CENTRAL BANK POLICY RATE

In August, the Board of Directors of the Central Bank decided to keep its monetary policy interest rate unchanged at 4.25%. In September, 100% of the analysts expect the intervention rate to remain unaltered.

By the end of the year, 97.4% of the analysts foresee the interest rate to remain unchanged (82.4% in previous FOS), while 2.6% expect a 25-bps increase (14.7% in previous FOS).

ECONOMIC GROWTH

In September, analysts increased their economic growth forecast for 2019 and 2020 at 3.1% (Graph 2) and 3.3%, respectively, which means a 10 and 5 pbs rise, respectively. Expectations about third quarter growth decreased related to previous edition, the economic growth forecast for the third quarter fell from 3.2% to 3.1% (Graph 3).

INFLATION

In August, annual inflation reached 3.75%, below the analysts’ forecast in the previous edition (3.82%). In September, analysts believe that inflation will decrease and place at 3.73% (Graph 4). Inflation expectations for the end of 2019 fell to 3.65% (Graph 5).
EXCHANGE RATE

In August, the exchange rate closed at $3,427, with a monthly depreciation of 3.95%. On August 29th, it reached a maximum value of $3,477.53 pesos per dollar. By the end of this month, analysts expect the exchange rate to be between $3,335 and $3,381, with $3,350 as the median response. Exchange rate forecast for the end of 2019 ranges between $3,238 and $3,300, with $3,300 as the median response (Graph 6 and 7).

TES 2024 RATE

During August, TES 2024 rate presented a downward trend. In this edition, the percentage of analysts who consider the rate will be between 4.6% and 5% during the next three months was 37.8%; 43.2% expect it to range between 5.1% and 5.25%; the 13.5% believe it will be between 5.26% and 5.5%; while 5.4% of analysts expect a higher rate than 5.6% (Graph 8).
Financial Opinion Survey
September 2019

DEBT SPREAD – EMBI + COLOMBIA

The debt spread (EMBI + Colombia) is defined as the difference between the yield of Colombian bonds issued abroad and the yield of American treasury securities. Debt spread closed at 179-bps in August. In September, 39.5% of analysts (16.4 pps less than previous month) expect the spread to increase in the next three months, while 18.4% (8.1 pps less than previous month) expect it to decrease. The remaining 42.1% of the respondents expect for the spread to remain equal. (Graph 9).

INVESTMENT PREFERENCE

Related to past month, portfolio managers increased their preferences for private debt indexed to IBR, commodities, fixed rate private debt and international stocks. In contrast, there is evidence of a deterioration in preferences for cash, CPI indexed private debt, UVR TES and fixed rate TES (Graph 11).

Compared to the survey’s historical average, there is a greater preference primarily for UVR TES, private debt indexed to IBR and foreign bonds (Graph 12).

INVESTMENT DETERMINANTS

External factors ranked this month as the most important aspect for investing decisions, although the proportion of analysts considering it fell to 62.2% (10.5 pps less than the previous month). Fiscal and monetary policy placed second and third, respectively. The fiscal factor reached 27%,
Financial Opinion Survey
September 2019

Graph 11. Projection of positions in the next 3 months for different assets

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 price changes on the most liquid shares of Colombian Stock Exchange. In September, 66.7% (65.6% in August) of analysts expect an appreciation of the index during the next three months (Table 1). On the other hand, the percentage of analysts expecting the stock index to devaluate decreased from 31.3% to 30.6%.

Table 1. Expectations about the COLCAP index price at 3 months (% of answers)

<table>
<thead>
<tr>
<th>Index COLCAP Price Level</th>
<th>August 2019</th>
<th>September 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will increase 10% or more</td>
<td>6.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Will increase between 5% and 9.99%</td>
<td>18.8%</td>
<td>30.6%</td>
</tr>
<tr>
<td>Will increase between 0.01% and 4.99%</td>
<td>40.6%</td>
<td>36.1%</td>
</tr>
<tr>
<td>Will remain</td>
<td>3.1%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Will decrease between 0.01% and 4.99%</td>
<td>18.8%</td>
<td>27.8%</td>
</tr>
<tr>
<td>Will decrease between 5% and 9.99%</td>
<td>12.5%</td>
<td>2.8%</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

Graph 13. Balance on the price of the COLCAP index 3 months* (% of answers)

MOST ATTRACTIVE COLCAP SHARES

The FOS asked to the analysts for the most attractive shares compounding the COLCAP index. In this edition, Ecopetrol was ranked this month in the first place (39.1%). It was followed by Bancolombia preferred stocks, as well as ISA, Avianca and Corficolombiana stocks. (Graph 14).

Compared to August, there is a greater appetite among respondents for shares of financial, oil and holding sectors. On the contrary, shares in construction, energy and consumption 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)


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


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 September, 48.7% of respondents were planning to hedge against foreign exchange risk in the short term, which represents an increase of 6.2 pps compared to last month responses. On the other hand, the percentage of administrators who expect to hedge against interest rate placed second with 18.9%, which represents an increase of 9.8 pps compared to the result of the previous FOS (Graph 16).

Graph 16. 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 answers)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aug-19</td>
<td>Sep-19</td>
</tr>
<tr>
<td>Inflation (Annual variation, %)</td>
<td>3.75</td>
<td>3.73</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>$3,427</td>
<td>$3,350</td>
</tr>
<tr>
<td>Interest rate (%)</td>
<td>4.25</td>
<td>4.25</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>2Q-2019</td>
<td>3Q-2019</td>
</tr>
<tr>
<td></td>
<td>3.0</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: Financial Opinion Survey - BVC