CENTRAL BANK POLICY RATE

In November, the Central Bank did not decide on the policy interest rate and for the end of the year, 100% of the analysts expect the rate to remain at 4.25%.

For December 2019, 43.2% of the analysts expect an increase in the interest rate of 50 bps, 37.8% expect an increase of 75 bps, while 8.1% expect an increase of 100 bps. The remaining 10.8% expect it to increase 25 bps or to remain unchanged (Graph 1).

Graph 1. Central Bank Intervention Rate

ECONOMIC GROWTH

In December, analysts maintained their growth forecast for the fourth quarter of the year at 2.8% (Graph 2). On the other hand, forecasts for annual GDP growth in 2018 and 2019 remained at 2.7% and 3.2%, respectively (Graph 3).

INFLATION

In November, annual inflation fell to 3.27%, below the forecast of previous survey (3.34%). In December, analysts believe that inflation will increase slightly and will reach 3.28%. Inflation expectations for the end of 2019 decreased from 3.61% to 3.50% (Graph 4).
EXCHANGE RATE

The exchange rate USD/COP closed in November at $ 3,240, a monthly depreciation of 1.17%. It reached a maximum value of $3,274 pesos per dollar on November 29th. For the end of this month, analysts expect the exchange rate to be between $3,150 and $3,200, with $3,150 as the median response. Forecasts for the next three months were between $3,096 and $3,200 with $3,140 as the median response. For the end of 2019, the median projections remained at $3,100 (Graph 5).

TES 2024 RATE

During the last month there has been a reduction in the TES 2024 trading rate. In December, all the analysts surveyed expect a rate above 6.0% for the next 3 months. In addition, the share of analysts expecting the rate to be between 6.0% and 6.39% increased, while the proportion of analysts expecting it between 6.4 and 6.79% went down from 80% to 61.1% (Graph 6).

DEBT SPREAD – EMBI+ COLOMBIA

Debt spread (EMBI+ Colombia), defined as the difference between the yield of the Colombian bonds issued abroad and the yield of the American treasury securities, closed in November at 214 pbs. In December 51.4% of the analysts, 22.9 pps less than last month, expect that in the next 3 months the spread will increase, while 27.0%, 21.3 pps more than previous month, expect it to decrease. The remaining 21.6% of respondents believe the spread will remain the same (Graph 7).
Financial Opinion Survey
December 2018

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

Source: Financial Opinion Survey, Fedesarrollo

FACTORS AFFECTING INVESTMENT

The share of analysts considering fiscal policy as the most important aspect for investing presented a reduction, going from 57.1% in November to 48.6% in December. Despite this, it continues to be the most relevant factor for investment decisions. External factors placed second with 28.6%, showing an increase of 11.4 pps compared to the previous month (Graph 8).

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

Source: Financial Opinion Survey, Fedesarrollo

INVESTMENT PREFERENCE

Relative to previous month, portfolio managers increased their preferences for local stocks, as well as for private equity funds, commodities, international stocks, TES and private debt fixed-rate. In contrast, there is evidence of a deterioration in preferences for private debt indexed to DTF, CPI and IBR, foreign bonds, UVR TES and cash (Graph 9).

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

Source: Financial Opinion Survey, Fedesarrollo

Compared to the survey historical average, there is greater preference for cash, local stocks, private debt indexed to the CPI, as well as TES UVR, commodities and foreign bonds (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

COLCAP reflects price changes in most liquid shares of Colombian Stock Exchange. In December, 64.7% of the analysts expect a valuation of the index in the next 3 months (Table 1). This proportion decreased by 7.2 pps compared to the results of last month. On the other hand, the proportion of analysts who expect the stock index to depreciate in the next three months increased from 28.1% to 35.3%

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

<table>
<thead>
<tr>
<th>Index COLCAP Price Level</th>
<th>November 2018</th>
<th>December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will increase 10% or more</td>
<td>6.3%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Will increase between 5% and 9.99%</td>
<td>9.4%</td>
<td>26.5%</td>
</tr>
<tr>
<td>Will increase between 0.01% and 4.99%</td>
<td>56.3%</td>
<td>35.3%</td>
</tr>
<tr>
<td>Will remain</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Will decrease between 0.01% and 4.99%</td>
<td>28.1%</td>
<td>26.5%</td>
</tr>
<tr>
<td>Will decrease between 5% and 9.99%</td>
<td>0.0%</td>
<td>8.8%</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

Groupo Sura, Cementos Argos and ISA (Graph 12).

Relative to November, there is greater appetite among respondents for shares of the holdings, the construction sector and the energy sector. On the contrary, shares of the financial, oil and consumer sectors are less preferred (Graph 13).

Graph 12. More attractive COLCAP Stocks for investors (% of the respondents who consider the stock as one of the three more attractive)

Graph 13. More attractive COLCAP sectors for investors (% of the respondents who consider the stock as one of the three more attractive)

MOST ATTRACTIVE COLCAP SHARES

The FOS consults the analysts about the three shares they consider the most attractive within those that make up the COLCAP index. This month, Grupo Argos stock was ranked first, with a preference expressed by 43.5% of those who invest in shares. It was followed by...
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 December 40.0% of respondents said they were planning a hedge against foreign exchange risk in the short term, which represents an increase of 4.7 pps compared to last month. On the other hand, the percentage of administrators expected to hedge against the interest rate risk continues in the second place, despite the reduction of 6.6 pps compared to the previous month. In addition, there is evidence of an increase of 11.3 pps in the percentage of respondents who are planning coverage against credit risk (Graph 14).

Graph 14. Coverage of the Different Types of Risk for the Next 3 Months (% of answers)

Table 2. Summary of Macroeconomic Expectations*

<table>
<thead>
<tr>
<th>Variable</th>
<th>Observed</th>
<th>Expectations (Median of the answers)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>November</td>
<td>Dec-18</td>
</tr>
<tr>
<td>Inflation (% annual)</td>
<td>3,27</td>
<td>3,28</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>$ 3,240</td>
<td>$ 3,150</td>
</tr>
<tr>
<td>Interest rate (%)</td>
<td>4,25</td>
<td>4,25</td>
</tr>
<tr>
<td>3Q-2018</td>
<td>2,7</td>
<td>2,8</td>
</tr>
</tbody>
</table>

Source: Financial Opinion Survey -BVC