

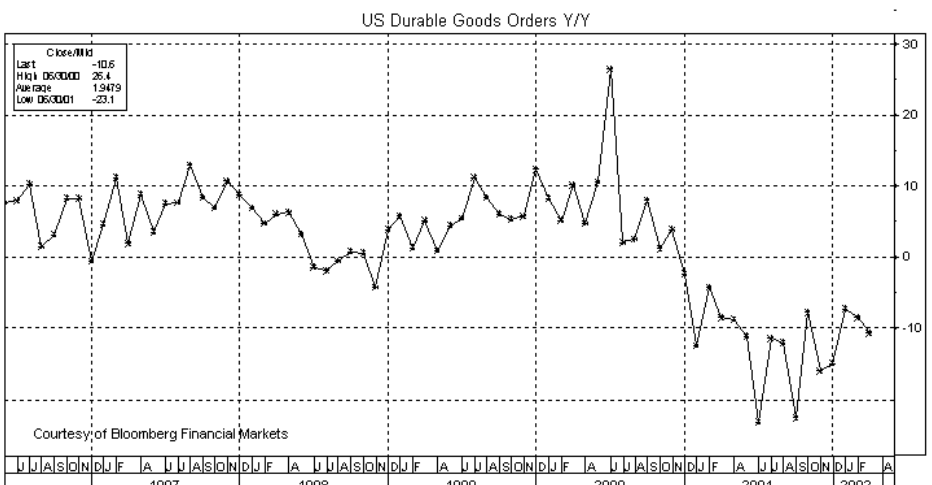
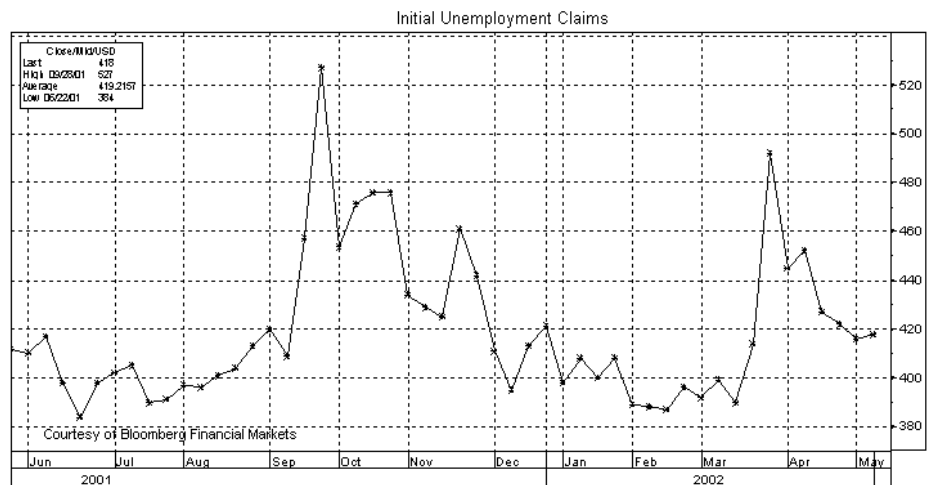
Thursday 5/23/02 -- Americas

Comment -- The US markets will focus on (1) this morning's US durable goods and unemployment claims reports, (2) any developments on the US government's terrorist warnings, (3) the tense situation in the Middle East and between India and Pakistan, (4) the dollar which continued to show weakness yesterday despite a round of BOJ intervention, (5) the stock market which recovered mildly yesterday, (6) the US credit market which continued to rally yesterday, and (7) gold prices which posted another new 2-year high yesterday.

Durable goods orders expected to show modest +0.5% gain -- Today's April durable goods orders report is expected to show a gain of +0.5% m/m, reversing March's -0.5% decline. March durable goods orders were down -10.6% on a year-on-year basis but should start to improve significantly on a year-on-year basis in coming months due to the weak year-earlier base. On a year-on-year basis, the series hit a cyclical low of -22.6% back in September. Durable goods orders are expected to firm up in coming months as businesses are forced to replenish low inventories and as demand is confirmed. April retail sales soared by +1.2% which depressed inventory levels. Excluding transportation orders, which are expected to be weak, April goods orders are expected to rise +1.0% after March's -0.1% decline.

Claims are expected to move lower -- Unemployment claims in the week ended 18 are expected to fall -8,000 to 410,000. Claims in the past 2 weeks have remained around the 420,000 area versus the 390,000 area seen before the mid-March surge to 492,000 tied to the extension of unemployment benefits. The slow decline in claims in the past several weeks is evidence of continued softness in the US labor market.

Gold edges to another new 2-year high -- Cash gold yesterday rallied to another new 2-year high of \$319.65. Gold has rallied by about \$12 in the past week and by more than \$50 in the past



year. June gold futures yesterday closed -\$2.80 at \$318.90. Gold rallied yesterday on continued strong technicals, the ongoing tensions related to terrorism and to the Middle East and Indian subcontinent, and yesterday's continued weakness in the dollar.

Crude oil continues lower from last week's 8-month high -- July crude oil prices yesterday fell -13 cents to \$26.30 and posted a new 2-week low of \$26.15. The market is now down \$2 from last Tuesday's 8-month high of \$29.45 on the weekly nearest futures chart. That sell-off was mainly due to Russia's rejection of the export restrictions it had agreed to as part of a deal with OPEC. The market slid yesterday on the late-Tuesday API report

which showed a 5.6 million barrel rise (+1.8%) in US oil inventories, the first rise in 3 weeks. Gasoline inventories fell 0.5% and distillate fuel inventories fell 0.1%. Refiners were running at 91.4% of capacity, down 1.1 percentage points from the previous week.

US Interest Rates -- US credit market continues higher -- **Futures closes:** USM02 +0-18 at 101-26; TYM02 +0-120 at 106-000; FVM02 +0-090 at 106-225; TUM02 +0-037 at 104-247; EDZ02 +.0550 at 97.0400. Cash closes (3PM NY): cash 30-yr +0-15 at 96-13; cash 30-yr yield -.034 at 5.629; cash 10-yr +0-11 at 98-09; cash 10-yr yield -.045 at 5.102; cash 5-yr +0-08 at 99-26; cash 5-yr yield -.057 at 4.418; cash 2-yr +0-170 at

002-200; cash 2-yr yield -.059 at 3.165; 3-mo T-bill -.020 at 1.690.

June T-bonds yesterday posted a 1-1/2 week high and are now in the upper half of the range established by the early-May sell-off from the 2-1/2 month high of 103-04 (May 1) and last Tuesday's 1-month low of 99-27. Dec Euros yesterday posted a new 2-week high of 97.090 and stopped just 1 bp shy of the early-May 6-1/2 month high of 97.100.

Bullish factors included (1) early weakness in US stocks, (2) continued nervousness about the spate of terrorist warnings by US officials and about whether there may be an attack over the Memorial Day weekend, (3) additional flight-to-quality support from another suicide bombing in Israel (which increases the chances for another Israeli incursion into the Palestinian territories) and from the high tensions between India and Pakistan who continue shell each other across the Line of Control in Kashmir, (4) another coupon pass yesterday which soaked up more secondary supply, and (5) lower crude oil prices.

Bearish factors included (1) yesterday's upward rebound in stocks, (2) yesterday's new lows in the dollar which discourages foreign investment in US securities and contributes to US import inflation, (2) yesterday's continued rally in gold prices to a new 2-year high, and (3) the \$2 billion boost in the size of the 2-year T-note auction to \$27.0 billion.

The Treasury yesterday announced that next week's 2-year T-note auction will be \$27.0 billion, up from the \$25.0 billion size seen in the past 4 monthly auctions. That was on the higher end of expectations. The larger 2-year was made necessary by the Treasury's cut in this week's 4-week T-bill auction to \$18 billion (from \$25 billion) and by the Treasury's poor revenue situation.

US Stock Market -- US Stock Index Settles: Dow Industrials +52.17 at 10157.9; S&P 500 +6.14 at 1086.02; SPM2 +2.00 at 1085.10; NASDAQ Composite +9.26 at 1673.45; Russell 2000 -1.55 at 493.91. NYSE volume yesterday remained light at 1.14 billion, below the 3-month average of 1.31 bln shares. Market breadth was slightly bullish with 1,614 advancing shares versus 1,549 declining shares.

June S&Ps and the cash S&P index yesterday extended the 3-session downmove from last Friday's 1-month highs of 1109.10 and 1106.59,

respectively, to new 1-1/2 week lows but then recovered modestly. The indexes are still well above the recent 7-month lows of 1045.80 and 1048.96, respectively, posted in early May. The cash Nasdaq 100 yesterday remained well below last Wednesday's 1-month high of 1350.54. The Dow Industrials remained well below last Friday's 1-1/2 month high of 10,353.43.

Bullish factors included (1) some short-covering after the sharp sell-off seen early this week, (2) a rally in Johnson & Johnson (+\$1.36 to \$62.00) on a positive study on its drug-coated artery stent, (3) the continued rally in the US credit market with Dec Euros nearly posting a new 6-1/2 month high.

Bearish factors included (1) continued concern about the terrorist warnings and whether they will damage consumer and business confidence, (2) underlying concerns about weaker than expected US economic growth and lackluster earnings, and (3) yesterday's continued weakness in the dollar which deters foreign investors from investing in the US stock market.

Forex -- Dollar closes (3PM NY): Dollar closes (3PM NY): cash dollar index -.44 at 112.33; dlr/yen +.11 at 124.21; dlr/Swiss -.0082 at 1.5686; stlg/dlr -.0017 at 1.4582; USD/CAD -.0053 at 1.5332. Euro closes: euro/dlr +.0063 at .9263; euro/yen +.85 at 115.01; euro/Swiss +.0023 at 1.4532. Futures closes: DXM02 -.48 at 112.46; JYM02 -.0020 at .8062; ECM02 +.00620 at .92520; SFM02 +.0032 at .6377; BPM02 -.0008 at 1.4566; CDM02 +.0022 at .6518.

The **dlr/yen** yesterday posted another new 5-month low of 123.53 before recovering somewhat on the BOJ's intervention. The **euro/dlr** yesterday posted a new 7-month high of .9276, which was only about 1/2 cent below the 14-month high of .9331 posted last September.

Bearish factors for the dollar included (1) continued technical weakness with the new low in the dollar/yen and the new high in the euro/dollar, (2) continued capital flows into the yen as investors seek investment bargains if the Japanese economy is in fact bottoming, and (3) underlying concerns about weaker than expected US economic growth and the massive US current account deficit.

The dollar/yen yesterday closed just slightly higher despite BOJ intervention that was confirmed by Japanese Minister Shiokawa. The inability of the dollar/yen to

hold the initial gain on the intervention exposed the extent of the dollar/yen's underlying weakness and will only encourage more selling in coming days.

The BOJ's intervention yesterday was the first since last September. Yesterday's intervention was not surprising given the warnings by top Japanese officials early this week. The Japanese government is desperate to keep the yen's value down since it is relying on exports to be the engine to drive the Japanese economy out of recession. Mr. Shiokawa yesterday said that Japan sold yen because the yen's rise was "too rapid" and "abnormal." He said that, "Such a rapid rise is troublesome to everyone." He also said that Japan doesn't plan to ask other nations to join in the yen intervention effort. The US would be unlikely to join the intervention in any event given the US Treasury's hands-off policy toward the currency markets. However, the Fed could sell yen for the BOJ's account if the BOJ wants to extend the intervention into the US trading session.

European Comment -- Euro zone -- German March construction orders rose sharply by +5.8% m/m for the third consecutive monthly rise. On a year-on-year basis, construction orders turned positive at +5.7% y/y for the first time in the current business cycle.

UK -- The Bank of England at its meeting earlier this month on May 8-9 voted unanimously 9-0 to leave interest rates unchanged, according to the minutes of the meeting released yesterday. The minutes said, "The prospects for the world economy now appeared to be a little less strong than had seemed likely a month ago.... The rapid recovery in the United States, associated in large part with the stock cycle, had faltered in the past month and it seemed probable that the pace of the recovery there would not moderate." The minutes suggest that the MPC is not close to raising interest rates and that a rate hike is not likely until July or August.

European closes -- Closes: June Bunds +.11 at 105.80, Dec Liffe Euribor +4 bp at 95.840, June gilts +.08 at 111.59, Dec short-sterling +7 bp at 94.880, Eurotop 100 -42 at 2666 (-1.53%).

Asian Comment -- Japan -- Optimism that Japan's economy may have bottomed grew yesterday after Japan's all-industry index, which is designed to track GDP, rose by +1.2% in March and by +0.6% for Q1 as a whole. The services index rose sharply by +1.2% m/m in March. The report supported expectations for a positive Japanese Q1 GDP report.

However, the agency that compiles the industry index, the Ministry of Economic, Trade and Industry (METI), said that, "It's too early for us to judge whether the tertiary industry activity has hit bottom."

The BOJ in its monthly report released yesterday joined the government in upgrading its assessment of the economy for the third straight month. The BOJ said that, "The pace of deterioration in Japan's economy has moderated.... Production is starting to pick up, reflecting the increase in exports and progress" in reducing inventories. However, the BOJ said that a recovery will be "modest" because of weak consumer spending and because business investment will continue "follow a down-trend for a while." The BOJ

did not go as far as the government in declaring that the recession is over.

Japan's Q1 GDP was up sharply by +2.2% q/q and 8.9% y/y, according to a survey of six research companies polled by the *Nihon Keizai* newspaper. The poll showed average expectations for a 7% y/y rise in exports and a 2% q/q rise in consumer spending. The government will release the Q1 GDP report on June 7.

Japanese Markets -- June SGX 10-year JGBs yesterday closed -.01 at 138.62, posting a new 3-week low and falling farther from last Thursday's 6-month high of 139.12. Bearish factors centered on the strong industry index report. However, JGBs were supported by the

BOJ's less optimistic view of the economy than the government and by today's very strong auction of \$10.4 billion in 10-year JGBs yesterday where the bid cover ratio was more than 10 to 1 versus the last auction's cover of 2.3 times. Dec SGX Euroyen yesterday closed +0.5 bp at 99.870, slightly below the contract high of 99.885.

The Nikkei index yesterday closed +161 at 11,962, edging to a new 2-month high of 11,963. That was only mildly below the 9-month high of 12,034 posted on March 11. Japanese stocks were boosted by the favorable industry index report which boosted banking, telecom and retail stocks. Stocks were also supported by the BOJ's intervention to curb the yen's strength which is hurting Japanese profits.

OPTIMA FINANCIAL NEWS SCHEDULE^ Thu 5/23/02

A. Today's News (ET & GMT release time shown)

Thu	US	0830 ET	1230	Initial unemployment claims for week ending May 18 expected 410,000 previous 418,000.
		0830 ET	1230	Apr durable goods orders expected +0.5%, Mar -0.5%, less transportation expected +1.0%, Mar -0.1%.
		0930 ET	1330	Dallas Fed president McTeer speaks on US economy in Plano, Texas.
		1000 ET	1400	Chicago Fed President Moscov speaks at Iron and Steel Institute meeting.
		n/a		Earnings expected today: Barnes & Noble, Ciena, Novell, Sun Microsystems, Williams-Sonoma, among others.
	GER	0200 ET	0600	German Q1 GDP expected +0.1% q/q and -0.3% y/y.
		n/a		German May CPI North Rhine-Westphalia, Apr +0.1% m/m, +1.4% y/y.
				German May CPI Hesse, Brandenburg (May 23-24)
	UK	0430 ET	0830	UK Apr retail sales expected +0.4% m/m, Mar +0.1%, +5.2% y/y, Mar +5.6%.
				UK Apr car production, Mar 3-months/3-months +5.3%, 3-months/yr ago +12.3%.
				UK Q1 total business investment, Q4 -0.3% q/q, previous -7.4% y/y.
				UK CBI industrial trends survey.
				UK initial unemployment claims, for week ending May 18.
		1030 ET	1430	UK Apr coincident indicator index, Mar +0.1% m/m.
				UK Apr leading Indicator index, Mar +0.3% m/m.
	JPN	1950 ET	2350	Japan Mar average lending rate, Feb 1.561%.
	FRA	0245 ET	0645	French Apr consumer spending expected -0.2% m/m Mar +1.2%, expected +2.9% y/y, Mar +2.7%.

B. Future News:

Sometime this week:

	GER	n/a		German Mar industrial output, Feb +0.5% m/m, -5.1% y/y.
		n/a		German Apr PPI, Mar +0.3 m/m, -0.2 y/y.
Fri	US	0830 ET	1230	Q1 GDP expected to be revised to +6.0% from last +5.8% q/q, GDP price deflator expected unrevised at +0.8%.
				Q1 corporate profits.
		1000 ET	1400	Apr new home sales expected +0.8% at 885,000, from Mar at 878,000.
	UK	0430 ET	0830	UK Q1 GDP expected +0.1% q/q, previous unch, expected +1.0% y/y, previous +1.6%.
	FRA	0245 ET	0645	French Q1 GDP expected +0.4% q/q and +0.6% y/y.
		0250 ET	0650	French Apr CPI, Mar +0.5% m/m, +2.1% y/y. Apr CPI EU harmonized, Mar 0+0.5% m/m, Mar +2.2% y/y.
	JPN	0100 ET	0500	Japan BOJ releases minutes of Apr 10-11 meeting.
Week of May 27-31				
Sometime this week:				
	GER	n/a		German Mar construction orders, Feb +6.1% y/y, -1.5% y/y.
				German Apr import price index, Feb +0.8% m/m, -2.5% y/y.
				German Apr wholesale sales, SA -0.7% m/m, NSA -7.4% y/y.
Sun	JPN	1950 ET	2350	Japan Apr large retailer sales, Mar -1.5%.
Mon	US			Memorial Day US Markets closed.
	GER	0400 ET	0800	German May IFO ind. survey (business climate), Apr 90.5.
				German May IFO current assessment, Apr 76.9., IFO expectations, Apr 104.6.

Tue	US	0830 ET	1230	Apr personal income expected +0.3%, Mar +0.4%. Apr spending expected +0.7%, Mar +0.4%.
		0900 ET	1300	Redbook weekly retailer sales.
		1000 ET	1400	May consumer confidence expected 110.0, Apr 108.8. Apr existing home sales expected -0.9% at 5,350,000, from Mar 5,400,000.
	UK	0430 ET	0830	UK BBA mortgage lending figures.
	JPN	1950 ET	2350	Japan Apr industrial production, Mar +0.8% m/m.
Wed	US	1300 ET	1700	Treasury sells \$27 billion in 2-year T-notes for \$4.9 bln new cash.
	FRA	0245 ET	0645	France May business confidence indicator, Apr 97.0. France Mar production outlook indicator, Apr -16.0.
Thu	US	0000 ET	0400	Chicago Fed releases national activity index for Apr.
		0830 ET	1230	Initial unemployment claims for week ending May 25th.
		n/n		Earnings expected today: Costco Wholesale, Dollar General, Neiman Marcus.
	UK	0430 ET	0830	UK Mar index of distribution. UK Apr M4 money supply, m/m and y/y. UK Apr Sterling lending. UK Apr net consumer credit.
	JPN	1930 ET	2330	Japan Apr unemployment rate expected 5.3%, Mar 5.2%. Japan Apr job to applicant ratio expected .51, Mar .51. Japan Apr household spending, Mar -1.2% y/y. Japan May Tokyo consumer prices SA, Apr -0.2%, less food -0.4%. Japan May Tokyo consumer prices , Apr -1.3% y/y, less food -1.1% y/y. Japan Apr national consumer prices SA, Mar unch, less food unch. Japan Apr national consumer prices, Mar -1.2% y/y, less food, -0.7% y/y.
Fri	US	0830 ET	1230	Q1 final unit labor costs expected -5.5%, previous -5.4%. Q1 final nonfarm productivity expected 8.7%, previous +8.6%. Late-May University of Michigan consumer confidence expected 96.0, early-May +3.0 to 96.0.
		1000 ET	1400	May Chicago purchasing managers expected 55.0, Apr 54.7. Apr factory orders expected +0.3%, Mar +0.4%.
	JPN	0030 Et	0430	Japan Apr crude oil imports, Mar -6.4% y/y.
		0100 ET	0500	Japan Apr construction orders, Mar -12.9% y/y. Japan Apr housing starts, Mar -6.2% y/y.
	FRA	0245 ET	0645	France Apr unemployment rate Mar 9.1%, unemployment rate change, Mar 13,000.
		0250 ET	0650	France Apr PPI, Mar +0.7% m/m, -0.7% y/y.
Week of June 3-7				
Sometime this week:				
Sun	JPN	1950 ET	2350	Japan Apr average lending rate. May domestic vehicle sales, Apr 14,000,000.
Mon	US	Jun 3-4		
	US	1000 ET	1400	Apr construction spending, Mar -0.9% May ISM manufacturing index, Apr 53.9. Mar ISM prices paid, Apr 60.3.
	UK	0430 ET	0830	UK CIPS purchasing managers index.
Tue	UK	0430 ET	0830	UK CIPS construction index.
	JPN	0100 ET	0500	Japan Apr leading economic index. Japan Apr coincident index.
	FRA	0245 ET	0645	French May consumer confidence indicator, Apr -18.0.
Wed	US	1000 ET	1400	May ISM non-manufacturing, Apr 55.3.
	UK	0430 ET	0830	UK May M0 money supply, Apr +0.9 m/m, +8.0% y/y. UK May official reserve (changes). UK CIPS services index.
		0600 ET	1000	UK CBI quarterly distributive trades report.
		n/a		UK Bank of England monetary policy committee meets. UK BRC shop price index.
Thu	US	0830 ET	1230	Initial unemployment claims for week ending Jun 1.
		1525 ET	1925	San Francisco Fed pres. Parry speaks at financial analysts meeting in Oregon.
	EUR	0745 ET	1145	ECB announces interest rates, current 3.25%.
	GER	0600 ET	1000	German Apr factory orders, Mar unch m/m, -3.4% y/y.
	UK	0700 ET	1100	UK Bank of England announces rates, current 4.0%
	JPN	0030 ET	0430	Japan May consumer confidence.
		1950 ET	2350	Japan Q1 GDP preliminary, previous -1.2%.

Fri	US	0830 ET	1230	May unemployment rate, Apr 6.0%. May average hourly earnings, Apr +0.1%. May change in non-farm payrolls, Apr 43,000. May change in manufacturing payrolls, Apr -19,000. May average weekly hours, Apr 34.1.
		1000 ET	1400	Apr wholesale inventories, Mar unchanged.
		1500 ET	1900	Apr consumer credit, Mar \$4.6 bln.
	GER	0355 ET	0755	German May unemployment change SA, Apr 6,000. German May unemployment EU-Def, Apr 8.1%, unemployment rate SA 9.6%.
	JPN	0100 ET	0500	Japan Apr household spending, Mar -1.0% y/y.
	FRA	0245 ET	0645	French Apr central government balance (Euros)
Week of June 10-14				
Sometime this week:				
	GER	n/a		German Apr retail sales SA, Mar +1.2% m/m, -4.5% y/y. German Mar CPI final, previous +0.1% m/m, +1.6% y/y.
	JPN	n/a		Japan Apr current account total, Mar 2202.5 bln Yen, adjusted 1547.5 bln Yen.
Sun	JPN	1950 ET	2350	Japan May bank lending, May -4.8% y/y Japan May domestic wholesales price index, Apr unch. Japan May Money Supply M2+Cd, +3.6% y/y.
Mon	UK	0430 ET	0830	UK May PPI input SA, Apr +0.9% m/m, -3.7% y/y UK May PPI output NSA, Apr +0.5% m/m, +0.2% y/y.
		1430 ET	1830	UK BRC retail sales monitor.
	JPN	0100 ET	0500	Japan Apr machine orders, Mar -6.2% m/m.
Tue	GER	0200 ET	0600	German Apr currant account, Mar 7.5 bln (Euro). German Apr trade balance, Mar 12.4 bln.
		0600 ET	1000	German Apr industrial output, m/m and y/y.
		0900 ET	1300	German Jun ZEW survey (economic sentiment).
	UK	0430 ET	0830	UK Apr visible trade balance, Mar -3004. UK Apr trade balance non EU, Mar -2169. UK Apr industrial production, +0.4% m/m, -5.9% y/y. UK Apr Manufacturing production, Mar -0.8% m/m, -6.8%
Wed	US	0830 ET	1230	May Imports all commodity price, Apr +1.2%.
		1400 ET	1800	Federal Reserve's beige book.
	UK	1901 ET	2301	UK Apr total housing starts NSA, Mar 18,900.
	FRA	0245 ET	0645	French May CPI, m/m and y/y. French May CPI EU harmonized, m/m and y/y.
Thu	US	0830 ET	1230	Initial unemployment claims for week ending Jun 8. May PPI, Apr -0.2%, less food and energy +0.1%. May retail sales, Apr +1.2%, less autos +1.0%.
	UK	0430 ET	0830	UK New construction orders.
	JPN	0030 ET	0430	Japan Apr industrial production final m/m. Japan Apr capacity utilization final.
	FRA	0250 ET	0650	French Apr industrial production, m/m and y/y. French Apr manufacturing production, m/m and y/y.

Future News:

June 9 & 16: French Parliamentary elections.

Upcoming Central Bank meetings:

FOMC: June 25-26, Aug 13, Sep 24, Nov 6, Dec 10.

Last G7 monetary policy changes:

US Funds rate last cut by 25 bp to 1.75% on 12/11/01, discount rate -25 bp to 1.25%. Funds rate cut by 175 bp after Sep 11th, and by an overall 475 bp in 2001 easing cycle.

CAN Overnight rate target +25 bp to 2.25% on 4/16/02, up from 40-year low of 2.00%. Prior to 4/02 rate hike, BOC had cut by total of 3.75 bp since Jan 2000.

UK Base rate cut by a total of 200 bp in 2001 cycle to current 4.0%. Last change -50 bp to 4.00% on 11/02/01.

ECB Refinancing rate currently at 3.25%, last cut by 50 bp on 11/8/01. Overall ECB rate cut was 150 bp in 2001.

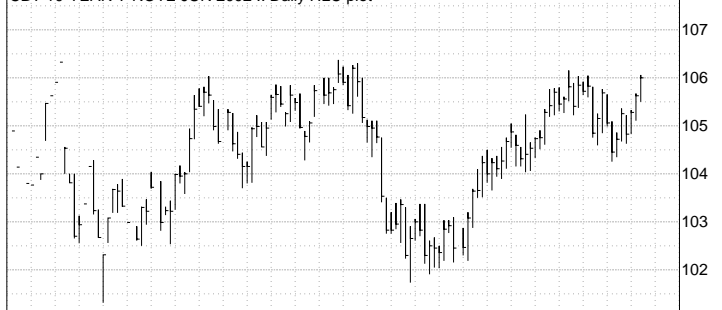
JPN Discount rate at .10%, unsecured overnight call loan rate near zero. BOJ boosted monthly JGB purchases by 25% to 1 trillion yen at Feb 28 meeting.

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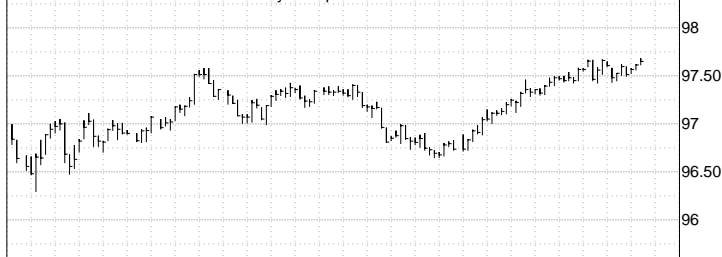
DAILY U.S. MARKET OVERVIEW

Optima Investment Research

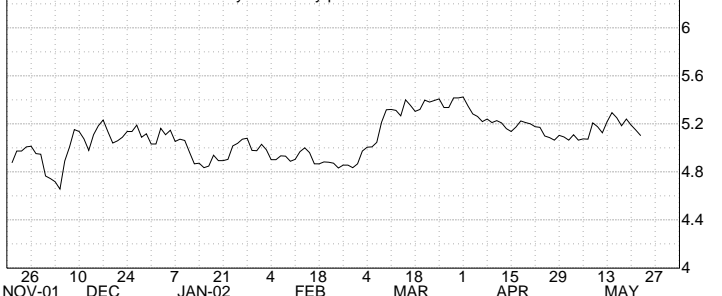
CBT 10-YEAR T-NOTE JUN 2002 .. Daily HLC plot



IMM EURODOLLAR SEP 2002 .. Daily HLC plot



US 10YR T-NOTE YIELD .. Daily Close only plot



NOV-01 DEC JAN-02 FEB MAR APR MAY 27

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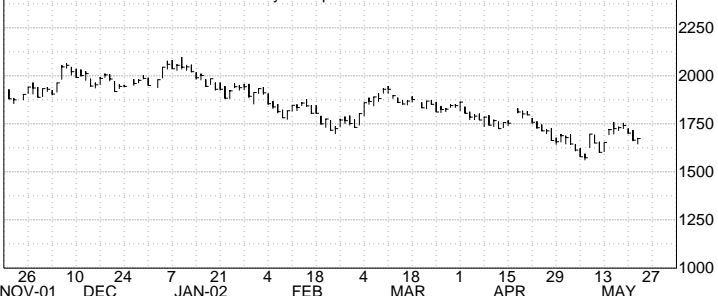
S&P 500 STOCK INDEX .. Daily HLC plot



DOW JONES INDUSTRIALS .. Daily HLC plot



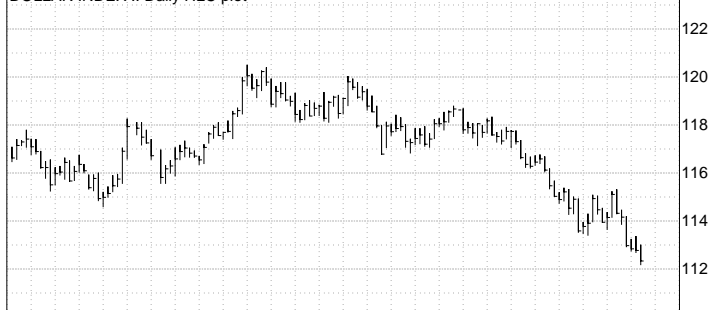
NASDAQ COMPOSITE INDEX .. Daily HLC plot



NOV-01 DEC JAN-02 FEB MAR APR MAY 27

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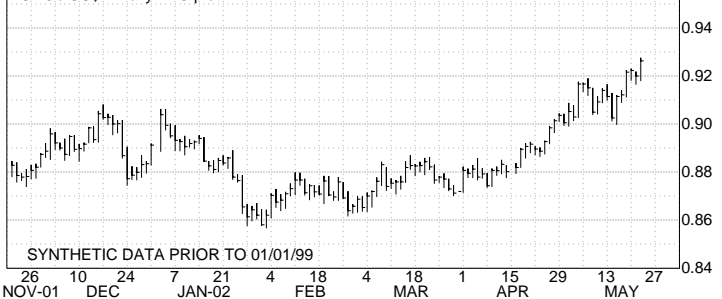
DOLLAR INDEX .. Daily HLC plot



DOLLAR/YEN .. Daily HLC plot



EURO / US\$.. Daily HLC plot

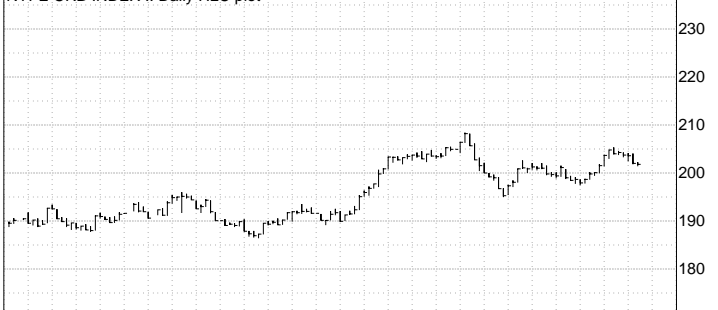


SYNTHETIC DATA PRIOR TO 01/01/99

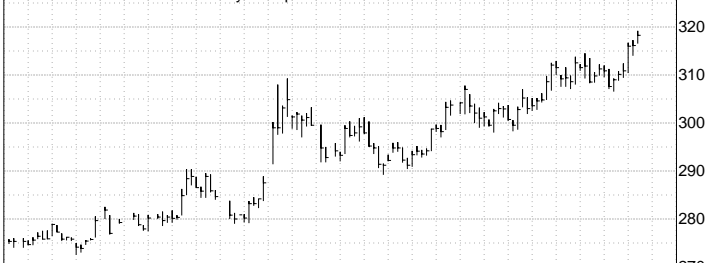
NOV-01 DEC JAN-02 FEB MAR APR MAY 27

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NYFE CRB INDEX .. Daily HLC plot



COMEX GOLD JUN 2002 .. Daily HLC plot



NYMEX LIGHT CRUDE OIL JUL 2002 .. Daily HLC plot



NOV-01 DEC JAN-02 FEB MAR APR MAY 27