



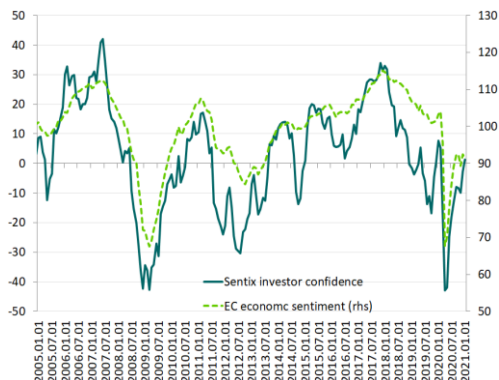
## Confidence indices, industrial production for Europe and US CPI could be in the spotlight next week

*Next week will be somewhat less data intensive than the current one. After learning the GDP data for 2020Q4 in the eurozone, which surprised on the upside, we will have monthly hard indicators for December from the region. By now this is of less interest, although December gives a clearer picture about the carryover in economic activity to Q1 from last year. The Sentix confidence indicator for February could shed more light on the current quarter's economic performance. CPI data from the USA could be a market mover. After surprisingly strong January CPI data from the euro area, and solid monthly data on the recovery so far in the USA, it will be interesting to see how inflation behaves overseas. Finally, we will have some new releases of Q4 data for the UK and Poland. These latter could affect country-level stock market performances. Meanwhile, usual topics like Joe Biden's new package and pandemic data will be still closely watched. As regards the former, the key question is whether Democrats will push ahead with the stimulus without Republican support or some compromise will develop. Recent news suggest that Biden could try to push through the stimulus package via the budget reconciliation process, which could only be done once a year. Special attention is still warranted for Israel, where the improvement in the pandemic has been so far probably slower than expected, even though 21.5% of the population has been fully vaccinated by now, while 37% has received already one shot.*

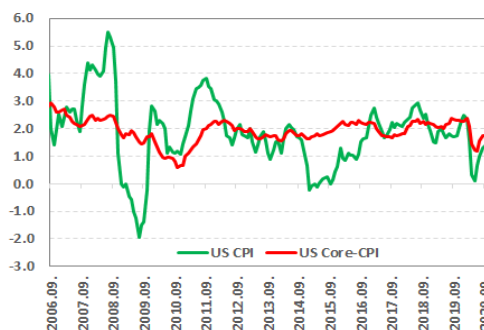
From the **euro area**, the February *Sentix confidence index*, due on Monday deserves probably the largest attention. Business confidences indices held up remarkably well since last autumn, as industrial and construction sectors were relatively unaffected by the second-wave lockdowns. However, unlike in the USA –where 2021Q1 brings additional fiscal stimulus, vaccination is relatively fast, and some states are already opening up–, the euro area seems to be in a worse shape: no significant additional fiscal support is coming but severe lockdowns are present and vaccinations are painfully slow. Still, business confidence indices up to January indicated improvements compared to Q4. *Industrial production* data for December from the euro area and its major economies will help to see the pace of carry-over from the sector from last year. Further to this, further Q4 *GDP* data will be released in the UK and Poland on Friday. These could influence local stock markets, rather than change the global picture. Finally, the European Commission will release its Winter forecast on Thursday, which will definitely take account of better-than-expected Q4 GDP performance in the region.

In the **USA**, the primary focus will be on the January *inflation* indicators, to be published on Wednesday. Inflation remained low at the end of last year at 1.4% YoY, but strong base effects and rebounding energy prices could push it up early this year. Additionally, if European data can be considered as a guide, upside surprises could not be ruled out. Markets will closely monitor the data release, as one of the key concerns about the US recovery is whether Joe Biden's huge package will overshoot what is optimal, and eventually it could contribute to high inflation. This might affect long-term treasury yields, but in the short term it will definitely not prompt the Fed to act earlier than previously announced. Jerome Powell could shed some more light on these issues during his speech at Economic Club of New York.

Confidence indices for the euro area



US CPI



Source: Bloomberg, Refinitiv

## What to watch next week

Data	Cd.	Event/Data	Period	Cons.	Prev.
2021 2. 8.	8 : 00 DE	Industrial production (MoM, %)	Dec	0.3	0.9
	10 : 30 EZ	Sentix Investor confidence (points)	Feb	1.9	1.3
9.	17 : 00 EZ	Christine Lagarde (Discussion on ECB annual report at the European P	-	-	-
	8 : 00 DE	Export (MoM, SA, %)	Dec	-1.3	2.2
10.	10 : 00 IT	Industrial production (MoM, SA, %)	Dec	0.2	-1.4
	8 : 45 FR	Industrial production (MoM, %)	Dec	0.2	-0.9
11.	14 : 00 US	Speech of Jerome Powell at the Economic Club of New York	-	-	-
	14 : 30 US	CPI (YoY, %)	Jan	1.5	1.4
12.	14 : 30 US	CPI (MoM, SA, %)	Jan	0.3	0.4
	14 : 30 US	core-CPI (YoY, %)	Jan	1.5	1.6
11.	14 : 30 US	core-CPI (MoM, SA, %)	Jan	0.2	0.1
	20 : 00 US	Federal budget balance (USDbn)	Jan	-	-144.0
11.	11 : 00 EU	EC's Economic Forecast	-	-	-
	14 : 30 US	Continuing jobless claims ('000s)	weekly	-	4592.0
12.	14 : 30 US	Initial jobless claims ('000s)	weekly	-	779.0
	8 : 00 UK	GDP (preliminary, YoY, %)	Q4	-8.1	-8.6
10.	8 : 00 UK	GDP (preliminary, QoQ, %)	Q4	0.5	16.0
	10 : 00 PL	GDP (preliminary, QoQ, %)	Q4	-	7.9
16 : 00 US		Michigan Consumer confidence (preliminary, points)	Feb	80.6	79.0

## **Excellent week on major stock markets, on account of better-than-expected economic data and earnings reports. Improving pandemic situation but still slow vaccination in Europe**

*Europe's major stock indices and US markets closed the week with 2-5% higher, as incoming macro data were largely better than expected, and earnings reports also mostly beat expectations. Almost all European and US indices increased each day throughout the week. In Europe, upside surprises in GDP and retail sales data, and some earnings report surprises lifted the indices. In the USA, apart from higher-than-expected earnings of giants like Amazon, Alphabet, and PayPal, investor hopes of further progress in a pandemic-relief package also boosted the market. Democrats in the U.S. Senate were poised to take a first step toward the ultimate passage of President Joe Biden's USD 1.9 trillion COVID-19 relief proposal. On the economic front, the number of Americans filing new applications for unemployment benefits decreased further this week, according to the Labor Department's report, and January unemployment fell to 6.3% (below expectations), but non-farm payroll employment increased at 49 thousand, in line with the consensus. Meanwhile, pandemic numbers improved almost in all developed economies, but vaccination is still very sluggish in Europe.*

**Pandemic situation: new cases decline almost all over Europe and the USA or at least remain at a lower level in most countries, but death rates are still alarming at some places. Vaccination is still slow in the EU, somewhat quicker in the UK and the USA.**

In the USA, the number of daily new cases continued to drop this week. The daily covid-related death figures remained high, reaching even an all-time maximum in the past few days. Portugal and Spain greatly suffered from the local infection wave, but recent statistics may imply that they passed their peak. The UK and Ireland reported a decreasing number of new cases, but their covid-related death count was still high. Other countries in Western Europe showed decreasing or stagnating covid numbers. In the CEE region, Albania, Bulgaria, Latvia and Moldova started to report unpromising coronavirus statistics. A moderate increase in daily new cases was seen in Czechia, Hungary, and Serbia this week.

Unfortunately, but hopefully temporarily, vaccination is still very slow in the EU. In most countries of the EU, only 2%-3% of the population has received at least the first dose of the jab, while the share of fully vaccinated people is around 1.5% at best. Israel still takes the lead in the world by vaccinating 38% of its population at least with the first shot, and 22% has been fully vaccinated already. This latter rate is 0.7% in the UK, which follows a strategy to vaccinate the biggest share of population by one dose first, currently at 15%. The share of fully vaccinated is near 1.9% in the USA (at least one dose: 8.1%). However in the Israeli case, new infections and death rates are only slowly improving.

**A good week for stock markets as investors start to appreciate better-than-expected economic data and earnings reports**

In **Europe**, the *STOXX600* stood at 3.4% by Friday afternoon, and all major indices were in green: the *DAX* 4.5%, *CAC40* .4.6%, *FTSE100* 1.1%, and the *FTSE MIB* 6.8%. The Italian stock market was given an additional push compared to the global sentiment, as Mario Draghi, former ECB president was given a chance to form a technocratic government. *Almost* all sectors stood in weekly plus, the biggest gains could have been observed in cyclical sectors like travel&leisure (8.4%), banks (7.5%) and auto and parts (6.6%), while oil&gas (-0.2%) and the previously above average performer real estate (0.7%), showed the weakest performance.

In the **USA** the *S&P* stood at 4.5%, the small-cap index *Russell 2000* increased by 6.7%. The best performing sectors, were energy (+8.6%), financials (+6.7%) and Telco (6.8%), while health care (0.6%) and utilities (2.2%) posted the lowest gains.

## Long-term Treasury yields and most commodities moved up, the dollar strengthened against major currencies

*Long-term bond yields* increased in most countries in the positive investor mood; the upside surprise in euro area HICP also had an effect. The US 10Y yield moved up by almost 8 bps, to arrive at 1.14%. The German 10Y Bund yield increased by 7 bps, to -0.45%. The only fall (-10.6 bps, to 0.54%) in long-term yields among major developed economies was observable in Italy, where the ECB's former president Mario Draghi accepted the proposal to form a new government, which could end political turmoil, at least for a while.

The *US dollar* slightly appreciated against most currencies, on account of stronger economic outlook than elsewhere in the developed world.

*Oil prices* jumped about 6-8%, hitting 12-month high on Friday, close to 60 USD/barrel on economic revival hopes and supply curbs by the OPEC+ producer group. OPEC and its allies, collectively known as OPEC+, stuck to their supply tightening policy at a meeting on Wednesday.

## Better-than-expected real economy data from Europe and the USA, but eurozone inflation is a huge upside surprise due to temporary factors

The **euro area's** *GDP* data for Q4, at -0.7% QoQ, turned out even better than the recently raised market expectation of -1.0%. However, it is important to note that few weeks ago the consensus was closer to -2/-2.5%; in light of that, the improvement is huge. The explanation lies in the fact that industry and construction held up remarkably well during the second wave of the pandemic, and according to the European Commission's survey data, the deterioration in the recent lockdown was relatively minor, even in services. One unfavourable surprise was the German retail sales data, where the -9.6% MoM figure was 7 ppts below the consensus. Admittedly, Germany's retail sales for full-year 2020 still grew by about 4%, one of the best gauges in Europe. Still, the weak December data does not bode well for 2021Q1.

Even after knowing Germany's, France's and Spain's *inflation* data, the euro area's figure could have still surprised on the upside by a margin of 0.4 ppts. Headline figure turned out at 0.9% YoY, after -0.3% in December. Core inflation also edged up significantly, from 0.2% to 1.4%. Several factors explain this pick up, part of which were known. Germany's VAT rates returned to normal, and oil prices have recovered, both of which benefited the index. More surprising was the extent of pick-up in industrial goods inflation, part of which could have been explained by the postponement or even lack of winter sales. Another factor may have been the higher-than-usual effect of changing weights of the consumer basket. As the statistical office moved weights in HICP from 2019 to 2020, the effect of the pandemic caused a sharp fall in the weight of services, the price of which could have fallen by above-average rate. While several factors that may prove temporary, the open question is whether there is still room in the data for an increase in underlying price pressures.

Real economy data from the **USA** was also relatively benign. *Construction expenditure* as well as *factory orders* turned out above expectations, proving the resilience of the industrial sector in December. Although *ISM manufacturing* weakened slightly, the 58.7 points still indicate a solid expansion, while the *service* sector index turned out at the same value (58.7), but this was well above expectations (+1.9 points). *Non-farm payroll employment* increased again in January by 49 thousand, after a revised 227 thousand fall in December, but this was fully in line with the consensus, while the unemployment rate fell to 6.3%, from 6.7%, and here the consensus expected the same value as in December. Further to this, weekly unemployment claims, both initial and continuous were lower than expected. All these data point to a resilient recovery in the US for January. One should also add, that the effects of the USD 900 bn stimulus bill from end December is gradually having its effect on the economy, so there is a real chance that Q1 growth in the US will outpace the Q4 value of 4.0% (QoQ at annualized rate).



China's Caixin business surveys undershot expectation in both manufacturing and services, and slowed noticeably, but still remained well above the 50-point mark in both cases.

## Sectoral performance in the US and Europe

Performance of US sectors					Performance of Europe's sectors									
Sector	Bloomberg ticker	Last price	1 week change (%)	YTD (%)	Sector	Bloomberg ticker	Last price	1 week change (%)	YTD (%)					
S&P500	SPX Index	3880.7	4.5	3.3	Stoxx 600	SXXP Index	409.1	3.4	2.5					
IT	S5INFT Index	2378.6	4.8	3.8	Health care	SXDP Index	901.2	2.2	2.5					
Health care	S5HLTH Index	1348.6	0.6	1.9	Industrial goods & services	SXNP Index	650.7	4.3	3.4					
Financials	S5FINL Index	513.2	6.7	4.6	Banks	SX7P Index	113.3	7.5	4.7					
Telco	S5TELS Index	233.5	6.8	5.2	Personal & households goods	SXQP Index	922.8	2.6	-1.1					
Consumer discretionary	S5COND Index	1377.1	5.3	5.7	Insurance	SXIP Index	278.7	5.2	-0.2					
Industrials	S5INDU Index	752.0	4.9	0.3	Food and beverages	SX3P Index	709.3	2.2	-0.8					
Consumer staples	S5CONS Index	675.5	2.5	-3.0	Technology	SX8P Index	650.1	4.3	7.7					
Utilities	S5UTIL Index	323.0	2.2	1.2	Utilities	SX6P Index	385.2	1.5	0.3					
Energy	S5ENRS Index	322.1	8.6	12.6	Oil & gas	SXEP Index	238.1	-0.2	0.7					
Real estate	S5RLST Index	235.9	3.0	3.5	Chemicals	SX4P Index	1124.4	2.4	0.9					
Materials	S5MATR Index	458.9	3.2	0.7	Construction & materials	SXOP Index	510.7	4.6	3.7					
Source: Bloomberg					Telco	SXKP Index	217.2	2.2	5.6					
					Retail	SXRP Index	404.3	3.9	2.1					
					Financial services	SXFP Index	644.6	5.0	6.3					
					Basic resources	SXPP Index	523.4	2.4	4.8					
					Real estate	SX86P Index	166.1	0.7	-2.8					
					Auto & parts	SXAP Index	558.5	6.6	5.9					
					Media	SXMP Index	291.4	2.7	2.9					
					Travel & leisure	SXTP Index	233.5	8.4	4.1					
										Source: Bloomberg				

## Performance of the regional stock indices

Name		Performance					Valuation***			Fundamentals				
Country	Index	Last Price	1M change (%)	3M change (%)	6M change (%)	12M change (%)	P/E*	P/B	P/S	ROE (%)	Current Ratio	Debt to equity (%)	Change in EPS growth in the last 4 week (%)	Change in EPS growth in the last 3 month (%)
USA	SPX Index	3881	4.1	10.5	16.6	16.4	31.7	4.2	2.9	10.7	1.4	118.9	5.7	22.2
Europe	SXXP Index	409	2.0	11.4	12.0	-3.4	54.0	2.0	1.4	4.1	1.1	192.9	0.4	34.9
Germany	DAX Index	14040	2.9	11.7	10.9	4.2	59.7	1.8	1.1	3.7	1.2	131.7	18.5	29.2
France	CAC Index	5650	1.5	13.4	14.5	-5.6	60.3	1.7	1.3	2.9	1.1	245.4	5.1	58.6
Poland	WIG20 Index	1952	-2.9	16.8	6.5	-8.1	31.4	1.1	0.9	2.9	1.1	56.5	-1.8	25.1
Czechia	PX Index	1060	3.1	21.5	16.9	-3.9	16.1	1.2	1.5	7.7	1.2	168.2	0.7	12.7
Hungary	BUX Index	44070	3.9	25.0	25.5	0.1	19.3	1.1	0.9	5.2	1.2	61.1	112.8	51.5
Romania	BET Index	10586	7.7	19.7	23.7	5.5	13.5	1.1	1.6	8.4	1.5	32.7	-18.2	
Bulgaria	SOFIX Index	495	10.0	16.1	13.8	-13.3	3.7	0.6	0.6	15.1	3.2	61.9		
Russia	IMOEX Index	3385	0.8	18.3	13.1	8.7	9.8	1.0	0.5	11.1	1.5	67.1	30.1	69.4
Ukraine	PFTS Index	521	4.4	4.1	4.1	2.0		0.8			0.8	10.4		
Slovenia	SBITOP Index	945	4.2	14.3	12.2	-2.6	8.6	0.9	0.6	9.9	1.6	28.9		
Croatia	CRO Index	1790	1.4	12.5	13.2	-11.2	89.1	1.0	1.1	1.1	1.4	53.4		
Serbia	BELEX15 Index	731	-2.2	4.9	9.7	-10.4	16.0	0.6	0.8	4.3	1.7	20.6		
Montenegro	MNSE10 Index	727	1.9	12.9	6.7	-6.7	15.8	0.3	1.0	1.9	2.2	15.0		

\*Price to earnings (P/E) ratio is calculated with the 12M trailing EPS in the denominator.

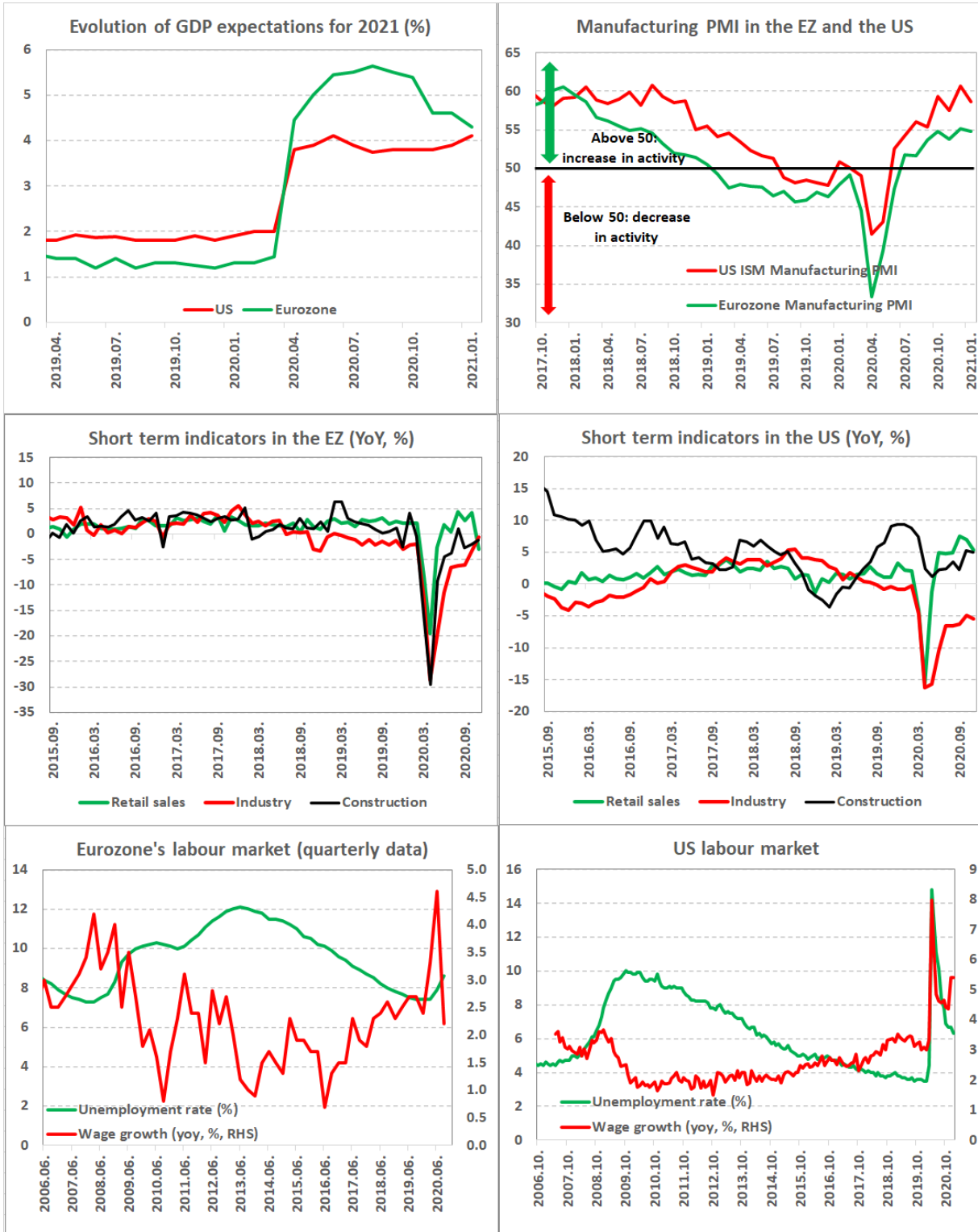
\*\*\*Some of the country indices could be sector heavy (only a handful industry comprise the majority of the indices).

\*\*\*therefore direct comparison of valuation metrics alone could be misleading.

## This week's data

Data		Cd.	Event/Data	Period	Fact	Cons.	Prev.	
2021	2. 1.	2 : 45	CN	Caixin Manufacturing PMI (points)	Jan	51.5	52.7	53.0
		8 : 00	DE	Retail sales (MoM, %)	Dec	-9.6	-2.6	1.9
		9 : 45	IT	Markit/IHS Manufacturing PMI (prelim.)	Jan	55.1	-	52.8
		10 : 00	IT	Unemployment rate (%)	Dec	9.0	8.8	8.9
		11 : 00	EZ	Unemployment rate (%)	Dec	8.3	-	8.3
		16 : 00	US	Construction expenditure (MoM, %)	Dec	1.0	-	0.9
		16 : 00	US	ISM Manufacturing PMI (points)	Jan	58.7	60.0	60.7
	2.	10 : 00	IT	GDP (preliminary, QoQ, %)	Q4	-2.0	-	15.9
		11 : 00	EZ	GDP (preliminary, QoQ, %)	Q4	-0.7	-1.0	12.5
		11 : 00	EZ	GDP (preliminary, YoY, %)	Q4	-5.1	-	-4.3
	3.	2 : 45	CN	Caixin Services PMI	Jan	52.0	-	56.3
		9 : 45	IT	Markit/IHS Services PMI (prelim.)	Jan	44.7	39.5	39.7
		11 : 00	EZ	CPI (flash, YoY, %)	Jan	0.9	0.5	-0.3
		11 : 00	EZ	Core CPI (flash, YoY, %)	Jan	1.4	-	0.2
		14 : 15	US	ADP non-farm employment (MoM, '000s)	Jan	174.0	-	-78.1
		16 : 00	US	ISM non-Manufacturing PMI (points)	Jan	58.7	-	57.2
	4.	11 : 00	EZ	Retail sales (MoM, %)	Dec	2.0	-	-5.7
		13 : 00	UK	Interest rate decision (%)	Feb	0.1	0.1	0.1
		14 : 30	US	Initial jobless claims ('000s)	weekly	779.0	830.0	847.0
		14 : 30	US	Continuing jobless claims ('000s)	weekly	4592.0	-	4771.0
		16 : 00	US	Factory orders (MoM, %)	Dec	1.1	-	1.0
	5.	8 : 00	DE	Industrial orders (MoM, %)	Dec	-1.9	-	2.3
		10 : 00	IT	Retail sales (MoM, SA, %)	Dec	2.5	-	-7.3
		14 : 30	US	Non-farm payroll (MoM, '000s)	Jan	49.0	-	-227.0
		14 : 30	US	Unemployment rate (%)	Jan	6.3	-	6.7
		14 : 30	US	Average earnings (MoM, %)	Jan	0.2	-	1.0
		14 : 30	US	Average earnings (YoY, %)	Jan	5.4	-	5.4

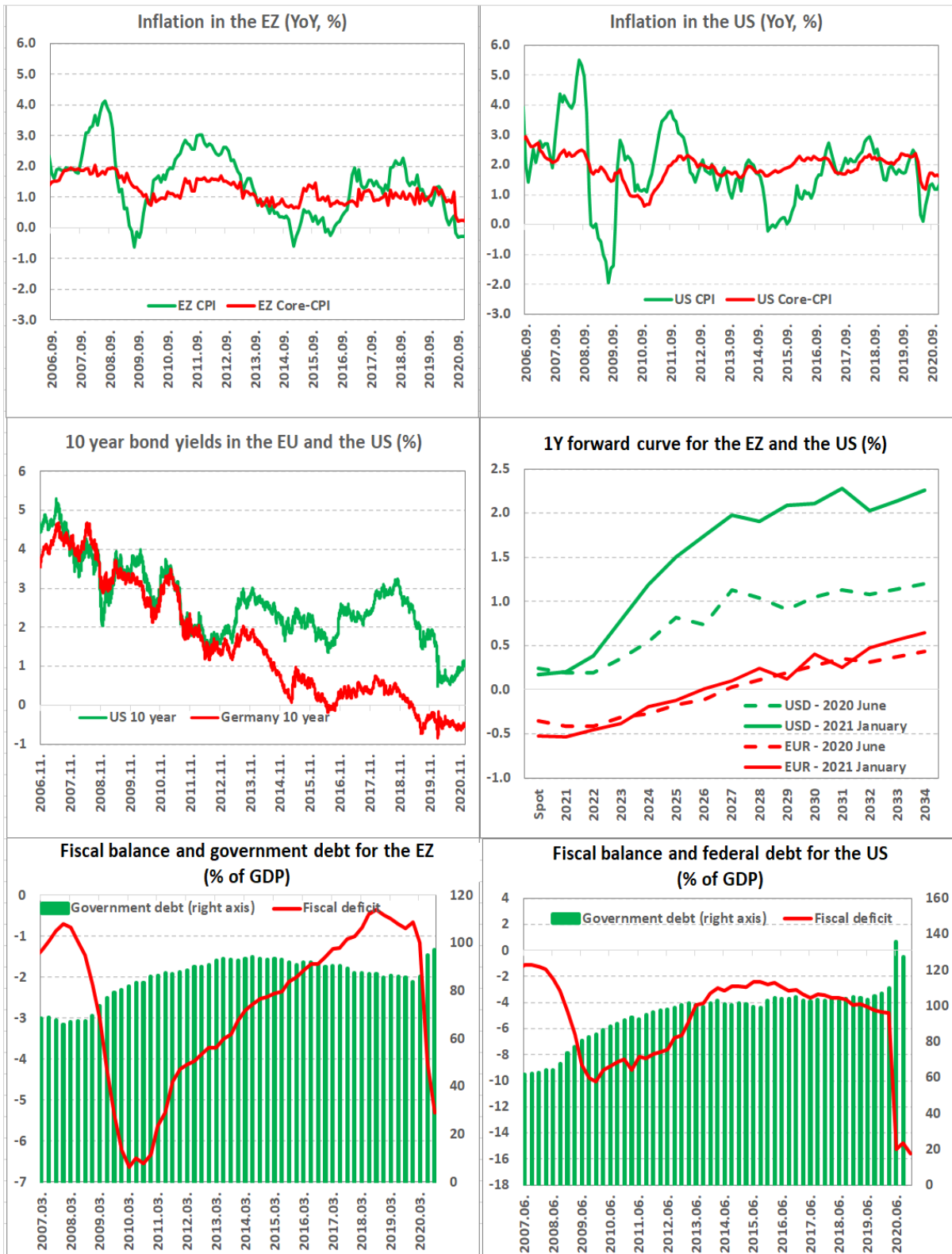
### Eurozone and US chart set



Source: Refinitiv



### Eurozone and US chart set



Source: Refinitiv

## FX forecast for the majors

FX pair	2020.Q2	2020.Q3	2020.Q4	2021.Q1	2021.Q2	2021.Q3	2021.Q4	2022.Q4	2023.Q4	2024.Q4
EURUSD	1.09	1.18	1.19	1.22	1.23	1.24	1.25	1.25	1.25	1.23
EURGBP	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
EURCHF	1.06	1.08	1.08	1.08	1.09	1.10	1.10	1.12	1.14	1.15
USDJPY	107.0	106.0	104.0	104.0	104.0	103.3	102.5	106.0	108.0	103.0

Source: Bloomberg

## Regional macro forecast

Countries	GDP (yoy, %)					Countries	Fiscal balance (% of GDP)				
	2019	OTP		Focus Economics			2019	OTP		Focus Economics	
		2020	2021	2020	2021			2020	2021	2020	2021
Hungary	4.6	-6.3	4.6	-5.9	4.5	Hungary	-2.1	-9.0	-6.7	-8.2	-5.4
Romania	4.1	-5.5	4.0	-5.2	4.2	Romania	-4.4	-9.5	-7.0	-9.5	-6.9
Bulgaria	3.8	-4.3	2.0	-4.7	3.5	Bulgaria	1.9	-4.2	-3.2	-4.2	-3.2
Russia	1.3	-3.5	2.5	-3.8	3.0	Russia	1.8	-4.5	-2.6	-4.5	-2.4
Ukraine	3.2	-4.6	4.0	-5.1	3.9	Ukraine	-2.2	-7.5	-6.0	-6.4	-5.0
Slovenia	3.2	-5.4	5.0	-6.9	4.7	Slovenia	0.5	-6.3	-4.5	-8.5	-4.5
Croatia	2.9	-9.0	3.5	-8.6	4.8	Croatia	0.4	-8.5	-5.5	-8.1	-4.2
Serbia	4.2	-1.3	3.1	-1.7	4.6	Serbia	-0.2	-8.8	-3.0	-8.2	-3.1
Montenegro	4.1	-15.4	3.5	-13.4	6.2	Montenegro	-2.9	-9.9	-4.6	-9.9	-4.6
Albania	2.2	-4.0	4.0	-5.7	5.4	Albania	-1.9	-6.8	-4.7	-7.5	-5.1
Moldova	3.6	-7.3	4.9	-6.8	4.4	Moldova	-1.4	-7.5	-5.0	-7.1	-4.2

Countries	Inflation (average (yoy), %)					Countries	Unemployment (%)				
	2019	OTP		Focus Economics			2019	OTP		Focus Economics	
		2020	2021	2020	2021			2020	2021	2020	2021
Hungary	3.4	3.4	3.1	3.4	3.1	Hungary	3.4	4.7	4.0	4.4	4.5
Romania	3.8	2.6	2.4	2.7	2.7	Romania	3.9	5.0	5.0	5.0	5.6
Bulgaria	3.1	1.8	2.0	1.8	2.1	Bulgaria	4.2	5.1	5.0	5.6	6.2
Russia	4.5	3.4	4.7	3.4	3.8	Russia	4.6	5.8	5.0	5.9	5.5
Ukraine	7.9	2.7	6.2	2.7	5.9	Ukraine	8.2	9.9	9.2	9.9	9.3
Slovenia	1.7	-0.1	1.3	-0.1	1.2	Slovenia	4.5	4.9	4.6	5.0	5.9
Croatia	0.8	0.1	0.7	0.2	1.0	Croatia	7.9	7.0	7.0	9.4	9.0
Serbia	1.9	1.6	2.0	1.6	1.9	Serbia	10.4	10.0	9.7	8.9	10.3
Montenegro	0.4	0.0	1.0	0.0	1.0	Montenegro	15.1	17.0	15.2	17.0	15.2
Albania	1.4	1.6	1.8	1.7	2.0	Albania	11.6	12.4	11.8	13.2	12.7
Moldova	4.8	3.9	3.2	3.8	3.7	Moldova	2.9	4.0	3.9	5.3	5.0

Source: Focus Economics, OTP Research Center

## FX forecast for the OTP countries

Country	FX pair	2019.Q4	2020.Q1	2020.Q2	2020.Q3	2020.Q4	2021.Q1	2021.Q2	2021.Q3	2021.Q4
Hungary	EURHUF (eop)	331.0	361.0	354.0	364.0	363.0	362.0	360.0	360.0	358.0
Romania	EURRON (eop)	4.78	4.83	4.84	4.87	4.87	4.88	4.89	4.92	4.96
Russia	USDRUB (eop)	61.9	77.7	70.0	79.7	73.9	73.4	69.8	71.8	71.1
Ukraine	USDUAH (eop)	23.70	27.62	26.70	28.30	28.34	28.26	28.34	28.51	29.09
Croatia	EURHRK (eop)	7.4	7.6	7.6	7.6	7.6	7.5	7.5	7.6	7.6
Serbia	EURRSD (eop)	118.0	117.0	118.0	118.0	118.0	117.0	117.0	118.0	118.0
Montenegro	EURUSD (eop)	1.12	1.10	1.12	1.17	1.20	1.20	1.21	1.22	1.22

\*Slovenia and Montenegro uses EUR as a base currency.

\*\*No forecast available for Moldova and Albania

Source: Focus Economics

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This document was prepared on 08 February 2021.

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