

Financial Opinion Survey

July 2019

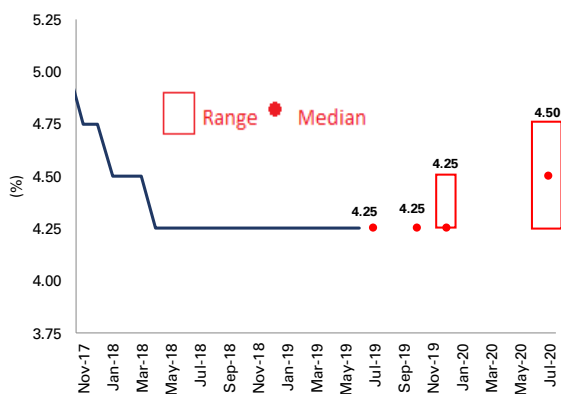
Bulletin No.171

CENTRAL BANK POLICY RATE

In June, the Board of Directors of the Central Bank kept its monetary policy interest rate unchanged at 4.25%. In July, 100% of the analysts expect the interest rate to remain at 4.25%.

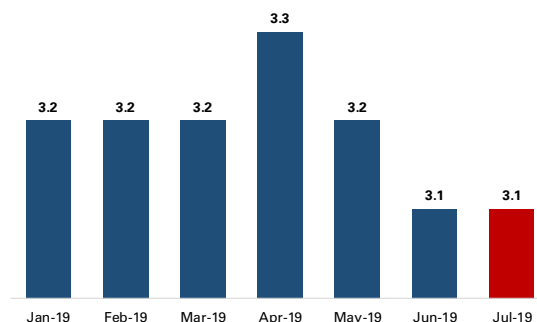
By the end of the year, 65.8% of the analysts expect the interest rate to remain unchanged (51.4% in previous FOS), 13.2% expect a 25-bps increase (21.6% in previous FOS), 13.2% expect it to increase 50-bps (13.5% in previous FOS) and 7.9% expect a reduction of 25-bps or more (Graph 1).

Graph 1. Central Bank Interest Rate



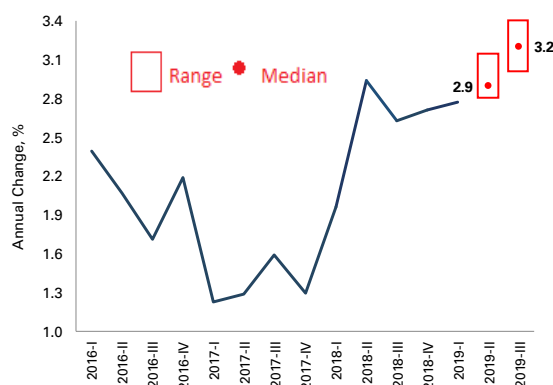
Source: Financial Opinion Survey, Fedesarrollo

Graph 2. 2019 GDP Growth Forecast
(Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo

Graph 3. GDP Growth Forecast for second quarter of 2019
(Annual Change)



Source: Financial Opinion Survey, Fedesarrollo

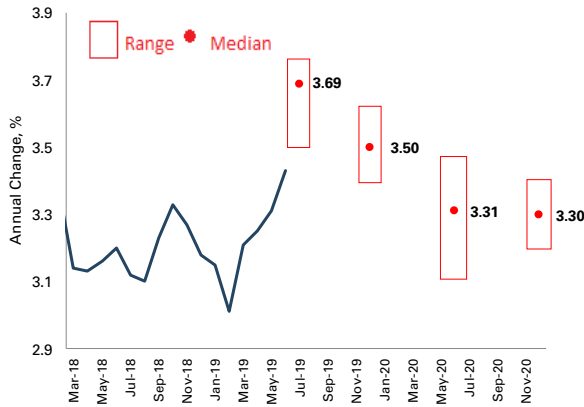
ECONOMIC GROWTH

In July, analysts kept their economic growth forecast for 2019 at 3.1% (Graph 2). Economic growth forecast for the second quarter was adjusted from 3.0% to 2.9% (Graph 3).

INFLATION

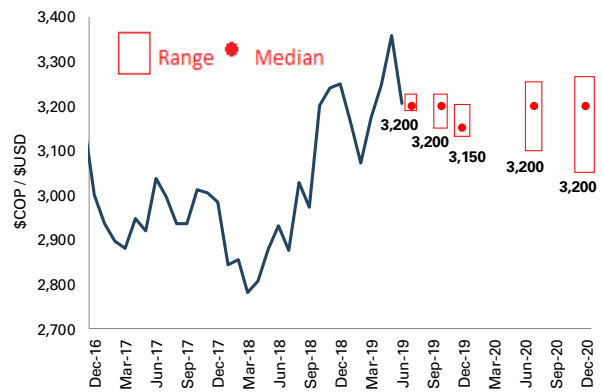
In June, annual inflation reached 3.43%, above the analysts' forecast in the previous survey (3.34%). In July, analysts believe that inflation will increase to 3.69% (Graph 4). Inflation expectations for the end of 2019 remained at 3.50% (Graph 5).

Graph 4. Inflation Forecast



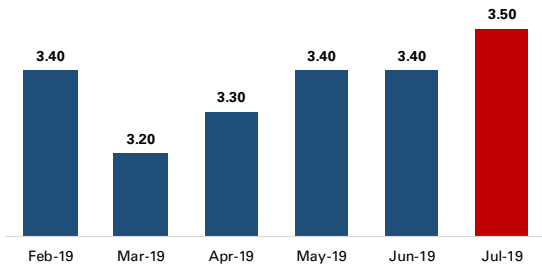
Source: Financial Opinion Survey, Fedesarrollo

Graph 6. Exchange Rate



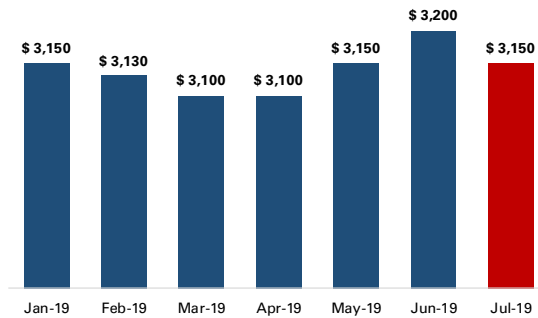
Source: Financial Opinion Survey, Fedesarrollo

Graph 5. Inflation Forecast. End of 2019



Source: Financial Opinion Survey, Fedesarrollo

Graph 7. Exchange Rate Forecast, End of Period 2019



Source: Financial Opinion Survey, Fedesarrollo

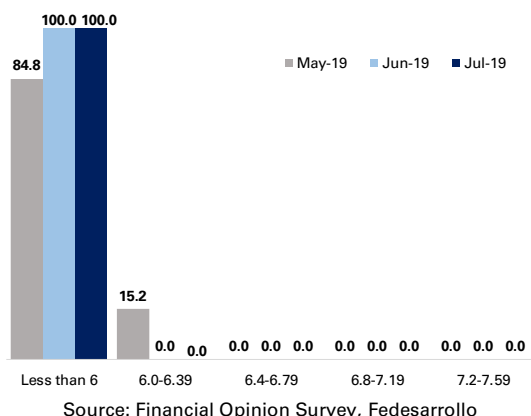
EXCHANGE RATE

The exchange rate closed in June at \$ 3,206, a monthly appreciation of 4.5%. On June 27th, it reached a minimum value of \$ 3.178 pesos per dollar. **By the end of July, analysts expect the exchange rate to be between \$ 3,225 and \$ 3,190, with \$ 3,200 as the median response. Exchange rate forecast for the next three months ranges between \$ 3,225 and \$ 3,150, with \$ 3,200 as the median response (Graph 6). By the end of 2019, the median forecast decreased to \$ 3,150 (Graph 7).**

TES 2024 RATE

During July, TES 2024 trading rate followed a mixed trend. In this edition, 100% of the analysts expect **TES 2024 rate to be below 6% during the next three months**, as in the previous edition of the survey (Graph 8).

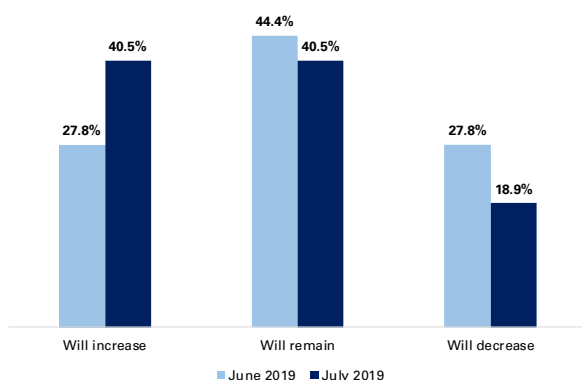
Graph 8. Expectation of TES 2024 performance rate for the next 3 months.
(% of answers)



DEBT SPREAD – EMBI + COLOMBIA

Debt spread (EMBI + Colombia), defined as the difference between the yield of Colombian bonds issued abroad and the yield of American treasury securities, closed in 180-bps in June. **In July 40.5% of analysts (12.8 pps more than previous month), expect a spread increase in the next three months, while 18.9% (8.9 pps less than previous month) expect it to decrease. The remaining 40.5% of respondents expect for the spread to remain stable.** (Graph 9).

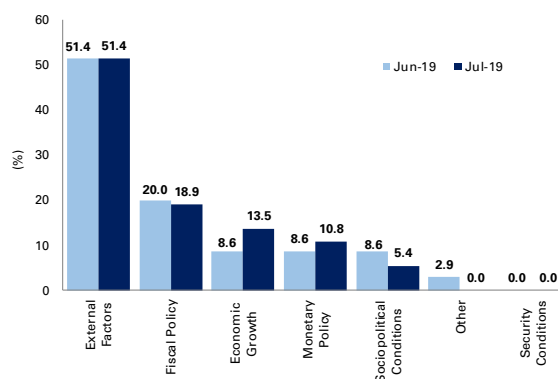
Graph 9. Expectation 3-months debt spread
(% of answers)



INVESTMENT DETERMINANTS

External factors were ranked as the most important aspect for investing, keeping unchanged at 51.4%. Fiscal policy placed second (18.9%) with a reduction of 1.1 pps compared to the previous month. Economic growth and monetary policy increased 4,9 pps and 2,2 pps, respectively (Graph 10).

Graph 10. Most relevant factors to invest
(% of answers)

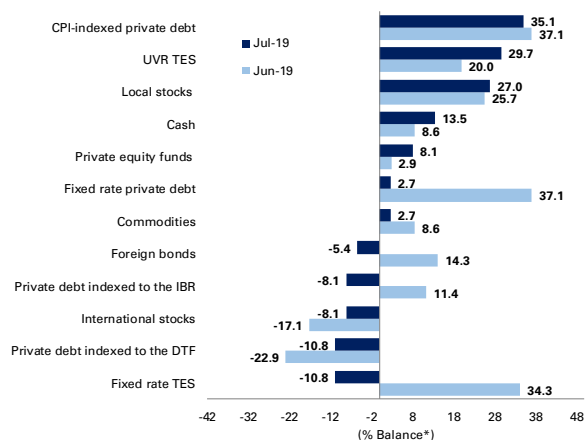


INVESTMENT PREFERENCE

Relative to June, portfolio managers increased their preferences for UVR TES, private equity funds and cash. In contrast, there is evidence of a deterioration in preferences for fixed rate TES, fixed rate private debt and foreign bonds (Graph 11).

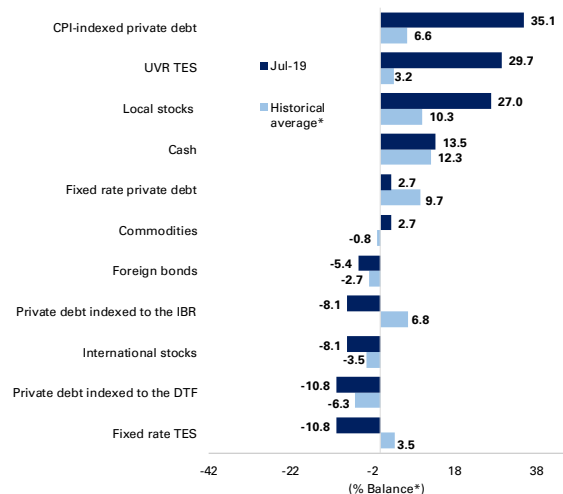
Compared to the survey's historical average, there is a greater preference for CPI-indexed private debt, UVR TES and local stocks (Graph 12).

Graph 11. Projection of Positions in the Next 3 Months for Different Assets



*Balance: % of respondents who will increase their position minus % of respondents that will decrease their position
Source: Financial Opinion Survey, Fedesarrollo

Graph 12. Projection of Positions in the Next 3 Months for Different Assets vs Historical Average



* The historical average refers to the average of the response balances from June 2014 to date.
Source: Financial Opinion Survey, Fedesarrollo

COLCAP

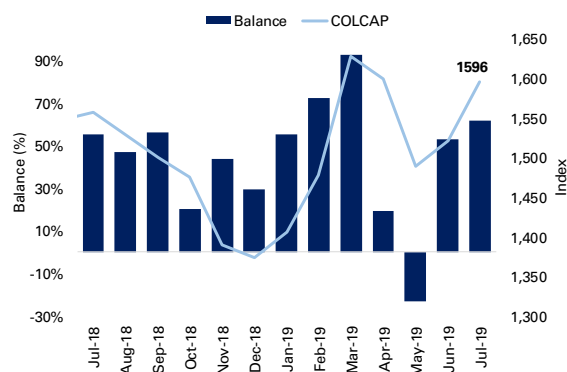
The COLCAP Index reflects changes in price of the most liquid shares of Colombian Stock Exchange. **In July 79.4% of analysts expect an appreciation of the index during the next three months (75.0% in June)** (Table 1). On the other hand, the percentage of analysts expecting the stock index to devalue decreased from 21.9% to 17.6%.

Table 1. Expectations about the COLCAP Index Price at 3 months
(% of answers)

Index COLCAP Price Level	June 2019	July 2019
Will increase 10% or more	0.0%	0.0%
Will increase between 5% and 9,99%	25.0%	17.6%
Will increase between 0,01% and 4,99%	50.0%	61.8%
Will remain	3.1%	2.9%
Will decrease between 0,01% and 4,99%	18.8%	8.8%
Will decrease between 5% and 9,99%	3.1%	8.8%
Will decrease between 10% or more	0.0%	0.0%

Source: Financial Opinion Survey, Fedesarrollo

Graph 13. Balance on the Price of the COLCAP Index 3 months*
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation

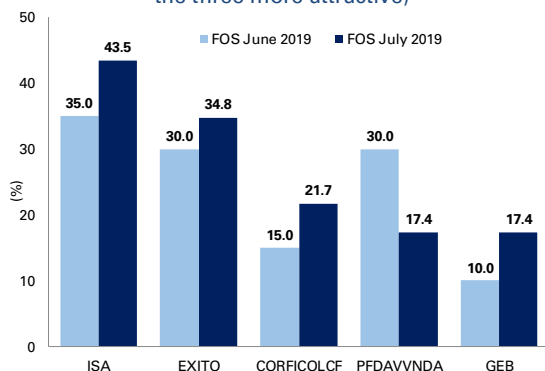
MOST ATTRACTIVE COLCAP SHARES

When asked for the most attractive shares within the COLCAP Index, analysts identified **ISA as the most attractive stock for the third consecutive month (43.5%)**. It was followed by **Almacenes Exito, Corficolombiana, Banco Davivienda y Grupo Energía Bogotá** (Graph 14).

Compared to June, there is a greater appetite among respondents for shares of energy and consumption sectors. On the contrary, shares in holdings and financial sectors are less preferred (Graph 15).

Graph 14. More attractive COLCAP Stocks for investors

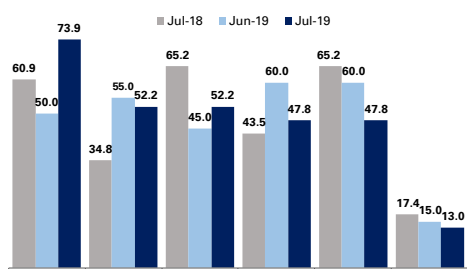
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey, Fedesarrollo.

Graph 15. More attractive COLCAP sectors for investors

(% of the respondents who consider the stock as one of the three more attractive)



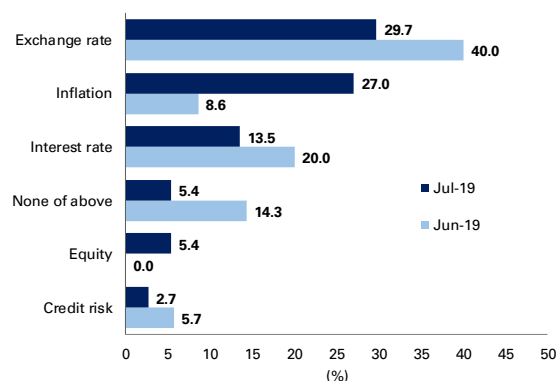
Source: Financial Opinion Survey, Fedesarrollo.

RISK COVERAGE

The FOS asks portfolio managers about the types of risk for which they plan to hedge against in the next three months. **In July 29.7% of respondents were planning to hedge against foreign exchange risk in the short term, which represents a decrease of 10.3 pps compared to last month responses.** On the other hand, the percentage of administrators who expect to hedge against inflation placed second (27.0%). (Graph 16).

Graph 16. Coverage of the Different Types of Risk for the Next 3 Months

(% of answers)



Source: Financial Opinion Survey, Fedesarrollo.

Table 2. Summary of Macroeconomic Expectations*

Variable	Observed	Expectations (Median of the answers)		
	Jun-19	Jul-19	Oct-19	Dec-19
Inflation (Annual variation, %)	3.43	3.69		3.50
Exchange rate	\$ 3,206	\$ 3,200	\$ 3,200	\$ 3,150
Interest rate (%)	4.25	4.25	4.25	4.25
	1Q-2019	2Q-2019	Year 2019	Year 2020
Growth (%)	2.8	2.90	3.08	3.30

Source: Financial Opinion Survey -BVC

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Contact us if you wish to access historical results and other survey questions

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