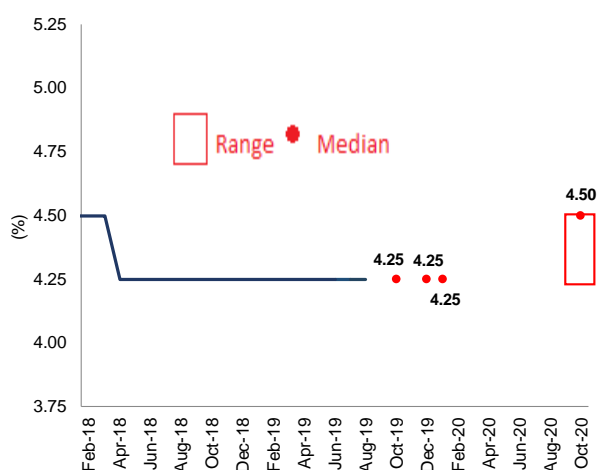


CENTRAL BANK POLICY RATE

In September, the Board of Directors of the Central Bank decided to keep its monetary policy interest rate unchanged at 4.25%. In October, 100% of the analysts expect the intervention rate to remain unaltered.

By the end of the year, 94.9% of the analysts foresee the interest rate to remain unchanged (97.4% in previous FOS), 2.6% expect a 25-bps increase (2.6% in previous FOS), while the remaining 2.6% expect a 50-bps increase or higher (0.0% in previous FOS).

Graph 1. Central Bank interest rate

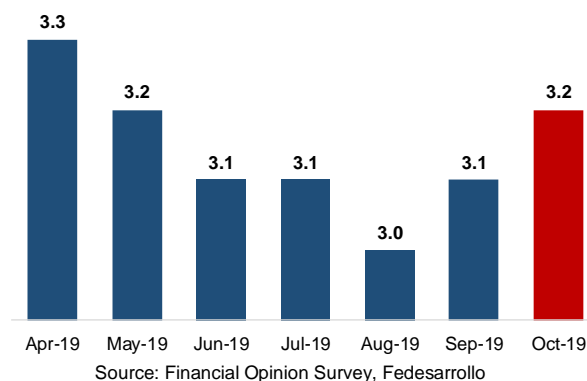


Source: Financial Opinion Survey, Fedesarrollo

ECONOMIC GROWTH

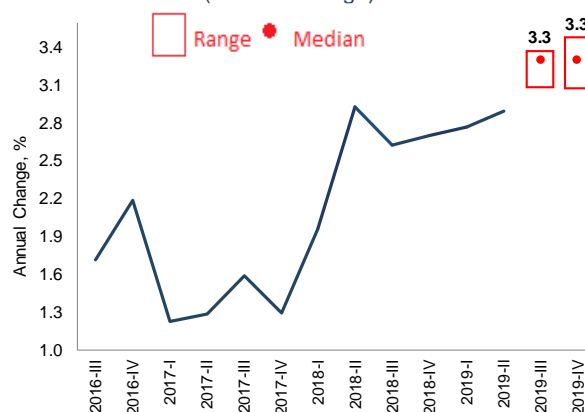
In October, analysts increased their economic growth forecast for 2019 at 3.2% (Graph 2), which means a 10-bps rise compared to the result of the past month. Meanwhile, economic growth forecast for 2020 maintained at 3.3%. Expectations about third quarter growth increased related to previous edition, from 3.1% to 3.3% (Graph 3).

Graph 2. 2019 GDP annual growth forecast (Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo

Graph 3. GDP growth forecast – third and fourth quarter of 2019 (Annual Change)

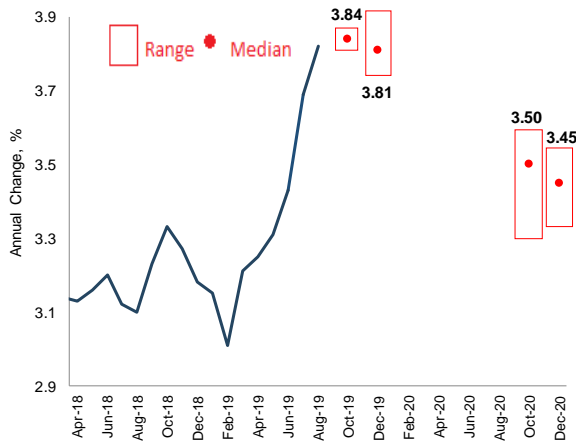


Source: Financial Opinion Survey, Fedesarrollo

INFLATION

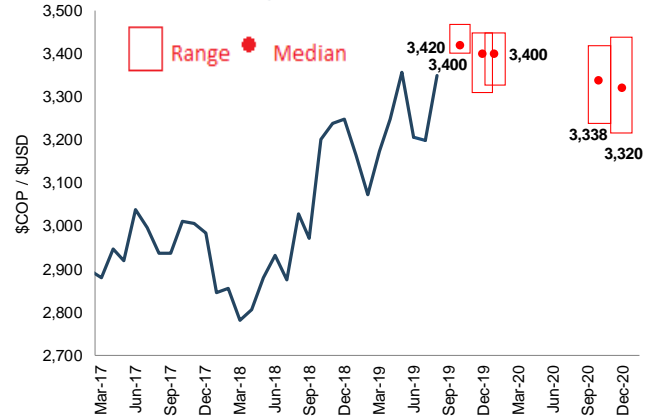
In September, annual inflation reached 3.82%, higher than the analysts' forecast in the previous edition (3.73%). In October, analysts believe that inflation will increase and place at 3.84% (Graph 4). Inflation expectations for the end of 2019 increase as well, reaching 3.81% (3.65% in previous FOS) (Graph 5).

Graph 4. Inflation forecast



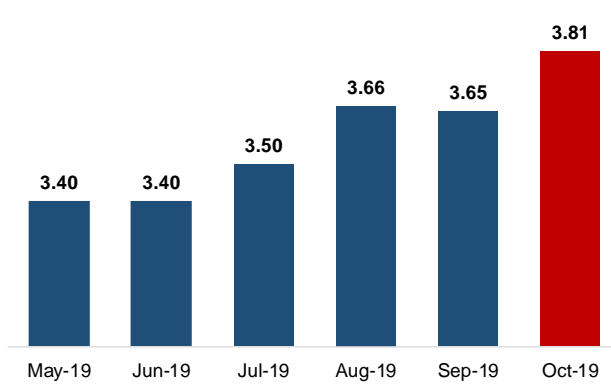
Source: Financial Opinion Survey, Fedesarrollo

Graph 6. Exchange rate - end of period



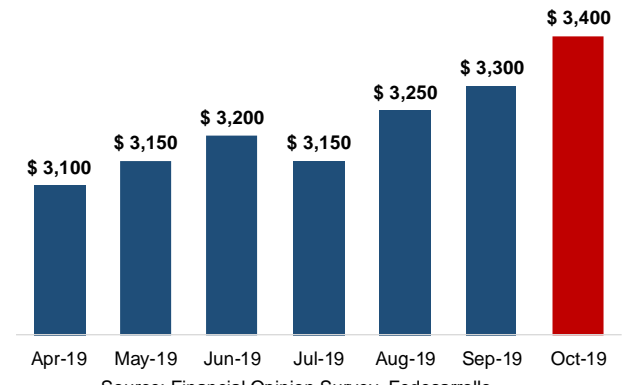
Source: Financial Opinion Survey, Fedesarrollo

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

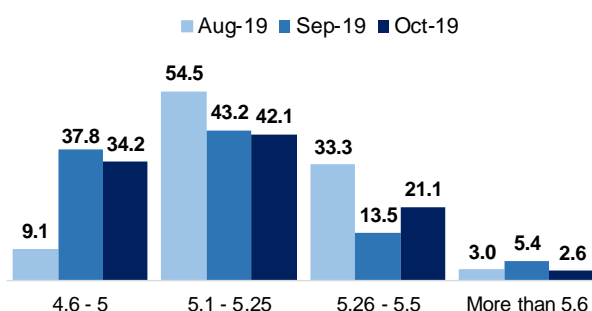
EXCHANGE RATE

In September, the exchange rate closed at \$ 3,462.01, with a monthly depreciation of 1.01%. On September 30th, it reached a maximum value of \$ 3,462.01 pesos per dollar. **By the end of this month, analysts expect the exchange rate to be between \$3,401 and \$3,463, with \$3,420 as the median response. Exchange rate forecast for next three months ranges between \$3,320 and \$3,452, with \$3,400 as median response (Graph 6). Exchange rate forecast for the end of 2019 continues increasing with \$ 3,400 as the median response (Graph 7).**

TES 2024 RATE

During September, TES 2024 rate presented a downward trend. In this edition, the percentage of analysts who consider **the rate will be between 4.6% and 5% during the next three months was 34.2%**; 42.1% expect it to range between 5.1% and 5.25%; the 21.1% believe it will be between 5.26% and 5.5%; while 2.6% of analysts expect a higher rate than 5.6% (Graph 8).

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

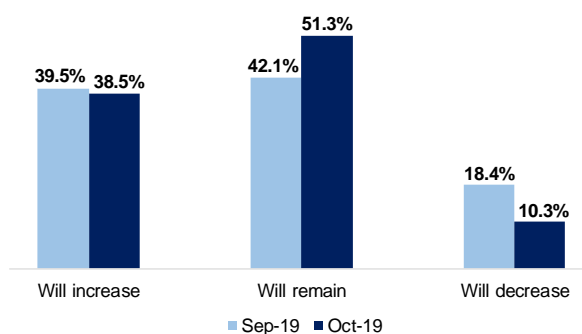


Source: Financial Opinion Survey, Fedesarrollo

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 183-bps in September. **In October, 38.5% of analysts (39.5% in September) expect the spread to increase in the next three months, while 10.3% (18.4% in September) expect it to decrease. The remaining 51.3% of the respondents expect for the spread to remain equal (42.1% in September).** (Graph 9).

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



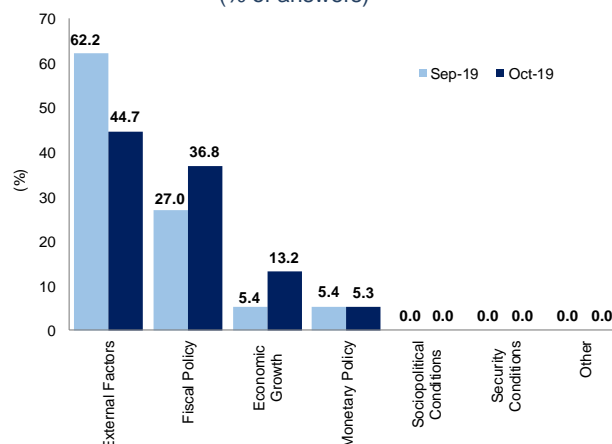
Source: Financial Opinion Survey, Fedesarrollo

INVESTMENT DETERMINANTS

External factors continue ranking this month as the most important aspect for investing decisions, although the proportion of analysts considering it fell to 44.7% (62.2% in previous month). Fiscal policy and economic growth placed second and third, respectively. The fiscal factor reached 36.8%

of participation (27% in previous month), while economic growth reached 13.2% of participation (5.2% in previous month). On the other hand, monetary policy fell from third to fourth place in this edition, with 5.3% of participation (5.4% in previous month) (Graph 10).

Graph 10. Most relevant factors for investment decisions
(% of answers)



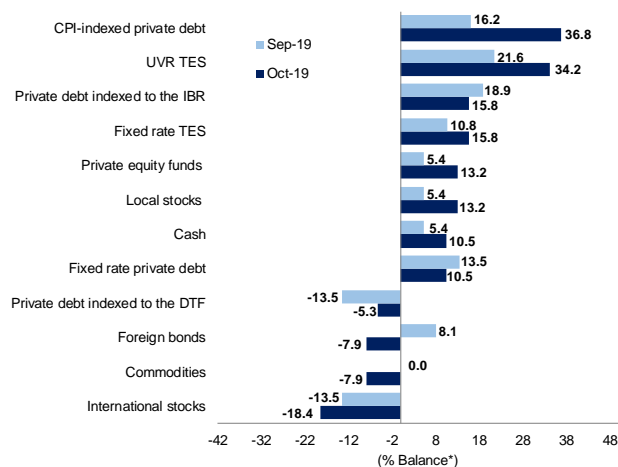
Source: Financial Opinion Survey, Fedesarrollo

INVESTMENT PREFERENCE

Related to September, portfolio managers increased their preferences for CPI-indexed private debt, UVR TES, private debt indexed to the DTF, private equity funds, local stocks, cash and fixed rate TES. In contrast, there is evidence of a deterioration in preferences for foreign bonds, commodities, international stocks, private debt indexed to the IBR and fixed rate private debt (Graph 11).

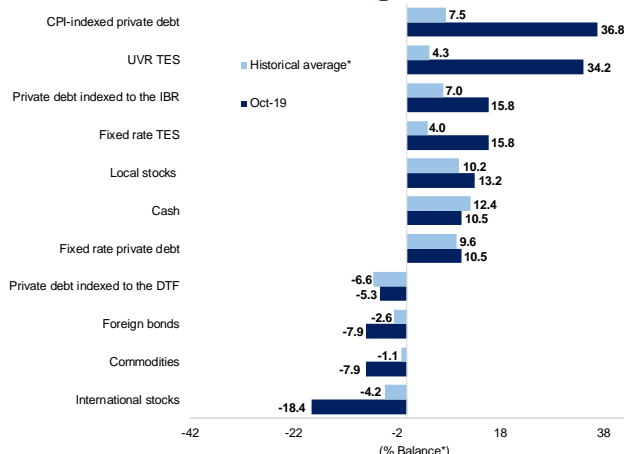
Compared to the survey's historical average, there is a greater preference for UVR TES, CPI-indexed private debt, fixed rate TES, private debt indexed to the IBR, local stocks, private debt indexed to the DTF and fixed rate private debt (Graph 12).

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

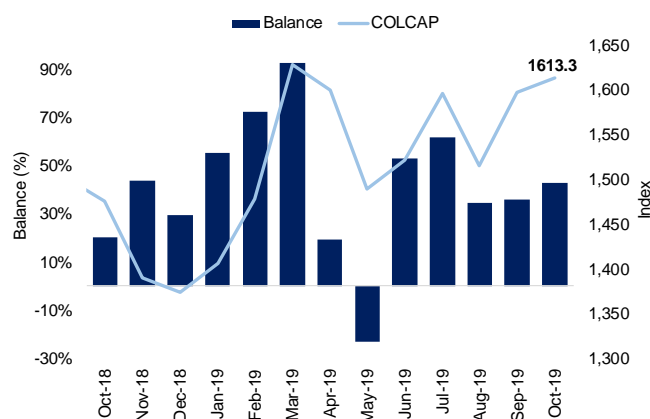
The COLCAP index reflects price changes on the most liquid shares of Colombian Stock Exchange. **In October, 71.4% of analysts (66.7% in September) expect an appreciation of the index during the next three months (Table 1).** On the other hand, **the percentage of analysts expecting the stock index to devalue during the next three months is 28.6% (30.6% in September).**

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

Index COLCAP Price Level	September 2019	October 2019
Will increase 10% or more	0.0%	0.0%
Will increase between 5% and 9,99%	30.6%	0.0%
Will increase between 0,01% and 4,99%	36.1%	71.4%
Will remain	2.8%	0.0%
Will decrease between 0,01% and 4,99%	27.8%	22.9%
Will decrease between 5% and 9,99%	2.8%	5.7%
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

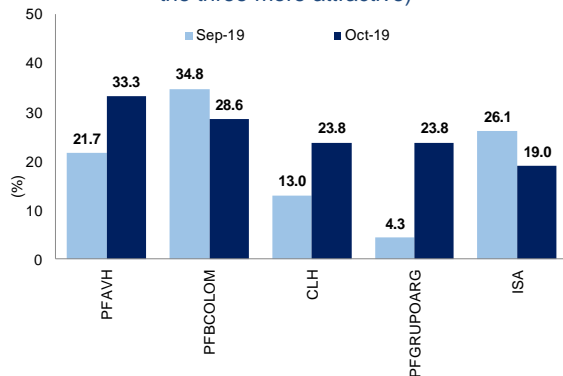
MOST ATTRACTIVE COLCAP SHARES

The FOS asked to the analysts for the most attractive shares compounding the COLCAP index. **In October, Avianca preferred stocks was ranked this month in the first place for the first time since June 2014.** It was followed by **Bancolombia preferred stocks, Cemex Latam Holding common stocks, Grupo Argos preferred stocks and ISA common stocks.** (Graph 14).

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

Graph 14. More attractive COLCAP stocks for investors

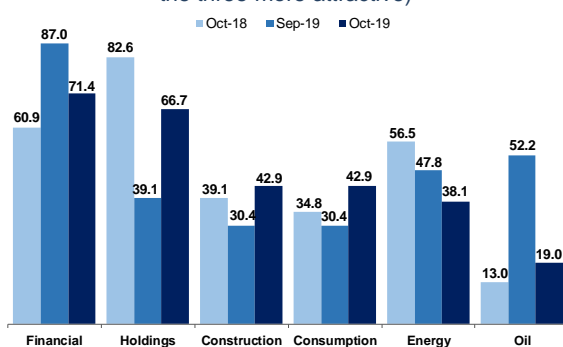
(% of the respondents who consider the stock as one of the three more attractive)



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)



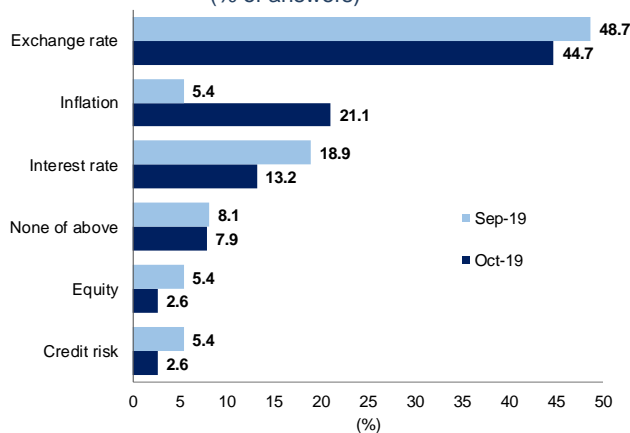
Source: Financial Opinion Survey, Fedesarrollo.

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 October, 44.7% of respondents (48.7% in September) were planning to hedge against foreign exchange risk in the short term.** On the other hand, the percentage of administrators who expect to hedge against inflation placed second with 21.1% (5.4% in September) (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 answers)		
	Sep-19	Oct-19	Dec-19	Jan-20
Inflation (Annual variation, %)	3.82	3.84	3.81	
Exchange rate	\$ 3,462	\$ 3,420	\$ 3,400	\$ 3,400
Interest rate (%)	4.25	4.25	4.25	4.25
	2Q-2019	3Q-2019	Year 2019	Year 2020
Growth (%)	3.00	3.30	3.20	3.30

Source: Financial Opinion Survey -BVC

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