautious in their 2024 forecasts, often invoking an exceptional situation (unprecedented rate-rising cycle, tense geo-political backdrop and covid debt backlog) and calling for diversification
- As a result, GFIs’ economic and financial roadmap for 2024 is a middle-of-the-road scenario
- Many GFIs favour a longer term view with a thematic investment approach (demographics and ageing population, energy transition & green economy, AI & Digitalisation, production onshoring)
- From bonds to equities, expected assets performance in 2024 took place over December 2023 !



# What could possibly go wrong ? key risks identified by GFIs

- Inflation
  - Resurgence of un-tamed inflation in some areas (e.g. Europe)
  - Geopolitical uncertainty to trigger an inflationary shock as Ukraine did
- Debt burden acceptance
  - With global GDP-to-debt ratio standing at 99% (up from 91% pre-covid) bond markets might not continue to accept financing ballooning government debt and budget deficits
  - Are we up for a sovereign debt crisis redux, possibly centered on the US ?
- Private Markets: weak M&A activity and another lackluster year for IPOs triggers a contagious PE crash
- Possible unknowns
  - the US Administration Antitrust team cracks down on Tech giants
  - AI-triggered securities sell-off
  - Major US earthquake
  - Worldwide cyber disruption

# What could possibly go wrong ? key risks identified by GFIs



Source: Gavekal, DS – Jan 2024.

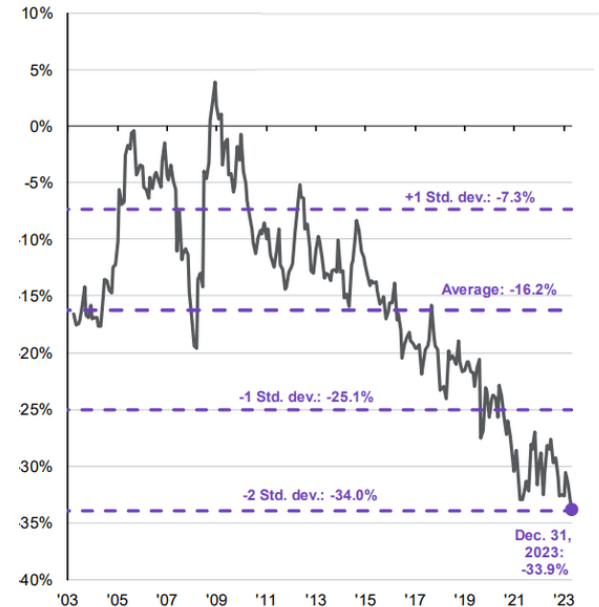
# Glimmers of hope: possible good surprises in 2024

- Global inflation to cool off faster than expected (occured in December when GFI reports got published)
- Geopolitical détente in the Middle East
- Revolution of AI helps boost productivity and unleashes growth
- Corporate balance sheets prove healthier and more resistant to elevated interest rates than expected
- AI-related revenues of Magnificent Seven top or even exceed estimates
- Corporate positive earnings and economic surprise in a otherwise gloomy environment

# Equities

- Stocks and bonds mostly seen posting positive yet underwhelming gains. History points to sub-5% returns for the S&P over the next five years
- Focus on corporate earnings and the high level of dispersion among stocks favour security selection – a big theme for GFIs
- GFIs quite upbeat about Tech mega-cap performance in 2024; the dominance of the US looks set to continue, although US stocks are expensive against international stocks
- Investors should favour sectors negatively correlated to rates (Utilities, consumer staples); these bond proxies usually are defensive stocks
- Virtually all GFIs insist on Quality in selecting stocks against the economic backdrop – that can be perceived as a bearish signal
- Interestingly, share buybacks are almost never mentioned in GFI reports but may constitute an important force driving stocks in 2024

*US equities are expensive against international stocks  
MSCI ACWI ex-US vs S&P500, next 12m*

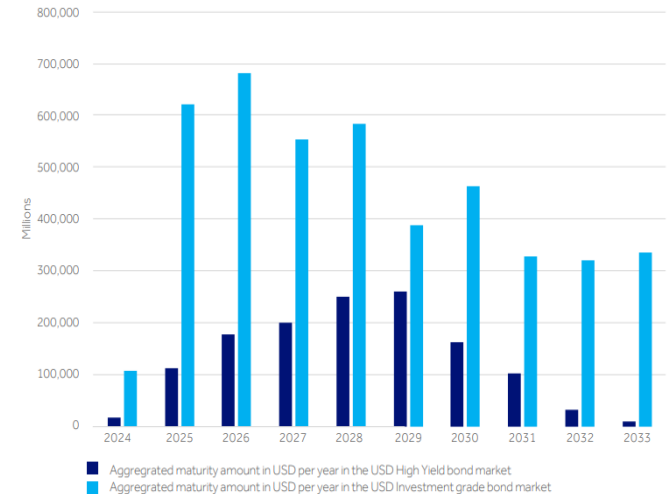


Source: Factset, MSCI, JPM, DS – Jan 2024.  
Past performance is no guarantee of future results.

# Bonds

- Fixed Income remains the most preferred asset class in 2024
- Investors are expected to ripe price performance and harvest yield from government bonds as rates start to fall globally
- Most GFIs suggest to extend duration and cut elevated cash positions sooner than later
- Caution: bonds vigilantes are back, and the question of public debt acceptance by investors has been raised in several GFI reports
- Quality IG Credit and, in Europe, Sustainable Credit highly favoured by GFIs
- The delinquency rate in High Yield is expected to rise as economies will gradually slow; most GFIs bearish on the segment
- The ‘maturity wall’, in an environment of higher rates, compounds the dislike for High Yield, in particular for US High Yield

*Maturity distribution for both high yield and investment grade issuers over the next ten years*



Source: Barclays – 2023

# Portfolio Construction

- With global inflation expected to land above the last decade's average, the correlation between bonds and equities is likely to stay elevated, for the best (Dec 2023) or the worse (Aug 2023)
- Virtually all GFIs are calling for more diversification by sector, region and strategies in allocations:
  - Hedge Funds and liquid alts recommended for un-correlated performance
  - Volatility-focused funds suggested for tail risk hedging
  - Gold to be added as geopolitical hedge
  - Commodities to be used as a hedge against inflation
- Private Markets: GFI reasonably bullish on infrastructure and private debt as banks retreat; a little less so on private equity and real estate (although a differentiated approach by region necessary); “**secondaries**” set to become a hot topic
- Multi-asset expertise more required than ever by investors

*3yr-rolling correlation of monthly returns between S&P500 and Bloomberg Aggregate Bonds index since 1976*



Source: Bloomberg, DS – Jan 2024

# Looking beyond 2024

- Many GFI take long term views in their outlook reports in an attempt to step over the current (unprecedented) environment
- The end of globalization and the advent of a multi-polar world (characterised by a strategic reshoring and widespread protectionism) is often mentioned, as is the importance of demographics in the shaping of tomorrow's world
- After four decades of neo-liberalism, the world is presumably entering a new regime of state-sponsored capitalism, as epitomized by the Inflation Reduction Act in the US as well as governments' investment programmes worldwide
- With the new regime comes a power shift from central banks to fiscal policymakers ... and bond vigilantes
- The beginning of an innovation super cycle driven by the convergence of multiple technologies, including generative artificial intelligence, is often announced by GFI
- Decarbonisation and the green economy may re-shape the financial world sooner rather than later as investors realise what the cost of not doing enough may be

# Appendix



FOR FINANCIAL PROFESSIONALS ONLY



# GFI market outlook for 2019

		GFI #1	GFI #2	GFI #3	GFI #4	GFI #5	GFI #6	GFI #7	GFI #8	GFI #9	GFI #10	GFI #11	GFI #12	GFI #13	GFI #14	GFI #15	GFI #16	GFI #17	GFI #18	GFI #19	GFI #20	NIM	Overall
Equities	US	+	+	-	+	+	=	=	=	+	+	+	-	=	-	=	=	+	=	+	+	=	+
	Europe	-	=	+	=	+	=	+	=	+	+	+	+	=	+	=	=	=	=	-	=	+	=
	Japan	=	=	=	=	=	=	=	-	=	+	+	+	-	=	=	+	=	=	+	+	=	=
	EM	=	=	+	=	=	+	+	+	+	=	+	+	-	+	-	-	=	-	=	+	+	+
Fixed Income	Gov US	+	+	=	=	=	=	=	-	-	-	=	=	+	-	-	-	-	-	-	+	+	=
	Gov Europe	+	-	-	=	-	-	=	-	-	-	-	-	+	=	-	-	-	-	-	=	-	-
	IG US	-	=	=	-	+	=	=	-	-	+	+	+	=	=	=	-	-	=	-	=	=	=
	IG Europe	-	=	-	-	+	=	-	-	+	+	-	=	=	=	=	=	-	=	=	+	-	=
	HY US	-	-	=	-	+	-	+	=	-	-	+	+	-	-	-	-	-	-	-	=	=	-
	HY Europe	-	+	-	-	+	-	=	=	+	+	-	-	-	-	+	-	-	+	=	=	=	-
	EM	+	=	=	=	+	+	+	+	-	=	=	+	-	+	=	=	-	=	-	+	+	+
Inflation	+	=	=	+	=	=	=	=	=	=	-	=	=	+	+	+	=	=	+	=	=	+	=
Alternatives	+	=	+	=	=	+	+	=	+	=	=	+	+	+	+	+	+	+	+	+	+	+	+
FX	USD	-	+	=	=	+	-	-	=	=	=	=	=	+	+	+	-	+	+	+	+	+	+
	EUR	+	-	=	=	-	+	+	=	=	=	-	=	-	-	=	+	=	=	+	+	=	=
	EM	+	-	=	=	-	+	+	+	=	=	+	-	+	-	=	-	-	-	-	-	+	-
Volatility	+	+	+	+	+	+	+	=	+	=	=	+	+	+	+	+	+	+	+	+	+	=	+

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# GFI market outlook for 2020

2020		GFI #1	GFI #2	GFI #3	GFI #4	GFI #5	GFI #6	GFI #7	GFI #8	GFI #9	GFI #10	GFI #11	GFI #12	GFI #13	GFI #14	GFI #15	GFI #16	GFI #17	GFI #18	GFI #19	GFI #20	NIM	Overall
Equities	US	-	=	+	+	+	+	+	=	+	+	+	=	=	+	=	=	+	+	+	+	=	+
	Europe	-	+	+	+	=	+	+	+	-	+	=	-	=	+	=	+	+	+	+	-	+	+
	Japan	=	=	+	=	=	+	+	+	+	=	=	=	=	+	+	=	-	-	=	+	=	=
	EM	+	=	+	=	+	+	+	+	+	=	+	-	+	+	=	+	=	=	+	+	+	+
Fixed Income	Gov US	=	+	=	=	-	+	=	=	-	=	-	+	=	=	=	+	-	-	+	+	=	=
	Gov Europe	=	-	=	=	+	-	-	-	-	=	-	+	-	=	-	-	-	-	-	-	=	-
	IG US	+	+	=	=	=	-	-	+	+	+	+	+	=	=	=	-	=	=	+	+	+	+
	IG Europe	=	+	=	=	=	-	-	+	+	+	-	+	=	=	=	-	=	=	=	=	=	=
	HY US	=	=	+	-	=	=	+	+	+	+	=	=	+	+	+	-	=	=	+	+	-	+
	HY Europe	=	+	+	-	=	=	+	+	+	+	-	=	=	+	+	-	=	=	=	=	-	=
	EM	+	+	+	+	=	=	+	+	=	+	+	=	+	+	+	+	+	+	+	+	=	+
Alternatives	Inflation	=	=	=	-	=	=	-	=	+	=	=	+	=	=	=	=	=	=	=	-	+	=
		=	+	=	+	=	+	+	-	=	=	+	+	=	=	+	=	=	=	=	-	+	=
FX	USD	=	-	+	=	=	=	=	-	=	=	+	+	=	-	=	=	-	-	-	-	=	=
	EUR	=	=	=	=	+	=	+	+	=	+	-	=	=	=	=	=	+	+	+	+	=	=
	EM	=	=	=	=	=	=	+	=	=	=	=	=	=	+	+	+	+	+	-	=	+	=
Volatility		=	=	=	+	=	=	=	=	=	=	+	=	=	=	=	=	=	=	=	+	+	=

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# GFI market outlook for 2021

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	Japan		+	+			+	+	+	-	+		+			+	+	+					+			+	+	
	EM	+	+	+	+	+	+	+		+	+	+	+	+	+		+	+	+	+	+	+	+			+	+	
Fixed Income	Gov US	-		-		+		-	-	-	-	-	-	-		-	-	-	-	-	-	-	+	-	-	-	-	
	Gov Europe	-		-	-	+	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-		-	
	IG US	+		+	+		-	+	+		+	+	+	+			+	+		+	-	-		+	+	+	+	
	IG Europe	+		+	+		-	+	+	+	+		+	+			+	+		+	-		+	+			+	+
	HY US	-			-	+		+			+	+		+			+	+		+	+	+					+	
	HY Europe	-			-	+		+		+	+	+		+			+	+		+	+	+					+	
	EM	+	+	+		+		+		+	+	+		+	+		+	+		+	+	+					+	+
Inflation				+						+	-																	
Alternatives			+		+	+		+		+		+	+		+	+		+	+	+								
FX	USD	-	-	-				-	-	-	-		-		-		-	-	-	-	-	-	-	-	-	-	-	
	EUR	+	+	+		+		+	+	+	+		+		+		+	+	+	+	+	+	+				+	
	EM	+	+	+		+		+		+	+		+		+		+	+	+	+	+	+					+	
Volatility			+	+			-		+				-				-				-		-	-				

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# GFIs market outlook for 2022

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Equities	US	-		+	+		+	+	+		+	+		+	+			+	+	+	+	+	+	+	+	+
	Europe		+	+	+	+	+	+	+		+	+	+	+	+	+		+		+	+	+	+	+	+	+
	Japan			+	+		+	+	+		+				+	+		+		+	+	+	+	+		+
	EM	+	+		+		+				+				+				+		+		+	-	+	+
Fixed Income	Gov US	-	-	-	+	-	+	-	-		-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
	Gov Europe	-	-	-	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	IG US	-					-	-		-			+			-								-		
	IG Europe	+	+				-	-		-						-								-	-	
	HY US				-		-	-				+												-		
	HY Europe				-		-																	-		
	EM	+	+		-	+	+												+					+	-	
Inflation		+		-		+	+	+									+	-								
Alternatives		+	+	-								+														
FX	USD	-	+	+				+	-		+	+			+	-			+	+		-		+	+	+
	EUR	+	-	-					+		-	-			-	+		-	-					-	-	-
	EM	+	+	-	-						-	-	+		-			-	-				-	-	-	-
Volatility		+	+	-							+	+	+		+	-	+	+	+	+	-	+	+	+		+

Source: Natixis IM Solutions, based on open information published by some of the largest Global Financial Institutions ('GFI') worldwide as identified by Natixis IM. Not every GFI has explicitly mentioned their allocation for each asset class shown in the matrix, in which case assumptions have been made based on the relevant GFI's macro views. The main purpose of this matrix is to compare the asset allocation of GFI.

# GFI market outlook for 2023

		GFI #1	GFI #2	GFI #3	GFI #4	GFI #5	GFI #6	GFI #7	GFI #8	GFI #9	GFI #10	GFI #11	GFI #12	GFI #13	GFI #14	GFI #15	GFI #16	GFI #17	GFI #18	GFI #19	GFI #20	GFI #21	NIM	Overall
Equities	US	+	=	=	+	=	+	=	+	=	=	+	+	=	-	=	-	-	=	-	-	-	+	=
	Europe	-	=	-	-	+	-	-	-	-	-	-	-	=	-	+	-	=	-	=	=	=	+	-
	Japan	=	=	+	=	+	-	=	=	=	-	=	=	=	=	+	=	-	=	-	-	=	+	-
	EM	=	+	=	=	+	+	+	=	-	+	+	+	=	=	+	-	-	-	=	=	=	+	+
Fixed Income	Gov US	+	+	=	+	=	+	+	-	=	-	=	+	-	+	+	=	+	+	=	=	+	+	+
	Gov Europe	+	+	+	+	=	-	=	-	=	=	=	=	-	+	+	=	+	+	=	=	+	+	+
	IG US	=	+	=	+	+	+	+	=	=	+	+	+	-	+	+	=	+	+	-	+	+	+	+
	IG Europe	=	+	=	+	+	+	+	=	=	+	+	+	-	+	+	=	+	+	-	+	+	=	+
	HY US	-	-	=	-	=	=	+	-	=	-	=	+	=	-	=	-	-	-	-	=	=	-	=
	HY Europe	-	-	=	-	=	-	=	-	=	-	=	=	=	-	=	-	-	-	-	=	=	=	=
EM	=	+	=	-	+	-	+	+	=	=	+	=	=	-	+	=	=	-	-	-	=	=	+	-
Liquid Alts.		+	+		-		+	+	=	+	+	+	+	+	+	+	+	=	-	+	+		+	+
FX - USD	USD	=	+	=	-	=	=	=	-	=	-	=	=	-	+	-	-	=	=	-		-	-	-
Commodities		=	=	-	+	+	=	=	+	=	+	=	+	+	=	+	+	=	+	-	=	-	-	+
Gold		=	=	=	+	+	+	+	=	=	=	=	+	-	-	+	+	+	+	+	=	+	+	+
Real Estate		=	-	-	=	=	=	=	=	=	-	=	-	-	=	+	=	=	-	-	-	+	-	=

Source: Natixis IM Solutions, based on open information published by some of the largest Global Financial Institutions ('GFI') worldwide as identified by Natixis IM. Not every GFI has explicitly mentioned their allocation for each asset class shown in the matrix, in which case assumptions have been made based on the relevant GFI's macro views. The main purpose of this matrix is to compare the asset allocation of GFI.

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