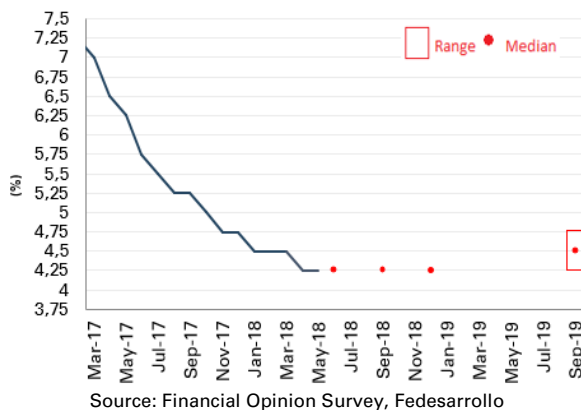


CENTRAL BANK POLICY RATE

In May, policy interest rate was kept at 4.25% since it was a meeting without decisions about it. **This month 97.4% of the analysts considers that at its next meeting in June 29th, the Central Bank will maintain its policy interest rate unchanged at 4.25%, only 2.6% of respondents expects a reduction of 25 bps.**

In terms of the policy interest rate in 3 months, **84.2% of the analysts considers it will remain at 4.25%, 13.2% expects a reduction of 25 bps and only 2.6% foresees an increase of 25 bps.** By the end of 2018, the median of analysts expects the rate to be at 4.25% (Graph 1).

Graph 1. BanRep Intervention rate

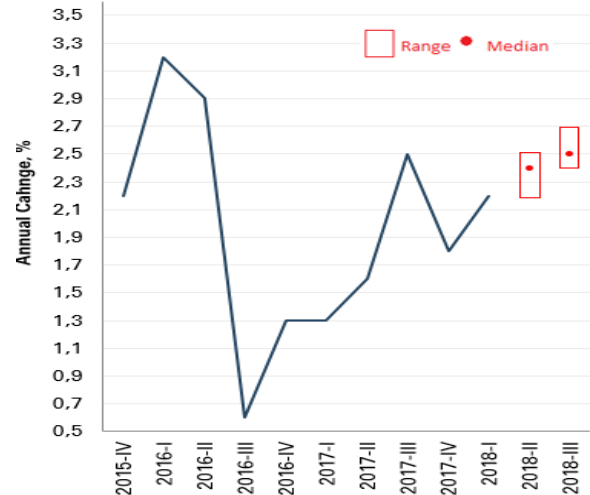


ECONOMIC GROWTH

In June, respondents maintained their growth forecast for the second quarter at 2.4% and estimate a growth of 2.5% for the third quarter of 2018 (Graph 2).

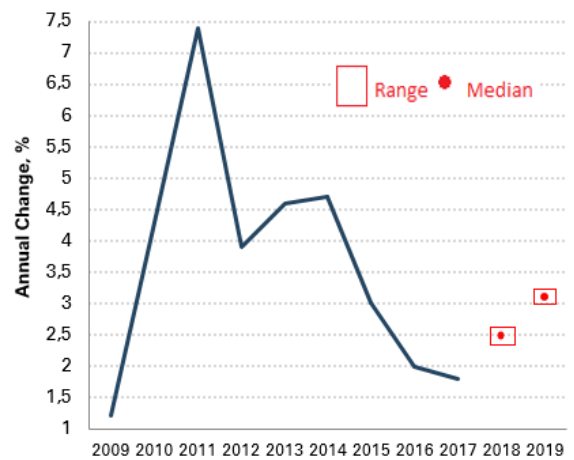
Analysts maintained their GDP growth forecast for 2018 at 2.5% and increased their estimative for 2019 from 3.0% to 3.1% (Graph 3).

Graph 2. Quarterly GDP growth (Annual Change)



Source: Financial Opinion Survey, Fedesarrollo

Graph 3. Annual GDP growth



Source: Financial Opinion Survey, Fedesarrollo

INFLATION

In line with last survey's forecast, in May, annual inflation showed a slight increase and stood at 3.16%

This month, analysts believe that inflation will have a slight increase again and will reach 3.20%. Inflation expectations for the end of year remain at 3.30%, ranging between 3.25% and 3.43% (Graph 4).

Graph 4. Inflation
(Annual Change)

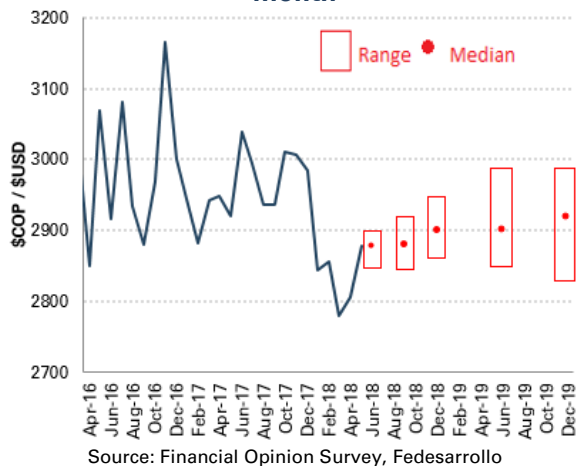


EXCHANGE RATE

Exchange rate USD/COP closed in May at \$2,879, a monthly depreciation of 2.6%. Until mid-June the exchange has depreciated, reaching a maximum value of \$ 2,932 pesos per dollar on June 20th. For the end of June, **analysts expect the exchange rate to be between \$ 2,850 and \$ 2,900**, with \$ 2.877 as a median response (Graph 5). **On the other hand, the projection of the exchange rate for the next three months was between \$ 2,850 and \$ 2,935** with \$ 2,880 as a median response.

By the end of 2018, 50% of the analysts around the median believe that the dollar will be between \$2,860 and \$2,950, with \$2,900 as the median response.

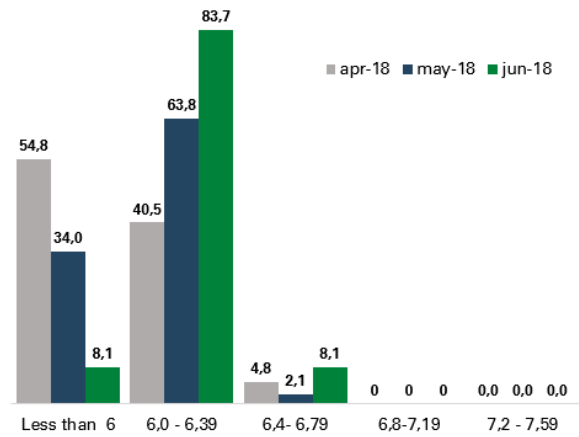
Graph 5. Exchange rate at the end of the month



TES 2024 RATE

During the last month there has been a high volatility in the negotiation rate of the TES 2024. In this context, **relative to May, there was an increase from 65.9% to 91.8% in the share of analysts expecting a rate above 6.0% for the next three months** (Graph 6).

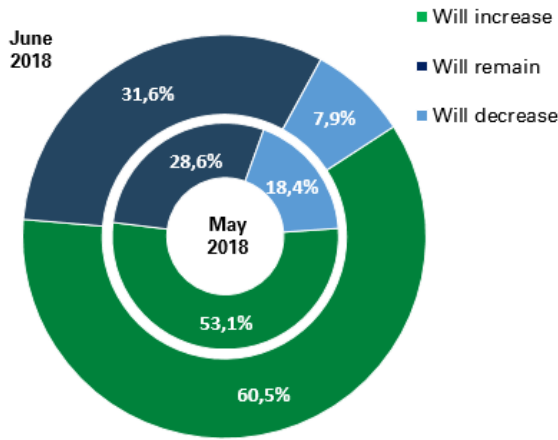
Graph 6. Expectation of TES 2024 performance rate for the next 3 months.
(% of answers)



DEBT SPREAD – EMBI+ COLOMBIA

Debt spread, measured through the EMBI+ Colombia, is defined as the difference between the yield of Colombian securities issued abroad and the yield of U.S treasury securities. Debt spread increased from 190 bps in mid-May to 202 bps by the end of June 20th. **This month, 60.5% of respondents expects the spread to increase over the next three months.** This result is higher than the one from previous survey (Graph 7).

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

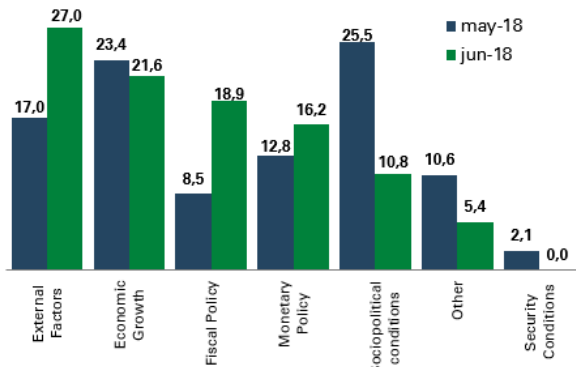


Source: Financial Opinion Survey, Fedesarrollo

FACTORS AFFECTING INVESTMENT

This month, 27% of respondents point to external factors as the most relevant factor to invest. In turn, economic growth loses relevance and ranks second. On the contrary, although in third position, compared to May, fiscal policy gains importance, reaching 18.9% in June, which can be explained by the release of the Medium-Term Fiscal Framework, last week by the Ministry of Finance (Graph 8).

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

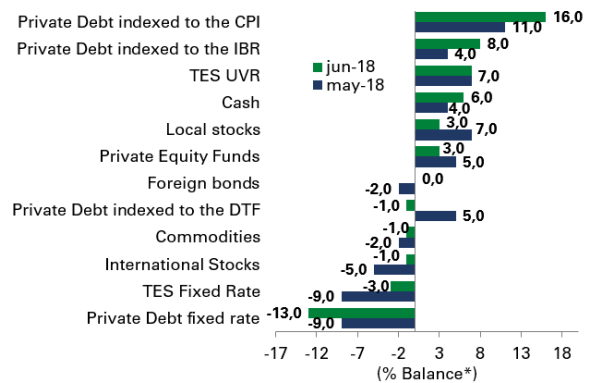


Source: Financial Opinion Survey, Fedesarrollo

INVESTMENT PREFERENCE

Relative to past month, in June portfolio managers increased their preferences for private debt indexed to the CPI, private debt indexed to the IBR, and for Cash. In contrast, preference for private debt fixed rate and indexed to DTF and local stocks decreased (Graph 9).

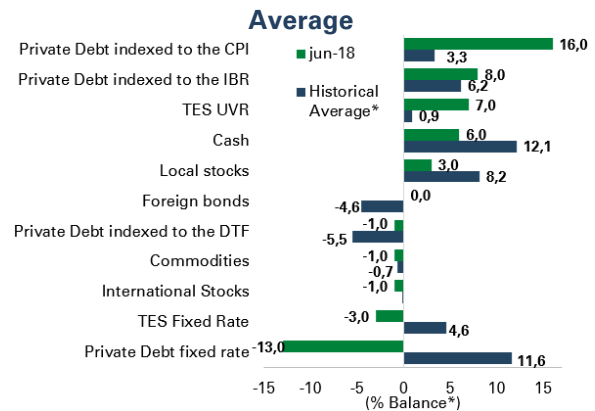
Graph 9. Projection of Positions in the Next 3 Months for Different Assets



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

Compared to the historical average of the survey, there is a greater preference for private debt indexed to the CPI and TES UVR, as well as a lower preference for private debt, fixed rate and TES fixed rate (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 June **63.9% of analysts expects a valuation of the index in the next three months** (Table 1). This proportion decreased 18.3 pps compared to the results of last month. On the other hand, the share of analysts expecting the index to devalue in the next three months increased from 17.7% to 30.6%.

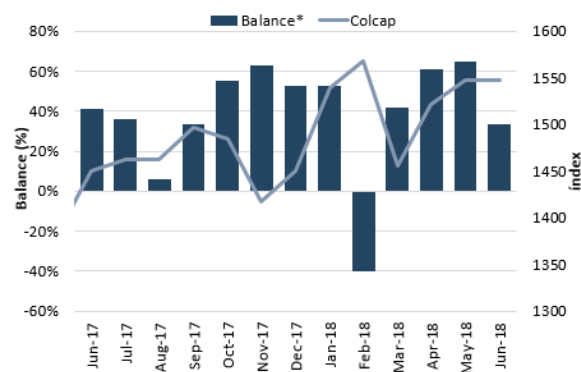
Table 1. Expectations about the COLCAP Index Price at 3 months*
(% of answers)

Index COLCAP Price level	May 2018	June 2018
Will increase 10% or more	0,0%	2,8%
Will increase between 5% and 9,99%	17,8%	0,0%
Will increase between 0,01% and 4,99%	64,4%	61,1%
Will remain	0,0%	5,6%
Will decrease between 0,01% and 4,99%	13,3%	30,6%
Will decrease between 5% and 9,99%	4,4%	0,0%
Will decrease between 10% or more	0,0%	0,0%

Source: Financial Opinion Survey, Fedesarrollo

Therefore, there is a decrease in the balance of responses regarding the valuation of the COLCAP index in the next three months. However, the balance remains positive (Graph 11).

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

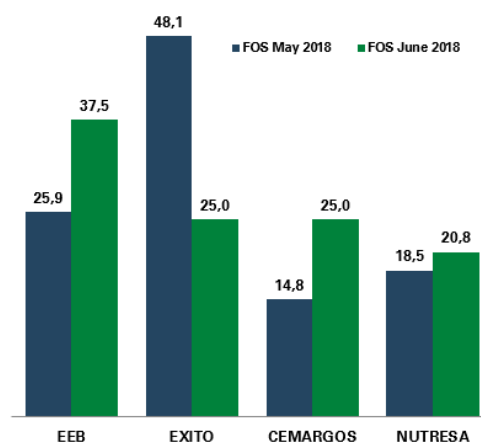
MOST ATTRACTIVE COLCAP'S STOCKS

The FOS consults analysts about the three stocks within COLCAP index that they consider most attractive. This month **shares of Empresas de Energía de Bogotá (EEB) ranked first**, with preference expressed by 37.5% of those who invest in shares. After several months of leading the ranking, **shares of Grupo Éxito is in second place, followed by shares of Cementos Argos (CEMARGOS) and Nutresa** (Graph 12).

In the last month there was a greater appetite of the respondents for shares from the Holdings and the construction sectors. On the contrary, there is evidence of a reduction in preference for shares from the consumption, oil and energy sectors (Graph 13)

Graph 12. More attractive COLCAP Stocks for investors

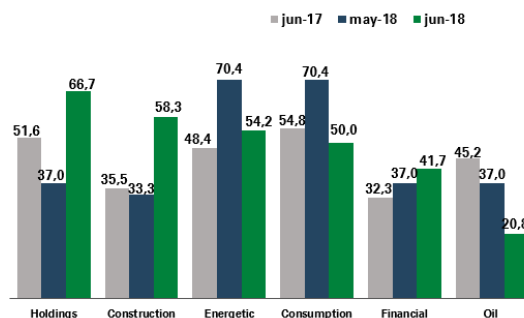
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey

Graph 13. More attractive COLCAP sectors for investors

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

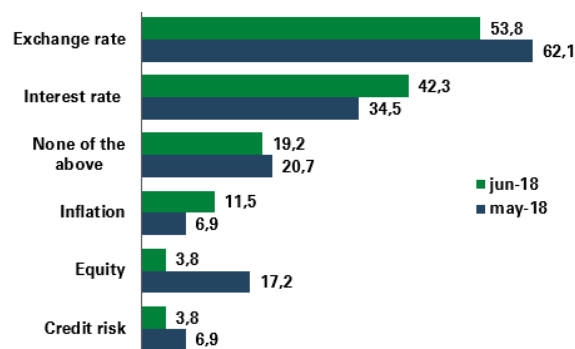


Source: Financial Opinion Survey, Fedesarrollo.

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 June **53.8% of respondents said they are planning on hedging against foreign exchange risk in the short term, which represents a decrease of 8.3 pps compared to last month.** The percentage of managers expected to hedge against the interest rate risk was in second place, with an increase of 7.8 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	Observed	Expectation			
		May	June (2018)	Dec-18	June (2019)
Inflation (% annual)	3.16	3.20	3.30	3.44	3.38
	Close May	End of the month (June)	Dec-18	June (2019)	Dec-19
Exchange rate	\$ 2,879	\$ 2,877	\$ 2,900	\$ 2,900	\$ 2,920
	May	End of the month (June)	Dec-18	June (2019)	
Interest Rate (%)	4.25	4.25	4.25	4.50	
	Close 2017	2 Quarter 2018	3 Quarter 2018	Year 2018	Year 2019
Growth (%)	1.8	2.4	2.5	2.5	3.1

*Expectation corresponding to the median.

Source: Financial Opinion Survey Fedesarrollo-BVC



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

+57 1 3259777 ext. 340
comercial@fedesarrollo.org.co

Published on June 25th, 2018

Comments to Natalia Navarrete: nnavarrete@fedesarrollo.org.co