

# Financial Opinion Survey

November 2020

Bulletin No.187

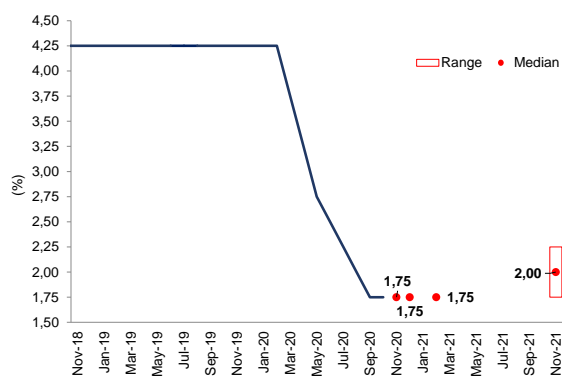
## CENTRAL BANK POLICY RATE

In October, the Board of Directors of the Central Bank decided to maintain its monetary policy in 1.75%.

By the end of the month, all of the analysts expect the interest rate to remain unchanged at 1.75%.

By the end of the year, 90.0% of the analysts foresee an unchanged interest rate, 5.0% expect a reduction of 25-bps (1.5%). Meanwhile, 2,5% expects an increase of 25-bps and the remaining 2.5% expects a 75-bps increase (2.50%) (Graph 1).

Graph 1. Central Bank interest rate



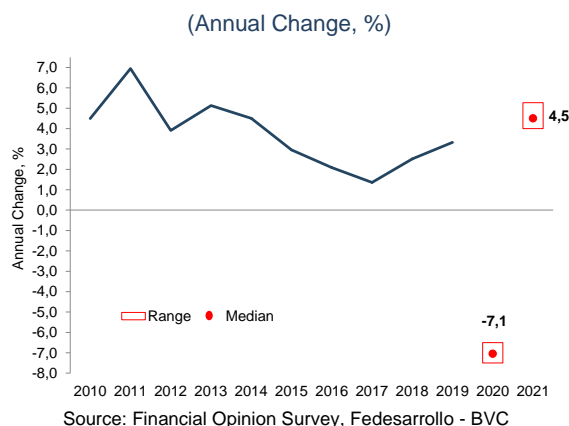
Source: Financial Opinion Survey, Fedesarrollo - BVC

## ECONOMIC GROWTH

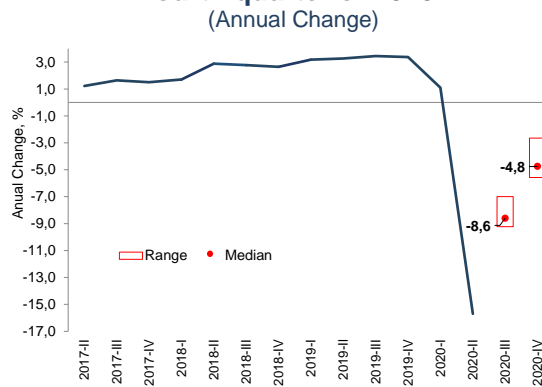
In November, the economic growth forecast for 2020 ranges between -7,5% and -6,5%, with -7.1% as median response (-7.1% in the previous FOS) (Graph 2). The economic growth forecast for 2021 was at 4.5%, ranging between 4.0% and 5.3%.

Expectations about the third quarter continue decreasing related to the previous edition, the economic growth forecast for the third quarter ranged between -9.2% and -7.0%, with -8.6% as the median response (-8.3% in the previous FOS). Expectations regarding the fourth quarter growth reached -4.8%, ranging between -5.6% and -2.6% (-5.0% in the previous FOS) (Graph 3).

Graph 2. 2020 GDP annual growth forecast



Graph 3. GDP growth forecast – third and fourth quarter of 2020

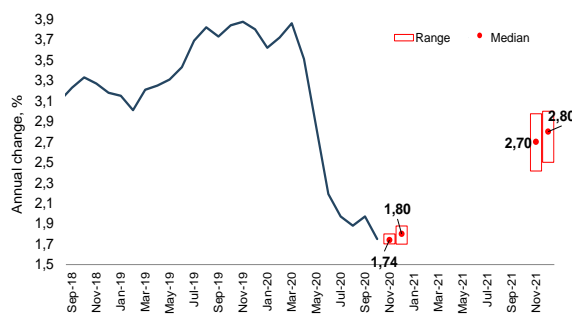


Source: Financial Opinion Survey, Fedesarrollo - BVC

## INFLATION

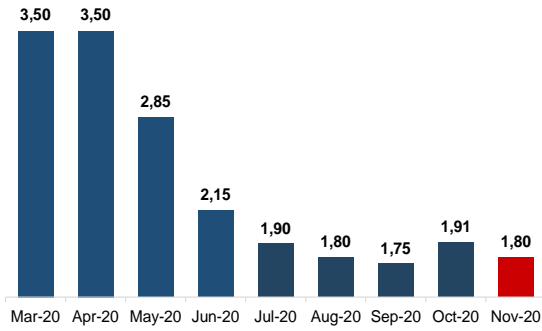
In October, the annual inflation reached 1.75%, higher than the analysts forecast in the previous edition (1.92%). In November, the analysts believe that inflation will decrease to 1.74% (Graph 4). Inflation expectations for the end of 2020 decreased from 1.91% in the previous edition to 1.80% (Graph 5).

Graph 4. Inflation forecast



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 5. Inflation forecast - end of 2020

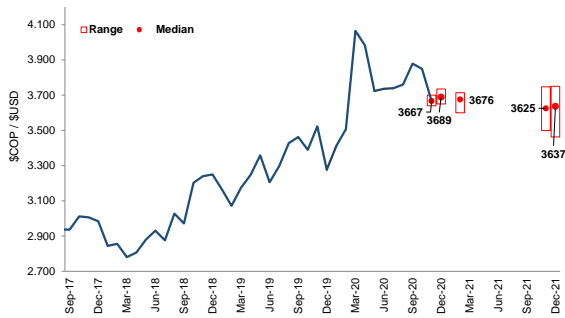


Source: Financial Opinion Survey, Fedesarrollo - BVC

EXCHANGE RATE

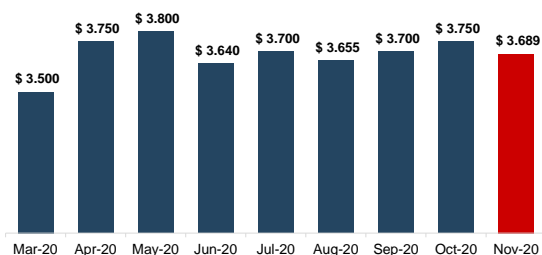
In October, the exchange rate closed at \$3,849.53, with a monthly appreciation of 0.76%. On October 5, it reached a maximum value of \$3,881.80 pesos per dollar and on October 23 it reached a minimum value of \$3,776.73 pesos per dollar. **The exchange rate forecast by the end of the month ranges between \$3,640 and \$3,700, with \$3,667 as median response.** (Graph 6). **The exchange rate forecast for the end of 2020 decreased compared to the past month result, being \$ 3,689 the median response (\$3,750 in the previous FOS), and ranging between \$3,600 and \$3,714 (Graph 7). Finally, the exchange rate forecast for next three months ranges between \$3,600 and \$3,714, with \$3,676 as median response.**

Graph 6. Exchange rate - end of period



Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 7. Exchange rate forecast - end of period 2020



Source: Financial Opinion Survey, Fedesarrollo - BVC

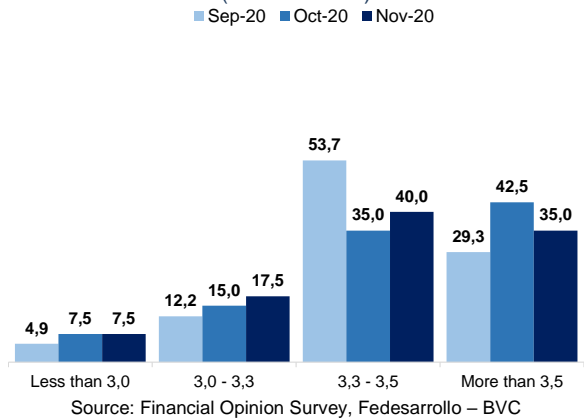
TES 2024 and 2028 RATE

In October, the traded volume of the Colombian treasury bonds reached COP 36,8 trillion, which entails an increase of 11.2% compared to September and a decrease of 21.7% as compared to the same month in the previous year.

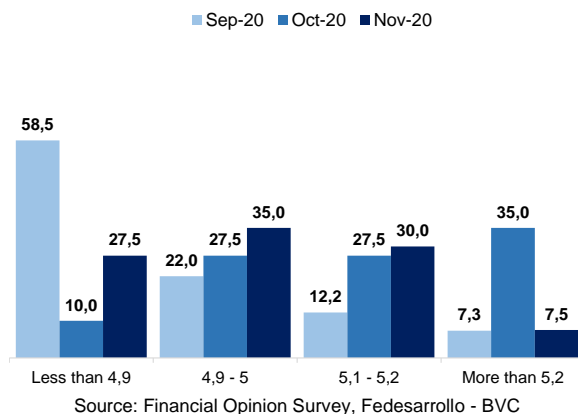
In this edition, the percentage of analysts who considers that **the interest rate on the treasury bonds maturing in 2024 will be under 3.0% during the next three months is 7.5%, and between 3.0% and 3.3% is 17.5%.** The percentage of analysts who expects that **the rate will be between 3.3% and 3.5% during the next three months is 40.0%; meanwhile 35.0% of the analysts expects a rate higher than 3.5%** (Graph 8).

Regarding TES maturing in 2028, the percentage of analysts who considers that **the rate will be under 4.9% during the next three months was 27.5%, and between 4.9% and 5% was 35.0%.** The percentage of analysts who expect that **the rate will be between 5.1% and 5.2% during the next three months was 30.0%. 7.5% of the analysts expects a rate higher than 5.2%** (Graph 9).

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



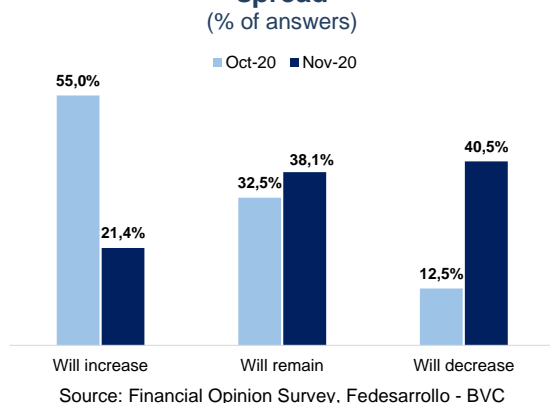
Graph 9. Expectation of TES 2028 performance rate for the next 3 months (% of answers)



## 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. The debt spread closed at 248-bps in October. **In November 21.43% of analysts (33.6-bps less than the previous FOS) expects the spread to increase in the next three months, while 40.48% (28.0-bps less than previous FOS) expects it to decrease. The remaining 38.1% of the respondents expects for the spread to remain equal (5.6-bps more than previous FOS) (Graph 10).**

Graph 10. Expectation 3-months debt spread

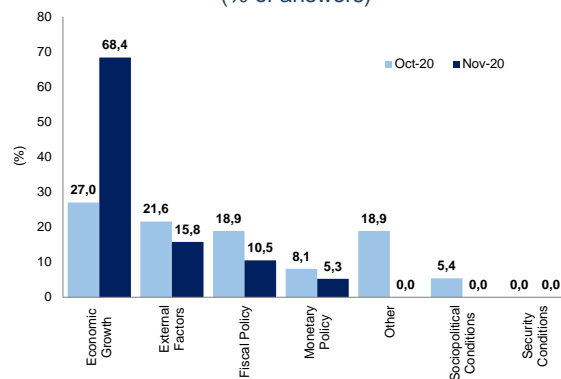


## INVESTMENT DETERMINANTS

In this edition, the economic growth continues ranking as the most important aspect considered for investing decisions, reaching 68.4% (27.0% in the previous month). Fiscal policy and external factors placed second and third place, respectively. Concerns accounting for fiscal policy reached 15.8% (21.6% in the previous month), while external factors, reached 10.5% (18.9% in the previous month). Other factors placed at fourth

place, with 5.3% (8.1% in the previous month), mostly related to COVID-19. Monetary policy, sociopolitical conditions and security conditions were the least in the investment determinants with 0.0% (Graph 11).

Graph 11. Most relevant factors for investment decisions



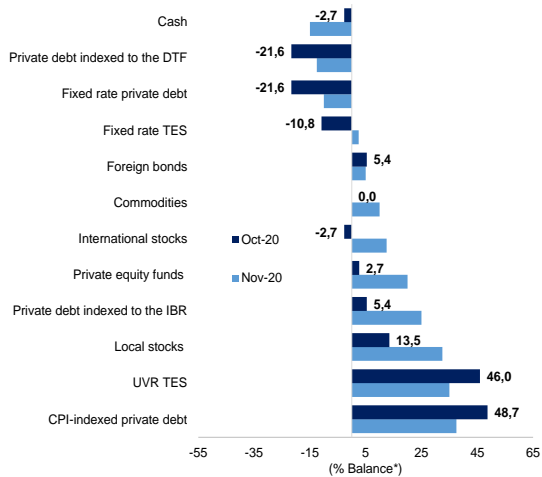
## INVESTMENT PREFERENCES

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

Compared to the survey's historical average, there is a greater preference for UVR TES, CPI-indexed private debt, local stocks, private debt indexed to the IBR, international stocks commodities, and foreign bonds (Graph 13).

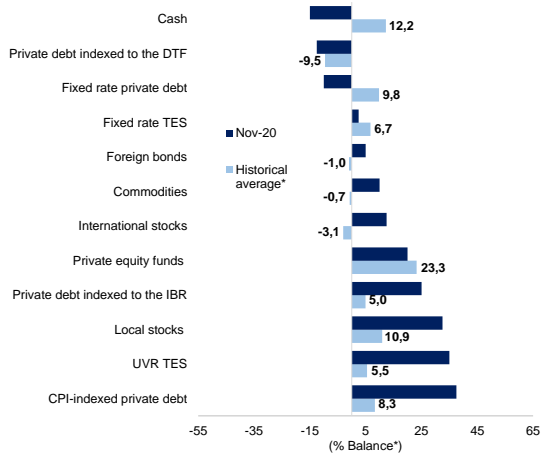
Graph 12. Projection of positions in the next 3 months for different assets

**Financial Opinion Survey**  
October 2020



\*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**

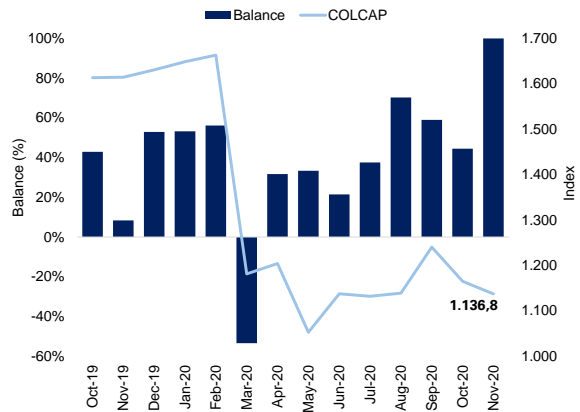
The COLCAP index is a market-capitalization weighted index that reflects price changes on the most liquid stocks listed in the Colombia's stock exchange. **In November all the analysts (72.2% in October) expect a valuation of the index during the next three months (Table 1). And none of the analysts expects the index to devalue or remain unaltered (respectively 27,8% and 0.0% in the previous FOS).**

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

Index COLCAP Price Level	October 2020	November 2020
Will increase 10% or more	19,4%	84,2%
Will increase between 5% and 9,99%	8,3%	5,3%
Will increase between 0,01% and 4,99%	44,4%	10,5%
Will remain	0,0%	0,0%
Will decrease between 0,01% and 4,99%	25,0%	0,0%
Will decrease between 5% and 9,99%	2,8%	0,0%
Will decrease between 10% or more	0,0%	0,0%

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

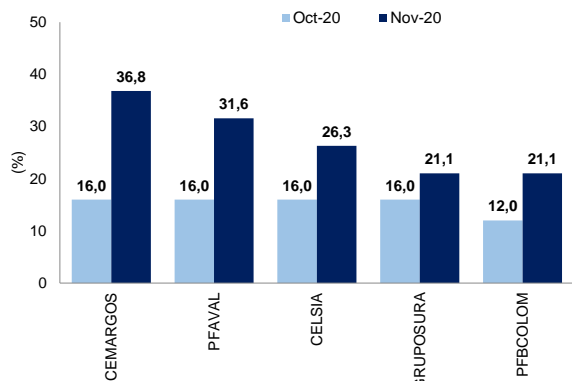
\* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation

**MOST ATTRACTIVE COLCAP SHARES**

The FOS inquires the analysts for the most attractive stocks compounding the COLCAP index. In November, **the Cementos Argos stock, was ranked in the first place with 36.8%. It was followed by the Grupo Aval preferential stock, the CELSIA and the Suramericana common stocks, and finally the Grupo Bancolombia preferential stock (Graph 15).**

**Graph 15. More attractive COLCAP stocks for investors**

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

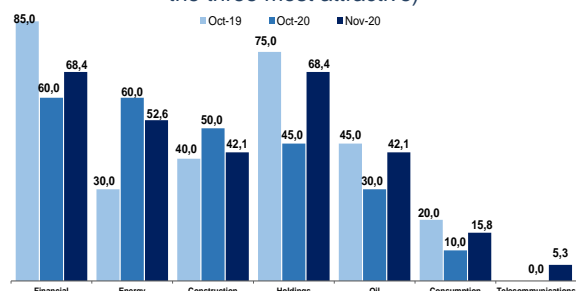


Source: Financial Opinion Survey, Fedesarrollo - BVC

Compared to August, there is greater appetite among respondents for shares of the holdings, oil, financial, consumption and telecommunication sectors (Graph 16).

**Graph 16. Most attractive COLCAP sectors for investors**

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



Source: Financial Opinion Survey, Fedesarrollo - BVC

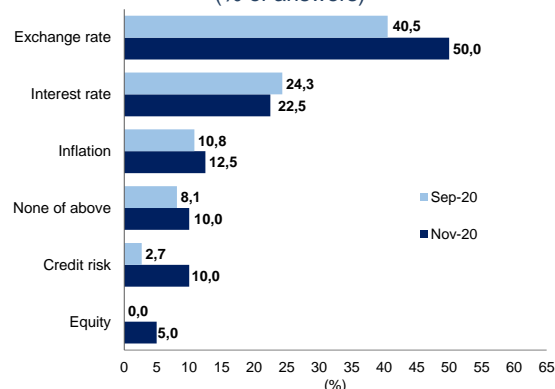
## RISK COVERAGE

The FOS inquires portfolio managers about the types of risk for which they plan to hedge against, in the next three months. **In November 50.0% of the respondents (40.5% in October) were planning to hedge against foreign exchange risk in the short term.** The

percentage of managers who expect to hedge against interest rate are 22.5% (24.3% in October) and the percentage who foresee to hedge against inflation risk corresponds to the 12.5% (10.8% in the previous month) (Graph 17).

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

(% of answers)



Source: Financial Opinion Survey, Fedesarrollo - BVC

**Table 2. Summary of the Macroeconomic Expectations**

Variable	Observed	Forecasts (Median of answers)		
	Oct-20	Nov-20	Dec-20	Jan-21
Inflation (Annual variation, %)	1,75	1,74	1,80	
Exchange rate	\$ 3.849	\$ 3.667	\$ 3.689	\$ 3.676
Monetary policy interest rate (%)	1,75	1,75	1,75	1,75
	2Q-2020	3Q-2020	Year 2020	Year 2021
Growth (%)	-15,7	-8,6	-7,1	4,5

Source: Financial Opinion Survey - BVC

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Comments to Tatiana García: [tgarcia@fedesarrollo.org.co](mailto:tgarcia@fedesarrollo.org.co)



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

+57 1 3259777 ext. 340  
[comercial@fedesarrollo.org.co](mailto:comercial@fedesarrollo.org.co)