

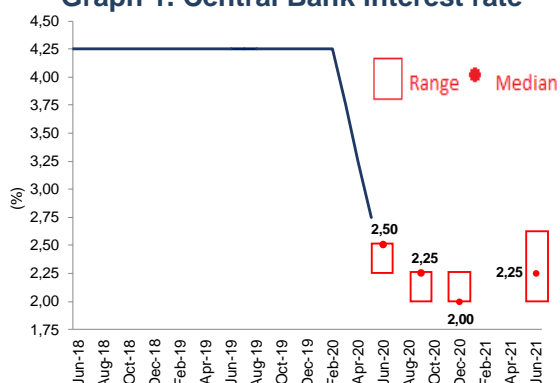
CENTRAL BANK POLICY RATE

In May, the Board of Directors of the Central Bank decided to reduce its monetary policy interest rate by 50 basis points to 2.75%.

By the end of the month, 8.9% of the analysts foresee the interest rate to remain unchanged at 2.75%, 53.3% of the analysts expect a 25-bps decrease to 2.50% and the remaining 37.8% of the analysts expect a decrease of 50-bps to 2.25%.

By the end of the year, 15.6% of the analysts expect the interest rate to decrease 25-bps to 2.50%, 33.3% expect a reduction of 50-bps (2.25%) and 35.6% expect a 75-bps decrease (2.00%). A 100-bps decrease is expected by 11.1% of the analysts, meanwhile the remaining 4.4% foresee a 125-bps decrease to 1.50% by the end of the year (Graph 1).

Graph 1. Central Bank interest rate



Source: Financial Opinion Survey, Fedesarrollo - BVC

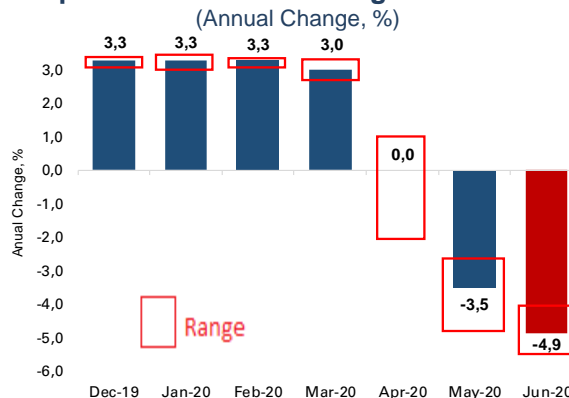
ECONOMIC GROWTH

In June, economic growth forecast for 2020 ranges between -4.1% and -5.5%, with -4.9% as median response (3.5% in previous FOS) (Graph 2). Economic growth forecast for 2021 remained unchanged at 3.0%, ranging between 2.5% and 4.0%.

Expectations about second quarter decreased related to previous edition, the economic growth forecast for the second quarter ranging between -4.85% and -12.0%, with -8.0% as the median response (-6.0% in

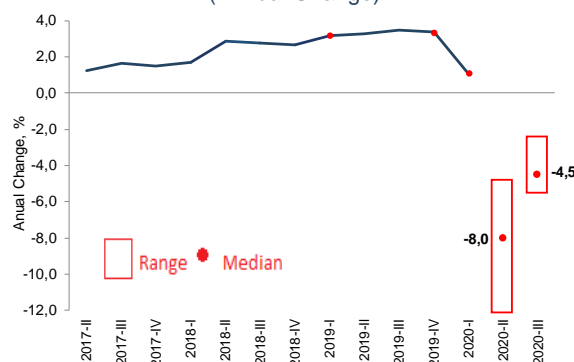
previous FOS). Expectations about third quarter growth reached -4.5%, ranging between -2.5% and -5.3% (Graph 3).

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



Source: Financial Opinion Survey, Fedesarrollo - BVC

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

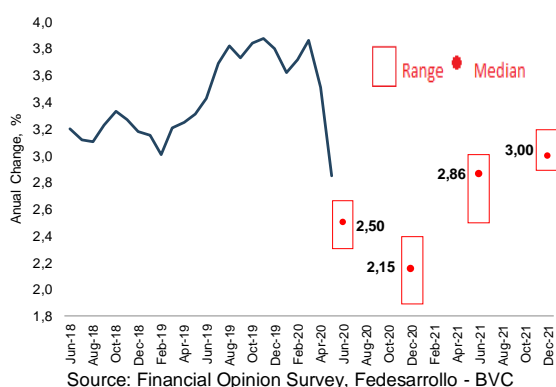


Source: Financial Opinion Survey, Fedesarrollo - BVC

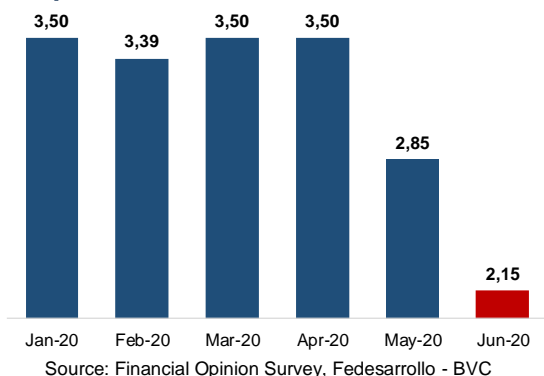
INFLATION

In May, annual inflation reached 2.85%, lower than the analysts forecast in the previous edition (3.29%). In June, analysts believe that inflation will decrease to 2.50% (Graph 4). Inflation expectations for the end of 2020 decreased from 2.85% in the previous edition to 2.15% (Graph 5).

Graph 4. Inflation forecast



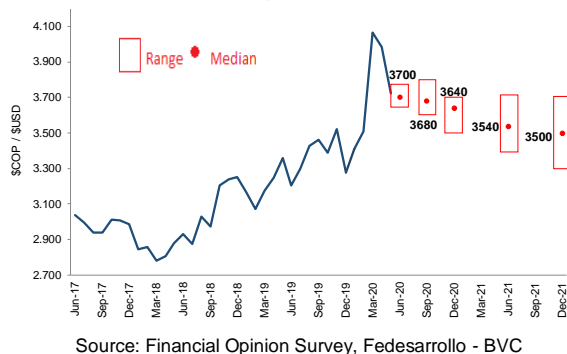
Graph 5. Inflation forecast - end of 2020



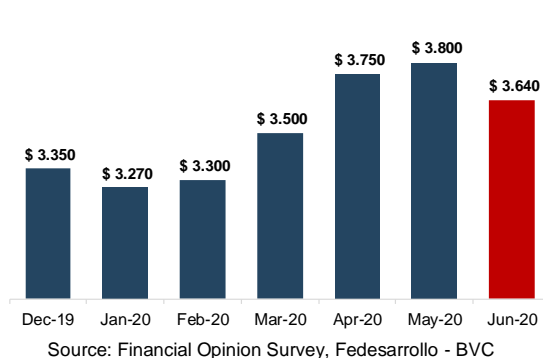
EXCHANGE RATE

In May, the exchange rate closed at \$3,723.42, with a monthly appreciation of 7.97%. On May 5th, it reached a maximum value of \$3,990.10 pesos per dollar and on May 29th it reached a minimum value of \$3,723.42 pesos per dollar. **Exchange rate forecast by the end of the month ranges between \$3,660 and \$3,795, with \$3,700 as median response. Exchange rate forecast for next three months ranges between \$3,600 and \$3,800, with \$3,680 as median response (Graph 6). Exchange rate forecast for the end of 2020 decreased compared to past month result, with \$ 3,640 as the median response (\$3,800 in previous FOS), ranging between \$3,500 and \$3,700 (Graph 7).**

Graph 6. Exchange rate - end of period



Graph 7. Exchange rate forecast - end of period 2020



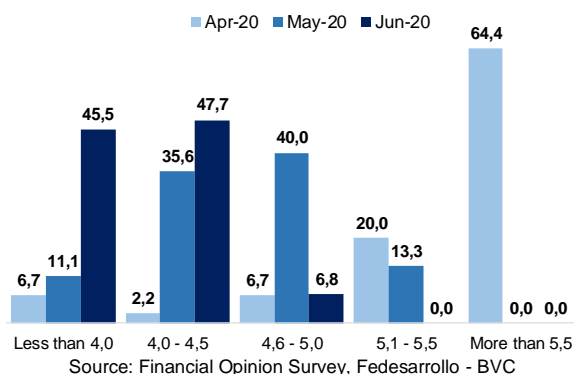
TES 2024 and 2028 RATE

In May, the traded volume reached COP 23,1 trillion, which entails an increase of 49.1% compared to April and a decrease of 65.0% compared to the same month of the previous year.

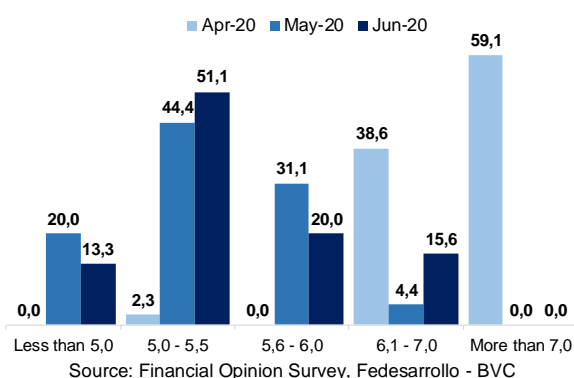
In this edition, the percentage of analysts who consider that **the rate of the TES maturing in 2024 will be under 4.0% during the next three months was 45.5%, and between 4.0% and 4.5% was 47.7%**. The percentage of analysts who expect that **the rate will be between 4.6% and 5.0% during the next three months was 6.8%; meanwhile none of analysts expect a higher rate than 5.0%** (Graph 8).

For TES maturing in 2028, the percentage of analysts who consider that **the rate will be under 5.0% during the next three months was 13.3%, and between 5.0% and 5.5% was 51.1%**. The percentage of analysts who expect that **the rate will be between 5.6% and 6.0% during the next three months was 20.0%; while the remaining 15.6% of analysts believe it will be between 6.1% and 7.0%. None of analysts expect a higher rate than 7.0%** (Graph 9).

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



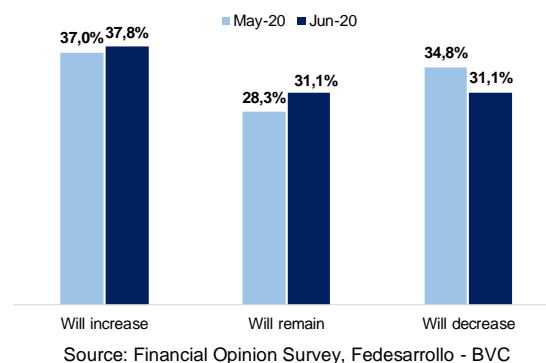
Graph 9. Expectation of TES 2028 performance rate for the next 3 months
(% of answers)



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 291-bps in May. **In June 37.8% of analysts (0.8-bps more than the previous FOS) expect the spread to increase in the next three months, while 31.1% (3.7-bps less than previous FOS) expect it to decrease. The remaining 31.1% of the respondents expect for the spread to remain equal (2.9-bps more than previous FOS) (Graph 10).**

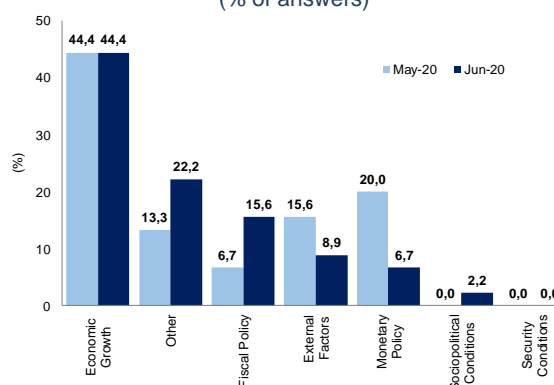
Graph 10. Expectation 3-months debt spread
(% of answers)



INVESTMENT DETERMINANTS

In this edition of the survey, economic growth continues ranking as the most important aspect for investing decisions and the proportion of analysts considering it reached 44.4% (44.4% in the previous month). Other factors and fiscal policy placed second and third place, respectively. Concerns about other factors reached 22.2% (13.3% in previous month), mostly aspects related to COVID-19 and control of this pandemic; while fiscal policy reached 15.6% (6.7% in previous month). External factors placed fourth place, with 8.9% (15.6% in previous month). Monetary policy placed fifth place, with 6.7% (20.0% in previous month) and sociopolitical conditions reached 2.2% (0.0% in previous month). Security conditions was the least investment determinants with 0.0% (Graph 11).

Graph 11. Most relevant factors for investment decisions
(% of answers)



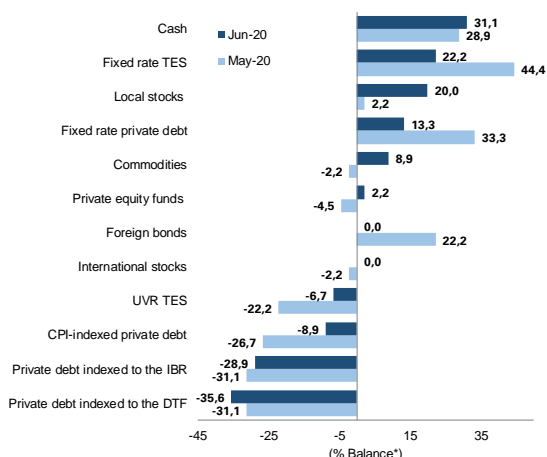
Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT PREFERENCE

Related to May, portfolio managers increased their preferences for cash, local stocks, commodities, private equity funds, international stocks, UVR TES, CPI-indexed private debt and private debt indexed to the IBR. In contrast, there is evidence of a deterioration in preferences for fixed rate TES, fixed rate private debt, foreign bonds and private debt indexed to the DTF (Graph 12).

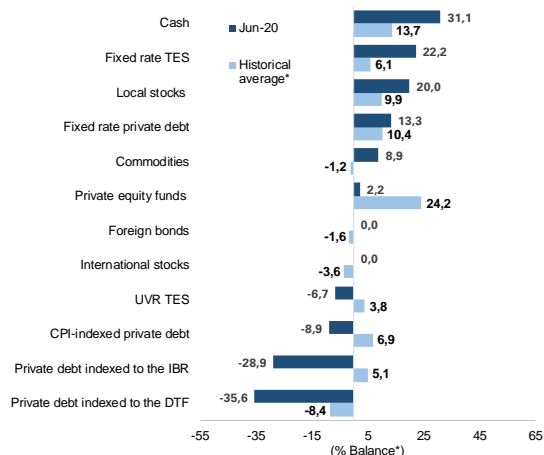
Compared to the survey's historical average, there is a greater preference for cash, fixed rate TES, fixed rate private debt, foreign bonds and international stocks (Graph 13).

Graph 12. 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 13. 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

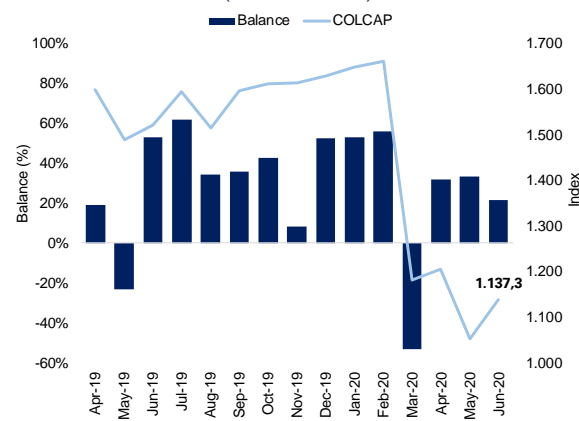
The COLCAP index reflects price changes on the most liquid shares of Colombian Stock Exchange. In June 59.5% of analysts (64.3% in May) expect an appreciation of the index during the next three months (Table 1). On the other hand, the percentage of analysts expecting the stock index to devalue during the next three months is 38.1% (31.0% in previous month). Finally, 2.4% of analysts expect the index will remain unaltered (4.8% in previous FOS).

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

Index COLCAP Price Level	April 2020	June 2020
Will increase 10% or more	23,8%	14,3%
Will increase between 5% and 9,99%	19,0%	33,3%
Will increase between 0,01% and 4,99%	21,4%	11,9%
Will remain	4,8%	2,4%
Will decrease between 0,01% and 4,99%	7,1%	16,7%
Will decrease between 5% and 9,99%	9,5%	19,0%
Will decrease between 10% or more	14,3%	2,4%

Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 14. 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

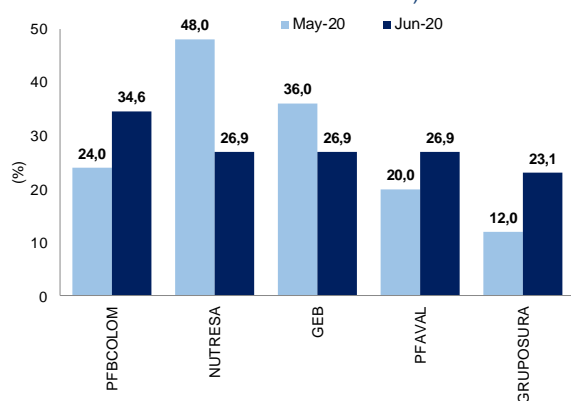
MOST ATTRACTIVE COLCAP SHARES

The FOS asked the analysts for the most attractive shares compounding the COLCAP index. In June, Bancolombia preferred stock was ranked in the first place with the 34.6%. It was followed by Nutresa common stock, Grupo Energía de Bogotá common stock, Grupo Aval preferred stock and Grupo Sura common stock. (Graph 15).

Compared to May, there is a greater appetite among respondents for shares of financial sector, construction and holdings. On the contrary, shares in consumption, energy and oil are less preferred (Graph 16).

Graph 15. More attractive COLCAP stocks for investors

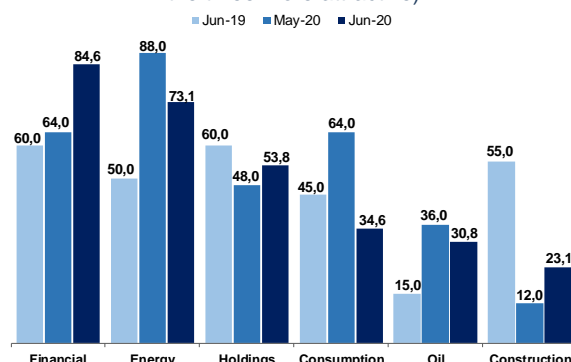
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 16. More attractive COLCAP sectors for investors

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

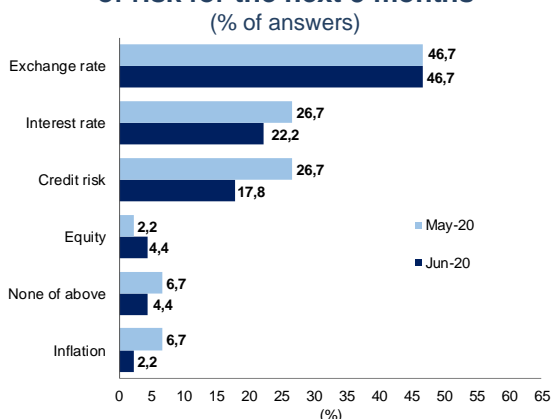


Source: Financial Opinion Survey, Fedesarrollo - BVC

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 June 46.7% of respondents (46.7% in May) 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 22.2% (26.7% in May) and the percentage who foresee hedge against credit risk ranked third with 17.8% (26.7% in previous month) (Graph 17).

Graph 17. Coverage of the different types of risk for the next 3 months



Source: Financial Opinion Survey, Fedesarrollo - BVC

Table 2. Summary of Macroeconomic Expectations

Variable	Observed	Expectations (Median of answers)		
	May-20	Jun-20	Sep-20	Dec-20
Inflation (Annual variation, %)	2.85	2.50		2.15
Exchange rate	\$ 3,723	\$ 3,700	\$ 3,680	\$3,640
Interest rate (%)	2.75	2.50	2.25	2.00
Growth (%)	1Q-2020	2Q-2020	3Q-2020	Year 2020
	1.1	-8.0	-4.5	-4.9

Source: Financial Opinion Survey -BVC



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