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Bloomberg FX forecast ranking

No.1 and 3 for G10 FX forecast accuracy in Q1 and Q2 2025

EUR/USD	USD/SEK	USD/NOK	USD/JPY
No.1	No.2	No.2	No.6
Q2 2026	Q2 2026	Q2 2026	Q2 2026

FX market outlook: "A flatter USD smile not flattering the USD"

04 September 2026 (11:25 CET)

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1 -Gamma Calendar and Market Monitors

- FX Action at a Glance
- FX Gamma Calendar
- FX Market Liquidity
- FX Vol Monitor

2 - Forecasts

- Advanced FX Forecasts

3 - Relative Value

- FX Carry Trades
- FX Over and Undervaluations
- Historical Short-Term Fair Values

4 - Flows and Positionning

- FX Positioning

5 - Fundamentals

- De-Dollarisation
- FX Fundamental Drivers
- Risk Index

FX gamma calendar & Market monitors:

What are the key FX events ahead and how to position ahead of the next NFP or Fed/ECB meeting?
What is the FX CARDIOGRAM?
What are the key trends and the main movers in FX spot, forward and option markets?

Advanced FX forecasts:

Where are the FX market heading? How do our forecasts compare to consensus?
How accurate have our FX forecasts been?

Relative Value:

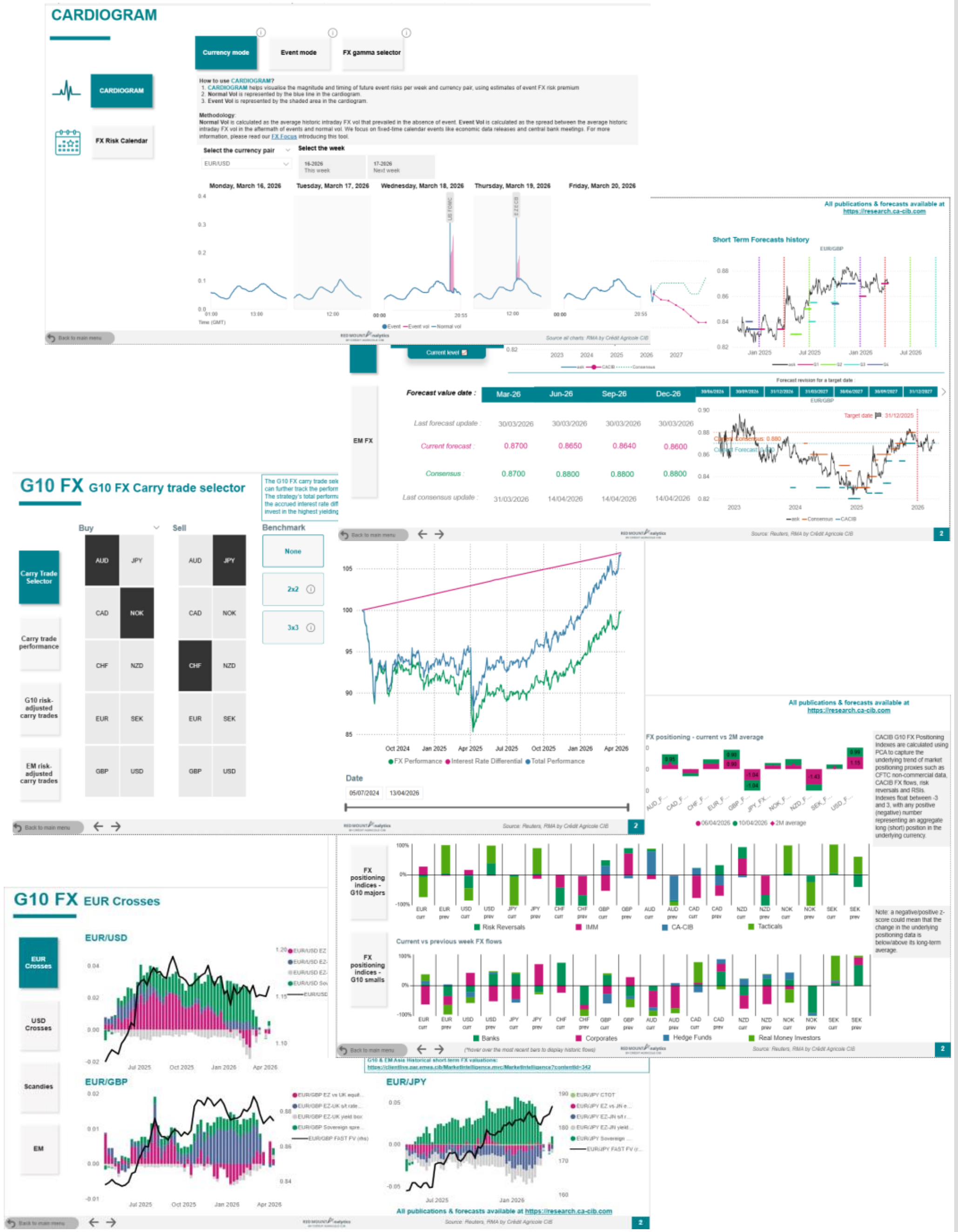
What is the EUR fair value vs the USD, JPY and GBP? Are commodity currencies cheap or expensive?
What are the best FX carry trades?
How to build a tailored FX carry trade and track its performance over time?

FX Flows and positioning:

What are the biggest longs and shorts in the FX markets?
How are FX corporates positioned?
What are hedge funds and real money buying and selling?

FX fundamentals:

What are the key FX drivers at present – relative rate spreads or market risk sentiment?
Are the FX markets in risk-on or risk-off mood?
What's the latest on de-dollarisation?



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Big picture and FX market outlook

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Bloomberg FX forecast ranking

No.1 for G10 FX forecast accuracy in Q1 2025
No.3 for G10 FX forecast accuracy in Q2 2025

No.1 (out of 56)
EUR/USD - Q2 2026

No.2 (out of 31)
USD/SEK - Q2 2026

No.8 (out of 41)
USD/CAD - Q2 2026

No.2 (out of 27)
USD/NOK - Q1 2026

No.2 (out of 27)
USD/NOK - Q2 2026

No.6 (out of 50)
USD/JPY - Q2 2026

No.2 (out of 58)
EUR/USD - Q1 2026

No.6 (out of 53)
GBP/USD - Q3 2025

FX outlook: the USD rally to continue but many positives are priced in

- **USD – still exceptional but many positives already priced in**
  - **King USD is riding the AI-investment boom** that (1) attracts (unhedged) capital inflows into the US; (2) supports the US growth outlook; and (3) keeps US inflation sticky and fuels market Fed rate hike expectations. These flows could also **erode the USD safe-haven appeal, however**.
  - **The USD is looking overbought and overvalued**. A **less hawkish Fed** and '**Bessent's bond put**' could further hurt its rate appeal.
  - The **USD is the reserve currency of choice** but US fiscal outlook and USD-weaponisation fears could exacerbate **de-dollarisation outflows**.

- **EUR:** should continue to trade **as collateral damage of global geopolitical risks**. We are moderately bearish on EUR/USD from current levels as we expect **ECB vigilance to limit the downside risks**. Elevated energy prices, trade tariffs and domestic-demand-driven growth policies in the Eurozone could hurt the Eurozone's net exports and reduce corporate demand for the EUR. **EUR/USD to recover only in 2027**.

- **JPY:** record levels of intervention have capped USD/JPY's rally at 164, but for the JPY to stage a sustainable rally the BoJ needs to accelerate the pace of its rate hikes reducing the **JPY's appeal as a carry funder**. Due to the SNB's loose policy, **the CHF** could remain **a favoured funder**, although from here carry differential gains could trump potential CHF spot losses.

- **The oversold GBP** could **remain vulnerable** if growing political and stagflation risks fuel concerns about the UK economic and fiscal outlook. **XAU:** despite its recent underperformance gold remains the **pre-eminent safe-haven asset and currency debasement hedge**.

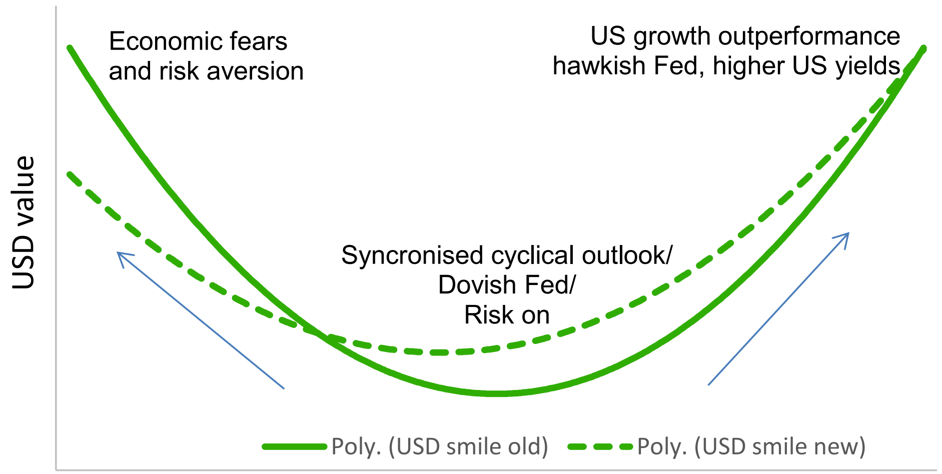
- Elevated energy prices (vs pre-Iran war) and CB outlook could **support the NOK** and the **AUD, which is clinging to its rate advantage as the RBA is forced by sticky inflation to continue raising rates**. **Renewed US-Canada trade tensions** could leave **the CAD** on the back foot in the near term. The **SEK** could benefit from **Sweden's growth outperformance** vs the Eurozone. Gradual withdrawal of stimulus by the RBNZ is a near-term weight on the **NZD**, but **central bank is underestimating upside inflation risks and will be forced to re-accelerate rate hikes**.

- **Key risks:**
  - **Persistent tightening of global financial conditions on the back of hawkish Fed expectations and risk aversion could boost the USD.**
  - **Fears about fiscal dominance over the Fed and de-dollarisation could weigh on the USD across the board.**

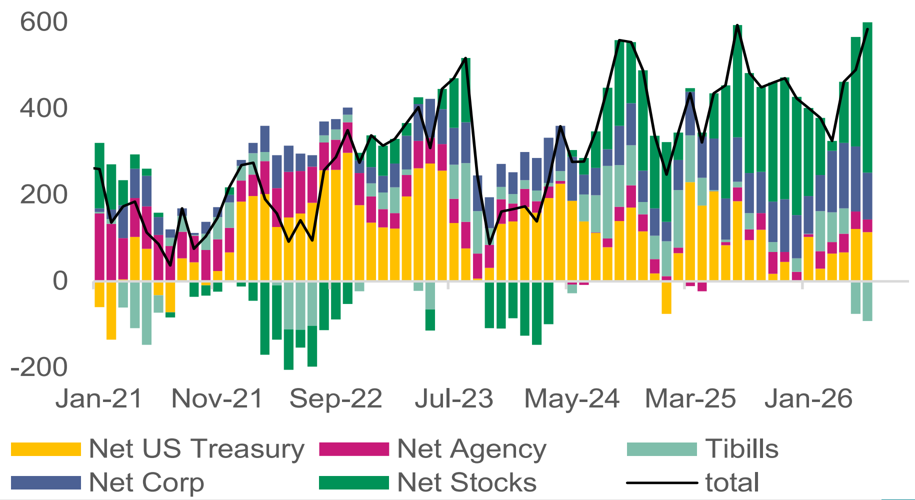
Key FX themes – a ‘flatter’ USD-smile not flattering the USD

- **The USD smile is alive and well, albeit flatter than before**
  - **US economy generating superior rates of return** supports the USD.
  - **Geopolitical risks** burnish the USD safe-haven appeal.
  - **A noncommittal Fed and a ‘Treasury twist’** could lower the USD rate appeal.
  - **US CA deficit funded through stocks** makes the USD a less attractive safe-haven.
- **US exceptionalism vs US policy unorthodoxy**
  - AI-related portfolio inflows suggest there are no credible alternative to US assets.
  - The fallout from Trump’s policies to put US exceptionalism to the test?
  - De-dollarisation vs GENIUS act; the USD still dominates cross-border payments.
- **The EUR – the collateral damage of geopolitics**
  - The Eurozone economy remains vulnerable to geopolitical and trade risks.
  - Europe is lagging in AI and other critical technologies as well as rare earth minerals.
  - Limited progress on global EUR initiatives – eg safe assets and/or fiscal integration.
- **FX carry trades still on**
  - FX carry trades were the dominant FX driver before the war in Iran.
  - Relative rate outlook to remain an important FX driver.
  - High-yielders like the AUD and NOK to outperform the JPY, CHF and EUR.
- **The quest for safe havens**
  - Gold still attractive risk aversion, de-dollarisation and currency debasement hedge.
  - CHF the best fiat safe-haven currency as long as negative rates remain a no go.
  - JPY weighed down by fiscal worries but repatriation flows could help.

Towards a flatter ‘USD smile - diminished safe-haven appeal of the USD



Foreign investors buying US stocks but not USTs



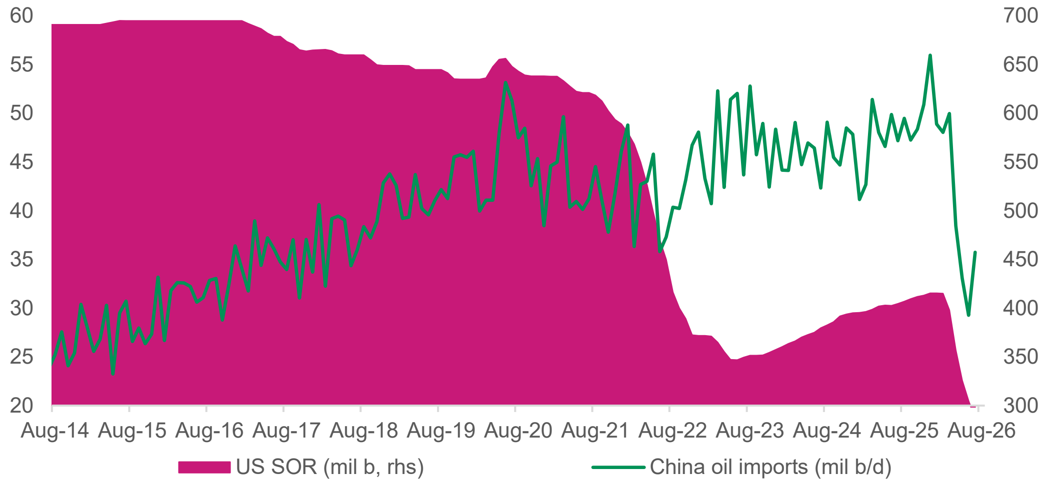
FX Forecasts

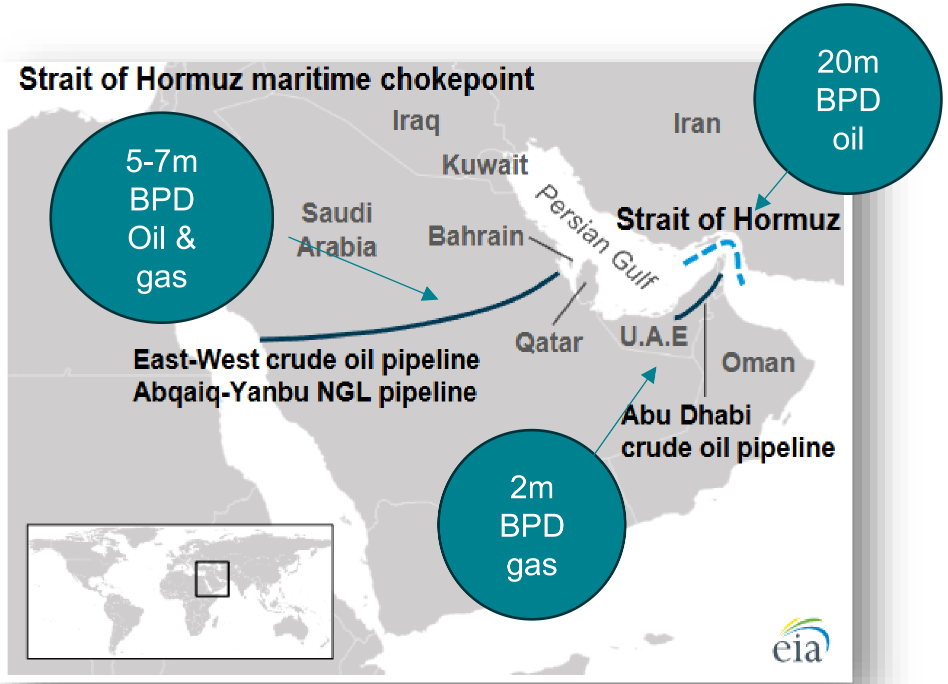
		Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
USD Exchange rate							
Industrialised countries							
Euro	EUR/USD	1.14	1.13	1.13	1.14	1.16	1.17
Japan	USD/JPY	162	163	162	161	158	156
United Kingdom	GBP/USD	1.32	1.31	1.32	1.34	1.37	1.39
Switzerland	USD/CHF	0.82	0.84	0.84	0.83	0.81	0.80
Canada	USD/CAD	1.40	1.38	1.36	1.34	1.33	1.32
Australia	AUD/USD	0.69	0.69	0.70	0.72	0.74	0.74
New Zealand	NZD/USD	0.58	0.58	0.60	0.61	0.62	0.63
Sweden	USD/SEK	9.45	9.40	9.30	9.30	9.05	8.90
Norway	USD/NOK	9.55	9.45	9.30	9.10	8.90	8.70
Euro Cross rates							
Industrialised countries							
Australia	EUR/AUD	1.65	1.64	1.61	1.58	1.57	1.58
Canada	EUR/CAD	1.60	1.56	1.54	1.53	1.54	1.54
Japan	EUR/JPY	185	184	183	184	183	183
New Zealand	EUR/NZD	1.97	1.95	1.88	1.87	1.87	1.86
Norway	EUR/NOK	10.90	10.70	10.50	10.40	10.30	10.20
Sweden	EUR/SEK	10.80	10.60	10.50	10.60	10.50	10.40
Switzerland	EUR/CHF	0.94	0.95	0.95	0.95	0.94	0.94
United Kingdom	EUR/GBP	0.86	0.86	0.86	0.85	0.84	0.84
Precious metals							
Gold	USD/oz	4,500	5,000	5,200	5,300	5,400	5,500

Source: Crédit Agricole CIB

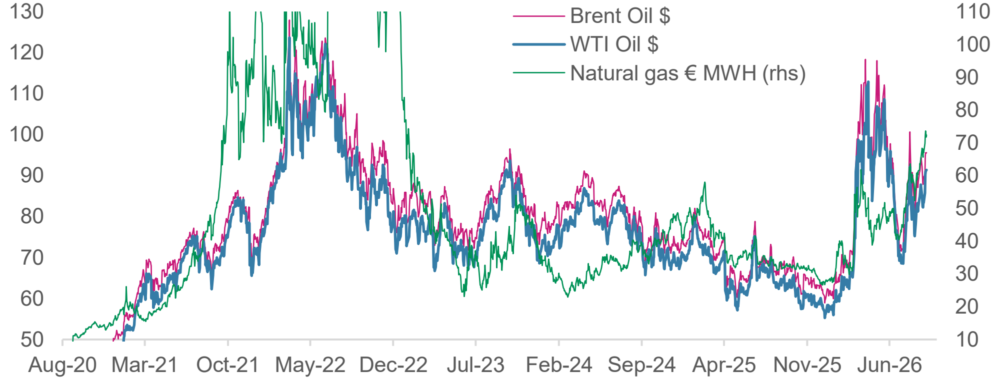
Limited crude impact, just another TACO?

Demand vs supply: Chinese oil imports vs the US strategic oil reserves

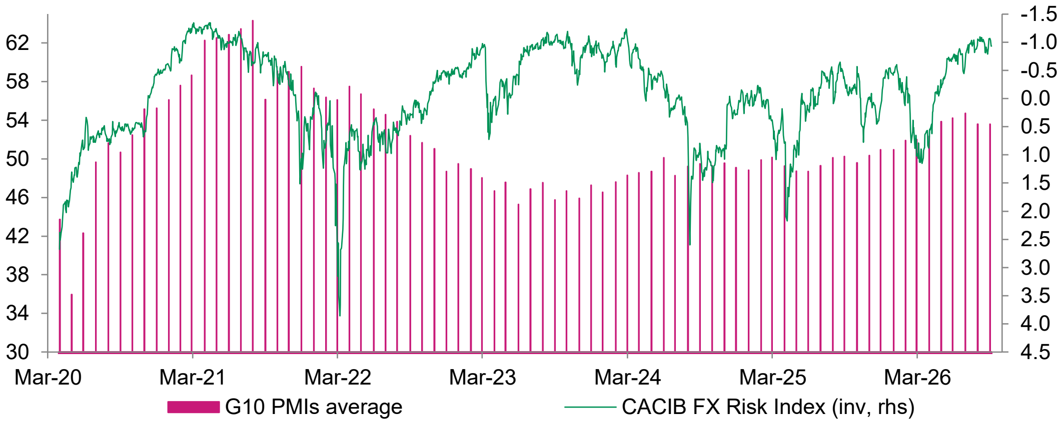




The war in Iran has not had a sustained positive impact on energy prices



…and further weighed on risk sentiment



Source all charts: Bloomberg, Crédit Agricole CIB

FX score card

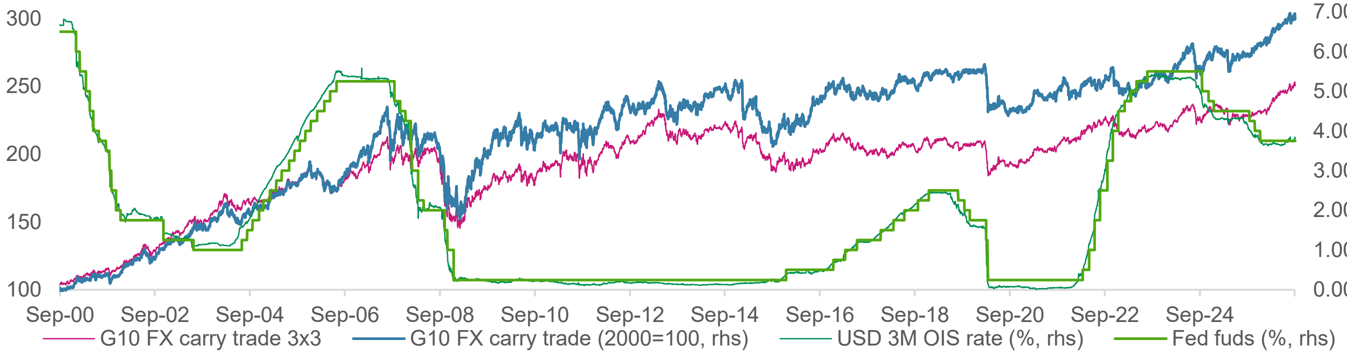
Short-term	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
1Y risk-adjusted carry vs. USD	0.00	-0.22	-0.30	0.01	0.11	-0.08	-0.26	-0.17	0.09	-0.54
Yield momentum (3M average)	0.03%	0.04%	0.05%	0.02%	0.02%	0.02%	0.03%	0.03%	0.00%	0.01%
Box spread vs. UST 2s10s	0.00	0.03	0.76	0.16	0.05	0.58	0.54	0.30	-0.62	0.29
Positioning (2M average)	1.06	0.31	0.30	-0.90	0.18	-1.12	-0.49	0.01	0.57	0.17
Stock market performance (MoM)	0.1%	-1.6%	1.6%	-0.4%	-1.5%	0.5%	0.0%	-1.5%	3.5%	-0.5%
Economic surprise indicator	18.5	75.4	63.6	32.9	12.5	2.3	46.9	53.5	14.9	132.2
Impact from risk sentiment	0.0	-0.1	0.0	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	0.0
Impact from rate differential	0.0	0.4	0.5	-0.4	-0.3	-0.4	0.0	0.2	-1.3	-0.4
	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
Rank	4	4	1	6	9	6	3	2	10	8
Commodity terms of trade	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
Base metals trade balance (% of GDP)	-0.1%	-0.2%	0.0%	0.1%	0.4%	0.2%	0.5%	0.8%	0.7%	0.4%
Energy trade balance (% of GDP)	0.3%	-3.9%	-5.8%	-2.3%	9.7%	-2.6%	6.3%	-0.8%	34.1%	-1.5%
Impact from commodity terms of trade	0.0	-0.8	-0.3	-0.6	1.2	-0.2	-0.2	-0.3	1.1	-0.1
Energy, cereals & products share in CPI	8.2%	14.2%	9.9%	8.4%	8.2%	9.3%	8.0%	5.5%	7.7%	11.4%
Commodity ToT (3M change)	4.2%	-15.5%	-13.0%	-11.3%	14.1%	-2.5%	-2.3%	-3.9%	19.3%	-2.3%
	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
Rank	5	10	9	8	2	6	4	6	1	3
Longer-term	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
2026 real GDP YoY*	2.1%	0.8%	0.7%	1.0%	1.7%	1.9%	0.9%	2.0%	1.1%	1.1%
Real 2Y rate**	1.0%	0.2%	-0.1%	1.4%	0.9%	0.0%	0.5%	1.8%	1.4%	0.2%
Real 10Y yield**	1.5%	1.0%	1.0%	2.0%	1.3%	1.2%	1.2%	2.4%	1.3%	0.0%
Broad Basic Balance (% GDP)	1.0%	-0.1%	5.8%	-4.6%	-1.1%	3.2%	3.5%	0.7%	-2.1%	-3.5%
2026 Current Account (% GDP)*	-3.1%	1.5%	4.8%	-2.9%	-3.1%	-3.8%	-0.6%	5.3%	14.4%	6.8%
2026 Fiscal balance (% of GDP)*	-6.3%	-3.4%	-2.8%	-3.8%	-1.1%	-3.2%	-2.0%	-2.4%	10.2%	0.2%
Valuation G10 VALFeX	0.0%	2.7%	-27.3%	7.1%	-6.3%	2.1%	-6.4%	-15.0%	-15.0%	17.8%
	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
Rank	3	10	6	7	3	7	3	1	2	7
	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
Overall rank	4	10	6	9	3	7	2	1	5	8

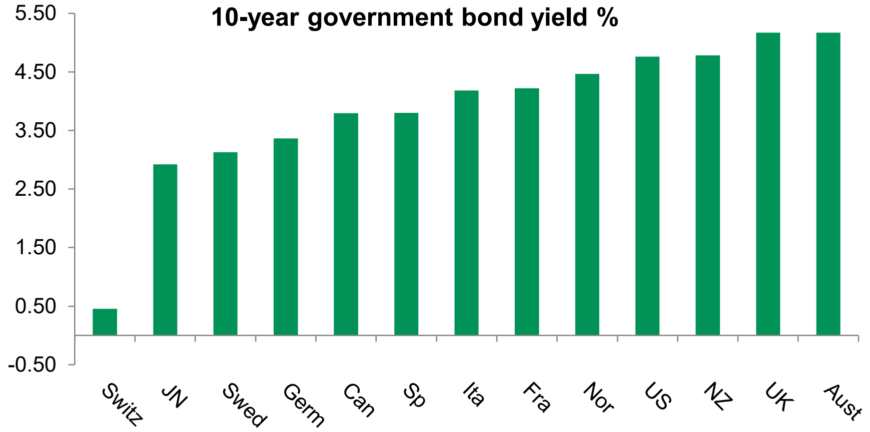
**Bloomberg consensus forecasts; **Using 2026 Bloomberg consensus forecast for inflation; ***GDP per hours work*

Source all charts: Crédit Agricole CIB, Bloomberg, OECD

FX carry trade performance at all-time highs

FX carry trade performance and the Fed policy cycle

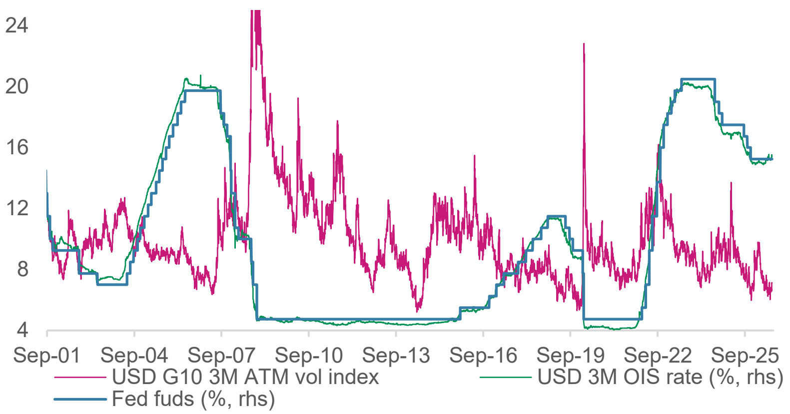




FX carry pairs ranked by risk-adjusted 3M carry

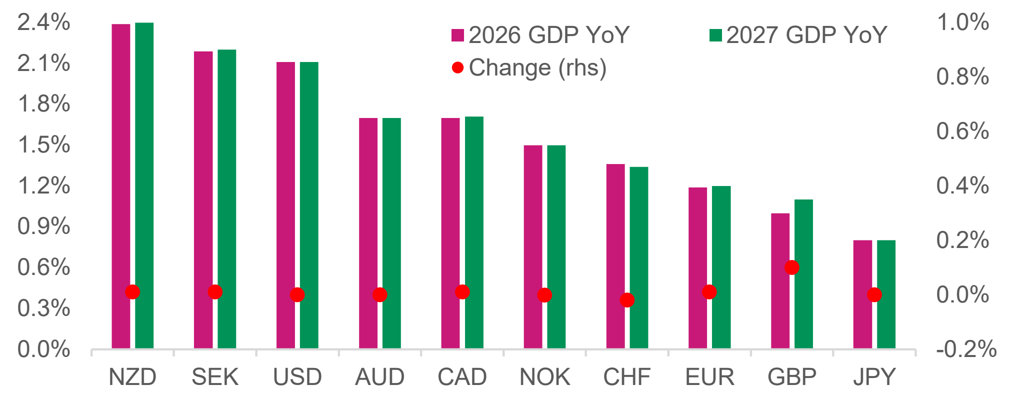
Long GBP/CHF	Long AUD/CHF	Long USD/CHF	Short CHF/NOK	Long EUR/CHF	Short EUR/GBP	Long GBP/JPY	Long AUD/NZD	Long NOK/JPY	Long CAD/CHF	Long USD/JPY	Long AUD/JPY
0.64	0.52	0.50	0.46	0.44	0.42	0.38	0.36	0.36	0.35	0.35	0.34
Short EUR/AUD	Long AUD/SEK	Long NOK/SEK	Long NZD/CHF	Long USD/CAD	Long GBP/SEK	Short EUR/NOK	Long AUD/CAD	Short EUR/USD	Short CHF/SEK	Long CAD/JPY	Long USD/SEK
0.32	0.31	0.30	0.30	0.29	0.28	0.28	0.27	0.26	0.23	0.18	0.18
Short USD/TRY	Short EUR/TRY	Long TRY/JPY	Short EUR/BRL	Long BRL/JPY	Long USD/CNH	Short USD/BRL	Short CHF/MXN	Long USD/SGD	Short CHF/HUF	Short EUR/MXN	Short CHF/ZAR
2.26	2.16	1.86	0.91	0.81	0.76	0.72	0.64	0.61	0.58	0.55	0.54
Long MXN/JPY	Short EUR/RUB	Short USD/RUB	Long ZAR/JPY	Short EUR/HUF	Short EUR/ZAR	Short EUR/IDR	Short USD/MXN	Short CHF/SGD	Long EUR/SGD	Short USD/ZAR	Short USD/IDR
0.49	0.47	0.44	0.43	0.42	0.41	0.38	0.30	0.26	0.23	0.21	0.19

Average USD ATM vol and Fed cycle

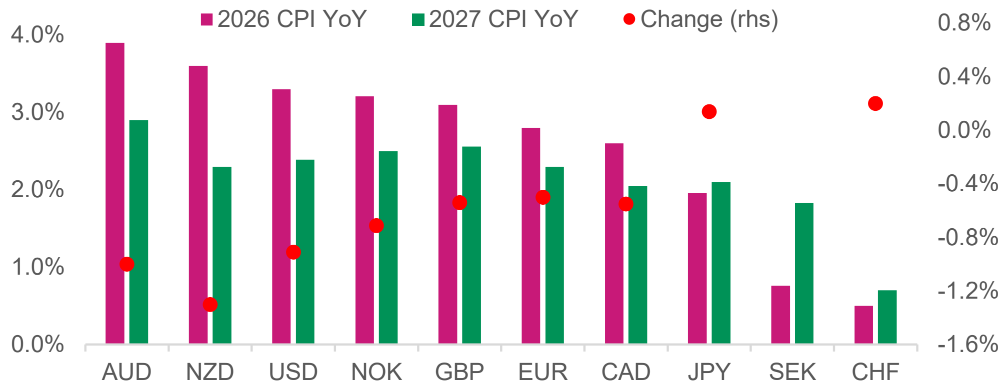


Divergent growth outlook for energy exporters vs importers; inflation to fade in 2027

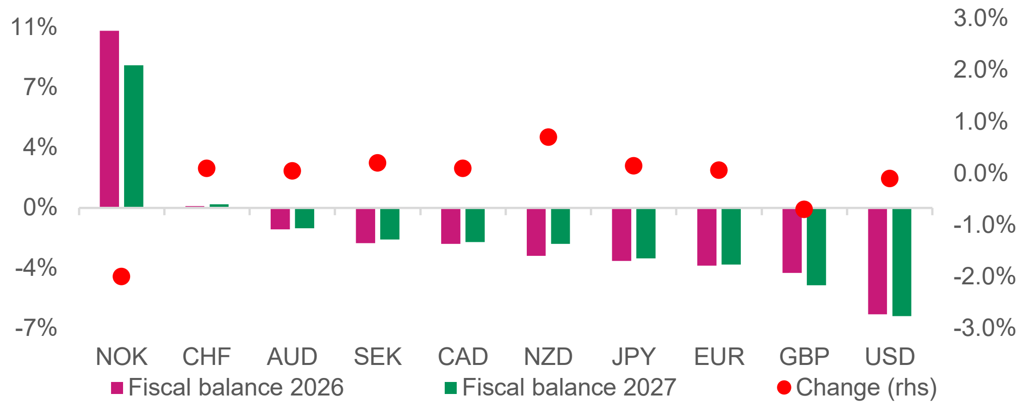
Growth outlook expected to remain diverse…



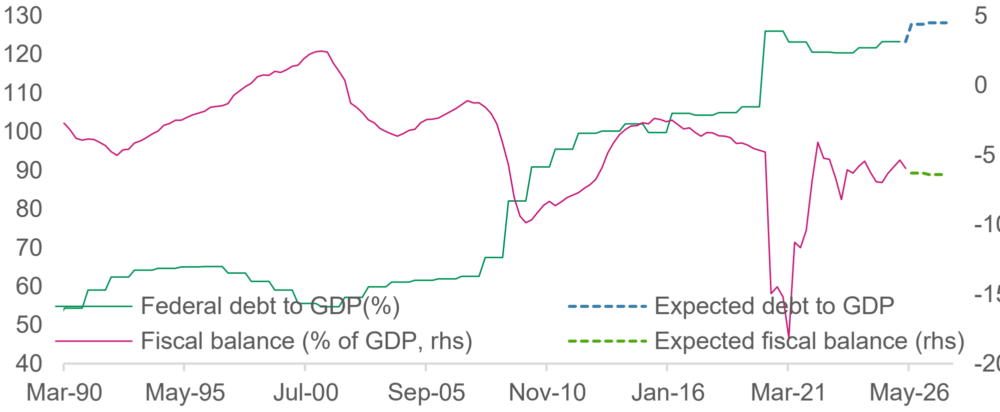
…while inflation should be a 2026 phenomenon only



Fiscal imbalances should linger



US fiscal imbalance have grown worse over the years



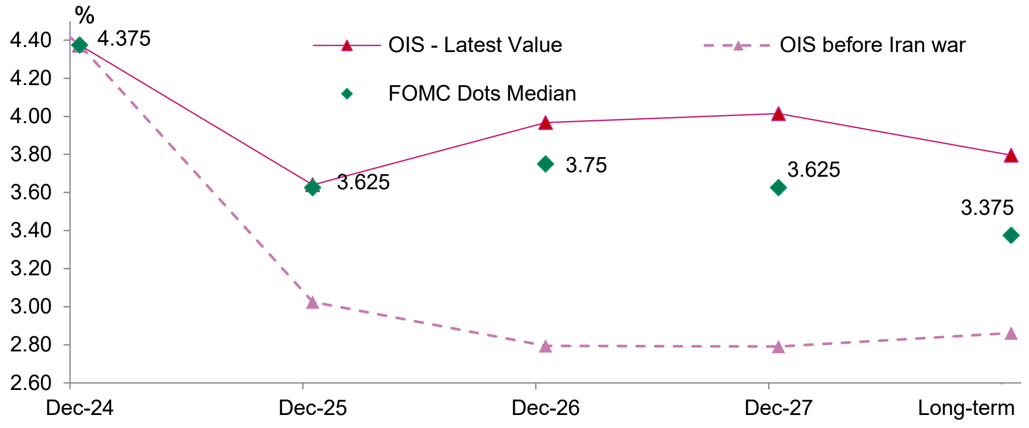
Source all charts: Bloomberg, Crédit Agricole CIB

Central bank outlook – hawks; no doves

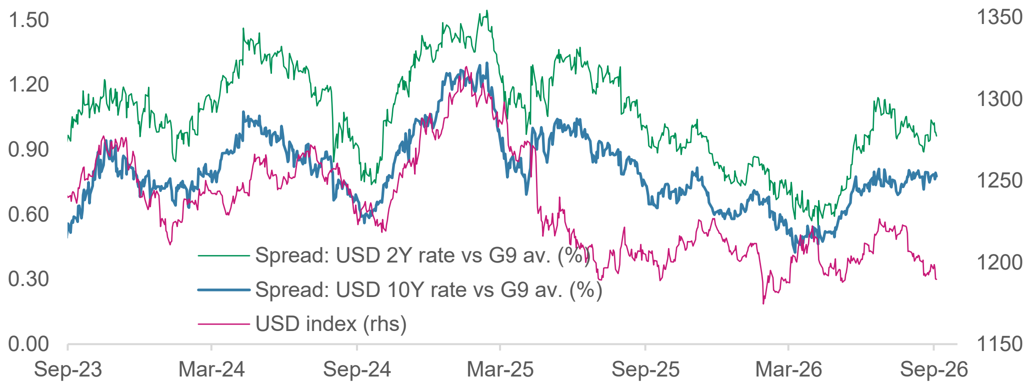
Policy tightening (end-of-year values)

	Expected G10 central bank policy rates			
	Effective rate	2026	2027	2028
EUR	2.19%	2.66%	2.95%	2.93%
USD	3.63%	3.95%	4.19%	4.12%
GBP	3.73%	4.03%	4.45%	4.40%
NOK	4.25%	4.76%	4.63%	4.38%
SEK	1.75%	2.06%	2.72%	2.84%
CAD	2.30%	2.54%	3.25%	3.42%
CHF	-0.04%	0.00%	0.37%	0.57%
AUD	4.35%	4.65%	4.67%	4.60%
NZD	2.75%	3.01%	3.75%	3.98%
JPY	0.98%	1.44%	2.09%	2.37%
US rates less G9 average				
	1.45%	1.47%	1.26%	1.10%

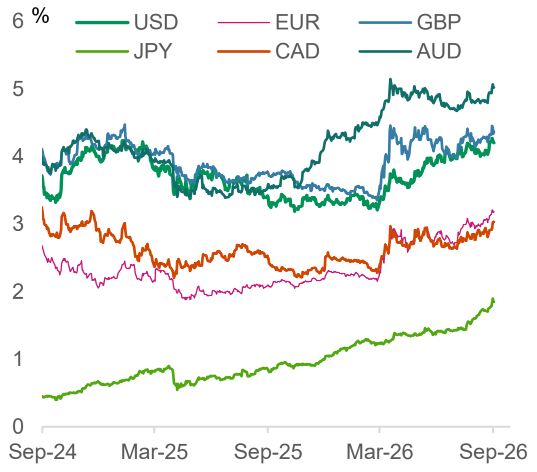
Fed dot plot and market rate expectations

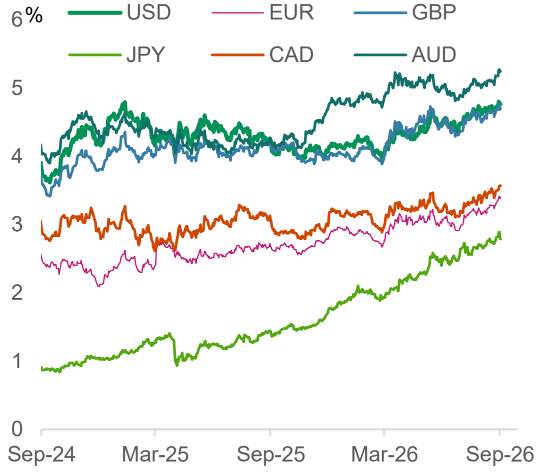


USD vs spread: US 2Y rate vs G9 average and UST 10Y yield vs G9 average



G10 2Y rates and 10Y yields

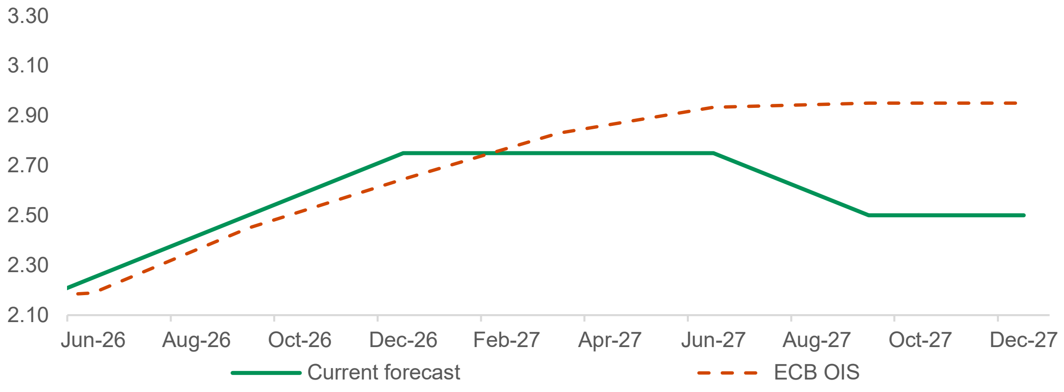




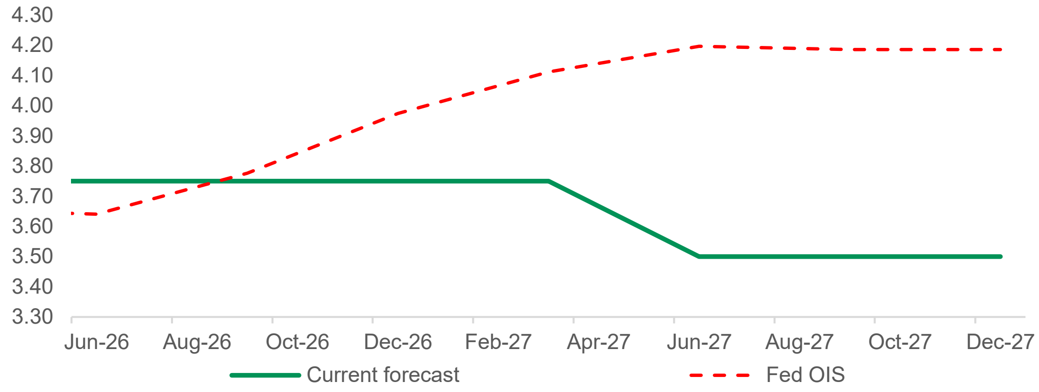
Source all charts: Crédit Agricole CIB, Bloomberg

EUR/USD and ECB-Fed rate outlook

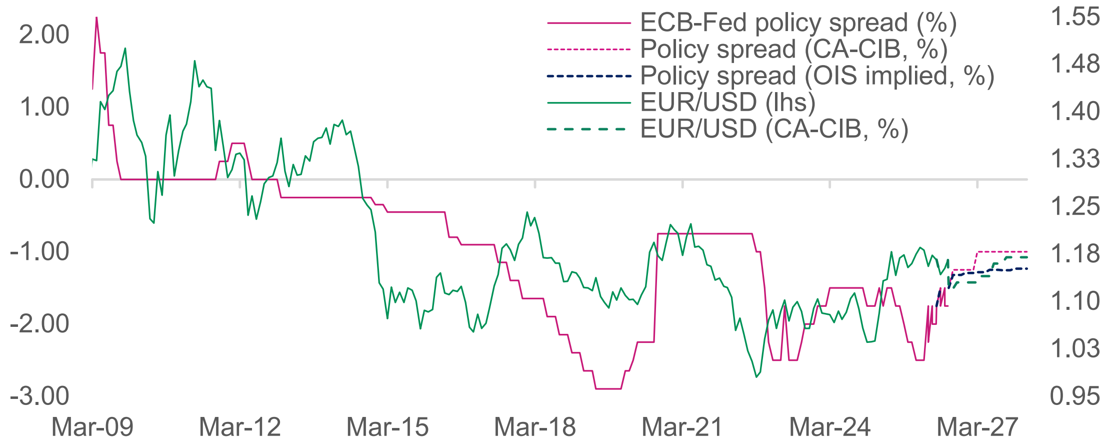
CACIB ECB rate outlook vs market outlook



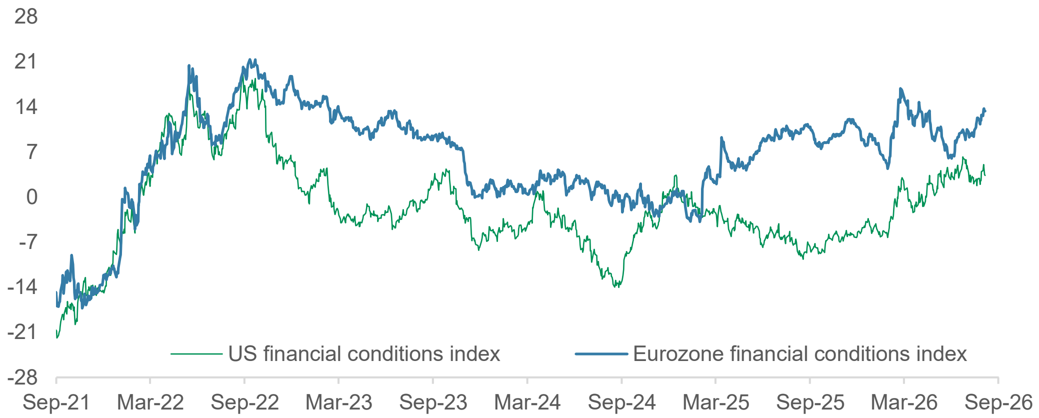
CACIB Fed outlook vs market outlook



EUR/USD vs ECB-Fed policy rate spread and projection

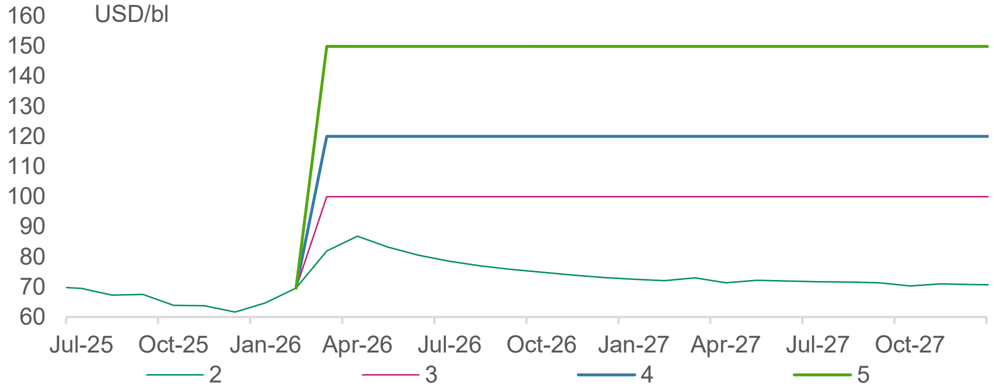


Financial conditions in the Eurozone vs the US

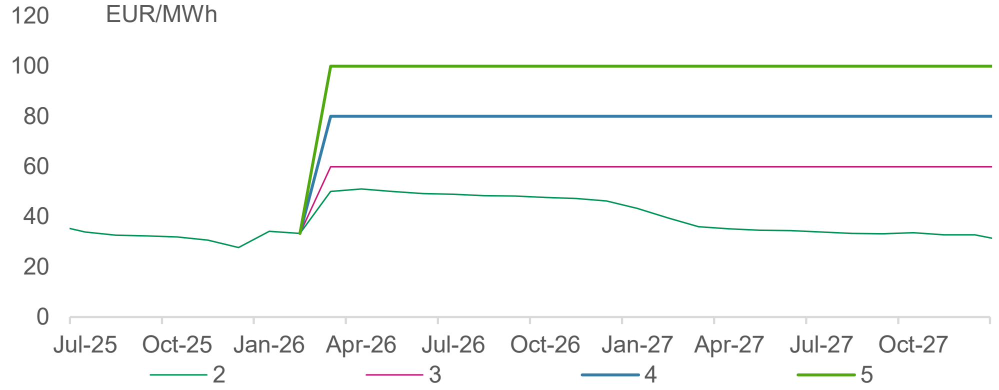


Iran war macro impact on the US and the Eurozone

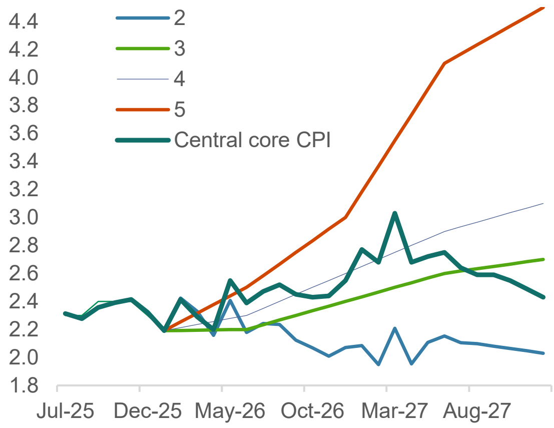
Brent oil price scenarios (scenario 1 = pre-war levels)



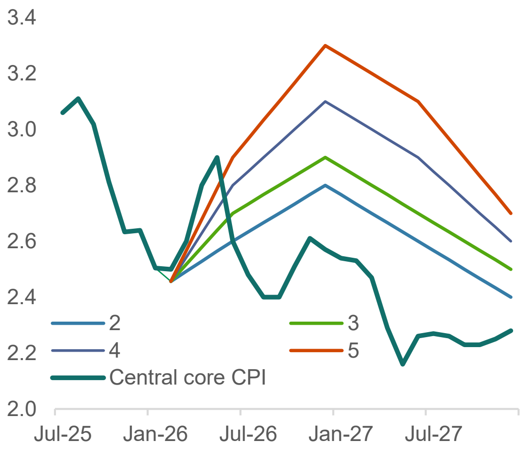
European gas price scenarios (scenario 1 = pre-war levels)



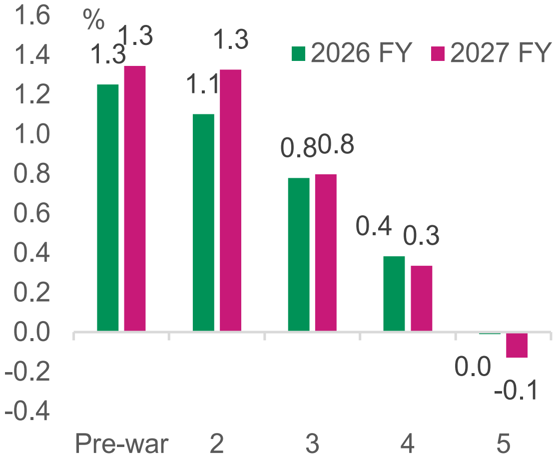
EZ inflation outlook scenarios



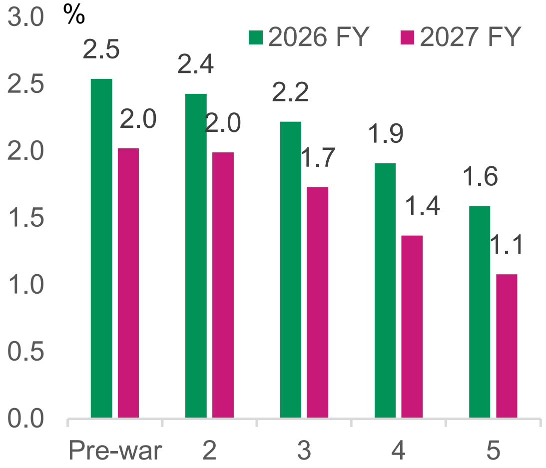
US inflation outlook scenarios



EZ growth outlook scenarios



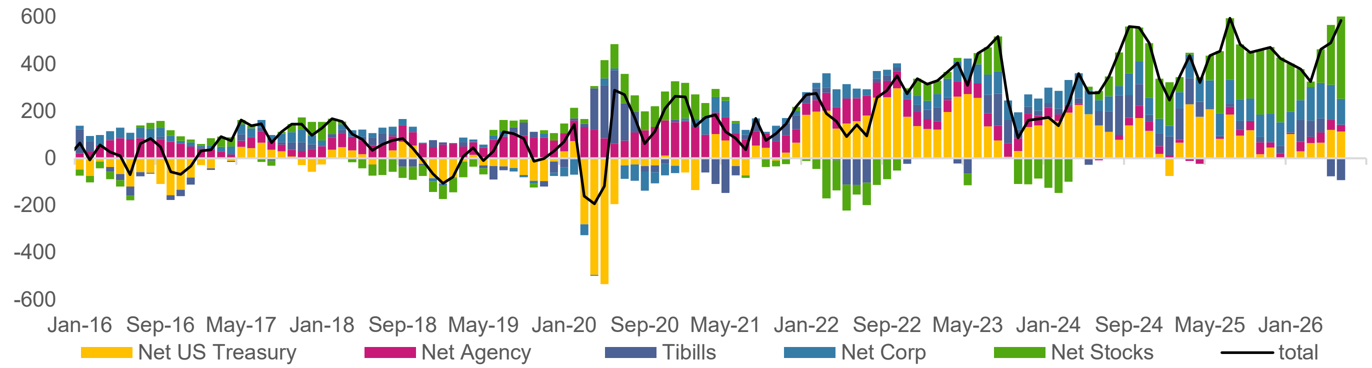
US growth outlook scenarios



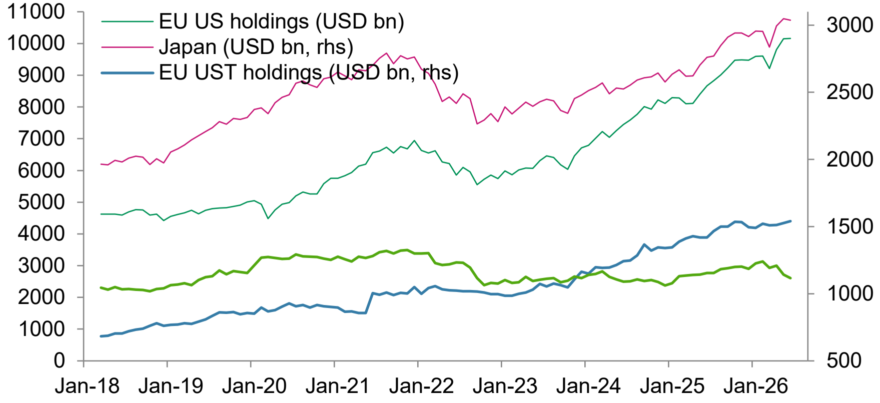
Source all charts: Bloomberg, Crédit Agricole CIB

Net foreign inflows into the US focusing on risk-correlated assets

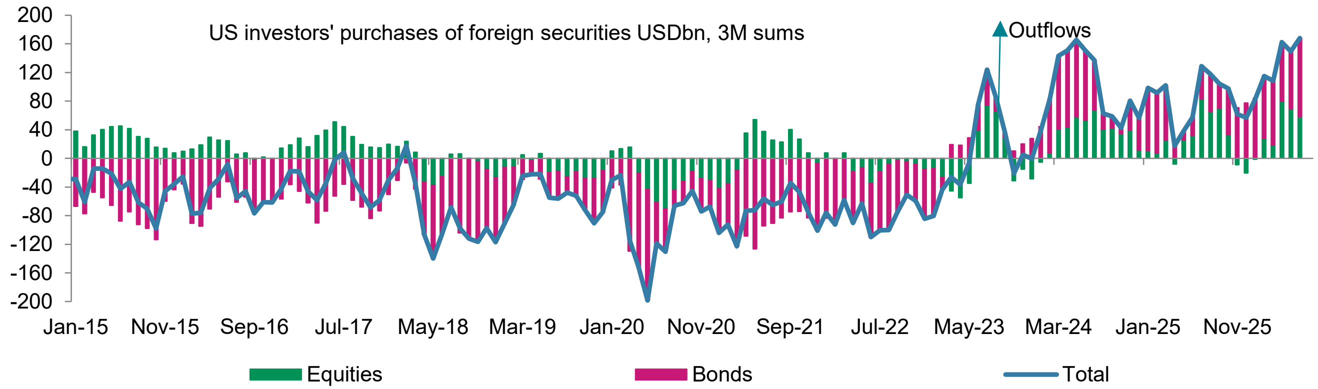
Foreign buying of US assets (USDbn)



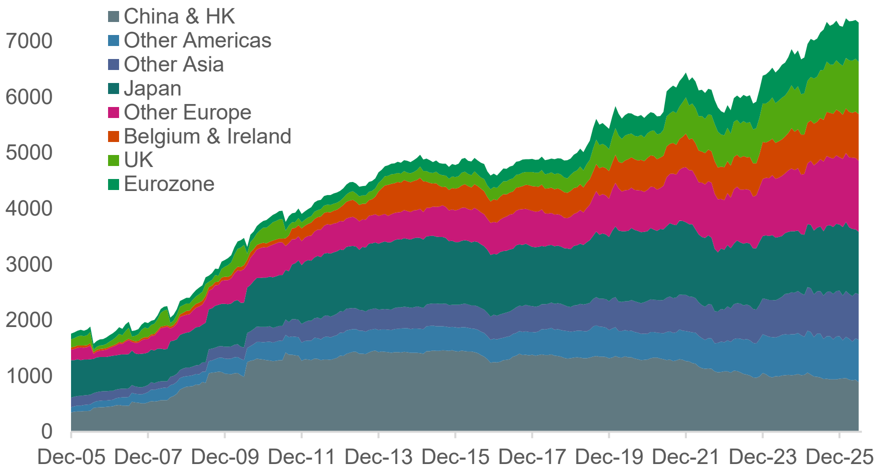
Eurozone and Japanese holdings of US long-term assets



US domestic investors buying of foreign assets (USDbn)



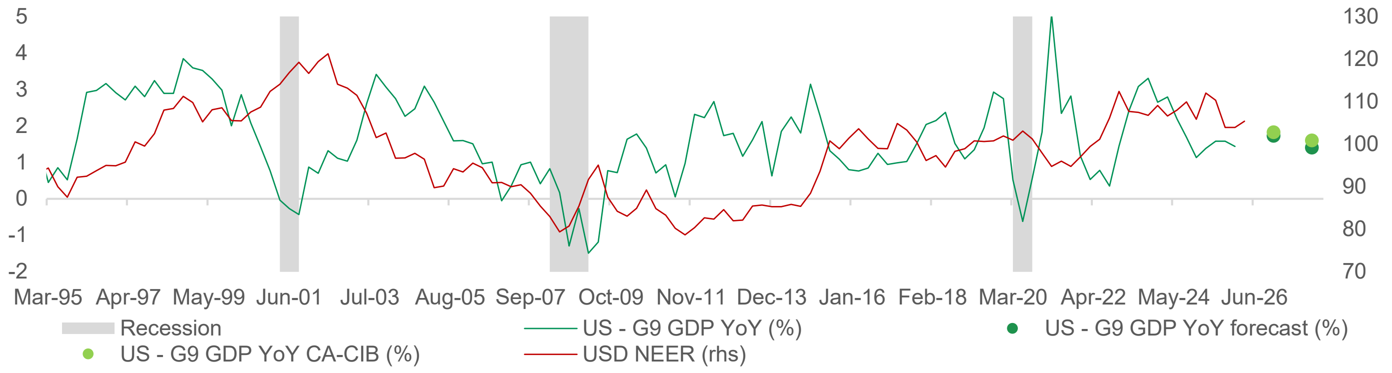
International owners of USTs



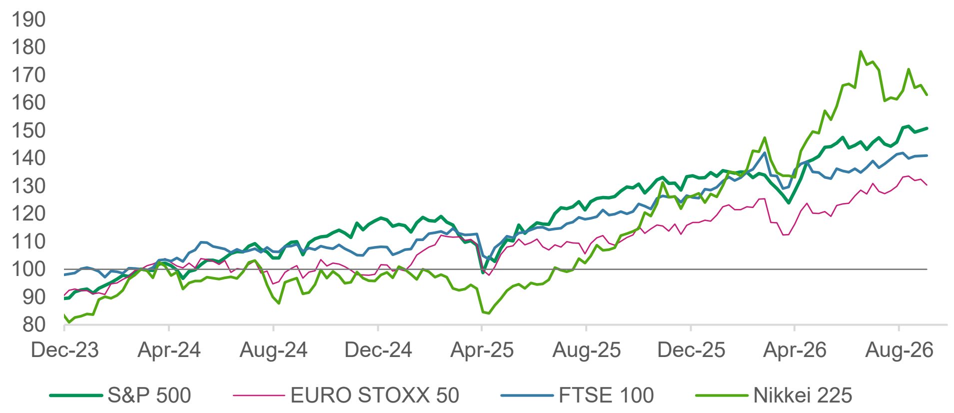
USD: party like it's 1999? (1)

AI-fuelled US growth optimism has attracted record equity and some credit portfolio inflows. A return of FDI inflows could come in 2026 as

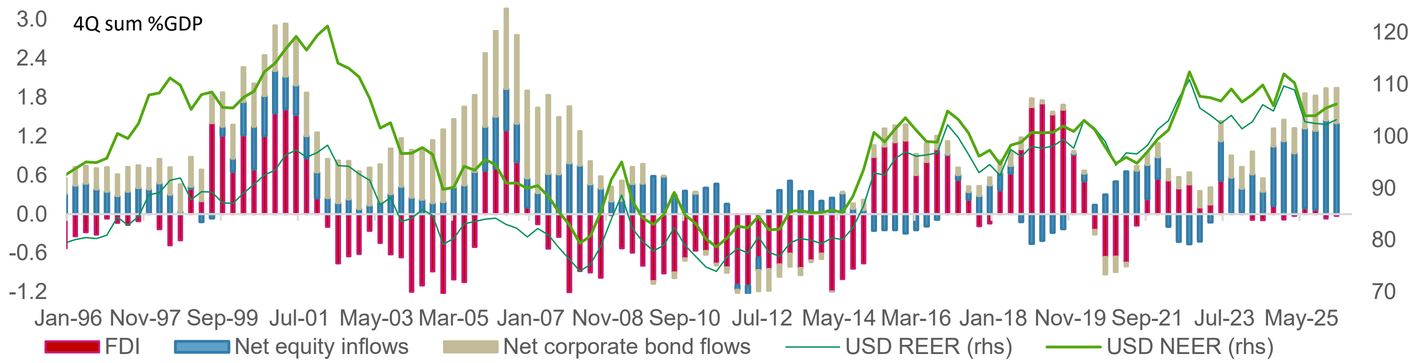
The US growth premium vs the USD NEER



Stock market performance (Mar-24 = 100)



Net equity and credit portfolio flows as well as FDI vs USD NEER

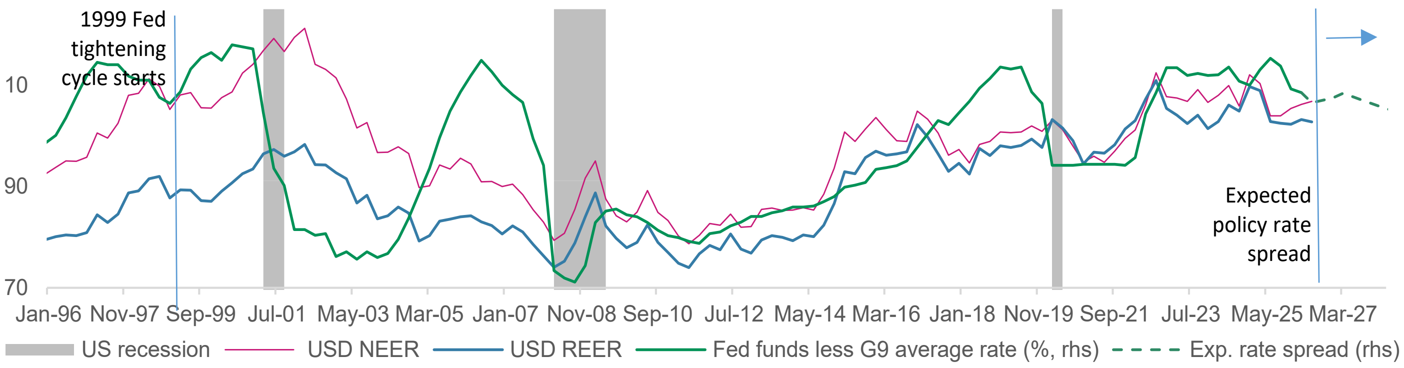


Source all charts: Crédit Agricole CIB, Bloomberg

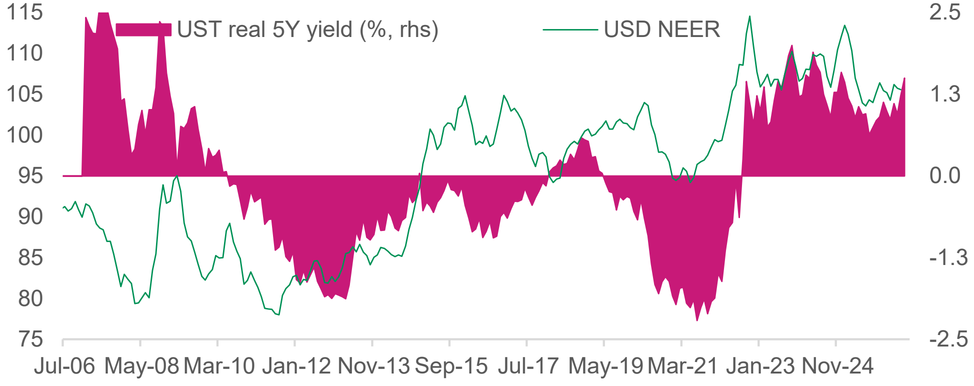
USD: party like it's 1999? (2)

Markets are expecting the Fed to hike but we are unlikely to get a tightening cycle like that in 1999-2000

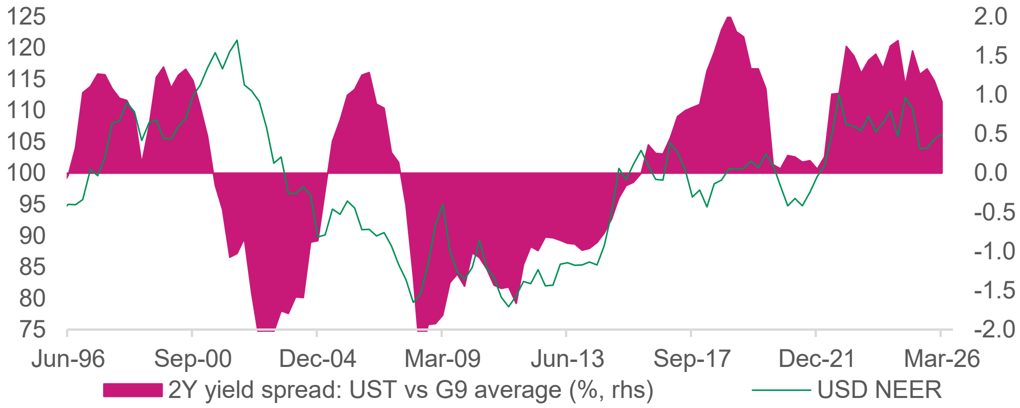
USD NEER and REER vs spread US policy rate vs G10 average



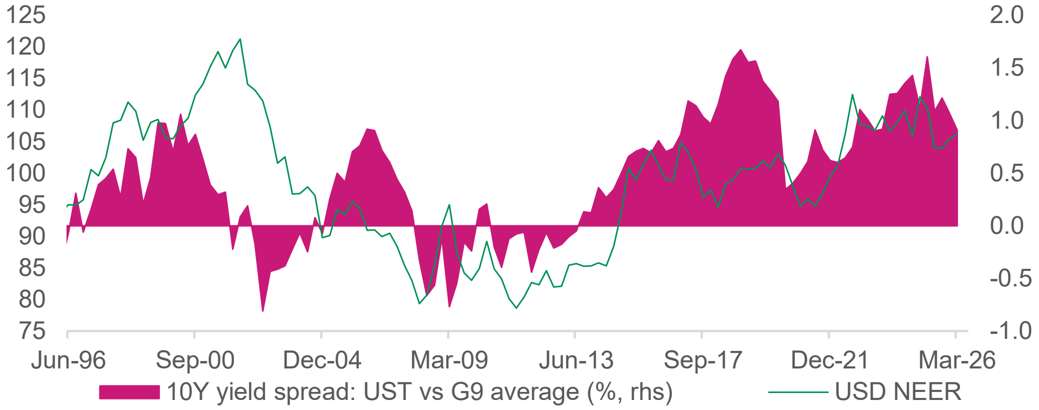
USD NEER vs 5Y US real rate



USD NEER vs spread between 2Y USD rate and G9 average rate

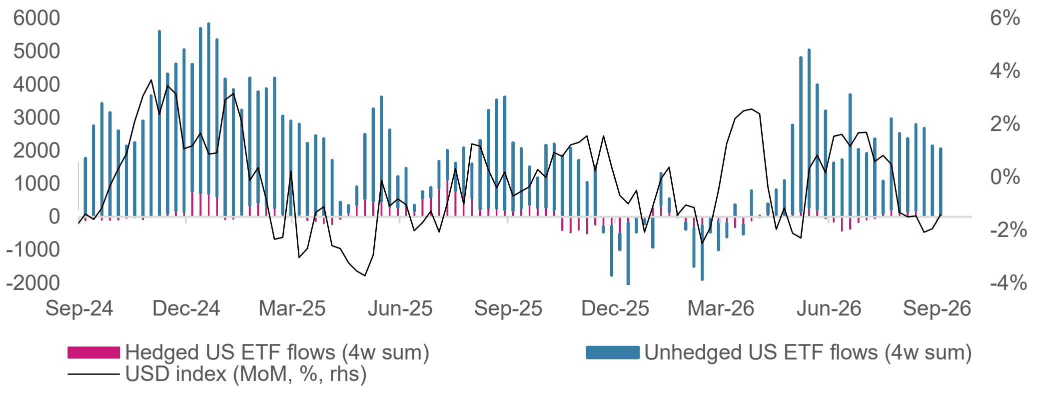


USD NEER vs spread between 10Y USD rate and G9 average rate

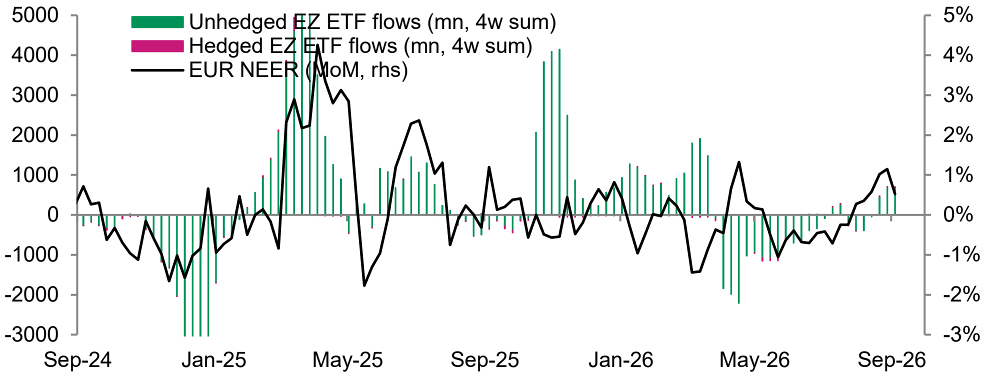


Portfolio, central bank and trade FX flows

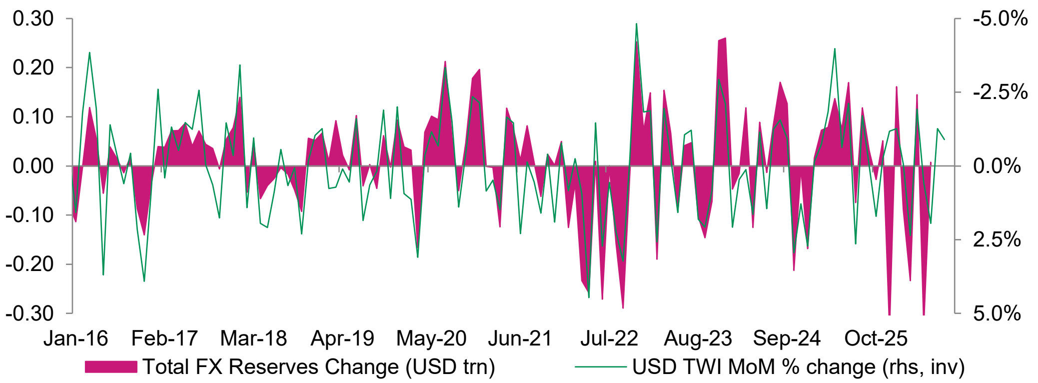
USD change vs (hedged and unhedged) ETF flows



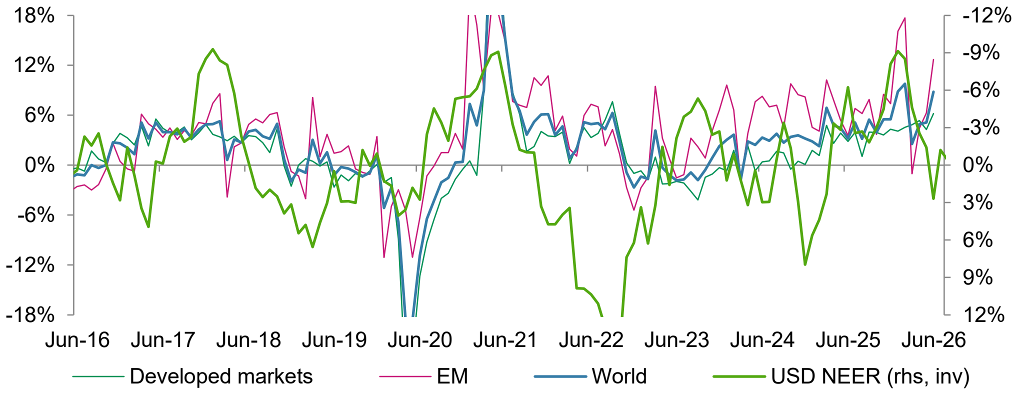
EUR performance vs net flows into Eurozone stock-market ETFs



Changes in central bank FX reserves vs USD returns



Global trade volumes vs USD NEER (YoY change)

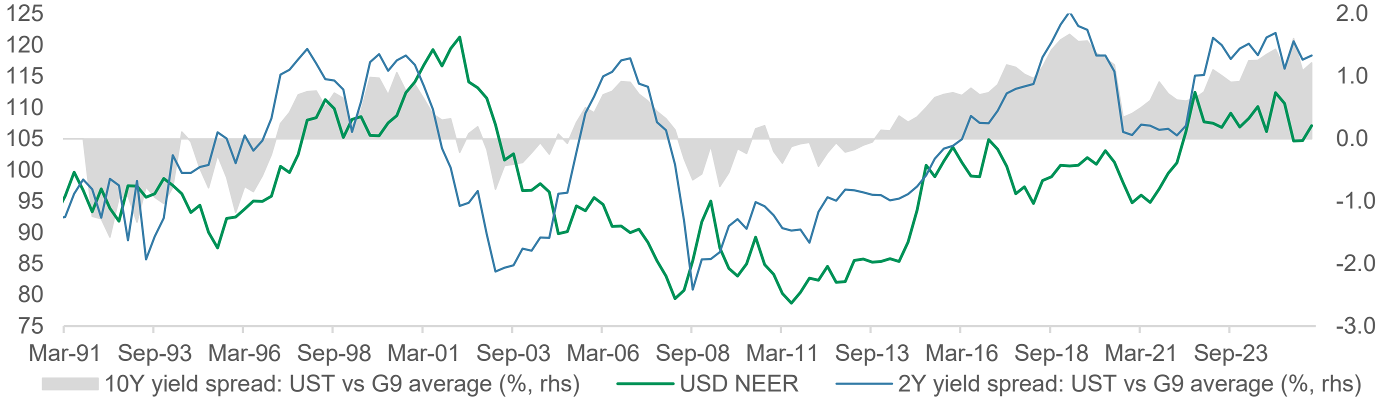


Source all charts: Crédit Agricole CIB,, Bloomberg

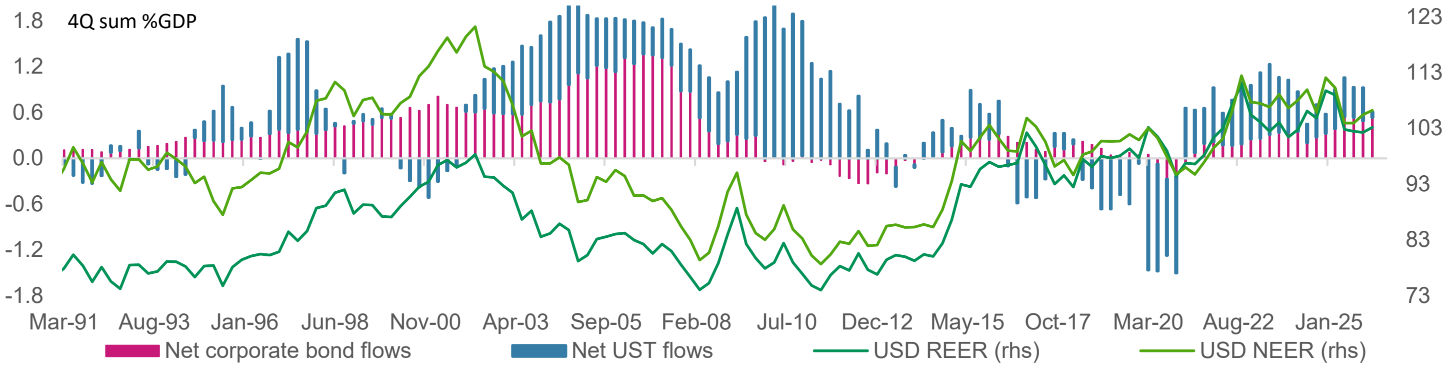
USD: fixed income inflows continue

Relatively flat UST yield curve to continue to make hedged purchases of US fixed income securities too expensive for now

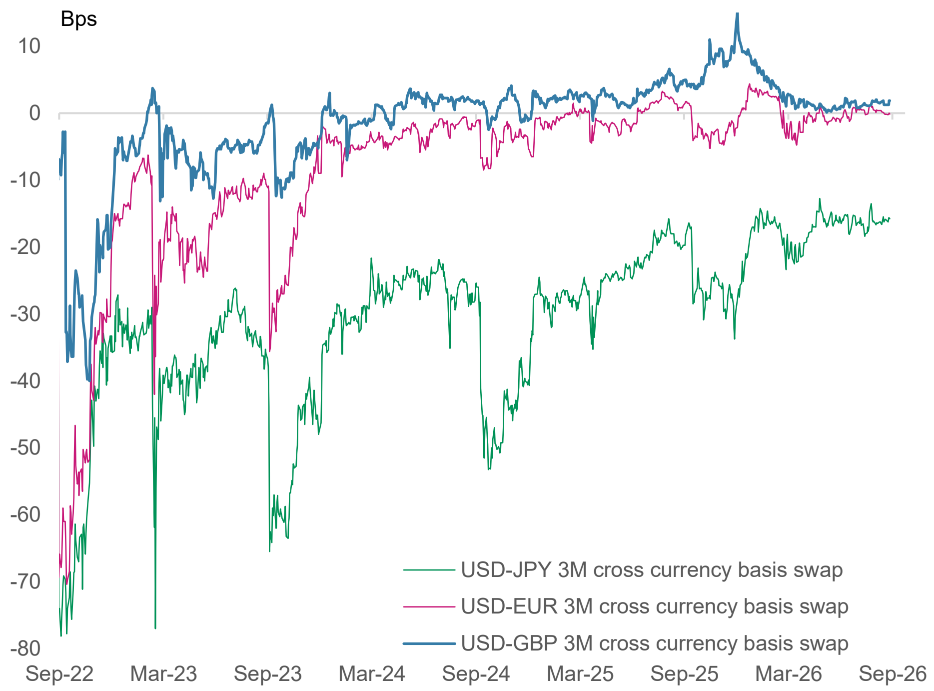
USD NEER vs its yield and rate appeal vs G10. 2Y rate trading above 10Y yield → hedging too expensive for foreign investors



USD NEER vs net portfolio flows into US fixed income markets – unhedged inflows since 2021 gave the USD a boost



Cross-currency basis swaps have signalled falling demand for USD in the forward market – a sign of FX hedging?

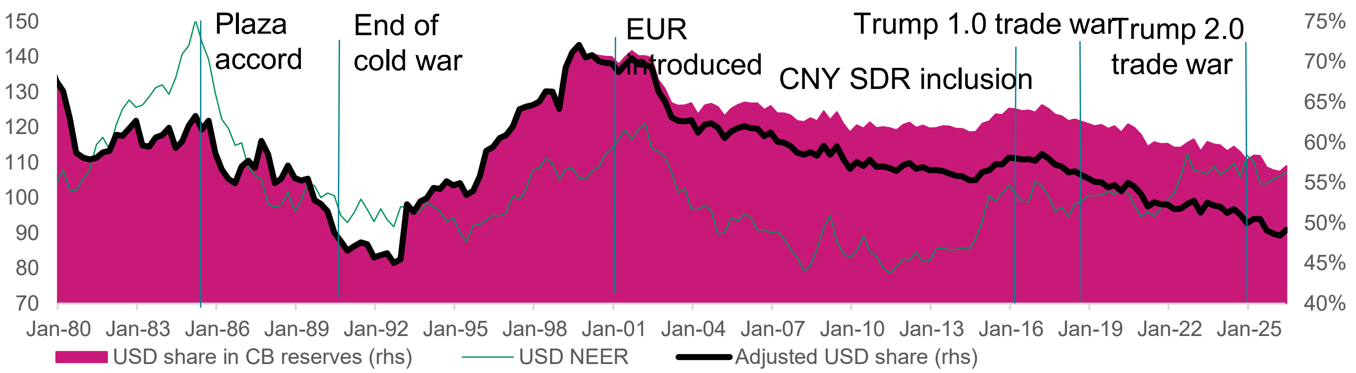


Source all charts: Crédit Agricole CIB, Bloomberg

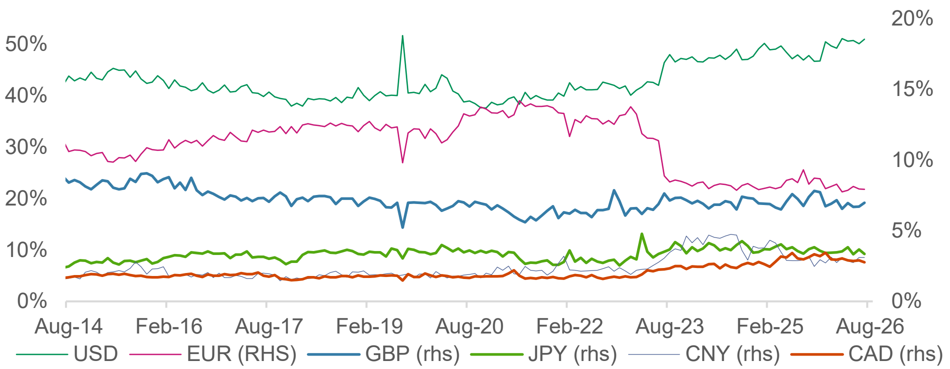
De-dollarisation is still a relevant FX market driver

Are central banks dumping the USD in favour of other currencies? It depends which currencies we are talking about…

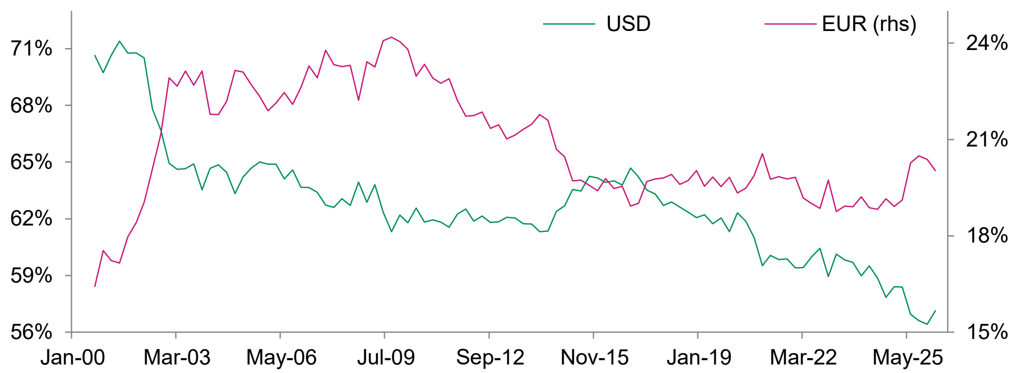
USD share in FX reserves – reported share vs FX valuation-adjusted USD share



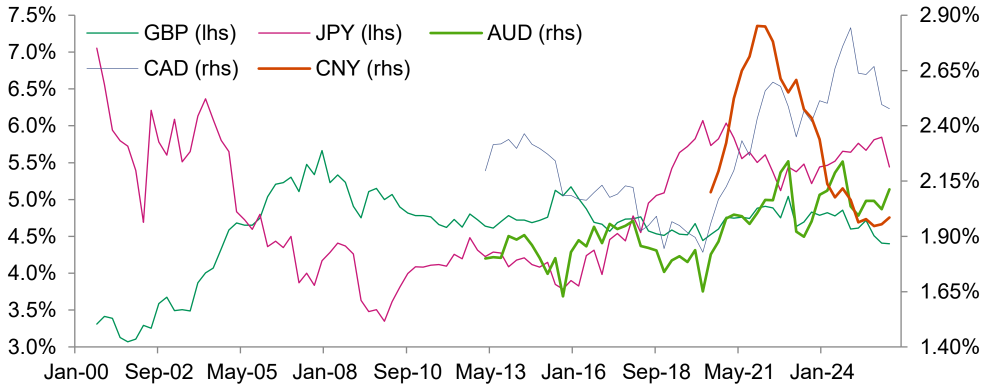
Currency share in SWIFT payments



USD and EUR share in central bank FX reserves



Other major currencies' shares in FX reserves



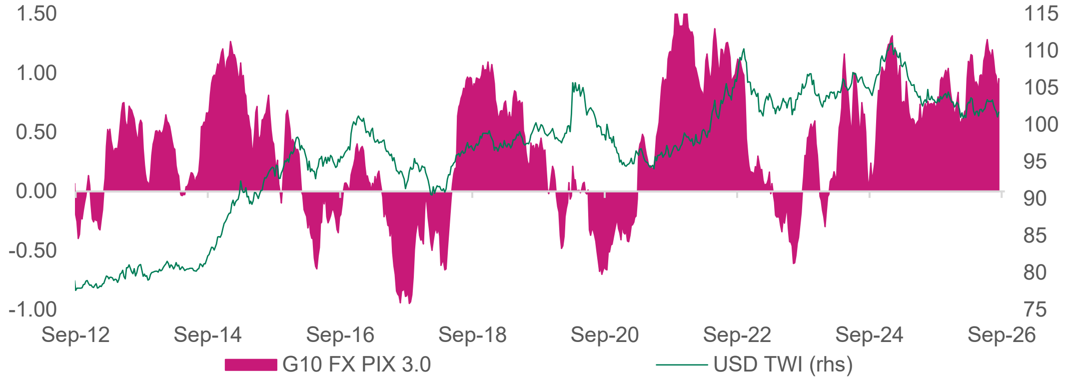
2

USD: still the king

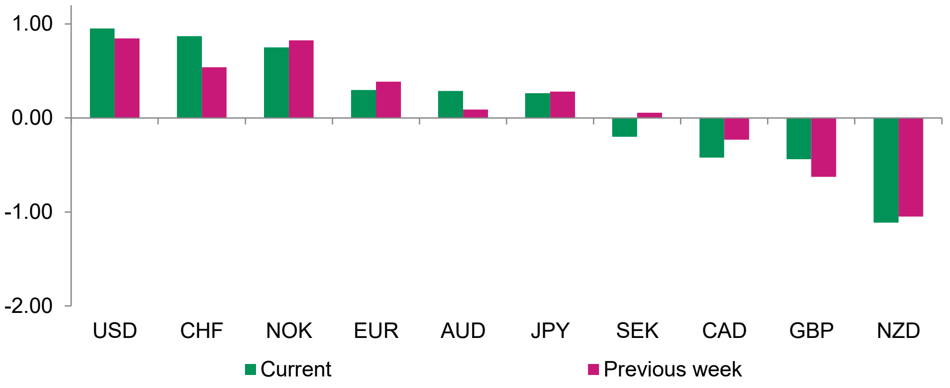
USD: FX positioning and valuation; Trump 2.0 vs 1.0

The USD is still looking overbought and overvalued against several G10 currencies

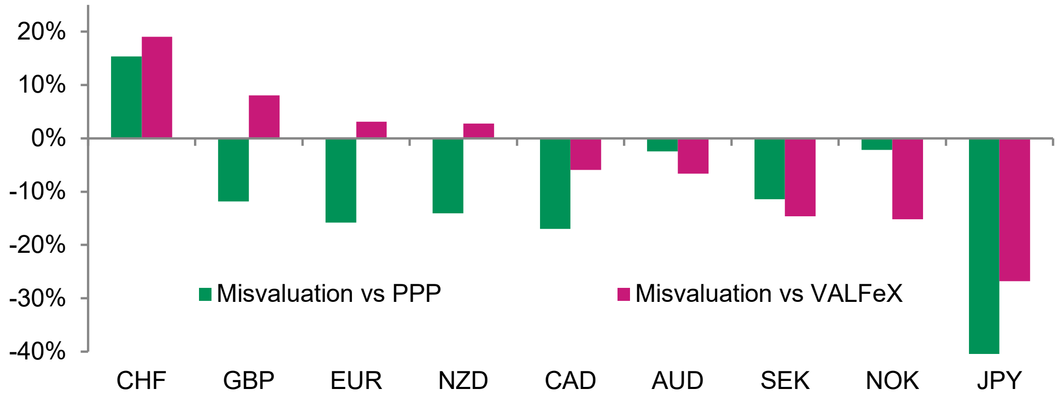
FX market positioning in the USD



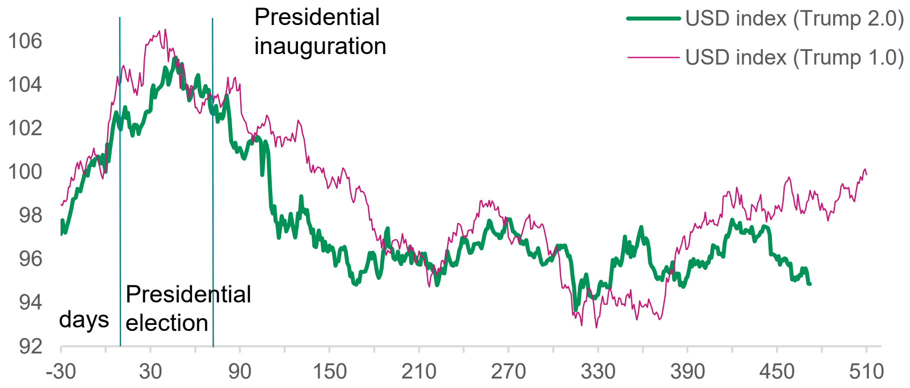
FX market positioning across G10



The USD is looking overvalued against some G10 FX based on our long-term fair value model G10 VALFeX and PPP

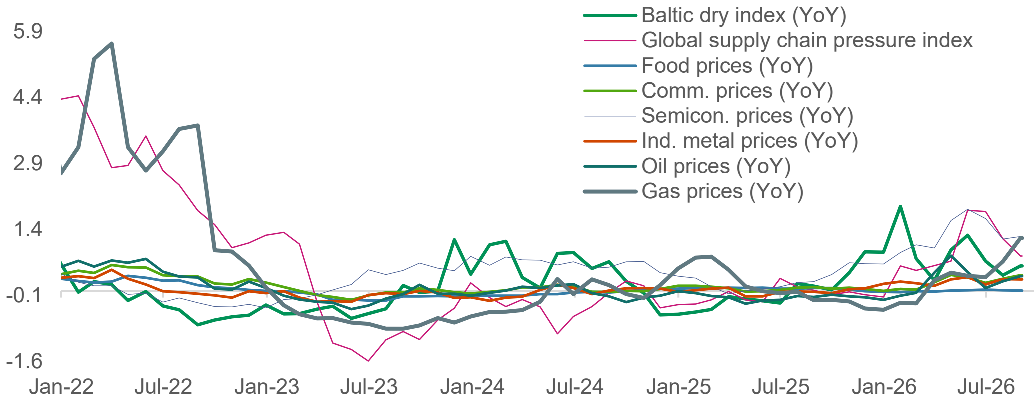


USD index during Trump 1.0 and 2.0

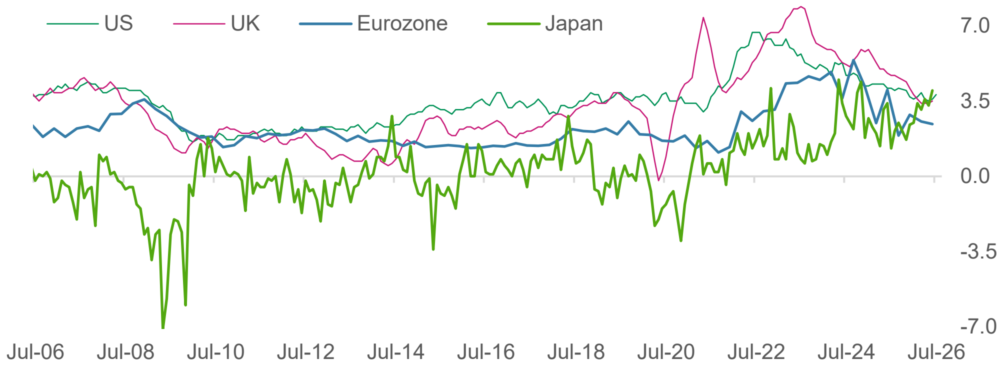


US inflation in 2026, but not in 2027?

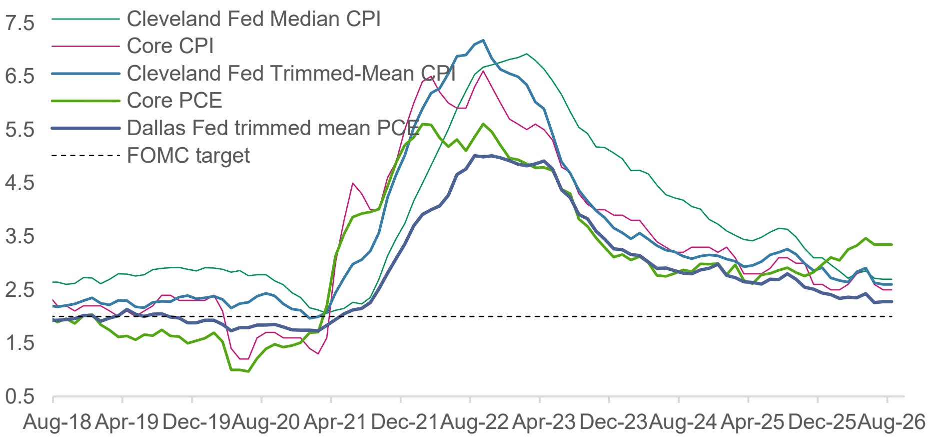
Cost-push inflation returning



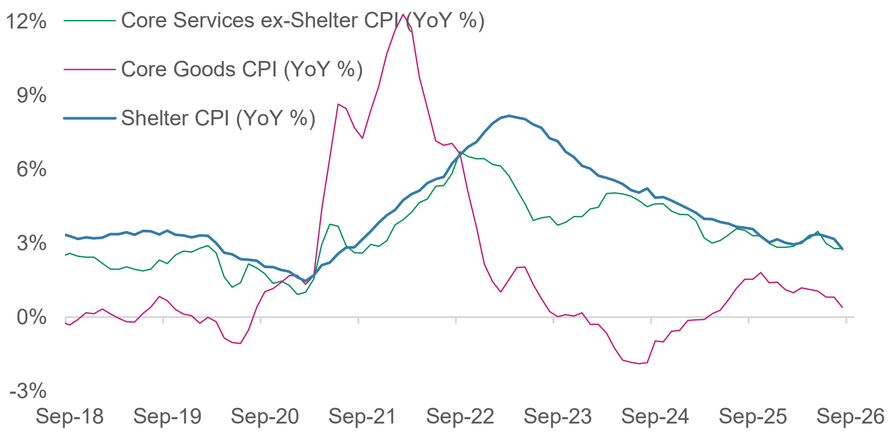
Wage growth is cooling down very gradually (YoY, %)



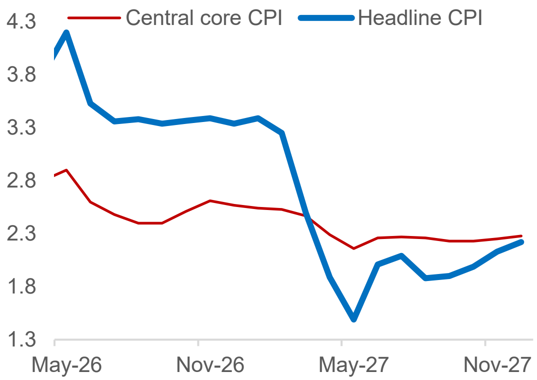
The many inflation gauges the Fed could use (YoY, %)



Core CPI drivers: services stickier, goods prices tame

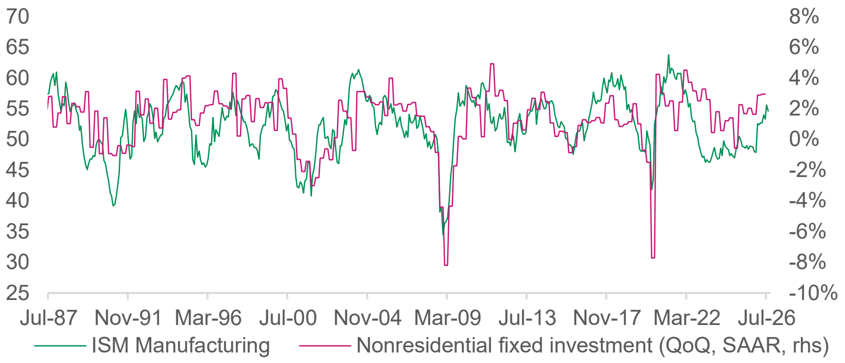


US CPI inflation forecasts

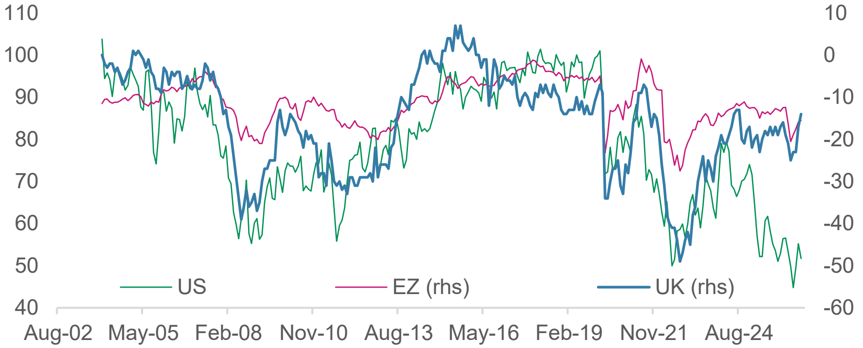


US economy: AI investment boom and a K-shaped recovery

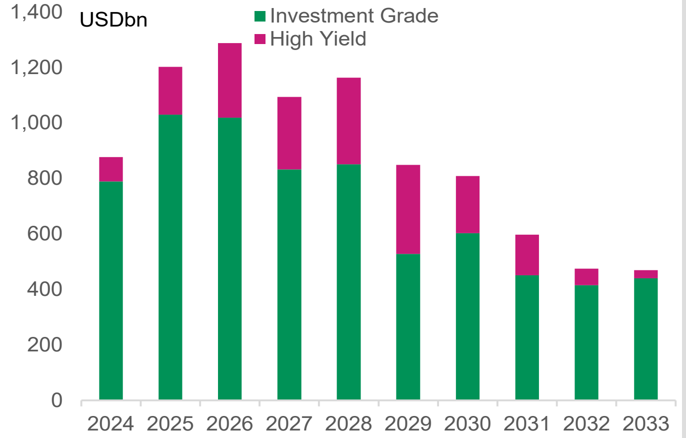
ISM and US investment – can we look beyond AI?



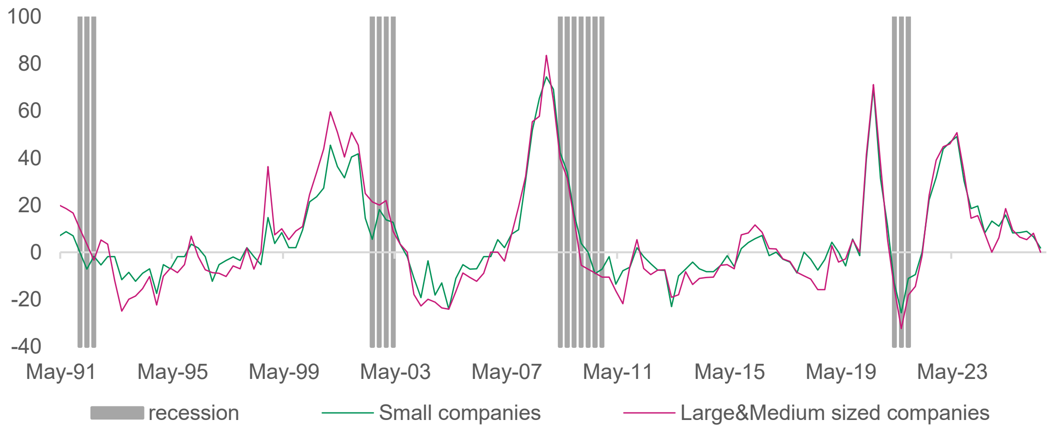
Consumer confidence in the US vs Europe



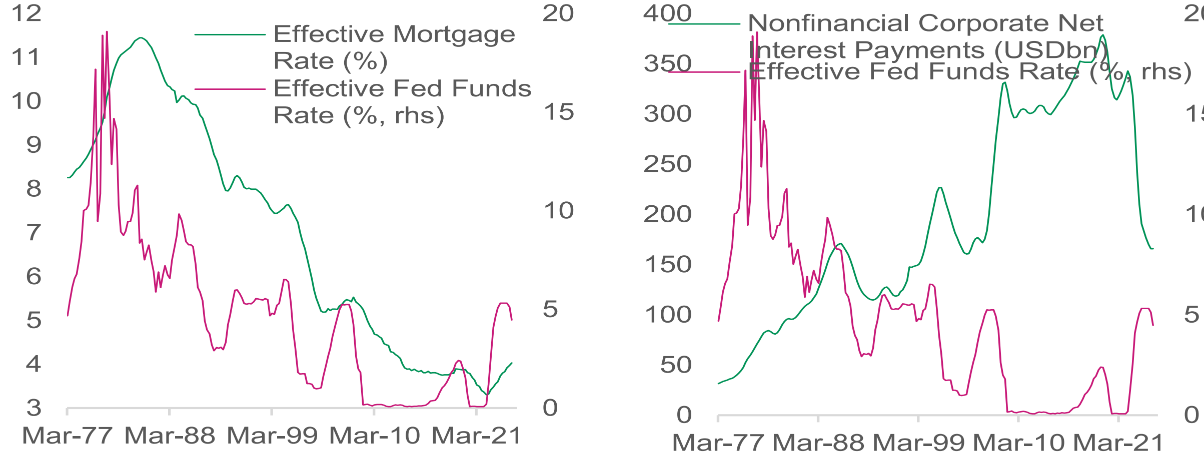
Re-financing needs loom large



Bank lending standards have unexpectedly eased but could tighten again



Many households and corporates locked in low rates



Sources for all charts: Credit Agricole CIB, Bloomberg

3

EUR: collateral damage of geopolitical risks

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

Bloomberg EUR FX forecast ranking

2026, 2025 and 2024

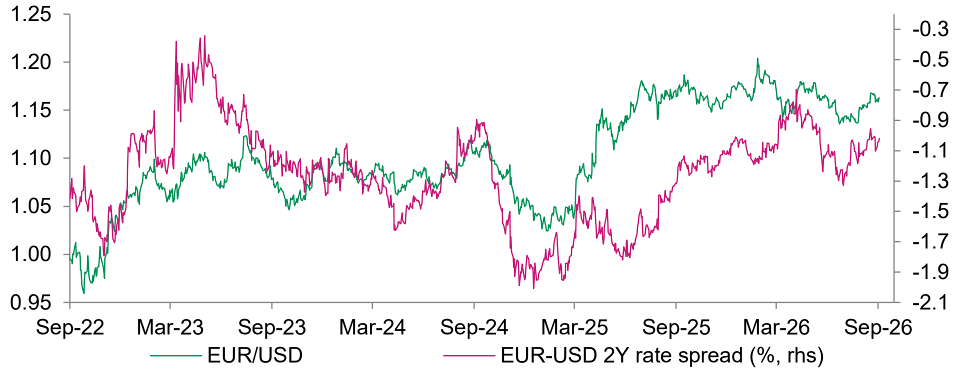
EUR/USD No.1 Q2 2026	EUR/USD No.2 Q1 2026	EUR/USD No.1 Q1 2025	EUR/USD No.1 Q4 2024	EUR/USD No.1 Q2 2024
EUR/GBP No.3 Q2 2025	EUR/GBP No.1 Q1 2025	EUR/GBP No.1 Q4 2024	EUR/GBP No.1 Q3 2024	EUR/GBP No.1 Q2 2024
EUR/CHF No.6 Q2 2025	EUR/CHF No.1 Q1 2025	EUR/CHF No.1 Q4 2024	EUR/CHF No.1 Q3 2024	EUR/CHF No.2 Q2 2024

G10 FX Forecasts No.3 Q2 2025	G10 FX Forecasts No.1 Q1 2025	G10 FX Forecasts No.4 Q4 2024	G10 FX Forecasts No.7 Q2 2024

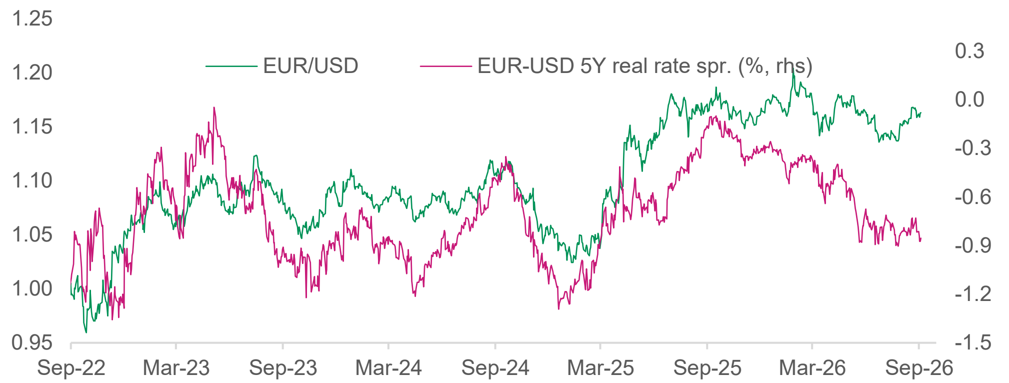
EUR/USD: positives and negatives

EUR/USD has recoupled with the EUR-USD relative rate spreads – both nominal and real

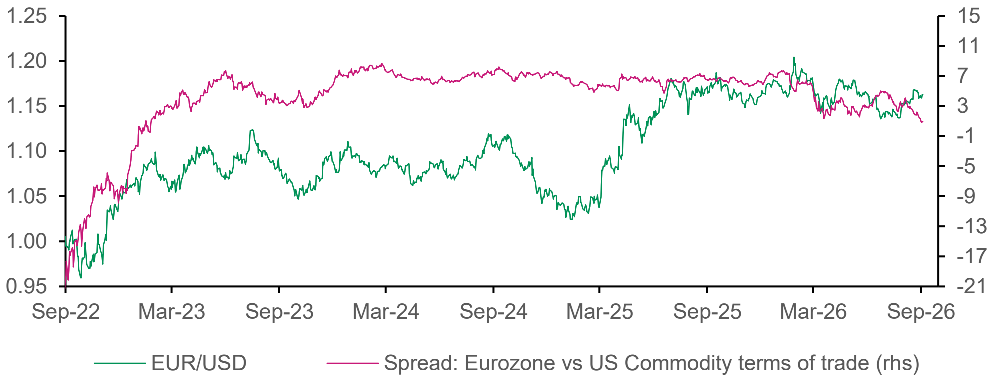
EUR/USD vs EUR-USD rate spread



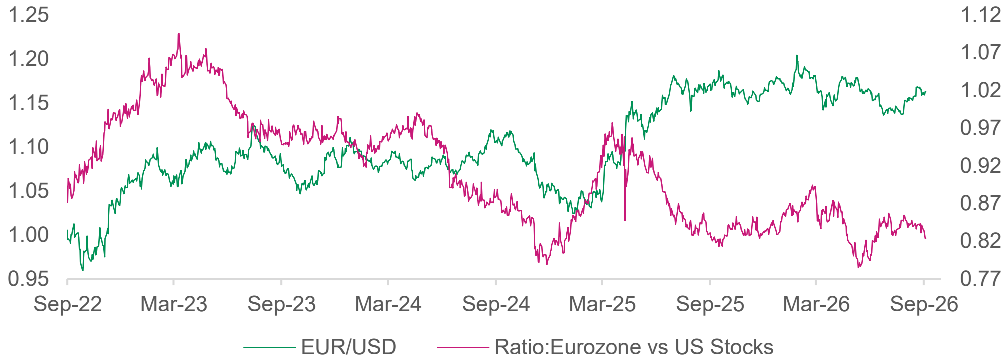
EUR/USD vs EUR-USD real rate spread



EUR/USD vs spread: Eurozone vs US commodity ToT



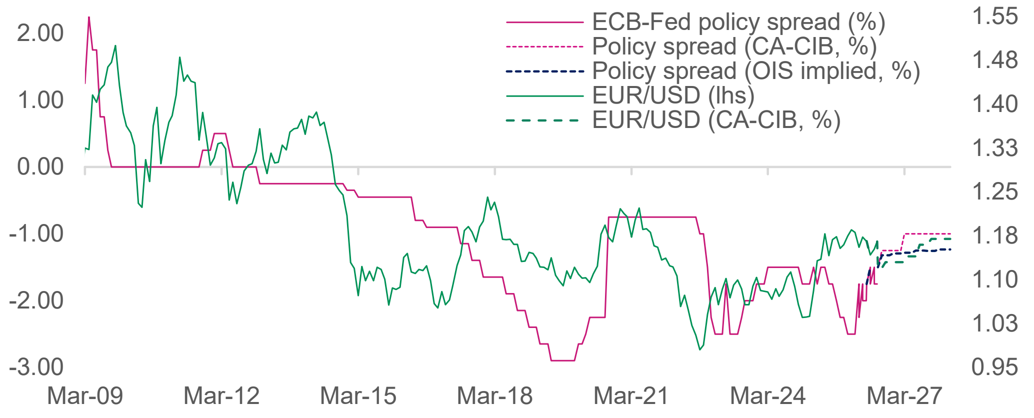
EUR/USD vs ratio between Eurozone and US stocks



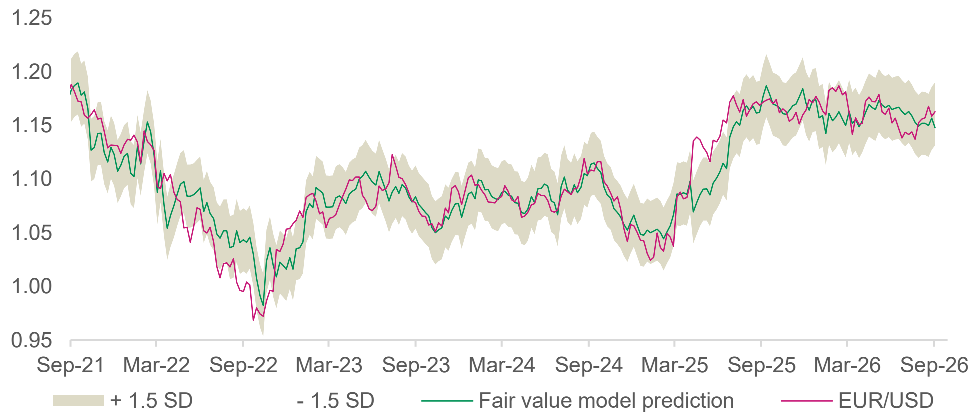
EUR/USD: looking oversold but not a buy just yet

EUR/USD is looking somewhat oversold but should not recover before the EUR-Fed rate spread turns less negative

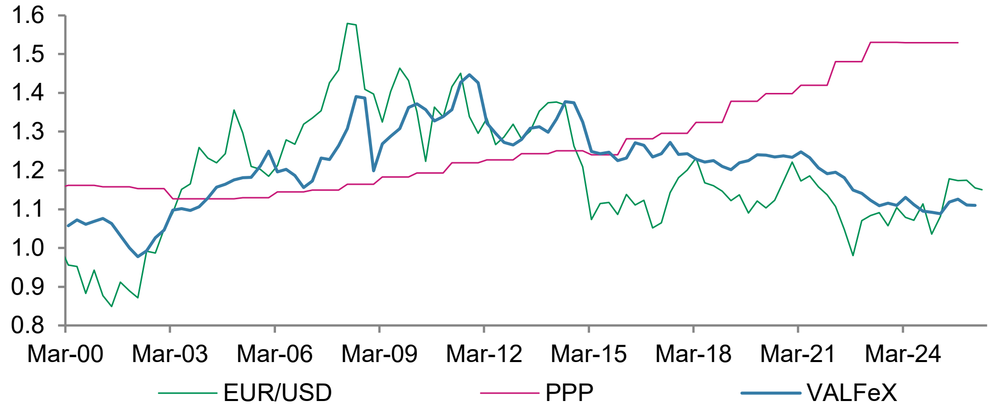
EUR/USD vs ECB-Fed policy rate spread and projection



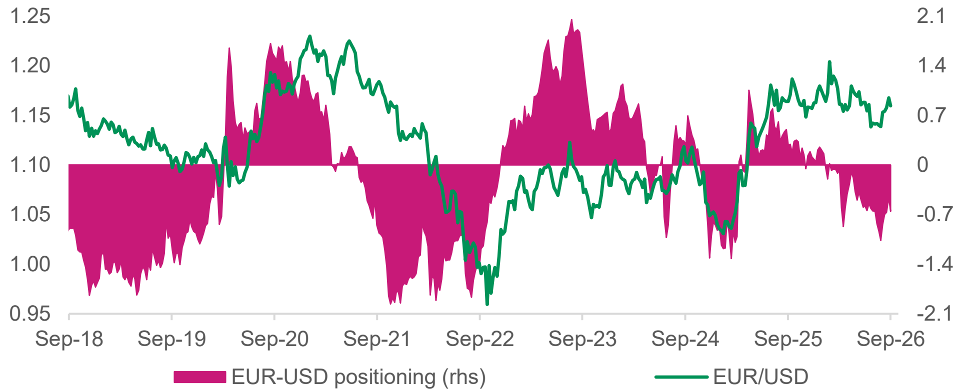
EUR/USD vs EUR/USD fair value model



EUR/USD vs long-term fair value gauges (G10 VALFeX and PPP)



EUR/USD vs relative EUR-USD positioning

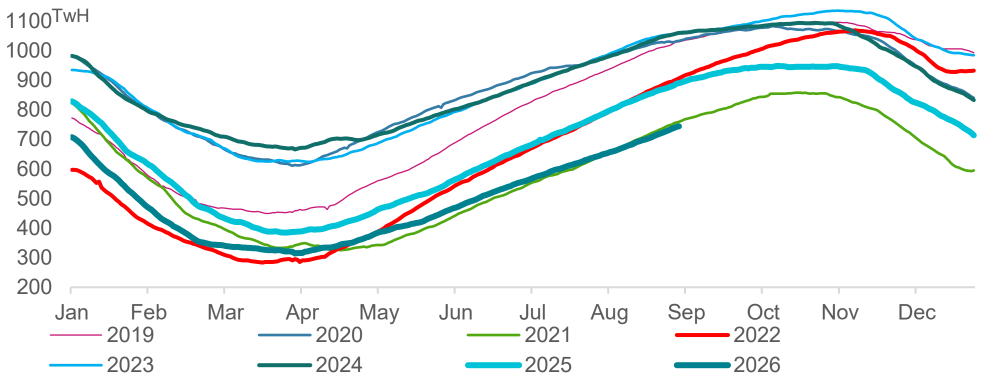


Source all charts: Crédit Agricole, Bloomberg, ECB

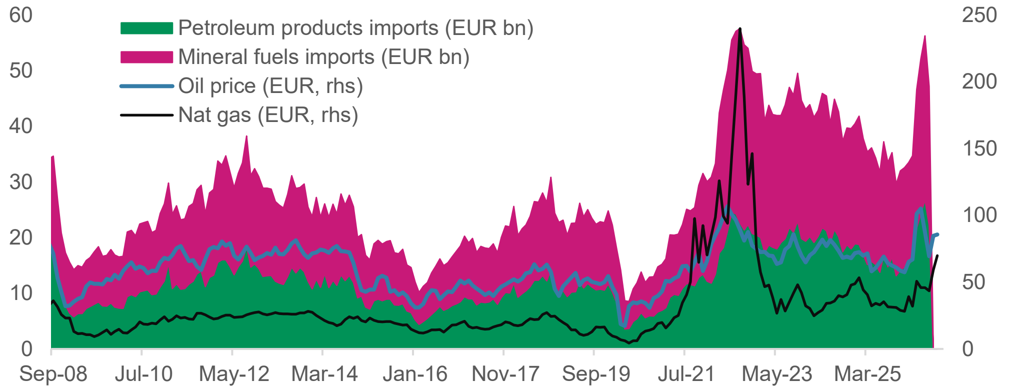
EUR: not a 2022 redux

The war in Iran is proving to be less damaging for the EUR than the war in Ukraine was in 2022

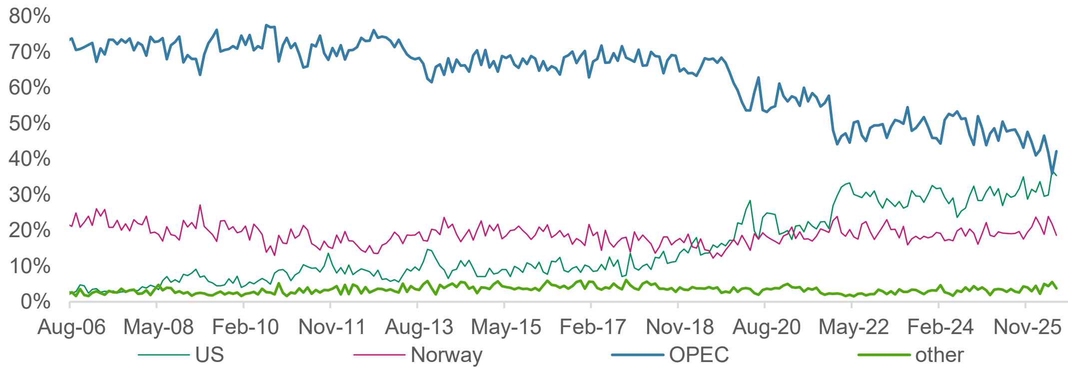
European gas storage levels per month



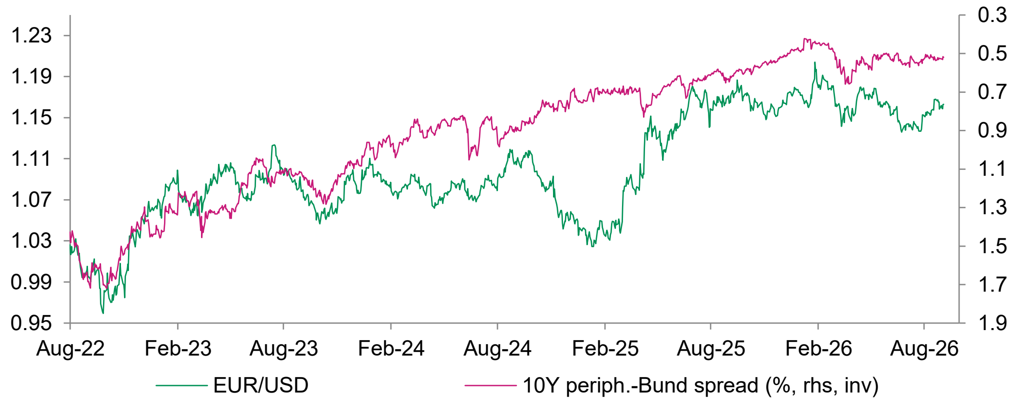
Eurozone energy and petroleum product imports from OPEC, USMCA and Norway vs energy commodities



Share in EU mineral fuel imports (ex-Russia)



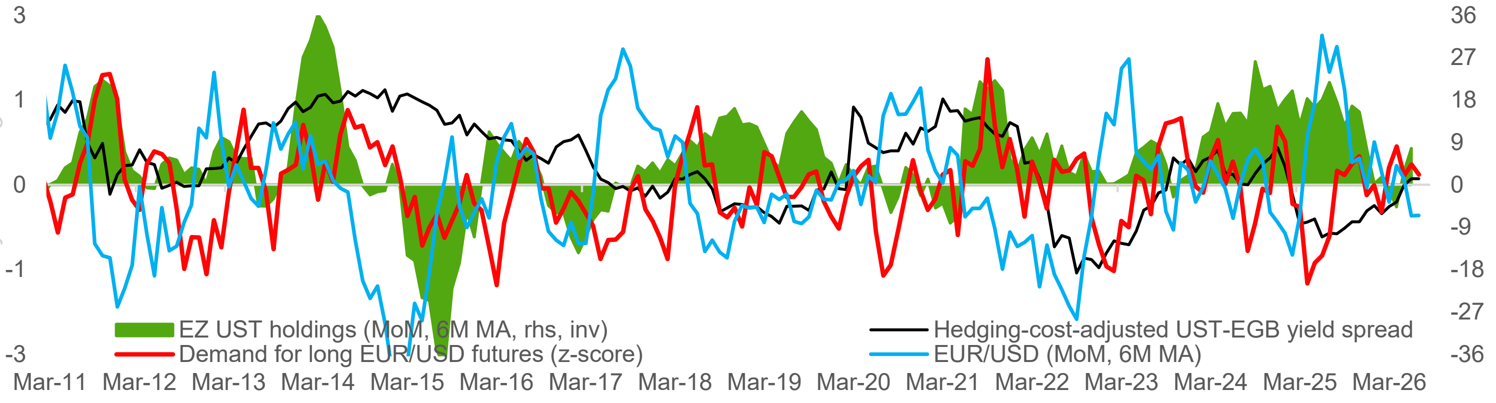
Peripheral spreads to Bund yield vs EUR/USD



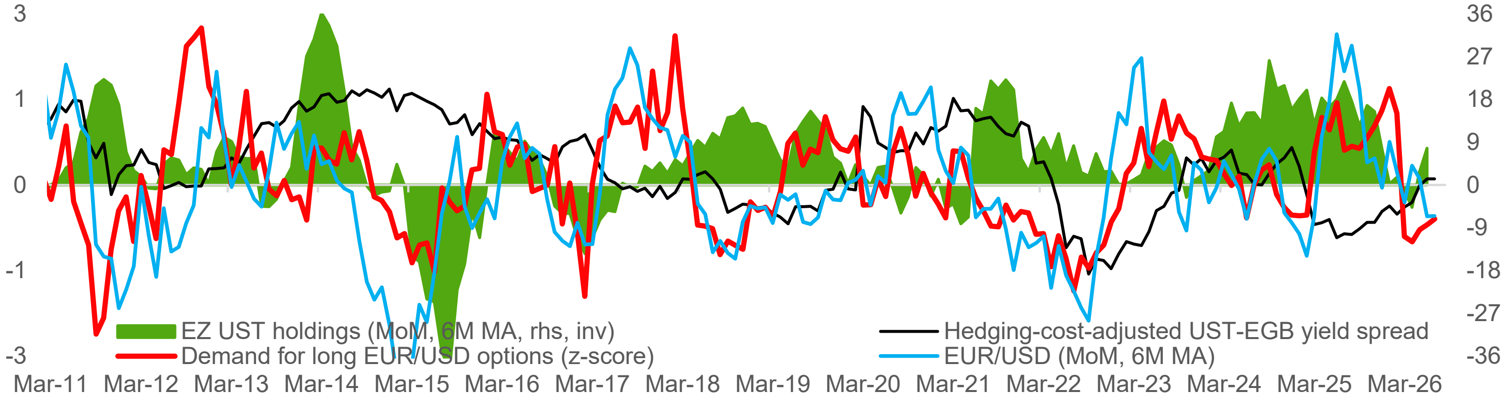
FX hedging – the case of EUR/USD

Future demand for EUR/USD hedges will depend on the FX valuation, net-portfolio and trade flows as well as the cost of hedging

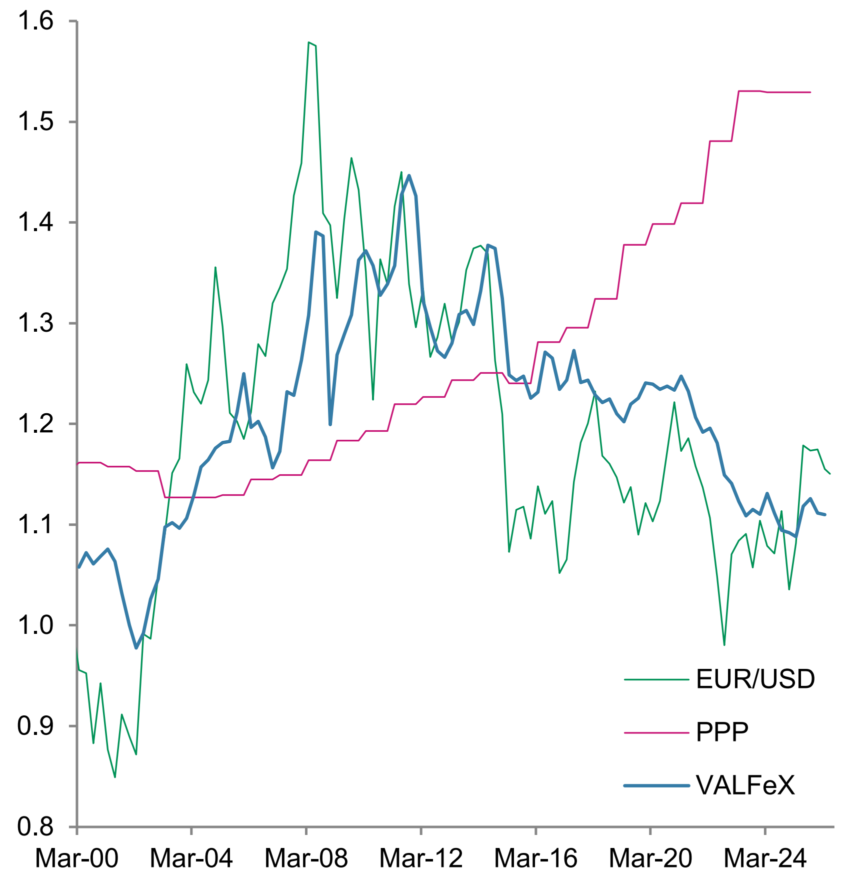
Demand for EUR/USD futures as a function of EUR/USD, net portfolio flows and hedging costs



Demand for EUR/USD options as a function of EUR/USD, net portfolio flows and hedging costs.



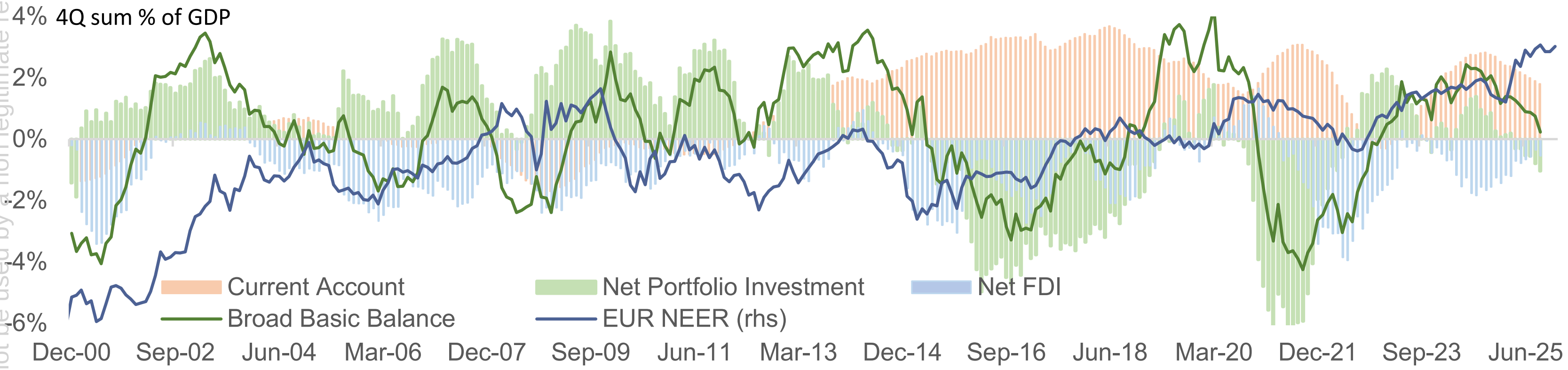
EUR/USD vs long-term fair value gauges



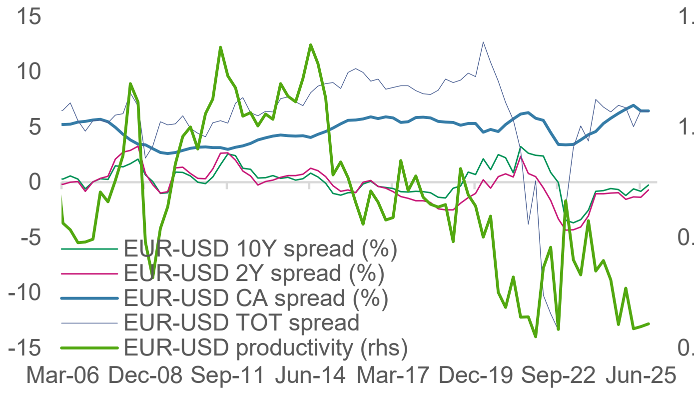
How the new Eurozone growth model could hurt the EUR

Corporate EUR-demand on the crosses vs recycling of Eurozone excess savings by domestic investors

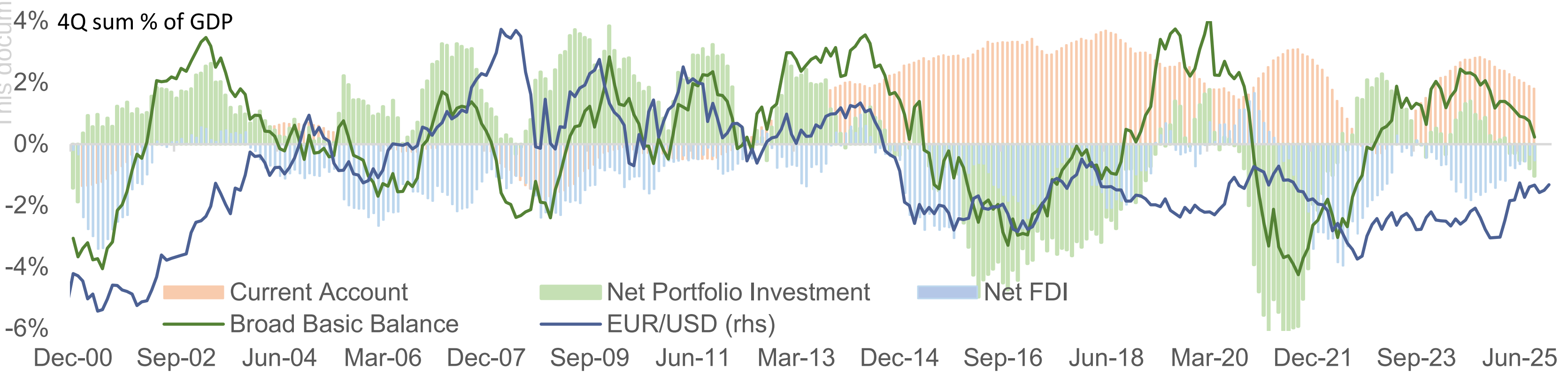
EUR NEER: the emergence of the Eurozone as an export champion fuelled demand for EUR-crosses



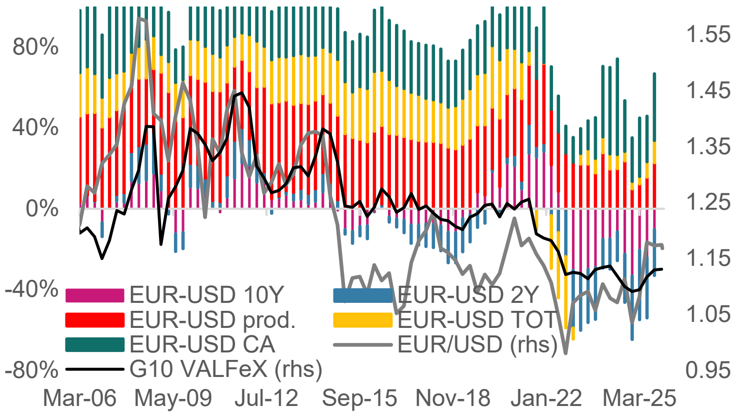
EUR/USD long-term fair value drivers



EUR/USD: the negative impact from the recycling of Eurozone excess savings into the US is the dominant driver



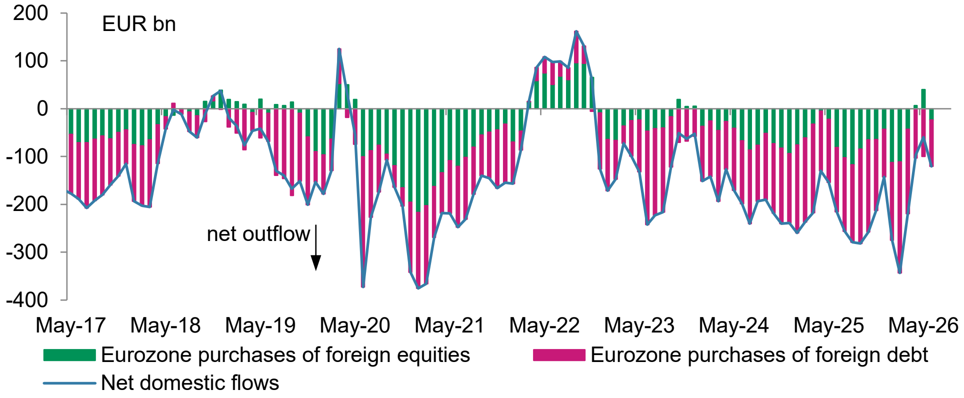
EUR/USD long-term fair value contributors



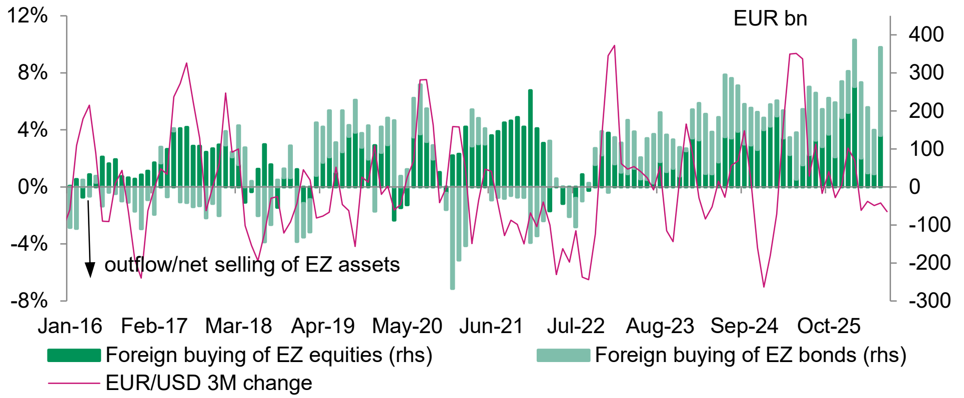
EUR and the BoP: foreign inflows vs domestic outflows

Eurozone net portfolio flows have not supported the EUR

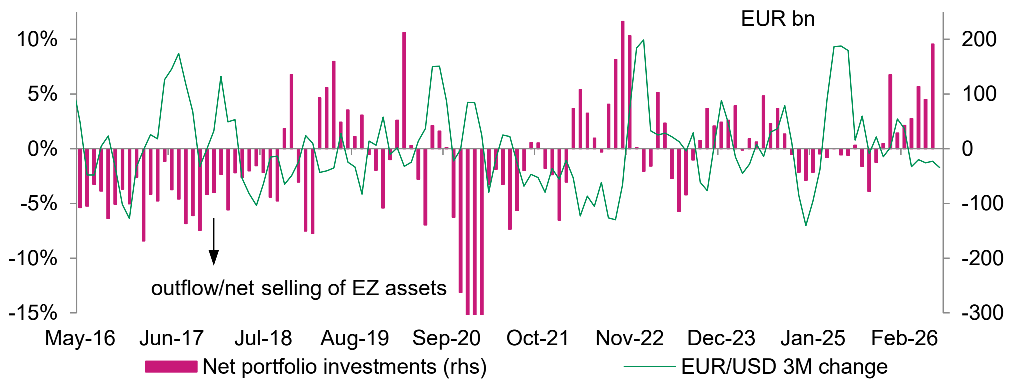
Domestic portfolio flows – persistent outflows



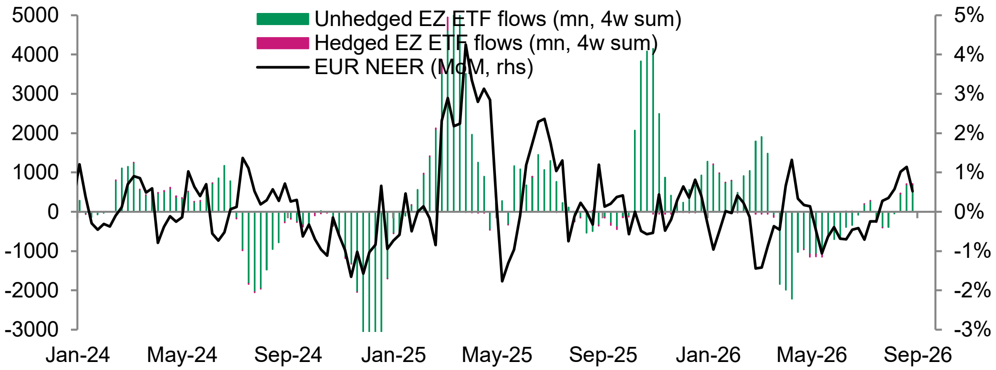
Foreign portfolio flows – renewed inflows



Net portfolio flows and the EUR

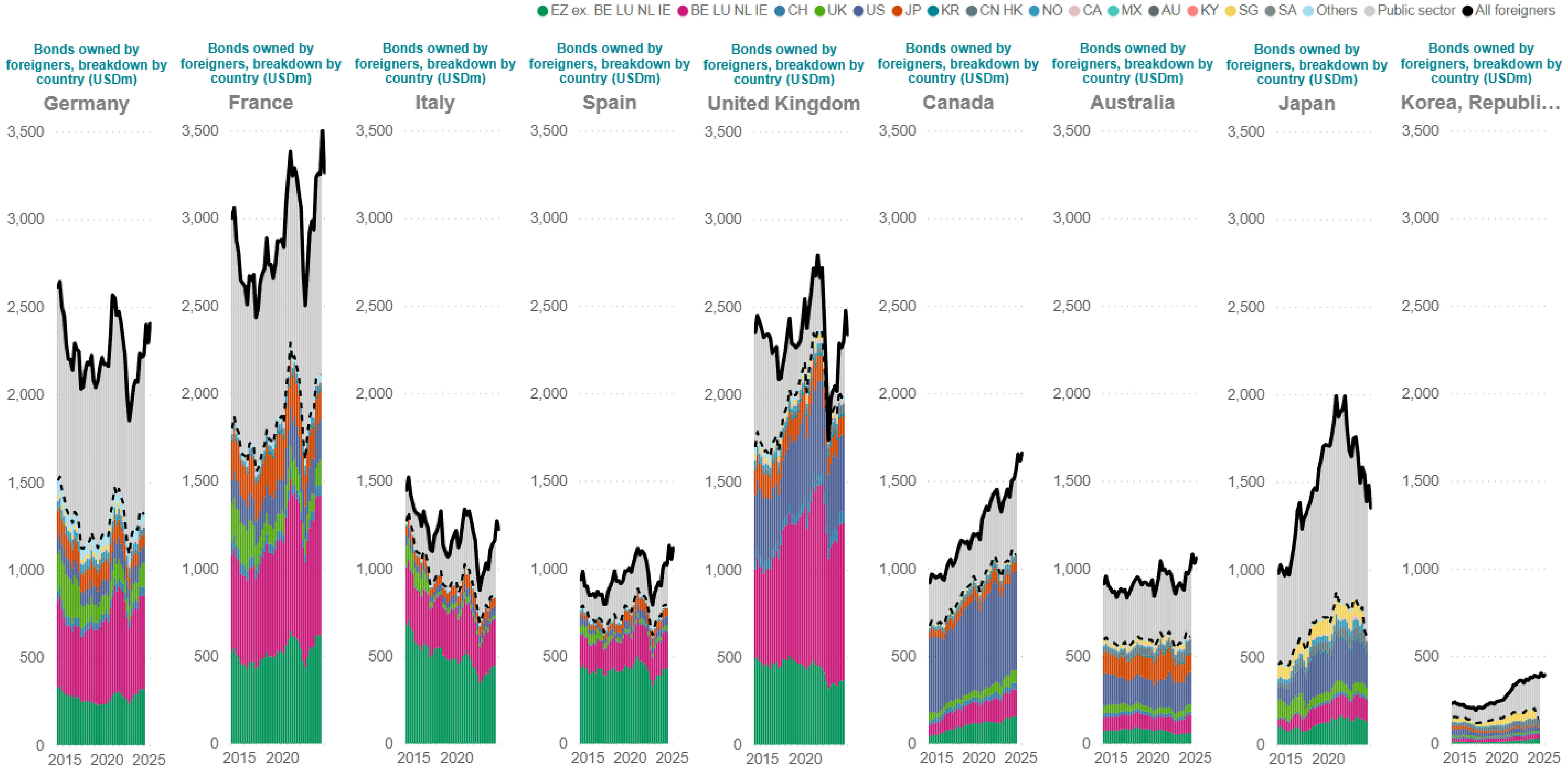


EUR performance vs net flows into Eurozone stock-market ETFs



Source all charts: Bloomberg, Crédit Agricole CIB, ECB

Foreign holdings in each country's bond market



Source: CMIT by Crédit Agricole CIB

How do EUR investors benefit from European fiscal stimulus?

Total weight of iBoxx EUR IG Corporate sectors = 57.4%

EU defence plan
EUR500bn German defence + potential EUR650bn EU countries defence + EUR150bn EU loan

Potential impacts:
- **Boost to European defence industry**
- **Increased military support for Ukraine**
- **Greater European strategic autonomy**

+ Metal & Mining = 0.5%
+ Defence = 0.4%

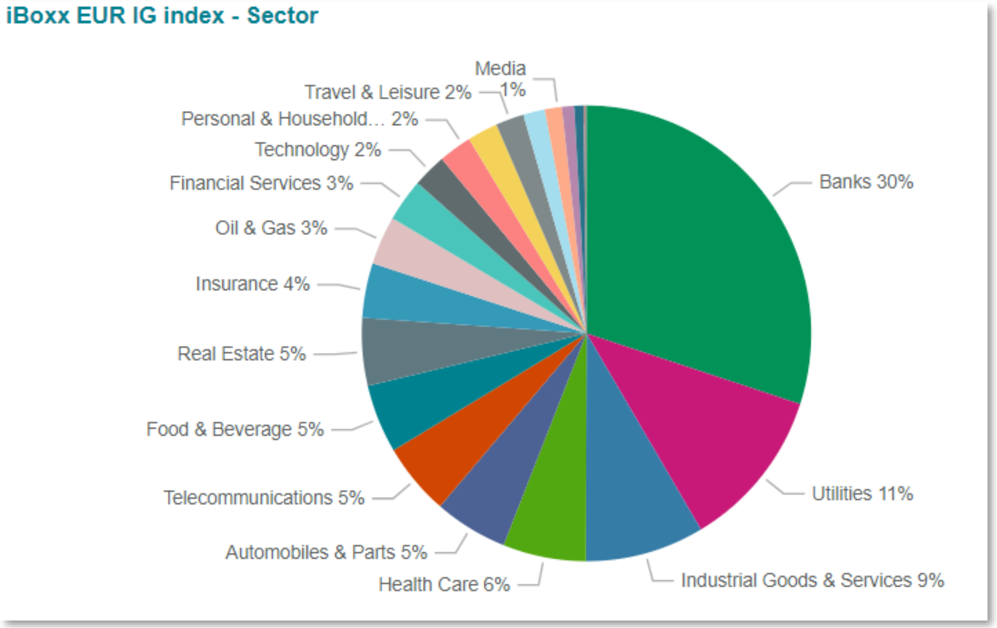
+ Banks = 30%
+ Consumer discretionary = 5%
+ Chemicals = 2%

- Utilities = 11%
- Real Estate = 5%

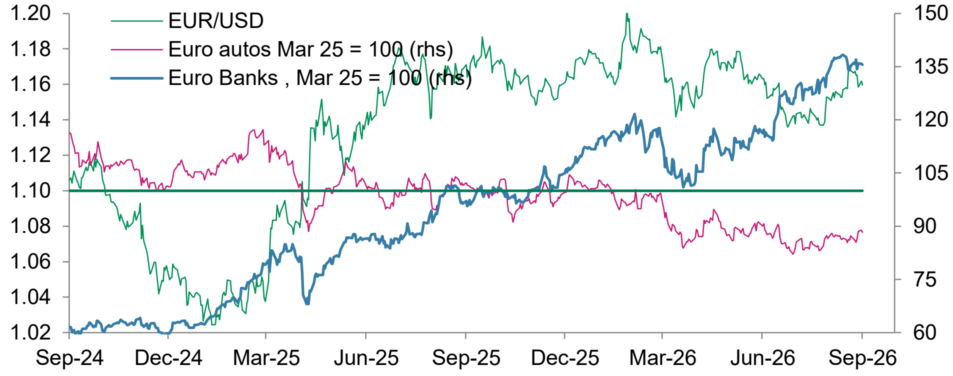
German infrastructure plan
EUR500bn

Key sectors targeted:
Transportation
Energy
Education
Digitalisation

+ Capital goods = 2.0%
+ Construction = 1.0%
+ Building material = 0.5%



EUR/USD vs auto and bank sector performance



Source: CMIT by Crédit Agricole CIB

4

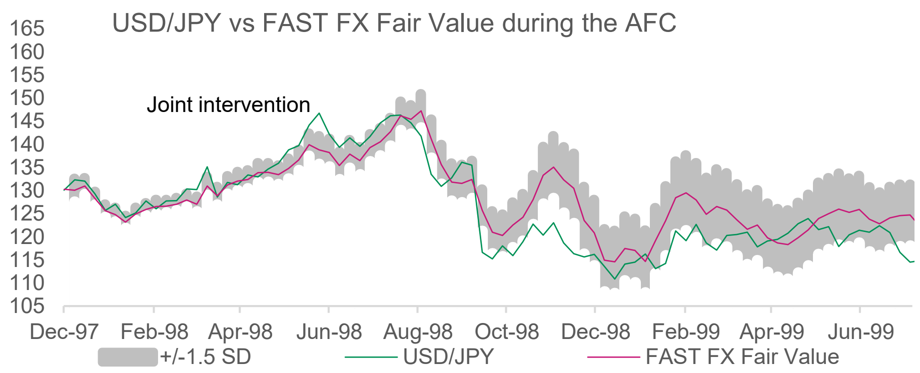
JPY: intervention against all odds… again

JPY: joint US-Japan intervention 1998 Asian Financial crisis

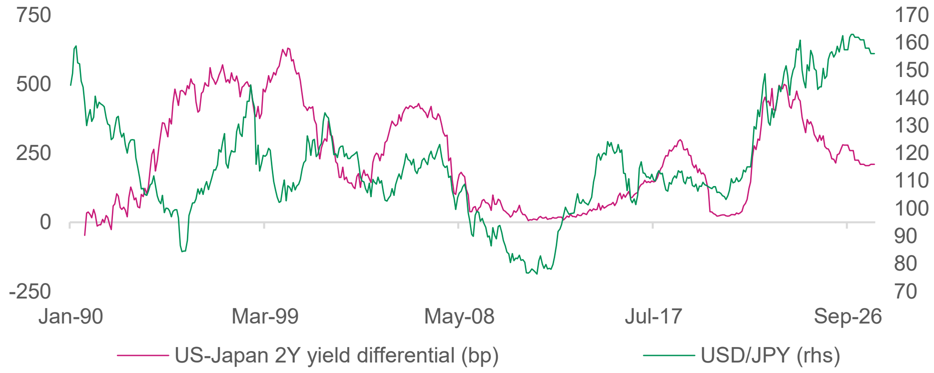
The intervention during the AFC:

- During the June 1998 joint intervention, the US and Japan spent USD4bn buying the JPY leading to an over 5% drop in USD/JPY and kicking off a 10% rally in the Nikkei. Ahead of the intervention USD/JPY traded to nearly 147 and well above its estimated fair value.
- While the intervention was effective in driving USD/JPY back towards fair value, it remained above this fair value for several more months. USD/JPY even exceeded its pre-intervention peak, but importantly USD/JPY was not significantly overvalued vs its fundamentals for the vast majority of that time.
- The fundamentals were still stacked against the JPY with Japan's economy in recession, exposed to the AFC and experiencing significant domestic banking insolvencies. The BoJ was running an ultra-loose policy setting with its policy rate at 0.25-0.50%, in contrast to the Fed restraining a booming US economy with a 5.50% Fed Funds rate. Not surprisingly, JPY-funded carry trades were in vogue.
- It took a dramatic unwinding of these carry trades with the near collapse of LTCM in October 1998 for the JPY to sustain longer-term strength. By early 1999 the BoJ was intervening to sell the JPY to avoid a strong currency adding weight to the weak domestic economy. During this later episode, USD/JPY was significantly undervalued several times.

USD/JPY was overvalued ahead of the US-Japan joint intervention in 1998



The US-Japan yield gap was driving USD/JPY higher during the AFC

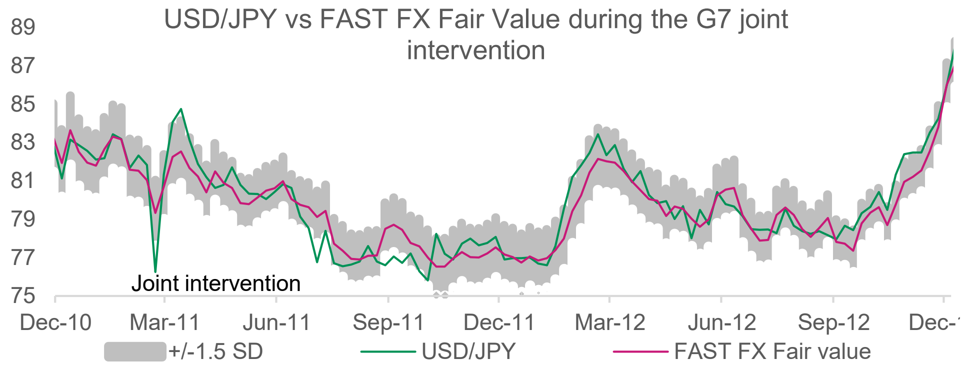


JPY: G7 joint intervention - 2011 Tohoku earthquake & Tsunami

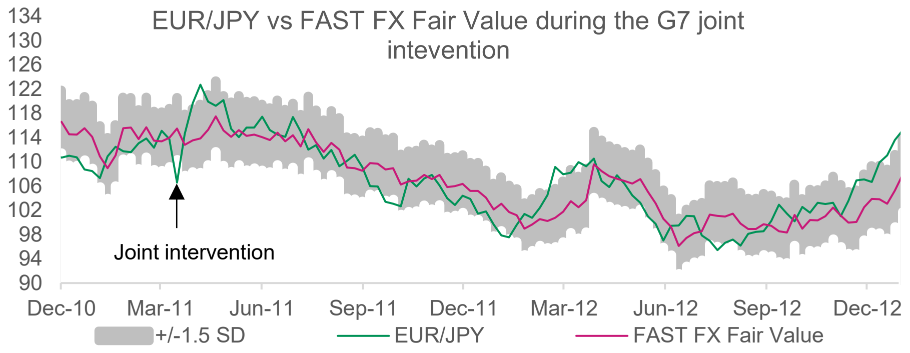
The intervention during the Tohoku earthquake and tsunami:

- The multilateral intervention was effective in reducing the short-term misvaluation in the JPY and involved the BoJ, Fed, BoE, BoC and ECB spending about USD8.5bn selling the JPY.
- USD/JPY traded almost as low as 76.00 and EUR/JPY 106.61. There was only temporary relief of JPY strength as fundamentals came to bear.
- Carry trades fell out of favour during the great compression of global yield spreads during the Fed's attempts to reflate the US economy post the GFC. The ECB cut rates into negative territory and did its own form of QE during the European debt crisis.
- Rising EGB peripheral bond yields were also a big drag on EUR/JPY's short-term fair value.
- EUR/JPY only strengthened in mid-2012 following ECB President Mario Draghi's "whatever it takes" moment and it took until late 2012 and the beginning of Abenomics to decisively turn around the trends in EUR/JPY and USD/JPY.
- Importantly, during their trend depreciations in post the March 2011 joint intervention, USD/JPY and EUR/JPY were rarely significantly undervalued relative to their fundamentals.

USD/JPY was undervalued ahead of the G7 joint intervention in 2011…



… so too was EUR/JPY



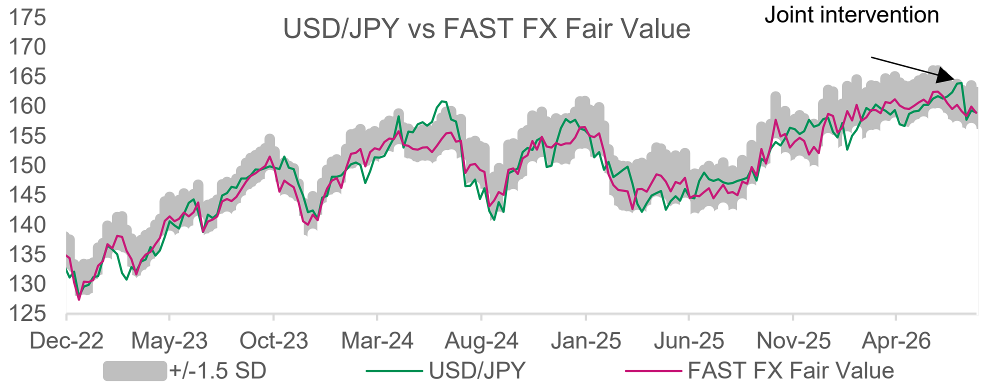
JPY: the current US-Japan joint intervention

The current joint intervention by the US and Japan has the fundamental odds stacked against it:

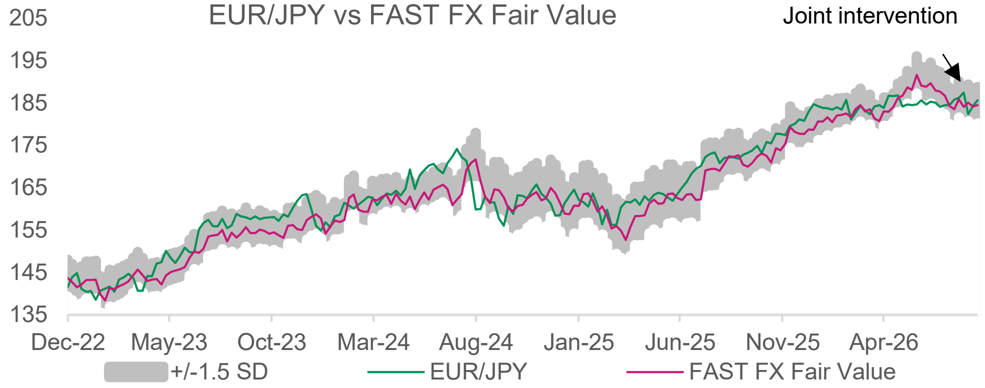
- The failure of USD/JPY to break 155, a key technical level a breach of which could lead to USD/JPY selling by exporters, has provided the exchange rate with support.
- USD/JPY is still holding onto about half of its post-intervention losses, however, which should be considered a victory for the MoF and US Treasury.
- Further intervention will be needed to drive USD/JPY lower, however, especially in the absence of a shift in the fundamentals driving the JPY's weakness.
- Despite recent shifts in the currency's favour, the JPY remains weighed down by three factors:

1. A widening US-Japan short-term rates spread due to the slow pace of BoJ rate hikes and the market increasingly pricing in Fed rate hikes;
2. Higher oil prices due to the US-Iran war; and
3. A steepening in the JGB curve relative to the UST curve as investors have become increasingly concerned about Japan's fiscal sustainability. Japan's PM Sanae Takaichi has continued with her fiscal spending plans including a decision to cut the consumption tax from 8% to 1% from April next year.

USD/JPY was looking significantly overvalued ahead of the recent joint intervention …



… but EUR/JPY was not

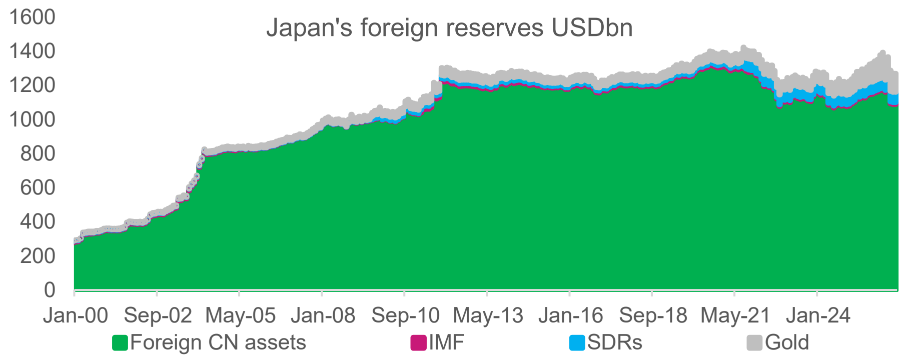


Source all charts: Crédit Agricole CIB, Bloomberg, Japan MoF

JPY: what about firepower?

- On the surface, the US and Japan hold more reserves than in either previous episode. But once you account for what is actually *available* for intervention and today's much higher spot JPY turnover, the picture changes:
- Without leveraging Japan's UST holdings: c.USD346bn available – less than **three-quarters** of daily spot JPY turnover. That is well below 1998 and 2011 levels.
- With Japan using the FIMA facility to leverage its USTs: that figure jumps to **USD1.275trn**, pushing the ratio to 2.7x daily turnover – more than 1998, though still slightly below 2011.
- For context, the MoF/BoJ already spent c.USD74bn in April/May and another c.USD34bn on 31 July. The war chest is being drawn down.

Japan's foreign reserves are falling



Central banks' reserves have grown in most cases, but have not kept pace with rising FX turnover

Reserves USDbn	Jun-98	Mar-11	Jul-26
Japan	192	1035	1089
US	71	139	217
ECB		207	220
UK	27	49	71
Canada	20	45	64
US+Japan	**263**	**1174**	**1306**
Total		**1475**	**1661**
Ratio to daily global turnover in spot JPY			
Japan	1.32	3.31	2.28
US	0.48	0.45	0.46
ECB		0.66	0.46
UK	0.18	0.16	0.15
Canada	0.13	0.14	0.13
US+Japan	**1.80**	**3.76**	**2.74**
Total		**4.72**	**3.48**

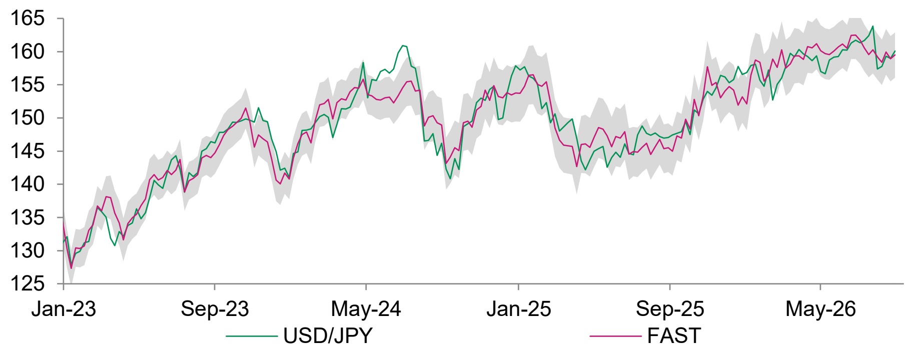
Not all of Japan and the US's reserves are available for intervention

Reserves available for intervention USDbn	Jul-26
Japan (without USTs)	160
Japan (leveraging USTs)	1089
US	186
US+Japan (without USTs)	**346**
US+Japan (leveraging USTs)	1275
Ratio to daily global turnover in spot JPY	
Japan (without USTs)	0.34
Japan (leveraging USTs)	2.28
US	0.39
US+Japan (without USTs)	0.73
US+Japan (leveraging USTs)	2.67

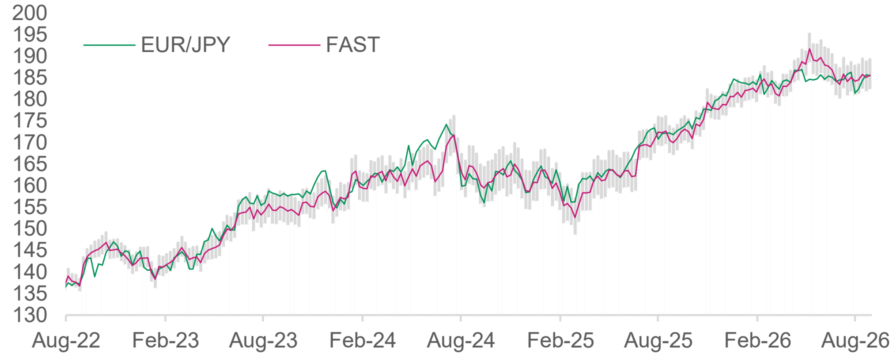
JPY: fundamentals pointing to a weak JPY (1)

The JPY is not excessively weak

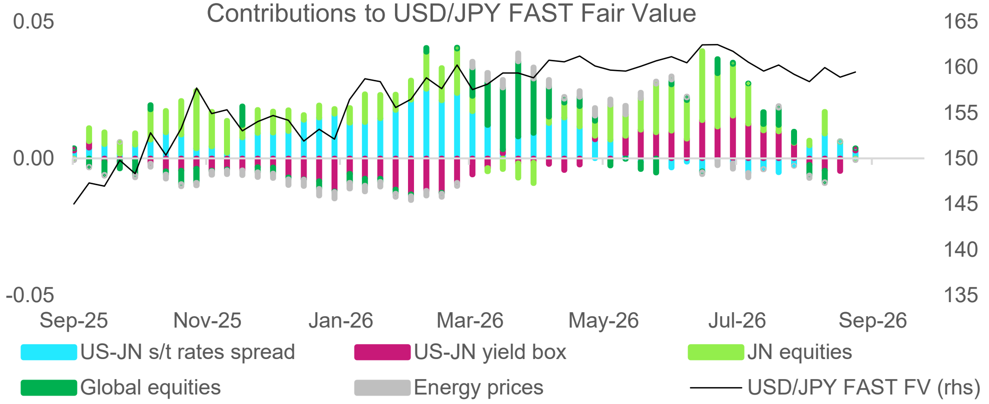
USD/JPY vs short-term fair value



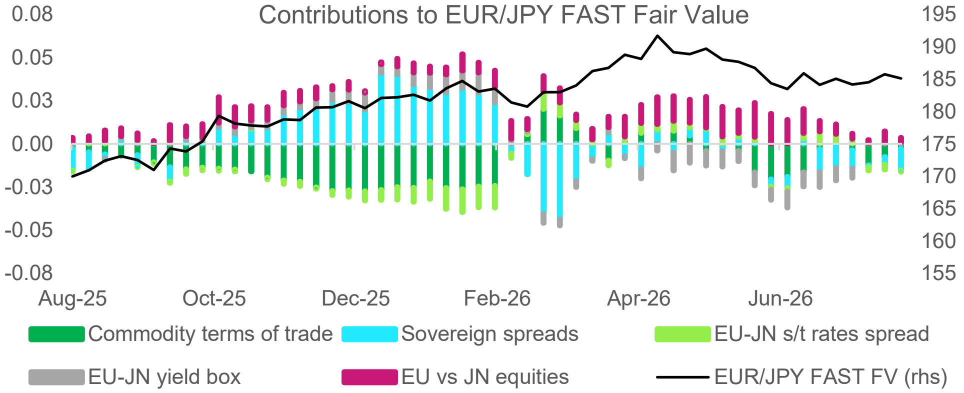
EUR/JPY vs short-term fair value



US-Japan rates spreads and strong Japan equities are helping USD/JPY



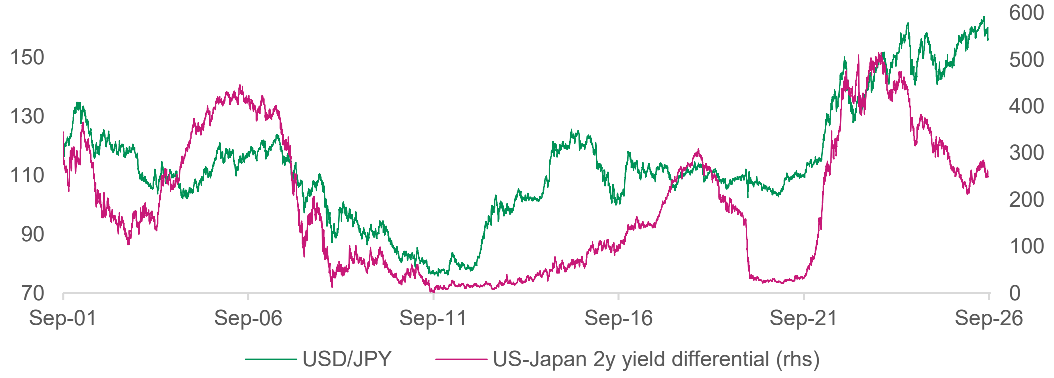
Sovereign spreads and commodity prices are driving EUR/JPY



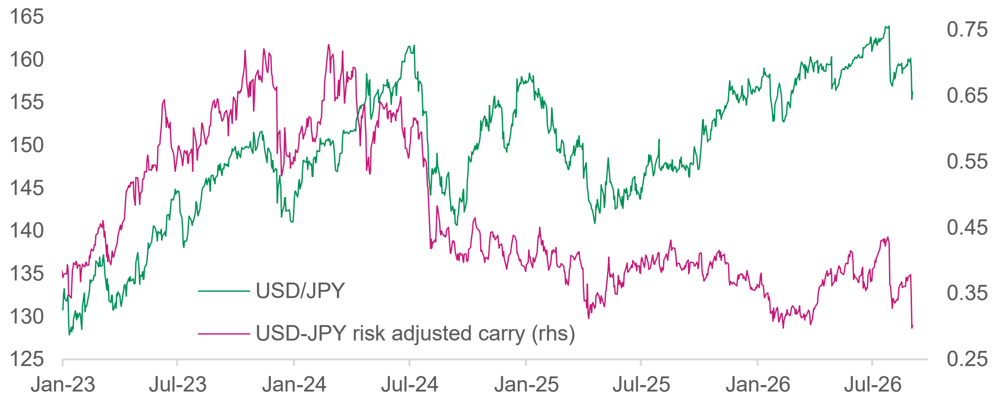
JPY: fundamentals pointing to a weak JPY (2)

The BoJ's glacial pace of rate hikes is keeping the JPY down

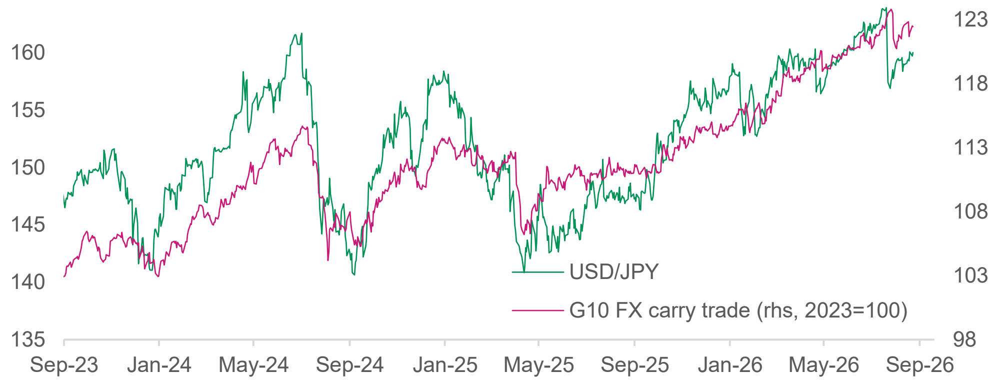
USD/JPY is once again being ruled by the US-Japan short-term rates spread



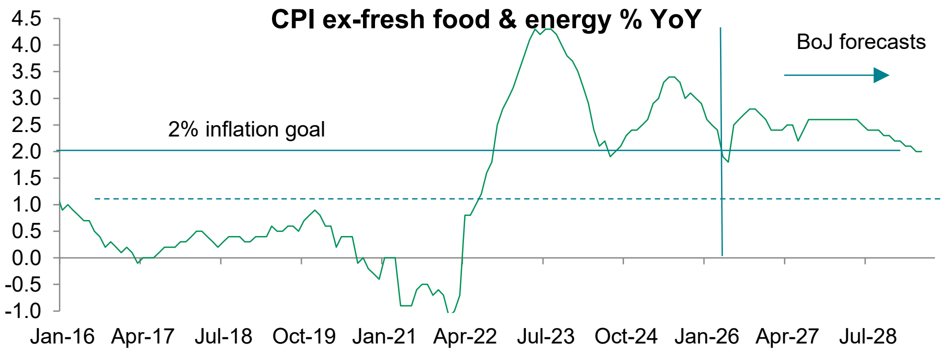
USD/JPY vs risk-adjusted USD-JPY carry



USD/JPY vs G10 FX carry trade performance



The BoJ expects only a modest rebound in inflation

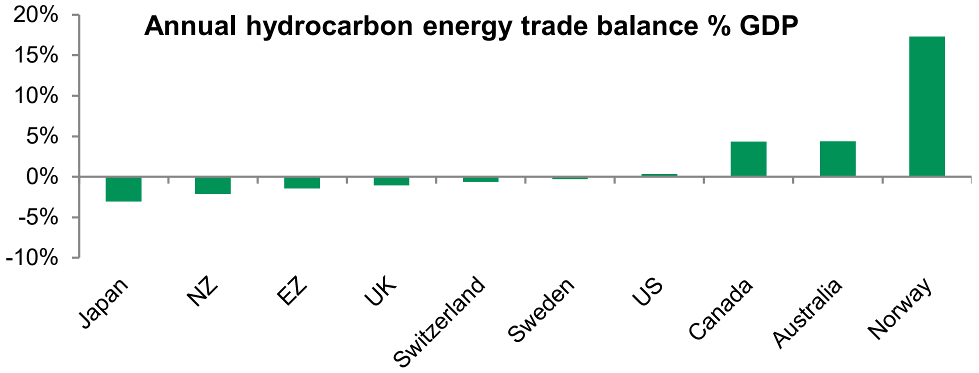


Source all charts and tables: Crédit Agricole CIB, Bloomberg

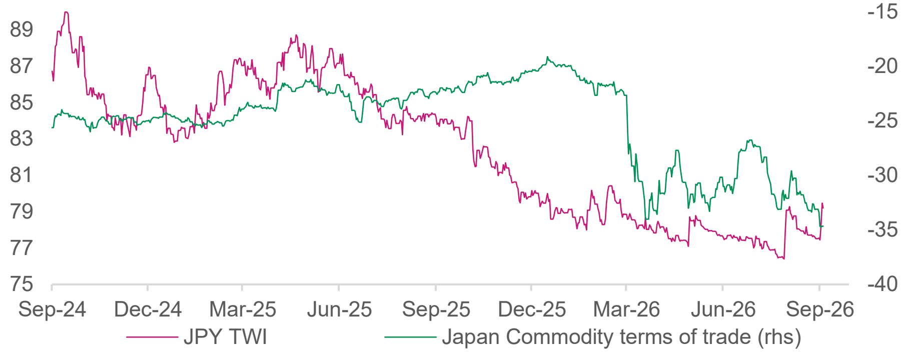
JPY: fundamentals pointing to a weak JPY (3)

Lower oil prices are failing to revive the JPY's prospects given investors' rising fiscal sustainability concerns & funding currency appeal

Japan has the highest exposure in the G10 to higher energy prices

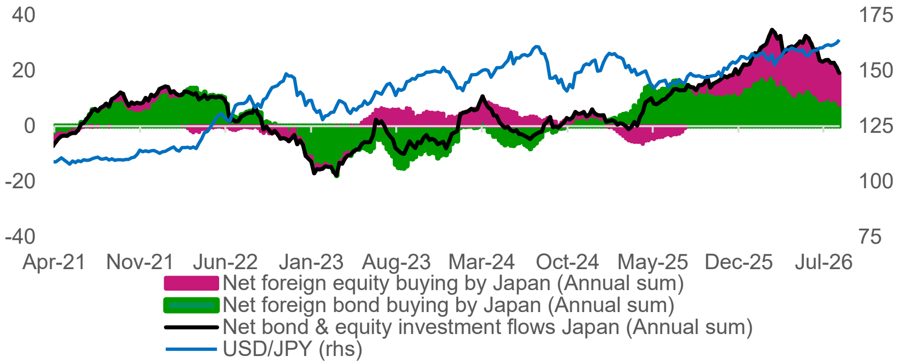


Improving terms of trade with lower oil prices failing to help the JPY



The steepening in the JGB curve is not a positive for the JPY as investors worry about fiscal sustainability

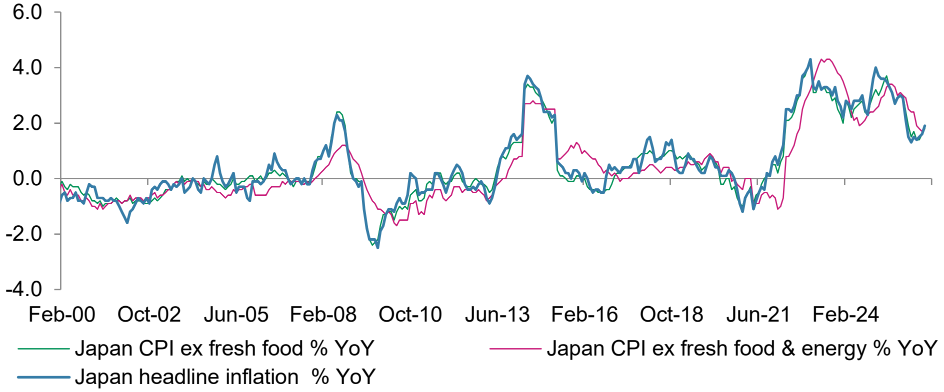
USD/JPY and Japanese net purchases of foreign assets



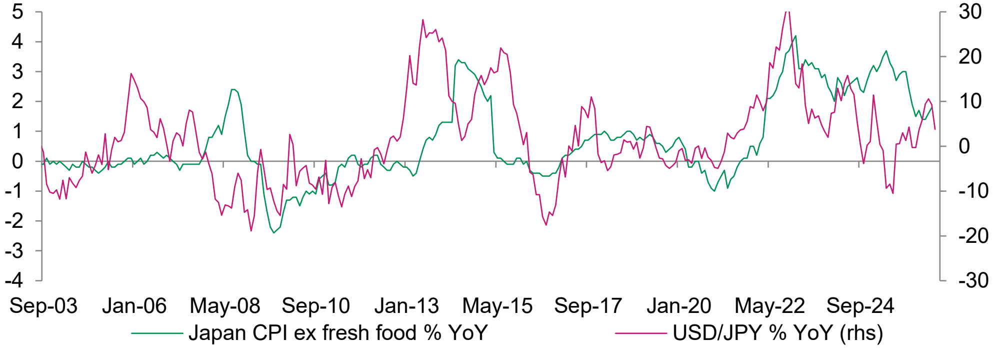
JPY: but there is only so much tolerance for a weak JPY

The weak JPY threatens higher inflation and voter backlash as well as drawing the ire of the US

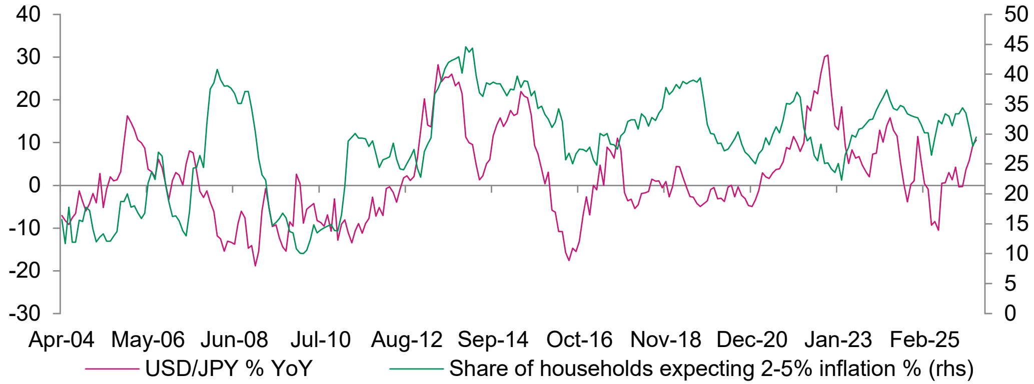
Inflation is currently bottoming out and readying to go back above target



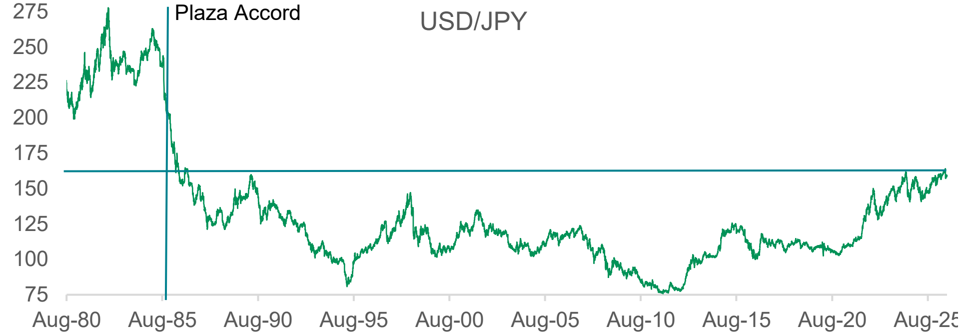
The weak JPY has also been a source of inflation…



… and households' inflation angst



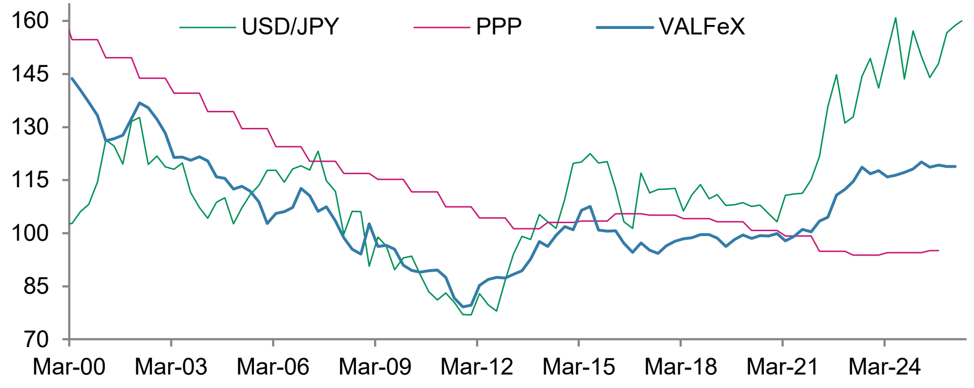
USD/JPY at risk of reversing Plaza Accord declines above 164



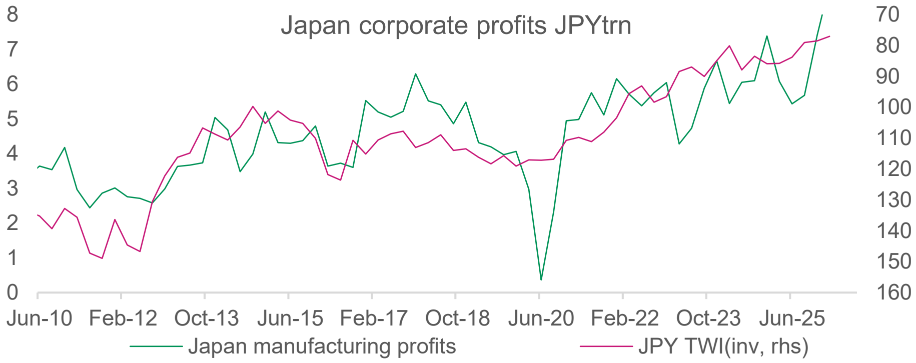
JPY: a carefully calibrated weak JPY

Japan benefits from a weak JPY and so must manage the political and economic realities around the currency

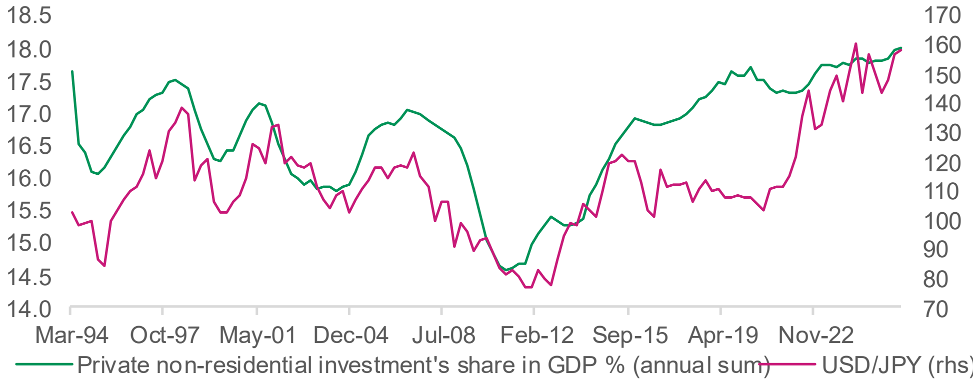
The JPY remains structurally undervalued



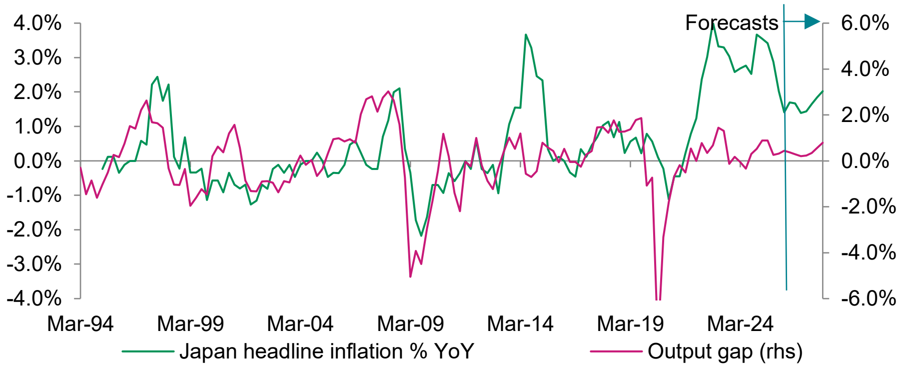
The weaker JPY has helped push Japan corporate profits higher



A weaker JPY encourages private sector investment..



Japan's output gap is expected to turn less negative, as a result



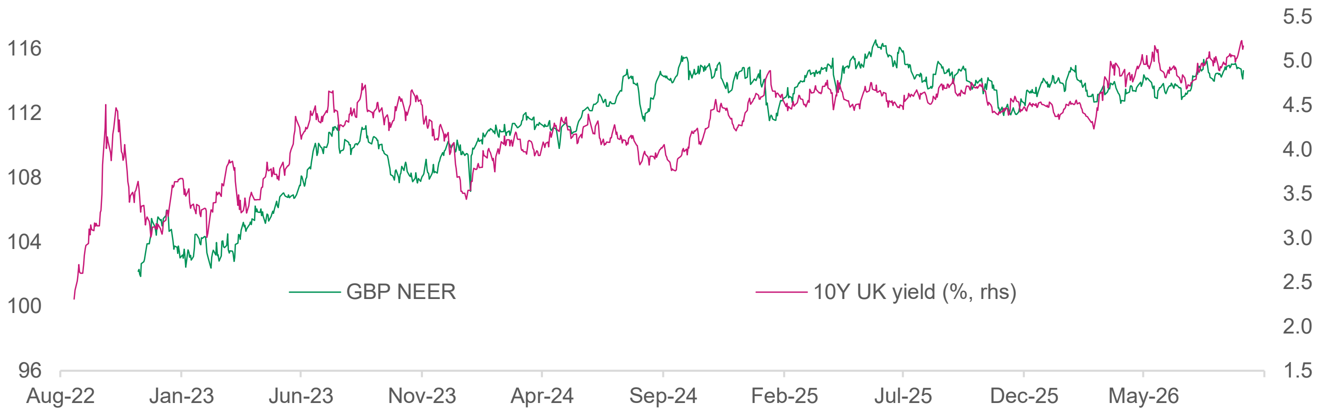
5

GBP: scary carry

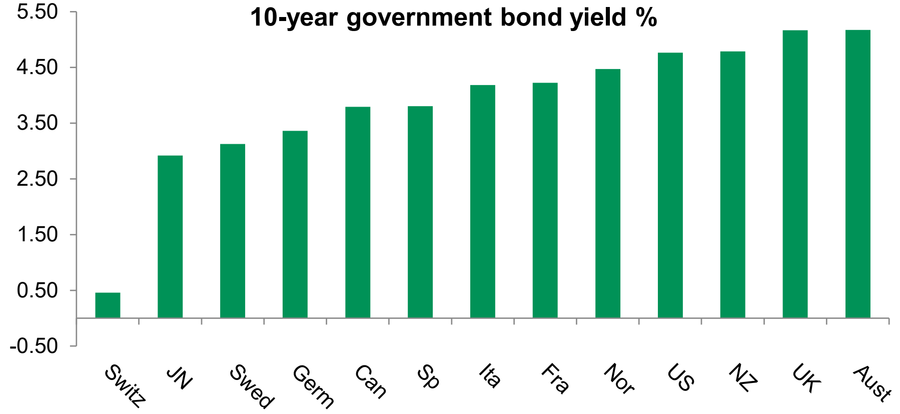
GBP: carry trumps everything, for now

As investors assess the impact of PM Andy Burnham, attractive carry and positive correlation with commodities are helping the GBP

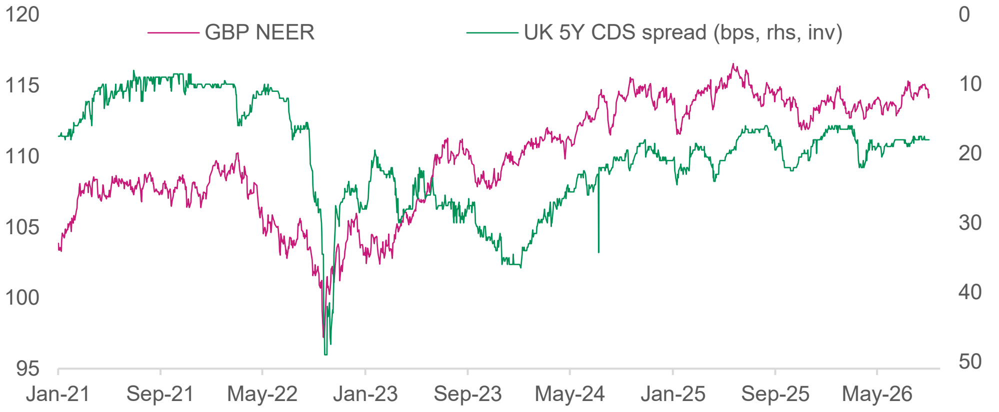
The correlation between the GBP and gild yields no longer negative…



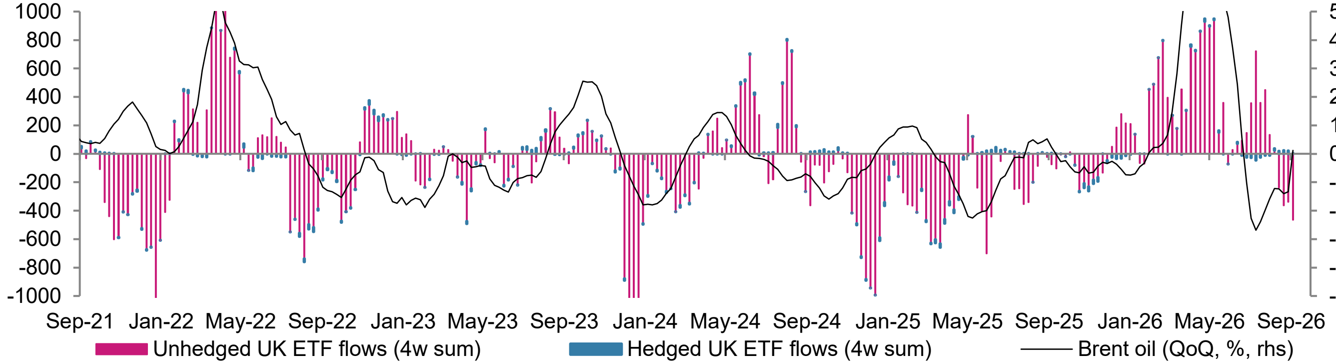
…as investors are attracted to the GBP yield advantage



GBP TWI vs 5Y UK CDS sovereign spread – nothing to see there, yet



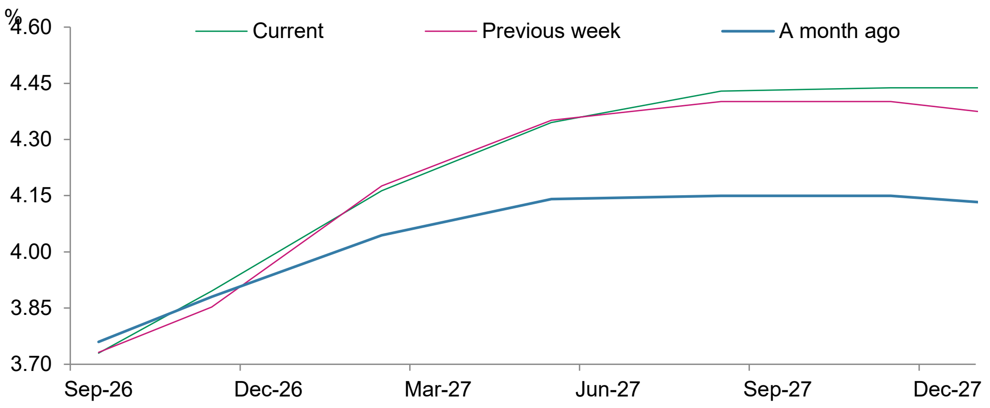
Demand for stocks as a function of global commodity prices



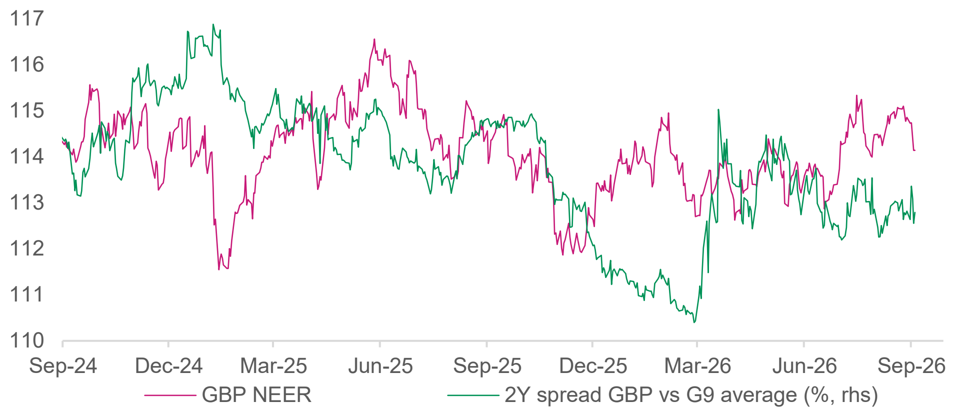
GBP: the UK economy, inflation and all that

Markets have turned less hawkish on the BoE of late, but stagflation risks could still be net negative for the GBP

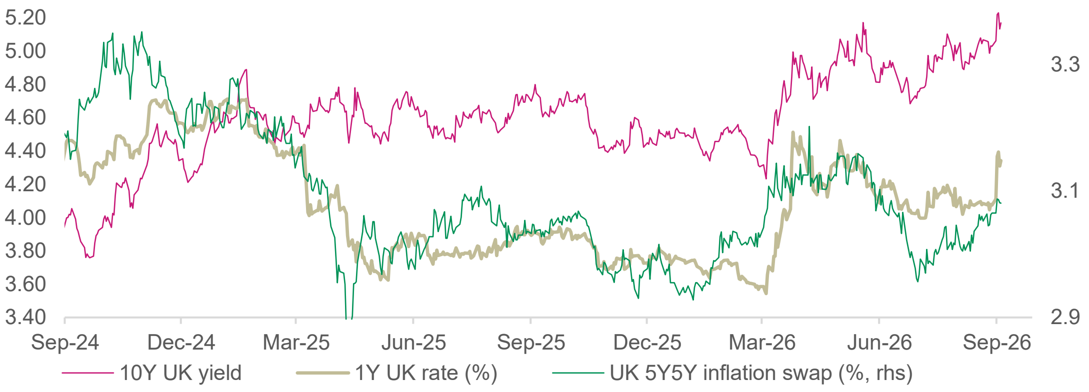
Investors have aggressively reassessed their BoE rate outlook



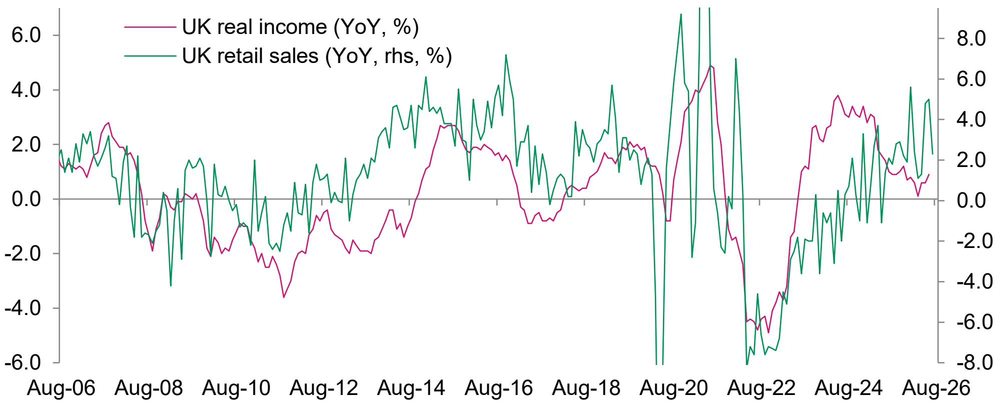
GBP TWI vs spread between 2Y UK rate and G9 average rate



UK inflation expectations vs UK rates and gilt yields



UK real income growth vs domestic demand

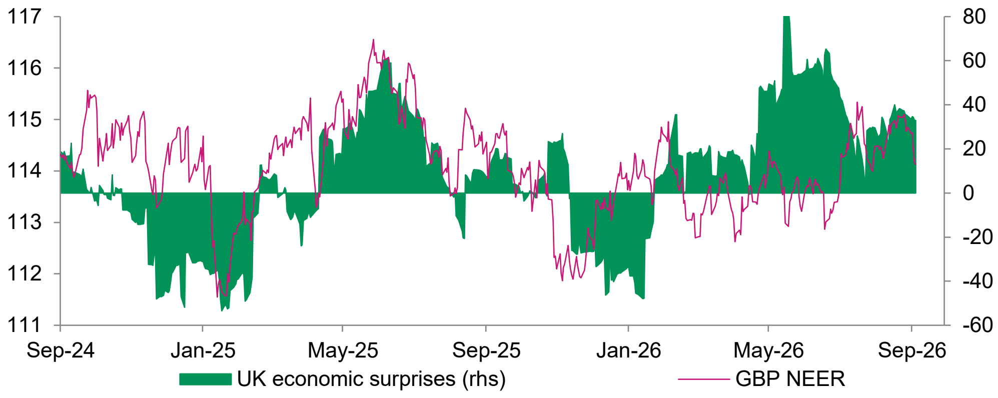


Source all charts: Crédit Agricole CIB, Bloomberg

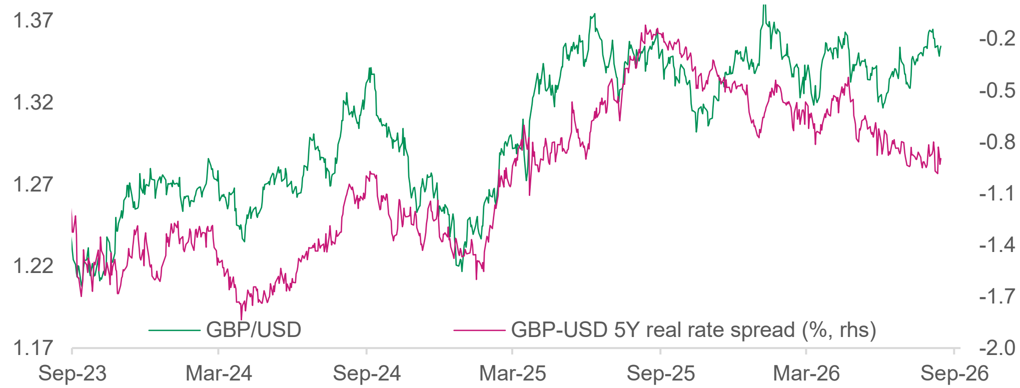
GBP: economic data, real rate and sovereign credit risks spreads

The GBP no longer looks cheap vs the EUR based on relative real rate differential and relative sovereign credit risk spread

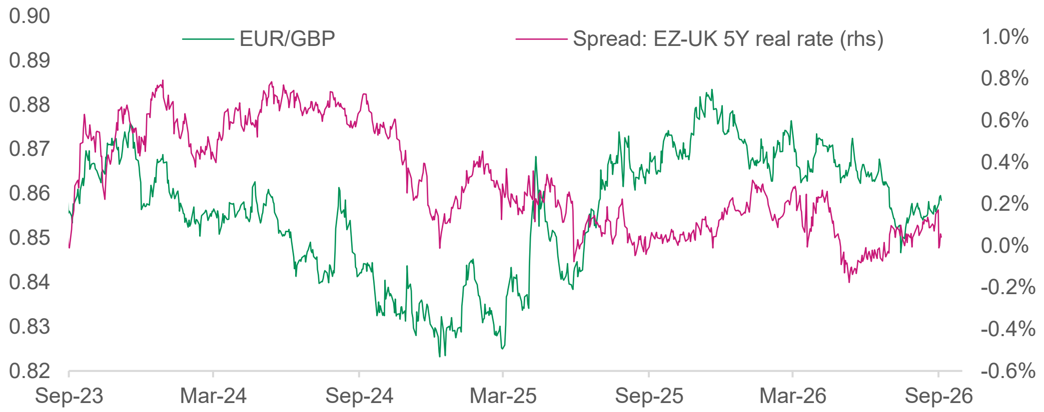
GBP NEER vs UK economic surprise indicator



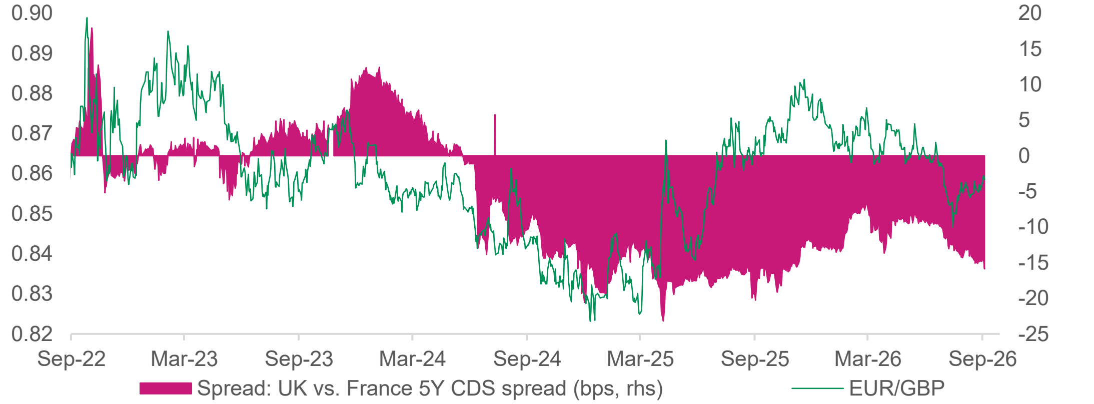
GBP/USD vs 5Y GBP-USD real rate spread



EUR/GBP vs 5Y EUR-GBP real rate spread



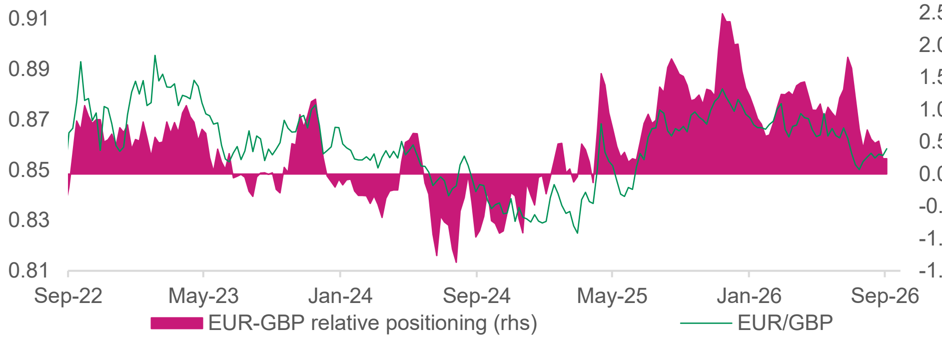
EUR/GBP vs difference between UK and French 5Y sovereign CDS spreads



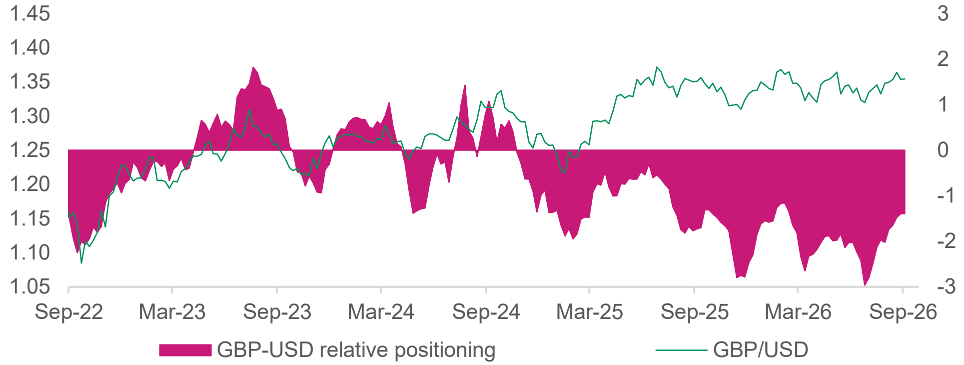
GBP: still underweight – FX positioning and capital flows

Markets are still very short the GBP especially vs the EUR

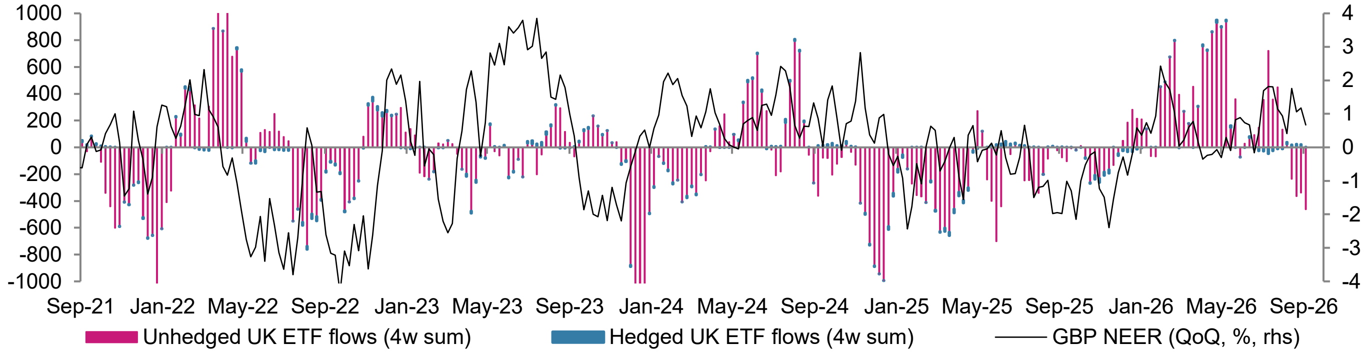
EUR/GBP vs FX market positioning



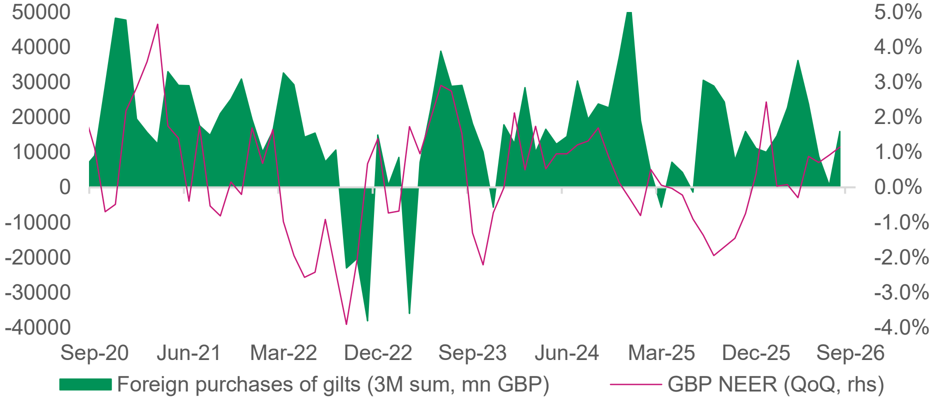
GBP/USD vs FX market positioning



GBP NEER vs flows into UK stock-market ETFs – foreign investors have returned



GBP NEER vs foreign purchases of gilts – mind the 2022 gap

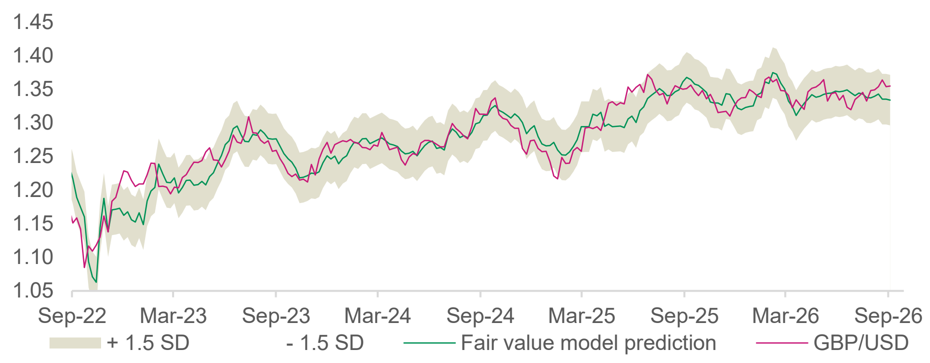


Source all charts: Crédit Agricole CIB, Bloomberg

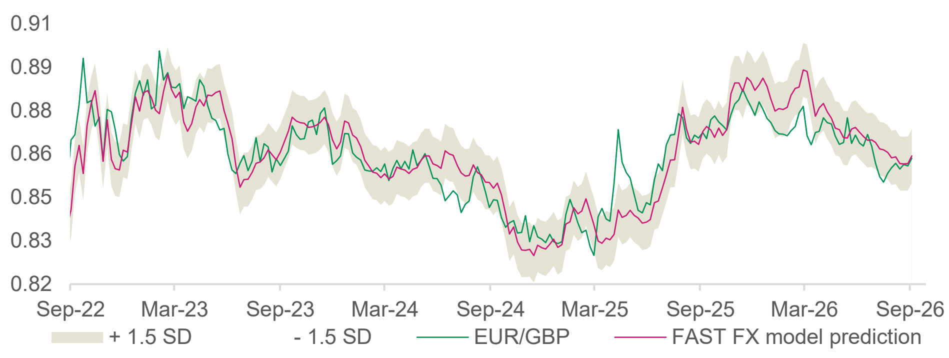
GBP: FX valuation

The GBP looks overvalued according to long-term fair value models

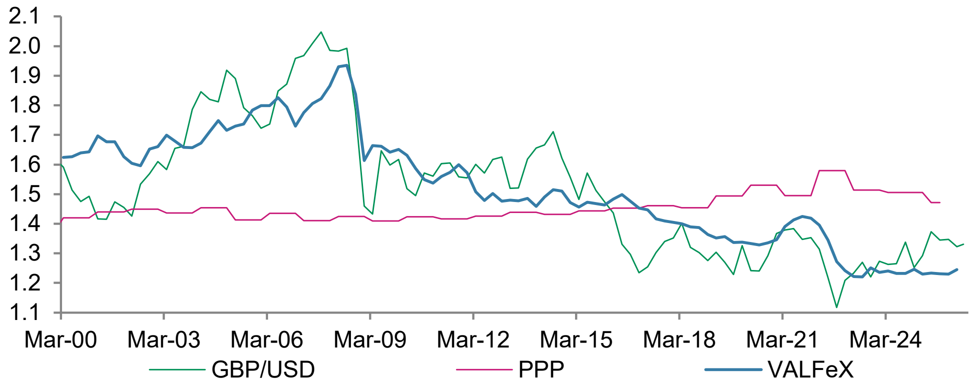
GBP/USD vs short-term GBP/USD fair value model



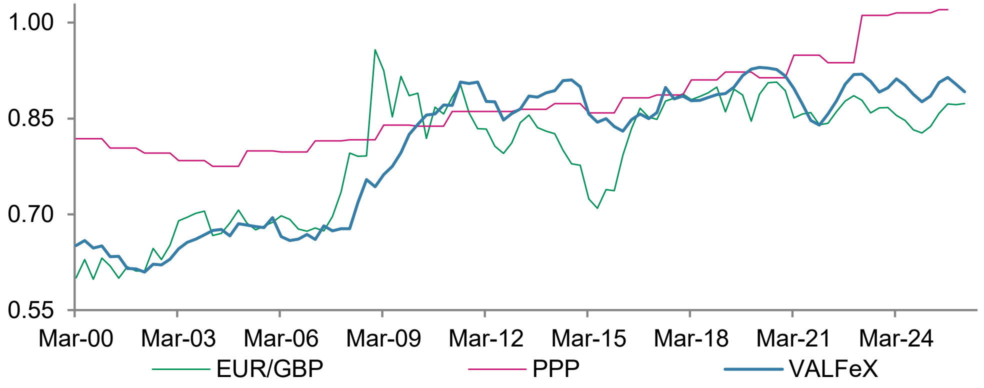
EUR/GBP vs EUR/GBP fair value model



GBP/USD vs VALFeX and PPP



EUR/GBP vs VALFeX and PPP



Source all charts: Crédit Agricole CIB, Bloomberg

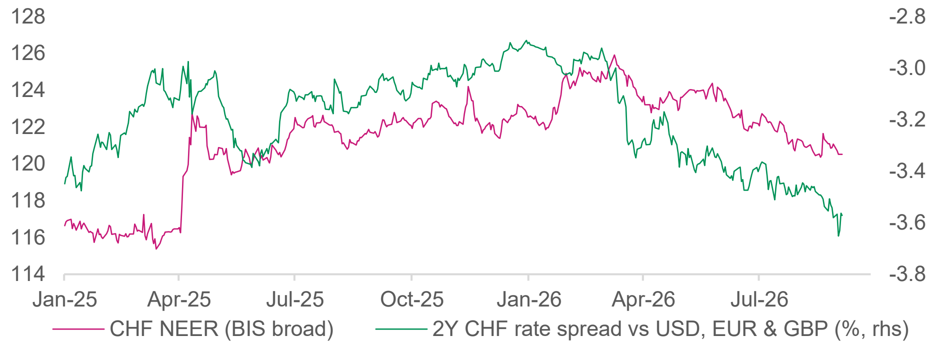
6

CHF: funding its way amid uncertainties

CHF: facing higher line of defence from the SNB

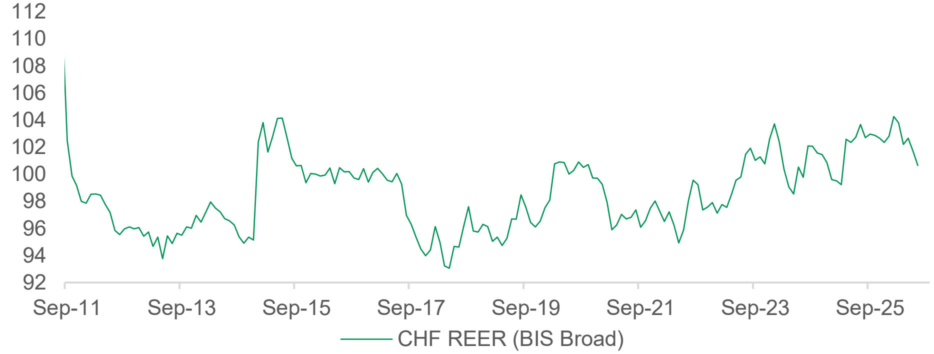
Dovish SNB and resilient market sentiment have seen the CHF underperform since the start of the war in the Middle East

CHF rate disadvantage has worsened with the SNB staying at bay

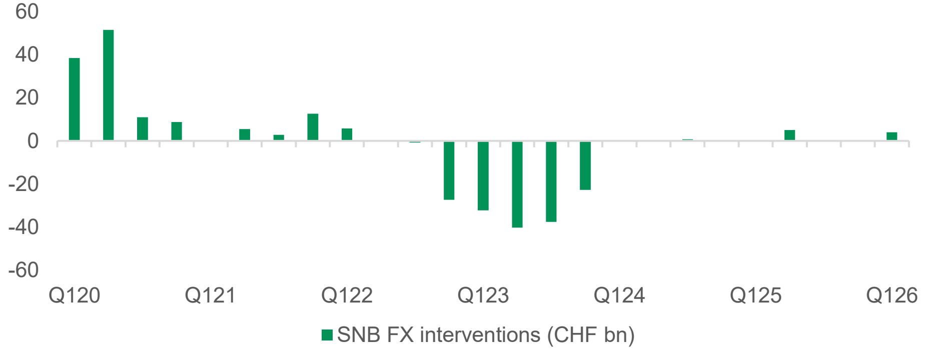


Rebound in other safe havens has hardly benefitted the CHF

CHF has been able to cool to one-year lows on a real basis…



… with limited direct involvement from the SNB

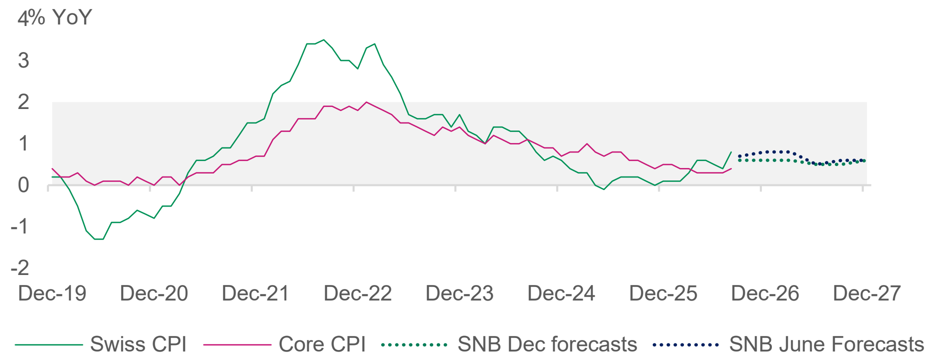


Source all charts: Crédit Agricole CIB, Bloomberg

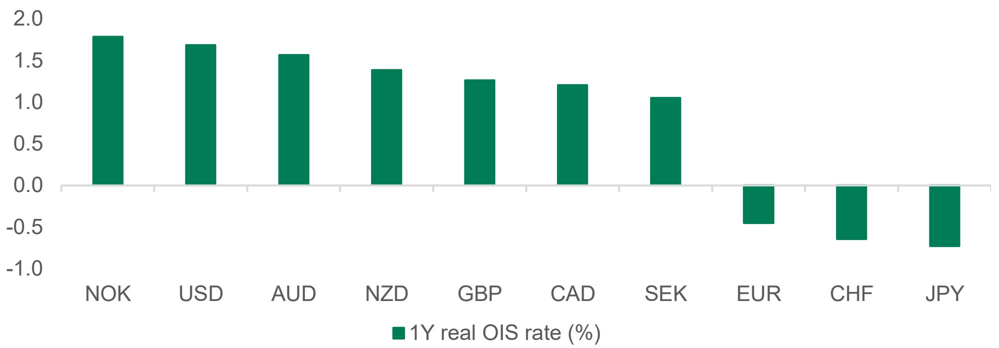
CHF: funding its way amid uncertainties

Switzerland/SNB's idiosyncrasies boost the CHF's funding appeal, as carry differential may trump spot losses from here

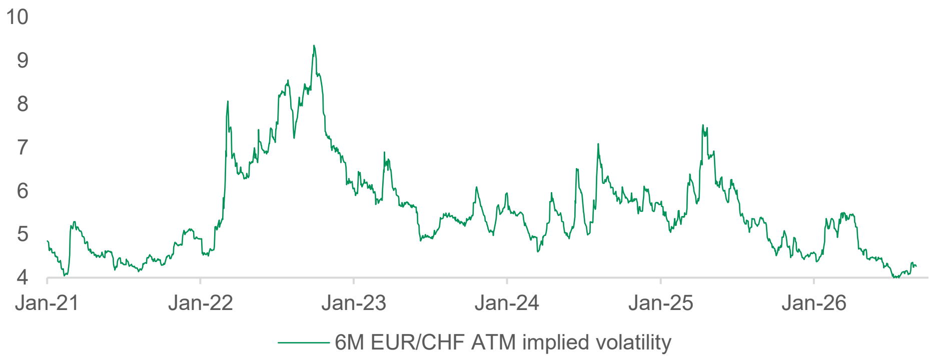
Swiss CPI sits comfortably within target, as core keeps falling



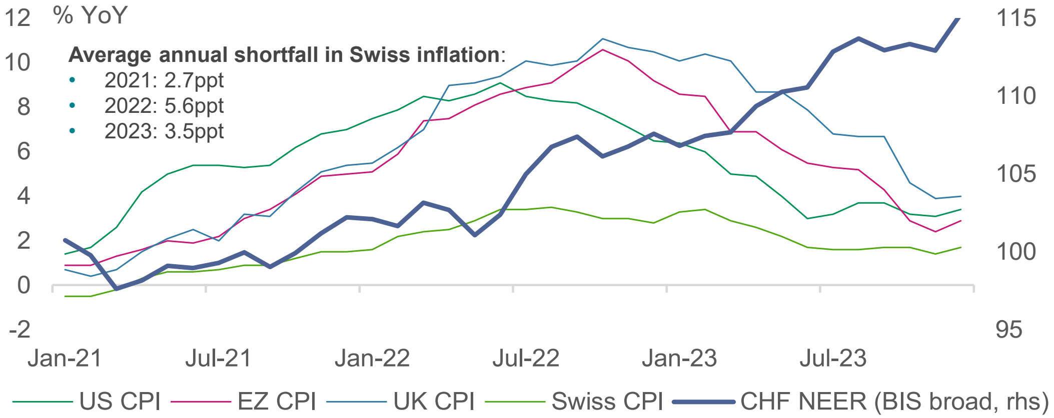
CHF real rates among the most accommodative



CHF volatility has fallen to its lowest levels in years



Switzerland's more muted inflation shock to limit nominal losses in the CHF



Source all charts: Crédit Agricole CIB, Bloomberg, SNB

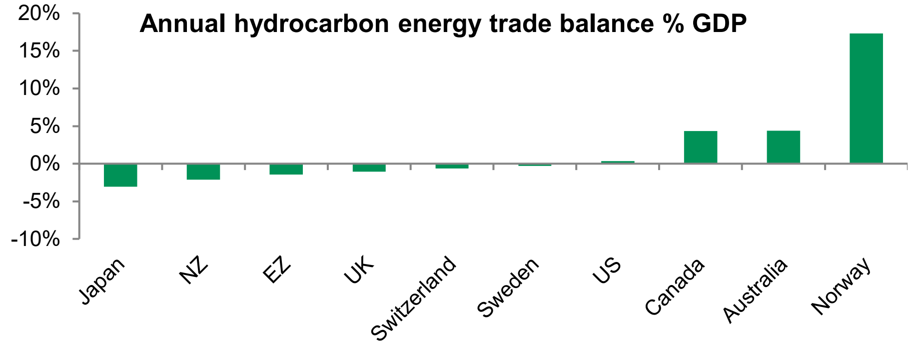
7

AUD: clinging to its advantages

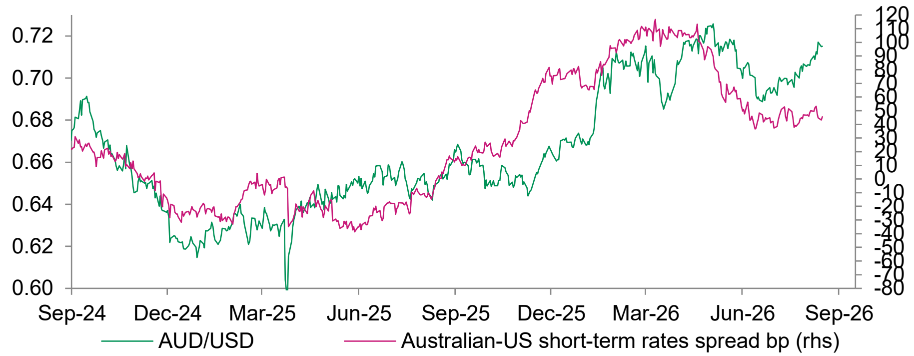
AUD: clinging to its advantages

The AUD is losing its advantage as commodity prices weaken and the RBA approaches the end of its tightening cycle

Australia has a positive exposure to higher global energy prices…

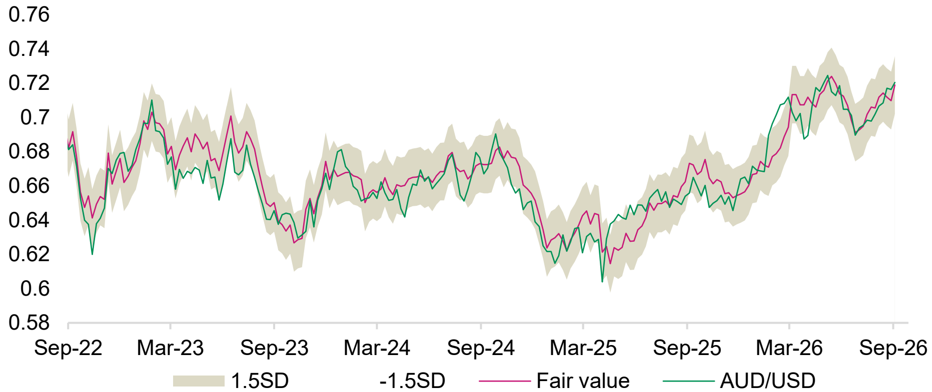


Australian-US short-term rates spread is potentially bottoming out with AUD/USD running ahead of it



Australia's commodity terms of trade turning back higher

AUD/USD's short-term fair value has stabilised

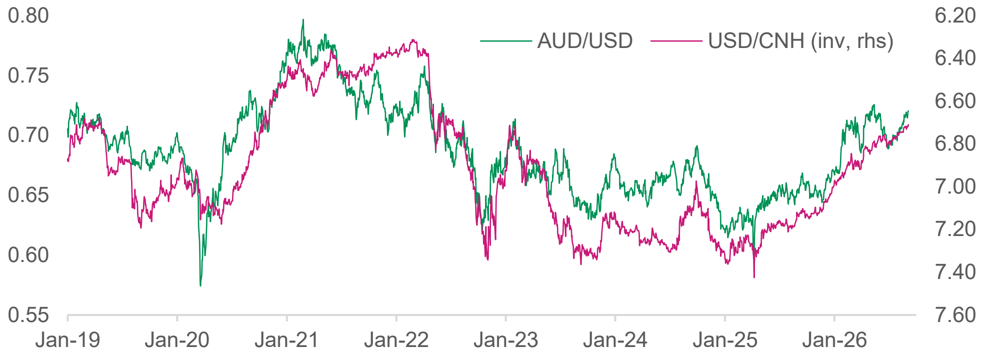


Source all charts: Crédit Agricole CIB, Bloomberg

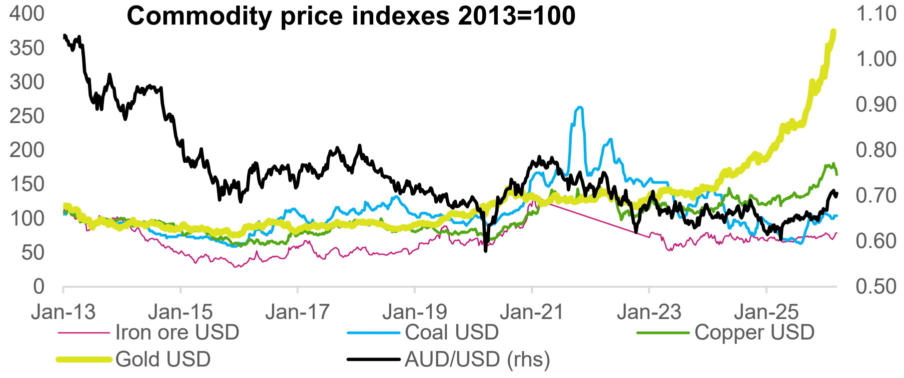
AUD: China still a drag, but things are getting better

Attitudes towards investing in China are improving but growth remains weak in its commodity hungry sectors limiting the upside for the AUD from this change in attitude

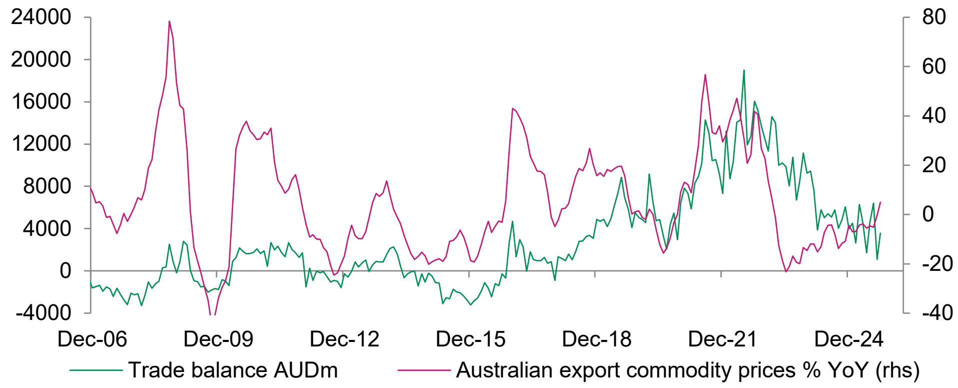
Investor attitudes towards China and the CNH gradually improving and helping the AUD



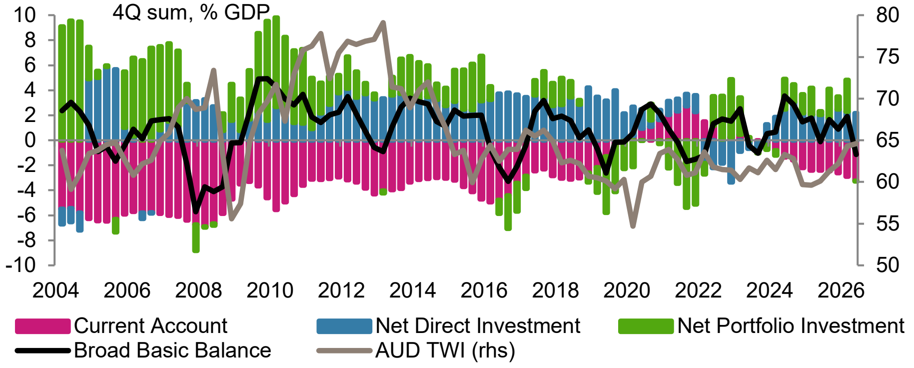
Gold and copper is helping the AUD



Australia's trade balance looking worse for wear



Australia's current account and foreign investment have weakened

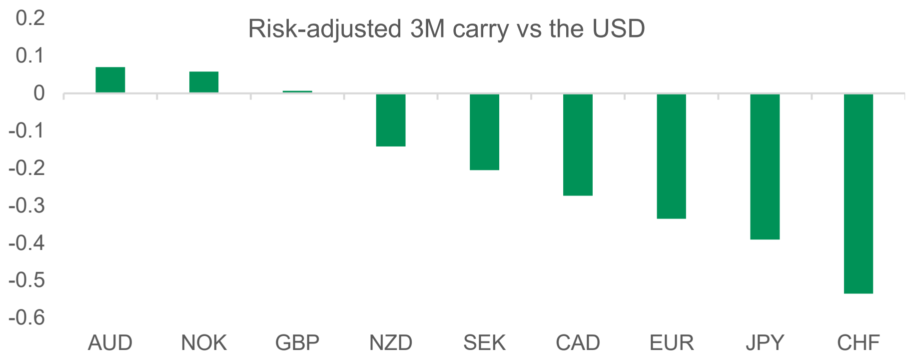


Source all charts: Crédit Agricole CIB, Bloomberg, ABS

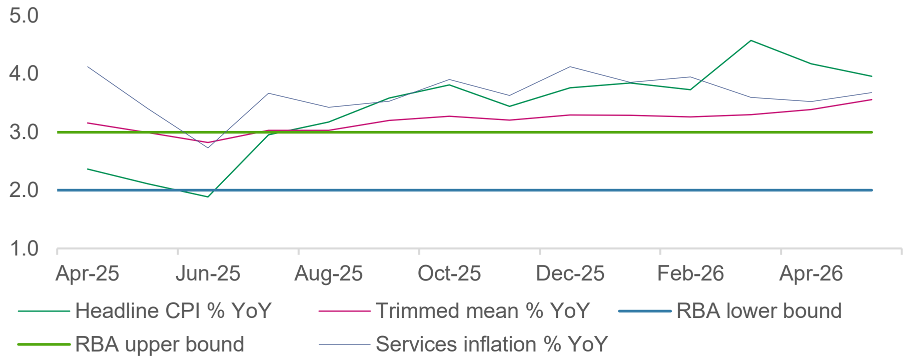
AUD: a waning rate advantage (1)

The RBA has shifted to a restrictive stance and is nearing the end of its tightening cycle as other central banks begin theirs

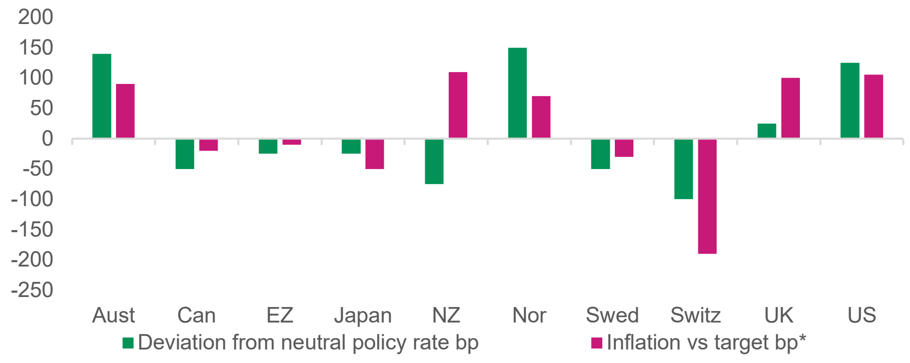
The AUD is still number one in the G10 for carry for now



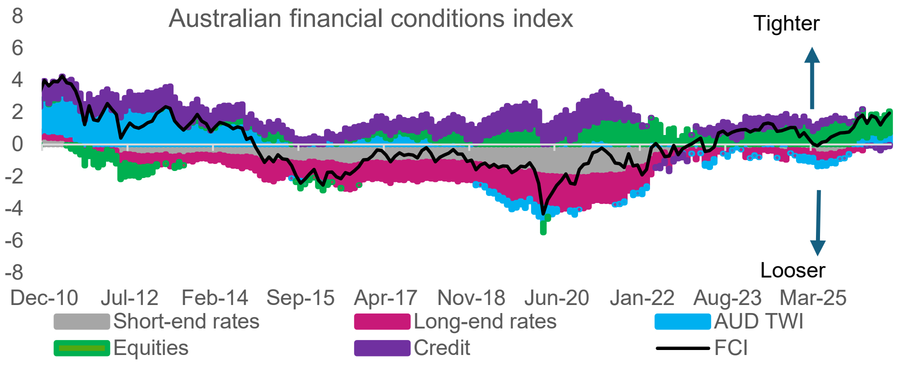
Inflation still a problem for the RBA



The RBA has raised rates above neutral…



Australian financial conditions are tight

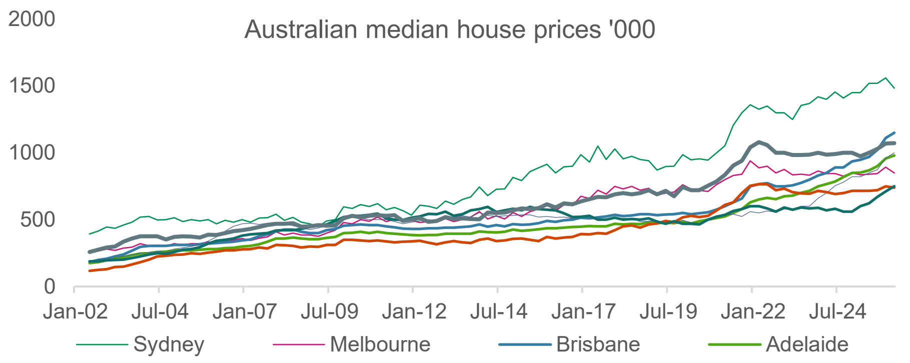


Source all charts: Crédit Agricole CIB, Bloomberg

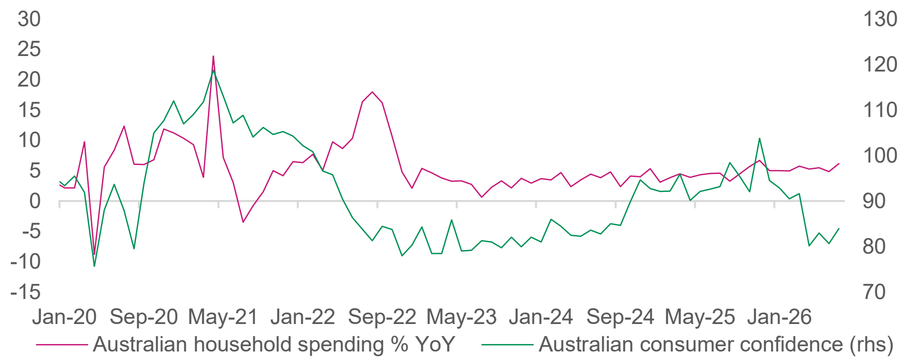
AUD: a waning rate advantage (2)

Restrictive monetary policy and tax reforms are beginning to weigh on the economy

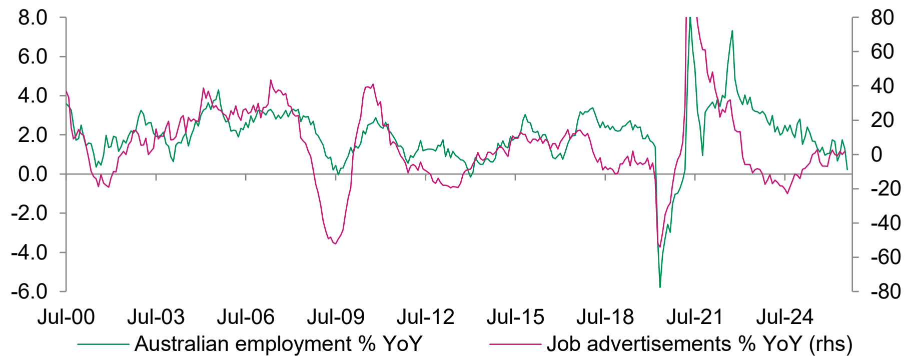
Australian house prices feeling the pinch from higher rates and tax changes



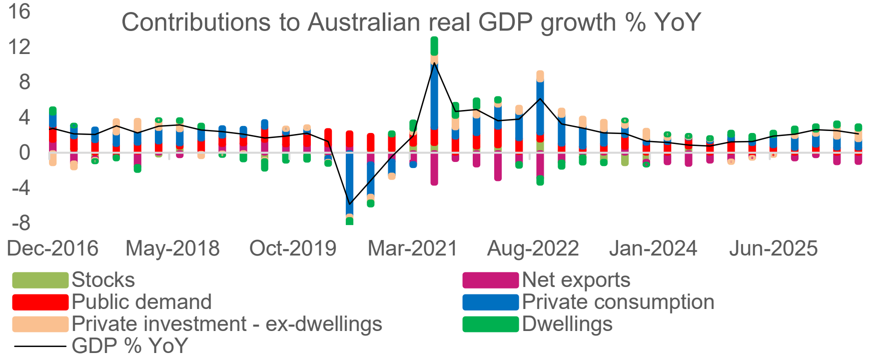
Falling consumer confidence yet to hit consumption



Employment growth has softened



Australia's growth is slowing but likely not fast enough for the RBA

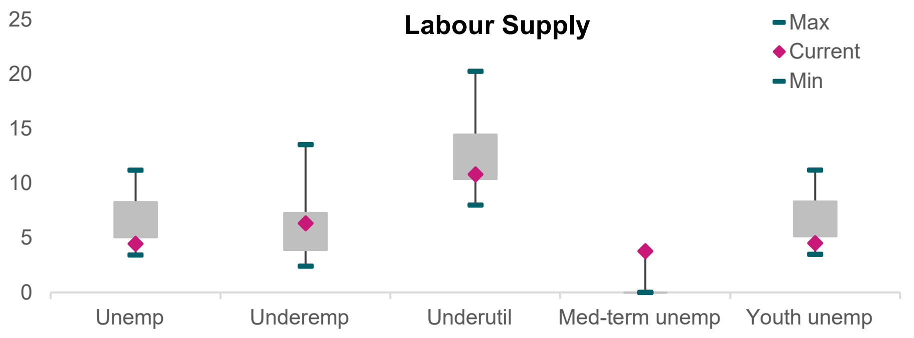


Source all charts: Crédit Agricole CIB, Bloomberg

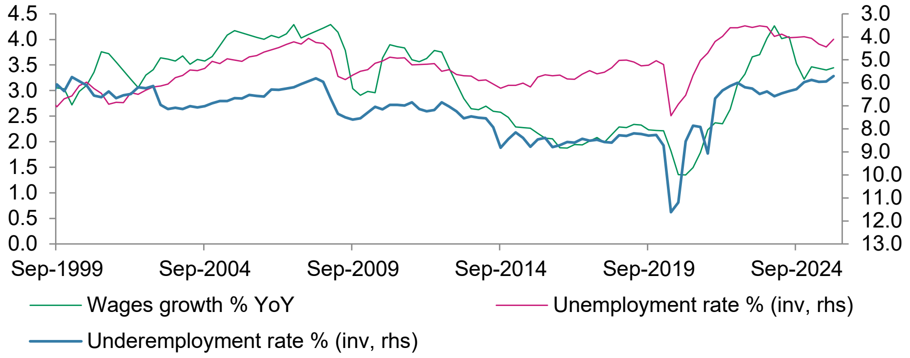
AUD: inflation to stay sticky

With inflation remaining sticky and the labour market tight, the RBA will likely be forced to raise rates further

Labour market slack remains low*

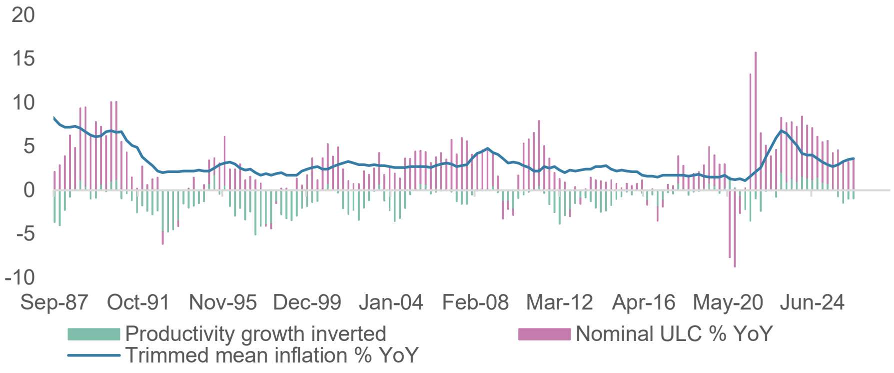


Wages growth may have peaked, but remains elevated



Australia's Philips Curve is still at work

Rising ULCs and weak productivity are sources of core inflation

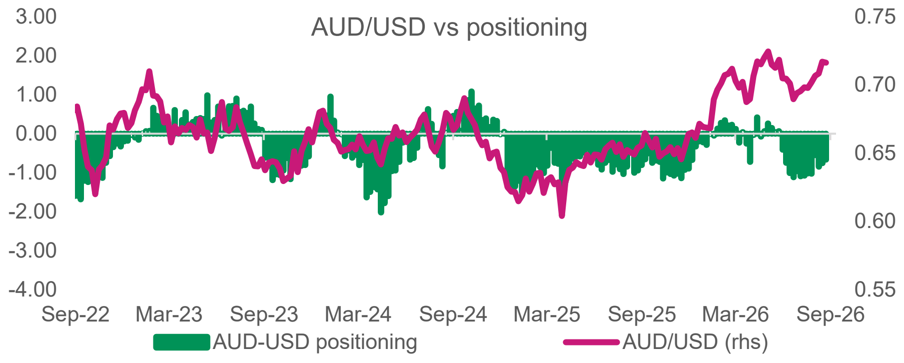


** Note: Bars represent 20th and 8th percentiles. Source all charts: Crédit Agricole CIB, ABS, Bloomberg*

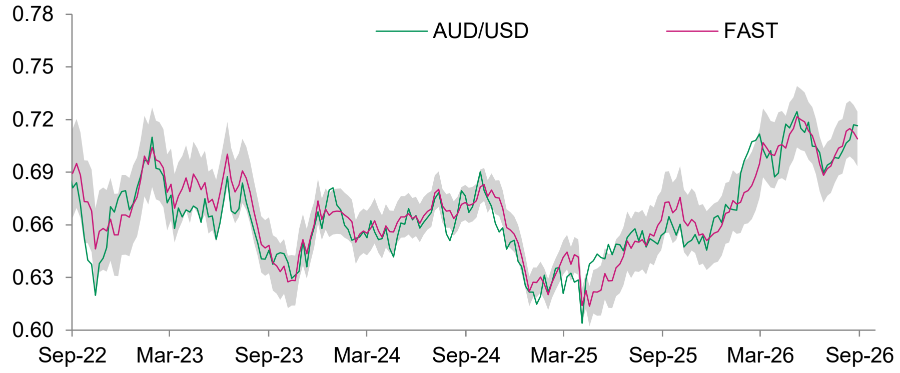
AUD: FX positioning and FX valuation

AUD has been looking overvalued but not overbought against the USD, but overbought against the NZD

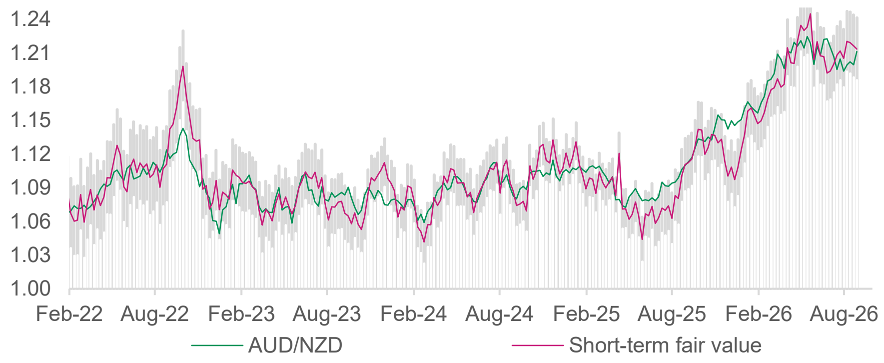
AUD NEER vs FX market positioning



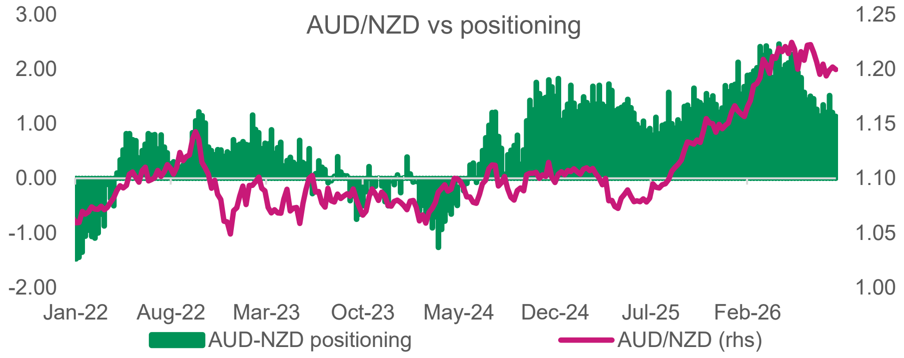
AUD/USD vs FAST FX fair value



AUD/NZD vs FAST FX fair value



Positioning remains extreme in AUD/NZD



Source all charts: Crédit Agricole CIB, Bloomberg, ABS

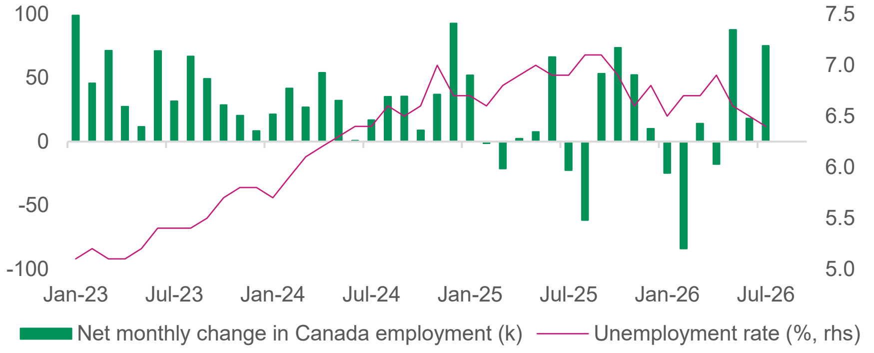
8

CAD: fighting back

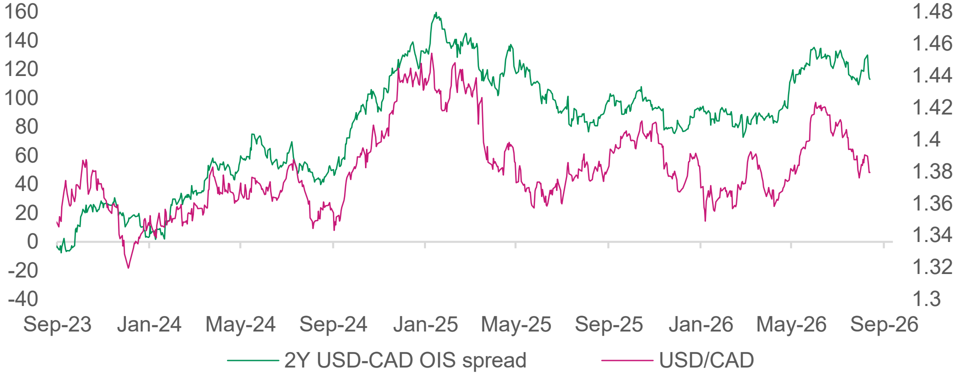
CAD: fighting back

Re-ignited US-Canada trade war has stopped USD/CAD's retracement lower, as the pair may try to settle near the 1.40 handle

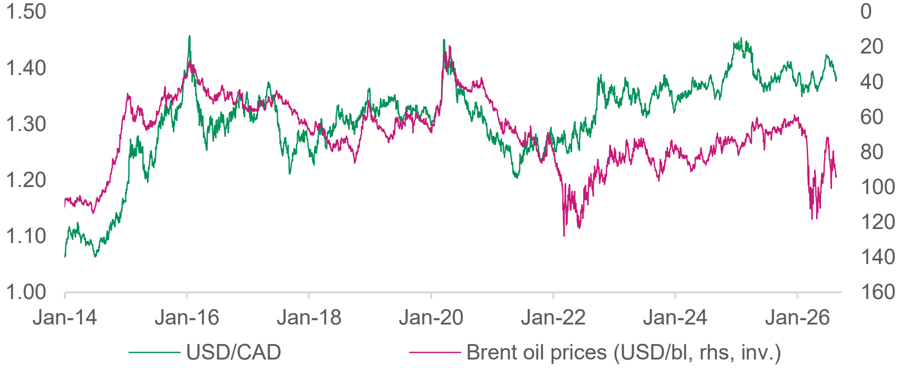
Canada's improving data has lent the CAD a hand in recent months…



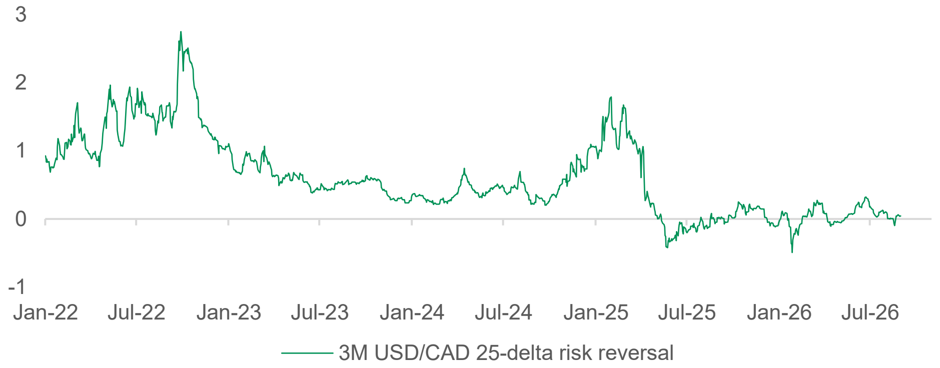
… leading to a narrowing gap between the BoC and Fed policies



Higher energy prices have boosted Canada's terms of trade



Sanguine FX options in light of reignited US-Canada trade war

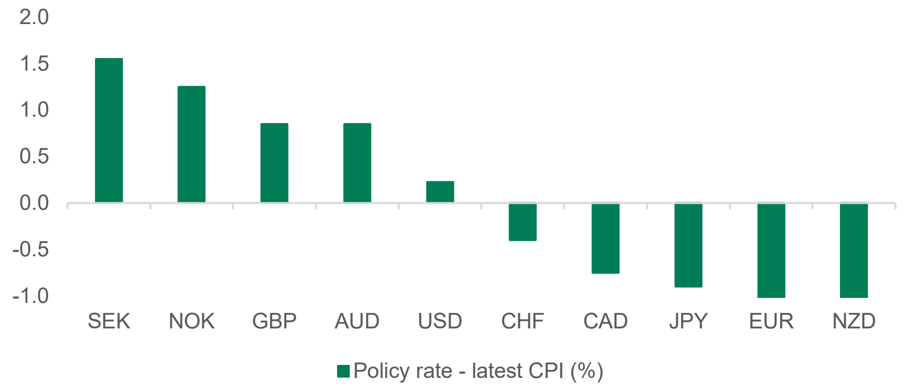


Source all charts: Crédit Agricole CIB, Bloomberg, BoC

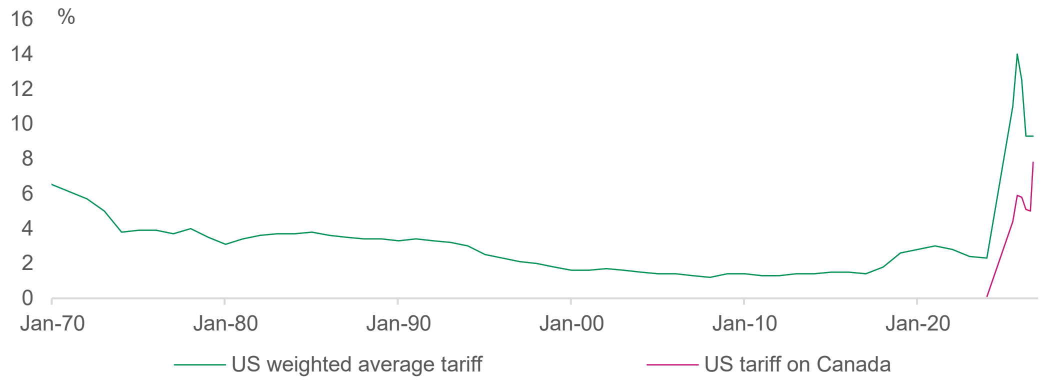
CAD: close ties under review

The CAD will try to hold its ground, as US-Canada trade spat increases downside risks

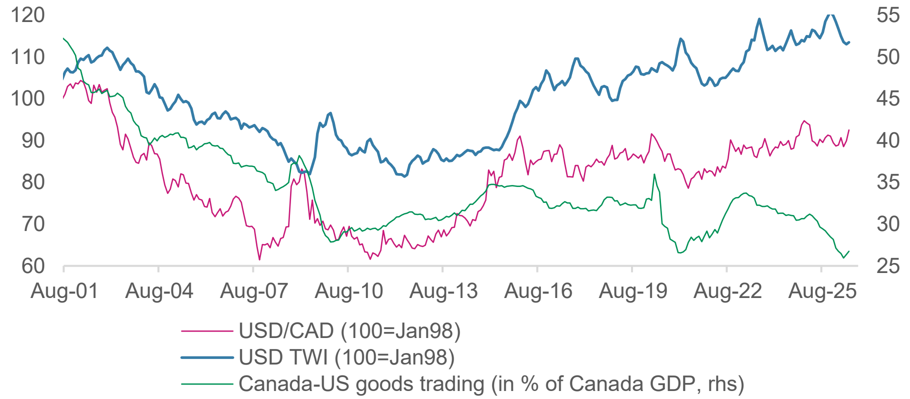
The BoC could quickly match the Fed if needed



Canada's status of favoured US trading partner could be in jeopardy



Stuck between a strong USD and prospects of reduced US-Canada trade



Purchases of US securities have picked up, with FX hedging in question

Source all charts: Crédit Agricole CIB, Bloomberg, BoC

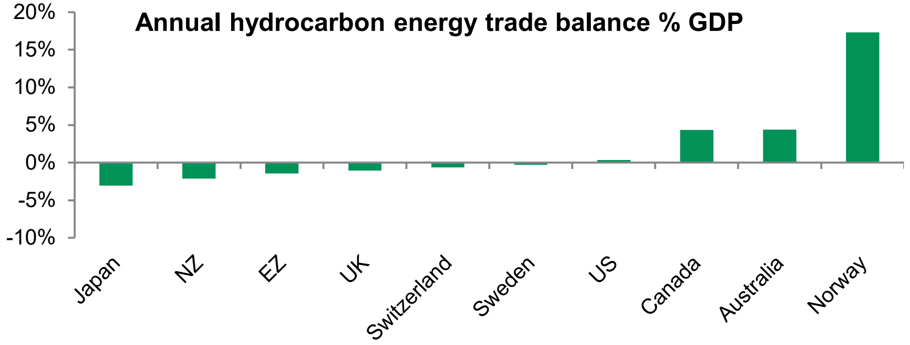
9

NZD: bumpy road to recovery

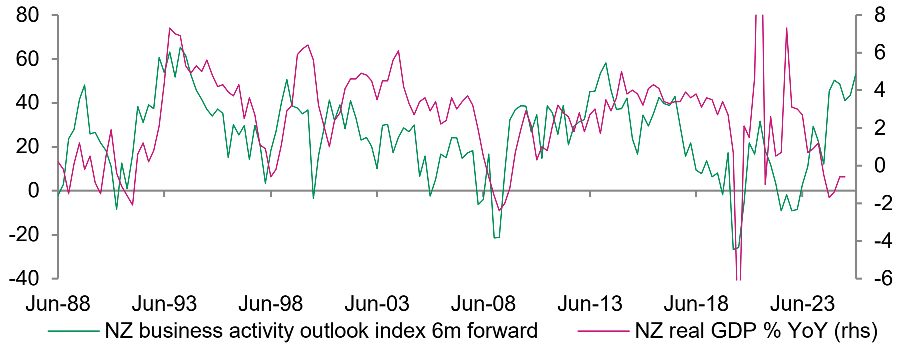
NZD: bumpy road to recovery

NZ's economy withstanding the energy shock and continuing its recovery

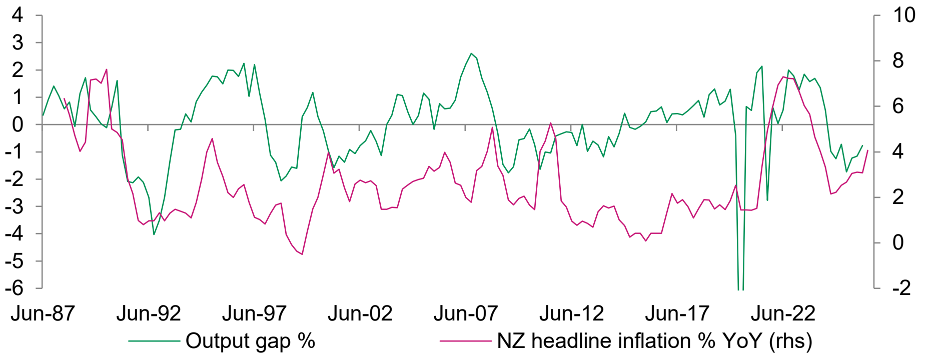
NZ has a negative exposure to higher global energy prices…



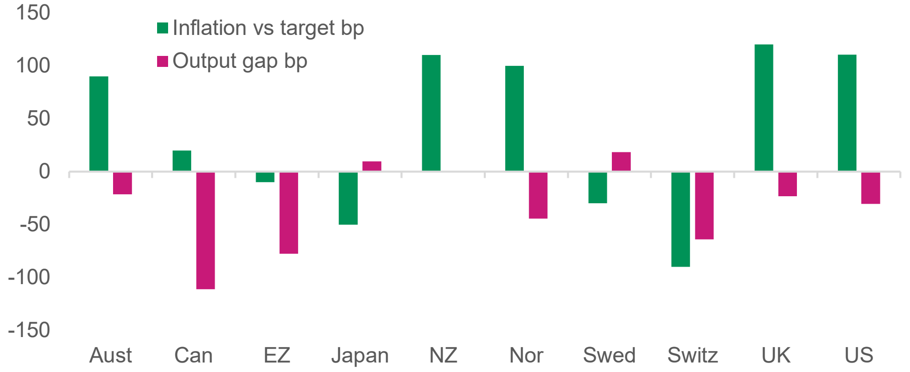
…but growth had good momentum heading into the crisis and is bouncing back



NZ's output gap has closed making it more difficult to control inflation



NZ's excess capacity has been eroded relative to other G10 economies

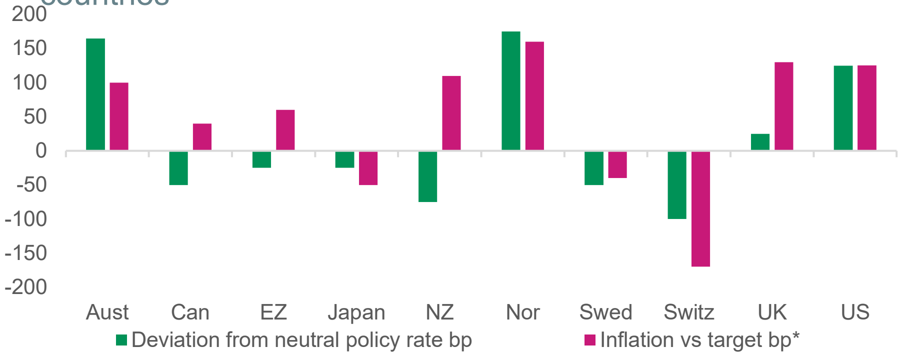


Source all charts: Crédit Agricole CIB, Bloomberg

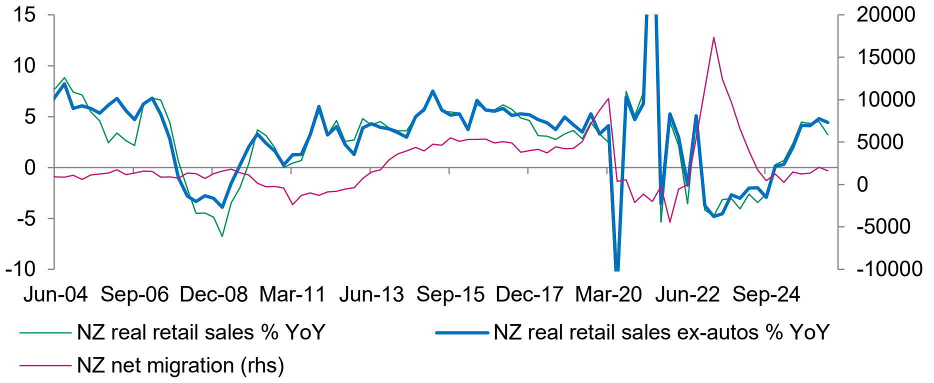
NZ: monetary policy too loose

NZ's economy looks to be bouncing back quickly from recession

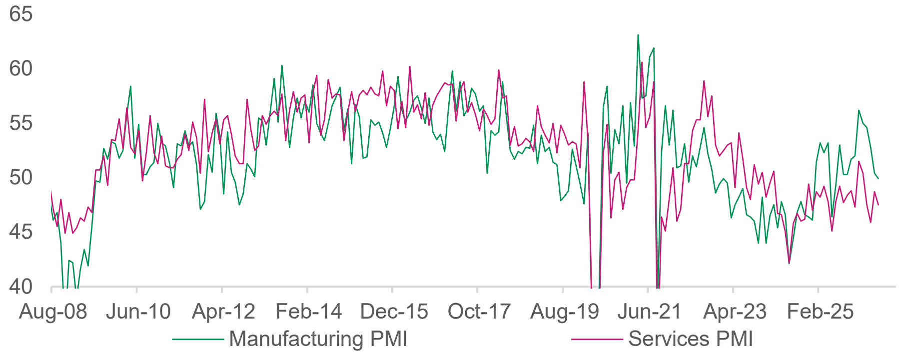
NZ's monetary policy is loose relative to its inflation challenge as well as other countries



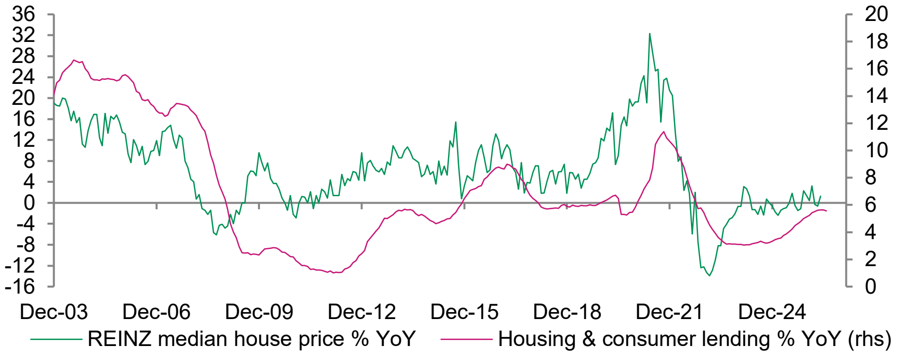
Even with flat migration, NZ retail sales remain firm



PMI data, especially manufacturing, is looking stronger…



…despite rate hikes

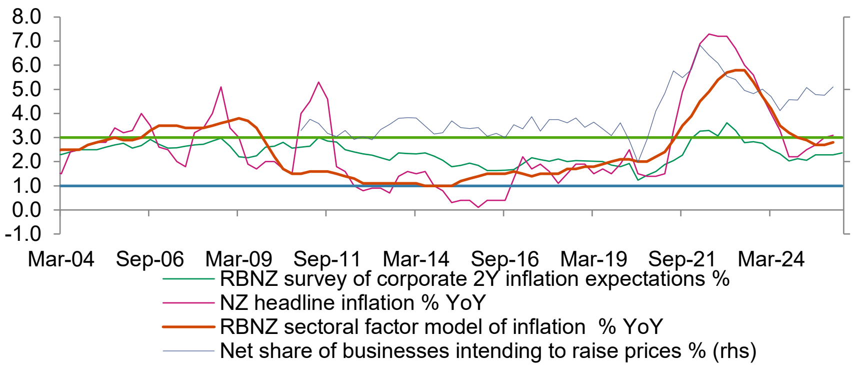


** Note: Centre of the RBA and RBNZ's target bands, Source all charts: Crédit Agricole CIB, Bloomberg*

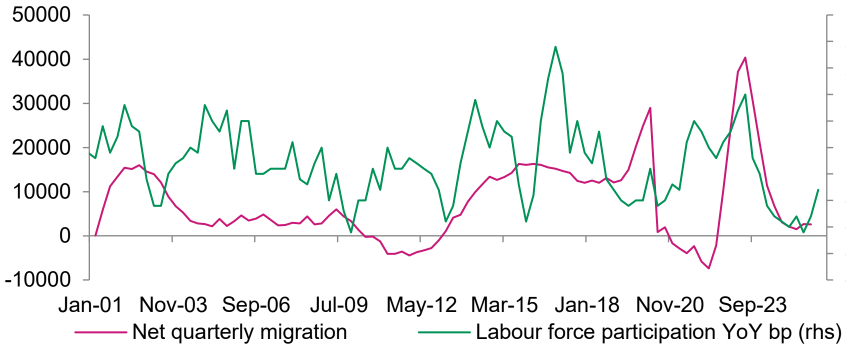
NZD: inflation and immigration bottoming out

Inflation, inflation expectations and immigration have bottomed out

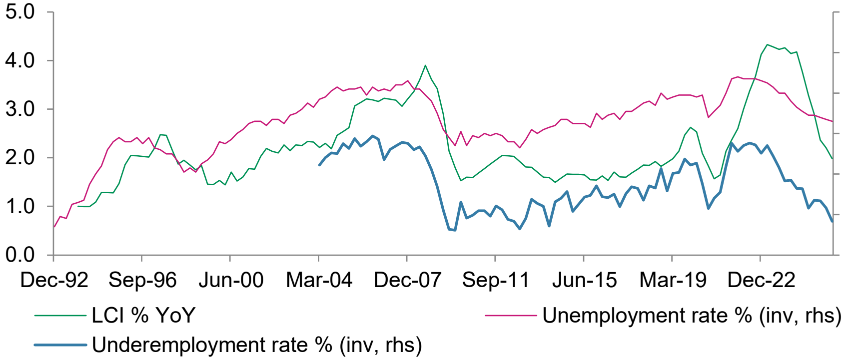
Inflation & inflation expectations no longer giving the RBNZ room to keep policy loose



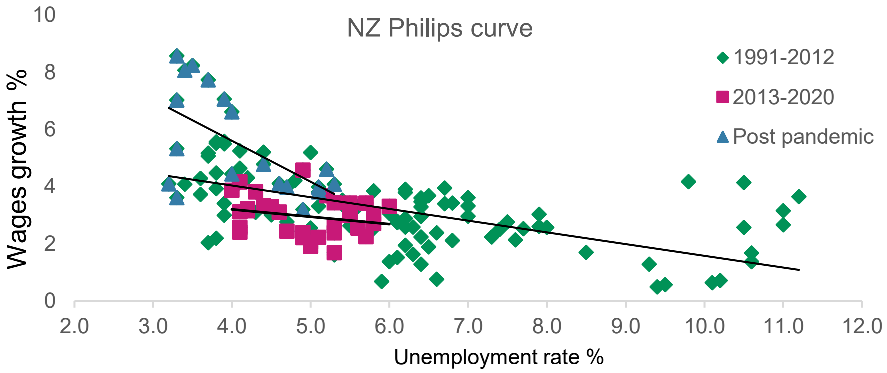
Migration has stabilised at average levels leading to weak labour supply growth



NZ unemployment still elevated but wages growth bottoming out



NZ's Philips curve has steepened post the pandemic, so the recovery adds to wages growth more quickly

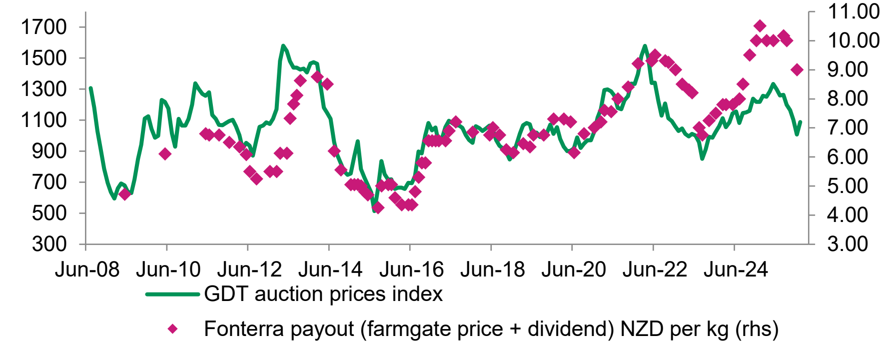


Source all charts: Crédit Agricole CIB, Bloomberg, RBNZ, CEIC

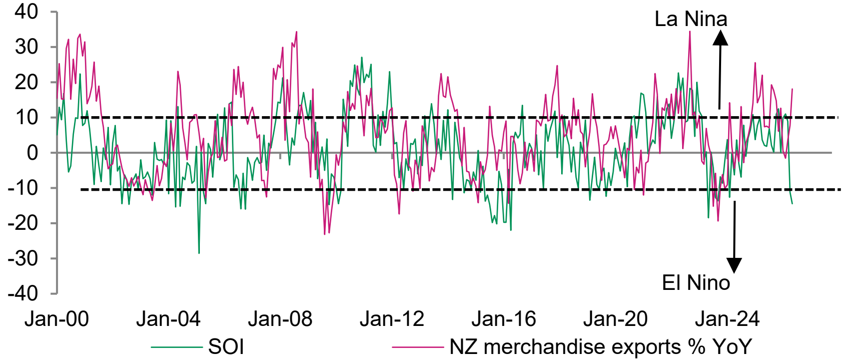
NZD: some concerns about the weather

NZ dairy farmers are earning good incomes, but El Nino threatens production. The NZD has some of this negative in its price

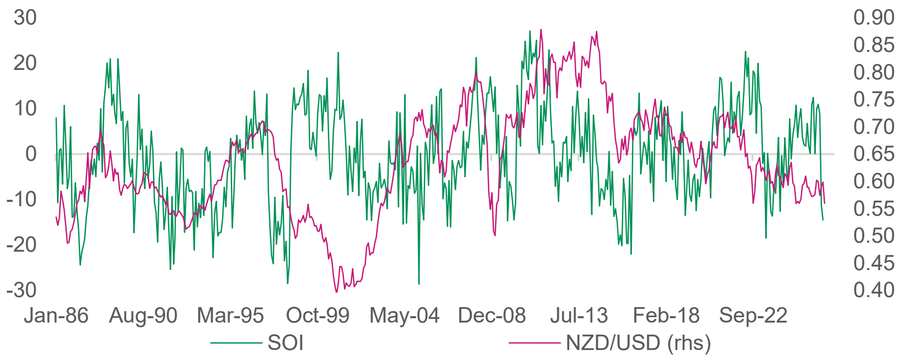
NZ dairy farmers are still earning significantly above-average incomes…



…but El Nino is a concern for agricultural production and exports going forward



NZD/USD trades ahead of the weather



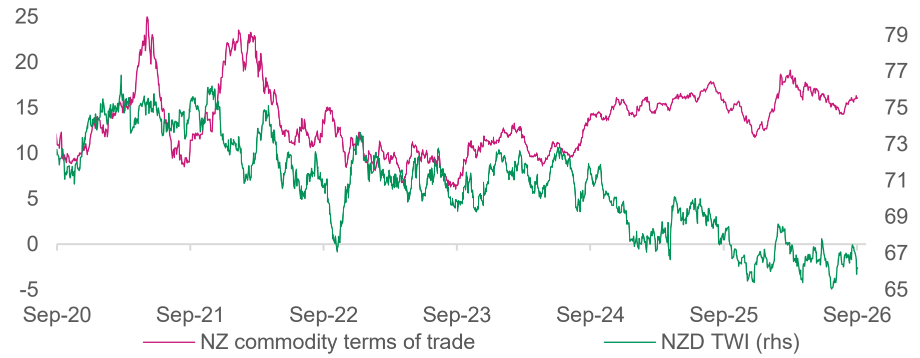
NZD/USD helped by the stabilisation of the NZ-US short-term rates spread

Source all charts: Crédit Agricole CIB, Bloomberg

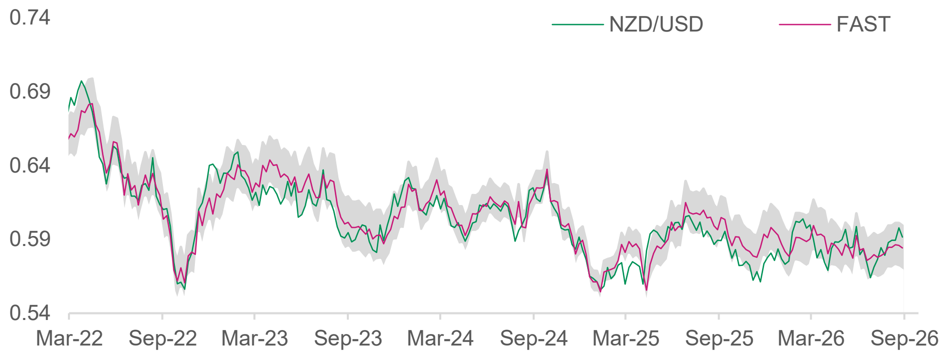
NZD: sentiment improving but the market is still short

NZD is looking modestly overvalued, but the market remains very short the currency

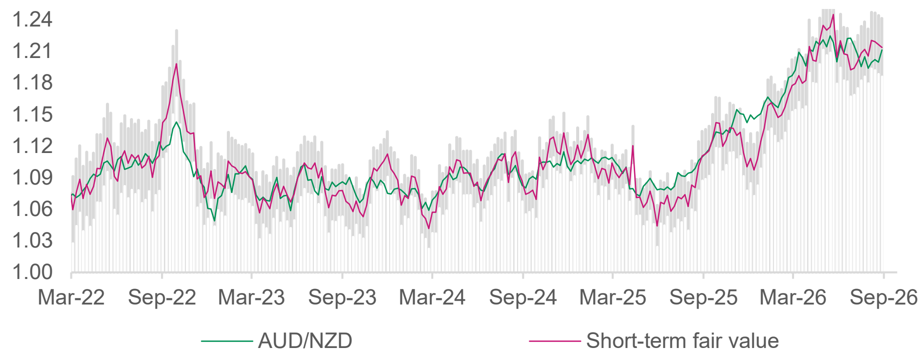
Despite strong food prices, NZ's terms of trade have been weighed down by higher energy prices



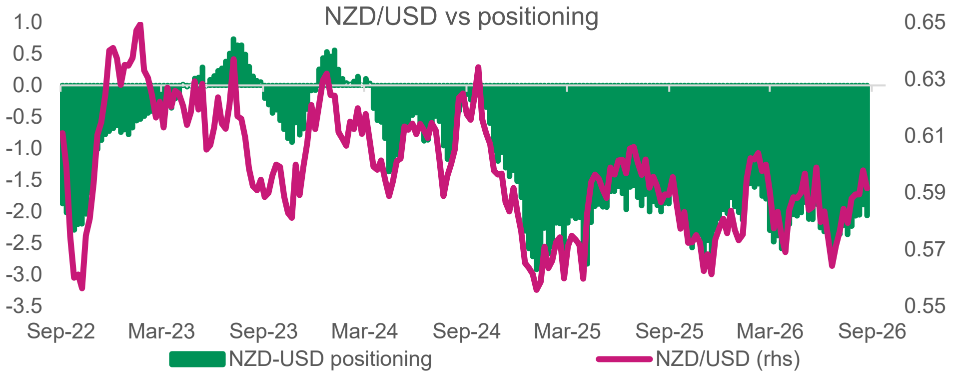
NZD/USD vs FAST FX fair value: fair value falling



AUD/NZD vs FAST FX fair value



Investors are still very short the NZD



Source all charts: Crédit Agricole CIB, Bloomberg

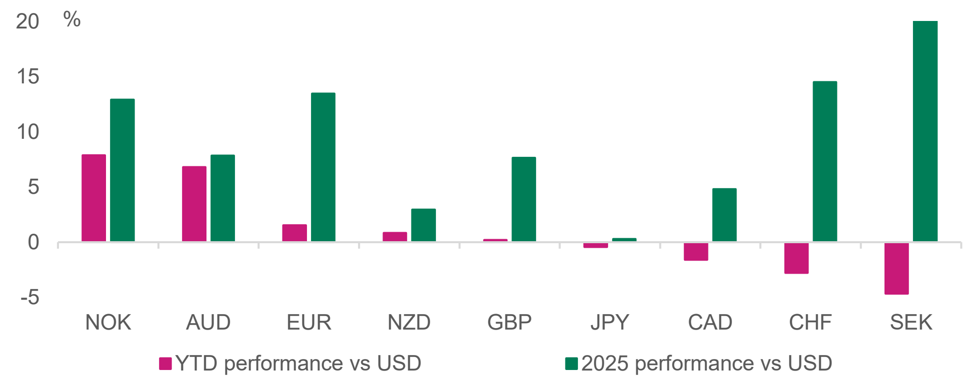
10

SEK: growth and its limits

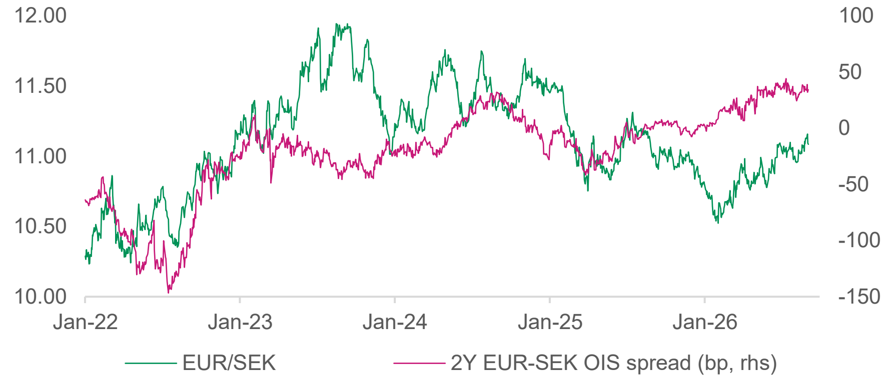
SEK: you win some, you lose some

Unlike the Swedish economy, the SEK and the Riksbank have lagged behind this year

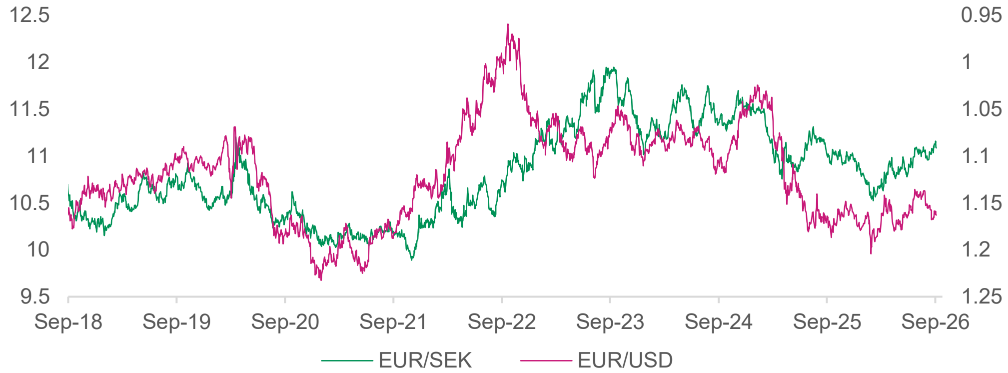
From the top to the bottom of the G10 FX space so far this year



Riksbank's wait-and-see has contrasted with the ECB's tightening



Dovish Riksbank may create some asymmetry as high-beta EUR proxy



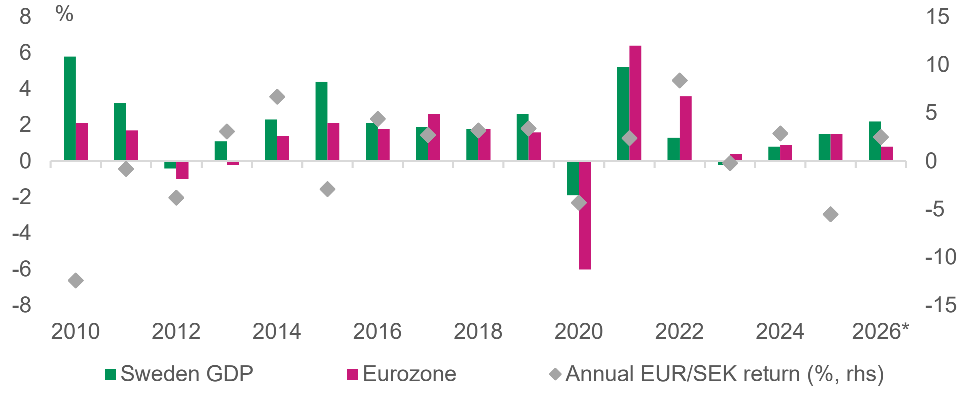
Upcoming Swedish elections, hardly a concern for the SEK

Source all charts: Crédit Agricole CIB, Bloomberg

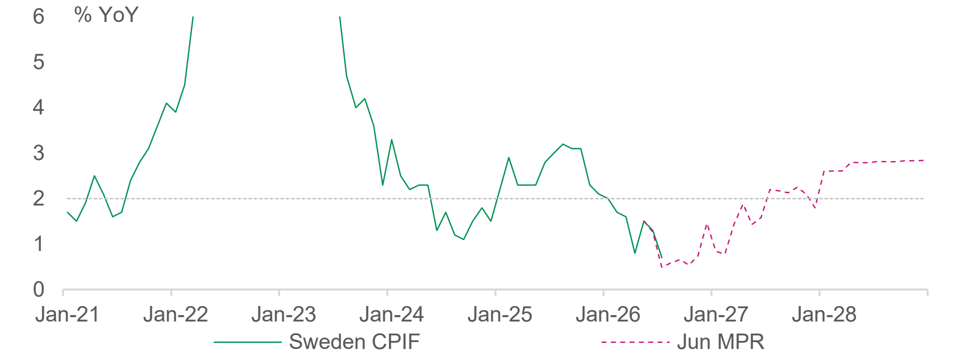
SEK: more than able to turn things around

Sweden's growth outperformance, as well as sounder public finances, should help the SEK fare better

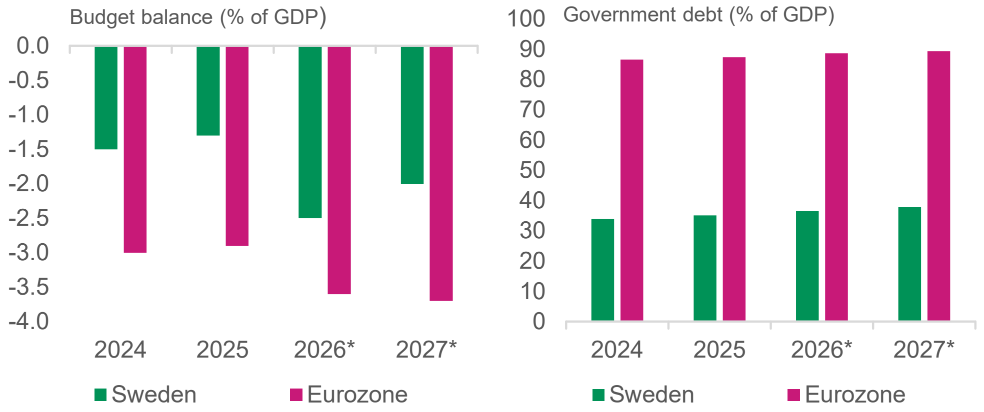
A larger relative growth outperformance still on the cards for this year



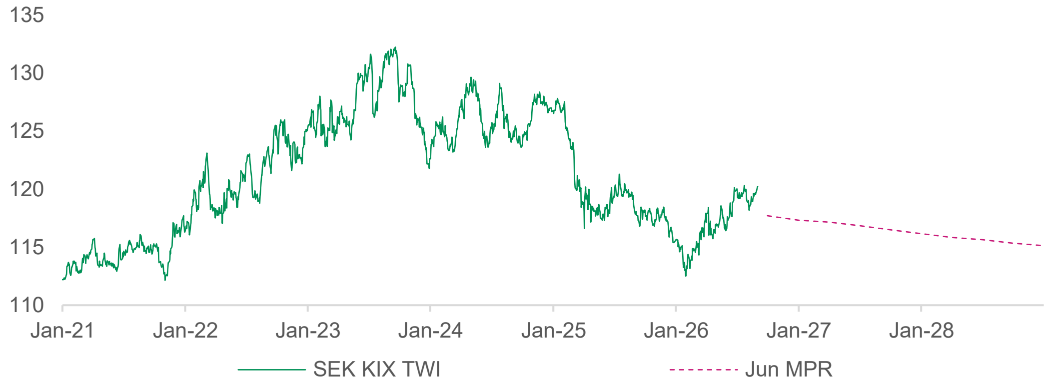
Lower inflation prospects also mean less erosion in purchasing power



Sweden still enjoys sounder public finances than most peers



Potential unwind of FX reserves hedging programme to limit long-term SEK upside



Source all charts: Crédit Agricole CIB, Bloomberg, Riksbank, ECB

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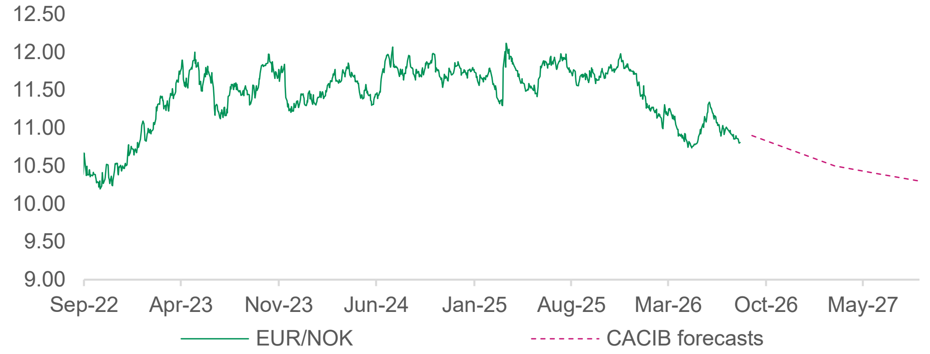
11

NOK: still something left in the tank

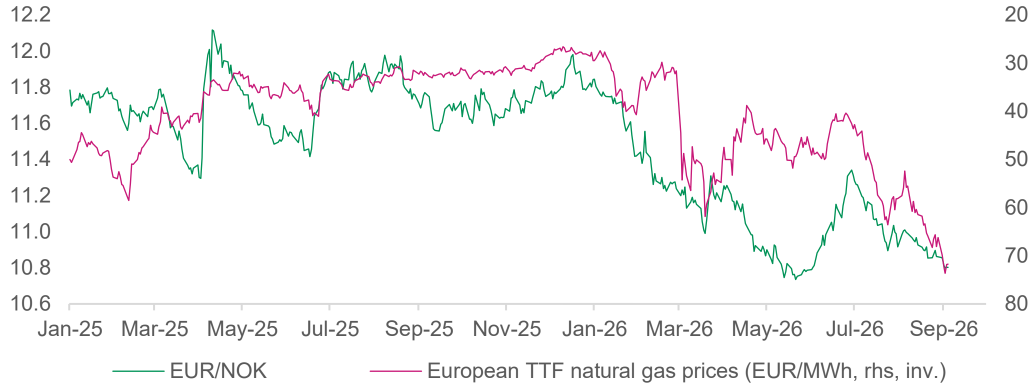
NOK: re-energised

The NOK has resumed its march higher as energy markets have had to deal with renewed tensions in the Middle East

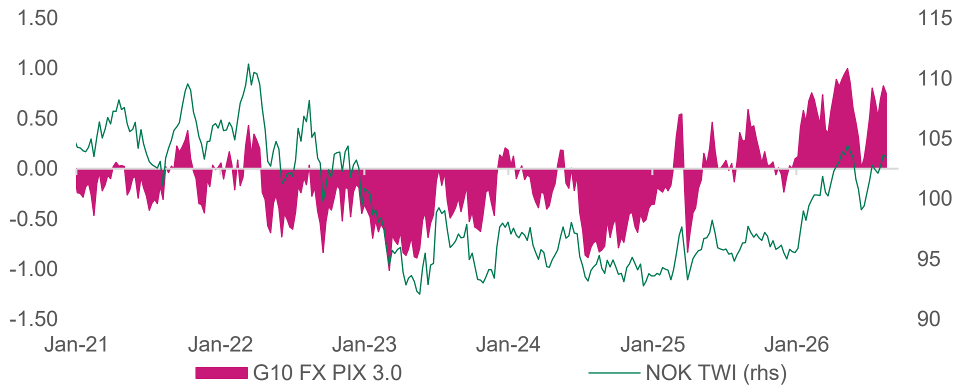
EUR/NOK has resumed drifting lower, in line with our central case



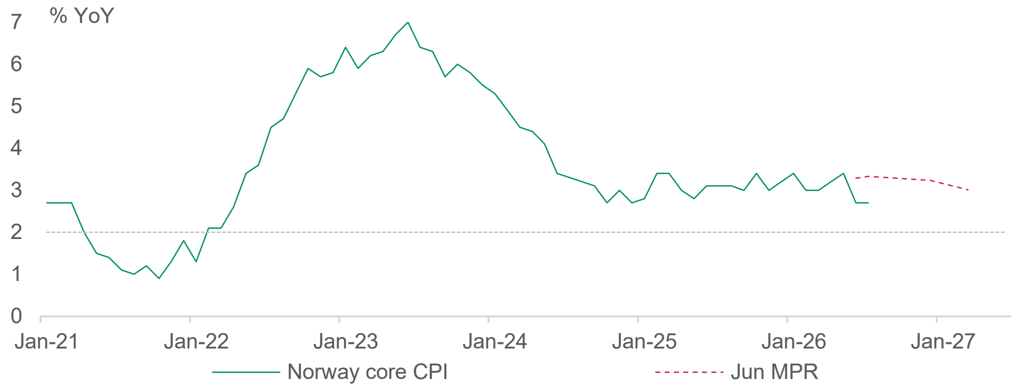
Energy shock has spread to natural gas prices



The NOK has remained a popular long in FX carry trades



Recent miss in Norway CPI could question the need for another rate hike

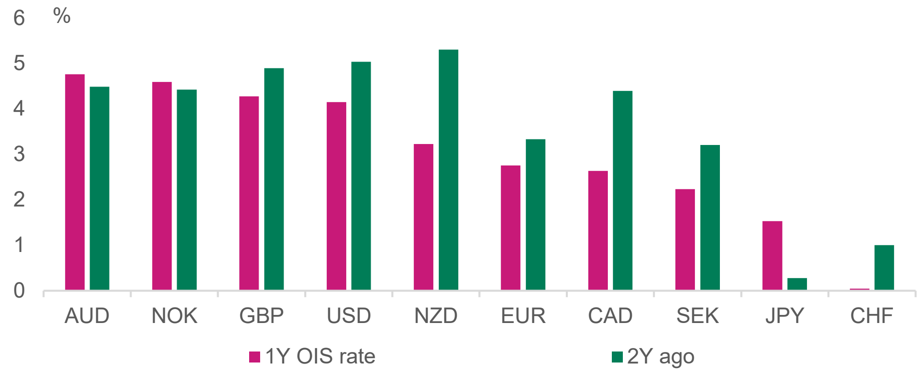


Source all charts: Crédit Agricole CIB, Bloomberg, Norges Bank

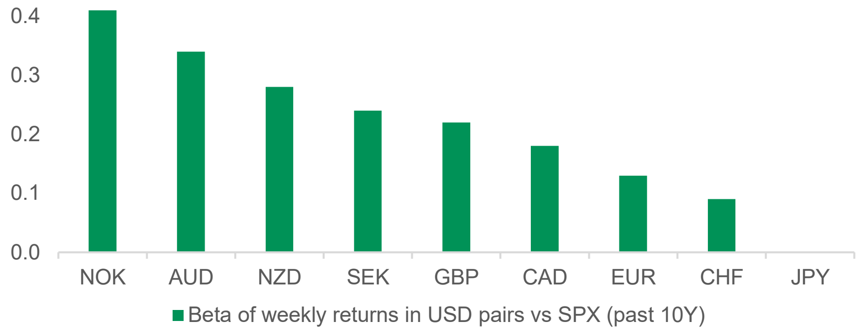
NOK: still something in the tank for the long run

NOK ongoing recovery to be fuelled by Norway's appealing fundamentals, assuming resilient global risk appetite

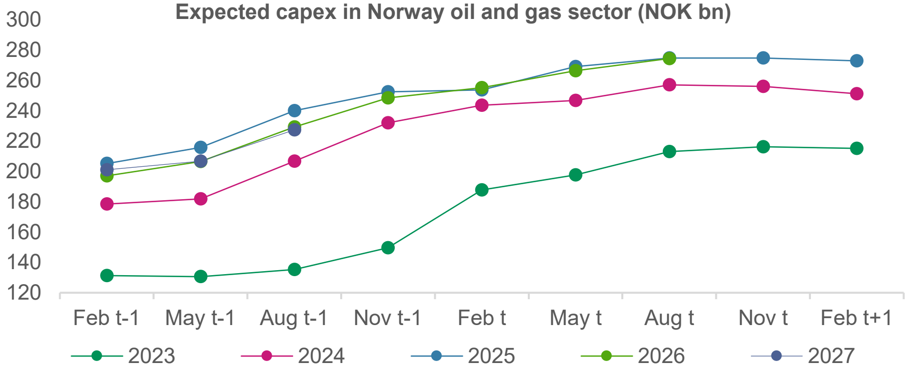
Unlike previous years, the NOK enjoys superior carry appeal



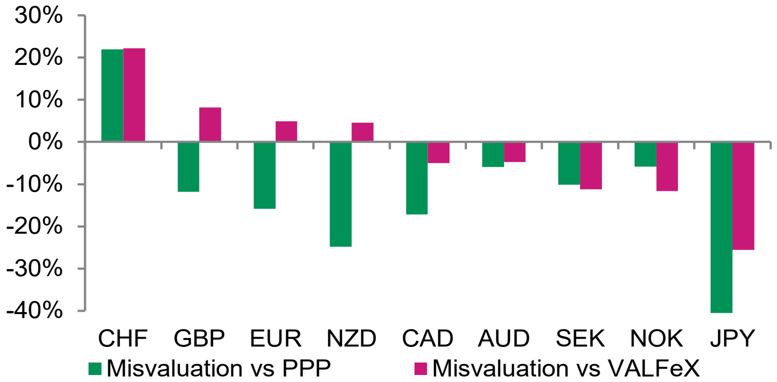
Resilient global risk appetite still needed for the NOK to continue to fare well



Norway enjoys robust oil & gas capex flows regardless



The NOK remained one of the most undervalued G10 FX



Source all charts: Crédit Agricole CIB, Bloomberg, Statistics Norway

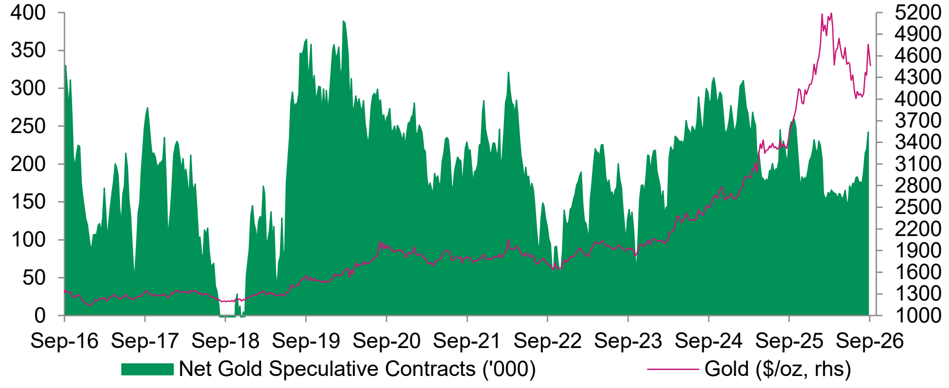
12

XAU: the ultimate safe haven put to the test

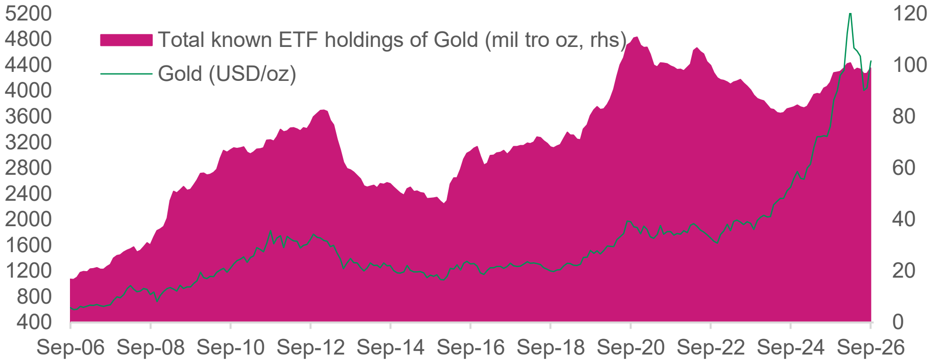
Gold: demand analysis

Private investors (speculators and otherwise) not rushing to buy gold while central bank gold reserves have increased

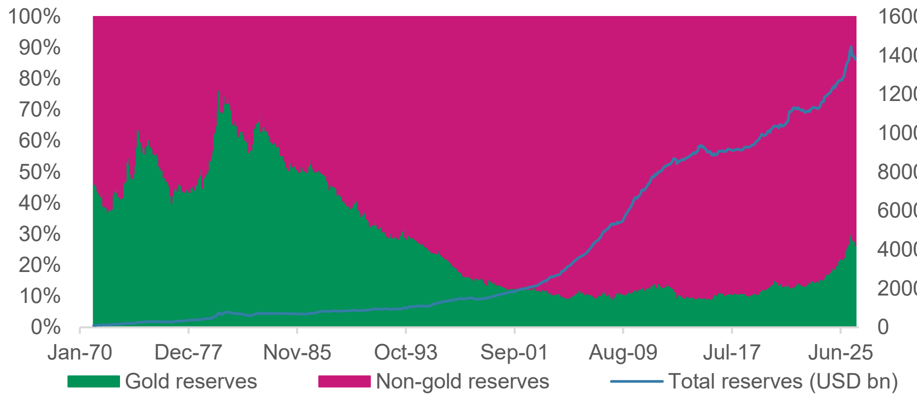
Gold vs market speculative positioning – lack of excessive longs



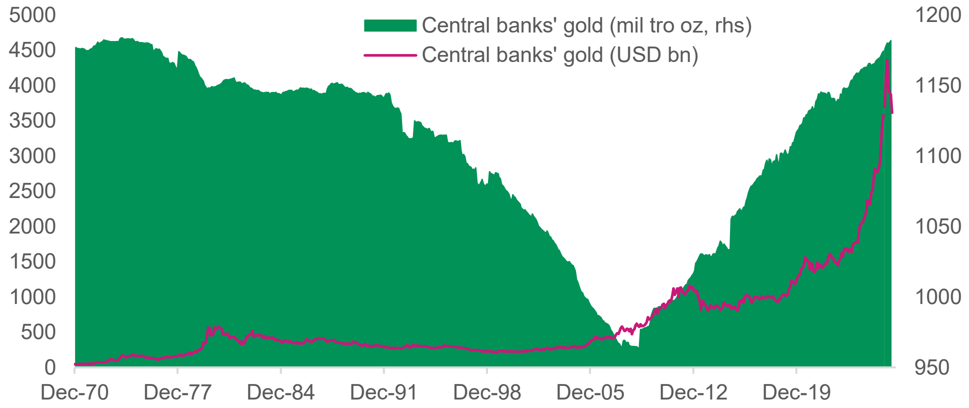
Gold vs ETF holdings of gold – the demand is there but not as excessive



Central banks gold reserves (market value) vs share in total reserves



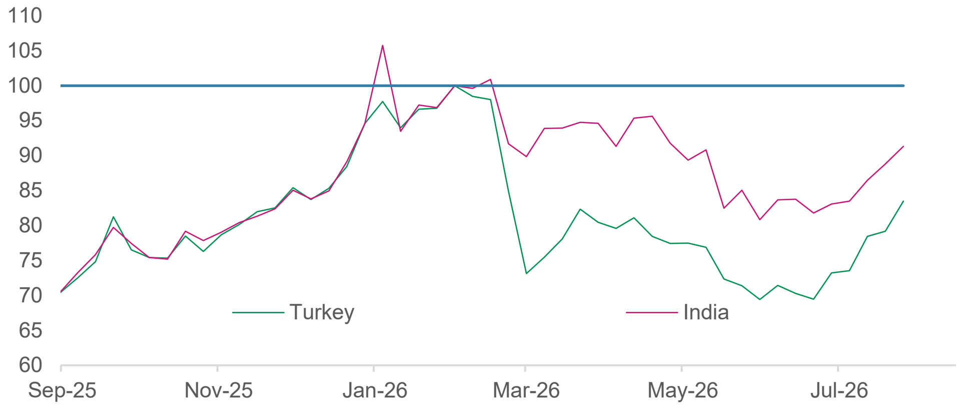
Central bank gold reserves (market value) vs physical holdings of gold



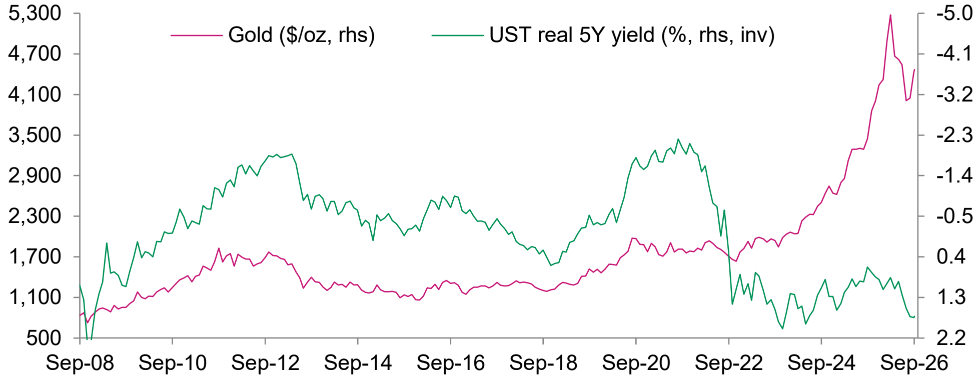
Source all charts: Crédit Agricole CIB, Bloomberg, IMF, Metal Focus data Ltd

XAU and the war in Iran

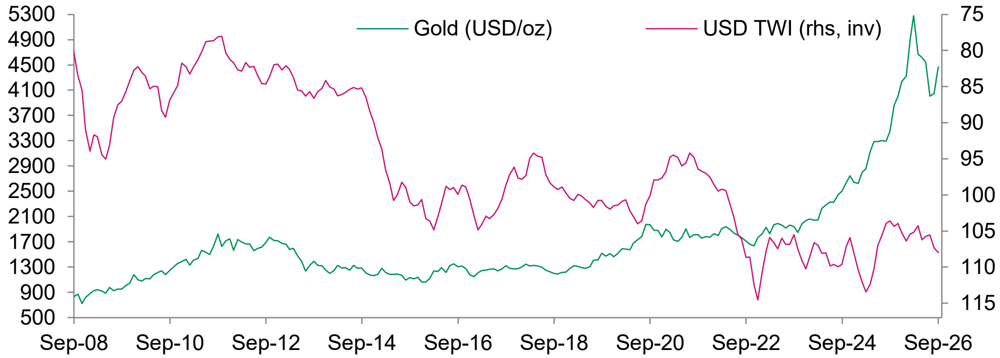
Demand for USD in the wake of the Iran war forced central banks to sell gold reserves (27 February 2026 = 100)



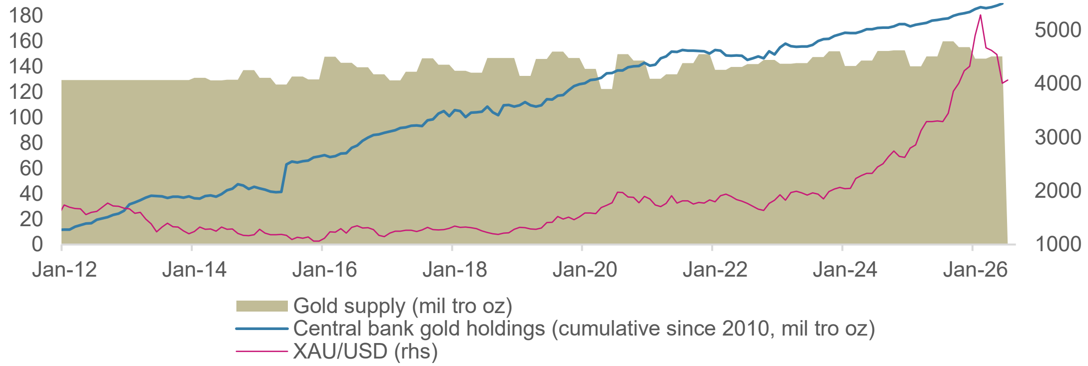
XAU vs US real rates, spot the difference



XAU vs USD NEER



Growing central bank gold demand and inelastic gold supply resulted in exponential XAU price moves in recent years



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