

# Financial Opinion Survey

June 2019

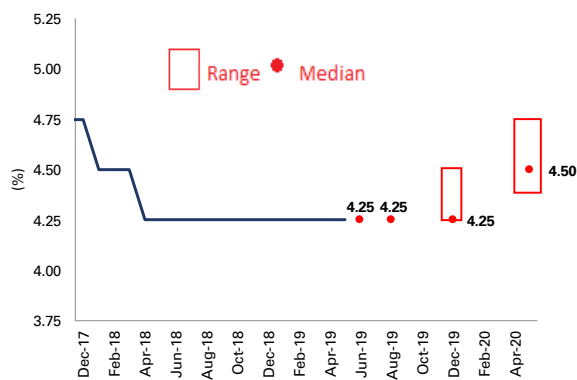
Bulletin No.170

## CENTRAL BANK POLICY RATE

In May, there was no monetary policy decision made by the Central Bank of Colombia. In June, 100% of the analysts expect the interest rate to remain unchanged at 4,25%.

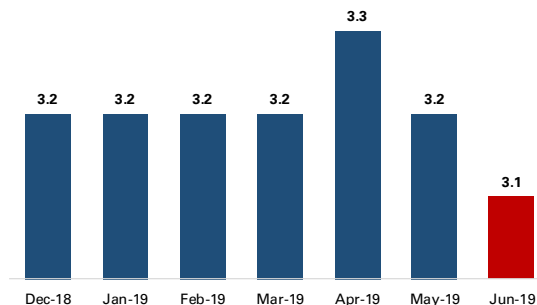
By the end of the year, 51.4% of the analysts expect the interest rate to remain unchanged (54.5% in previous FOS), 21.6% expect a 25-bps increase (30.3% in previous FOS), 13.5% expect it to increase 50-bps (12.1% in previous FOS) and 13.5% expect a reduction of 25-bps or more (Graph 1).

Graph 1. Central Bank Interest Rate



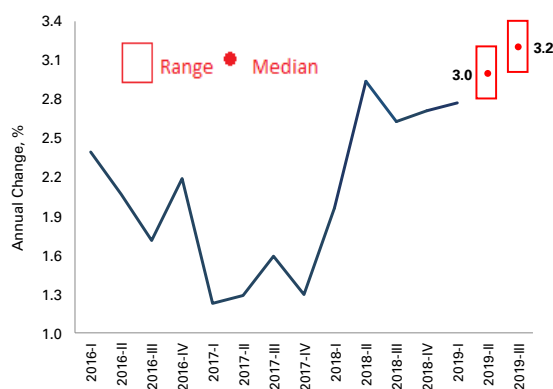
Source: Financial Opinion Survey, Fedesarrollo

Graph 2. 2019 GDP Growth Forecast  
(Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo

Graph 3. GDP Growth Forecast for second quarter of 2019  
(Annual Change)



Source: Financial Opinion Survey, Fedesarrollo

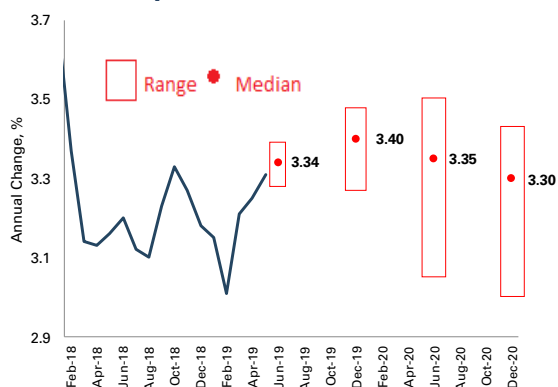
## ECONOMIC GROWTH

In June, analysts decreased their economic growth forecast for 2019 from 3.2% in the previous FOS to 3.1% (Graph 2). Economic growth forecast for the second quarter was adjusted from 3.1% to 3.0% (Graph 3).

## INFLATION

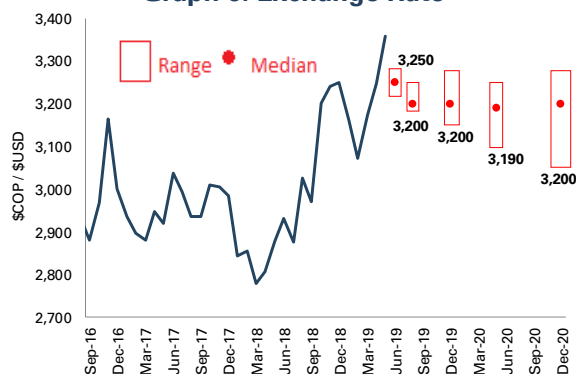
In May, annual inflation reached 3.31%, above the analysts' forecast in the previous survey (3.29%). In June analysts believe that inflation will increase to 3.34% (Graph 4). Inflation expectations for the end of 2019 remained at 3.40% (Graph 5).

Graph 4. Inflation Forecast



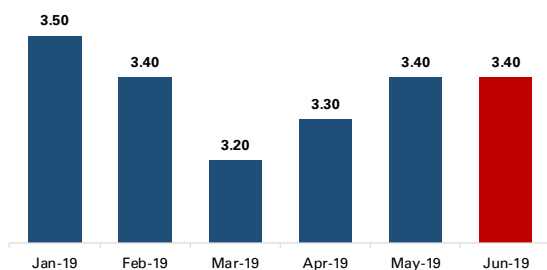
Source: Financial Opinion Survey, Fedesarrollo

Graph 6. Exchange Rate



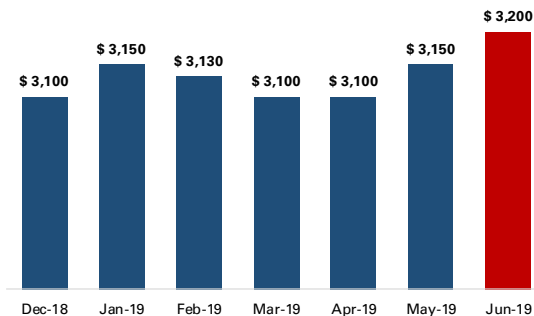
Source: Financial Opinion Survey, Fedesarrollo

Graph 5. Inflation Forecast. End of 2019



Source: Financial Opinion Survey, Fedesarrollo

Graph 7. Exchange Rate Forecast, End of Period 2019



Source: Financial Opinion Survey, Fedesarrollo

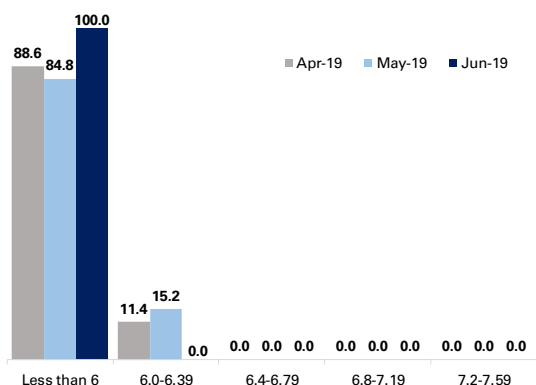
## EXCHANGE RATE

The exchange rate closed in May at \$ 3,358, a monthly depreciation of 3.4%. On May 30<sup>th</sup>, it reached a maximum value of \$ 3,375 pesos per dollar. **By the end of June, analysts expect the exchange rate to be between \$ 3,280 and \$ 3,220, with \$ 3,250 as the median response. Exchange rate forecast for the next three months ranges between \$ 3,250 and \$ 3,180, with \$ 3,200 as the median response (Graph 6).** By the end of 2019, the median forecast increased to \$ 3,200 (Graph 7).

## TES 2024 RATE

During June, TES 2024 trading rate followed a downward trend. In this edition, 100% of the analysts expect **TES 2024 rate to be below 6% during the next three months (84.8% in May)**, while the analysts who expect it to be between 6.0% and 6.39% decreased from 15.2% to 0.0% (Graph 8).

**Graph 8. Expectation of TES 2024 performance rate for the next 3 months.**  
(% of answers)

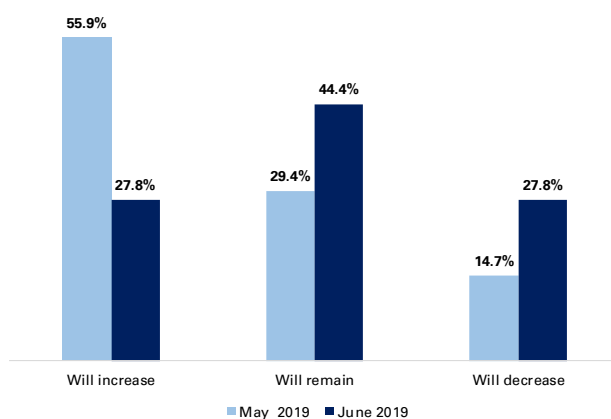


Source: Financial Opinion Survey, Fedesarrollo

## 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 210-bps in May. **In June 27.8% of analysts (28.1 pps less than previous month), expect a spread increase in the next three months, while 27.8% (13,1 pps more than previous month) expect it to decrease. The remaining 44.4% of respondents expect for the spread to remain stable.** (Graph 9).

**Graph 9. Expectation 3-months debt spread**  
(% of answers)

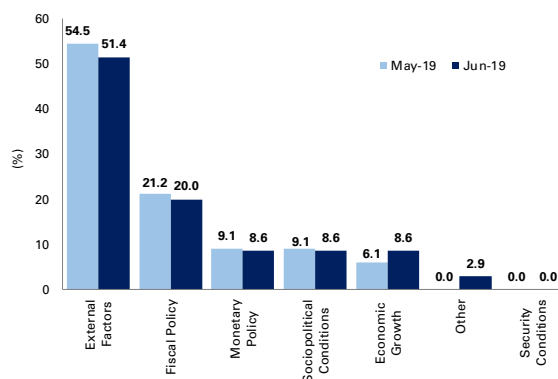


Source: Financial Opinion Survey, Fedesarrollo

## INVESTMENT DETERMINANTS

**External factors were ranked as the most important aspect for investing, despite decreasing 3.1 pps.** Fiscal policy placed second (20.0%) with a reduction of 1.2 pps compared to the previous month (Graph 10).

**Graph 10. Most relevant factors to invest**  
(% of answers)



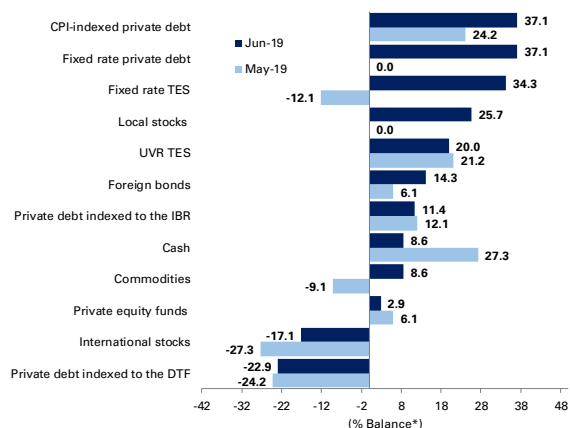
Source: Financial Opinion Survey, Fedesarrollo

## INVESTMENT PREFERENCE

**Relative to May, portfolio managers increased their preferences for fixed rate TES, fixed rate private debt and local stocks.** In contrast, there is evidence of a deterioration in preferences for cash, private equity funds and UVR TES (Graph 11).

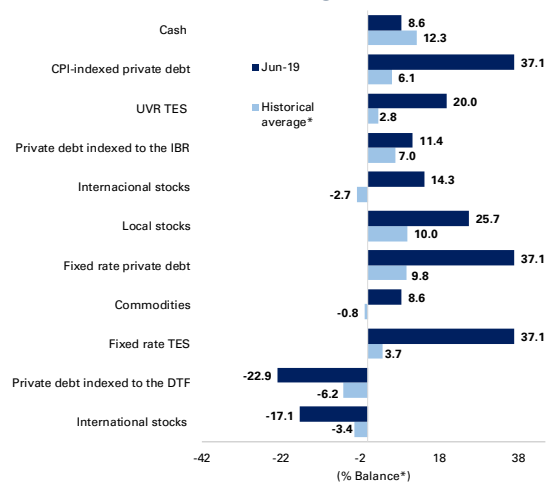
Compared to the survey's historical average, there is a greater preference for fixed rate TES, CPI-indexed private debt and fixed rate private debt (Graph 12).

**Graph 11. 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

**Graph 12. 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

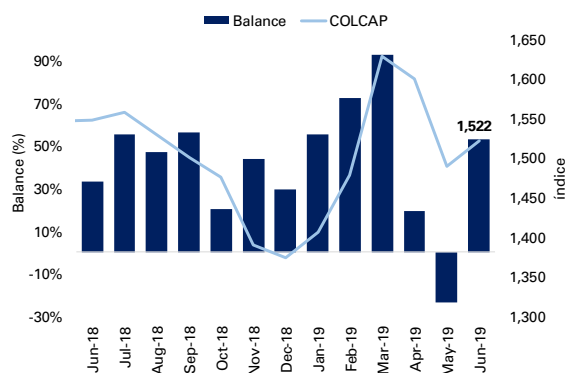
The COLCAP Index reflects changes in price of the most liquid shares of Colombian Stock Exchange. **In June 75.0% of analysts expect an appreciation of the index during the next three months (30.0% in May)** (Table 1). On the other hand, the percentage of analysts expecting the stock index to devalue decreased from 53.3% to 21.9%.

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

Index COLCAP Price Level	May 2019	June 2019
Will increase 10% or more	0.0%	0.0%
Will increase between 5% and 9,99%	0.0%	25.0%
Will increase between 0,01% and 4,99%	30.0%	50.0%
Will remain	16.7%	3.1%
Will decrease between 0,01% and 4,99%	46.7%	18.8%
Will decrease between 5% and 9,99%	6.7%	3.1%
Will decrease between 10% or more	0.0%	0.0%

Source: Financial Opinion Survey, Fedesarrollo

**Graph 13. 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

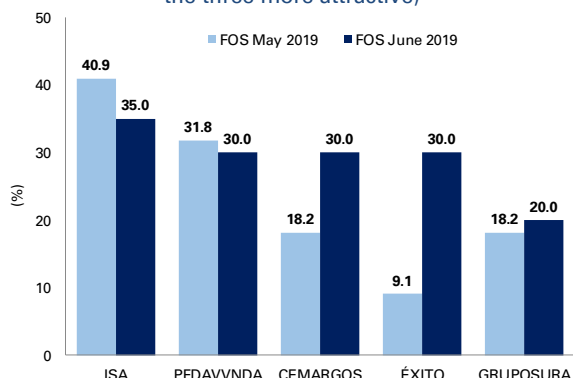
## MOST ATTRACTIVE COLCAP SHARES

When asked for the most attractive shares within the COLCAP Index, **35.0% of analysts identified ISA as the most attractive stock. It was followed by Banco Davivienda, Cementos Argos, Almacenes Éxito and Grupo Inversiones Suramericanas** (Graph 14).

Compared to May, there is a greater appetite among respondents for shares of consumption and construction sectors. On the contrary, shares in holdings, energy and financial sectors are less preferred (Graph 15).

**Graph 14. More attractive COLCAP Stocks for investors**

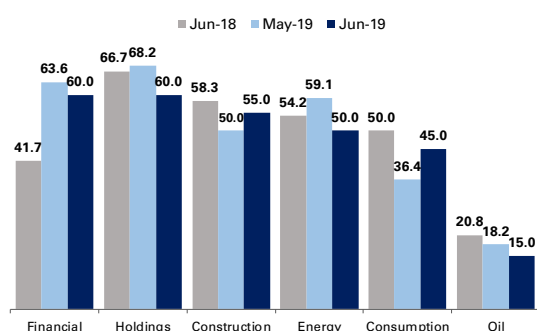
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey, Fedesarrollo.

**Graph 15. More attractive COLCAP sectors for investors**

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



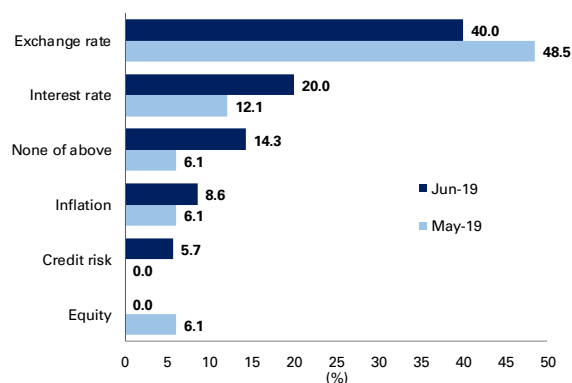
Source: Financial Opinion Survey, Fedesarrollo.

**RISK COVERAGE**

The FOS asks portfolio managers about the types of risk for which they plan to hedge against in the next three months. **In June 40.0% of respondents were planning to hedge against foreign exchange risk in the short term, which represents a decrease of 8.5 pps compared to last month responses.** On the other hand, the percentage of administrators who expect to hedge against interest rate placed second (20.0%). (Graph 16).

**Graph 16. 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	Expectations (Median of the answers)			
	Observed	Jun-19	Sep-19	Dec-19
	May-19			
Inflation (Annual variation, %)	3.31	3.34		3.40
Exchange rate	\$ 3,358	\$ 3,250	\$ 3,200	\$ 3,200
Interest rate (%)	4.25	4.25	4.25	4.25
	1Q-2019	2Q-2019	Year 2019	Year 2020
Growth (%)	2.8	3.00	3.10	3.30

Source: Financial Opinion Survey -BVC



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

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