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[Charts of the day](#) | [Currencies](#) | [Commodities](#) | [Fixed income & interest rates](#) | [Equities](#) | [Equity derivatives](#)  
[Economics](#) | [\\*Foreign flows](#) | [JSE performance](#) | [LDT](#) | [Economic calendar](#) | [Other reports](#)  
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 (\* when available)*

## Key daily driver

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### SNIPPETS

(Charts of the day)	SA CPI undershoots in July as administered price inflation edges lower on the back of lower electricity and fuel inflation
(Currencies)	USDZAR remains weak, above R14.00/\$ amid political woes; Dollar remains strong, global majors softer this morning
(Equities)	Top 40 rises 1.54%, led by resources; US equities downbeat ahead of Yellen speech; Asian markets consequently negative this morning
(Economics)	US MBA mortgage applications decline, existing home sales decline

## Key overnight factors and upcoming events

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Date	Region	Event <span style="color:red">↓</span> <span style="color:green">↑</span> <span style="color:orange">→</span>	Actual/expected/prior	Implications
24/08	SA	CPI y/y	6.0%/6.1%/6.3%	CPI edges lower as a result of sharply stronger rand and lower petrol price
24-26/08	Global	Jackson Hole monetary policy symposium	--	Key address from Janet Yellen as markets watch comments for any clue of September-December rate hike
25/08	SA	Political events	--	Finance Minister due to meet Hawks, political event-risk heightened

Source: Nedbank

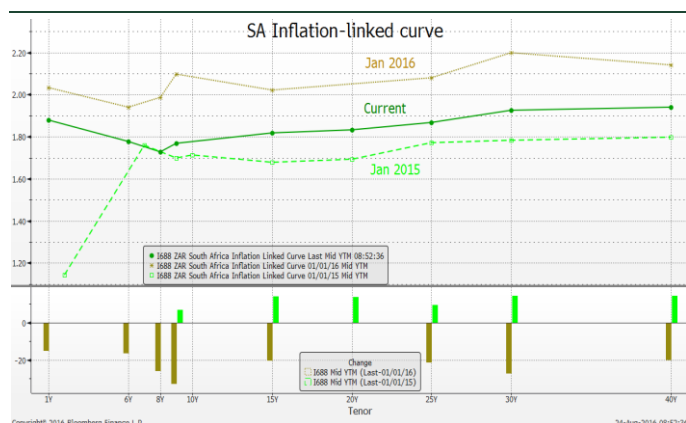
# Charts of the day

[back to top](#)

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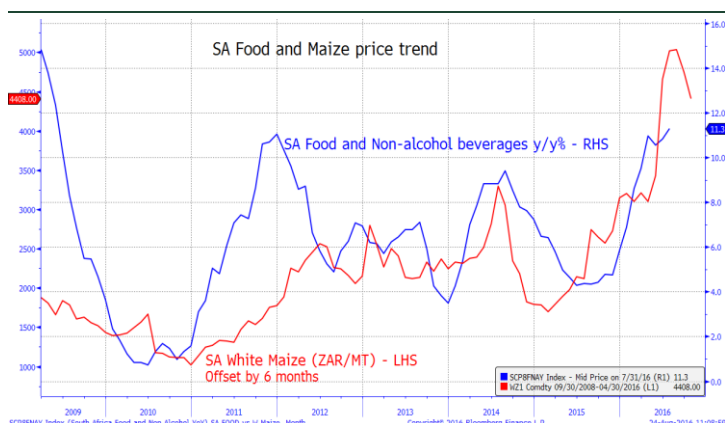
- SA CPI fell to 6% y/y in July, from 6.3% in June, better than forecasts of 6.1%. Over the month however, CPI edged up to 0.8%, from 0.6%, below forecasts of 0.9%. Core CPI edged higher, to 5.7% y/y in July, from 5.6% in June, in line with consensus.
- The key reason for the lower print was the housing and utilities subcomponent, which saw easing price pressures in July due to a decline in electricity and water inflation. Whereas previously the subcomponent contributed 1.6% to headline, in July that contribution fell to 1.4%. Transport inflation also eased to 3.1% y/y, from 3.3% previously, on the back of the lower fuel price. Other subcomponents which saw easing price pressures were the miscellaneous category, as well as recreation and culture. Administered price inflation came down to 3.1% y/y, from 4.9% in June due to the decline in fuel costs. The petrol price was 3% lower on an annualised basis in July, and 6.5% y/y lower in August. Hence we anticipate further easing from administered prices in coming months. The food component remains elevated though, but may see some easing towards 6.0% as maize prices have come down recently.
- Goods inflation eased by 0.2% to 6.5% y/y in July, while services inflation fell to 5.7% y/y, from 5.8% in June. Both remain uncomfortably close to the 6% upper band and are likely to remain elevated over the medium term due to double-digit food inflation and elevated equipment prices and services inflation.
- Key inflationary drivers remain the same – food and beverage inflation accelerated to 11.3% y/y in July, from 10.8% in June, household contents and services inflation picked up to 4.1% y/y, from 3.9% in June while prices at restaurants and hotels rose by 6.9% y/y, from 6.2% in June.
- Given the stronger rand over the past two months, as well as a decline in the petrol price, the SARB may downwardly revise their inflation forecast, albeit marginally. The growth forecast will likely remain unchanged at 0% for this year. Concern about a possible credit rating downgrade in December remains, and the SARB may hike by a further 25 bps ahead of this event. Given socio-political risk in the local context, and anaemic growth, the risk of a downgrade will increase should these metrics worsen. Growth will likely remain muted over the medium term on the back of depressed demand, business activity and confidence levels, while inflation is only expected to fall within the SARB's 3%-6% target band in Q2 2017.

## SA CPI-linked yield curve declines, inflation expectations fall



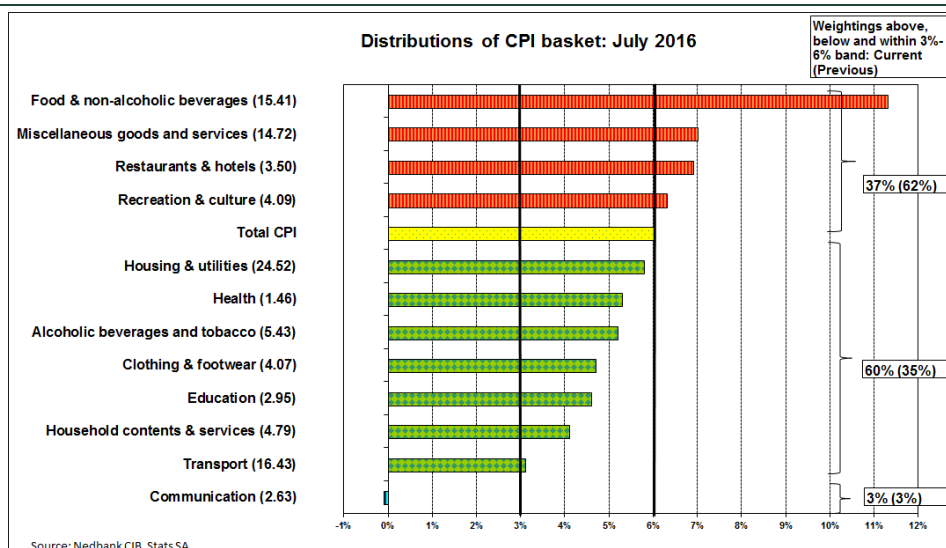
Source: Bloomberg, Nedbank

## SA maize price impacts food inflation with a 6-month lag



Source: Bloomberg, Nedbank

## SA inflation distribution: >6% basket falls sharply due to lower housing and utilities inflation surveyed in July



Source: Bloomberg, Nedbank

# Currencies

[back to top](#)

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- The local session opened with the markets feeling the effects of the overnight news that the Hawks and the Finance minister had resumed their on-going spat. The rand opening the session at 13.9600, after a tentative start, a renewed bout of dollar buying saw the rand trade steadily weaker on the day, closing at the highs of the day at 14.2350. In the overnight session, an additional foray to the upside which saw it touching around 14.2700, before recovering to the current levels at 14.1700, EURZAR is trading at 15.9720 and GBPZAR at 18.7390.
- On the international front, markets generally remain cautious ahead of the FED event, a broadly firmer dollar bias prevailing saw the EURO trade marginally weaker on the day, this morning currently at 1.1272, some 20 point off from the same time yesterday. Gold 10 dollars off from the same time yesterday at 1327.00 currently.
- Data releases scheduled for today, locally we have SA PPI, and from Europe we have French business and manufacturing confidence and German IFO index. From the U.S we have jobless claims, durable goods, services PMI and Kansas FED manufacturing.
- As the headlines regarding the aforementioned dominate market perceptions and trading activity, the rand understandably remains exceptionally vulnerable, along with its emerging market peers, globally focus on news from Jackson Hole.
- Possible trading range in the rand to day 14.0000 to 14.3500

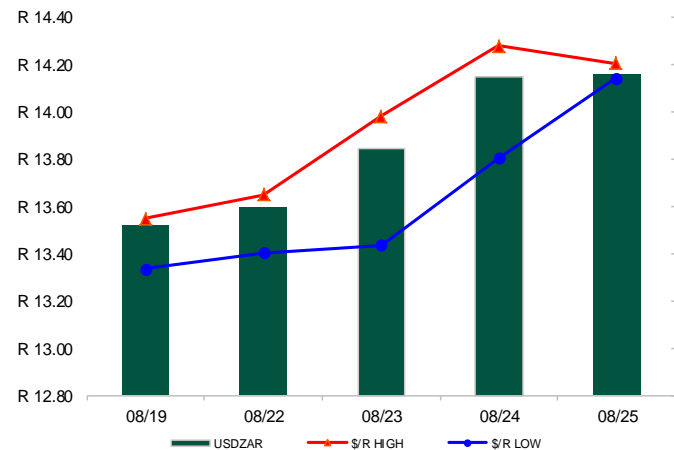
Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	USD trend
GBPUSD	1.32	-0.11	-0.05	-10.26	↓	USD strength
EURUSD	1.13	0.05	0.90	3.76	↑	USD weakness
USDJPY	100.45	-0.01	-1.58	-16.43	↓	USD weakness
USDAUD	1.31	-0.22	-0.43	-4.45	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
USDZAR	14.16	0.05	2.00	-8.58	↑	ZAR weakness
GBPZAR	18.72	-0.05	1.98	-17.94	↑	ZAR weakness
EURZAR	15.96	0.11	2.89	-5.14	↑	ZAR weakness
AUDZAR	10.80	0.26	2.28	-4.31	↑	ZAR weakness
ZARJPY	7.10	-0.05	-3.39	-8.59	↓	ZAR weakness
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
ZARMWK (Malawian kwacha)	50.89	-0.08	-1.77	17.97	↓	ZAR weakness
ZARBWP (Botswana pula)	0.75	-0.04	-1.41	3.14	↓	ZAR weakness
ZARKES (Kenyan shilling)	7.16	-0.12	-1.99	8.36	↓	ZAR weakness
ZARMUR (Mauritian rupee)	2.48	-0.25	-2.55	7.08	↓	ZAR weakness
ZARNGN (Nigerian naira)	24.04	-0.58	4.46	86.70	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.28	-0.39	-2.21	13.37	↓	ZAR weakness
ZARZMW (Zambian kwacha)	0.71	0.03	-4.42	-0.79	↓	ZAR weakness
ZARMZN (Mozambican metical)	5.10	-0.06	3.76	64.36	↑	ZAR strength

Source: Bloomberg & Nedbank CIB  
Time: 20/08/25 07:24

*\*Please note that the sign on the % change reflects the change on the headline number. The narrative indicates the trend direction over the month. For trade in any of these currencies, contact our FX dealing desks*

## USDZAR

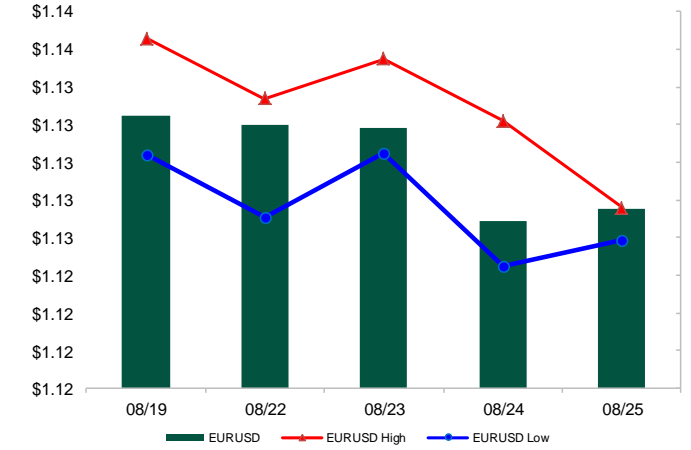
\$/R (close, high and low)



Source: Bloomberg, Nedbank

## EUR/USD

€/€ (close, high, low)



Source: Bloomberg, Nedbank

# Commodities

[back to top](#)

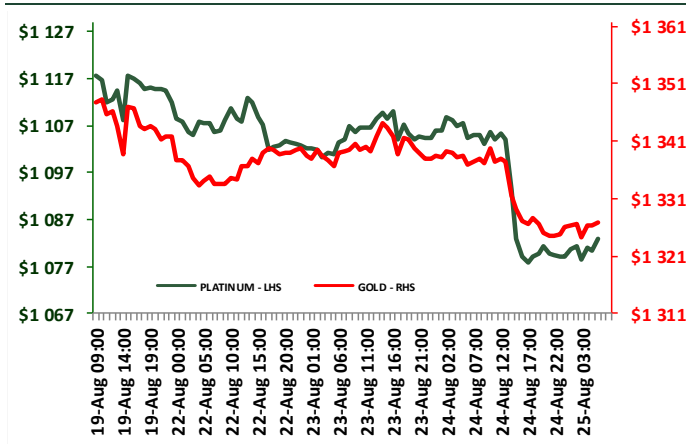
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- The gold price fell sharply, as markets await commentary by Janet Yellen on the pace of Fed tightening. The \$10/oz. drop materialised as US markets opened. A stronger dollar didn't help the gold price, as bargain buying and safe haven demand have dwindled ahead of the Jackson Hole event. The outlook for gold hinges on global (and specifically Fed) central bank monetary policy response over the medium term. Gold held close to a one month low ahead of Yellen's speech. The rally seems to have halted on the back of a stronger dollar which limited safe haven demand.
- Brent remained range-bound ahead of the EIA release, and remained downbeat after the data showed an unexpected increase in US crude stockpiles last week. The supply glut is on-going and will likely keep the oil price range-bound in the near term.

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Brent near future (\$)	49.06	0.02	15.54	31.60	↑
WTI crude (\$)	46.84	0.15	12.60	26.46	↑
Gold spot (\$)	1 326.87	-0.03	-1.81	24.92	↓
Platinum spot (\$)	1 081.84	0.24	-5.81	21.07	↓
SA white maize spot (R)	4 304.00	2.38	2.31	-7.66	↑

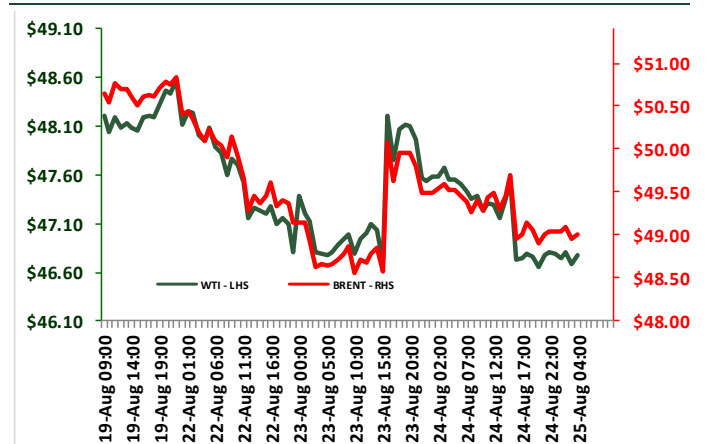
Source: Bloomberg & Nedbank CIB  
Time: 2016/08/25 07:24

Platinum vs Gold



Source: Bloomberg

Brent Crude vs West Texas Intermediate



Source: Bloomberg

# Fixed income and interest rates

[back to top](#)

Bond flow sales | +2711 535 4021 | Corporate Money Markets | +2711 535 4007 | Business Bank Money Markets | +2711 535 4006

Bonds						FRAs and Swaps					
	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend		Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps			%	bps	bps	bps	
R203-1.1 yrs	7.93	16.72	44.22	-59.78	↑	3X6 FRA	7.47	0.00	7.00	5.50	↑
R208-4.6 yrs	8.43	-1.10	32.80	-98.00	↑	6X9 FRA	7.56	1.00	7.00	-21.50	↑
R186-10.3 yrs	9.01	-2.10	37.70	-74.90	↑	9X12 FRA	7.62	2.00	9.00	-63.00	↑
R2048-31.5 yrs	9.68	-1.20	34.40	-71.90	↑	18X21 FRA	7.64	-0.50	-0.50	-137.50	↓
US 10 yr	1.55	-0.94	9.86	-71.74	↑	SA 2yr Sw ap	7.57	-0.50	3.00	-59.10	↑
UK 10 yr	0.55	1.65	-19.27	-71.79	↓	SA 3yr Sw ap	7.68	1.00	7.20	-86.40	↑
German 10 yr	-0.09	-6.32	-25.21	-114.15	↓	SA 5yr Sw ap	7.95	1.75	17.25	-104.25	↑
Japan 10 yr	-0.08	20.59	-56.84	-130.94	↓	SA 10yr Sw ap	8.33	-1.00	20.50	-113.50	↑
						SA 15yr Sw ap	8.38	-4.50	21.00	-127.75	↑
Money Market						Spreads					
	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend		Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps			%	bps	bps	bps	
SA repo rate	7.00	0.00	0.00	75.00	→	2v10y	-0.77	0.50	-17.50	54.40	↓
SA prime rate	10.50	0.00	0.00	75.00	→	3v10y	-0.67	2.00	-13.30	27.10	↓
SA CPI (MTD = previous month)	6.00		-30.00		↓	R186-R203	1.28	-18.82	-6.52	-15.12	↓
SA 3m JIBAR	7.36	1.60	0.80	73.30	↑	R2048-R186	0.66	0.90	-3.30	3.00	↓
SA 3m NCD	7.33	0.00	-2.50	72.50	↓	5y-R186	-1.11	3.85	-20.45	-29.35	↓
SA 6m NCD	7.95	2.50	5.00	43.75	↑	10y-R186	-0.70	1.10	-17.20	-38.60	↓
SA 12m NCD	8.50	10.00	-7.50	6.25	↓	15y-R186	-0.61	-2.40	-16.70	-52.85	↓
US 3m LIBOR	0.83	0.00	6.63	21.27	↑	SA 5yr CDS spread - basis points	237.00	-	-16.00	-99.00	↓
UK 3m LIBOR	0.39	0.06	-10.70	-20.35	↓						
Japan 3m LIBOR	-0.03	0.31	-1.40	-10.22	↓						
Source: Bloomberg & Nedbank CIB		Time		2016/08/25 07:24		Source: Bloomberg & Nedbank CIB		Time		2016/08/25 07:24	

# Equities

[back to top](#)

Cash equities | +2711 535 4030/31

## South Africa

- It was all about the Rand, with the ZAR losing 5% from Tuesday's market close. The move supported our Rand hedged counters which helped the Top40 Index rise 719 points. Banks were sold off aggressively as investors reacted to Gordhan being summoned by the Hawks. At the close, Gordhan said he will not report to the police (SBK -5.6%, BGA -5.1%, FSR -5.4%, NED -4.2%). The Resi jumped +2.8% despite falling commodity prices with ANB, SAB & BTI reacting to a weaker currency. Retailers were under pressure.
- PPC closed near the lows of the day despite its R4bn rights issue being successfully underwritten. MUR lost 2.1% after its results. Value traded at 5pm was around R35.9bn with the currency at R 14.14 vs. the USD at the close.

## UK/Europe

- Despite a weak start, European markets managed to gain ground in Wednesday's trade helped by gains in the banking sector. Markets overlooked a weak German GDP number with mortgages approved in the UK dropping more than expected. The FTSE100 ended lower after all but the consumer discretionary sector losing ground. Weak commodity prices hurt the mining sector.
- In stock specific news, advertising giant WPP jumped over 5% after the company confirmed its 2016 guidance.

## USA

- Wall Street ended the session in the red after reports showed existing home sales data decreased in July with a drop in oil prices further weighing on sentiment. Weakness in the healthcare sector hurt the S&P with Mylan's price increase on a lifesaving drug facing criticism from lawmakers and politicians.
- The Nasdaq saw its biggest decline in 3 weeks after trading at all-time highs while losses in UnitedHealth and Merck weighed on the Dow
- Trading will be subdued ahead of Jackson Hole tomorrow with durable goods and weekly jobless claims data grabbing investor's attention in today's session.

## Asia

- A weak close on Wall Street set the tone for the Far East with markets trading in the red this morning (Nikkei -0.12%, ASX -0.3%, Hang Seng -0.06%). Declines in commodity prices hurt miners in Australia with disappointing earnings from Cnooc putting pressure on energy producers
- South32 posted a FY loss of \$1.6bn on the back of write downs with stock trading flat despite being down over 2% in early trade. Weak results from Billabong saw the stock fall 11%.
- Concerns that the Chinese government will move to curb the property market sent the Shanghai Index below its 200 day MA. The central bank has decreased the amount of 7 day loans and replaced it with pricier 14 day repos to reduce cheap money.

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Dow Jones	18 481.48	-0.35	0.27	6.06	↑
Nasdaq	5 217.70	-0.81	1.08	4.20	↑
S&P 500	2 175.44	-0.52	0.08	6.43	↑
DJ Eurostoxx 50	3 008.59	0.50	0.60	-7.92	↑
DAX	10 622.97	0.28	2.76	-1.12	↑
CAC	4 435.47	0.32	-0.10	-4.35	↓
FTSE	6 835.78	-0.48	1.66	9.51	↑
ASX200	5 538.20	-0.42	-0.43	4.58	↓
Nikkei 225	16 584.33	-0.08	0.65	-12.87	↑
MSCI World	1 731.17	-0.42	0.54	4.11	↑
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Hang Seng	22 828.94	0.04	4.28	4.17	↑
Shanghai	3 053.20	-1.06	2.48	-13.73	↑
Brazil Bovespa	57 717.88	-0.52	0.71	33.14	↑
India - NSE	28 111.71	0.18	0.21	7.64	↑
Russia Micex	1 983.59	-0.30	2.00	12.62	↑
MSCI Emerging	896.75	-1.08	2.67	12.92	↑
SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
JSE All Share	53 562.80	1.14	1.45	5.66	↑
Top 40	46 858.57	1.56	2.05	2.32	↑
Resi 10	32 578.76	2.83	4.04	28.29	↑
Indi 25	71 734.04	2.20	2.02	-0.03	↑
Fini 15	14 948.59	-2.47	-1.03	-1.88	↓

Source: Bloomberg & Nedbank CIB  
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## Economics

[back to top](#)

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### US

- Existing home sales fell by 3.2% m/m in July, from 1.1% growth in June, worse than forecasts of -1.1%. Both single and multi-family home sales declined. Inventories rose to 4.7 months from 4.5 months in June, while the median home price fell marginally. Housing market growth still remains positive despite the decline in existing home sales. Inventories remain very low while the median home price is up by 5.5% y/y in July. The trend is expected to persist as consumers benefit from a booming labour market and consequent wage gains.
- MBA mortgage applications declined by 2.1% last week, after the 4% decline in the previous week. Both purchases and refinancing's, fixed and adjustable rate mortgages fell. The interest rate on the 15 and 30 year mortgages rose by 5 and 4 basis points respectively last week. However, mortgage applications are still 28% higher on an annualised basis, while the average loan size has risen recently on the back of falling inventory levels and upbeat demand.

**Synopsis: Recent commentary from Fed policymakers have been decidedly hawkish, as the Fed stresses that rate hike expectations are too flat and that the Fed has ammunition to hike this year as a result of growth and labour market goals which are close to being met. However a key spanner in the works is inflation, which still remains uncomfortably low. Add global event risk to this and the consequences of a premature hike may be too great to bear in the near term. Hence, we may continue to hear the Fed talk hawkish but wait to assess the implications of the Brexit before hiking. We therefore anticipate a hike either in December or early Q1/2017.**

## JSE performance

[back to top](#)

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
AGL : Anglo American Plc	158.10	2.00	3.33	129.16	↑
AMS : Anglo American Platinum Ltd	404.02	1.41	-8.18	117.99	↓
ANG : AngloGold Ashanti Ltd	258.41	4.30	-14.75	143.19	↓
APN : Aspen Pharmacare Holdings Lt	357.45	-1.33	-4.68	15.50	↓
BAT : Brait Se	117.94	3.51	-4.65	-28.74	↓
BGA : Barclays Africa Group Ltd	155.00	-5.14	0.98	8.02	↑
BID : Bid Corp Ltd	265.00	4.82	2.31		↑
BIL : Bhp Billiton Plc	198.28	3.47	14.29	13.99	↑
BTI : British American Tobacco Plc	900.77	4.12	2.10	3.16	↑
CCO : Capital & Counties Propertie	54.38	3.70	1.46	-46.95	↑
CFR : Financiere Richemont-Dep Rec	86.47	3.72	1.98	-22.52	↑
CPI : Capitec Bank Holdings Ltd	585.00	-3.75	-4.96	8.62	↓
DSY : Discovery Ltd	119.70	-1.89	-4.23	-9.97	↓
FFA : Fortress Income Fund Ltd-A	16.07	-2.13	-4.29	-0.06	↓
FFB : Fortress Income Fund Ltd	33.10	-0.30	-9.32	-4.97	↓
FSR : Firstrand Ltd	46.75	-5.48	-3.79	10.34	↓
GRT : Growthpoint Properties Ltd	26.12	-4.81	-0.87	12.44	↓
INL : Investec Ltd	85.24	-1.77	1.90	-22.16	↑
INP : Investec Plc	86.49	-1.33	4.61	-21.44	↑
ITU : Intu Properties Plc	58.70	4.10	6.38	-20.59	↑
MEI : Mediclinic International Plc	190.75	0.39	-2.68	0.18	↓
MND : Mondi Ltd	291.50	2.28	3.67	-5.13	↑
MNP : Mondi Plc	292.85	2.56	4.53	-5.08	↑
MRP : Mr Price Group Ltd	220.00	-3.69	-3.89	10.00	↓
MTN : Mtn Group Ltd	124.30	-1.61	-11.39	-6.46	↓
NED : Nedbank Group Ltd	213.00	-4.20	7.04	12.93	↑
NPN : Naspers Ltd-N Shs	2 401.74	3.30	10.18	13.29	↑
NTC : Netcare Ltd	32.40	-0.25	0.78	-4.42	↑
OML : Old Mutual Plc	36.47	0.52	-5.64	-12.01	↓
RDF : Redefine Properties Ltd	11.13	-5.60	-7.17	14.74	↓
REI : Reinet Investments Sa-Dr	31.69	3.56	1.73	-0.60	↑
REM : Remgro Ltd	256.23	-1.28	-1.53	4.49	↓
RMH : Rmb Holdings Ltd	61.20	-4.08	-1.61	10.05	↓
RMI : Rand Merchant Investment Hol	42.74	-0.60	-3.52	10.41	↓
SAB : Sabmillar Plc	820.00	5.48	1.68	-12.63	↑
SBK : Standard Bank Group Ltd	140.60	-5.57	1.48	23.88	↑
SHP : Shoprite Holdings Ltd	199.00	0.24	-2.12	38.91	↓
SLM : Sanlam Ltd	64.00	-2.66	-2.14	5.72	↓
SNH : Steinhoff International H Nv	93.00	0.70	5.96	18.46	↑
SOL : Sasol Ltd	382.05	2.02	3.61	-8.91	↑
TBS : Tiger Brands Ltd	386.55	-0.62	-0.85	22.16	↓
VOD : Vodacom Group Ltd	154.00	-0.41	-4.31	1.04	↓
WHL : Woolworths Holdings Ltd	85.50	-3.15	-4.39	-14.63	↓

Source: Bloomberg & Nedbank CIB

Time 2016/08/25 07:24



## Economic calendar

[back to top](#)

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Time	Country	Event	Period	Survey	Actual	Prior	Revised
<b>24-Aug</b>							
07:00	JN	Leading Index CI	Jun F	--	99.2	98.4	--
08:00	GE	GDP SA QoQ	2Q F	0.40%	0.40%	0.40%	--
08:00	GE	GDP WDA YoY	2Q F	1.80%	1.80%	1.80%	--
08:00	GE	GDP NSA YoY	2Q F	3.10%	3.10%	3.10%	--
10:00	SA	CPI YoY	Jul	6.10%	6.00%	6.30%	--
10:00	SA	CPI Core YoY	Jul	5.70%	5.70%	5.60%	--
13:00	US	MBA Mortgage Applications	19-Aug	--	-2.10%	-4.00%	--
16:00	US	Existing Home Sales	Jul	5.55m	5.39m	5.57m	--
16:00	US	Existing Home Sales MoM	Jul	-1.10%	-3.20%	1.10%	--
<b>25-Aug</b>							
10:00	GE	Ifo Business Climate	Aug	108.5	--	108.3	--
10:00	GE	Ifo Current Assessment	Aug	114.9	--	114.7	--
10:00	GE	Ifo Expectations	Aug	102.5	--	102.2	--
11:30	SA	PPI YoY	Jul	7.00%	--	6.80%	--
14:30	US	Durable Goods Orders	Jul P	3.50%	--	-3.90%	--
14:30	US	Initial Jobless Claims	20-Aug	--	--	262k	--
14:30	US	Continuing Claims	13-Aug	--	--	2175k	--
14:30	US	Cap Goods Orders Nondef Ex Air	Jul P	0.10%	--	0.40%	--
14:30	US	Cap Goods Ship Nondef Ex Air	Jul P	--	--	-0.20%	--
17:00	US	Kansas City Fed Manf. Activity	Aug	-2	--	-6	--

Source: Bloomberg

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