

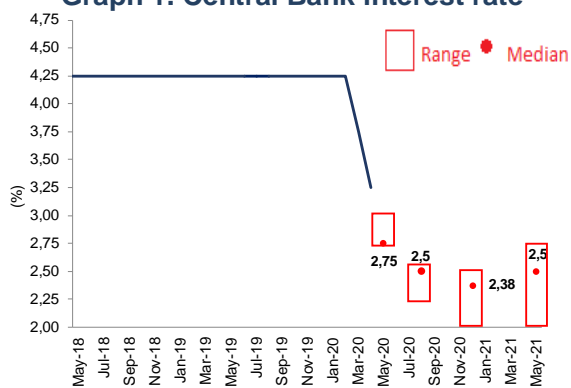
CENTRAL BANK POLICY RATE

In April, the Board of Directors of the Central Bank decided to reduce its monetary policy interest rate by 50 basis points to 3.25%.

By the end of the month, 17.4% of the analysts foresee the interest rate to remain unchanged, 23.9% of the analysts expect a 25-bps decrease and the remaining 58.7% of the analysts expect a decrease of 50-bps.

By the end of the year, 2.2% of the analysts expect the interest rate to remain unchanged, 2.2% expect a decrease of 25-bps, 10.9% expect a decrease of 50-bps and 32.6% expect a 75-bps decrease. A 100-bps decrease is expected by 19.6% of the analysts, followed by 17.4% who expect a reduction of 125-bps, and 13.1% who foresee a decrease greater than 125-bps. The remaining 2.2% of the analysts expect a 25-bps increase by the end of the year (Graph 1).

Graph 1. Central Bank interest rate



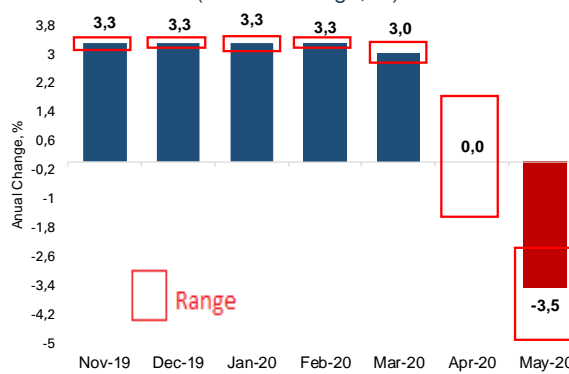
Source: Financial Opinion Survey, Fedesarrollo - BVC

ECONOMIC GROWTH

In May, economic growth forecast for 2020 ranges between -2.6% and -4.8%, with 3.2% as median response (0.0% in previous FOS) (Graph 2). Economic growth forecast for 2021 increased compared to past month result, with 3.0% as the median response (2.5% in the previous month), ranging between 2.5% and 3.4%.

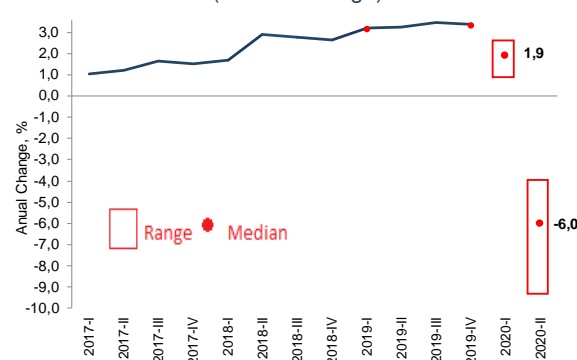
Expectations about first quarter decreased related to previous edition, the economic growth forecast for the first quarter ranging between 0.75% and 2.5%, with 1.9% as the median response (2.0% in previous FOS). Expectations about second quarter growth decreased compared to the past month result, with -6.0% as the median response (-2.0% in the previous month), ranging between -9.25% and -4.0% (Graph 3).

Graph 2. 2020 GDP annual growth forecast
(Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 3. GDP growth forecast – first and second quarter of 2020
(Annual Change)

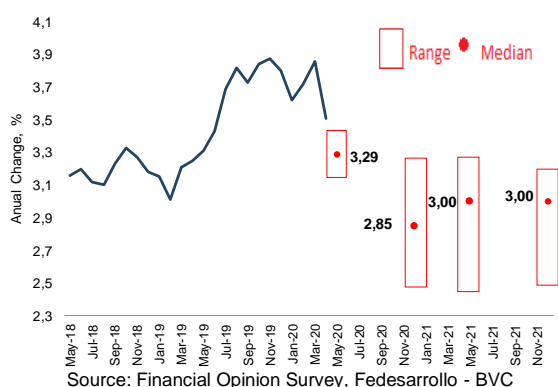


Source: Financial Opinion Survey, Fedesarrollo - BVC

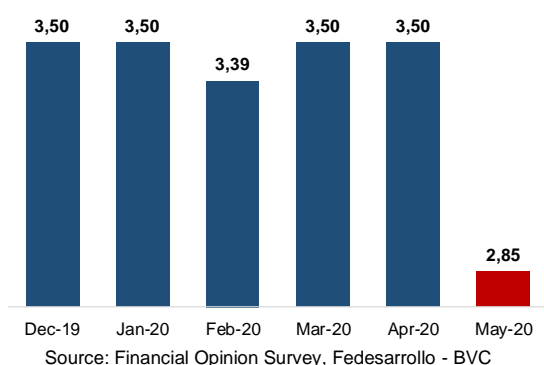
INFLATION

In April, annual inflation reached 3.51%, lower than the analysts forecast in the previous edition (3.80%). In May, analysts believe that inflation will decrease to 3.29% (Graph 4). Inflation expectations for the end of 2020 decreased from 3.50% in the previous edition to 2.85% (Graph 5).

Graph 4. Inflation forecast



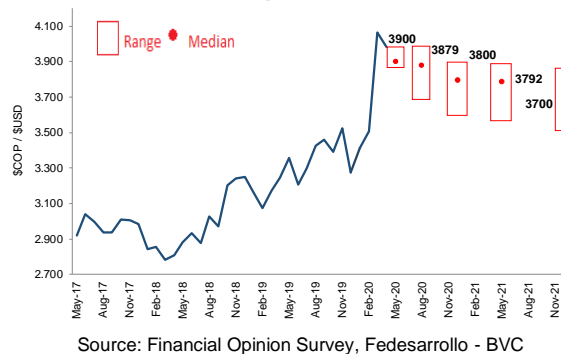
Graph 5. Inflation forecast - end of 2020



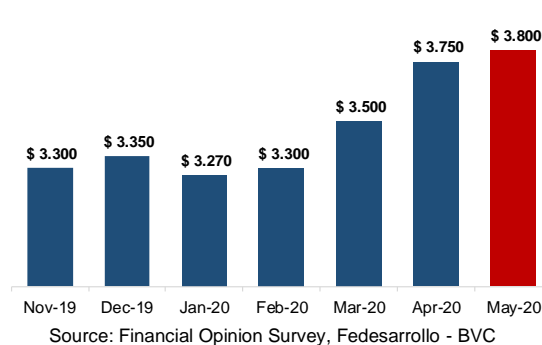
EXCHANGE RATE

In April, the exchange rate closed at \$3,983.29, with a monthly appreciation of 1.47%. On April 2nd, it reached a maximum value of \$4,081.06 pesos per dollar and on April 15th it reached a minimum value of \$3,858.21 pesos per dollar. **Exchange rate forecast by the end of the month ranges between \$3,870 and \$3,981, with \$3,900 as median response. Exchange rate forecast for next three months ranges between \$3,750 and \$4,000, with \$3,879 as median response (Graph 6). Exchange rate forecast for the end of 2020 increased compared to past month result, with \$ 3,800 as the median response (\$3,750 in previous FOS), ranging between \$3,654 and \$3,900 (Graph 7).**

Graph 6. Exchange rate - end of period



Graph 7. Exchange rate forecast - end of period 2020



TES 2024 and 2028 RATE

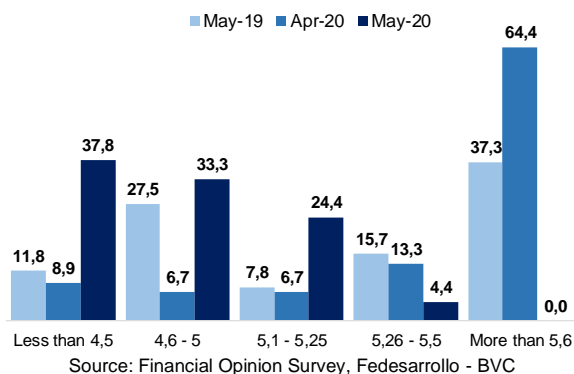
In April, the traded volume was the lowest in the last three years with COP 15.5 trillion, which entails a decreased of 61.3% compared to March and a decreased of 63.1% compared to the same month of the previous year.

In this edition, the percentage of analysts who consider that **the rate of the TES maturing in 2024 will be under 4.5% during the next three months was 37.8%, between 4.6% and 5% was 33.3%.** The percentage of analysts who expect that **the rate will be between 5.1% and 5.25% during the next three months was 24.4%; while the remaining 4.4% of analysts believe it will be between 5.26% and 5.5%. None of analysts expect a higher rate than 5.6% (Graph 8).**

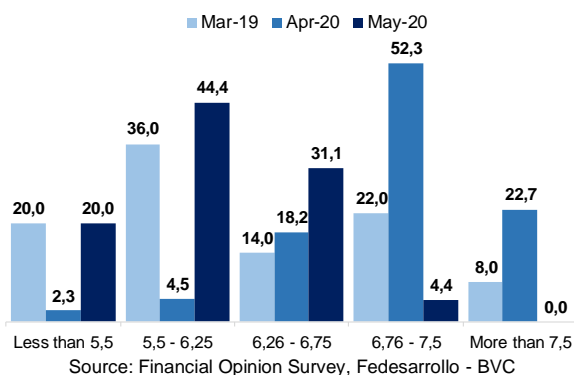
For TES maturing in 2028, the percentage of analysts who consider that **the rate of the TES maturing in 2024 will be under 5.5% during the next three months was 20.0%, between 5.5% and 6.25% was 44.4 %.** The percentage of analysts who expect that **the rate will be between 6.26% and 6.75% during the next three months was 31.1%; while the remaining 4.4% of analysts believe it will be**

between 6.76% and 7.5%. None of analysts expect a higher rate than 7.5% (Graph 9).

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



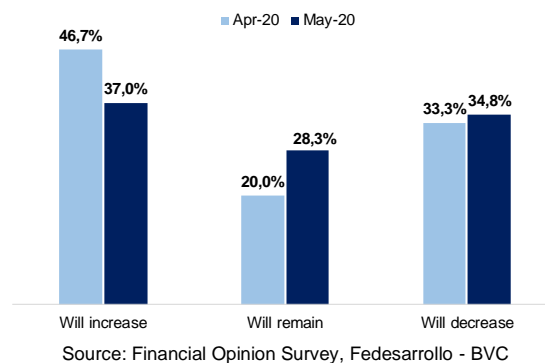
Graph 9. Expectation of TES 2028 performance rate for the next 3 months
(% of answers)



DEBT SPREAD – EMBI + COLOMBIA

The debt spread (EMBI + Colombia) is defined as the difference between the yield of Colombian bonds issued abroad and the yield of American treasury securities. Debt spread closed at 395-bps in April. **In May 37.0% of analysts (9.7-bps less than the previous FOS) expect the spread to increase in the next three months, while 34.8% (1.5-bps more than previous FOS) expect it to decrease. The remaining 28.3% of the respondents expect for the spread to remain equal (8.3-bps more than previous FOS) (Graph 10).**

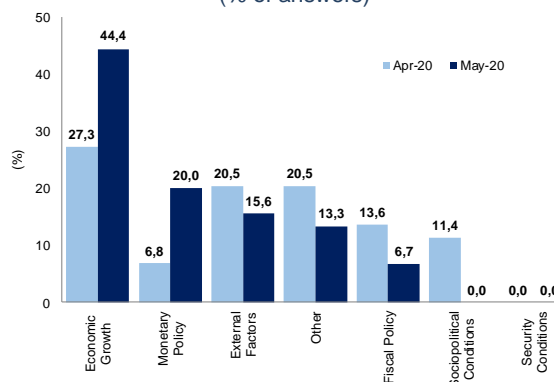
Graph 10. Expectation 3-months debt spread
(% of answers)



INVESTMENT DETERMINANTS

In this edition of the survey, **economic growth ranked as the most important aspect for investing decisions and the proportion of analysts considering it raised to 44.4% (27.3% in the previous month).** Monetary policy and external factors placed second and third place, respectively. Concerns about monetary policy reached 20.0% (6.8% in previous month), while external factors reached 15.6% (20.5% in previous month). Other factors placed fourth place, with 16.6% (20.5% in previous month), mostly aspects related to COVID-19 and control of this pandemic. Fiscal policy placed fifth place, with 6.7% (13.6% in previous month). Sociopolitical conditions and security conditions were the least investment determinants, both with 0.0% (Graph 11).

Graph 11. Most relevant factors for investment decisions
(% of answers)



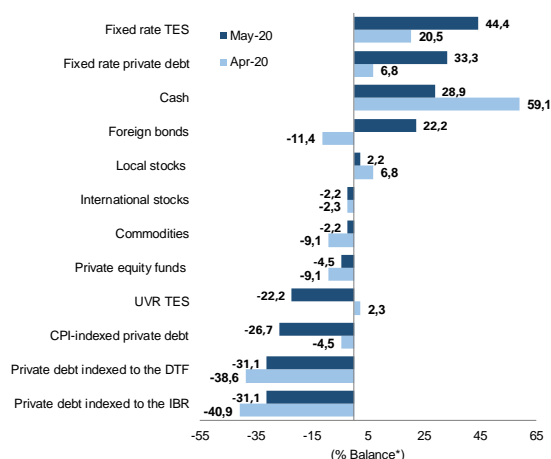
Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT PREFERENCE

Related to April, portfolio managers increased their preferences for fixed rate TES, fixed rate private debt, foreign bonds, international stocks, commodities, private equity funds, private debt indexed to the DTF and private debt indexed to the IBR. In contrast, there is evidence of a deterioration in preferences for cash, local stocks, UVR TES and CPI-indexed private debt (Graph 12).

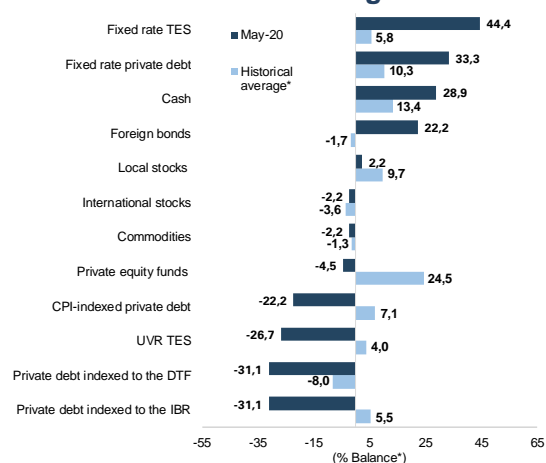
Compared to the survey's historical average, there is a greater preference for fixed rate TES, fixed rate private debt, cash, foreign bonds and international stocks (Graph 13).

Graph 12. 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 - BVC

Graph 13. 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 - BVC

COLCAP

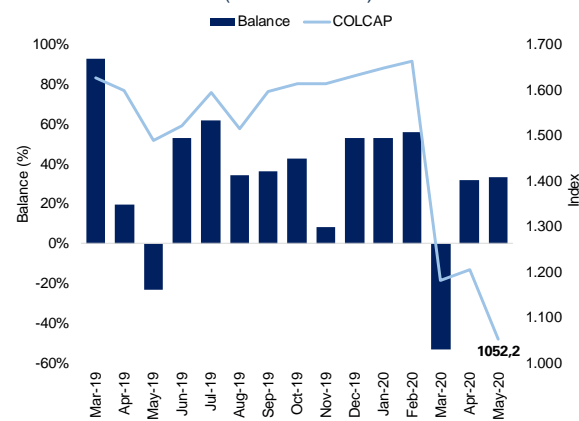
The COLCAP index reflects price changes on the most liquid shares of Colombian Stock Exchange. In May 64.3% of analysts (65.9% in April) expect an appreciation of the index during the next three months (Table 1). On the other hand, the percentage of analysts expecting the stock index to devalue during the next three months is 31.0% (34.1% in April). Finally, 4.8% of analysts expect the index will remain unaltered (0.0% in previous FOS).

Table 1. Expectations about the COLCAP index price at 3 months
(% of answers)

Index COLCAP Price Level	April 2020	May 2020
Will increase 10% or more	39,0%	23,8%
Will increase between 5% and 9,99%	9,8%	19,0%
Will increase between 0,01% and 4,99%	17,1%	21,4%
Will remain	0,0%	4,8%
Will decrease between 0,01% and 4,99%	12,2%	7,1%
Will decrease between 5% and 9,99%	14,6%	9,5%
Will decrease between 10% or more	7,3%	14,3%

Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 14. Balance on the price of the COLCAP index 3 months*
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo - BVC

* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation

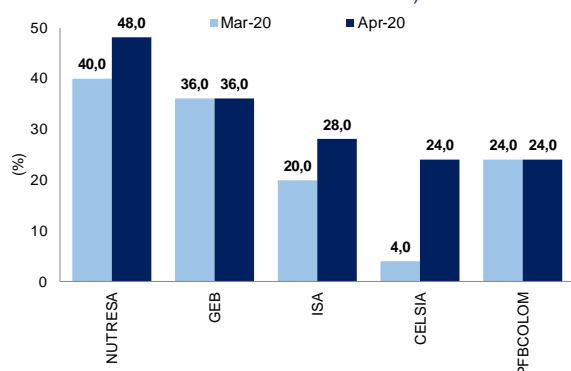
MOST ATTRACTIVE COLCAP SHARES

The FOS asked the analysts for the most attractive shares compounding the COLCAP index. In April, Nutresa common stock was ranked in the first place with the 48.0%. It was followed by Grupo Energía de Bogotá common stock, ISA common stock, Celsia common stock and Bancolombia preferred stock. (Graph 15).

Compared to April, there is a greater appetite among respondents for shares of consumption, oil and energy. On the contrary, shares in construction, holdings and financial sector are less preferred (Graph 16).

Graph 15. More attractive COLCAP stocks for investors

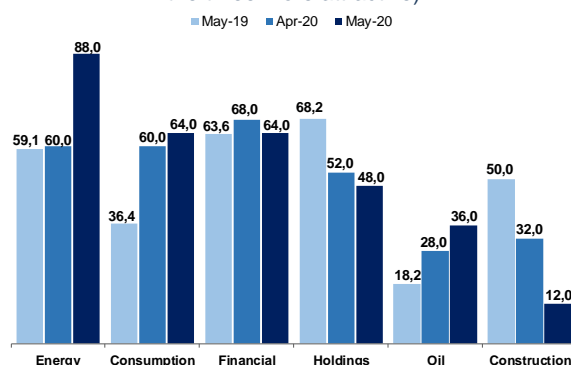
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 16. More attractive COLCAP sectors for investors

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

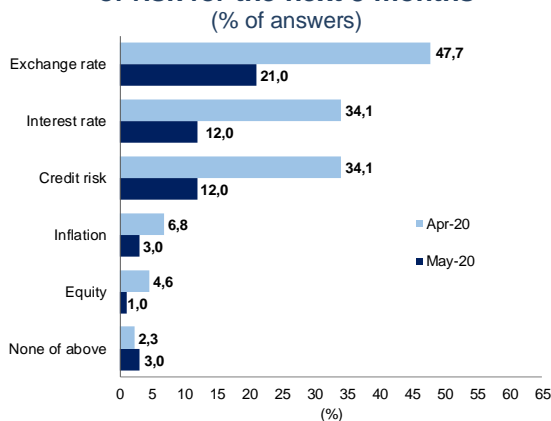


Source: Financial Opinion Survey, Fedesarrollo - BVC

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 May 21.0% of respondents (47.7% in April) were planning to hedge against foreign exchange risk in the short term.** The percentage of administrators who expect to hedge against interest rate placed second with 12.0% (34.1% in April) (Graph 17).

Graph 17. Coverage of the different types of risk for the next 3 months



Source: Financial Opinion Survey, Fedesarrollo - BVC

Table 2. Summary of Macroeconomic Expectations

Variable	Observed	Expectations (Median of answers)	
	Apr-20	May-20	Aug-20
Inflation (Annual variation, %)	3.51	3.29	
Exchange rate	\$ 3,983	\$ 3,900	\$ 3,879
Interest rate (%)	3.25	2.75	2.5
	4Q-2019	1Q-2020	Year 2020
Growth (%)	3.37	1.9	-3.5

Source: Financial Opinion Survey -BVC



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

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