

Financial Opinion Survey

October 2018

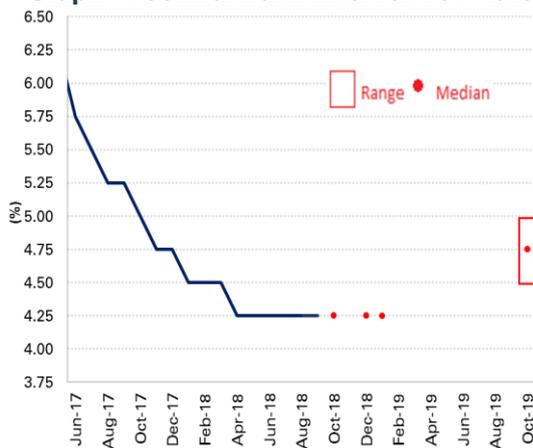
Bulletin No.162

CENTRAL BANK POLICY RATE

In September's meeting, the Central Bank Board of Directors did not decide on the intervention rate. **This month, when the Board of Directors will decide on the policy interest rate, 100% of analysts expect it to remain unchanged at 4.25%.**

In terms of the intervention rate for the end of the year, this month **90.2% of the analysts expect it to remain at 4.25%**, 4.9% foresee an increase of 25 bps, 2.4 % forecasts an increase of 50 bps and another 2.4% expects a decrease of 25 bps. (Graph 1).

Graph 1. Central Bank Intervention Rate



Source: Financial Opinion Survey, Fedesarrollo

ECONOMIC GROWTH

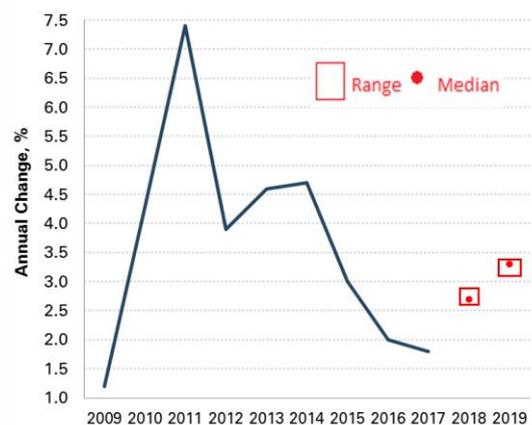
In October, analysts **maintained their growth forecast for the third quarter and fourth quarters at 2.8% and 2.9%, respectively** (Graph 2). Therefore annual GDP growth estimate for 2018 remained at 2.7% while 2019 forecast was slightly revised upwards to 3.3% (Graph 3).

Graph 2. Quarterly GDP growth



Source: Financial Opinion Survey, Fedesarrollo

Graph 3. Annual GDP growth



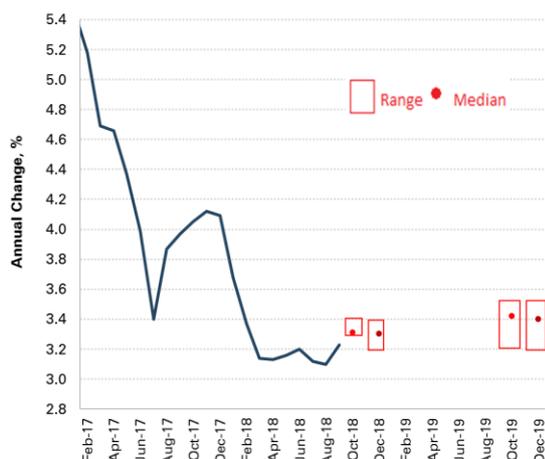
Fuente: Encuesta de Opinión Financiera, Fedesarrollo

INFLATION

In September annual inflation was 3.23%, slightly above previous month survey forecast.

This month, analysts expect inflation to continue increasing and the forecast for annual inflation reached 3.31%. Inflation expectations for the end of the year increased slightly from 3.27% to 3.30%, with a range between 3.23% and 3.38% (Graph 4)

Graph 4. Inflation



Source: Financial Opinion Survey, Fedesarrollo

EXCHANGE RATE

The exchange rate closed in September at \$ 3,027 with a monthly appreciation of 1.8%. However, the exchange rate reached a maximum value of \$ 3,087 pesos per dollar on October 12th. For the end of this month, analysts expect the exchange rate to be between \$ 3,005 and \$ 3,053, with \$ 3,032 as the median response. On the other hand, exchange rate forecast for the next three months was between \$ 2,950 and \$ 3,041 with \$ 3,005 as the median response (Graph 5).

Graph 5. Exchange Rate

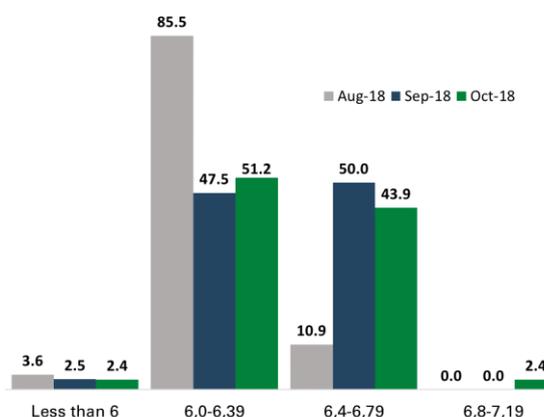


Source: Financial Opinion Survey, Fedesarrollo

TES 2024 RATE

In the last month TES 2024 yield increased, but the share of analysts expecting yields above 6.0% for the next three months remained unchanged at 97.6% with respect to September. On the other hand, the share of analysts expecting yields between 6.0% and 6.39% increased from 47.5% to 51.2%, while the share expecting yields between 6.4% and 6.79% decreased (Graph 6).

Graph 6. Expectation of TES 2024 performance rate for the next 3 months. (% of answers)

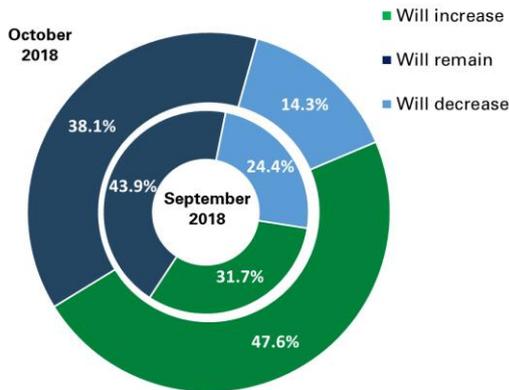


Source: Financial Opinion Survey, Fedesarrollo

DEBT SPREAD – EMBI+ COLOMBIA

Debt spread, measured through the EMBI+ Colombia (defined as the difference between the yield of Colombian securities issued abroad and the yield of U.S treasury securities), increased from 173 bps in mid-September to 178 bps in October 17th. This month the percentage of analysts expecting the spread to increase in the next 3 months was 47.6%, 15.9 pps more than last month. On the other hand, the percentage of analyst expecting a decrease was 14.3%, 10.1 pps less than in the previous month. The remaining 38.1% of respondents consider that the spread will remain unchanged (Graph 7).

Graph 7. Expectation 3-months debt spread
(% of answers)

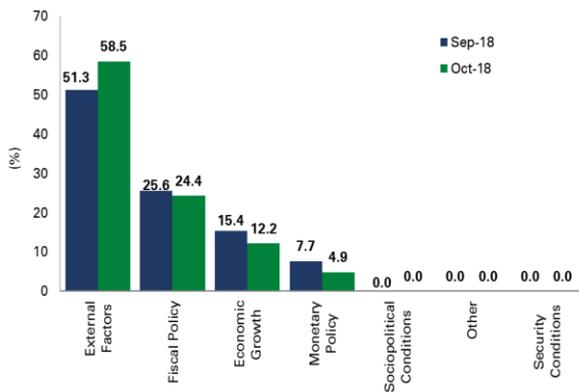


Source: Financial Opinion Survey, Fedesarrollo

FACTORS AFFECTING INVESTMENT

The share of analysts considering external factors as the most important aspect when it comes to investing increased from 51.3% in September to 58.5% this month. On the other hand, fiscal policy remains in the second place with 24.4%, with a slight reduction compared to previous month (Graph 8).

Graph 8. Most relevant factors to invest
(% of answers)



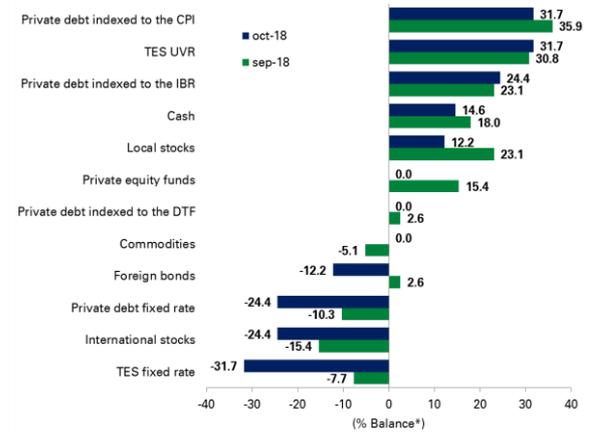
Source: Financial Opinion Survey, Fedesarrollo

INVESTMENT PREFERENCE

Compared to last month, portfolio managers increased their preferences for private debt indexed to IBR, commodities and TES UVR. In contrast, there was a sharp deterioration in

preferences for fixed rate TES, fixed rate private debt and foreign bonds, all of which continue to be the least preferred options (Graph 9).

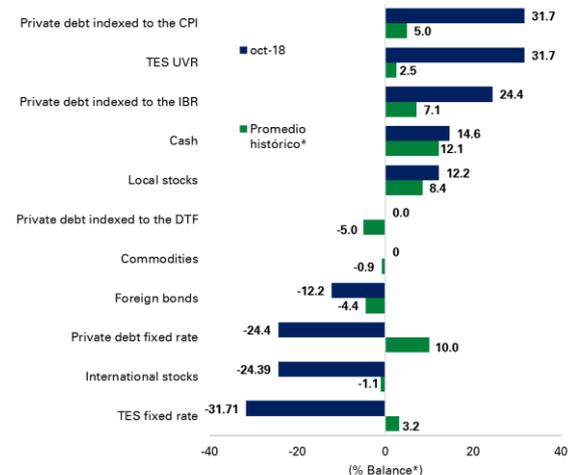
Graph 9. Projection of Positions in the Next 3 Months for Different Assets



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

Relative to survey historical average, there is greater preference for private debt indexed to CPI, TES UVR, and private debt indexed to IBR, as well as lower preference for international shares and fixed rate TES (Graph 10).

Graph 10. 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

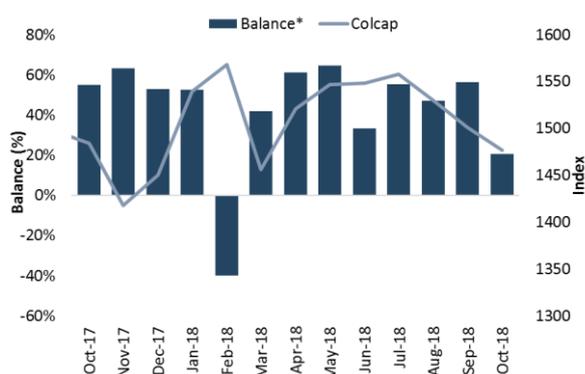
The COLCAP reflects the price changes of the most liquid shares of the Colombian Stock Exchange. In October 59.0% of analysts expect a valuation of the index in the next three months (Table 1). This proportion decreased by 17.9 pps compared to last month's results. On the other hand, the proportion of analysts expecting a decline in the stock index in the next three months increased from 20.5% to 38.5%.

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

Index COLCAP Price Level	September 2018	October 2018
Will increase 10% or more	7.7%	0.0%
Will increase between 5% and 9,99%	30.8%	17.9%
Will increase between 0,01% and 4,99%	38.5%	41.0%
Will remain	2.6%	2.6%
Will decrease between 0,01% and 4,99%	20.5%	30.8%
Will decrease between 5% and 9,99%	0.0%	7.7%
Will decrease between 10% or more	0.0%	0.0%

Source: Financial Opinion Survey, Fedesarrollo

Graph 11. 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

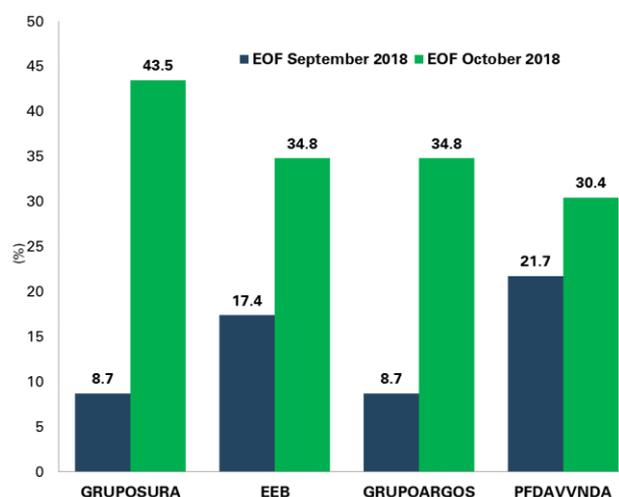
The FOS consults analysts about the three shares they consider the most attractive within those in the COLCAP index. This month, **Grupo Sura shares ranked first**, with preference expressed by 43.5% of those who

invest in shares. It was followed by the shares of **Empresa de Energía de Bogotá, Grupo Argos and Banco Davivienda** (Graph 12).

This month there was greater appetite for shares of *Holdings*, the financial sector, energy and consumer sectors, while there was a reduction in preference for oil sector shares (Graph 13).

Graph 12. More attractive COLCAP Stocks for investors

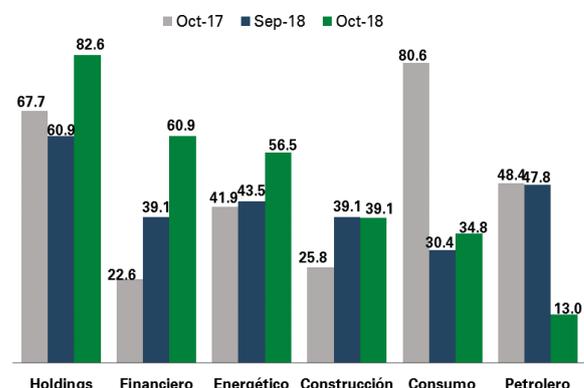
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey, Fedesarrollo.

Graph 13. More attractive COLCAP sectors for investors

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

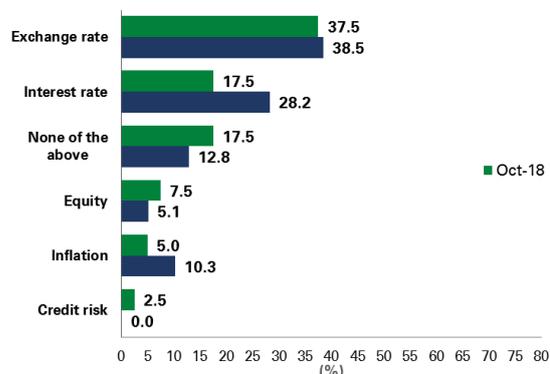


Source: Financial Opinion Survey, Fedesarrollo.

RISK COVERAGE

The FOS asks portfolio managers about the types of risk for which they plan to establish coverage in the next three months. In October **37.5% of respondents said they were planning to hedge against foreign exchange risk in the short term, which represents a reduction of 1.0 pp compared to last month.** On the other hand, the percentage of managers expecting to hedge against interest rate risk continues in the second place, with a decrease of 10.7 pps compared to the previous month (Graph 14).

Graph 14. 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	Observado	Expectativa			
	September	October (2018)	Dec-18	October (2019)	Dec-19
Inflation (%annual)	3,23	3,31	3,30	3,42	3,40
	End of the month (October)	End of the month (October)	Dec-18	October (2019)	Dec-19
Exchange rate	\$2.972	\$ 3.032	\$ 3.000	\$ 3.040	\$ 3.050
	October	End of the month (October)	Dec-18	October (2019)	
Interest rate (%)	4,25	4,25	4,25	4,75	
	2Q-2018	3Q-2018	4Q-2018	Year 2018	Year 2019
Growth (%)	2,8	2,8	2,9	2,7	3,3

*Expectation corresponding to the median.

Source: Financial Opinion Survey Fedesarrollo-BVC

Published October 22, 2018

Comments to Santiago Gómez: sgomez@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