CENTRAL BANK POLICY RATE

In December, Colombia’s Central Bank kept its policy interest rate unchanged at 4.25%, as expected by the 100% of the analysts in the previous survey.

For January 2019, 100% of the analysts expect the interest rate to remain unchanged at 4.25%. By the end of the year, 66.7% of the analysts forecast an increase of 50 bps and 21.2% an increase of 75 bps. On the other hand, 9.1% expect it to remain unchanged and 3.0% anticipate a 100 bps increase (Graph 1).

ECONOMIC GROWTH

In January, analysts maintained their growth forecast for the fourth quarter of 2018 at 2.8% and believe that growth in the first quarter of 2019 will be 3.0%. On the other hand, the forecast of annual GDP growth for 2018 fell from 2.7% to 2.6% (Graph 2), while the forecast for 2019 remained at 3.2% (Graph 3).

INFLATION

In December, annual inflation reached 3.18%, below the forecast of the previous survey (3.28%). In January, analysts believe that inflation will rise to 3.25% (Graph 4). Inflation expectations for the end of 2019 remained at 3.50% (Graph 5).
EXCHANGE RATE

The exchange rate closed in December at $3,250, a monthly depreciation of 0.3%. It reached a maximum value of $3,289 pesos per dollar on December 27th. By the end of January, analysts expect the exchange rate to be between $3,105 and $3,157, with $3,150 as the median response. The projection of the exchange rate for the next three months was between $3,060 and $3,180 with $3,100 as the median response (Graph 6). By the end of 2019, the median projection increased slightly from $3,100 to $3,150 (Graph 7).

TES 2024 RATE

During January, there has been an increase in TES 2024 trading rate. The proportion of analysts expecting TES 2024 rate between 6.0% and 6.39% in the next three months increased considerably, while the proportion of analysts expecting it between 6.4 and 6.79% went down from 61.1% to 9.7% (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

Debt spread (EMBI + Colombia), defined as the difference between the yield of Colombian bonds issued abroad and the yield of American treasury securities, closed in December at 231 pbs. In January 53.1% of analysts, 1.8 pps more than last month, expect an increase in the spread in the next three months, while 18.8%, 8.3 pps less than previous month, expect it to decrease. The remaining 28.1% of respondents believe the spread will remain the same (Graph 9).

FACTORS AFFECTING INVESTMENT

The share of analysts considering external factors as the most important aspect for investing presented a strong increase, going from 28.6% in December to 41.9% in January. Fiscal policy placed second with 22.6%, showing a reduction of 26.0 pps compared to the previous month (Graph 10).

INVESTMENT PREFERENCE

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

Compared to the survey historical average, there is a greater preference for local shares, private fixed rate debt, private debt indexed to the IBR and DTF, foreign bonds, TES fixed rate, and commodities (Graph 12).
COLCAP

COLCAP reflects price changes in most liquid shares of Colombian Stock Exchange. In January 75.9% of analysts expect a valuation of the index in the next three months (Table 1). This proportion increased by 11.1 pps compared to the results of last month. On the other hand, the proportion of analysts expecting the stock index to depreciate in the next three months decreased from 35.3% to 20.7%.

The FOS consults analysts about the three shares that they consider the most attractive within those that make up the COLCAP index. This month, Cementos Argos stock was ranked first, with a preference expressed by 42.1% of those who invest in shares. It was followed by Davivienda, Cemex, Empresa de Energía de Bogotá y Éxito (Graph 14).

**Relative to December, there is a greater appetite among respondents for shares of the construction, financial and consumption sectors. On the contrary, shares in the oil sector, the energy sector and the Consumer Holdings group 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)


Graph 15. More attractive COLCAP sectors for investors
(\% of the respondents who consider the stock as one of the three more attractive)


Graph 16. Coverage of the Different Types of Risk for the Next 3 Months
(\% of answers)

Fuente: Encuesta de Opinión Financiera, Fedesarrollo

Table 2. Summary of Macroeconomic Expectations*

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Source: Financial Opinion Survey -BVC

**Financial Opinion Survey**

**January 2019**

**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 January 32.3\% of respondents said they were planning a hedge against foreign exchange risk in the short term, which represents a reduction of 7.7 pps compared to last month. On the other hand, the percentage of administrators expected to hedge against the interest rate risk continues in second place, despite the reduction of 6.7 pps compared to the previous month. In addition, there is evidence of an increase of 9.7 pps in the percentage of respondents who are planning coverage against equities (Graph 16).

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