## CENTRAL BANK POLICY RATE

In April, the Board of Directors of the Central Bank placed the intervention rate in 6,0%. The next meeting of the Board of Directors will be held on May 27, while the next monetary policy decision will be taken until June 30.

Considering that during May the Board of Directors of Banco de la República will not make a monetary policy decision, for this version of the survey 87.5% of analysts expect the rate to remain at 6.0% at the end of the month. Meanwhile 6,25% forecast an increase to 7,0% and another 6,25% expect it to reach 7,5%. By the end of the year, the median forecast is expected to be 8,25% (Graph 1).

### Graph 1. Central Bank interest rate
(%)
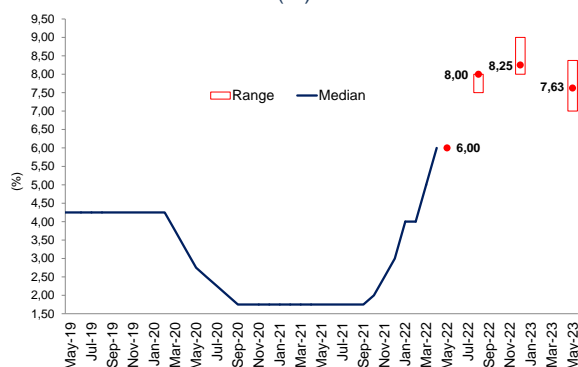
Source: Financial Opinion Survey, Fedesarrollo - BVC

ECONOMIC GROWTH

In May, the economic growth forecast for 2022 ranges between 4,9% and 5,3%, with 5,0% as median response (4,6% in the previous FOS) (Graph 2). **The economic growth forecast for 2023 was at 3,5%, ranging between 3,0% and 3,8%.**

In the first quarter, annual growth stood at 8.2%, higher than the analysts forecast in this edition (7.4%). **Expectations regarding the second quarter of 2022 growth reached 6,7%, ranging between 4,6% and 9,2%** (Graph 3).

Graph 2. GDP annual growth forecast-2022
(Annual Change, %)
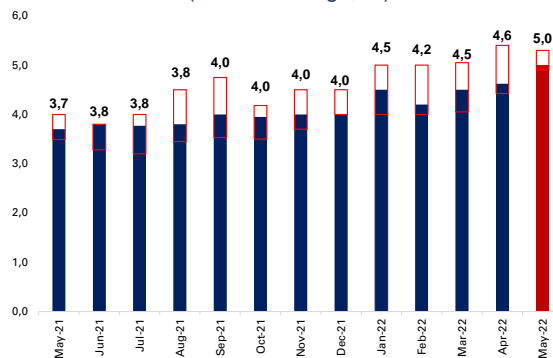
Source: Financial Opinion Survey, Fedesarrollo - BVC

### Graph 3. GDP growth forecast – second quarter 2022
(Annual Change)
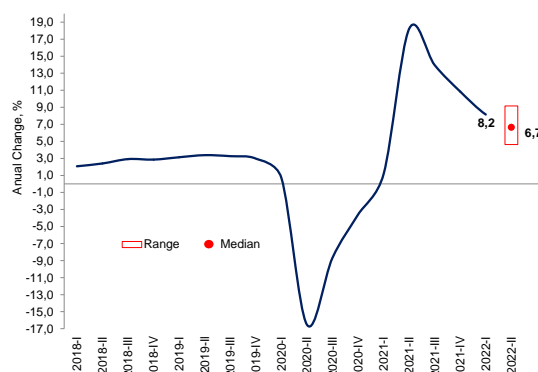
Source: Financial Opinion Survey, Fedesarrollo - BVC

INFLATION

In May, the annual inflation reached 9,23%, higher than the analysts forecast in the previous edition (8,70%). **In May, the analysts expect inflation to reach 9,10%** (Graph 4), **which means that inflation expectations are above the target range (2,0% to 4,0%) of the Central Bank.**
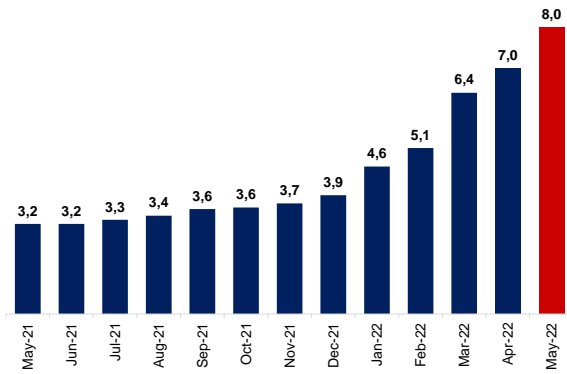
On the other hand, **the experts foresee that the inflation at the end of 2022 will reach the value of 8,0%.** This means that the prediction made at this edition is higher than the one made on the previous month (7,0%) (Graph 4).
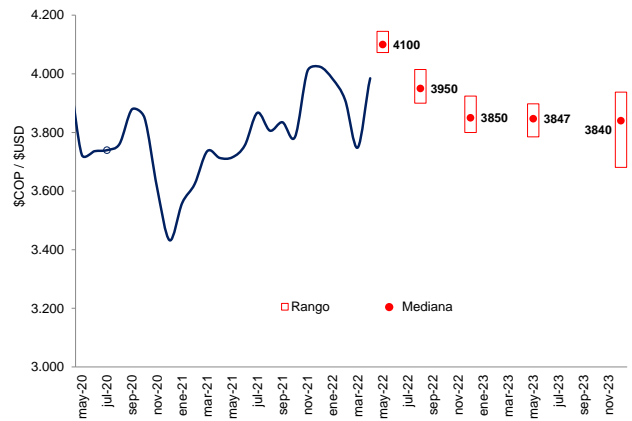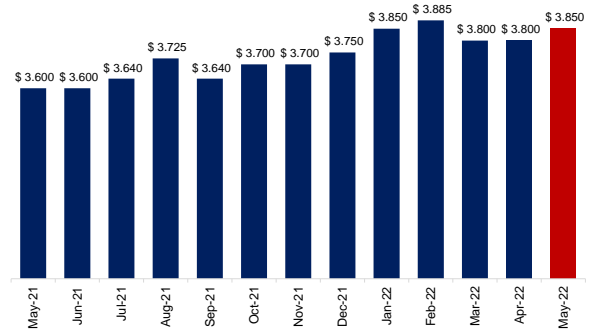
Graph 4. Inflation forecast

Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 6. Exchange rate - end of period
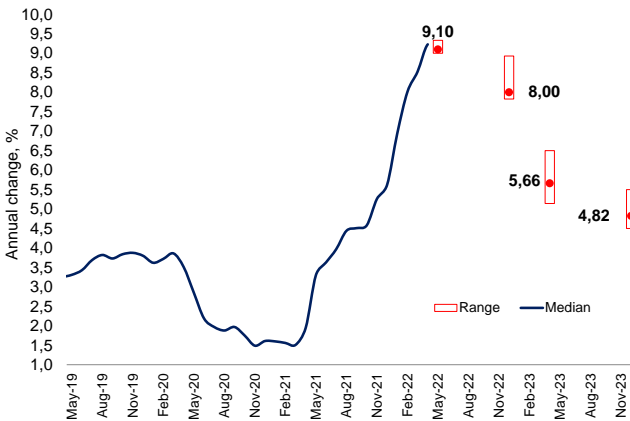
Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 5. Inflation forecast - End 2022

Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 7. Exchange rate forecast End of 2022

Source: Financial Opinion Survey, Fedesarrollo - BVC

EXCHANGE RATE

In April, the exchange rate closed at $ 3.984,77 with a monthly depreciation of 6,31%. On April 29 it reached a maximum value of $ 3.984,77 pesos per dollar and on April 5 it reached a minimum value of $3.706,95 pesos per dollar. **The exchange rate forecast by the end of the month ranges between $4.073 and $4.145, with $4.100 as median response** (Graph 6). Thus, it is expected that the exchange rate in May will close above $ 4.000.
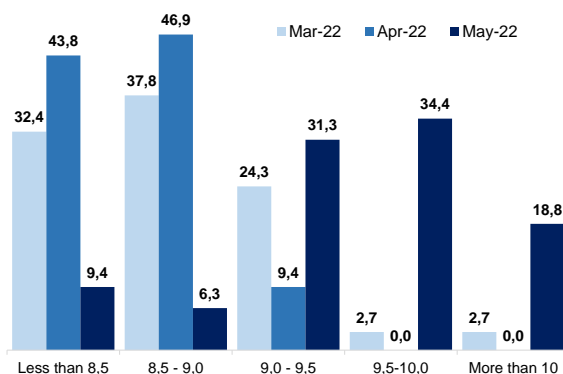
On the other hand, **experts forecast that the exchange rate will close at $3.850 at the end of 2022** (Graph 7).

TES 2024 and 2028 RATE

In this edition, the percentage of analysts who considers that **the interest rate on the treasury bonds maturing in 2024 will be between 9,0%-9,5% and 9,5%-10,0% during the next three months are 31,3% and 34,4%, respectively** (Graph 8). **This is followed by 18.8% who expect it to be above 10.0%. The remaining 15.7% predicted it to be below 9%.** This shows an increase in the predictions made by the experts compared to the previous editions.
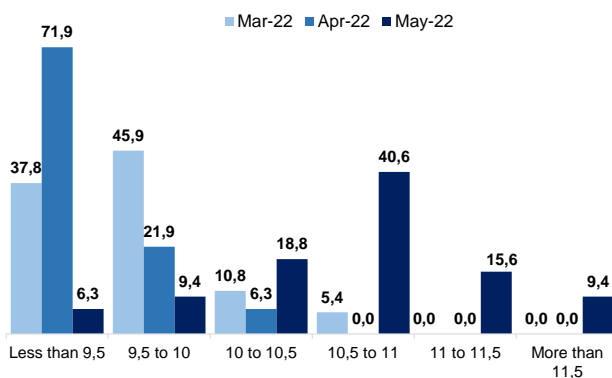
Regarding TES maturing in 2028, **40,6% of the analysts expects a rate between 10,5% and 11,0%; meanwhile there is an 18,8% that expects it to be between 10,0% and 10,5% for the next 3 months** (Graph 9). This shows an increase in expectations with respect to previous editions.

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

Legend: ■ Mar-22 ■ Apr-22 ■ May-22

Category	Mar-22	Apr-22	May-22
Less than 8,5	32,4	43,8	9,4
8,5 - 9,0	37,8	46,9	6,3
9,0 - 9,5	24,3	9,4	31,3
9,5-10,0	2,7	0,0	34,4
More than 10	2,7	0,0	18,8

Source: Financial Opinion Survey, Fedesarrollo – BVC

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

Legend: ■ Mar-22 ■ Apr-22 ■ May-22

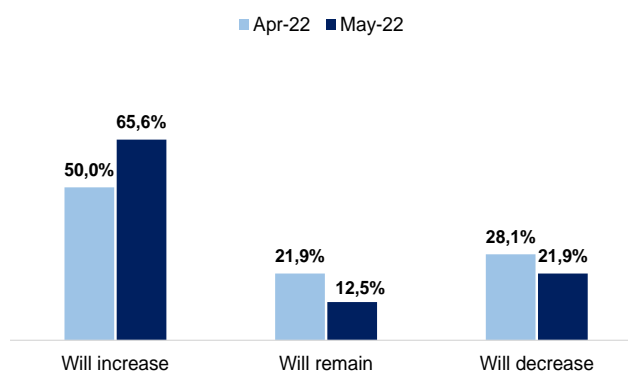| Category	Mar-22	Apr-22	May-22
Less than 9,5	37,8	71,9	6,3
9,5 to 10	45,9	21,9	9,4
10 to 10,5	10,8	6,3	18,8
10,5 to 11	5,4	0,0	40,6
11 to 11,5	0,0	0,0	15,6
More than 11,5	0,0	0,0	9,4

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. The debt spread closed at 378-bps in April. **In May, 65,6% of the analysts** (15,6-pps more than the previous FOS) **expects the spread to increase in the next three months, while 21,9%** (6,3-pps less than previous FOS) **expects it to decrease. The remaining 12,5% of the respondents expects for the spread to remain equal** (9,4-pps less than the previous FOS) (Graph 10).

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

Legend: ■ Apr-22 ■ May-22

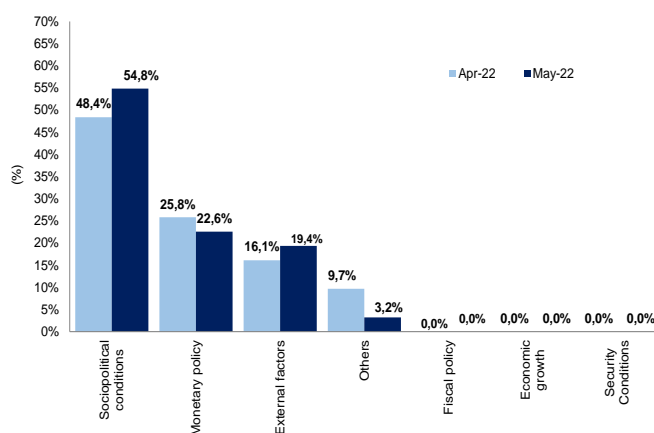| Category	Apr-22	May-22
Will increase	50,0%	65,6%
Will remain	21,9%	12,5%
Will decrease	28,1%	21,9%

Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT DETERMINANTS

In this edition, the sociopolitical conditions rank as the most important aspect considered for investing decisions, reaching 54,8% (48,4% in the previous month)**.** Monetary policy placed second, with 22,6% (25,8% in the previous month). External factors were placed at third place, with 19,4% (16,1% in the previous month). Finally, 3,2% of analysts (9,7% last month) considered that other factors, such as the upcoming elections, also stand out as relevant factors when it comes to investing. On the other hand, fiscal policy, economic growth, and security conditions are not relevant reasons for analysts (Graph 11).

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

Legend: ■ Apr-22 ■ May-22

Factor	Apr-22	May-22
Sociopolitical conditions	48,4%	54,8%
Monetary policy	25,8%	22,6%
External factors	16,1%	19,4%
Others	9,7%	3,2%
Fiscal policy	0,0%	0,0%
Economic growth	0,0%	0,0%
Security Conditions	0,0%	0,0%

Source: Financial Opinion Survey, Fedesarrollo – BVC

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INVESTMENT PREFERENCES

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

Compared to the survey's historical average, there is a greater preference for all assets, except local stocks, international stocks, foreign bonds, and private equity funds (Graph 13).

Graph 12. Projection of positions in the next 3 months for different assets
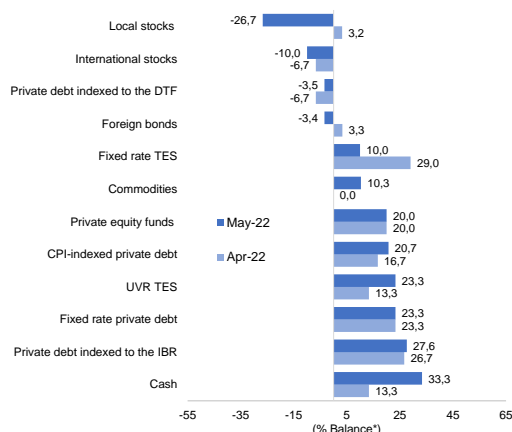
*Balance: % of respondents who will increase their position minus% of respondents that will decrease their position
Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 13. Projection of positions in the next 3 months for different assets vs historical average
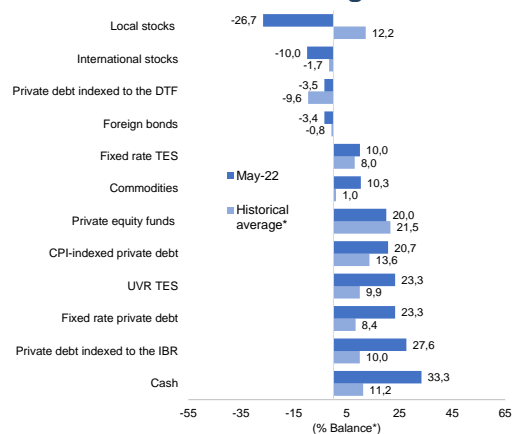
* The historical average refers to the average of the response balances from June 2014 to date.
Source: Financial Opinion Survey, Fedesarrollo – BVC

MSCI COLCAP

The MSCI 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 May, the 74,2% of the analysts** (38,7% in April) **expects a devaluation of the index during the next three months** (Table 1), **while the remaining 25,8% of the analysts expects the index to reevaluate** (61,3% in the previous FOS).

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

Index COLCAP Price Level	April 2022	May 2022
Will increase 10% or more	3,2%	0,0%
Will increase between 5% and 9,99%	0,0%	3,2%
Will increase between 0,01% and 4,99%	58,1%	22,6%
Will remain	0,0%	0,0%
Will decrease between 0,01% and 4,99%	22,6%	32,3%
Will decrease between 5% and 9,99%	12,9%	32,3%
Will decrease between 10% or more	3,2%	9,7%

Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 15. Balance on the price of the MSCI COLCAP index 3 months*
(% of answers)
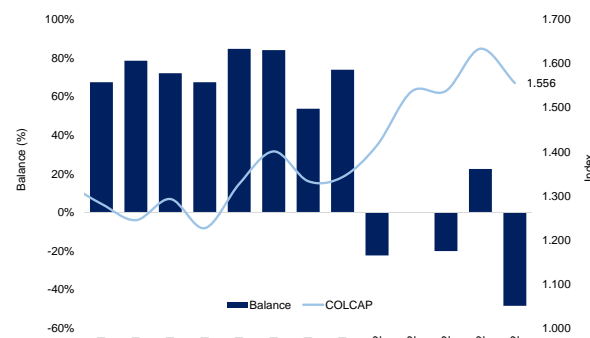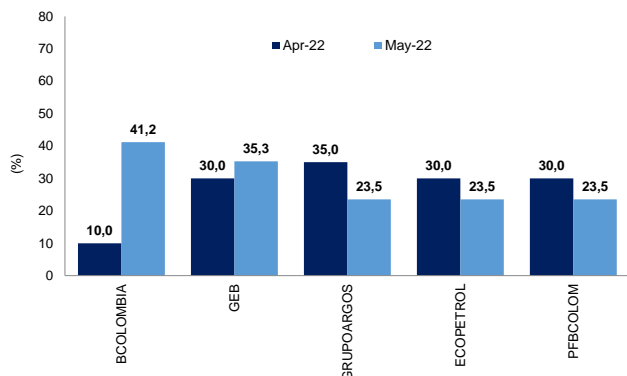

Source: Financial Opinion Survey, Fedesarrollo – BVC
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation

MOST ATTRACTIVE COLCAP SHARES

The FOS inquires the analysts for the most attractive stocks compounding the MSCI COLCAP index. **In May, the stock of Bancolombia was ranked in the first place with 41,2%. It was followed by the stock of GEB, Grupo Argos, Ecopetrol, and Bancolombia's preferential stock** (Graph 15).

Graph 15. More attractive MSCI COLCAP stocks for investors
(% of the respondents who consider the stock as one of the three more attractive)
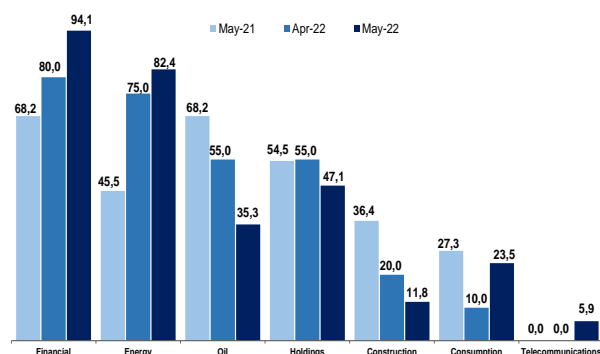

Source: Financial Opinion Survey, Fedesarrollo – BVC

Compared to the last month, there is greater appetite among respondents for shares of the financial, consumption, energy, and telecommunications sectors (Graph 16).

Graph 16. Most attractive MSCI COLCAP sectors for investors
(% of the respondents who consider the stock as one of the three most attractive)
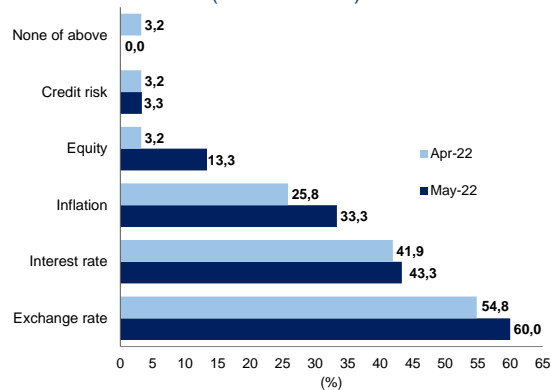

Source: Financial Opinion Survey, Fedesarrollo – BVC

RISK COVERAGE

The FOS inquires portfolio managers about the types of risk for which they plan to hedge against, in the next three months. **In May, 60,0% of the respondents** (54,8% in April) **were planning to hedge against the exchange rate in the short term. The percentage of managers who expect to hedge against the interest rate is 43,3%** (41,9% in April).

Graph 18. Coverage of the different types of risk for the next 3 months
(% of answers)

Source: Financial Opinion Survey, Fedesarrollo – BVC

Table 2. Summary of the Macroeconomic Expectations

Variable	Observed	Forecasts (Median of answers)		
	Apr-22	May-22	Aug-22	Dec-22
Inflation (Annual variation, %)	9,23	9,1		8,0
Exchange rate	$ 3.984,77	$ 4.100	$ 3.950	$ 3.850
Monetary policy interest rate (%)	6,0	6,0	8,0	8,25
	IQ-2022	IIQ-2022	2022	2023
Growth (%)	8,2	6,7	5,0	3,5

Source: Financial Opinion Survey - BVC

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