



22 February 2017 | 7:30 AM

For any queries, please contact:

Mohammed Yaseen Nalla, CFA | MohammedN@Nedbankcapital.co.za

Reezwana Sumad | ReezwanaS@Nedbank.co.za

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Key daily driver




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SNIPPETS

(Charts of the day)	Global inflation rate rises as energy costs surge; real rates accommodative; breakeven rates stabilise
(Currencies)	Rand traded weaker as caution re-emerges amid focus on today's Budget, euro slips and majors focus on FOMC minutes today
(Equities)	Top 40 rises 0.11%, led by resource stocks; US equities touched new record highs on broad-based gains; Asian markets mixed this morning,
(Economics)	SA leading indicator rises in December; UK budget balance moves into surplus

Key overnight factors and upcoming events

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Date	Region	Event   	Actual/expected/prior	Implications
21/02	US	Fedspeak	--	Various Fed speakers to highlight views on the economy, markets will watch for any hawkishness. Eyes on FOMC minutes this week
22/02	SA	Budget	--	Market watching political developments. Budget expected to come in line with expectations with higher taxes very probable amid continued expenditure restraint.

Source: Nedbank

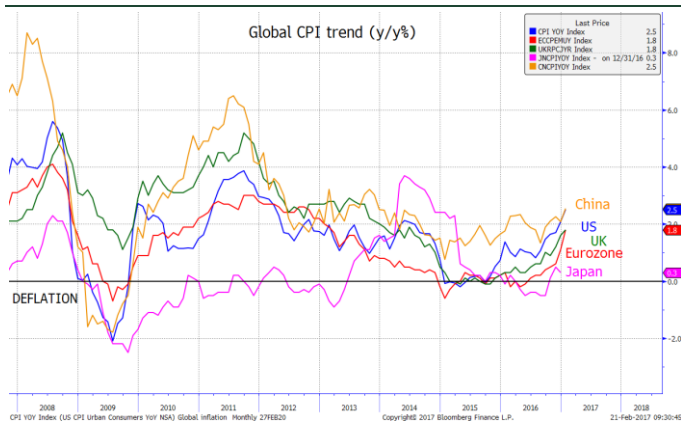
Charts of the day

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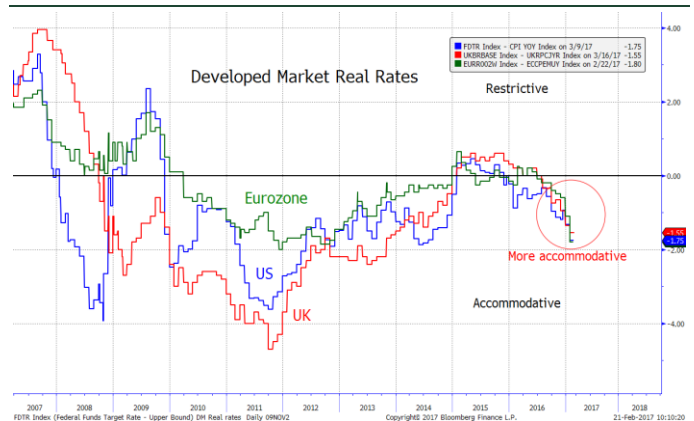
- Global inflation is trending higher. Oil and energy prices have been the key deflationary driver over the last two years. Oil, energy and commodity prices are now the reasons for the global rise in inflation, as evidenced in most developed market (DM) economies. The US 5-year breakeven inflation rate (spread between the nominal and inflation-linked bond) is now at 2% for the first time since June 2014. This as nominal bond yields has risen in anticipation of higher inflation. In the Eurozone, the 5-year breakeven rate has been on a constant declining trend, but has recently stabilised around -1.16% and will likely rise as both inflation and nominal yields rise. In the UK, the breakeven inflation rate remains elevated despite pausing currently. At 3%, this is well above the BOE's 2% target on the back of a surge in inflation and a commensurate surge in gilt yields after the Brexit vote.
- Global inflation rates have risen close to central bank targets. The Fed and BOE expect the 2% target to be reached or exceeded this year. The ECB sees inflation close to, but below their 2% target this year. Japan has been battling constant deflation for an extended period of time. While their headline inflation rate is now back above zero, their core-core CPI rate (BOJ's target measure) is still in deflation. The BOJ will likely continue to struggle with very low levels of inflation as spending remains weak, keeping consumer prices low.
- As a result of a surge in CPI, real rates have slumped since December by between 75-120 bps. Real rates in DMs currently range between -155 to -175 bps, which indicates still loose/accommodative monetary policy. Real rates may rise as the Fed raises its target rate this year and if the BOE responds to a surge in inflation by hiking rates. Real rates are currently too low and we anticipate higher rates over the medium term.

CPI globally has been driven by oil and related commodities



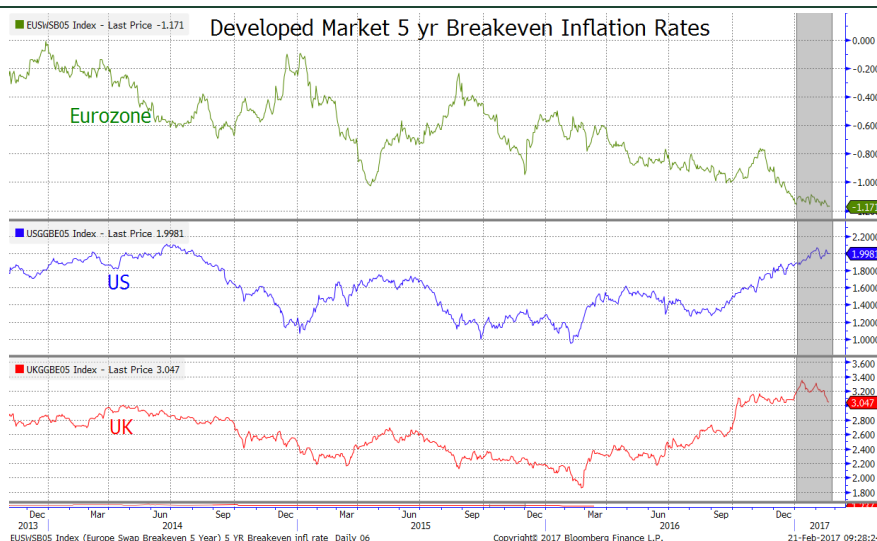
Source: Bloomberg, Nedbank

Real rates sharply accommodative recently



Source: Bloomberg, Nedbank

DM 5-year breakeven inflation rates differ, elevated in US and UK, stable in the Eurozone



Source: Bloomberg, Nedbank

Currencies

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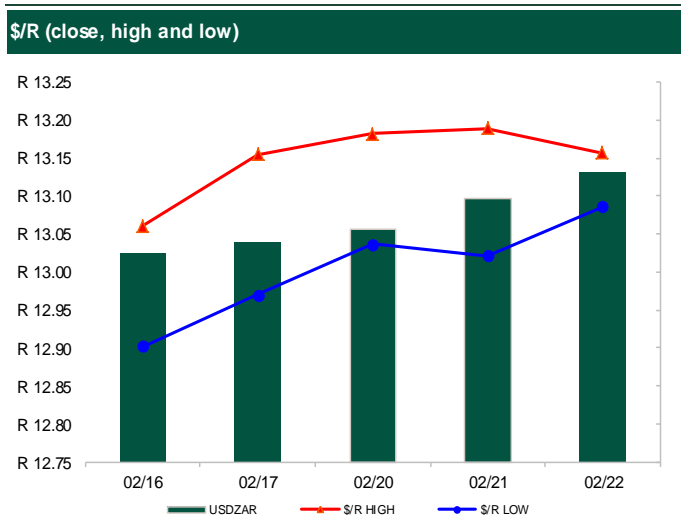
- The local trading session opened with the rand trading steady, but again the bias on the day was not rand supportive. Overall we traded to a high of 13.1900 on the day, having touched a best level for the local unit of 13.0200 earlier in the session.
- This morning the rand is currently trading at 13.1400, but markets are expected to be largely cautious as we await the outcome of the budget. EURZAR is currently trading at 13.8400 and GBPZAR is trading at 16.4150.
- On the international front saw the euro breach below the 1.0600 level, and this move gained some momentum which saw EURUSD trade down to a low of 1.0527, currently trading at 1.0545.
- Although gold has traded worse in the most recent sessions it continues to hold above the 1230.00 level currently at 1235.30.
- Data releases for today, no local releases, but the focus on the budget. From Europe we have German IFO index, Italian CPI and Eurozone CPI, from the U.S we have mortgage applications, existing home sales and the revision and the release of the FOMC minutes.
- Local markets remain transfixed by the budget and the much discussed potential and likely parliamentary debut for Mr Molefe and his possible role. Internationally, uncertainty on the political landscape in Europe and the timing of the next interest rate move in the U.S provide the topics of focus.
- Possible trading range in the rand today 13.0000 to 13.3000

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	USD trend
GBPUSD	1.25	0.30	-0.56	1.29	↓	USD strength
EURUSD	1.05	0.00	-2.23	0.26	↓	USD strength
USDJPY	113.45	-0.08	0.40	-3.00	↑	USD strength
USDAUD	1.30	-0.21	-1.58	-6.38	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
USDZAR	13.13	0.26	-2.80	-4.43	↓	ZAR strength
GBPZAR	16.41	0.56	-3.33	-3.13	↓	ZAR strength
EURZAR	13.85	0.25	-4.96	-4.20	↓	ZAR strength
AUDZAR	10.10	0.48	-1.21	2.02	↓	ZAR strength
ZARJPY	8.64	-0.33	3.28	1.29	↑	ZAR strength
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
ZARMWK (Malawian kwacha)	55.18	-0.26	2.98	4.15	↑	ZAR strength
ZARBWP (Botswana pula)	0.79	-0.46	2.08	1.97	↑	ZAR strength
ZARKES (Kenyan shilling)	7.89	-0.31	2.56	5.72	↑	ZAR strength
ZARMUR (Mauritian rupee)	2.71	-0.06	2.94	3.37	↑	ZAR strength
ZARNGN (Nigerian naira)	23.97	-0.42	5.98	4.49	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.35	-0.52	6.96	11.25	↑	ZAR strength
ZARZMW (Zambian kwacha)	0.74	-1.03	1.59	2.21	↑	ZAR strength
ZARMZN (Mozambican metical)	5.32	-0.26	1.81	2.09	↑	ZAR strength

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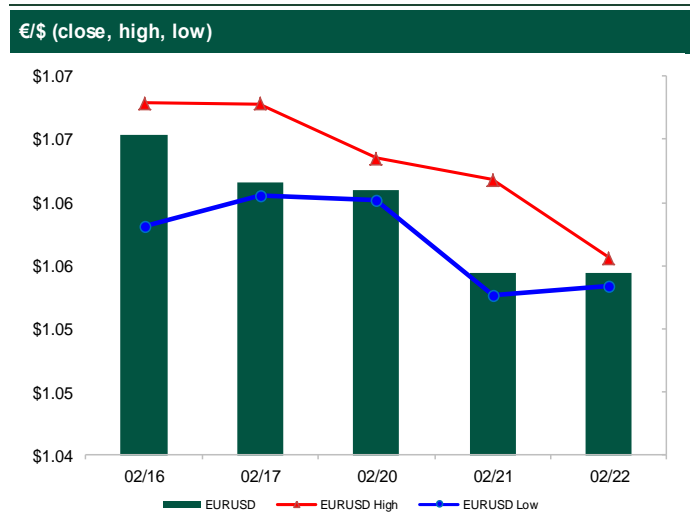
**Please note that the sign on the % change reflects the change on the headline number. The narrative indicates the trend direction over the month. For trade in any of these currencies, contact our FX dealing desks*

USDZAR



Source: Bloomberg, Nedbank

EUR/USD



Source: Bloomberg, Nedbank

Commodities

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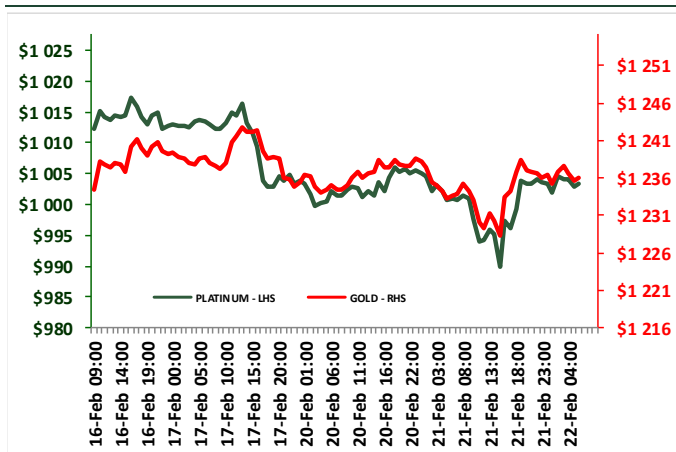
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- Oil prices remained supported and rallied around \$1 yesterday as commentary from OPEC indicates a continued willingness to cut production and reduce stockpiles. This is boosting market sentiment as OPEC continues to work toward full compliance of its production cut targets into the middle of the year. US production acts as a counterbalance but thus far has been less of a driver in markets.
- Gold bullion slid throughout the session but managed to recoup losses in the US session as dollar strength stabilised and eased off. The main focus will remain on the release of the FOMC minutes today to shed light on the Fed's thinking regarding the next rate hike. The dollar remains the main driving force in the near term.

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Brent near future (\$)	56.89	0.41	2.14	0.12	↑
WTI crude (\$)	54.49	0.80	3.18	1.43	↑
Gold spot (\$)	1 235.31	-0.24	2.04	7.65	↑
Platinum spot (\$)	1 002.70	-0.09	1.04	11.03	↑
SA white maize spot (R)	3 108.00	3.12	12.24	-12.25	↑

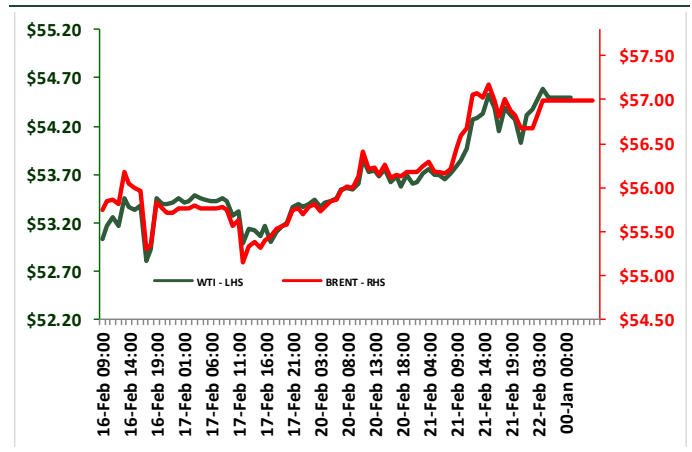
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Platinum vs Gold



Source: Bloomberg

Brent Crude vs West Texas Intermediate



Source: Bloomberg

Fixed income and interest rates

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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	
R203-0.6 yrs	7.66	13.43	-6.77	-4.47	↓	3X6 FRA	7.42	7.50	1.00	3.00	↑
R208-4.1 yrs	8.04	-0.40	-8.40	-23.60	↓	6X9 FRA	7.38	2.00	-9.00	-4.00	↓
R186-9.8 yrs	8.78	-0.40	-3.50	-12.80	↓	9X12 FRA	7.37	1.00	-11.00	-8.00	↓
R2048-31 yrs	9.60	-0.50	1.60	-2.00	↑	18X21 FRA	7.41	-0.50	-13.50	-12.50	↓
US 10 yr	2.45	1.87	-0.53	0.37	↓	SA 2yr Swap	7.38	0.10	-9.60	-7.70	↓
UK 10 yr	1.24	0.65	-12.77	-0.24	↓	SA 3yr Swap	7.46	1.15	-9.70	-9.80	↓
German 10 yr	0.30	1.69	-30.96	72.00	↓	SA 5yr Swap	7.70	1.50	-7.00	-11.60	↓
Japan 10 yr	0.09	-7.37	1.15	91.30	↑	SA 10yr Swap	8.17	1.25	-5.75	-17.25	↓
						SA 15yr Swap	8.33	1.00	-5.50	-15.50	↓
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	0.00	→	2v10y	-0.79	-1.15	-3.85	9.55	↓
SA prime rate	10.50	0.00	0.00	0.00	→	3v10y	-0.71	-0.10	-3.95	7.45	↓
SA CPI (MTD = previous month)	6.60		-10.00		↓	R186-R203	1.26	-13.83	3.27	-8.33	↑
SA 3m JIBAR	7.33	0.00	-4.20	-3.30	↓	R2048-R186	0.82	-0.10	5.10	10.80	↑
SA 3m NCD	7.30	0.00	-2.50	-7.50	↓	5y-R186	-1.11	1.90	-3.50	1.20	↓
SA 6m NCD	7.90	0.00	-5.00	-7.50	↓	10y-R186	-0.63	1.65	-2.25	-4.45	↓
SA 12m NCD	8.35	0.00	-10.00	-10.00	↓	15y-R186	-0.47	1.40	-2.00	-2.70	↓
US 3m LIBOR	1.05	-0.22	1.56	5.22	↑	SA 5yr CDS spread - basis points	197.32	-0.36	-14.68	-19.68	↓
UK 3m LIBOR	0.36	-0.25	0.00	-1.08	→						
Japan 3m LIBOR	-0.02	-0.03	-0.33	3.69	↓						
Source: Bloomberg & Nedbank CIB						Source: Bloomberg & Nedbank CIB					
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Equities

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Cash equities | +2711 535 4030/31

South Africa

- The Top 40 ended the day slightly firmer up 0.11% at 45 556, in a day dominated by a large number of corporate results. Shoprite continued higher, adding a further 3.52% after reporting a 15.5% rise in half year profits, which reassured shareholders, a day after news that the Steinhoff merger had been called off. On the downside, Mediclinic International, Cashbuild, Pioneer Foods and Imperial fell between 4.6% and 2.82% after their numbers disappointed. AngloGold (-0.48%) eased lower, despite reporting decent set of results and declaring a dividend for the first time in 3 years. The value at the close was R20Billion and the rand was trading at R13.15 vs the dollar.

UK/Europe

- European markets ended Tuesday's session mostly higher, with the FTSE100(-0.34%) underperforming, dragged lower by HSBC, which fell 6.5%, after announcing a 62% fall in profits for 2016, due to write downs from restructuring. Mining stocks were also weaker with the likes of Anglo American closing lower, despite reporting a 25% increase in profits and would resume dividend payments by the end of 2017. Elsewhere in Europe stocks rose to their highest level in 14 months lifted by strong manufacturing surveys in the region. The DAX added 1.2% and the CAC40 rose 0.49%

USA

- US markets touched new records highs last night, with broad gain seen across most sectors. Strong earnings reports from Home Depot(+1.4%) and Wal-mart (+3%) together with optimism about Trump's economic agenda lifted sentiment. Wal-mart was the biggest gainer on the Dow. The Dow added 0.58%, The Nasdaq rose 0.47% and S&P500 closed up 0.60%.

Asia

- Asian markets are trading mostly firmer this morning, taking their lead from the strong overnight close in the US. In Japan, however, the Nikkei is losing ground, as the dollar weakened against the yen. Hong Kong stocks rose, recovering somewhat from Monday's fall, where they were dragged lower by poor results from HSBC. Stocks in Australia are stronger, but gains were capped by a 2.72% fall in Commonwealth Bank of Australia as they traded ex dividend. BHP Billiton((-0.655) traded lower despite reporting a good set of results. Rio Tinto and South 32 are up 0.55% and 1.17% respectively.

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Dow Jones	20 743.00	0.58	4.42	4.96	↑
Nasdaq	5 865.95	0.47	4.47	8.97	↑
S&P 500	2 365.38	0.60	3.80	5.65	↑
DJ Eurostoxx 50	3 339.33	0.81	3.36	1.48	↑
DAX	11 967.49	1.18	3.75	4.24	↑
CAC	4 888.76	0.49	2.95	0.54	↑
FTSE	7 274.83	-0.34	2.47	1.85	↑
ASX200	5 805.10	0.24	3.28	2.46	↑
Nikkei 225	19 356.85	-0.13	1.66	1.27	↑
MSCI World	1 843.05	0.34	2.83	5.24	↑
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Hang Seng	24 161.21	0.82	3.43	9.82	↑
Shanghai	3 248.35	-0.15	2.82	4.66	↑
Brazil Bovespa	69 052.02	0.76	7.39	14.65	↑
India - NSE	28 863.90	0.36	4.37	8.40	↑
Russia Micex	2 127.72	0.41	-4.04	-4.70	↓
MSCI Emerging	945.64	0.22	4.00	9.67	↑
SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
JSE All Share	52 586.61	0.05	-0.38	3.82	↓
Top 40	45 555.98	0.11	-0.81	3.77	↓
Resi 10	33 863.13	0.46	-4.48	5.46	↓
Indi 25	67 213.34	0.03	0.27	4.56	↑
Fini 15	15 089.40	-0.37	1.07	0.08	↑

Source: Bloomberg & Nedbank CIB

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Economics

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SA

- The leading indicator rose to 96.3 index points in December, from 95.6 in November, as a result of a rebound in the leading indices of SA's major trading partners.
- Other positive drivers of the index were a rise in commodity prices, and the number of building plans passed. Higher vehicle sales and manufacturing output contributed positively towards the leading indicator.
- 3 out of the 9 available subcomponents were negative – these were job advertisements, average hours worked and the interest rate spread.
- The leading index measures economic activity in 6 to 9 months' time and therefore reflects better economic prospects towards Q3. If consumer spending recovers even marginally, there may be room for some upside in economic activity this year.

Synopsis: We anticipate a marginally firmer pace of economic growth this year, with inflation expected to ease from a high base in 2016. As a result, we expect a flatter interest rate profile this year.

UK

- Public sector net borrowing requirement (PSNB excluding banks (monthly budget balance) turned a surplus in January, of £9.4 billion, from £4.7 billion deficit in December, worse than expectations of £14 billion.
- The reason for the substantially large surplus was tax receipts which rose as businesses paid dividends early to avoid additional tax hikes in the upcoming budget speech.
- For the current fiscal year, the budget deficit is 22% narrower on the back of expenditure cuts and due to strong tax revenues despite a Brexit vote. VAT receipts and PIT receipts were also upbeat on the back of strong consumer spending for most of the past 6 months.
- A slowdown in consumer spending is imminent given Brexit proceedings likely to begin next month. As a result, we may see revenues decline, hampering the budget balance over the next fiscal year (April to March).

Synopsis: The BOE has indicated that the next move in rates could be either way as inflation is expected to rise above the 2% target, while economic momentum is expected to slow, hence monetary policy responses need to be finely calibrated so as not to hamper growth further, while keeping inflation in control. We anticipate flat but loose monetary policy this year.

JSE performance

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
AGL : Anglo American Plc	219.95	-0.42	-4.53	12.74	↓
ANG : Anglogold Ashanti Ltd	165.04	-0.48	-2.85	8.17	↓
APN : Aspen Pharmacare Holdings Lt	289.00	0.38	-6.17	1.91	↓
BAT : Brait Se	76.02	0.03	-3.77	-13.18	↓
BGA : Barclays Africa Group Ltd	160.27	-0.66	0.92	-4.99	↑
BID : Bid Corp Ltd	232.90	0.01	0.28	-5.00	↑
BIL : Bhp Billiton Plc	229.06	1.03	-6.36	4.75	↓
BTI : British American Tobacco Plc	813.25	0.65	-0.78	4.45	↓
BVT : Bidvest Group Ltd	164.70	-1.68	3.87	-9.13	↑
CFR : Financiere Richemont-Dep Rec	99.92	1.35	-4.84	10.12	↓
DSY : Discovery Ltd	121.21	0.59	5.34	5.86	↑
FFA : Fortress Income Fund Ltd-A	17.84	-0.06	3.78	7.66	↑
FFB : Fortress Income Fund Ltd	35.60	1.19	2.36	10.11	↑
FSR : Firstrand Ltd	50.18	-2.62	-0.04	-5.62	↓
GFI : Gold Fields Ltd	42.20	-0.71	-8.60	-3.19	↓
GRT : Grow thpoint Properties Ltd	26.91	-0.37	2.32	3.94	↑
IMP : Impala Platinum Holdings Ltd	49.96	0.20	-6.51	16.89	↓
INL : Investec Ltd	95.74	0.63	1.03	5.50	↑
INP : Investec Plc	95.49	0.04	0.15	5.22	↑
ITU : Intu Properties Plc	45.28	0.94	0.00	-3.62	→
LHC : Life Healthcare Group Holdin	33.74	-1.60	0.42	3.50	↑
MEI : Mediclinic International Plc	124.25	-4.60	-5.73	-4.42	↓
MND : Mondi Ltd	304.16	0.13	2.73	8.63	↑
MNP : Mondi Plc	304.79	0.43	2.64	9.35	↑
MRP : Mr Price Group Ltd	167.90	-2.47	3.22	5.23	↑
MTN : Mtn Group Ltd	119.40	0.34	-4.84	-5.37	↓
NED : Nedbank Group Ltd	242.43	-0.20	4.40	1.81	↑
NPN : Naspers Ltd-N Shs	2 195.00	-0.50	2.67	8.98	↑
NTC : Netcare Ltd	32.07	-1.32	-0.71	0.72	↓
OML : Old Mutual Plc	35.52	0.54	0.51	3.14	↑
RDF : Redefine Properties Ltd	11.33	-0.44	1.71	1.25	↑
REI : Reinet Investments Sa-Dr	28.14	0.14	-0.53	5.00	↓
REM : Remgro Ltd	224.43	-1.94	-0.43	0.62	↓
RMH : Rmb Holdings Ltd	64.75	-1.58	-0.34	-2.48	↓
SAP : Sappi Limited	84.52	2.20	-2.37	-6.04	↓
SBK : Standard Bank Group Ltd	144.37	-0.43	0.31	-4.86	↑
SHP : Shoprite Holdings Ltd	194.62	3.52	8.73	13.51	↑
SLM : Sanlam Ltd	67.00	0.09	3.09	6.52	↑
SNH : Steinhoff International H Nv	72.00	2.70	11.11	1.01	↑
SOL : Sasol Ltd	383.55	0.80	-3.99	-3.85	↓
TBS : Tiger Brands Ltd	419.71	-0.87	3.48	5.50	↑
VOD : Vodacom Group Ltd	150.03	-0.18	-0.64	-1.56	↓
WHL : Woolworths Holdings Ltd	71.00	0.31	-4.25	-0.03	↓

Source: Bloomberg & Nedbank CIB

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Economic calendar

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Time	Country	Event	Period	Survey	Actual	Prior	Revised
21-Feb							
02:30	JN	Nikkei Japan PMI Mfg	Feb P	--	53.5	52.7	--
09:00	SA	Leading Indicator	Dec	--	96.3	95.6	--
10:30	GE	Markit/BME Germany Manufacturing PMI	Feb P	56.1	57	56.4	--
11:00	EC	Markit Eurozone Manufacturing PMI	Feb P	55	55.5	55.2	--
11:30	UK	PSNB ex Banking Groups	Jan	-14.0b	-9.4b	6.9b	--
16:45	US	Markit US Manufacturing PMI	Feb P	55.4	54.3	55	--
22-Feb							
11:00	GE	Ifo Business Climate	Feb	109.7	--	109.8	--
11:30	UK	GDP QoQ	4Q P	0.60%	--	0.60%	--
11:30	UK	GDP YoY	4Q P	2.20%	--	2.20%	--
12:00	EC	CPI YoY	Jan F	1.80%	--	1.80%	1.10%
14:00	US	MBA Mortgage Applications	17-Feb	--	--	-3.70%	--
17:00	US	Existing Home Sales	Jan	5.55m	--	5.49m	--
17:00	US	Existing Home Sales MoM	Jan	1.10%	--	-2.80%	--
21:00	US	FOMC Meeting Minutes	01-Feb	--	--	--	--

Source: Bloomberg

Contacts

Head: Strategic Research
Mohammed Yaseen Nalla, CFA
 (011) 295 5430

ALM Portfolio Management
 (011) 535 4042

Equities Sales and Distribution
 (011) 535 4030/31

Forex Institutional Sales Desk
 (011) 535 4005

Interest Rate Swaps & FRA's Trading
 (011) 535 4004

Money Market Institutional Sales Desk
 (011) 535 4008

Treasury: Economic Analyst
Reezwana Sumad
 (011) 294 1753

Bond Trading
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Forex Business Banking Sales Desk
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Forex Retail Sales Desk
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Money Market Business Banking Sales Desk
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Non Soft & Soft Commodities Trading
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Credit Derivatives
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 CTN (021) 413 9300

Inflation Trading
 (011) 535 4026

Money Market Corporate Sales Desk
 JHB (011) 535 4007; DBN (031) 327 3000;
 CTN (021) 413 9300

Preference shares desk
 (011) 535 4072

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