In April, the **One-Year Confidence Index** reached 77,4%, which means a decrease of 5,5 pp compared to the previous month and a decrease of 14,5 pp relative to the same month in 2021. This result shows that the proportion of analysts who expects a valuation of the MSCI COLCAP index in one year fell compared to the last month and to the previous year.

The **Buy-on-Dips Confidence Index** reached 60,9%, which represents an increase of 0,2 pp compared to the past month and a decrease of 1,2 pps relative to the same month of 2021. The previous implies that, despite the increase versus March 2022, analysts consider a MSCI COLCAP increase less likely the day after a potential drop in the index, compared to April 2021.

The **Crash Confidence Index** reached 60,0%, meaning that it increased 4,8 pp compared to the previous month, but decreased 7,7 pp relative to April of 2021. This indicates that, despite the greater confidence in the stock market compared to March 2022, analysts consider the market to be more vulnerable to downturns in international markets, compared to a year ago.

Finally, the **Valuation Confidence Index** reached 86,4%, which represents a decrease of 6,5 pp compared to the past month and a decrease of 4,0 pp relative to the same month one year ago. This implies that a higher proportion of analysts believe that stock values fairly reflect the value of their fundamentals.

MSCI COLCAP Index

The Colombian MSCI COLCAP Index is a market-capitalization weighted index that includes the 25 most liquid stocks listed in the BVC (Bolsa de Valores de Colombia). This index represents one of the most important leading indexes in the stock market. The average so far in April 2022 is at 1.621,30, which represents an appreciation of 4,12% with respect to the average of March and an appreciation of 24,1% with respect to the average of April 2021.

At the end of March, the MSCI COLCAP Index reached 1.616,03. This level is 76 units above the analyst's forecast (1.540). By the end of April, it is expected that the index ranges between 1.610 and 1.650, with 1.633 as the median response (Graph 1).

**Graph 1. MSCI COLCAP Index price forecast**
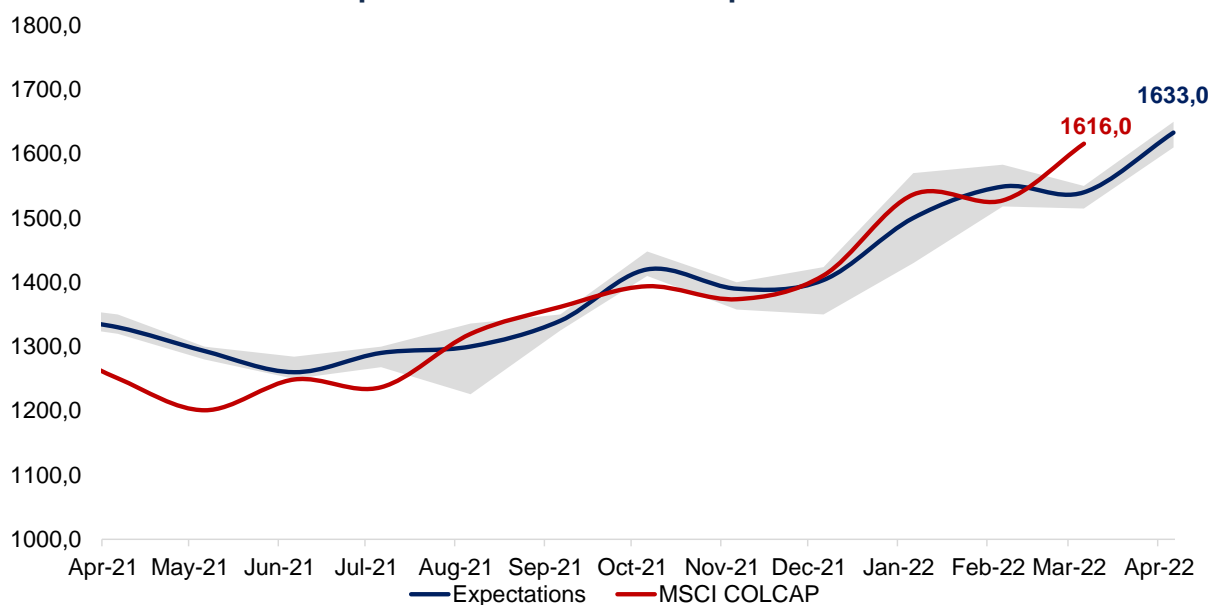
Source: Financial Opinion Survey, Fedesarrollo – BVC

The four confidence indices for the Colombian stock market are presented down below. These indices are calculated based on the Shiller (2000) methodology and using the analysts' expectations collected in the Financial Opinion Survey.

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One-Year Confidence Index[1]

The One-Year Confidence Index measures the proportion of analysts expecting an increase in the MSCI COLCAP in the coming year. In this edition, the index fell to 77,4%, which indicates that close to 77% of the respondents expect an increase of the index in April 2023 from its current level (Graph 2). The index experienced a reduction of 5,5 pps compared to the previous month (82,9%) and a reduction of 14,5 pps compared to the same month of the previous year (91,9%), which reflects a drop in confidence in the stock market. In fact, with respect to the past years, it registers the second lowest value, so that it is below the average of 2021 and 2020.
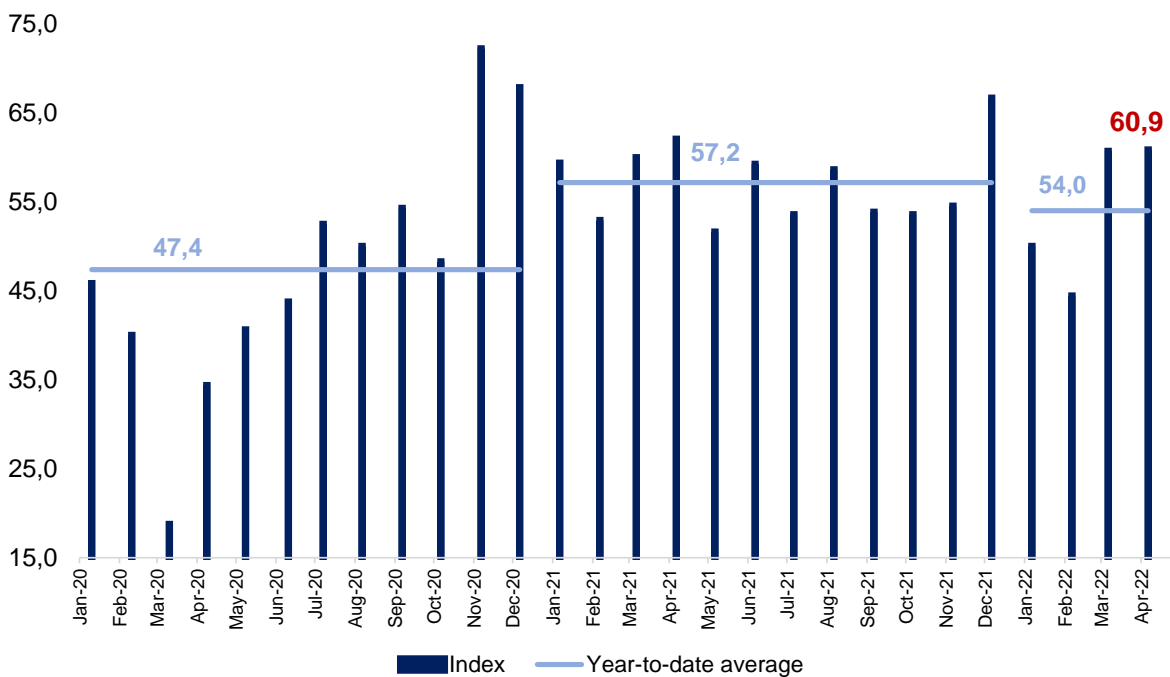
Graph 2. One-Year Confidence Index
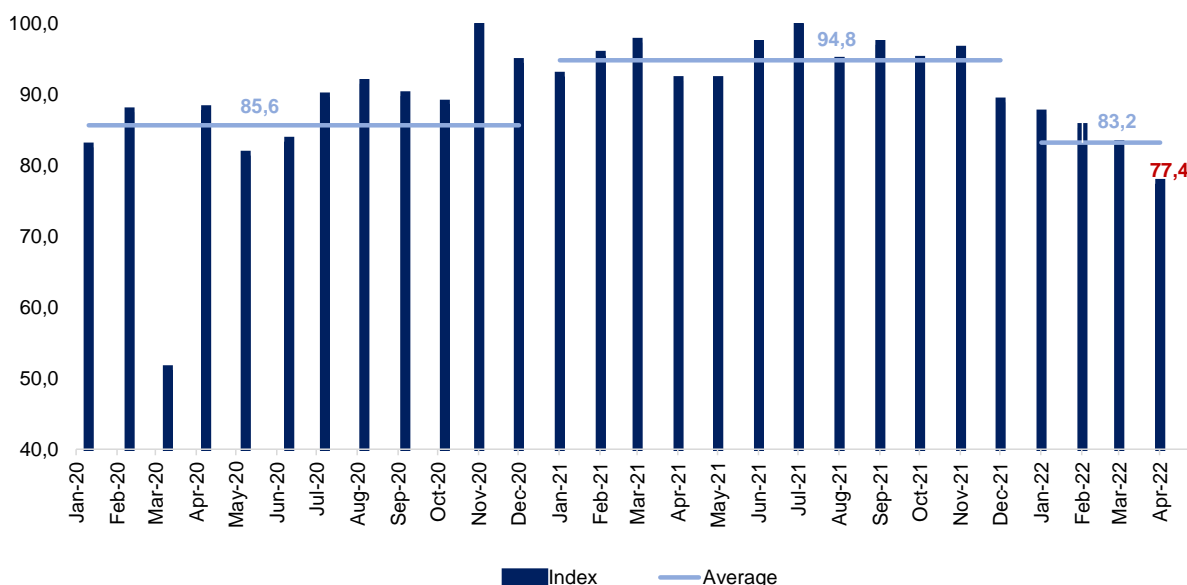
Source: Financial Opinion Survey, Fedesarrollo – BVC

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[1] The One-Year Confidence Index is calculated as the number of respondents that establish a price for the MSCI COLCAP index in 12-months higher than the current level of the index, divided by the total responses excluding invalid answers.

Buy-on-Dips Confidence Index[2]

The Buy-on-Dips Confidence Index establishes the percent of the analysts expecting a rebound the next day that the market hypothetically dropped 3%. After the fall registered in the first two months of 2022 and continuing with the recovery of March, this index reached 60,9% in April, so it increased 0,2 pps compared to last month (60,7%) and decreased by 1,2 pps compared to April 2021 (62,1%) (Graph 3). Despite this drop in annual terms, analysts consider an immediate recovery of COLCAP more likely compared to the average of 2020 and 2021.

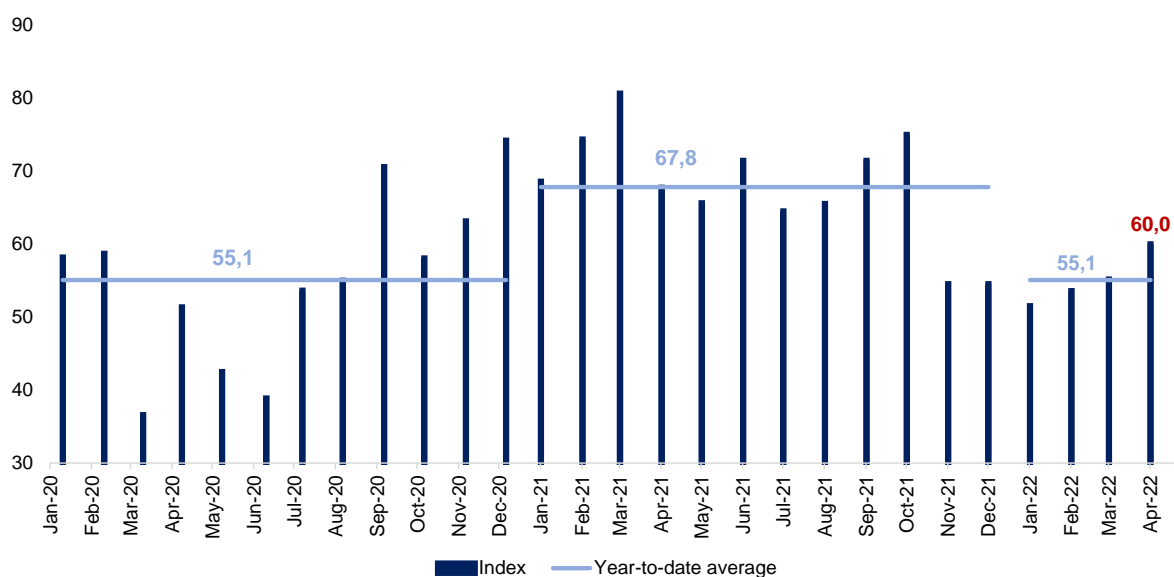**Graph 3. Buy-on-Dips Confidence Index**

Source: Financial Opinion Survey, Fedesarrollo – BVC

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[2] The Buy-on-Dips Confidence Index is calculated as the number of respondents who expect an increase in the MSCI COLCAP index the next day after a 3% drop, divided by the total answers excluding the "no opinion" option.

Crash Confidence Index[3]

The Crash Confidence Index shows the proportion of analysts who attach little probability to a stock market crash in the next six months after a substantial drop in the international markets. In April, the index increased 4,8 pps with respect to the previous month's result (55,2%), standing at 60,0%, which indicates that the perception of the probability of an eventual fall of the local stock market in the face of the deterioration of international markets decreased compared to March (Graph 4). However, it is 7,7 pps below the index for the same month of the previous year (67,7%) and 7,8 pps below the 2021 average.

Graph 4. Crash Confidence Index

Source: Financial Opinion Survey, Fedesarrollo – BVC

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[3] The Crash Confidence Index is calculated as the number of responses who attach a probability between 0% and 25% to a stock market crash in the next six months including the case that a crash occurred in the international markets and spreads to Colombia, divided by the total responses excluding the "does not apply" option.

Valuation Confidence Index[4]

The Valuation Confidence Index is the proportion of analysts who think that the market is not too highly valued compared with measures of true fundamental value. For April, the index stood at 86,4%, 6,5 pps below March (92,9%) and 4,0 pps below the same month last year (90,3%). This indicates that, compared to those periods, a higher proportion of analysts believe that stock values fairly reflect the value of their fundamentals. However, there is still a widespread perception that equity values are too low (Graph 5).

Graph 5. Valuation Confidence Index
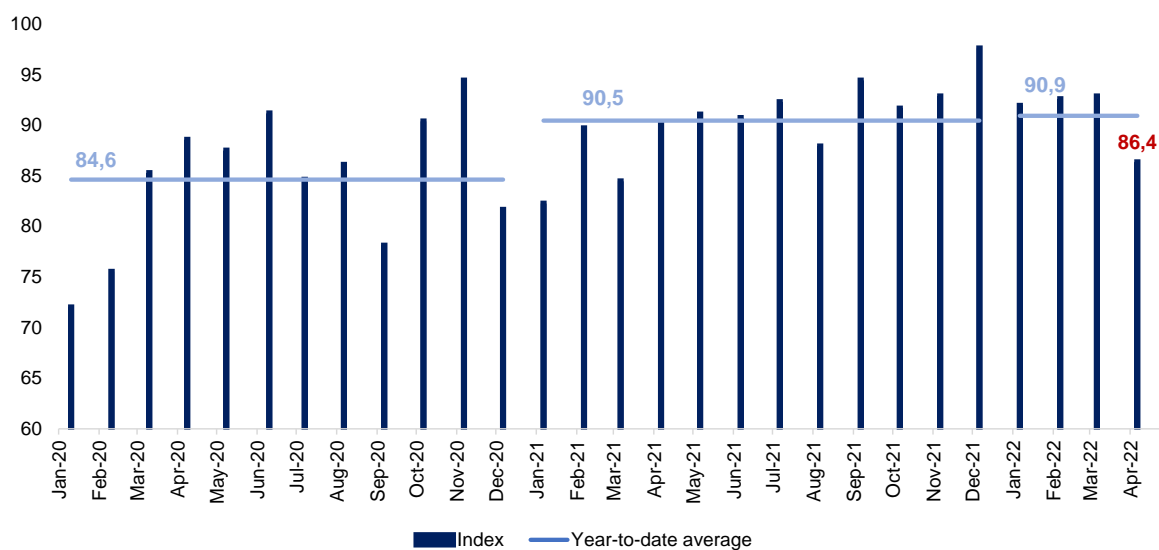
Source: Financial Opinion Survey, Fedesarrollo – BVC

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[4] The Valuation Confidence Index is calculated as:
$Valuation\ Confidence\ Index = \left(1 * (\%\ too\ low)\right) + \left(0.5 * (\%\ about\ right)\right)$, where % too low and % about right, correspond respectively to the number of analysts who chose that the values of the local stocks are too low and about right in regard of the fundamental value excluding the option "do not know".