

Financial Opinion Survey

September 2020

Bulletin No.185

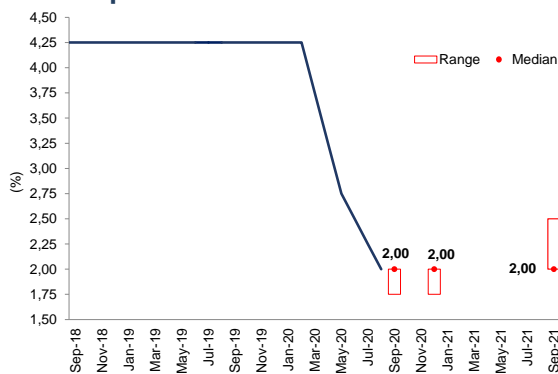
CENTRAL BANK POLICY RATE

In August, the Board of Directors of the Central Bank decided to reduce its monetary policy interest rate by 25 basis points to 2.00%.

By the end of the month, 57.1% of the analysts expect the interest rate to remain unchanged at 2.00%, while 42.9% foresee a 25-bps decrease to 1.75%, and none of the analysts expect a decrease of 50-bps to 1.50%.

By the end of the year, 52.4% of the analysts foresee an unchanged interest rate, 45.2% expect a reduction of 25-bps (1.75%). Meanwhile the remaining 2.4% expect a 50-bps decrease (1.50%) (Graph 1).

Graph 1. Central Bank interest rate



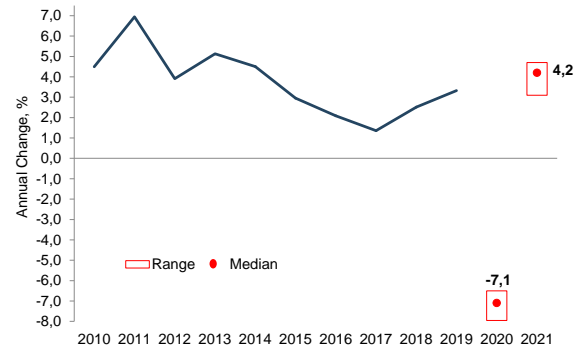
Source: Financial Opinion Survey, Fedesarrollo - BVC

ECONOMIC GROWTH

In September, the economic growth forecast for 2020 ranges between -7.95% and -6.5%, with -7.1% as median response (-6.7% in the previous FOS) (Graph 2). The economic growth forecast for 2021 was at 4.2%, ranging between 3.1% and 4.7%.

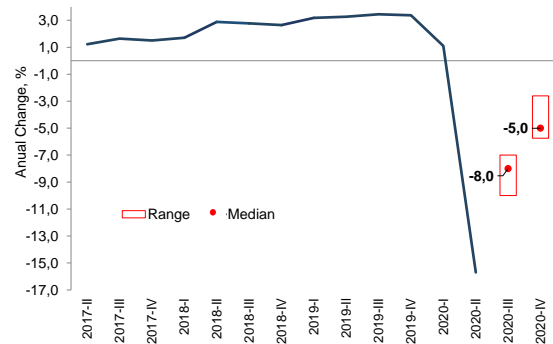
Expectations about the third quarter continued decreasing related to the previous edition, the economic growth forecast for the third quarter ranged between -10.0% and -7.0%, with -8.0% as the median response (-6.8% in the previous FOS). Expectations regarding the fourth quarter growth reached -5.0%, ranging between -5.75% and -2.6% (Graph 3).

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



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 3. GDP growth forecast – third and fourth quarter of 2020 (Annual Change)

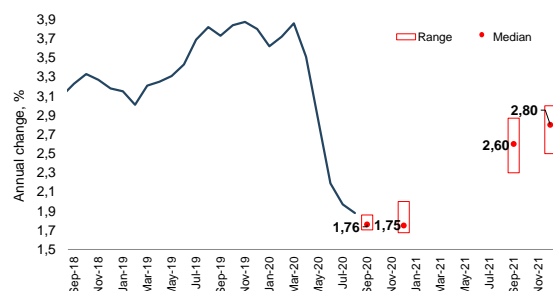


Source: Financial Opinion Survey, Fedesarrollo - BVC

INFLATION

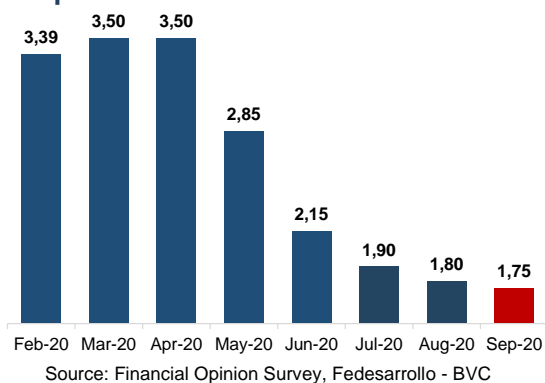
In August, the annual inflation reached 1.88%, lower than the analysts forecast in the previous edition (1.92%). In September, the analysts believe that inflation will decrease to 1.76% (Graph 4). Inflation expectations for the end of 2020 decreased from 1.8% in the previous edition to 1.75% (Graph 5).

Graph 4. Inflation forecast



Source: Financial Opinion Survey, Fedesarrollo - BVC

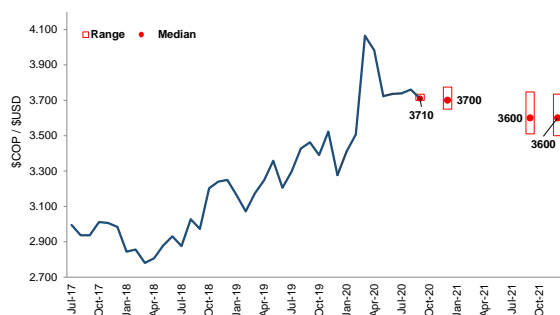
Graph 5. Inflation forecast - end of 2020



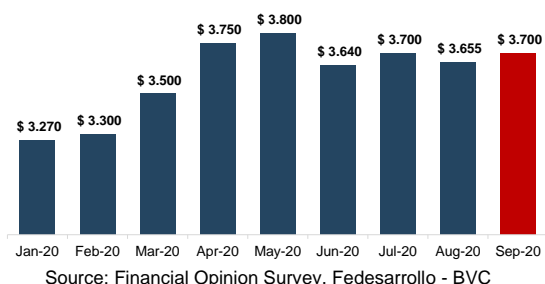
EXCHANGE RATE

In August, the exchange rate closed at \$3,760.38, with a monthly depreciation of 0.52%. On August 27th, it reached a maximum value of \$3,846.64 pesos per dollar and on August 26 it reached a minimum value of \$3,687.32 pesos per dollar. **The exchange rate forecast by the end of the month ranges between \$3,700 and \$3,734, with \$3,710 as median response.** (Graph 6). Finally, the exchange rate forecast for the end of 2020 increased compared to the past month result, being \$ 3,700 the median response (\$3,655 in the previous FOS), and ranging between \$3,650 and \$3,775 (Graph 7).

Graph 6. Exchange rate - end of period



Graph 7. Exchange rate forecast - end of period 2020



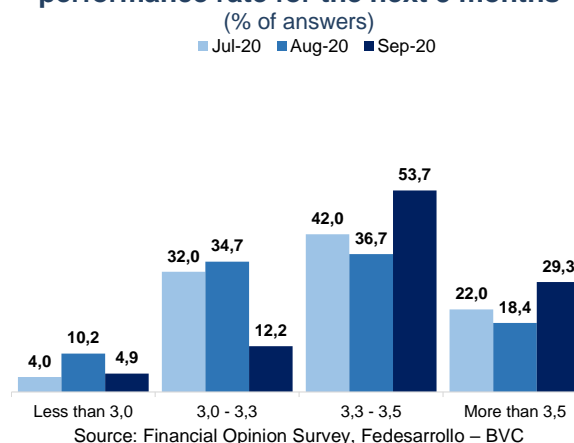
TES 2024 and 2028 RATE

In August, the traded volume of the Colombian treasury bonds reached COP 31,1 trillion, which entails a decrease of 7.47% compared to July and of 18.2% as compared to the same month in the previous year.

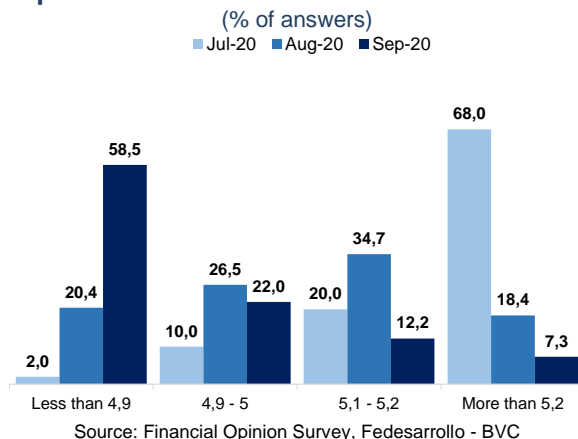
In this edition, the percentage of analysts who considers that **the interest rate on the treasury bonds maturing in 2024 will be under 3.0% during the next three months is 4.9%, and between 3.0% and 3.3% is 12.2%.** The percentage of analysts who expects that **the rate will be between 3.3% and 3.5% during the next three months is 53.7%; meanwhile 29.3% 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 58.5%, and between 4.9% and 5% was 22.0%.** The percentage of analysts who expect that **the rate will be between 5.1% and 5.2% during the next three months was 12.2%.** 7.3% 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



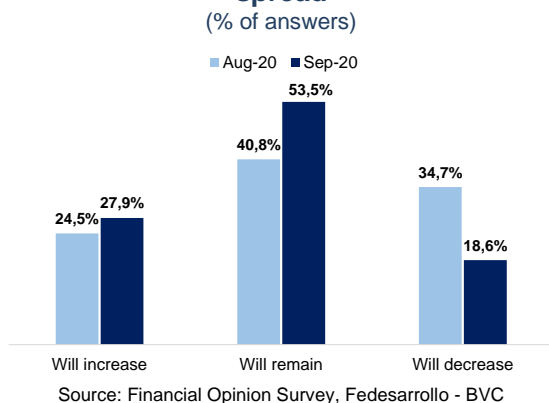
Graph 9. Expectation of TES 2028 performance rate for the next 3 months
(% of answers)



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 253-bps in August. In **September 27.9% of analysts (3.4-bps less than the previous FOS) expects the spread to increase in the next three months, while 18.6% (16.1-bps less than previous FOS) expects it to decrease. The remaining 53.5% of the respondents expects for the spread to remain equal (12.7-bps more than previous FOS) (Graph 10).**

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

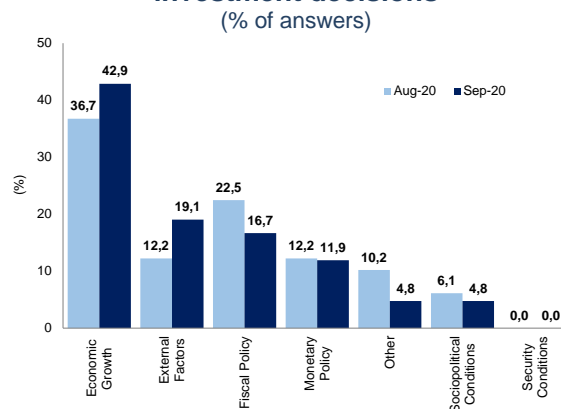


INVESTMENT DETERMINANTS

In this edition, the economic growth continues ranking as the most important aspect considered for investing decisions, reaching **42.9% (36.7% in the previous month)**. Fiscal policy and external factors placed second and third place, respectively. Concerns accounting for fiscal policy reached

19.1% (12.2% in the previous month), while external factor, reached 16.7% (22.5% in the previous month). Monetary policy, placed at fourth place with 11.9% (12.2% in the previous month). Other factors placed at fifth place, with 4.8% (10.2% in the previous month), mostly related to COVID-19, and sociopolitical conditions reached 4.8% (6.1% in the previous month). Security conditions was the least in the investment determinants with 0.0% (Graph 11).

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

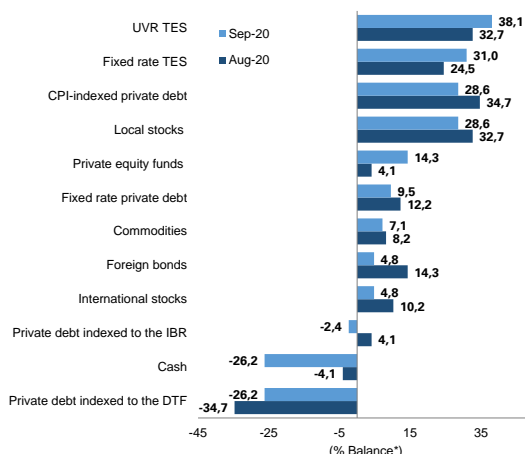


INVESTMENT PREFERENCES

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

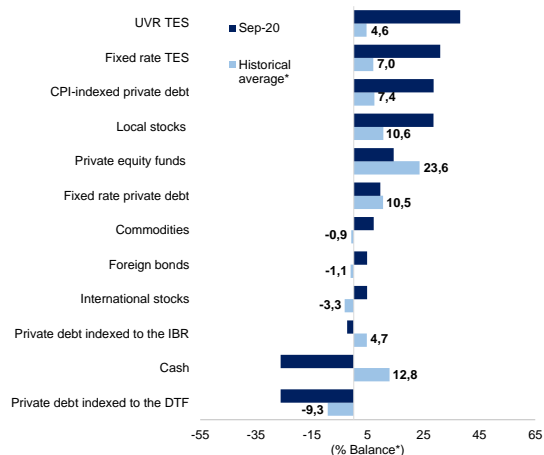
Compared to the survey's historical average, there is a greater preference for UVR TES, fixed rate TES, CPI-indexed private debt, local stocks, international stocks, commodities and foreign bonds (Graph 13).

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



*Balance: % of respondents who will increase their position minus % of respondents who 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

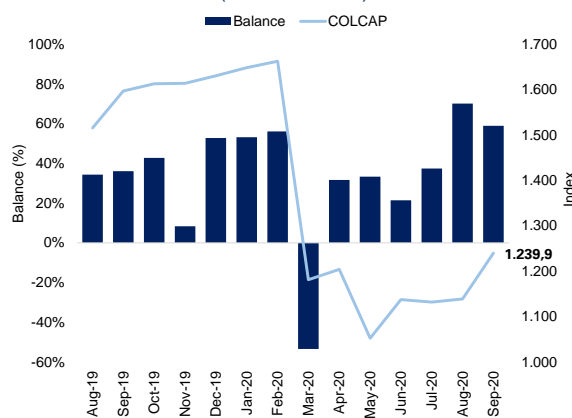
The COLCAP index is a market-capitalization weighted index that reflects price changes on the most liquid stocks listed in the Colombia's stock exchange. In September 79.5% of the analysts (85.1% in August) expects a valuation of the index during the next three months (Table 1). On the other hand, the percentage of analysts expecting the stock index to devalue during the next three months is 20.5% (14.9% in the previous month). And none of the analysts expects the index to remain unaltered (0.0% in the previous FOS).

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

| Index COLCAP Price Level | August 2020 | September 2020 |
|---------------------------------------|-------------|----------------|
| Will increase 10% or more | 19,1% | 7,7% |
| Will increase between 5% and 9,99% | 31,9% | 10,3% |
| Will increase between 0,01% and 4,99% | 34,0% | 61,5% |
| Will remain | 0,0% | 0,0% |
| Will decrease between 0,01% and 4,99% | 12,8% | 12,8% |
| Will decrease between 5% and 9,99% | 0,0% | 5,1% |
| Will decrease between 10% or more | 2,1% | 2,6% |

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

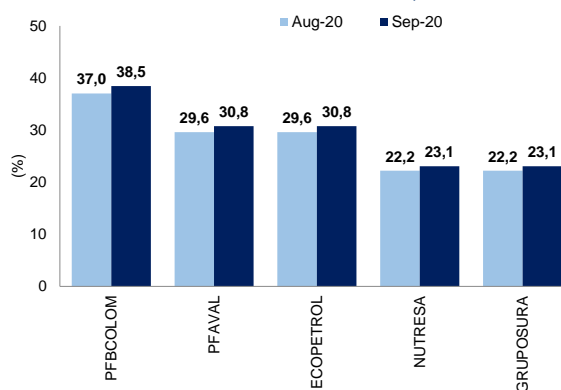
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation

MOST ATTRACTIVE COLCAP SHARES

The FOS inquires the analysts for the most attractive stocks compounding the COLCAP index. In September, the Bancolombia's preferential stock, was ranked in the first place with 38.5%. It was followed by the Grupo Aval preferential stock, the Ecopetrol's, Nutresa's and Suramericana's common stocks (Graph 15).

Graph 15. More attractive COLCAP stocks for investors

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

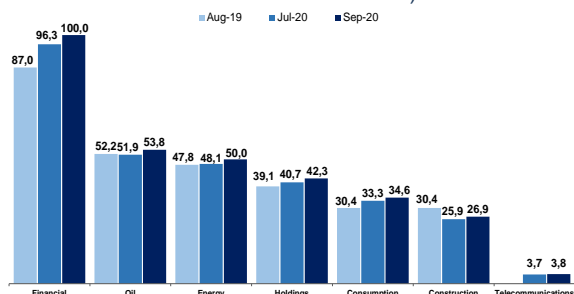


Source: Financial Opinion Survey, Fedesarrollo - BVC

Compared to August, there is greater appetite among respondents for shares of the financial, oil, energy and holdings 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)



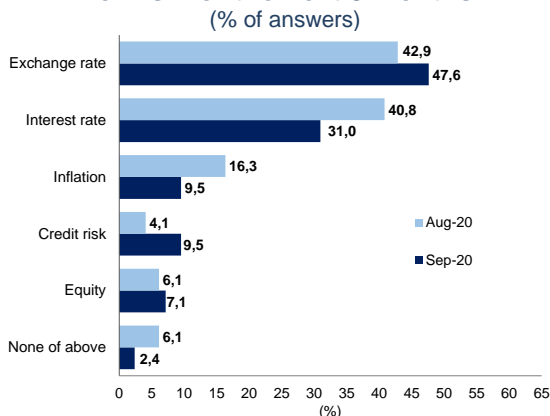
Source: Financial Opinion Survey, Fedesarrollo - BVC

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 **September 47.6% of the respondents (42.9% in August) were planning to hedge against foreign exchange risk in the short term.** The percentage of managers who expect

to hedge against interest rate are 31.0% (40.8% in August) and the percentage who foresee to hedge against inflation risk corresponds to the 9.5% (16.3 in the previous month) (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 the Macroeconomic Expectations

| Variable | Observed | Forecasts (Median of answers) | |
|-----------------------------------|----------|-------------------------------|-----------|
| | Aug-20 | Sep-20 | Dec-20 |
| Inflation (Annual variation, %) | 1,88 | 1,76 | 1,75 |
| Exchange rate | \$ 3.760 | \$ 3.710 | \$ 3.700 |
| Monetary policy interest rate (%) | 2,00 | 2,00 | 2,00 |
| | 2Q-2020 | 3Q-2020 | Year 2020 |
| Growth (%) | -15,7 | -8,0 | -7,1 |

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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