

# Morning Express

20 October 2020

## Focus of the Day

<b>iQIYI Inc</b>		<b>IQ US</b>
<b>3Q20E revenue likely in line, loss narrower than expected</b>		Rating: <b>Buy</b>
CP: US\$ 22.52	TP: US\$ 30.70	Upside: +36.3%
Gigi Zhou	zhe.zhou@bocomgroup.com	

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### Global Stock Indices

	Close	1D%	YTD%
HSI	24,542	0.64	-12.47
HSCEI	9,978	0.64	-10.65
SH A	3,472	-0.71	8.63
SH B	251	-0.74	-2.36
SZ A	2,354	-0.70	30.63
SZ B	945	-0.41	-1.76
DJIA	28,195	-1.44	-1.20
S&P 500	3,427	-1.63	6.07
Nasdaq	11,479	-1.65	27.93
FTSE	5,885	-0.59	-21.98
CAC	4,936	0.00	-17.43
DAX	12,855	-0.42	-2.98

Source: FactSet

### Key Commodity/Forex Indicators

	Close	3M%	YTD%
Brent	42.90	-0.53	-35.04
Gold	1,900.80	5.12	25.09
Silver	24.36	27.14	35.00
Copper	6,728.00	4.24	9.29
JPY	105.47	1.59	3.04
GBP	1.30	3.70	-1.88
EUR	1.18	3.16	4.97
bps change		<b>3M</b>	<b>6M</b>
HIBOR	0.54	4.69	-71.46
US 10yr yield	0.76	22.00	16.22

Source: FactSet

We expect 3Q20 revenue of iQIYI to be RMB7.22bn, down 2% YoY/3% QoQ, in line with guidance and slightly higher than market consensus of RMB7.16bn by 1%. We project net loss to further narrow to RMB1.6bn, better than the consensus of RMB2.2bn loss, thanks to the control of content costs and operating expenses.

Membership revenue is expected to increase 9% YoY/remain flat QoQ. We estimate a net add of subscribers by 2m QoQ, showing a weaker-than-expected recovery. We expect 3Q20 advertising revenue to grow 16% QoQ, and the recovery trend to continue into 4Q20 mainly driven by increased S-level variety shows. Content cost is expected to be RMB5.1bn, likely a bigger-than-expected shrinkage.

Valuation: We maintain TP of US\$30.70, implying 4.7x 2021E P/S. We believe that short-term pressure on subscriber recovery mainly comes from retention rate fluctuations due to content supply. More film screenings in cinemas at year-end may push member retention rate back to normal. The well-received Mist Theatre drama series prove the initial success of iQIYI's self-production strategy. We keep eyes on the Mist Theater 2 series and other vertical content scheduled in 2021. Maintain **Buy**.

### Transportation & Infrastructure Sector Weekly

**As of 16 October 2020**

Luya You      luya.you@bocomgroup.com

We highlight notable weekly updates for the transportation industry as follows:

**Imports & exports:** China's September exports remained strong, while imports surged 13.2% YoY in USD terms. We expect both imports and exports to continue on an uptrend in 4Q20.

**FAI:** China's FAI posted growth for the first time in 2020, up 0.8% YoY to RMB43.7trn in 9M20. We expect infrastructure investment to continue to expand and further support the overall FAI investment in 4Q20.

**Aviation:** China's air travel demand rebounded rapidly in September. We expect domestic passenger demand to further rebound in October.

### HSI Technical

HSI	24,542.26
50D MA	24,292.81
200D MA	24,515.49
14D RSI	49.10
Short sell (HK\$ m)	15,975

Source: FactSet

**Hao Hong, CFA**
**Head of Research**

hao.hong@bocomgroup.com

Analyst certifications, disclosures and disclaimer at the back forms part of this report and must be read.

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**Container shipping:** SCFI rose 0.7% WoW. European rates dropped 5.7% WoW with subdued cargo volume, but Transpacific rates remained high.

**Investment implications:** Express delivery volume in China jumped 44.6% YoY in September, with the decline of ASP slightly narrowing to 12.2% YoY. We expect intensifying e-commerce promotion and upcoming peak season to underpin revenue growth of top couriers like ZTO Express (ZTO US/**Buy**) and fuel share price in the near term. Besides, we continue to favor leading container shipping names like COSCO Shipping (1919 HK/**Buy**) and SITC (1308 HK/**Buy**) as higher-than- expected Chinese exports should ensure solid volume momentum in 4Q20.

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### Economic data releases for this week – US

Date	Event	Survey	Prior
21 Oct	MBA mortgage applications (%)	-	-0.7
22 Oct	Initial jobless claims (k)	-	898
22 Oct	Existing home sales (m)	6.25	6.00

Source: Bloomberg

### Economic data releases for this week – China

Date	Event	Survey	Prior
18 Oct	GDP YTD (YoY%)	-	-1.6
18 Oct	Industrial production (YoY%)	5.8	5.6
18 Oct	Retail sales (YoY%)	1.8	0.5

Source: Bloomberg

### BOCOM Research latest reports

19 Oct	Internet Sector Weekly - As of 16 October 2020	Connie Gu, CPA, Brandy Sun, Gigi Zhou, Li Zhao, CFA
19 Oct	Consumer Sector Weekly - As of 16 October 2020	Edward Lui
16 Oct	Xinyi Solar (968 HK) - Further surge in PV glass prices, equity financing to boost capacity	Bob Wen, CPA, Louis Sun
16 Oct	Banking Sector - Payment boom a win-win for banks and 3P players, key to client acquisition	Jaclyn Wang
16 Oct	NetEase Inc (NTES US) - Expect games to be steady but profit pressure from K12 promotion and FX loss in 3Q	Brandy Sun, Connie Gu, CPA, Gigi Zhou, Li Zhao, CFA
16 Oct	Internet Sector - Monthly gaming data watch (as of September 2020)	Connie Gu, CPA, Brandy Sun, Gigi Zhou, Li Zhao, CFA
16 Oct	Property Sector Weekly - As of 15 October 2020	Philip Tse, CFA, FRM, Evangeline Luo, Spencer Luo
16 Oct	Country Garden Services (6098 HK) - Accelerating expansion in urban services the next growth driver	Evangeline Luo, Philip Tse, CFA, FRM
16 Oct	Anta Sports (2020 HK) - Robust Golden Week, cold winter to set up a strong 4Q finish	Edward Lui
15 Oct	Banking Sector - China Credit Monitor Sep 2020 – demand recovery on track	Jaclyn Wang, Hannah Han
15 Oct	Renewable Energy Sector Weekly - As of 14 October 2020	Louis Sun, Bob Wen, CPA
14 Oct	New Oriental Education (EDU US) - K12 offline recovery continues; OMO to add more value in LT	Connie Gu, CPA, Brandy Sun, Gigi Zhou, Li Zhao, CFA
14 Oct	Technology Sector - Quick take on iPhone, 3Q20 PC and China handsets	Chris Yim
14 Oct	Healthcare Sector Weekly - As of 13 October 2020	Li Zhao, PhD, Aiwei Li, PhD
14 Oct	Sinotrans Limited (598 HK) - Upgrade to Buy with better volume and margin in sight	Maggie Wang
14 Oct	Pou Sheng International (3813 HK) - September growth swung back to positive, setting up a strong 4Q finish	Edward Lui
12 Oct	Transportation & Infrastructure Sector Weekly - As of 9 October 2020	Luya You, Maggie Wang
12 Oct	Gas Utilities Sector - Vision series #1: Hydrogen economy in focus as the world de-carbonizes	Wallace Cheng
12 Oct	Internet Sector Weekly - As of 9 October 2020	Connie Gu, CPA, Brandy Sun, Gigi Zhou, Li Zhao, CFA
12 Oct	Sunny Optical (2382 HK) - Sep data strong and tracking ahead of annual target; reiterate Buy	Chris Yim

Source: BOCOM Int'l

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**Morning Express**
**HSI constituents**

Company name	Stock code	Current price (HK\$)	Mkt cap (HK\$ m)	5D chg (%)	YTD chg (%)	-----52-week-----		-----P/E-----			Yield 2020E (%)	P/B 2020E (x)
						High (HK\$)	Low (HK\$)	2019 (x)	2020E (x)	2021E (x)		
CKH	1 HK	46.35	178,737	-1.17	-37.62	75.45	45.55	4.49	5.77	N/A	5.35	0.36
CLP	2 HK	73.20	184,936	-1.35	-10.62	84.20	65.00	39.78	16.05	15.64	4.21	1.66
HK & CHINA GAS	3 HK	11.28	200,460	-1.23	-22.18	15.14	10.86	28.75	31.33	28.20	3.10	3.08
HSBC	5 HK	30.90	629,358	1.31	-49.22	61.85	28.20	5.59	16.27	9.06	1.25	0.48
POWER ASSETS	6 HK	41.15	87,825	-1.32	-27.81	58.50	40.55	12.32	14.27	13.19	6.80	1.03
HANG SENG	11 HK	114.00	217,950	-2.15	-29.19	173.50	111.10	8.93	12.73	12.48	4.82	1.28
HENDERSON	12 HK	28.80	139,432	-2.37	-24.71	40.55	26.95	9.54	9.49	10.03	6.25	0.43
SHKP	16 HK	98.90	286,590	0.05	-17.10	123.00	89.00	8.85	9.76	9.19	5.01	0.50
NEW WORLD	17 HK	38.25	97,505	-0.78	-10.46	46.88	30.44	11.12	14.83	12.18	5.33	0.46
SWIRE PACIFIC	19 HK	37.55	33,991	-1.18	-48.14	76.65	36.30	7.82	N/A	12.00	4.06	0.21
GEG	27 HK	51.65	224,299	0.49	-10.02	62.80	38.60	17.15	N/A	N/A	0.00	3.40
MTRC	66 HK	39.00	241,033	-0.76	-15.31	47.80	36.85	22.67	41.71	23.57	3.15	1.31
SINO	83 HK	9.85	69,395	-0.30	-12.99	12.40	8.18	14.28	14.95	N/A	5.58	0.47
HLP	101 HK	19.96	89,774	-3.11	16.73	22.15	13.82	20.16	20.66	N/A	3.81	0.65
WANT WANT	151 HK	5.41	66,222	2.27	-25.69	7.37	4.93	16.83	N/A	N/A	N/A	N/A
GEELY	175 HK	16.12	158,187	-3.70	5.77	19.06	10.08	15.64	18.32	13.65	1.39	2.07
CITIC LTD	267 HK	5.86	170,469	3.35	-43.76	10.70	5.60	3.17	3.79	3.32	6.51	0.27
WH GROUP	288 HK	6.18	91,102	-0.16	-23.23	8.78	5.96	8.51	8.90	7.97	4.53	1.26
SINOPEC	386 HK	3.01	76,795	-0.99	-35.82	4.80	3.01	5.46	12.04	8.55	5.96	0.43
HKEX	388 HK	367.20	465,551	-1.55	45.14	394.20	211.40	49.03	42.25	36.14	2.13	9.85
COLI	688 HK	19.68	215,596	-1.11	-35.16	30.70	19.14	4.47	4.86	4.27	6.11	0.60
TENCENT	700 HK	561.50	5,381,775	-2.09	49.49	573.50	316.20	50.29	38.55	32.38	0.25	8.26
UNICOM	762 HK	5.30	162,170	-3.81	-27.79	8.34	3.90	12.37	10.90	9.74	3.71	0.43
LINK	823 HK	61.35	126,530	0.00	-25.64	86.50	57.00	22.62	21.36	21.80	4.68	0.79
CR POWER	836 HK	8.55	41,129	-1.16	-21.85	11.40	6.58	6.24	4.78	4.19	8.11	0.53
PETROCHINA	857 HK	2.21	46,629	-0.90	-43.48	4.20	2.20	7.63	N/A	16.46	6.96	0.29
CNOOC	883 HK	7.41	330,838	0.14	-42.82	13.74	6.40	4.67	12.80	8.00	5.53	0.63
CCB	939 HK	5.66	1,433,187	6.79	-15.90	6.80	4.98	4.93	5.11	4.79	5.89	0.54
CHINA MOBILE	941 HK	49.95	1,022,750	-2.63	-23.74	69.70	48.25	8.33	8.25	8.01	6.77	0.77
CK INFRA	1038 HK	36.70	97,280	-0.54	-33.81	57.85	35.65	8.80	11.09	9.92	6.76	0.80
HENGAN	1044 HK	54.95	65,373	-4.10	-0.99	71.00	50.00	14.45	12.05	N/A	5.81	2.90
SHENHUA	1088 HK	13.78	46,832	0.15	-15.36	16.62	12.06	5.68	6.04	5.95	8.28	0.64
CSPC	1093 HK	8.93	106,926	-9.34	-7.72	11.15	7.15	24.82	20.26	17.14	1.44	4.21
CR LAND	1109 HK	35.75	254,931	-0.83	-7.86	39.40	28.00	9.93	9.00	7.81	3.99	1.15
CKA	1113 HK	37.45	138,318	-2.60	-33.42	56.70	34.40	4.81	7.26	N/A	3.93	0.38
SBP	1177 HK	8.02	151,358	-3.37	10.37	10.88	6.47	41.61	40.74	32.98	0.63	3.88
AIA	1299 HK	77.60	938,484	-4.61	-5.13	87.35	60.70	18.14	22.81	17.30	1.70	2.00
ICBC	1398 HK	4.58	1,964,619	7.51	-23.67	6.05	3.99	4.60	5.04	4.79	6.01	0.53
SANDS	1928 HK	27.65	223,685	1.10	-33.61	45.00	26.15	14.20	N/A	N/A	0.00	12.49
WHARF REIC	1997 HK	31.50	95,641	1.29	-33.75	49.10	27.30	9.75	12.60	11.78	5.03	0.44
COUNTRY GARDEN	2007 HK	9.55	210,438	-2.15	-23.48	12.88	7.88	4.61	4.20	3.70	7.27	1.00
AAC TECH	2018 HK	44.80	54,141	1.93	-34.12	70.00	35.85	21.03	27.58	17.81	0.94	2.25
SHENZHOU	2313 HK	135.10	203,085	-1.03	18.61	136.60	73.15	34.42	32.59	27.82	1.58	6.26
PING AN	2318 HK	84.20	1,653,703	1.81	-8.58	99.55	70.90	8.66	9.95	8.35	3.03	1.74
MENGNIU	2319 HK	37.45	147,792	-2.60	18.89	39.20	25.00	30.83	38.14	24.50	0.56	3.99
SUNNY OPTICAL	2382 HK	128.30	140,726	-0.47	-4.89	149.50	92.40	30.37	28.46	21.36	0.73	7.56
BOCHK	2388 HK	21.40	226,257	-0.70	-20.89	28.90	20.30	7.03	8.45	8.31	5.41	0.77
CHINA LIFE	2628 HK	18.70	1,344,681	4.12	-13.63	22.75	12.86	7.88	8.97	8.15	4.08	1.04
BOCOM	3328 HK	3.95	138,297	2.33	-28.70	5.61	3.66	3.41	3.75	3.52	8.06	0.34
BOC	3988 HK	2.58	1,006,422	2.79	-22.52	3.37	2.37	3.65	3.95	3.94	8.01	0.37
<b>HANG SENG INDEX</b>		<b>24,542.26</b>	<b>18,397,711</b>	<b>-0.51</b>	<b>-12.94</b>	<b>29,056.42</b>	<b>21,696.13</b>	<b>20.97</b>	<b>18.89</b>	<b>15.99</b>	<b>3.54</b>	<b>3.18</b>

Source: FactSet

20 October 2020

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**HSCEI constituents**

Company name	Stock code	Closing price (HK\$)	Mkt cap (HK\$ m)	5D chg (%)	YTD chg (%)	-----52-week-----		-----P/E-----			Yield 2020E (%)	P/B 2020E (x)
						High (HK\$)	Low (HK\$)	2019 (x)	2020E (x)	2021E (x)		
CITIC LTD	267 HK	5.86	170,469	3.35	-43.76	10.70	5.60	3.17	3.79	3.32	6.51	0.27
GDI	270 HK	12.40	81,069	-2.36	-23.93	17.30	11.90	16.07	16.10	13.78	4.84	1.90
CGH	384 HK	24.00	125,245	5.03	-17.81	34.75	20.75	14.72	13.64	11.59	2.08	3.16
SINOPEC	386 HK	3.01	76,795	-0.99	-35.82	4.80	3.01	5.46	12.04	8.55	5.96	0.43
CRG	390 HK	3.63	142,358	0.83	-24.53	5.03	3.47	3.30	3.30	3.04	5.41	0.32
DONGFENG	489 HK	5.38	15,364	1.70	-26.60	8.09	4.42	3.11	4.33	3.21	5.38	0.30
TENCENT	700 HK	561.50	5,381,775	-2.09	49.49	573.50	316.20	50.29	38.55	32.38	0.25	8.26
CHINA TELECOM	728 HK	2.41	33,445	-0.41	-24.92	3.60	2.06	8.33	8.01	7.71	5.41	0.46
AIR CHINA	753 HK	5.14	104,656	2.59	-35.02	8.26	4.60	9.50	N/A	18.50	0.00	0.78
CHINA TOWER	788 HK	1.74	N/A	0.00	1.16	1.78	1.56	42.33	31.17	24.94	1.60	1.16
PETROCHINA	857 HK	2.21	46,629	-0.90	-43.48	4.20	2.20	7.63	N/A	16.46	6.96	0.29
CNOOC	883 HK	7.41	330,838	0.14	-42.82	13.74	6.40	4.67	12.80	8.00	5.53	0.63
HUANENG	902 HK	3.04	80,123	-5.00	-22.84	4.11	2.24	262.56	5.71	5.06	11.52	0.38
CONCH	914 HK	52.10	67,709	-1.04	-8.27	61.05	46.05	7.29	6.76	6.57	4.72	1.47
CCB	939 HK	5.66	1,433,187	6.79	-15.90	6.80	4.98	4.93	5.11	4.79	5.89	0.54
CHINA MOBILE	941 HK	49.95	1,022,750	-2.63	-23.74	69.70	48.25	8.33	8.25	8.01	6.77	0.77
CNCB	998 HK	3.35	256,852	7.72	-28.27	4.77	2.96	3.25	3.40	3.18	7.52	0.30
HENGAN	1044 HK	54.95	65,373	-4.10	-0.99	71.00	50.00	14.45	12.05	N/A	5.81	2.90
SHENHUA	1088 HK	13.78	46,832	0.15	-15.36	16.62	12.06	5.68	6.04	5.95	8.28	0.64
CSPC	1093 HK	8.93	106,926	-9.34	-7.72	11.15	7.15	24.82	20.26	17.14	1.44	4.21
SINOPHARM	1099 HK	15.90	21,335	-5.69	-44.11	29.45	14.86	6.54	6.30	5.65	4.75	0.82
CR LAND	1109 HK	35.75	254,931	-0.83	-7.86	39.40	28.00	9.93	9.00	7.81	3.99	1.15
BYD	1211 HK	128.40	386,371	-4.54	230.50	134.50	33.55	221.79	76.48	65.58	0.13	5.04
ABC	1288 HK	2.76	1,271,378	7.81	-19.53	3.47	2.40	4.04	4.41	4.15	6.78	0.44
NCI	1336 HK	31.35	195,407	5.20	-6.42	35.95	20.65	5.80	6.30	5.80	4.36	0.90
PICC	1339 HK	2.39	20,856	2.58	-26.23	3.38	2.11	4.13	4.58	N/A	5.67	0.46
CINDA	1359 HK	1.50	20,351	2.04	-15.25	1.86	1.36	4.18	4.89	4.11	6.95	0.33
ICBC	1398 HK	4.58	1,964,619	7.51	-23.67	6.05	3.99	4.60	5.04	4.79	6.01	0.53
PSBC	1658 HK	3.75	74,461	10.29	-29.25	5.39	3.08	4.50	5.31	4.91	5.77	0.53
CRRC	1766 HK	3.22	170,689	-0.31	-43.31	5.99	3.05	6.78	7.36	6.43	5.02	0.56
GF SEC	1776 HK	10.26	17,460	-2.84	8.11	10.76	7.60	8.95	7.45	7.06	4.34	0.70
CCC	1800 HK	4.10	120,437	2.50	-35.43	6.55	4.00	3.05	3.26	2.86	6.16	0.23
CGN POWER	1816 HK	1.69	150,489	2.42	-18.75	2.12	1.52	7.26	7.47	7.30	5.48	0.77
MSB	1988 HK	4.35	257,917	7.14	-26.15	5.99	3.86	3.26	3.46	3.23	8.26	0.35
VANKE	2202 HK	24.05	45,540	1.48	-27.67	34.35	23.00	6.27	5.58	4.86	5.38	1.10
GAC	2238 HK	7.10	104,746	0.00	-26.80	9.97	5.59	9.58	9.19	7.14	3.35	0.74
SHENZHOU	2313 HK	135.10	203,085	-1.03	18.61	136.60	73.15	34.42	32.59	27.82	1.58	6.26
PING AN	2318 HK	84.20	1,653,703	1.81	-8.58	99.55	70.90	8.66	9.95	8.35	3.03	1.74
PICC P&C	2328 HK	5.48	37,808	2.81	-41.64	10.16	5.25	4.33	5.03	4.60	8.45	0.58
GWM	2333 HK	13.00	201,550	1.88	125.69	13.00	3.85	22.91	22.46	16.65	2.18	1.81
CPIC	2601 HK	25.50	338,733	9.21	-16.94	31.70	18.16	7.20	7.78	7.22	5.76	1.00
CHINA LIFE	2628 HK	18.70	1,344,681	4.12	-13.63	22.75	12.86	7.88	8.97	8.15	4.08	1.04
HUARONG	2799 HK	0.85	21,287	2.41	-30.89	1.33	0.77	18.35	18.35	10.49	1.36	0.23
BOCOM	3328 HK	3.95	138,297	2.33	-28.70	5.61	3.66	3.41	3.75	3.52	8.06	0.34
CMB	3968 HK	41.55	1,145,926	8.63	3.75	42.00	31.45	9.91	9.86	8.85	3.27	1.41
BOC	3988 HK	2.58	1,006,422	2.79	-22.52	3.37	2.37	3.65	3.95	3.94	8.01	0.37
CITIC SEC	6030 HK	17.90	421,513	-0.44	0.67	20.75	13.00	16.15	12.09	10.69	4.01	1.13
ZA ONLINE	6060 HK	38.00	17,853	-7.43	35.23	55.10	23.30	N/A	82.20	65.83	0.00	3.18
HAITONG SEC	6837 HK	6.73	187,384	-0.74	-26.93	9.43	5.86	7.00	6.76	5.87	4.65	0.50
HTSC	6886 HK	12.98	203,087	0.46	-5.81	16.04	10.40	11.53	8.60	7.50	3.93	0.80
<b>HANG SENG CHINA ENT INDX</b>		<b>9,978.16</b>	<b>18,671,843</b>	<b>0.58</b>	<b>-10.65</b>	<b>11,419.91</b>	<b>8,559.64</b>	<b>22.93</b>	<b>16.81</b>	<b>14.45</b>	<b>3.91</b>	<b>2.85</b>

Source: FactSet

20 October 2020

## Morning Express

### BOCOM International

10/F, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong  
 Main: (852) 3766 1899 Fax: (852) 2107 4662

#### Rating System

##### Analyst Stock Rating:

**Buy:** The stock's total return is expected to **exceed** that of the corresponding industry over the next 12 months.

**Neutral:** The stock's total return is expected to be **in line with** that of the corresponding industry over the next 12 months.

**Sell:** The stock's total return is expected to be **below** that of the corresponding industry over the next 12 months.

**Not-Rated:** The analyst **does not have conviction** regarding the outlook of the stock's total return relative to that of the corresponding industry over the next 12 months.

##### Analyst Industry Views:

**Outperform:** The analyst expects the industry coverage universe to be **attractive** relative to the relevant broad market benchmark over the next 12 months.

**Market perform:** The analyst expects the industry coverage universe to be **in line with** the relevant broad market benchmark over the next 12 months.

**Underperform:** The analyst expects the industry coverage universe to be **unattractive** relative to the relevant broad market benchmark over the next 12 months.

Broad market benchmark for Hong Kong is the **Hang Seng Composite Index**, for China A-shares is the **MSCI China A Index**, for US-listed Chinese companies is **S&P US Listed China 50 (USD) Index**.

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## Morning Express

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