

Financial Opinion Survey

April 2020

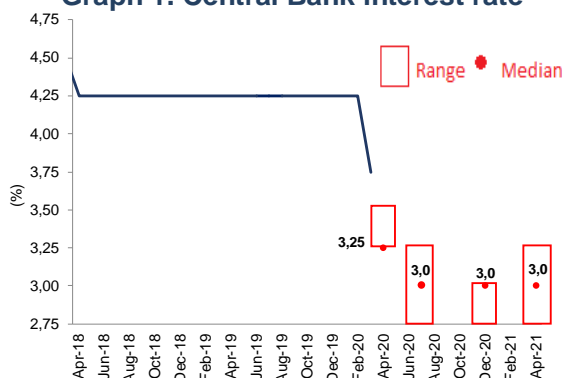
Bulletin No.180

CENTRAL BANK POLICY RATE

In March, the Board of Directors of the Central Bank decided to reduce its monetary policy interest rate by 50 basis points to 3.75%.

By the end of the month, 13.3% of the analysts foresee the interest rate to remain unchanged, 13.3% of the analysts expect a 25-bps decrease, 55.6% expect a decrease of 50-bps, 11.1% expect a decrease of 75-bps and the remaining 6.7% of the analysts expect a decrease greater than 75-bps. By the end of the year, 4.4% of the analysts expect the interest rate to remain unchanged, 13.3% expect a decrease of 50-bps, 33.3% expect a 75-bps decrease and the remaining 48.9% expect a decrease greater than 75-bps (Graph 1).

Graph 1. Central Bank interest rate



Source: Financial Opinion Survey, Fedesarrollo - BVC

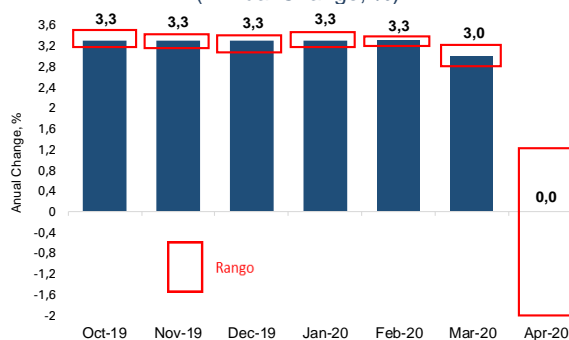
ECONOMIC GROWTH

In April, economic growth forecast for 2020 ranges between -2.0% and 1.0%, with 0.0% as median response (3.0% in previous FOS) (Graph 2). Economic growth forecast for 2021 decreased compared to past month result, with 2.5% as the median response (3.2% in the previous month), ranging between 2.0% and 3.1%.

Expectations about first quarter decreased related to previous edition, the economic growth forecast for the first quarter ranging between 1.0% and 3.0%, with 2.5% as the median response (3.2% in previous FOS). Expectations about second quarter growth decreased compared to the past month

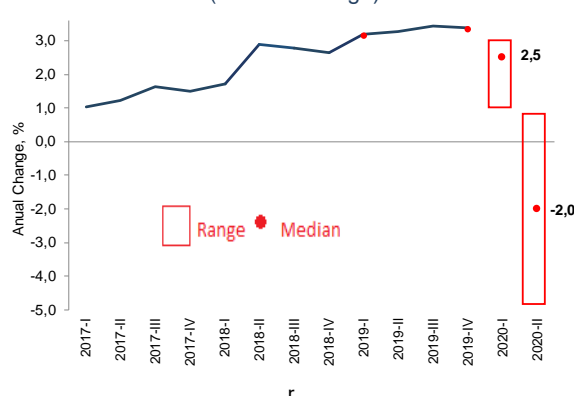
result, with -2.0% as the median response (3.0% in the previous month), ranging between -4.90% and 0.75% (Graph 3).

Graph 2. 2020 GDP annual growth forecast (Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 3. GDP growth forecast – first and second quarter of 2020 (Annual Change)

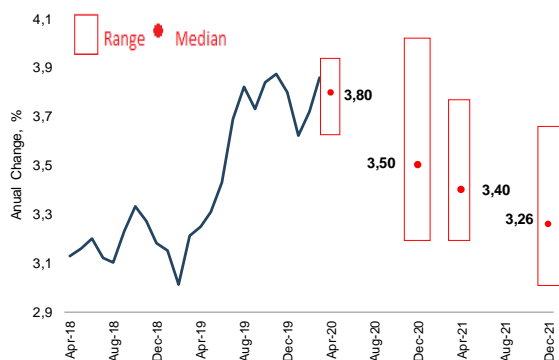


Source: Financial Opinion Survey, Fedesarrollo - BVC

INFLATION

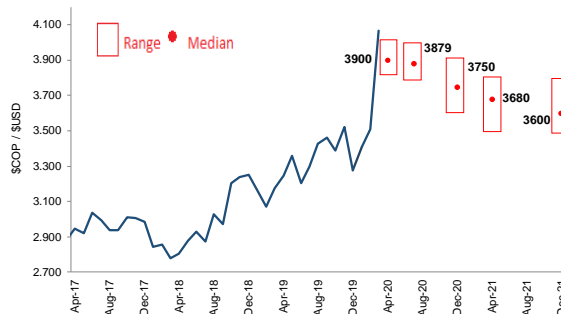
In March, annual inflation reached 3.86%, upper than the analysts forecast in the previous edition (3.73%). In April, analysts believe that inflation will decrease to 3.80% (Graph 4). Inflation expectations for the end of 2020 remained unchanged at 3.50%. (Graph 5).

Graph 4. Inflation forecast



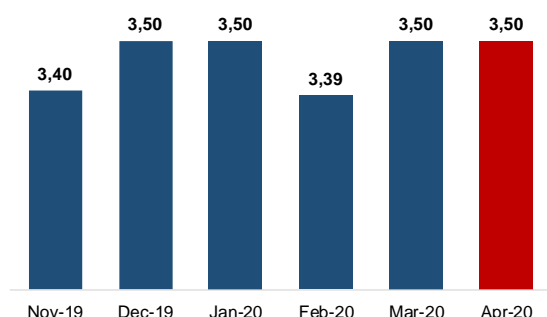
Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 6. Exchange rate - end of period



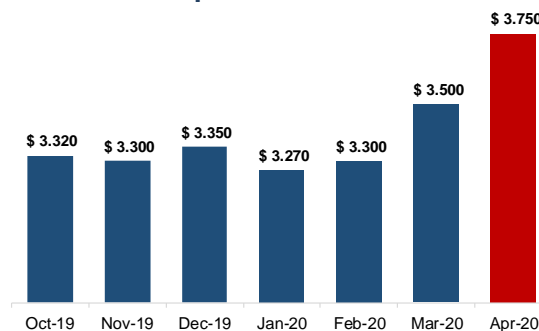
Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 5. Inflation forecast - end of 2020



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 7. Exchange rate forecast - end of period 2020



Source: Financial Opinion Survey, Fedesarrollo - BVC

EXCHANGE RATE

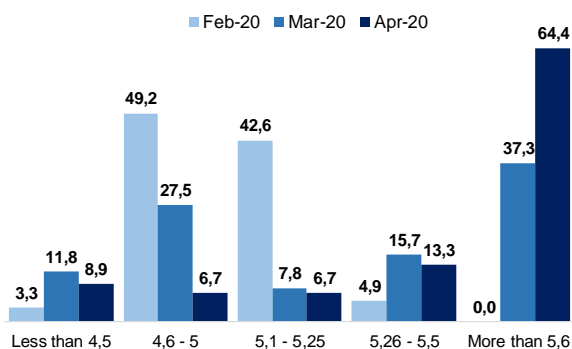
In March, the exchange rate closed at \$4,064.81, with a monthly depreciation of 14.83%. On March 20th, it reached a maximum value of \$4,153.91 pesos per dollar and on March 4th it reached a minimum value of \$3,455.56 pesos per dollar. **Exchange rate forecast for next three months ranges between \$3.800 and \$3.990, with \$3.879 as median response (Graph 6).** **Exchange rate forecast for the end of 2020 increased compared to past month result, with \$ 3.750 as the median response (\$3.500 in previous FOS), ranging between \$3.600 and \$3.925 (Graph 7).**

TES 2024 RATE

In March, the traded volume decreased to COP 40.0 trillion, which entails a decreased of 36.5% compared to February and a decreased of 27.5% compared to the same month of the previous year.

In this edition, the percentage of analysts who consider that the rate will be under 4.5% during the next three months was 8.9%, between 4.6% and 5% was 6.7%. The percentage of analysts who expect that the rate will be between 5.1% and 5.25% during the next three months was 6.7%; while the 13.3% of analysts believe it will be between 5.26% and 5.5%. The remaining 64.4% of analysts expect a higher rate than 5.6% (Graph 8).

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

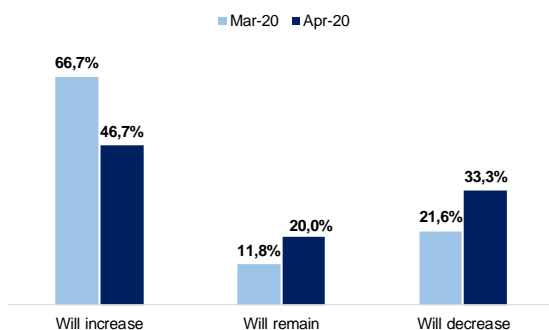


Source: Financial Opinion Survey, Fedesarrollo - BVC

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 378-bps in March. **In April 46.7% of analysts (20.0-bps less than the previous FOS) expect the spread to increase in the next three months, while 33.3% (11.8-bps more than previous FOS) expect it to decrease. The remaining 20.0% of the respondents expect for the spread to remain equal.** (Graph 9).

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



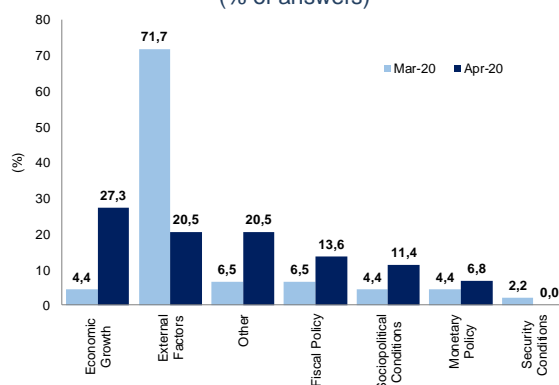
Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT DETERMINANTS

In this edition of the survey, economic growth ranked as the most important aspect for investing decisions and the proportion of analysts considering it raised to 27.3% (4.4% in the previous month). External factors and other factors placed second and third place, respectively. Concerns

about external factors reached 20.5% (71.7% in previous month), while other factors reached 20.5% (6.5% in previous month), mostly aspects related to COVID-19 and control of this pandemic. Fiscal policy placed fourth place, with 13.6% (6.5% in previous month). Sociopolitical conditions placed fifth with 11.4% (4.4% in previous month) and monetary policy reached 6.8% (4.4% in previous month). Security conditions reached 0.0% (2.2% in previous month) (Graph 10).

Graph 10. Most relevant factors for investment decisions
(% of answers)



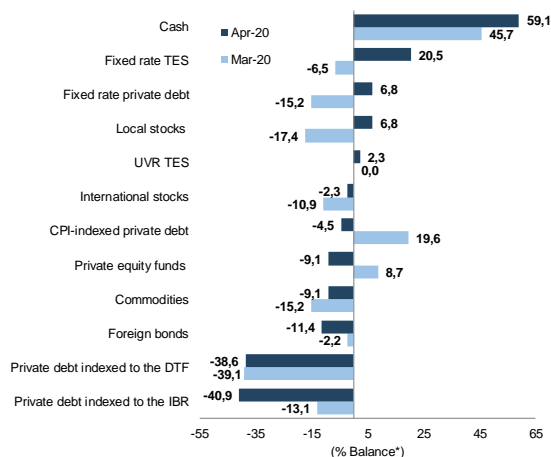
Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT PREFERENCE

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

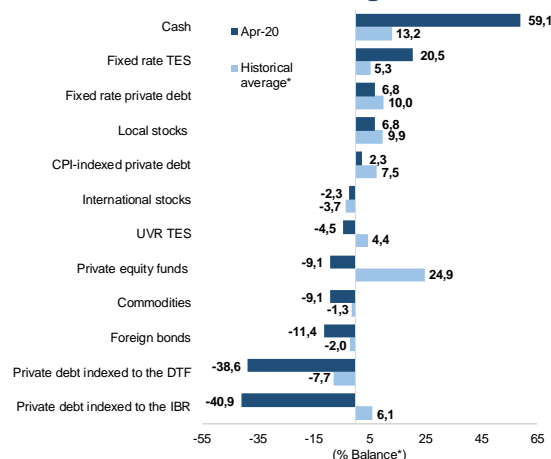
Compared to the survey's historical average, there is a greater preference for cash, fixed rate TES and international stocks (Graph 12).

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 - BVC

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 - BVC

COLCAP

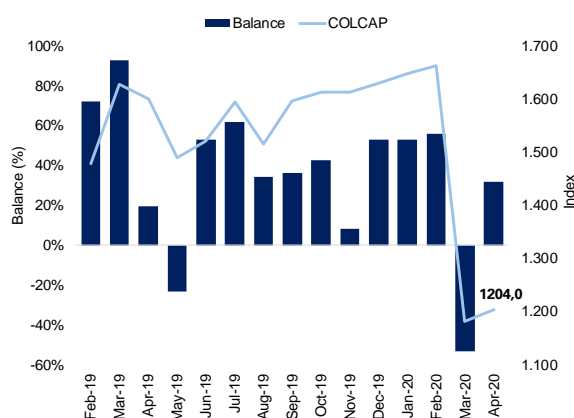
The COLCAP index reflects price changes on the most liquid shares of Colombian Stock Exchange. **In April 65.9% of analysts (23.3% in March) expect an appreciation of the index during the next three months** (Table 1). On the other hand, **the percentage of analysts expecting the stock index to devalue during the next three months is 34.1% (76.7% in March)**. Finally, **none of analysts 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	March 2020	April 2020
Will increase 10% or more	2,3%	39,0%
Will increase between 5% and 9,99%	4,7%	9,8%
Will increase between 0,01% and 4,99%	16,3%	17,1%
Will remain	0,0%	0,0%
Will decrease between 0,01% and 4,99%	16,3%	12,2%
Will decrease between 5% and 9,99%	20,9%	14,6%
Will decrease between 10% or more	39,5%	7,3%

Source: Financial Opinion Survey, Fedesarrollo - BVC

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



Source: Financial Opinion Survey, Fedesarrollo - BVC
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation

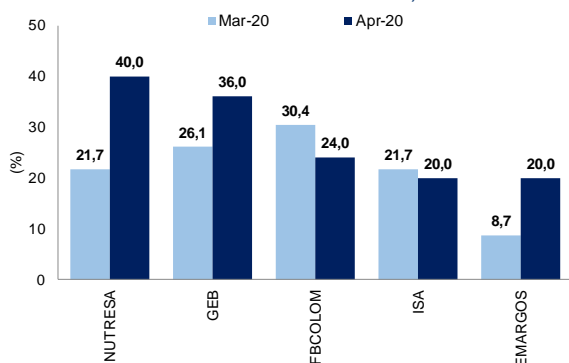
MOST ATTRACTIVE COLCAP SHARES

The FOS asked the analysts for the most attractive shares compounding the COLCAP index. In April, **Nutresa common stock was ranked in the first place with the 40.0%**. It was followed by **Grupo Energía de Bogotá common stock, Bancolombia preferred stock, ISA common stock and Cementos Argos common stock**. (Graph 14).

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

Graph 14. More attractive COLCAP stocks for investors

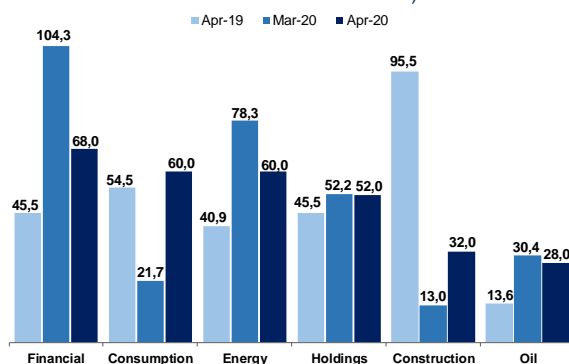
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 15. More attractive COLCAP sectors for investors

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



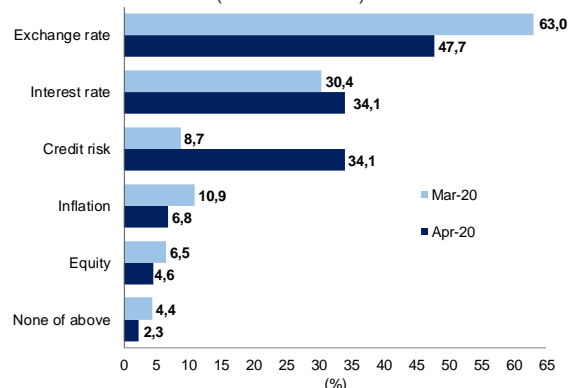
Source: Financial Opinion Survey, Fedesarrollo - BVC

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 April 47.7% of respondents (63.0% in March) were planning to hedge against foreign exchange risk in the short term.** The percentage of administrators who expect to hedge against interest rate placed second with 34.1% (30.4% in March) (Graph 16).

Graph 16. Coverage of the different types of risk for the next 3 months

(% of answers)



Source: Financial Opinion Survey, Fedesarrollo - BVC

Table 2. Summary of Macroeconomic Expectations

Variable	Observed	Expectations (Median of answers)	
	Mar-20	Apr-20	Jul-20
Inflation (Annual variation, %)	3.86	3.80	
Exchange rate	\$ 4,065	\$ 3,900	\$ 3,879
Interest rate (%)	3.75	3.25	3.0
	4Q-2019	1Q-2020	Year 2020
Growth (%)	3.37	2.5	0.0

Source: Financial Opinion Survey -BVC

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