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# THE WEEK IN REVIEW

For the period September 20, 2021 – September 24, 2021

THINK INVESTMENTS. THINK BMA

## Market review for the week

Friday, September 24, 2021

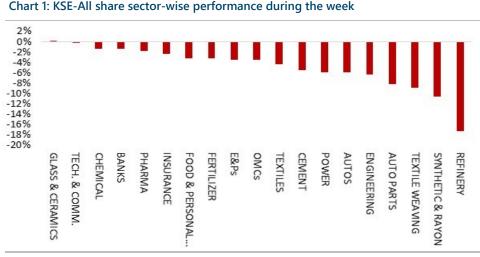
Equities at the local bourse slumped across the board on investor concerns about freefalling rupee, surging current account deficit, and the central bank's decision to roll back monetary stimulus. The index witnessed a volatile ride throughout the week, oscillating between a high and a low of 46,834pts and 44,788pts, respectively. Barely clinging on to the 45,000 level, the market closed at 45,074 points, down 3.4% WoW. The average traded volumes clocked-in at 384Mn shares ( $\downarrow$  4% WoW), whereas daily traded value averaged at USD 73Mn ( $\downarrow$  18% WoW).

Stocks extended losses amidst uncertainty on macroeconomic level: The week opened on a bearish note ahead of the monetary policy announcement and security concerns following New Zealand cricket team's withdrawal and England's decision to cancel their tour. Along with the central bank's hawkish monetary policy stance where they decided to raise the interest rate by 25bps to 7.25%, ballooning current account deficit and continuous downward slide in PKR against USD (currently near ~PKR 169.4,  $\downarrow$  0.5% WoW) also added to investor woes. Additionally, the uncertainty over the IMF meeting to be held next month and the ongoing rollover week further created pressure in the market.

**Higher commodity prices and global equity rout weighed on local market sentiments:** The cement sector once again witnessed selling owing to higher international coal prices (near USD 165/ton) and a hike in the borrowing rate. On the other hand, local investors were also unnerved by the faltering global equities following the Chinese property giant, Evergrande Group's crisis, which the market participants feared could morph into another Lehman Brothers debacle.

Major data releases during the week included: 1) SBP reserves, which fell by USD 479Mn to USD 19.5Bn ( $\downarrow$  2.5% WoW); 2) total loans to private sector for Aug'21, which surged to ~PKR 6.6Trn ( $\uparrow$  11/1% YoY/MoM); 3) Foreign direct investment (FDI) for Aug'21, which fell to ~USD 113Mn, down 10% YoY; and 4) Fertilizer sales for the month of Aug'21, wherein the Urea offtake surged 13% YoY to 0.65Mn tons and DAP offtake dropped by 37% YoY to 0.19Mn tons. The T-Bills auction results were also announced during the week in which the government raised ~PKR 0.7Trn (PKR 690/41Bn in 3/6-month bills) against a decent participation of ~PKR 1.1Trn (PKR 842/231Bn in 3/6-month bills). The cut-off yields increased by more than 40bps for 3- and 6-month bills, indicating market expectations of further monetary tightening going forward. On the other hand, all the bids for 12-month bills were rejected.

**Outlook:** We maintain our long-term favorable outlook on local equities given the potential resumption of IMF program and attractive market multiples. However, the index may continue to remain under pressure in the near-term on account of depreciating PKR against the greenback, reversal in monetary stimulus, and uncertainty on macroeconomic level. Hence, any short-term corrections should be taken as an opportunity to accumulate positions in Banks, Fertilizers, Steels, and Technology sectors.



# BMA

Table 1: PSX	K weekly s	snapsho	t				
Index	24-Sep	24-Sep 17-Sep WoW					
	Pts	Pts	Pts	%			
KSE-100	45,074	46,636	-1,563	-3.4%			
KSE-All sh.	30,778	32,010	-1,232	-3.9%			
KSE-30	17,742	18,480	-738	-4.0%			
KMI-30	71,904	74,816	-2,912	-3.9%			
KMI-All Sh.	21,927	22,864	-937	-4.1%			
Oil & Gas	11,132	11,504	-371	-3.2%			
Banking	12,549	12,727	-178	-1.4%			
			Sou	urce: PSX			

Index	24-Sep	17-Sep	WoW
KSE-100			
Avg. Vol. (Mn)	151	149	1.1%
Avg. Val. (PKR Mn)	7,230	8,576	-15.7%
Value (USD Mn)	43	51	-15.9%
M.Cap (PKR Bn)	5,947	6,165	-3.5%
M.Cap (USD Bn)	35	37	-4.0%
KSE-All sh.			
Avg. Vol. (Mn)	384	400	-4.2%
Avg. Val. (PKR Mn)	12,379	15,084	-17.9%
Value (USD Mn)	73	90	-18.1%
M.Cap (PKR Bn)	7,831	8,135	-3.7%
M.Cap (USD Bn)	46	48	-4.3%

Table 3: PSX othe	ractivity		
Desc.	24-Sep	17-Sep	WoW
Futures Activity			
Avg. Vol (Mn)	322	117	176.3%
Avg. Val (PKR Mn)	12,079	5,827	107.3%
NDM Transactions			
Volume (Mn)	64	192	-66.8%
Value (PKR Mn)	1,909	6,780	-71.8%
Value (USD Mn)	11	40	-71.9%
Value (USD Mn)	11		ou

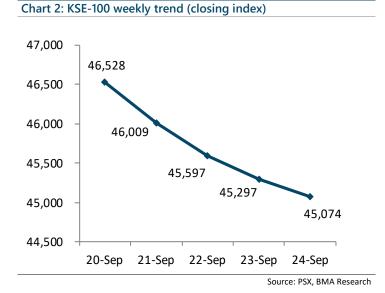
BMA Research (REP—005) E-mail: research@bmacapital.com

Source: PSX, BMA Research

BMA Capital Management Ltd. (REP-005) 801 Unitower, I.I.Chundrigar Road, Karachi, 74000, Pakistan For further queries. Last page of this report contains important disclosures and disclaimers. Please contact: bmaresearch@bmacapital.com or call UAN: 111-262-111



## Key market charts for the week



ADTV (USDmn) RHS ADT (mnsh) 700 120 600 100 500 80 400 60 300 40 200 20 100 0 0 22-Sep 20-Sep 21-Sep 23-Sep 24-Sep Source: PSX, BMA Research

#### Chart 4: FIPI Sector-wise flows (USD Mn)

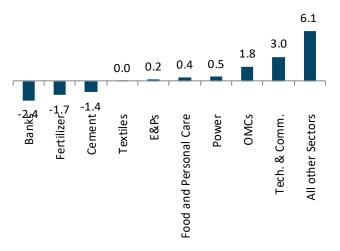
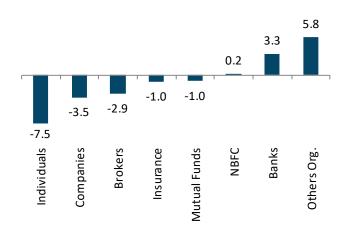


Chart 5: LIPI net flows (USD Mn)

Chart 3: KSE-All sh. market participation



Source: NCCPL, BMA Research

6.6%

4.9%

4.1%

3.4%

2.8%

-19.9%

-19.6%

-16.7%

-16.4% -15.4%

let FIPI	position (USD Mn)			Table 4: KSE-100 top 5 gainers & losers
6.7	7			Gainers
		_		PSEL
				SCBPL
	(26.9)			SNGP
				ARPL
			(65.3)	BAFL
				Losers
				YOUW
				NRL
		(174.0)		ATRL
WT	D MTD	CY21TD	FY22TD	ANL
	- 1010	0.2210		BYCO

Chart 6: Ne

20

(40)

(60)

(80)

(100) (120)(140)

(160)

(180)

(200)

0 (20)

Source: NCCPL, BMA Research

Source: NCCPL, BMA Research

Source: PSX, BMA Research



# Key market news for the week

#### FBR to get operational, financial autonomy: Tarin (Neutral)

The government is fully committed to granting operational and financial autonomy to the Federal Board of Revenue (FBR) to rule out the possibility of political interference...read more

#### FDI falls 20% to \$203m in Jul-Aug (Negative)

Foreign direct investment (FDI) in different sectors of Pakistan's economy fell 20.3% to \$203.1 million in the first two months (July-August) of the ongoing fiscal year largely due to global travel disruptions and the volatile political situation in Afghanistan...<u>read more</u>

#### CAD, inflation: Interest rate hiked by 25 bps to 7.25pc (Negative)

The Monetary Policy Committee (MPC) of the State Bank of Pakistan (SBP) has announced to raise the key policy rate by 25 basis points (bps) to 7.25 percent to curtail the rising current account deficit and higher inflation expectations...<u>read more</u>

#### Fitch Solutions sees real GDP growth at 4.2pc (Neutral)

Pakistan's economy is expected to record real GDP growth of 4.2 percent in the fiscal year 2021-22, up from 3.9 percent in fiscal year 2020-21, says Fitch Solutions. "We note that improving vaccination rates will buoy private consumption growth...<u>read more</u>

#### Pakistan ready to issue new international Sukuk as soon as Oct (Neutral)

Pakistan has planned to raise upto \$1.5 billion with an international issue of Islamic bonds as soon as October to bolster finances hit by the coronavirus pandemic, officials said on Monday...<u>read more</u>

#### After NZ shock, England 'reluctantly' withdraw from Pakistan tour (Negative)

The England Cricket Board announced on Monday that it was withdrawing both its men's and women's teams from their tour of Pakistan scheduled for next month...<u>read more</u>

#### Cotton arrivals surge 160pc (Positive)

A positive trend in cotton production has been witnessed this year with over 2.69 million bales reaching ginning mills so far — representing nearly 160 per cent higher arrivals — against 1.04m bales last year, the Ministry of National...<u>read more</u>

#### EU extends GSP plus status with six new Conventions (Positive)

The European Union (EU) on Wednesday extended General System of Preferences (GSP) plus status for Pakistan, with six new Conventions...<u>read more</u>

#### ADB sees Pakistan on 'path of recovery' (Positive)

Pakistan's economic growth rebounded to 3.9 percent in fiscal year 2021 (ending 30 June 2021) and is expected to reach four percent in fiscal year 2022 as business activity gradually resumes in the second year of the coronavirus disease (Covid-19) pandemic, says the Asian Development Bank (ADB)...read more

#### Power sector to take centre stage in IMF talks (Positive)

Federal Minister for Information Fawad Chaudhry said on Tuesday that the next general election would be held after seventh population census and new demarcation of constituencies...<u>read more</u>

#### Cut-off yield hiked by up to 49bps in first T-bills auction after interest rate rise (Neutral)

Cut-off yields on treasury bills were increased by up to 49 basis points in the auction held on Wednesday — the first such big increase during the last 15 months — while most of the bids were received for short-term three-month papers...<u>read more</u>

#### Pakistan, China agree not to alter tariff on power deals (Neutral)

Pakistan and China on Thursday agreed to keep unchanged the tariff and tax policies relating to power sector contracts and arrest and prosecute the attackers of July 14 Dasu bus tragedy at the earliest. The decision was taken at a meeting...<u>read more</u>

#### Duties, taxes on import of steel scrap slashed (Neutral)

Federal government has decided to slash duties and taxes on import of steel scrap aimed at extending support to construction industry. The price of steel has increased to Rs 180, 000 per ton due to...<u>read more</u>

#### Consumer financing: SBP revises PRs to moderate import, demand growth (Negative)

The State Bank of Pakistan (SBP) Thursday announced revision in Prudential Regulations (PRs) for consumer financing to moderate import and demand growth. As per revised regulations, the maximum tenure of the auto finance facility...<u>read more</u>





# Our research notes this week

#### Monetary Policy : Stimulus rollback begins—SBP hikes Policy Rate by 25bps

Against our expectations of another status quo in yesterday's monetary policy meeting, the Monetary Policy Committee (MPC) of the SBP decided to hike rates by 25bps, hinting the start of a stimulus rollback period in upcoming MPCs. Citing stronger than expected pick-up in domestic demand and higher than expected current account deficit (CAD) driven by rising imports, SBP decided to put a check on consumption instead of waiting for commodity prices to turn the corner...<u>read more</u>

#### Pakistan Fertilizer Sector : Fertilizer offtake showcased a mixed trend in Aug'21

As per the latest numbers released by NFDC, urea offtake recorded an increase of 13% YoY to clock-in at 0.65Mn tons in Aug'21 mainly on account of better farm economics and seasonality factor. Resultantly, urea inventory levels closed at 0.19Mn tons at month end, which is relatively lower compared to 0.31Mn tons in the SPLY. On the other hand, DAP offtake declined by 37% YoY to 0.19Mn tons primarily owing to pre-buying by dealers due to surging local prices. The local DAP prices continued their upward trend with a hike of more than PKR 700/bag last month, taking current prices to over PKR 6,500/bag. Cumulatively, urea offtake surged by 9% YoY to 4.2Mn tons in 8MCY21 whereas DAP sales dropped by 14% YoY to 0.98Mn tons...<u>read more</u>



## **BMA Universe**

		O/S Share	M. Cap	М. Сар	Weight	ТР	Upside	ETR %	Stance	EPS	PKR)	DPS (	PKR)	P/E	(x)	D/Y	(%)	P/B	(%)	ROE	(%)
	Price	Mn.	PKR Mn	USD Mn	%	Dec'21	%	2021		2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
Commercia		1 105	186,434	1 1 2 0	4.1%	195	24.0%	36.7%	D.n.	23.0	25.1	20.0	20.0	60	6.3	12 70/	12.7%	1.0	1.0	15.5%	16 10/
MCB HBL	157 115	1,185 1,467	168,526		4.1% 5.2%	195	39.3%	46.2%	Buy Buy	19.6	25.1 22.9	8.0	20.0 8.0	6.8 5.8	0.5 5.0	7.0%	7.0%	0.7	0.6	12.4%	
UBL	120	1,224	147,390	893	3.3%	150	24.6%	34.6%	Buy	18.3	21.6	12.0	12.0	6.6	5.6	10.0%	10.0%	0.8	0.8	12.3%	
MEBL	133	1,415	188,370	1,142	1.9%	120	-9.9%	-4.6%	Sell	14.7	18.4	7.0	9.0	9.0	7.2	5.3%	6.8%	2.3	2.0	27.6%	29.5%
ABL	68	1,145	77,842	472	0.8%	108	58.6%	71.8%	Buy	14.9	18.0	9.0	11.5	4.6	3.8	13.2%	16.9%	0.6	0.5	12.7%	14.9%
NBP	33	2,128	70,952	430	1.2%	50	49.9%	49.9%	Buy	13.0	15.0	0.0	0.0	2.6	2.2	0.0%	0.0%	0.2	0.2		10.1%
BAHL	69	1,111	76,766	465	2.8%	112	61.7%	67.5%	Buy	14.1	16.4	4.0	6.5	4.9	4.2	5.8%	9.4%	0.8	0.7	18.4%	
BAFL HMB	33 44	1,777 1,048	58,469 46,209	354 280	1.3% 1.0%	40 45	21.6% 2.0%	33.7% 8.5%	Buy Hold	5.9 6.9	6.8 7.2	4.0 2.8	4.5 2.8	5.6 6.4	4.8 6.1	12.2% 6.4%	13.7% 6.4%	0.6 0.8	0.6 0.7	11.5% 12.5%	
BOP	8	2,644	21,493	130	0.6%	43 12	47.6%	56.7%	Buy	2.9	2.9	0.7	0.7	2.8	2.8	9.1%	9.1%	0.8	0.7	15.7%	
BIPL	13	1,109	14,147	86	0.0%	15	13.6%	13.6%	Hold	2.0	2.3	0.0	0.0	6.5	5.6	0.0%	0.0%	0.7	0.6	10.6%	
Oil & Gas E	xplorati	on																			
OGDC	84	4,301	362,310	2,196	3.6%	141	67.4%	76.2%	Buy	21.3	23.8	7.4	8.0	3.9	3.5	8.8%	9.5%	0.5	0.4	12.6%	12.8%
PPL	74	2,721	201,569	1,222	3.2%	117	57.9%	65.4%	Buy	17.8	19.2	5.5	6.0	4.2	3.9	7.4%	8.1%	0.5	0.5	13.3%	13.0%
MARI	1,549	133	206,570		1.9%	1,906	23.1%	32.5%	Buy	227.1	252.9	146.0	160.0	6.8	6.1	9.4%	10.3%	1.8	1.7	29.2%	
POL	358	284	101,533	615	2.8%	514	43.7%	57.7%	Buy	47.1	54.5	50.0	50.0	7.6	6.6	14.0%	14.0%	2.6	2.5	33.5%	38.6%
Fertilizer ENGRO	278	576	159,884	969	5.2%	393	41.6%	51.9%	Buy	47.8	44.3	28.5	26.6	5.8	6.3	10.3%	9.6%	0.6	0.6	11.6%	9.5%
FFC	104	1,272	132,325	802	5.2% 4.1%	135	29.8%	41.1%	Buy	15.6	44.5 14.8	11.8	20.0 11.0	6.7	0.5 7.0		9.6% 10.6%	2.8	2.6	44.3%	
EFERT	72	1,335	95,901	581	2.0%	75	5.0%	21.7%	Buy	13.0	10.1	12.0	9.0	5.5	7.1	16.7%	12.5%	2.0	1.9	36.5%	
FATIMA	29	2,100	60,417	366	0.5%	44	52.9%	59.9%	Buy	6.2	5.8	2.0	1.8	4.6	4.9	7.0%	6.1%	0.6	0.6	14.3%	
FFBL	22	1,291	27,834	169	0.4%	35	62.3%	67.0%	Buy	4.0	2.1	1.0	1.0	5.4	10.1	4.6%	4.6%	1.5	1.4	31.6%	14.2%
Cement																					
LUCK	725	323	234,343	1,420	4.7%	1,200	65.6%	67.5%	Buy	52.9	89.3	14.0	17.0	13.7	8.1	1.9%	2.3%	2.1	1.9	16.3%	
DGKC MLCF	86 34	438 1,098	37,664 37,409	228 227	1.3% 1.1%	165 86	91.9%	93.7% 154.3%	Buy	5.9 2.8	14.3 5.6	1.5 1.0	4.3 2.2	14.5 12.0	6.0 6.1	1.7% 2.9%	4.9% 6.6%	0.5 1.1	0.5 1.0	3.7%	8.3% 17.6%
KOHC	54 171	201	34,329	208	0.7%	235	37.5%	39.7%	Buy Buy	13.2	21.5	3.8	6.9	12.0	7.9	2.9%	4.1%	1.1	1.4	9.7%	
FCCL	17	1,380	24,091	146	0.9%	36		114.2%	Buy	2.6	3.7	1.5	2.3	6.7	4.8	8.6%	12.9%	1.0	1.0	16.7%	
СНСС	141	194	27,307	165	0.8%	180	28.1%	29.8%	Buy	6.2	13.9	2.5	5.5	22.8	10.1	1.8%	3.9%	2.5	2.2	11.5%	23.3%
PIOC	93	227	21,135	128	0.6%	125	34.3%	35.2%	Buy	2.1	9.7	0.8	4.0	44.2	9.6	0.9%	4.3%	1.9	1.7	4.4%	18.3%
ACPL	137	137	18,759	114	0.0%	175	28.2%	31.1%	Buy	13.8	17.0	4.0	5.3	9.9	8.0	2.9%	3.8%	1.0	0.9	10.8%	12.1%
Food & Per															~~ -		0.00/			10.14	2 4 . 2 2 4
FCEPL	103	767	78,752	477	0.3%	91	-11.4%	-11.4%	Sell	2.2	3.1	0.0	0.0	46.2	32.7	0.0%	0.0%	7.7	6.2	18.1%	
NATF Chemicals	211	186	39,385	239	0.6%	298	41.2%	43.4%	Buy	10.6	13.4	4.8	6.0	19.9	15.8	2.2%	2.8%	5.4	4.5	29.5%	31.0%
EPCL	55	909	49,972	303	0.8%	67	21.9%	26.9%	Buy	15.6	9.4	2.7	1.7	3.5	5.9	5.0%	3.2%	1.3	1.1	44.4%	20.7%
LOTCHEM	13	1,514	20,411	124	0.3%	21	57.0%	68.2%	Buy	2.9	2.2	1.5	1.3	4.7	6.2	11.1%	9.3%	1.0	1.0	23.1%	
DOL	22	175	3,837	23	0.0%	36	65.1%	68.6%	Buy	1.8	2.5	0.8	1.0	12.1	8.7	3.4%	4.6%	2.0	1.8	16.4%	21.4%
SPL	23	55	1,251	8	0.0%	31	37.6%	37.6%	Buy	2.6	3.2	0.0	0.0	8.7	7.0	0.0%	0.0%	0.6	0.5	6.8%	7.9%
Automobil												1				1					
INDU	1,143	79	89,869	545	0.9%	1,587	38.8%	46.8%	Buy		171.2	91.7	102.7	7.9	6.7	8.0%	9.0%	1.9	1.8	25.9%	
MTL HCAR	1,087 261	56	60,961 37,267	369 226	1.3% 0.5%	1,183 388	8.8% 48.7%	14.9% 50.4%	Hold Buy	91.9 12.6	102.9 28.4	66.1 4.5	90.0 4.5	11.8 20.8	10.6 9.2	6.1% 1.7%	8.3% 1.7%	10.0 2.0	8.5 1.8	101% 10.3%	
PSMC	268	143 82	22,043	134	0.3%	450	68.0%	72.8%	Buy	42.8	20.4 50.5	13.0	4.5 17.5	6.3	5.3	4.9%	6.5%	0.8	0.7	13.5%	
Pharmaceu			22,010	101	0.070		001070	721070	547	1 1210		1010	1/10	0.0	0.0	11070	0.070	0.0	0.7	2010/10	
HINOON	628	35	21,736	132	0.4%	850	35.3%	38.6%	Buy	40.7	44.8	20.7	20.7	15.4	14.0	3.3%	3.3%	4.6	3.9	32.3%	30.3%
Textiles																					
NML	90	352	31,661	192	0.8%	130	44.4%	48.6%	Buy	12.6	17.8	3.8	5.3	7.2	5.1	4.2%	5.9%	0.4	0.4	6.1%	8.2%
Power Gen				F07	4.00/	440	47 201		P	22.2	22.0	6.2	7 5	2.2	2.2	0.404	10.004	0.0	0.0	24 004	25.6%
HUBC	75	1,297	96,897	587	4.0%	110	47.3%	55.6%	Buy	23.3	22.9	6.3	7.5	3.2	3.3	8.4%	10.0%	0.9	0.8	31.8%	
NPL PKGP	20 24	354 372	7,103 8,982	43 54	0.0% 0.0%	42 35		134.3% 51.2%	Buy Buy	7.9	6.9 11.8	5.0 1.5	6.0 1.5	2.5 2.1	2.9 2.0	6.2%	29.9% 6.2%	0.3 0.4	0.3 0.3	11.6% 20.7%	
NCPL	13	367	8,982 4,779	29	0.0%	28		147.9%	Buy	5.9	4.7	4.2	5.5	2.1	2.0	32.7%	42.3%	0.4	0.3	11.3%	
LPL	15	380	5,667	34	0.0%	31		114.5%	Buy	8.9	9.4	1.0	1.2	1.7	1.6	6.7%	8.4%	0.3	0.3	21.0%	
Oil & Gas N		ng																			
PSO	199	469	93,246	565	2.4%	282	41.7%	46.4%	Buy	30.7	32.1	9.2	10.0	6.5	6.2	4.6%	5.0%	0.8	0.7	12.2%	
APL	299	100	29,788	181	0.5%	374	25.0%	28.6%	Buy	42.2	44.7	10.8	18.0	7.1	6.7	3.6%	6.0%	1.4	1.2	21.0%	19.4%
Technology				F 0 7	1.00/	C40	12.00/	13.20/	C - ''	20.4	20.2		<b>C A</b>	25.2	22.7	0.00	0.004	0.0	7 2	20 70/	25.004
SYS	718	137	98,479	597	1.6%	619	-13.8%	-13.3%	Sell	20.4	30.3	4.1	6.1	35.2	23.7	0.6%	0.8%	9.6	7.3	30.7%	35.0%
Engineerin ISL	<mark>g</mark> 78	435	33,934	206	0.7%	116	48.7%	58.3%	Buy	17.3	11.8	7.5	4.8	4.5	6.6	9.6%	6.1%	1.8	1.6	47.6%	25 5%
MUGHAL	102	292	29,717	180	0.7%	135	32.6%	37.0%	Buy	17.5	18.8	4.5	4.8 6.5	8.1	5.4	4.4%	6.4%	1.8	1.5	30.7%	
ASTL	40	297	11,809	72	0.0%	55	38.3%	40.2%	Buy	3.6	4.0	0.8	0.8	11.0	9.9	1.9%	1.9%	1.0	0.9	9.3%	
ASL	22	766	17,056	103	0.0%	30	34.6%	38.0%	Buy	8.9	5.9	0.8	1.3	2.5	3.8	3.4%	5.6%	1.1	0.9	59.1%	26.8%
Transport																					
PIBTL	9	1,786	15,593	95	0.6%	15	66.1%	66.1%	Buy	0.8	0.9	0.0	0.0	10.3	9.6	0.0%	0.0%	1.0	0.9	10.3%	9.9%



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Buy	>15% expected total return	
Hold	10%-15% expected total return	
Underperform	<10% expected total return	
*Total stock return = c	apital gain + dividend yield	

#### **Old rating system**

Overweight	Total sector return > expected market return
Marketweight	Expected market return
Underweight	Total stock return < expected market return

### Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)