

Financial Opinion Survey

October 2020

Bulletin No.186

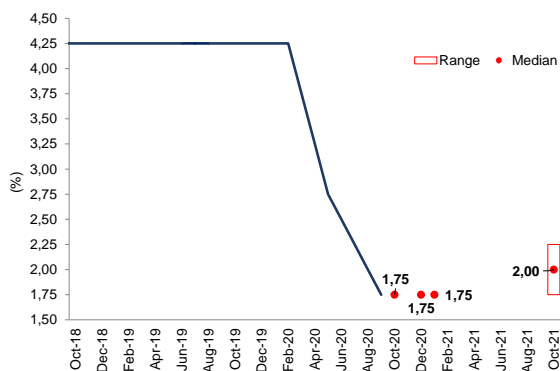
CENTRAL BANK POLICY RATE

In October, the Board of Directors of the Central Bank decided to reduce its monetary policy interest rate by 25 basis points to 1.75%.

By the end of the month, 97.5% of the analysts expect the interest rate to remain unchanged at 1.75%, while 2.5% foresee a 25-bps decrease to 1.5%, and none of the analysts expect a decrease of 50-bps to 1.50%.

By the end of the year, 90.0% of the analysts foresee an unchanged interest rate, 5.0% expect a reduction of 25-bps (1.5%). Meanwhile, 2.5% expects an increase of 25-bps and the remaining 2.5% expects a 75-bps increase (2.50%) (Graph 1).

Graph 1. Central Bank interest rate



Source: Financial Opinion Survey, Fedesarrollo - BVC

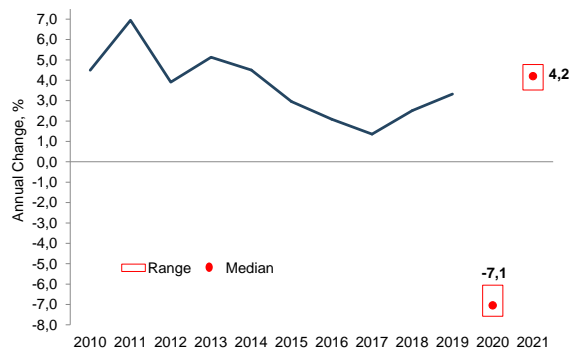
ECONOMIC GROWTH

In October, the economic growth forecast for 2020 ranges between -7,6% and -6,1%, with -7.1% as median response (-7.1% in the previous FOS) (Graph 2). The economic growth forecast for 2021 was at 4.2%, ranging between 3.5% and 4.8%.

Expectations about the third quarter continued decreasing related to the previous edition, the economic growth forecast for the third quarter ranged between -9.7% and -7.3%, with -8.3% as the median response (-8.0% in the previous FOS). Expectations regarding the fourth quarter growth reached -5.0%, ranging between -

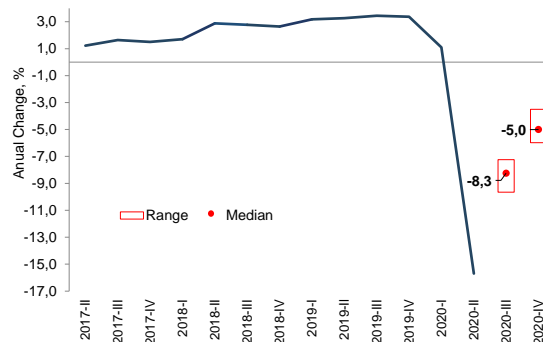
5.9% and -3.5% (-5.0% in the previous FOS) (Graph 3).

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



Source: Financial Opinion Survey, Fedesarrollo - BVC

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

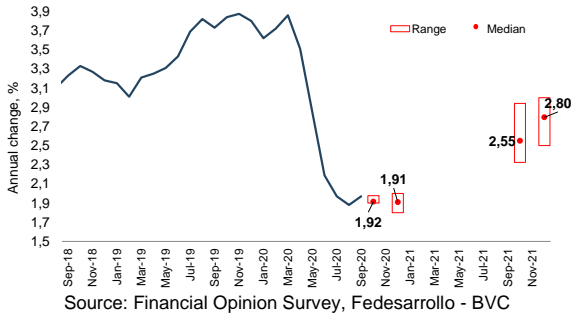


Source: Financial Opinion Survey, Fedesarrollo - BVC

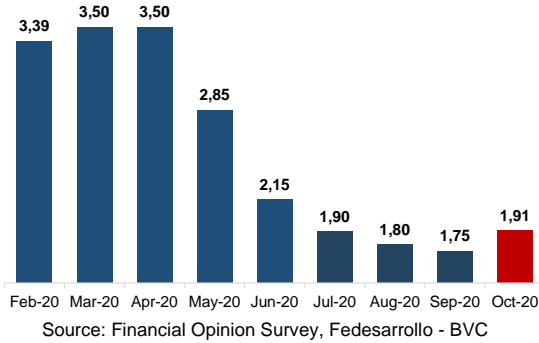
INFLATION

In September, the annual inflation reached 1.97%, higher than the analysts forecast in the previous edition (1.76%). In October, the analysts believe that inflation will decrease to 1.92% (Graph 4). Inflation expectations for the end of 2020 increased from 1.75% in the previous edition to 1.91% (Graph 5).

Graph 4. Inflation forecast



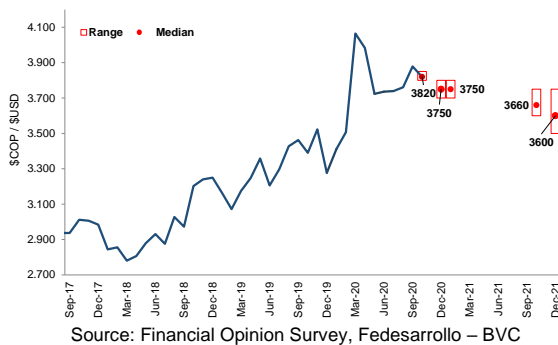
Graph 5. Inflation forecast - end of 2020



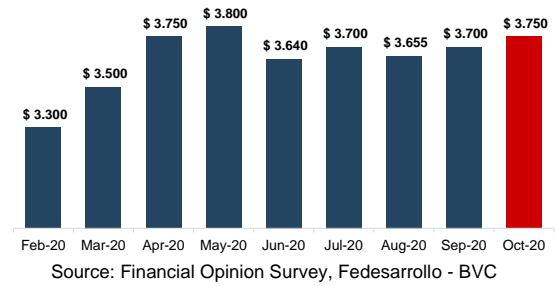
EXCHANGE RATE

In September, the exchange rate closed at \$3,878.94, with a monthly depreciation of 3.15%. On September 30, it reached a maximum value of \$3,878.94 pesos per dollar and on September 4 it reached a minimum value of \$3,653.23 pesos per dollar. **The exchange rate forecast by the end of the month ranges between \$3,800 and \$3,850, with \$3,820 as median response.** (Graph 6). **The exchange rate forecast for the end of 2020 increased compared to the past month result, being \$ 3,750 the median response (\$3,700 in the previous FOS), and ranging between \$3,700 and \$3,800** (Graph 7). **Finally, the exchange rate forecast for next three months ranges between \$3,700 and \$3,800, with \$3,750 as median response.**

Graph 6. Exchange rate - end of period



Graph 7. Exchange rate forecast - end of period 2020



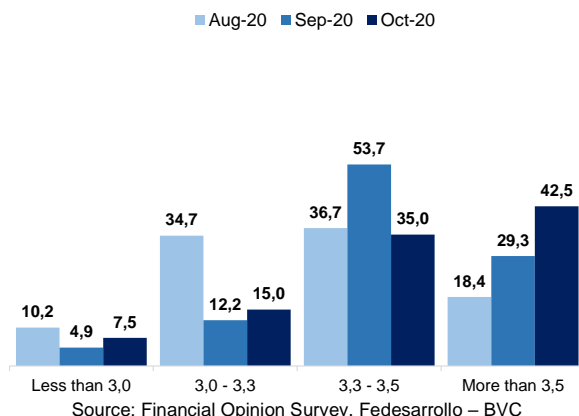
TES 2024 and 2028 RATE

In September, the traded volume of the Colombian treasury bonds reached COP 33,1 trillion, which entails an increase of 6.36% compared to August and a decrease of 17.5% as compared to the same month in the previous year.

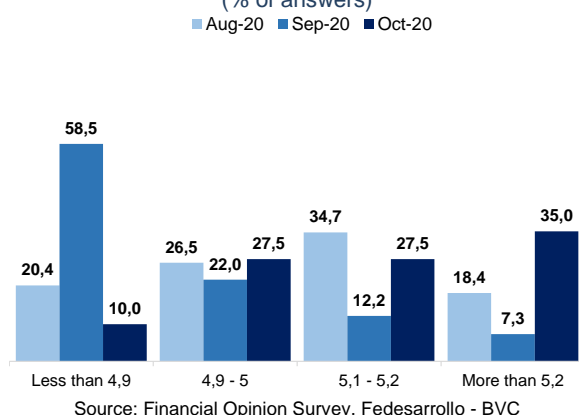
In this edition, the percentage of analysts who considers that **the interest rate on the treasury bonds maturing in 2024 will be under 3.0% during the next three months is 7.5%, and between 3.0% and 3.3% is 15.0%.** The percentage of analysts who expects that **the rate will be between 3.3% and 3.5% during the next three months is 35.0%; meanwhile 42.5% of the analysts expects a rate higher than 3.5%** (Graph 8).

Regarding TES maturing in 2028, the percentage of analysts who considers that **the rate will be under 4.9% during the next three months was 10.0%, and between 4.9% and 5% was 27.5%.** The percentage of analysts who expect that **the rate will be between 5.1% and 5.2% during the next three months was 27.5%. 35.0% of the analysts expects a rate higher than 5.2%** (Graph 9).

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



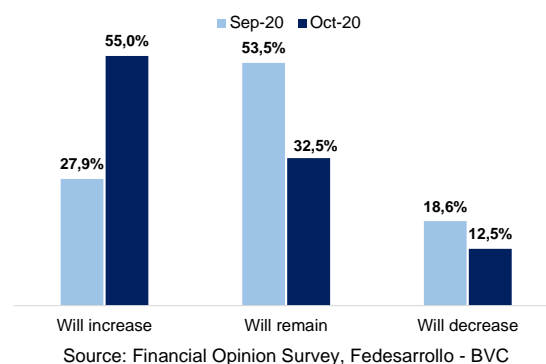
Graph 9. Expectation of TES 2028 performance rate for the next 3 months
(% of answers)



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. The debt spread closed at 266-bps in September. **In October 55.0% of analysts (27.1-bps more than the previous FOS) expects the spread to increase in the next three months, while 12.5% (6.1-bps less than previous FOS) expects it to decrease. The remaining 32.5% of the respondents expects for the spread to remain equal (21.0-bps less than previous FOS) (Graph 10).**

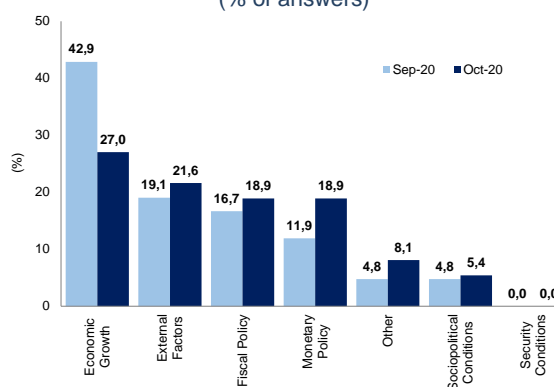
Graph 10. Expectation 3-months debt spread
(% of answers)



INVESTMENT DETERMINANTS

In this edition, the economic growth continues ranking as the most important aspect considered for investing decisions, reaching 27.0% (42.9% in the previous month). Fiscal policy and external factors placed second and third place, respectively. Concerns accounting for fiscal policy reached 21.6% (19.1% in the previous month), while external factors, reached 18.9% (16.7% in the previous month). Monetary policy, placed at fourth place with 18.9% (11.9% in the previous month). Other factors placed at fifth place, with 8.1% (4.8% in the previous month), mostly related to COVID-19 and inflation, and sociopolitical conditions reached 5.4% (4.8% in the previous month). Security conditions was the least in the investment determinants with 0.0% (Graph 11).

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



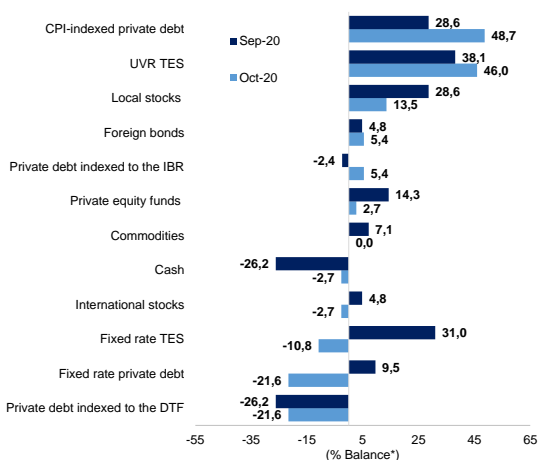
INVESTMENT PREFERENCES

Compared to September, portfolio managers increased their preferences for cash, CPI-indexed private debt, UVR TES, private debt indexed to the IBR, private debt indexed to

the DTF and foreign bonds. In contrast, there is evidence of a deterioration in preferences for fixed rate TES, fixed rate private debt, local stocks, private equity funds, international stocks and commodities (Graph 12).

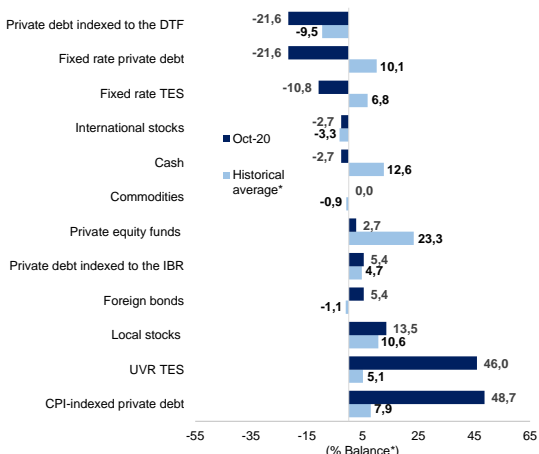
Compared to the survey's historical average, there is a greater preference for UVR TES, CPI-indexed private debt, foreign bonds, local stocks, commodities, private debt indexed to the IBR and international stocks (Graph 13).

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 is a market-capitalization weighted index that reflects price changes on

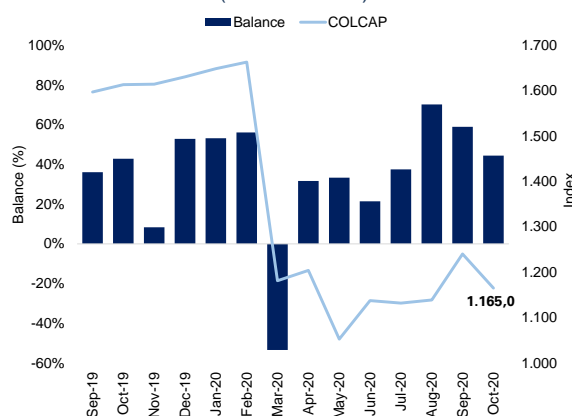
the most liquid stocks listed in the Colombia's stock exchange. In October 72.2% of the analysts (79.5% in September) expects a valuation of the index during the next three months (Table 1). On the other hand, the percentage of analysts expecting the stock index to devalue during the next three months is 27.8% (20.5% in the previous month). And none of the analysts expects the index to remain unaltered (0.0% in the previous FOS).

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

Index COLCAP Price Level	September 2020	October 2020
Will increase 10% or more	7,7%	19,4%
Will increase between 5% and 9,99%	10,3%	8,3%
Will increase between 0,01% and 4,99%	61,5%	44,4%
Will remain	0,0%	0,0%
Will decrease between 0,01% and 4,99%	12,8%	25,0%
Will decrease between 5% and 9,99%	5,1%	2,8%
Will decrease between 10% or more	2,6%	0,0%

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

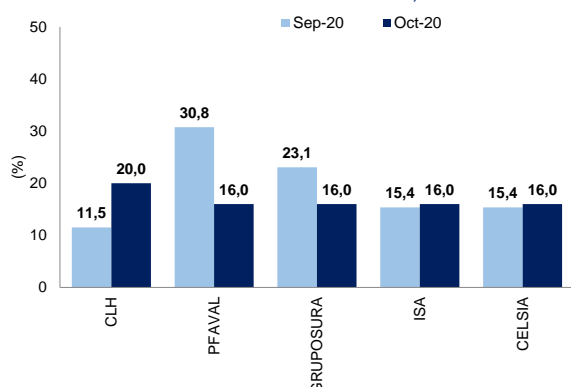
MOST ATTRACTIVE COLCAP SHARES

The FOS inquires the analysts for the most attractive stocks compounding the COLCAP index. In October, the **Cemex Latam Holdings stock**, was ranked in the first place with 20.0%. It was followed by the **Grupo Aval preferential stock**, the **Suramericana** and **ISA common stocks**, and finally the **CELSIA stock** (Graph 15).

Graph 15. More attractive COLCAP stocks for investors

Financial Opinion Survey October 2020

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

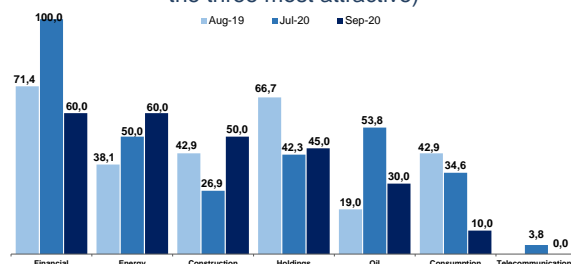


Source: Financial Opinion Survey, Fedesarrollo – BVC

Compared to August, there is greater appetite among respondents for shares of the construction, energy and holdings sectors (Graph 16).

Graph 16. Most attractive COLCAP sectors for investors

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



Source: Financial Opinion Survey, Fedesarrollo - BVC

RISK COVERAGE

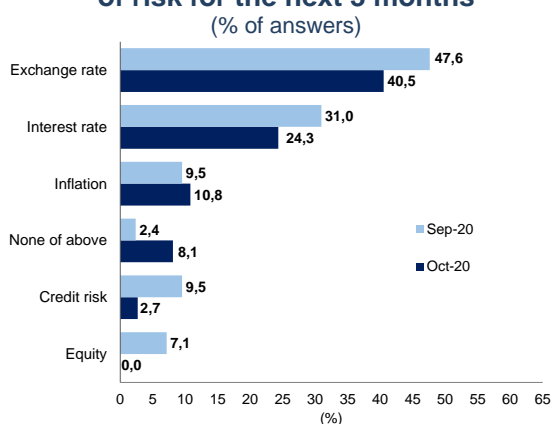
Table 2. Summary of the Macroeconomic Expectations

Variable	Observed	Forecasts (Median of answers)		
	Sep-20	Oct-20	Dec-20	Jan-21
Inflation (Annual variation, %)	1,97	1,92	1,91	
Exchange rate	\$ 3.879	\$ 3.820	\$ 3.750	\$ 3.750
Monetary policy interest rate (%)	1,75	1,75	1,75	1,75
	2Q-2020	3Q-2020	Year 2020	Year 2021
Growth (%)	-15,7	-8,25	-7,1	4,2

Source: Financial Opinion Survey - BVC

The FOS inquires portfolio managers about the types of risk for which they plan to hedge against, in the next three months. **In October 40.5% of the respondents (47.6% in September) were planning to hedge against foreign exchange risk in the short term.** The percentage of managers who expect to hedge against interest rate are 24.3% (31.0% in September) and the percentage who foresee to hedge against inflation risk corresponds to the 10.8% (9.5% in the previous month) (Graph 17).

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



Source: Financial Opinion Survey, Fedesarrollo - BVC

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