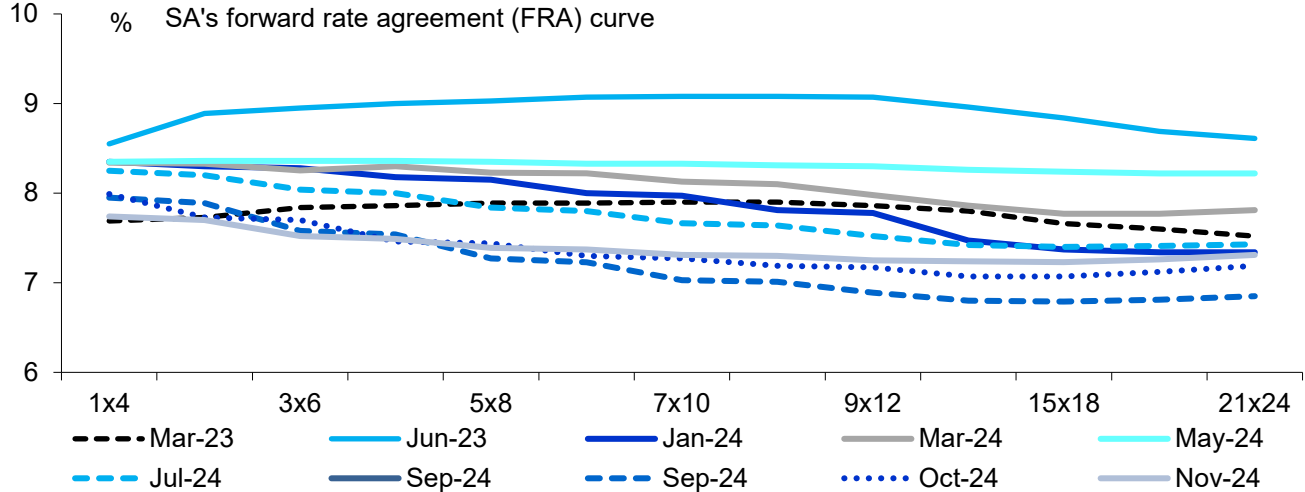




**MPC preview: a further -25bp cut expected for South Africa**

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**Figure 1: Forward Rate Agreement (FRA) curve**



Source: Bloomberg

South Africa's Reserve Bank (SARB) will review its interest rate stance this month on 21<sup>st</sup> of November, and is widely expected to deliver the second interest cut of the current cycle. This is essentially fully factored into market expectations, with South Africa's FRA (Forward Rate Agreement) curve also pricing in a further -25bp cut in the repo rate in January next year, but after that only one more cut, of -25bp by end 2025. FRA pricings have shown a shallower outlook for South Africa's interest rate cuts next year, as markets worry over the lowering of the inflation target towards 3.0% y/y (see inflation outlook, 5<sup>th</sup> November 2025, contact details below) while the US could cut by less than previously expected under Trump's increased protectionist policies, and inflation in South Africa is set to rise towards 5.0% y/y in twelve to twenty-four months' time. The rand typically strengthens over year end as markets tend to become increasingly risk orientated to maximise returns, after the risk averse summer period in the Northern Hemisphere when market traders instead take vacation. Bond yields have moderated on falling inflation (disinflation) this year, with SA's CPI inflation rate likely to approach 3.0% y/y in October, and this figure published the day before South Africa's interest rate announcement. The SARB targets a 4.5% y/y point (not a 3% y/y to 6% y/y range), and inflation approaching 3.0% y/y is well below this but will be seen as temporary. However, the next two months of CPI inflation prints, November and December are also likely to be below 4.0% y/y, as are the five months from February 2025 to June 2025, with inflation unlikely to return to 4.5% before September 2025, highly supportive of a small (-25bp) cut in the repo rate this month.

**Figure 2: Forecasts**

Period end rate %	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25
Repo Rate	8.25	8.25	8.00	7.75	7.50	7.50	7.25	7.00
Prime Overdraft Rate	11.75	11.75	11.50	11.25	11.00	11.00	10.75	10.50

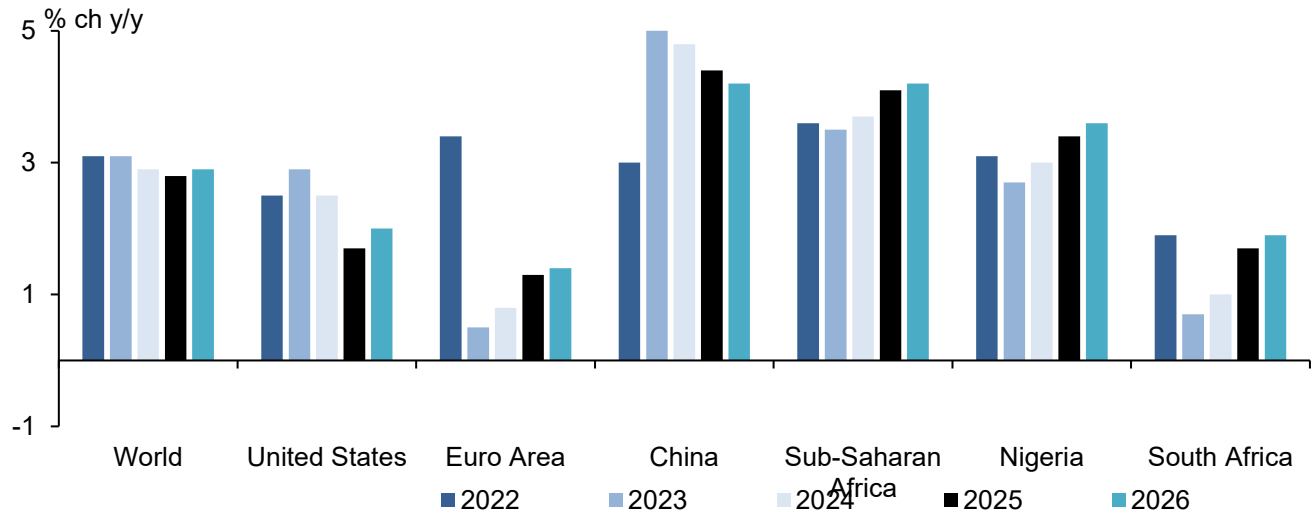
Source: Iress, Investec



## MPC preview: a further -25bp cut expected for South Africa

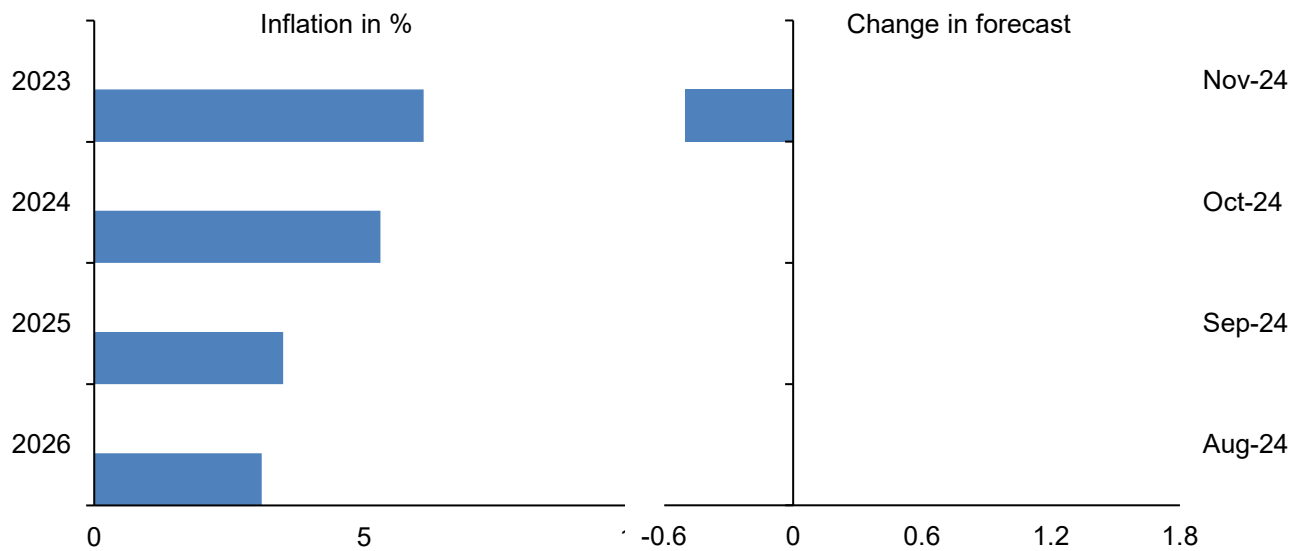
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Figure 3: Major Economies and Sub-Saharan Africa, Real GDP, annual variation in %



Source: Focus Economics November 2024

Figure 4: Sub-Saharan Africa, 2025: 10.1% - inflation (%) and change in forecast



Source: Focus Economics November 2024

Figure 5: Reuters October 2024 forecasts: CPI % y/y

Forecast period	Q4.24	Q1.25	Q2.25	Q3.24	Q4.25	Q1.26	2024	2025	2026
CPI % y/y	3.8	3.9	3.8	4.5	4.5	4.4	4.7	4.3	4.5
Previous survey	4.0	4.2	4.0	4.5	4.4	n/a	4.7	4.3	4.5

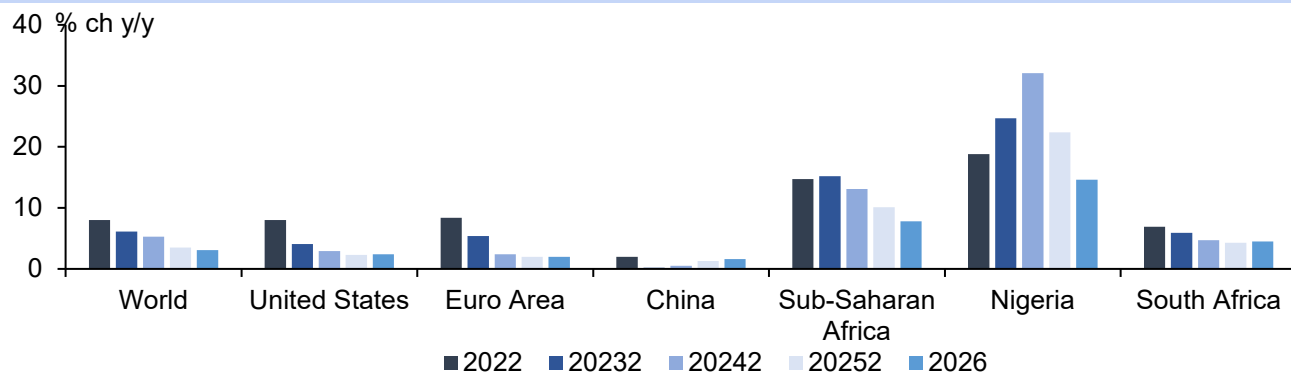
Source: Reuters



## MPC preview: a further -25bp cut expected for South Africa

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Figure 6: Major Economies and Sub-Saharan Africa consumer prices, annual variation in %



Source: Focus Economics November 2024

It should be noted that South Africa’s FRA (Forward Rate Agreement) curve changes and is not a good longer-term predictor of MPC interest rate decisions but is much better in the short-term. The MPC makes its decisions meeting by meeting and takes a wide range of variables and indicators into account, with markets able to change rapidly, and next year particularly could see market volatility on US policies. From 20<sup>th</sup> January, incoming President, Donald Trump’s policy changes are expected to have a widespread effect, slowing US growth in the next two years at least, on increased trade tariffs on goods imported into the US. A blanket 10% tariff rise has been mooted, along with an increase of over 50% on goods imported from China, the US’s third largest trade partner, while Mexico, the US’s second largest trade partner, has been threatened with immediate tariff increases of 25% over illegal immigrants. Canada, the US’s largest trade partner is at risk of a 10% tariff increase, which, with retaliatory behaviour resulting in trade wars between the US and its trade partners, is expected to slow global and US economic growth while pushing up inflation noticeably in the US and globally. Worries over recession have also resurfaced, causing investor sentiment to dull for EM portfolio assets, undermined by higher risk aversion since the US election.

Figure 7: Reuters October 2024 forecasts: Repo rate % y/y

Forecast period	Q4.24	Q1.25	Q2.25	Q3.25	Q4.24	Q1.26	2024	2025	2026
Repo rate % y/y	7.75	7.25	7.00	7.00	7.00	6.88	7.75	7.00	7.00
Previous survey	7.75	7.50	7.25	7.25	7.00	n/a	7.75	7.00	7.00

Source: Reuters

Figure 8: Inflation forecasts	2023	2024	2025	2026	2027	2028
Consumer Inflation (Av: %)	5.9	4.6	4.2	4.6	4.5	4.6
Producer Inflation (Av: %)	5.9	4.6	4.2	4.6	4.5	4.6
Salary & wage increases (%)	4.7	4.2	5.1	5.4	5.5	5.6

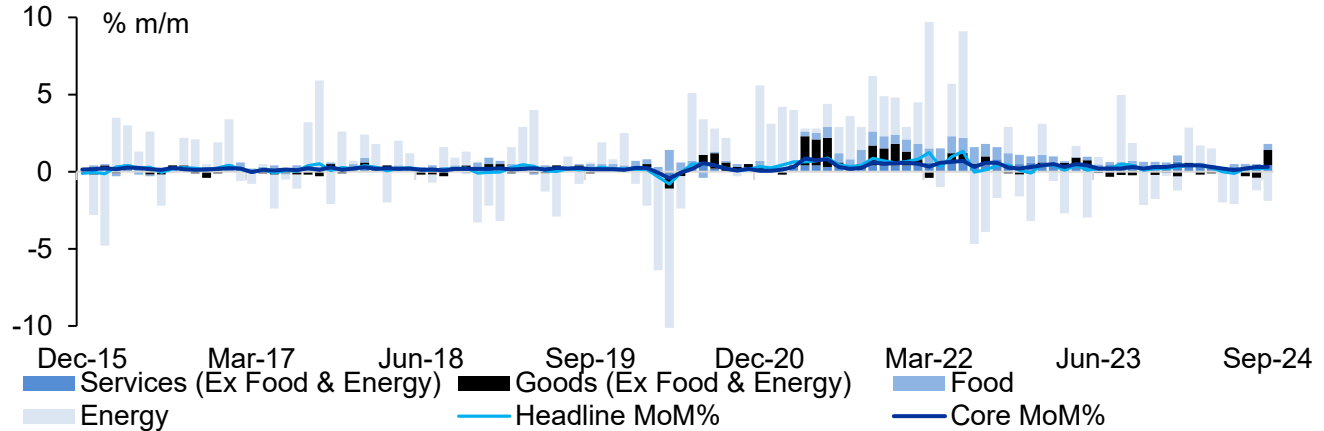
Source: Investec



## MPC preview: a further -25bp cut expected for South Africa

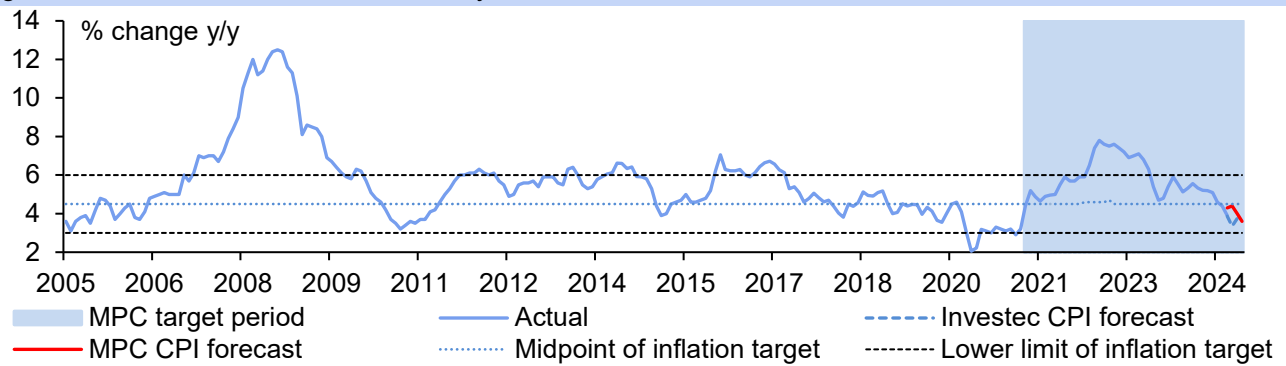
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Figure 9: Contributions to US CPI mom % (sa), and core CPI



Source: Bloomberg

Figure 10: SA Consumer Inflation: history and forecasts



Source: Stats SA, SARB, Investec

Figure 11: Reuters October 2024 Foreign exchange rates poll: USDZAR

	1M	3M	6M	1Y
Release/Effective Date	31 Oct 2024	31 Dec 2024	31 Mar 2025	30 Sep 2025
Median	17.3700	17.5000	17.4600	17.5000
High	17.3700	17.5000	17.4600	17.5000
Low	17.0000	16.8000	16.8000	16.0000
No. of forecasts	15	19	19	18

Source: Reuters

Figure 12: Reuters October 2024 forecasts: GDP

Forecast period	Q3.24	Q4.24	Q1.25	Q2.25	Q3/25	Q4.24	Q1.26	2024	2025	2026
GDP y/y %	1.8	2.6	1.4	1.4	1.7	1.8	1.8	1.0	1.8	2.1
Previous survey	2.1	2.9	1.2	1.5	1.5	1.7	na	0.9	1.6	1.8

Source: Reuters



## MPC preview: a further -25bp cut expected for South Africa

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Figure 13: SA Monetary Policy Committee (MPC) meeting dates for 2024

Month	Date	Investec Forecast
November	21 November 2024	7.75

Source: SARB, Investec

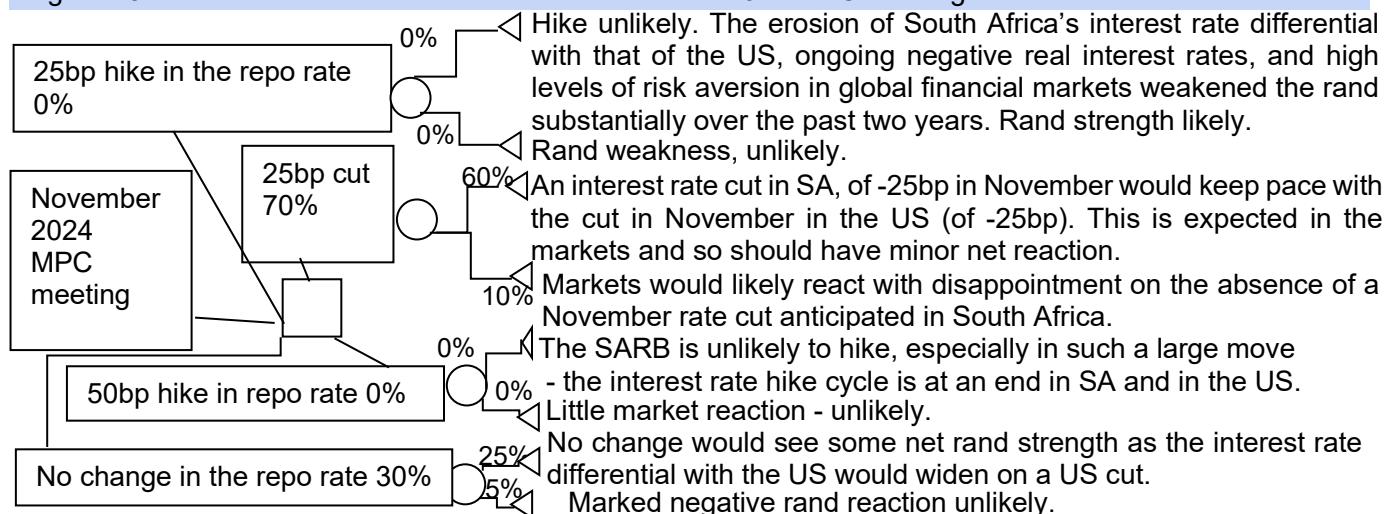
Figure 14: Forecasts	2022	2023	2024	2025	2026	2027	2028	2029
Repo Rate	7.00	8.25	7.75	7.00	6.75	6.75	6.75	6.75
Prime Overdraft rate	10.50	11.75	11.25	10.50	10.25	10.25	10.25	10.25
SA rand bond	11.64	11.90	10.90	10.70	10.50	10.30	10.10	10.00
US Fed funds rate	4.50	5.50	4.50	3.50	3.50	3.50	3.50	3.50
UK Bank rate	3.50	5.25	4.75	3.75	3.00	3.00	3.00	3.00

Note: forecasts are % year-end. Source: Investec, SARB, IRESS

Tax cuts, a sharp drop in illegal immigrants and a retiring generation of the workforce are touted as adding to inflationary pressures for the US from next year. Fiscal health is seen to deteriorate as well, with state revenue from higher tariffs not expected to offset the impact from tax cuts. Overall, the risks elevated for next year, making US monetary policy uncertain, and this could result in the Fed pausing at its January FOMC meeting. Even the Chair of the US Federal Reserve Bank is reported to have noted that his position may be uncertain, but he would not step down before his term was over at the end of January in 2028.

The inflation environment has been very moderate in SA, with strong support from rand strength and a moderation in fuel commodity prices, but an end to the US interest rate cut cycle sooner than markets anticipate would cause the rand to be weaker than our base case forecasts, and inflation higher. Fewer interest rate cuts would then occur, with weaker GDP growth, along with higher bond yields.

Figure 15: Decision tree for South Africa's 21 November 2024 MPC meeting



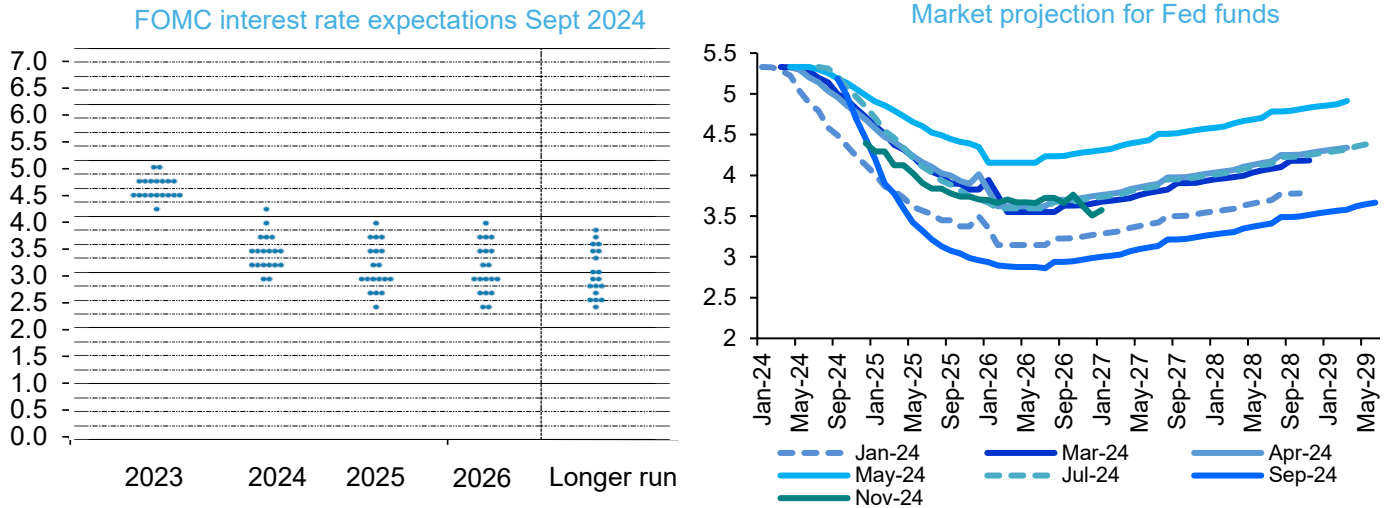
Key: squares are decision nodes; circles are chance nodes and triangles end nodes. Source: Investec



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Figure 16: US interest rate projections



Source: FOMC, Bloomberg

Figure 17: FOMC 2024/2025 Meeting Schedule

- 17-18\* December 2024
- 28-29 January 2025
- 18-19 March 2025
- 6-8 May 2025
- 17-18 June 2025
- 29-30 July 2025
- 16-17 September 2025
- 28-29 October 2025
- 9-10 December 2025

Source: Federal Reserve Bank

\*Meeting associated with a summary of Economic Projections

Figure 18: Key official interest rates (% end quarter)

	US Fed funds	Eurozone refi rate	Eurozone deposit rate	UK Bank rate	Australia cash rate
Current	4.75-5.00	3.40	3.25	5.00	4.35
Q1.24	5.25-5.50	4.50	4.00	5.25	4.35
Q2.24	5.25-5.50	4.25	3.75	5.25	4.35
Q3.24	4.75-5.00	3.65	3.50	5.00	4.35
Q4.24	4.25-4.50	3.15	3.00	4.75	4.35
Q1.25	3.75-4.00	2.90	2.75	4.50	4.10
Q2.25	3.25-3.50	2.65	2.50	4.25	3.85
Q3.25	3.25-3.50	2.40	2.25	4.00	3.35
Q4.25	3.25-3.50	2.15	2.00	3.75	3.35

Source: Macrobond, Investec UK



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Figure 19: Interest rate forecast end rates

Date	Prime forecast	Prime less Inflation	Repo	Repo less Inflation
Jan 2023	10.75	3.9	7.25	0.4
Feb 2023	10.75	3.7	7.25	0.2
Mar 2023	11.25	4.2	7.75	0.7
Apr 2023	11.25	4.4	7.75	0.9
May 2023	11.75	5.4	8.25	1.9
Jun 2023	11.75	6.4	8.25	2.9
Jul 2023	11.75	7.0	8.25	3.5
Aug 2023	11.75	6.9	8.25	3.4
Sep 2023	11.75	6.4	8.25	2.9
Oct 2023	11.75	5.8	8.25	2.3
Nov 2023	11.75	6.2	8.25	2.7
Dec 2023	11.75	6.6	8.25	3.1
Jan 2024	11.75	6.4	8.25	2.9
Feb 2024	11.75	6.2	8.25	2.7
Mar 2024	11.75	6.4	8.25	2.9
Apr 2024	11.75	6.5	8.25	3.0
May 2024	11.75	6.5	8.25	3.0
Jun 2024	11.75	6.6	8.25	3.1
Jul 2024	11.75	7.1	8.25	3.6
Aug 2024	11.75	7.3	8.25	3.8
Sep 2024	11.50	7.6	8.00	4.1
Oct 2024	11.50	8.1	8.00	4.6
Nov 2024	11.25	7.5	7.75	4.0
Dec 2024	11.25	7.3	7.75	3.8
Jan 2025	11.25	6.7	7.75	3.2
Feb 2025	11.25	7.2	7.75	3.7
Mar 2025	11.00	7.3	7.50	3.8
Apr 2025	11.00	7.4	7.50	3.9
May 2025	11.00	7.4	7.50	3.9
Jun 2025	11.00	7.3	7.50	3.8
Jul 2025	10.75	6.4	7.25	2.9
Aug 2025	10.75	6.2	7.25	2.7
Sep 2025	10.75	6.0	7.25	2.5
Oct 2025	10.75	6.3	7.25	2.8
Nov 2025	10.50	6.1	7.00	2.6
Dec 2025	10.50	6.1	7.00	2.6

Source: IRESS, Investec



## MPC preview: a further -25bp cut expected for South Africa

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Figure 20: Interest rate forecast end rates (continued)

Date	Prime forecast	Prime less Inflation	Repo	Repo less Inflation
Jan 2026	10.50	6.2	7.00	2.7
Feb 2026	10.50	6.2	7.00	2.7
Mar 2026	10.25	6.0	6.75	2.5
Apr 2026	10.25	5.8	6.75	2.3
May 2026	10.25	5.6	6.75	2.1
Jun 2026	10.25	5.5	6.75	2.0
Jul 2026	10.25	5.6	6.75	2.1
Aug 2026	10.25	5.7	6.75	2.2
Sep 2026	10.25	5.8	6.75	2.3
Oct 2026	10.25	5.6	6.75	2.1
Nov 2026	10.25	5.5	6.75	2.0
Dec 2026	10.25	5.6	6.75	2.1
Jan 2027	10.25	5.8	6.75	2.3
Feb 2027	10.25	5.7	6.75	2.2
Mar 2027	10.25	5.6	6.75	2.1
Apr 2027	10.25	5.7	6.75	2.2
May 2027	10.25	5.8	6.75	2.3
Jun 2027	10.25	5.8	6.75	2.3
Jul 2027	10.25	6.1	6.75	2.6
Aug 2027	10.25	5.9	6.75	2.4
Sep 2027	10.25	5.8	6.75	2.3
Oct 2027	10.25	5.8	6.75	2.3
Nov 2027	10.25	6.0	6.75	2.5
Dec 2027	10.25	6.0	6.75	2.5
Jan 2028	10.25	5.9	6.75	2.4
Feb 2028	10.25	5.9	6.75	2.4
Mar 2028	10.25	5.9	6.75	2.4
Apr 2028	10.25	5.8	6.75	2.3
May 2028	10.25	5.7	6.75	2.2
Jun 2028	10.25	5.7	6.75	2.2
Jul 2028	10.25	5.3	6.75	1.8
Aug 2028	10.25	5.6	6.75	2.1
Sep 2028	10.25	5.7	6.75	2.2
Oct 2028	10.25	5.7	6.75	2.2
Nov 2028	10.25	5.7	6.75	2.2
Dec 2028	10.25	5.7	6.75	2.2

Source: IRESS, Investec





## MPC preview: a further -25bp cut expected for South Africa

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Figure 21: CPI forecast averages

Date	Index Base 2016	Annual y/y	Monthly m/m	Quarterly y/y	Calendar year y/y	
Jan 2023	107.1	6.9	-0.1			
Feb 2023	107.9	7.0	0.7			
Mar 2023	109.0	7.1	1.0	7.0		
Apr 2023	109.4	6.8	0.4			
May 2023	109.6	6.3	0.2			
Jun 2023	109.8	5.4	0.2	6.2		
Jul 2023	110.8	4.7	0.9			
Aug 2023	111.1	4.8	0.3			
Sep 2023	111.8	5.4	0.6	5.0		
Oct 2023	112.8	5.9	0.9			
Nov 2023	112.7	5.5	-0.1			
Dec 2023	112.7	5.1	0.0	5.5	2023	5.9
Jan 2024	112.8	5.3	0.1			
Feb 2024	113.9	5.6	1.0			
Mar 2024	114.8	5.3	0.8	5.4		
Apr 2024	115.1	5.2	0.3			
May 2024	115.3	5.2	0.2			
Jun 2024	115.4	5.1	0.1	5.2		
Jul 2024	115.9	4.6	0.4			
Aug 2024	116.0	4.4	0.1			
Sep 2024	116.1	3.9	0.1	4.3		
Oct 2024	116.6	3.4	0.4			
Nov 2024	116.9	3.8	0.3			
Dec 2024	117.2	4.0	0.2	3.7	2024	4.6
Jan 2025	118.0	4.6	0.7			
Feb 2025	118.5	4.0	0.4			
Mar 2025	119.0	3.7	0.5	4.1		
Apr 2025	119.3	3.6	0.2			
May 2025	119.4	3.6	0.1			
Jun 2025	119.6	3.7	0.2	3.6		
Jul 2025	121.0	4.4	1.1			
Aug 2025	121.3	4.6	0.3			
Sep 2025	121.7	4.8	0.3	4.6		
Oct 2025	121.8	4.5	0.1			
Nov 2025	122.1	4.4	0.2			
Dec 2025	122.3	4.4	0.2	4.4	2025	4.2

Source: Stats SA, Investec



## MPC preview: a further -25bp cut expected for South Africa

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Figure 22: CPI forecast averages (continued)

Date	Index Base 2016	Annual y/y	Monthly m/m	Quarterly y/y	Calendar year y/y	
Jan 2026	123.0	4.3	0.6			
Feb 2026	123.5	4.3	0.4			
Mar 2026	124.1	4.3	0.5	4.3		
Apr 2026	124.6	4.5	0.4			
May 2026	125.0	4.7	0.3			
Jun 2026	125.4	4.8	0.3	4.7		
Jul 2026	126.6	4.7	1.0			
Aug 2026	126.9	4.6	0.2			
Sep 2026	127.1	4.5	0.2	4.6		
Oct 2026	127.5	4.7	0.3			
Nov 2026	127.9	4.8	0.3			
Dec 2026	128.0	4.7	0.1	4.7	2026	4.6
Jan 2027	128.6	4.5	0.4			
Feb 2027	129.2	4.6	0.5			
Mar 2027	130.0	4.7	0.6	4.6		
Apr 2027	130.4	4.6	0.3			
May 2027	130.6	4.5	0.2			
Jun 2027	131.0	4.5	0.3	4.5		
Jul 2027	131.9	4.2	0.7			
Aug 2027	132.5	4.4	0.4			
Sep 2027	132.9	4.5	0.3	4.3		
Oct 2027	133.3	4.5	0.3			
Nov 2027	133.4	4.3	0.1			
Dec 2027	133.5	4.3	0.1	4.3	2027	4.5
Jan 2028	134.2	4.4	0.5			
Feb 2028	134.9	4.4	0.5			
Mar 2028	135.7	4.4	0.6	4.4		
Apr 2028	136.2	4.5	0.4			
May 2028	136.6	4.6	0.3			
Jun 2028	137.0	4.6	0.3	4.6		
Jul 2028	138.4	4.9	1.0			
Aug 2028	138.7	4.7	0.2			
Sep 2028	139.0	4.6	0.2	4.7		
Oct 2028	139.4	4.6	0.3			
Nov 2028	139.5	4.6	0.1			
Dec 2028	139.6	4.6	0.1	4.6	2028	4.6

Source: Stats SA, Investec



## MPC preview: a further -25bp cut expected for South Africa

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Figure 23: Economic Scenarios:

		Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25
<b>Extreme</b>	USD/Rand (average)	18.87	18.60	18.00	16.50	15.50	14.60	14.50	14.40
<b>Up case</b>	Repo rate (end rate)	8.25	8.25	8.00	7.25	6.75	6.50	6.25	6.00
<b>2%</b>	SA economic growth rises to 3–5%, then 5-7%. Good governance, growth-creating reforms (structural constraints eradicated), strong property rights, no nationalisation or expropriation without compensation. High business confidence and fixed investment growth, substantial FDI, fiscal consolidation drives debt to low ratios of 2000s. Very subdued domestic inflation on extreme rand strength, very favourable weather conditions. Very short grey listing. <b>Strong global growth, risk-on, commodity boom. Rapid upgrades of credit ratings.</b> Strong transition away from fossil fuel usage, a quick transition to renewable energy, very comprehensive measures to alleviate climate change impact on economy. The Russian/Ukraine war ends quickly.								
<b>Up case</b>		<b>Q1.24</b>	<b>Q2.24</b>	<b>Q3.24</b>	<b>Q4.24</b>	<b>Q1.25</b>	<b>Q2.25</b>	<b>Q3.25</b>	<b>Q4.25</b>
<b>12%</b>	USD/Rand (average)	18.87	18.60	18.00	17.00	16.60	16.30	15.90	15.70
	Repo rate (end rate)	8.25	8.25	8.00	7.50	7.00	6.75	6.50	6.25
	Economic growth lifts to around 4%, rising confidence and investment levels, structural constraints eroded, global growth strong, global financial markets risk-on. No nationalisation or expropriation without compensation. Low domestic inflation on favourable weather and global conditions, rand strength, lower state-controlled price inflation on increased private privatisation. <b>Positive outlooks on credit ratings turn into upgrades on substantial fiscal consolidation, debt projections fall substantially.</b> Grey listed for less than eighteen months. Substantial transition to renewable energy away from fossil fuel usage, comprehensive measures to alleviate climate change impact on economy. The Russian/Ukraine war ends.								
<b>Base</b>		<b>Q1.24</b>	<b>Q2.24</b>	<b>Q3.24</b>	<b>Q4.24</b>	<b>Q1.25</b>	<b>Q2.25</b>	<b>Q3.25</b>	<b>Q4.25</b>
<b>case</b>	USD/Rand (average)	18.87	18.60	18.00	17.20	17.00	16.90	16.80	16.60
<b>50%</b>	Repo rate (end rate)	8.25	8.25	8.00	7.75	7.50	7.50	7.25	7.00
	Economic growth modest but lifts towards 3.0% y/y over five years on sufficient domestic policy support measures (but still limited somewhat by load shedding, freight constraints), global financial market risk sentiment is neutral to positive. <b>South Africa in the BB credit rating category bracket as fiscal consolidation (debt to GDP stabilisation) occurs leading to some positive outlooks.</b> The rand stabilises and strengthens somewhat, inflation is impacted by the course of weather patterns via food price inflation. Little expropriation without compensation occurs and has no negative effect on economy, no nationalisation. A modest transition to renewable energy and slow move away from fossil fuel usage occurs and measures to alleviate the impact of climate change on the economy are modestly implemented. The Russian/Ukraine war persists and does not exacerbate, nor do middle East Tensions. The grey listing is temporary.								
<b>Lite</b>		<b>Q1.24</b>	<b>Q2.24</b>	<b>Q3.24</b>	<b>Q4.24</b>	<b>Q1.25</b>	<b>Q2.25</b>	<b>Q3.25</b>	<b>Q4.25</b>
<b>(domestic)</b>	USD/Rand (average)	18.87	18.60	18.00	19.00	19.50	19.30	19.00	19.10
<b>Down</b>	Repo rate (end rate)	8.25	8.25	8.00	8.50	8.75	9.50	9.50	9.50
<b>case</b>	The international environment (incl. risk sentiment) is that of the base case. <b>South Africa fails to see government debt projections stabilise, falls into single B (local and foreign currency) credit ratings from all three agencies. Recession occurs.</b> Business confidence depressed, substantial load shedding, marked freight constraints, weak investment growth, civil and political unrest. High inflation on unfavorable weather conditions, marked rand weakness. Little transition to renewable energy or measures to alleviate the impact of climate change. Very limited expropriation of private sector property without compensation, with a slight negative impact on the economy. <b>Substantial fiscal consolidation ultimately occurs, preventing ratings falling into the C grades.</b> The greylisting is lengthy.								
<b>35%</b>		<b>Q1.24</b>	<b>Q2.24</b>	<b>Q3.24</b>	<b>Q4.24</b>	<b>Q1.25</b>	<b>Q2.25</b>	<b>Q3.25</b>	<b>Q4.25</b>
<b>Severe</b>	USD/Rand (average)	18.87	18.60	18.00	20.00	20.50	20.70	20.70	20.60
<b>down</b>	Repo rate (end rate)	8.25	8.25	8.00	9.00	9.75	11.00	11.50	11.50
<b>case</b>	Lengthy global recession, global financial crisis - insufficient monetary and other support domestically and internationally. Very high inflation on very adverse weather conditions, severe rand weakness. <b>SA rated single B from all three key agencies, downgraded into CCC grade, increased risk of default.</b> Government borrows from increasingly wider sources, sinks deeper into a debt trap, widespread, severe services load shedding, severe civil and political unrest. Failure to transition to renewable energy and measures to alleviate the impact of climate change on the economy. Limited expropriation of private property without compensation with a noticeable negative economic impact. <b>SA is blacklisted.</b> The Russian/Ukraine war widens into neighbouring (NATO) countries, Middle East tensions worsen.								
<b>1%</b>									

**Note:** Event risk begins Q4 24. Source: Investec

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