

# Financial Opinion Survey

July 2019

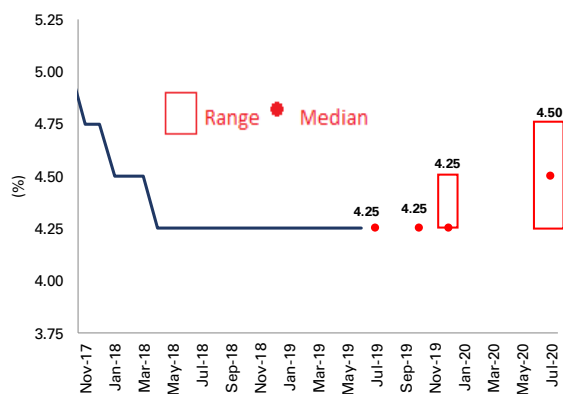
Bulletin No.171

## CENTRAL BANK POLICY RATE

In June, the Board of Directors of the Central Bank kept its monetary policy interest rate unchanged at 4.25%. In July, 100% of the analysts expect the interest rate to remain at 4.25%.

By the end of the year, 65.8% of the analysts expect the interest rate to remain unchanged (51.4% in previous FOS), 13.2% expect a 25-bps increase (21.6% in previous FOS), 13.2% expect it to increase 50-bps (13.5% in previous FOS) and 7.9% expect a reduction of 25-bps or more (Graph 1).

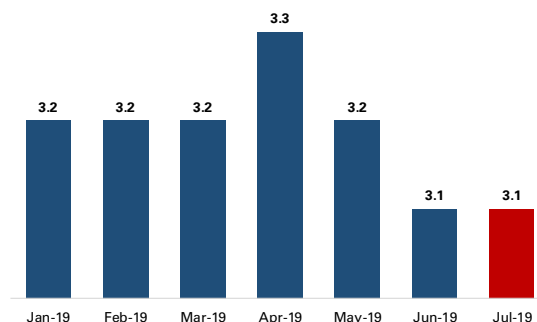
Graph 1. Central Bank Interest Rate



Source: Financial Opinion Survey, Fedesarrollo

Graph 2. 2019 GDP Growth Forecast

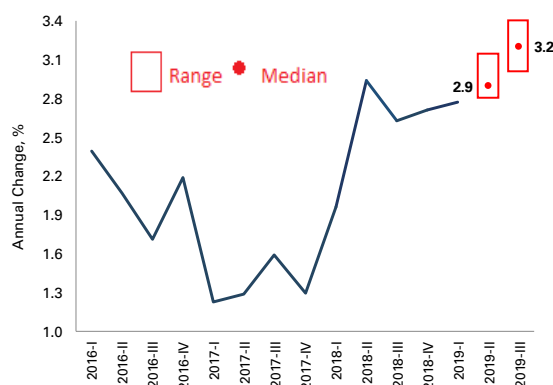
(Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo

Graph 3. GDP Growth Forecast for second quarter of 2019

(Annual Change)



Source: Financial Opinion Survey, Fedesarrollo

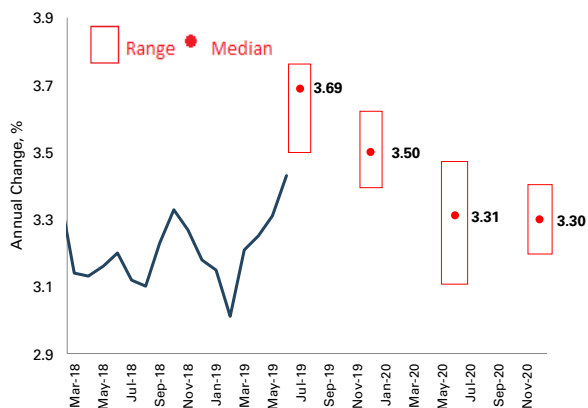
## ECONOMIC GROWTH

In July, analysts kept their economic growth forecast for 2019 at 3.1% (Graph 2). Economic growth forecast for the second quarter was adjusted from 3.0% to 2.9% (Graph 3).

## INFLATION

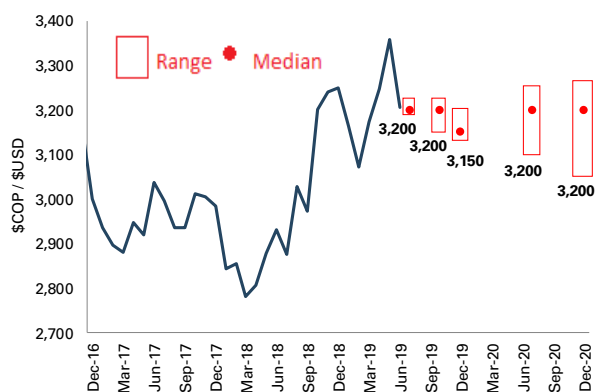
In June, annual inflation reached 3.43%, above the analysts' forecast in the previous survey (3.34%). In July, analysts believe that inflation will increase to 3.69% (Graph 4). Inflation expectations for the end of 2019 remained at 3.50% (Graph 5).

Graph 4. Inflation Forecast



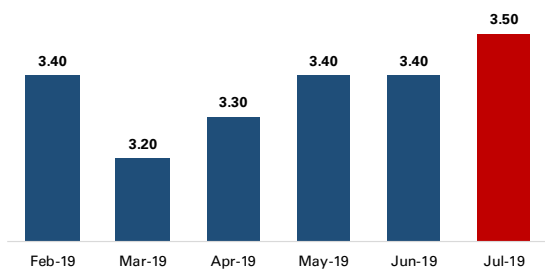
Source: Financial Opinion Survey, Fedesarrollo

Graph 6. Exchange Rate



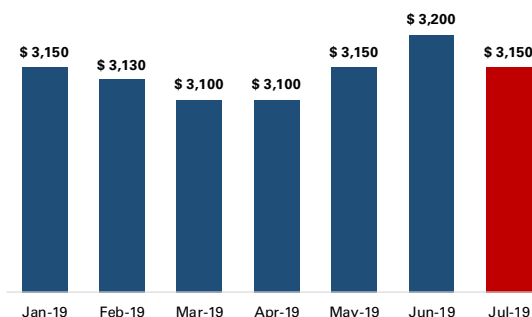
Source: Financial Opinion Survey, Fedesarrollo

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

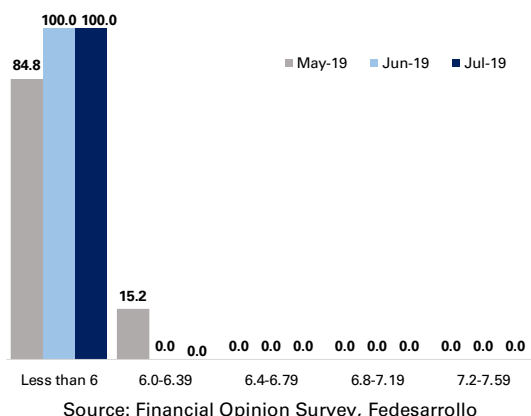
## EXCHANGE RATE

The exchange rate closed in June at \$3,206, a monthly appreciation of 4.5%. On June 27<sup>th</sup>, it reached a minimum value of \$3,178 pesos per dollar. **By the end of July, analysts expect the exchange rate to be between \$3,225 and \$3,190, with \$3,200 as the median response. Exchange rate forecast for the next three months ranges between \$3,225 and \$3,150, with \$3,200 as the median response (Graph 6).** By the end of 2019, the median forecast decreased to \$3,150 (Graph 7).

## TES 2024 RATE

During July, TES 2024 trading rate followed a mixed trend. In this edition, 100% of the analysts expect **TES 2024 rate to be below 6% during the next three months**, as in the previous edition of the survey (Graph 8).

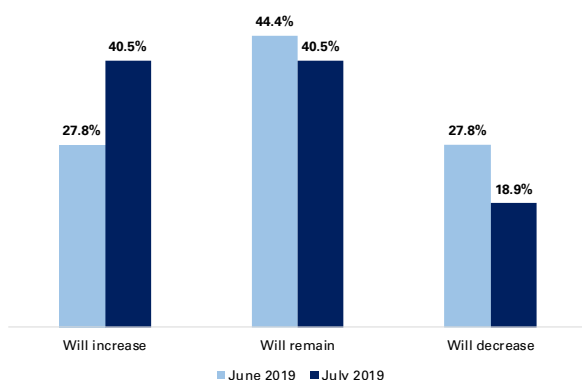
**Graph 8. Expectation of TES 2024 performance rate for the next 3 months.**  
(% of answers)



## 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 180-bps in June. **In July 40.5% of analysts (12.8 pps more than previous month), expect a spread increase in the next three months, while 18.9% (8.9 pps less than previous month) expect it to decrease. The remaining 40.5% of respondents expect for the spread to remain stable.** (Graph 9).

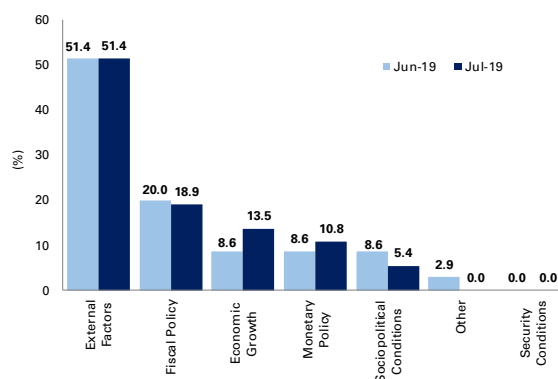
**Graph 9. Expectation 3-months debt spread**  
(% of answers)



## INVESTMENT DETERMINANTS

External factors were ranked as the most important aspect for investing, keeping unchanged at 51.4%. Fiscal policy placed second (18.9%) with a reduction of 1.1 pps compared to the previous month. Economic growth and monetary policy increased 4,9 pps and 2,2 pps, respectively (Graph 10).

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

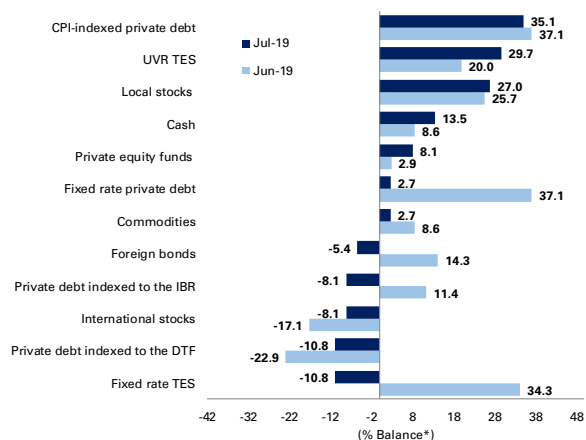


## INVESTMENT PREFERENCE

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

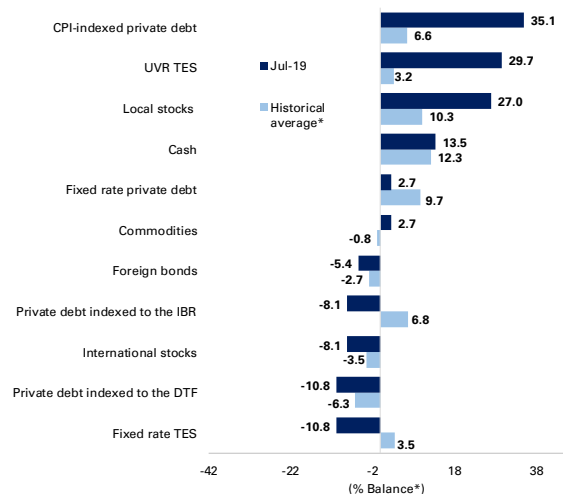
Compared to the survey's historical average, there is a greater preference for CPI-indexed private debt, UVR TES and local stocks (Graph 12).

**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

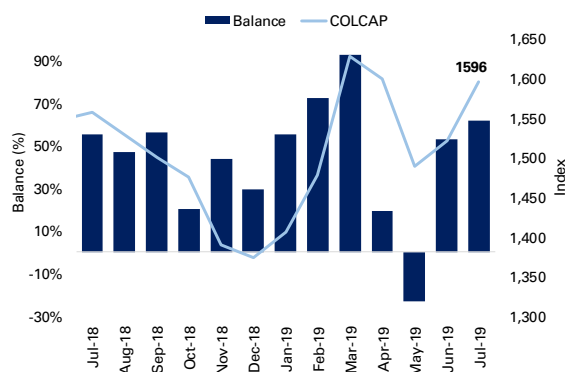
The COLCAP Index reflects changes in price of the most liquid shares of Colombian Stock Exchange. **In July 79.4% of analysts expect an appreciation of the index during the next three months (75.0% in June)** (Table 1). On the other hand, the percentage of analysts expecting the stock index to devalue decreased from 21.9% to 17.6%.

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

Index COLCAP Price Level	June 2019	July 2019
Will increase 10% or more	0.0%	0.0%
Will increase between 5% and 9,99%	25.0%	17.6%
Will increase between 0,01% and 4,99%	50.0%	61.8%
Will remain	3.1%	2.9%
Will decrease between 0,01% and 4,99%	18.8%	8.8%
Will decrease between 5% and 9,99%	3.1%	8.8%
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

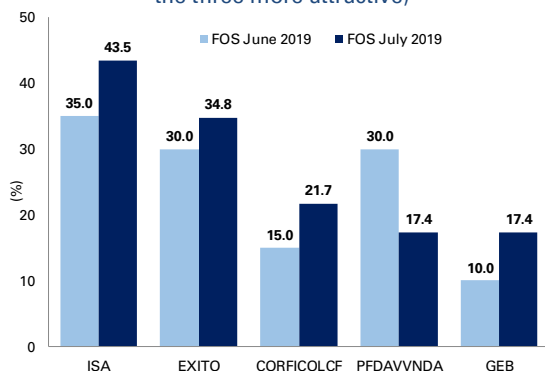
## MOST ATTRACTIVE COLCAP SHARES

When asked for the most attractive shares within the COLCAP Index, analysts identified **ISA as the most attractive stock for the third consecutive month (43.5%)**. It was followed by **Almacenes Exito, Corficolombiana, Banco Davivienda y Grupo Energía Bogotá** (Graph 14).

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

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

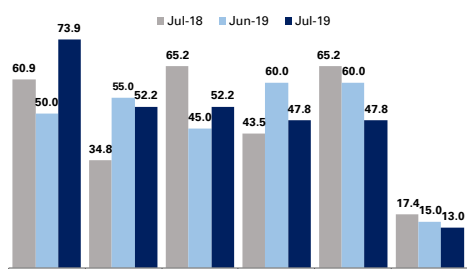
(% of the respondents who consider the stock as one of the three more attractive)



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)



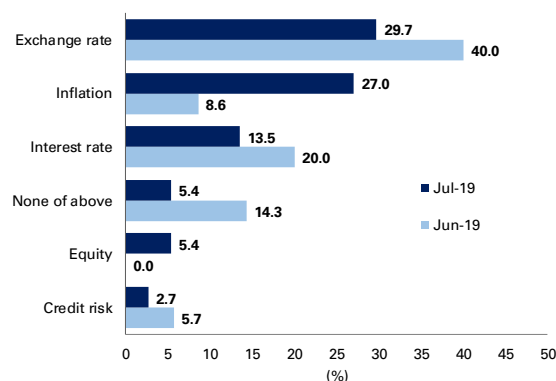
Source: Financial Opinion Survey, Fedesarrollo.

**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 July 29.7% of respondents were planning to hedge against foreign exchange risk in the short term, which represents a decrease of 10.3 pps compared to last month responses.** On the other hand, the percentage of administrators who expect to hedge against inflation placed second (27.0%). (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	Observed	Expectations (Median of the answers)		
	Jun-19	Jul-19	Oct-19	Dec-19
Inflation (Annual variation, %)	3.43	3.69		3.50
Exchange rate	\$ 3,206	\$ 3,200	\$ 3,200	\$ 3,150
Interest rate (%)	4.25	4.25	4.25	4.25
	1Q-2019	2Q-2019	Year 2019	Year 2020
Growth (%)	2.8	2.90	3.08	3.30

Source: Financial Opinion Survey -BVC

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

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