CENTRAL BANK POLICY RATE

As anticipated by the June FOS, at its last meeting, the Board of Directors of the Central Bank decided to keep its intervention rate at 4.25%. This month, 100% of the analysts expect the policy rate to remain at 4.25%.

In terms of the policy interest rate in 3 months, 87.5% of the analysts considers it will remain at 4.25%, 10.0% expects a reduction of 25 bps and only 2.5% 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).

ECONOMIC GROWTH

In July, respondents revised their growth forecast for the second quarter from 2.4% to 2.5%. Likewise, they increased their growth forecast for the third quarter from 2.5% to 2.6%. (Graph 2).

In this line, analysts increased their estimate of annual GDP growth for 2018 from 2.5% to 2.6% and maintained their forecast for 2019 at 3.1%.

INFLATION

In line with last survey’s forecast, in June, annual inflation showed a slight increase and stood at 3.20%

This month, analysts believe that inflation will continue increase and will reach 3.33%. Inflation expectations for the end of year increased slightly to 3.37%, with a range between 3.29% and 3.41% (Graph 4).
EXCHANGE RATE

Exchange rate USD/COP closed in June at $2,930, a monthly depreciation of 1.8%. Until mid-July the exchange has appreciated, reaching a minimum value of $2,862 pesos per dollar on July 14th. For the end of July, analysts expect the exchange rate to be between $2,850 and $2,900, with $2,880 as a median response (Graph 5). On the other hand, the projection of the exchange rate for the next three months was between $2,860 and $2,950 with $2,900 as a median response.

By the end of 2018, 50% of the analysts around the median believe that the dollar will be between $2,877 and $2,957, with $2,900 as the median response.

Graph 5. Exchange rate at the end of the month

Source: Financial Opinion Survey, Fedesarrollo

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 June, there was an increase from 91.8% to 94.9% 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 decreased from 204 bps in mid-June to 179 bps by the end of July 18th. This month analysts are divided on the behavior of the spread in the next three months: 35.9% of respondents believe that it will remain the same, 33.3% believe that it will increase, while 30.8% expect a reduction (Graph 7).
FACTORS AFFECTING INVESTMENT

This month, the proportion of analysts that considered external factors as the most relevant aspect when it comes to investing increased from 27.0% in June to 47.4% in July. On the other hand, although the fiscal policy loses relevance against the previous month, it is in second place with 18.4% (Graph 8).

INVESTMENT PREFERENCE

Relative to past month, in July portfolio managers increased their preferences for private debt indexed to the IBR, for Cash and for local stocks. In contrast, preference for private debt fixed rate and indexed to CPI which nevertheless remains the position with the greatest preference (Graph 9).

Compared to the historical average of the survey, there is a greater preference for private debt indexed to the CPI and to the IBR, and for TES UVR, as well as a lower preference for assets to fixed rate (private debt and TES) (Graph 10).

COLCAP

The COLCAP reflects the price changes of the most liquid shares of the Colombian Stock Exchange. In July 76.3% of analysts expects a valuation of the index in the next three months (Table 1). This proportion increased 12.4 pps compared to the results of last month. On the other hand, the share of analysts expecting the index to devaluate in
the next three months decreased from 30.6% to 21.0%.

Table 1. Expectations about the COLCAP Index Price at 3 months*

<table>
<thead>
<tr>
<th>Index COLCAP Price level</th>
<th>June de 2018</th>
<th>July de 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will increase 10% or more</td>
<td>2.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Will increase between 0% and 9.99%</td>
<td>0.0%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Will increase between 0.01% and 4.99%</td>
<td>61.1%</td>
<td>65.8%</td>
</tr>
<tr>
<td>Will remain</td>
<td>5.5%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Will decrease between 0.01% and 4.99%</td>
<td>30.0%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Will decrease between 5% and 9.99%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Will decrease between 10% or more</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Source: Financial Opinion Survey, Fedesarrollo

Graph 11. Balance on the Price of the COLCAP Index 3 months*

Graph 12. More attractive COLCAP Stocks for investors

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

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 again, with preference expressed by 43.5% of those who invest in shares. It was followed by the shares of Grupo Éxito, Nutresa and Grupo Sura (Graph 12).

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

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 July 52.0% of respondents said they are planning on hedging against foreign exchange risk in the short term, which represents a decrease of 1.8 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 5.7 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*

<table>
<thead>
<tr>
<th>Variable</th>
<th>Observed</th>
<th>Expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation (% annual)</td>
<td>3.20</td>
<td>3.33</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>$2,930</td>
<td>$2,880</td>
</tr>
<tr>
<td>Interest Rate (%)</td>
<td>4.25</td>
<td>4.25</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>1.8</td>
<td>2.5</td>
</tr>
</tbody>
</table>

*Expectation corresponding to the median.  
Source: Financial Opinion Survey Fedesarrollo-BVC