CENTRAL BANK POLICY RATE

In October, the Board of Directors of the Central Bank decided to keep its monetary policy interest rate unchanged at 4.25%. In November 97.5% of the analysts expect the intervention rate to remain unaltered *(100% in previous FOS)*, the remaining 2.5% of the analysts expect a 25-bps increase.

By the end of the year, 97.5% of the analysts foresee the interest rate to remain unchanged *(94.9% in previous FOS)***, while the remaining 2.5% expect a 25-bps increase** *(2.6% in previous FOS)***.**

Graph 1. Central Bank interest rate
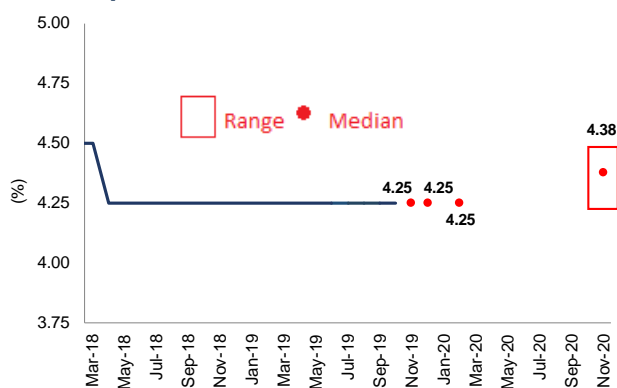
Source: Financial Opinion Survey, Fedesarrollo

ECONOMIC GROWTH

In November, analysts maintained their economic growth forecast for 2019 at 3.2% (Graph 2), and **at 3.3% for 2020. Expectations about third quarter growth decreased related to previous edition, from 3.3% to 3.2%**, this result contrasts with the GDP observed, which was 3.3% (Graph 3). Conversely, **expectations about fourth quarter growth remained at 3.3%**

Graph 2. 2019 GDP annual growth forecast
(Annual Change, %)
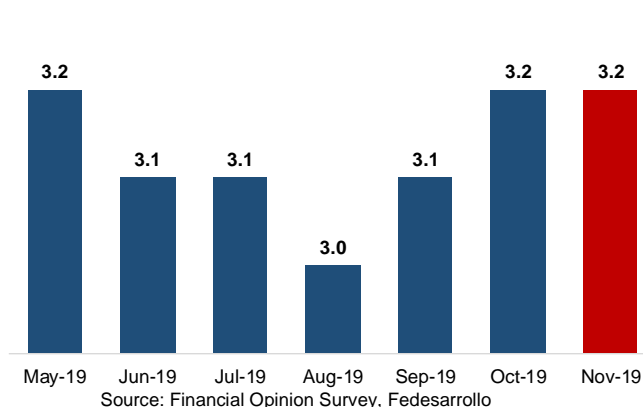
Source: Financial Opinion Survey, Fedesarrollo

Graph 3. GDP growth forecast – third and fourth quarter of 2019
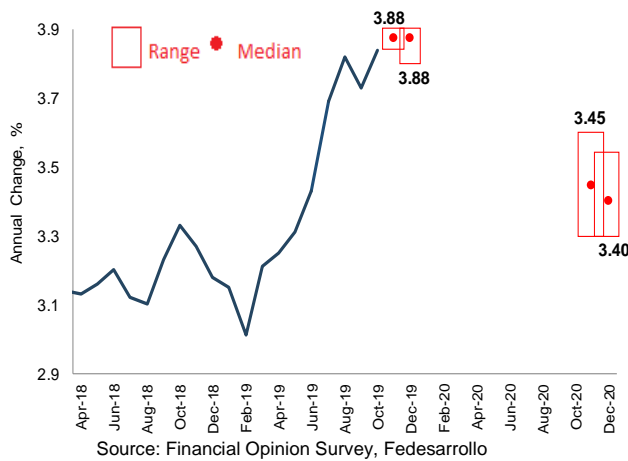(Annual Change)
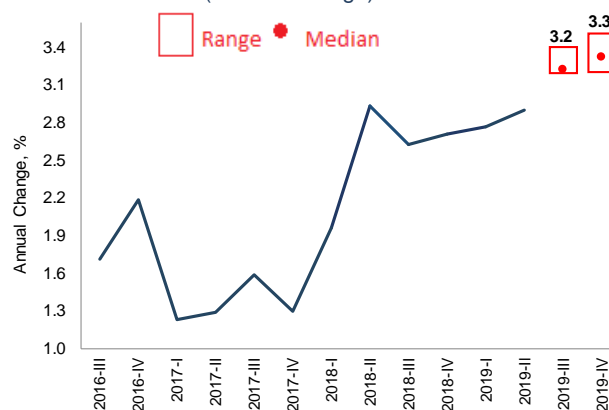
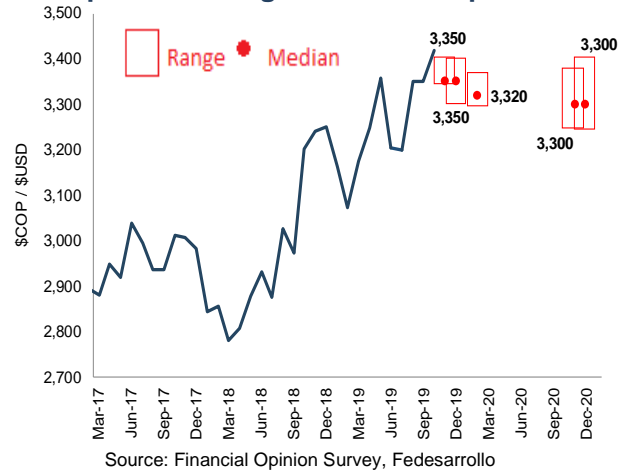Source: Financial Opinion Survey, Fedesarrollo

INFLATION

In October, annual inflation reached 3.86%, higher than the analysts' forecast in the previous edition (3.84%). **In November, analysts believe that inflation will continue increasing and place at 3.88%** (Graph 4)**. Inflation expectations for the end of 2019 increased as well, reaching 3.88%** *(3.81% in previous FOS)* (Graph 5)**.**
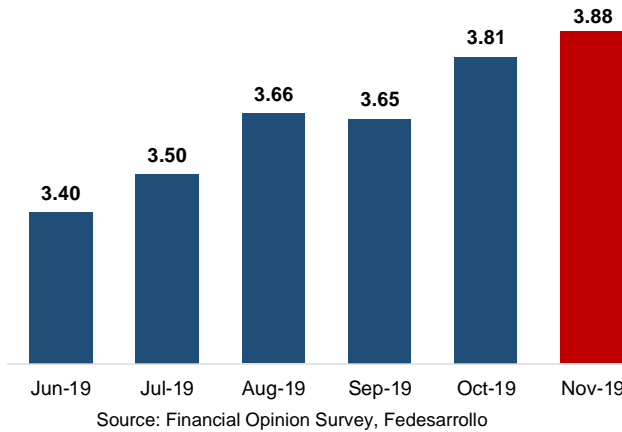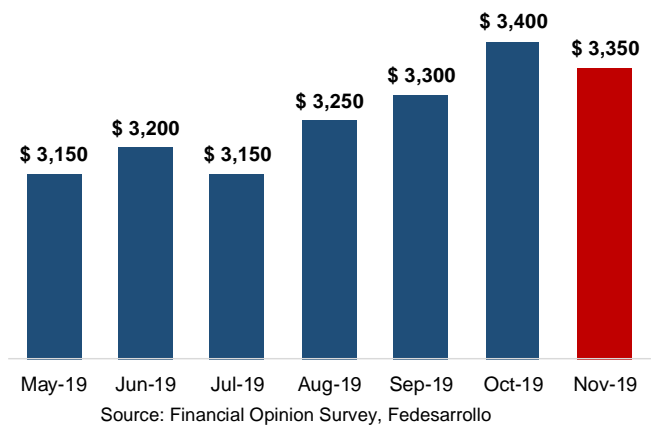
Graph 4. Inflation forecast

Source: Financial Opinion Survey, Fedesarrollo

Graph 6. Exchange rate - end of period

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
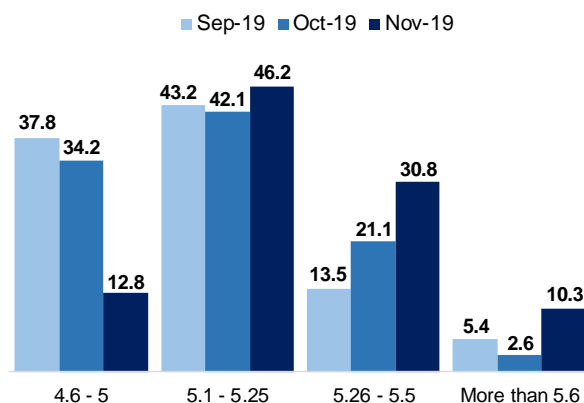

Source: Financial Opinion Survey, Fedesarrollo

EXCHANGE RATE

In October, the exchange rate closed at $ 3,389.94, with a monthly appreciation of 2.08%. On October 30th, it reached a minimum value of $ 3,380.90 pesos per dollar. **By the end of this month, analysts expect the exchange rate to be between $3,350 and $3,400**, with **$3,350** as the median response. **Exchange rate forecast for next three months ranges between $3,300 and $3,370,** with **$3,320** as median response (Graph 6). **Exchange rate forecast for the end of 2019 decreased compared to past month result,** with **$ 3,350** as the median response *($3,400 in previous FOS),* ending with the upward trend observed since July of the current year about exchange rate expectations for the end of 2019 (Graph 7).

TES 2024 RATE

During October, TES 2024 rate presented an upward trend since October 10th, reaching trading volumes of 8,8 trillion pesos. In this edition, the percentage of analysts who consider **the rate will be between 4.6% and 5% during the next three months was 12.8%; 46.2% expect it to range between 5.1% and 5.25%; the 30.8% believe it will be between 5.26% and 5.5%; while 10.3% of analysts expect a higher rate than 5.6%** (Graph 8).

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

Source: Financial Opinion Survey, Fedesarrollo

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 182-bps in October. **In November 52.5% of analysts** *(38.5% in October)* **expect the spread to increase in the next three months, while 20.0%** *(10.3% in October)* **expect it to decrease. The remaining 27.5% of the respondents expect for the spread to remain equal** *(51.3% in October)***.** (Graph 9).

## Graph 9. Expectation 3-months debt spread
(% of answers)
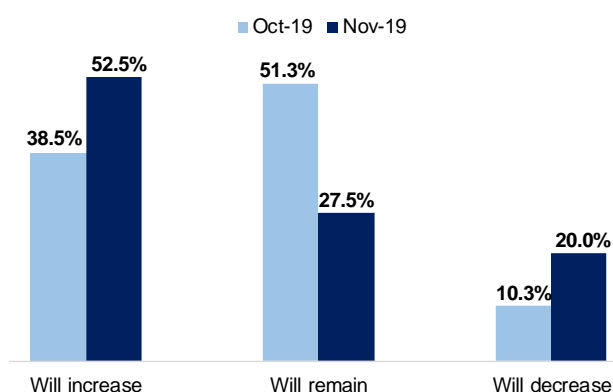
Source: Financial Opinion Survey, Fedesarrollo

INVESMENT DETERMINANTS

External factors continue ranking this month as the most important aspect for investing decisions and the proportion of analysts considering it increased to 51.3%

*(44.7% in previous month)***.** Fiscal policy and sociopolitical conditions placed second and third, respectively. The fiscal factor reached 23.1% of participation *(36.8% in previous month)*, while sociopolitical conditions reached 18% of participation *(0.0% in previous month)*. On the other hand, monetary policy remained at fourth place in this edition, with 5.1% of participation *(5.3% in previous month)* (Graph 10).

## Graph 10. Most relevant factors for investment decisions
(% of answers)
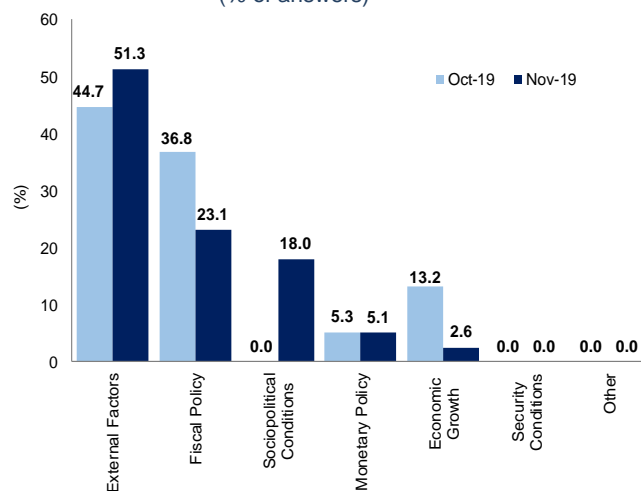
Source: Financial Opinion Survey, Fedesarrollo

INVESTMENT PREFERENCE

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

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

Graph 11. Projection of positions in the next 3 months for different assets
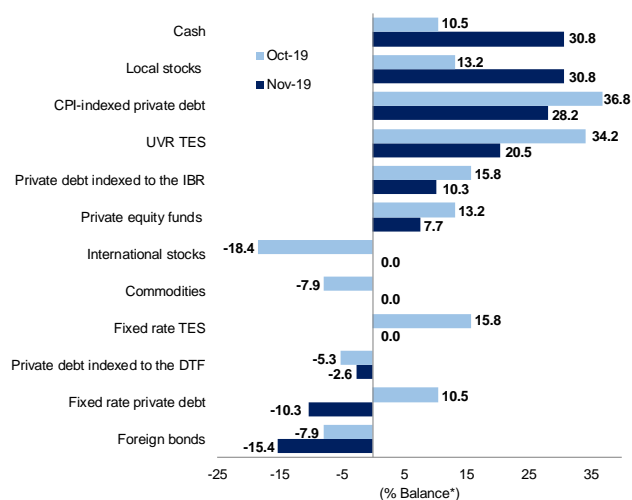
*Balance: % of respondents who will increase their position minus% of respondents that will decrease their position
Source: Financial Opinion Survey, Fedesarrollo

Graph 12. Projection of positions in the next 3 months for different assets vs historical average
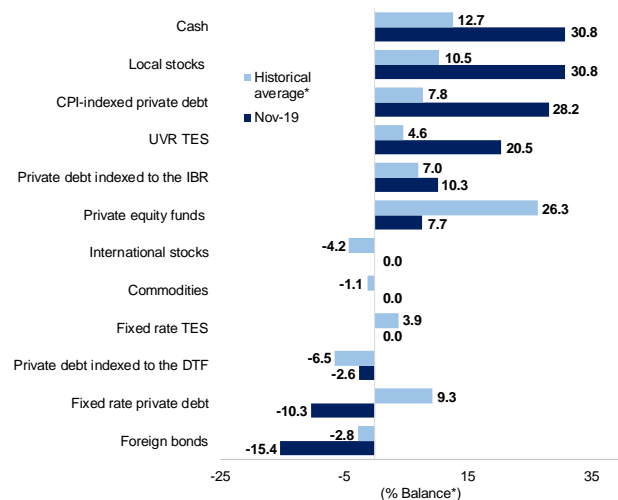
* The historical average refers to the average of the response balances from June 2014 to date.
Source: Financial Opinion Survey, Fedesarrollo

COLCAP

The COLCAP index reflects price changes on the most liquid shares of Colombian Stock Exchange. **In November 52.8% of analysts (***71.4% in October***) 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 during the next three months is 44.4%** *(28.6% in October).* Finally**,** **the remaining 2.8% expect the index will remain unaltered** *(0.0% in previous FOS).*

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

Index COLCAP Price Level	October 2019	November 2019
Will increase 10% or more	0.0%	0.0%
Will increase between 5% and 9,99%	0.0%	2.8%
Will increase between 0,01% and 4,99%	71.4%	50.0%
Will remain	0.0%	2.8%
Will decrease between 0,01% and 4,99%	22.9%	41.7%
Will decrease between 5% and 9,99%	5.7%	2.8%
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)
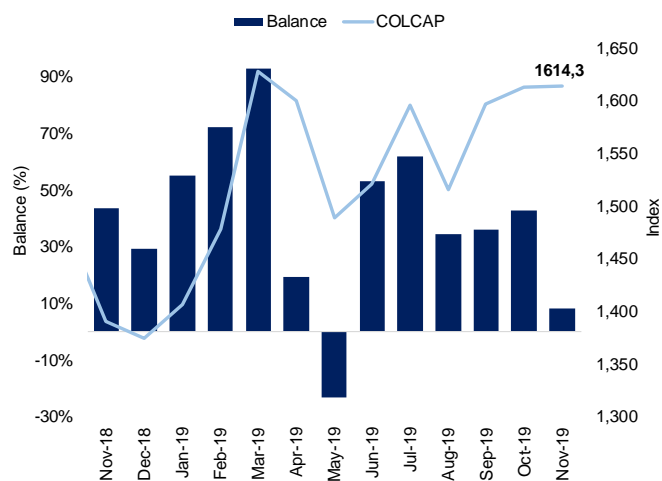
Source: Financial Opinion Survey, Fedesarrollo
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation
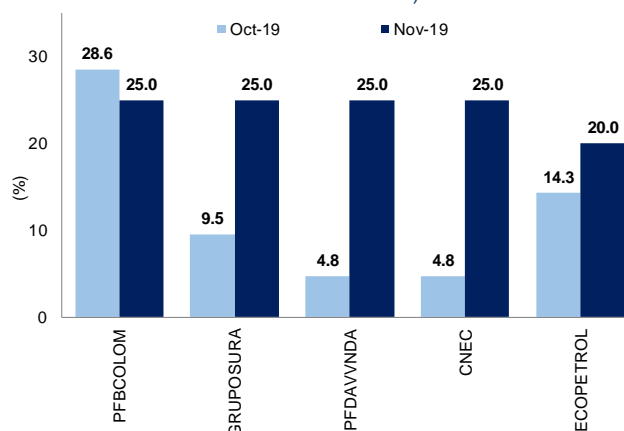
MOST ATTRACTIVE COLCAP SHARES

The FOS asked to the analysts for the most attractive shares compounding the COLCAP index. In November, **Bancolombia preferred stocks was ranked in the first place** for the first time since August 2015. It was followed by **Grupo Sura common stocks, Davivienda preferred stocks, Canacol Energy common stocks and Ecopetrol common stocks.** (Graph 14).

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

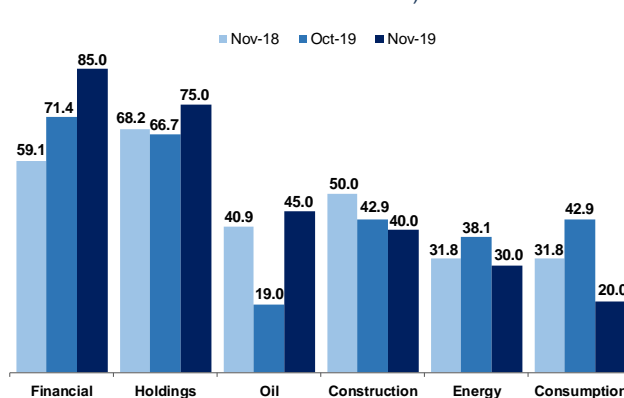## Graph 14. More attractive COLCAP stocks for investors
(% of the respondents who consider the stock as one of the three more attractive)

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)
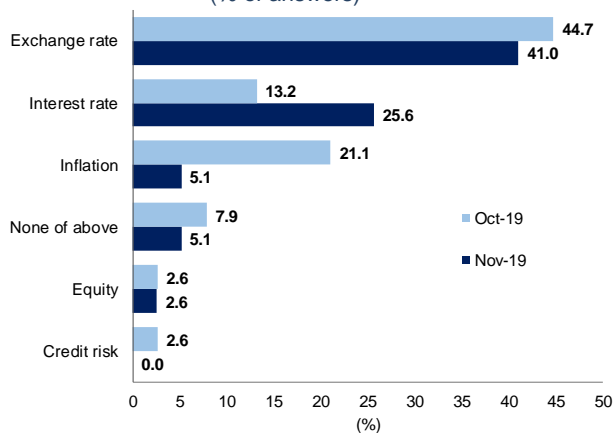

Source: Financial Opinion Survey, Fedesarrollo.

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 November 41% of respondents** *(44.7% in October)* **were planning to hedge against foreign exchange risk in the short term.** On the other hand, the percentage of administrators who expect to hedge against interest rate placed second with 25.6% *(13.2% in October)* (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 answers)		
	Oct-19	Nov-19	Dec-19	Feb-20
Inflation (Annual variation, %)	3.86	3.88	3.88	
Exchange rate	$ 3,390	$ 3,350	$ 3,350	$ 3,320
Interest rate (%)	4.25	4.25	4.25	4.25
	3Q-2019	3Q-2019	Year 2019	Year 2020
Growth (%)	3.28	3.23	3.20	3.30

Source: Financial Opinion Survey -BVC

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

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