CENTRAL BANK POLICY RATE

In September, the Board of Directors of the Central Bank increased the intervention rate by 100 bps to 10,0%. The next meeting of the Board of Directors, in which a monetary policy decision will be announced, will take place on October 28.

For October 2022, analysts expect the rate to increase to 11,0% at the end of the month and 11,50% at the end of the year. Finally, they anticipate a reduction throughout 2023 to 8,5% in December, reaching 9,0% in October 2023 (Graph 1).

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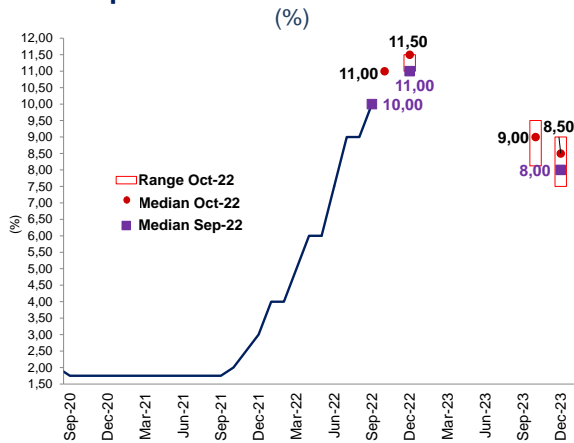
Source: Financial Opinion Survey, Fedesarrollo - BVC

ECONOMIC GROWTH

In October, the economic growth forecast for 2022 ranges between 7,4% and 7,8%, with 7,7% as median response (7,4% in the previous FOS) (Graph 2). **The economic growth forecast for 2023 was at 1,7%, ranging between 1,2% and 2,0%.**
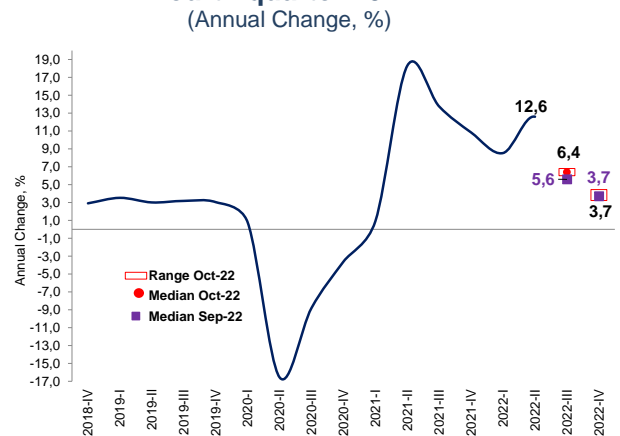
Expectations for third quarter 2022 growth ranged between 6,0% and 6,8% with 6,4% as the median response (5,6% in the previous FOS) (Graph 3)**.**

Graph 2. GDP annual growth forecast-2022 and 2023
(Annual Change, %)
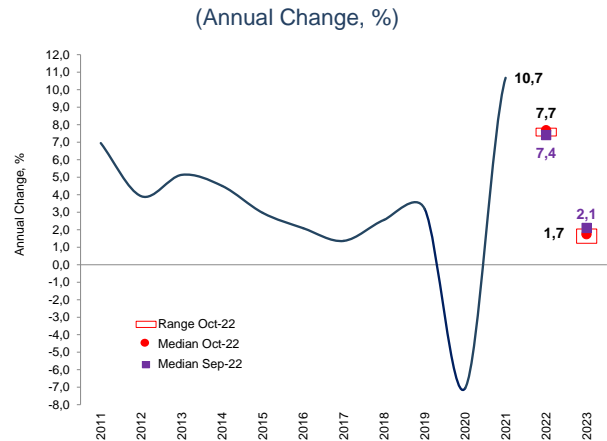
Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 3. GDP growth forecast – third and fourth quarter 2022
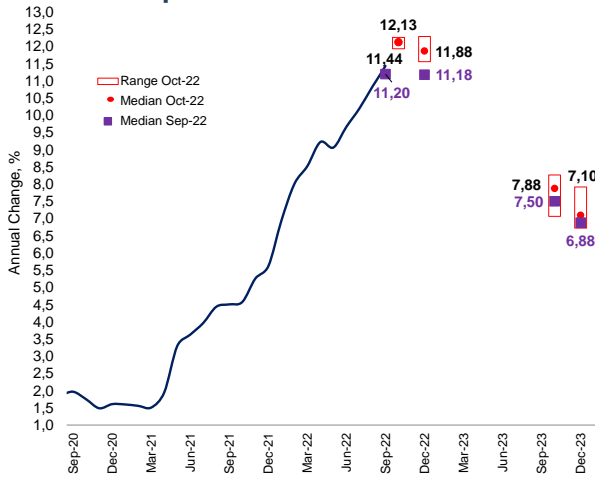(Annual Change, %)

Source: Financial Opinion Survey, Fedesarrollo - BVC

INFLATION

In September, the annual inflation reached 11,44%, above the analysts forecast in the previous edition (11,20%). **In October, the analysts expect inflation to reach 12,13%** (Graph 4)**,** which means that inflation expectations remain 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 11,88% (in a range between 11,57% and 12,30%). This means that the prediction made at this edition is higher than the one made on the previous month (11,18%)** (Graph 5).

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Graph 4. Inflation forecast

Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 5. Inflation forecast - End 2022
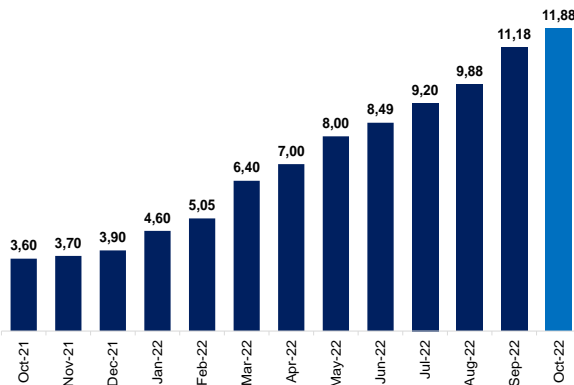
Source: Financial Opinion Survey, Fedesarrollo - BVC

EXCHANGE RATE

In September, the exchange rate closed at $4.532,07 with a monthly depreciation of 3,00%. On September 28 it reached a maximum value of $ 4.556,42 pesos per dollar and on September 13 it reached a minimum value of $4.346,91 pesos per dollar. **The exchange rate forecast by the end of the month ranges between $4.550 and $4.629, with $4.600 as median response** (Graph 6).
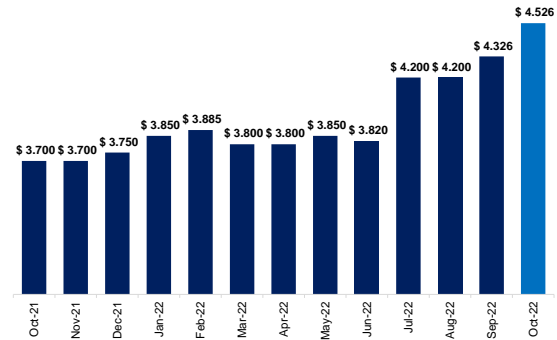
On the other hand, **experts forecast that the exchange rate will close at $4.526 at the end of 2022**. **This means that the prediction made at this edition is 4,6% higher than the previous month ($4.326)** (Graph 7).

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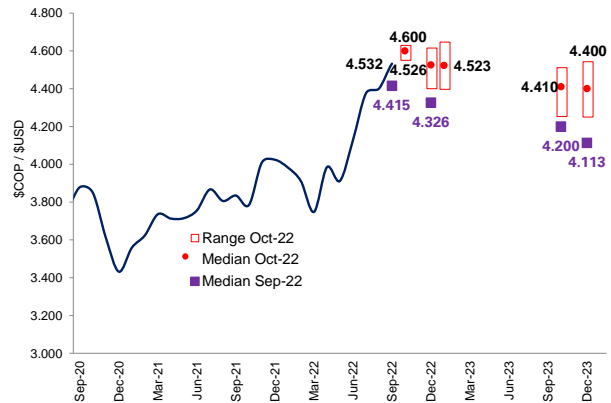
Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 7. Exchange rate forecast End of 2022

Source: Financial Opinion Survey, Fedesarrollo - BVC

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 higher than 11,5% in three months are 81,3% (9,8-pps higher than the previous month). On the other hand, 15,6% estimate that it will be between 11,0% and 11,5%, while the remaining 3,1% place it between 10,0%-10,5%** (Graph 8).

For TES maturing in 2028, **100,0% of the analysts expects the rate to be above 12,0% within three months. Particularly, 34,3% projects it to be between 12,0%-13,0%, 53,1% considers a rate amidst 13,0%-14% and 12,5% expect it above 14,0%** (Graph 9).

Graph 8. Expectation of TES 2024 performance rate within 3 months
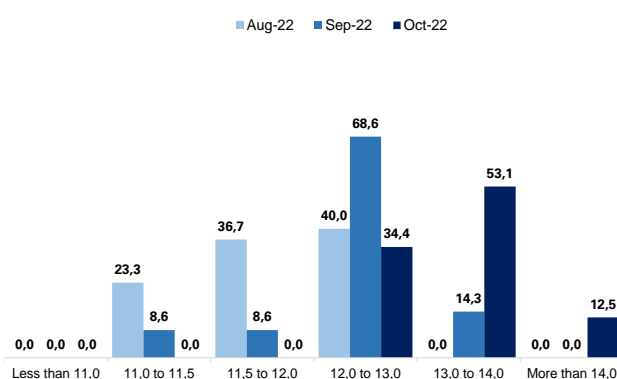(% of answers)

Aug-22 ■ Sep-22 ■ Oct-22

Less than 10,0	3,3 / 0,0 / 0,0	
10,0 - 10,5	20,0 / 0,0 / 0,0	
10,5 - 11,0	20,0 / 2,9 / 3,1	
11,0 - 11,5	43,3 / 25,7 / 15,6	
11,5 - 12,0	13,3 / 37,1 / 12,5	
12,0 - 12,5	0,0 / 22,9 / 31,3	
12,5 - 13,0	0,0 / 8,6 / 28,1	
More than 13,0	0,0 / 2,9 / 9,4	
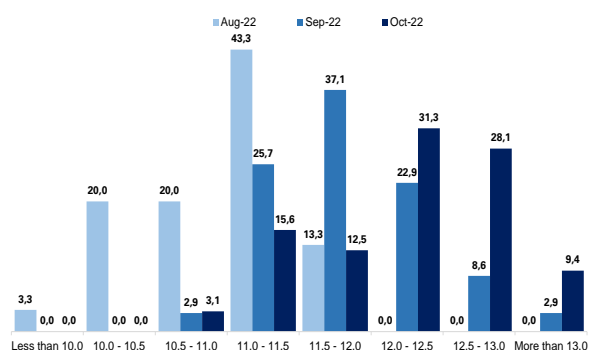
Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 9. Expectation of TES 2028 performance rate within 3 months
(% of answers)

Aug-22 ■ Sep-22 ■ Oct-22

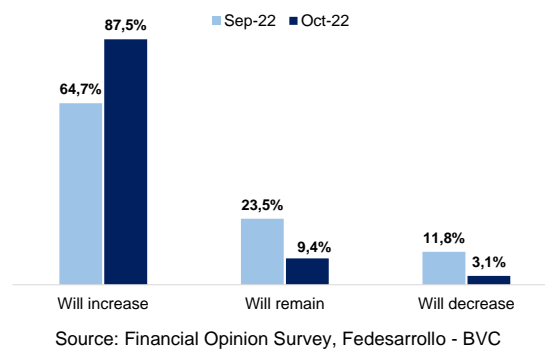|		
Less than 11,0	0,0 / 0,0 / 0,0	
11,0 to 11,5	23,3 / 8,6 / 0,0	
11,5 to 12,0	36,7 / 8,6 / 0,0	
12,0 to 13,0	40,0 / 68,6 / 34,4	
13,0 to 14,0	0,0 / 14,3 / 53,1	
More than 14,0	0,0 / 0,0 / 12,5	

Source: Financial Opinion Survey, Fedesarrollo - BVC

DEBT SPREAD – EMBI G COLOMBIA

The debt spread (EMBI G Colombia)[1] closed at 460-bps in September. **In October 87,5% of the analysts** (22,8-pps plus than the previous FOS) **expects the spread to increase in the next three months, while 3,1%** (8,6-pps less than previous FOS) **expects it to decrease. The remaining 9,4% of the respondents expects for the spread to remain equal** (14,2-pps less than the previous FOS) (Graph 10).

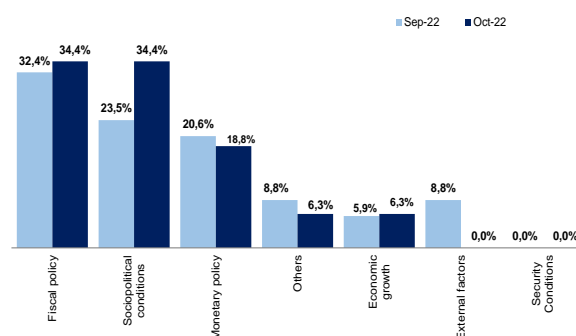## Graph 10. Expectation 3-months debt spread
(% of answers)

Sep-22 ■ Oct-22

	Will increase	Will remain	Will decrease
Sep-22	64,7%	23,5%	11,8%
Oct-22	87,5%	9,4%	3,1%

Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT DETERMINANTS

In this edition, fiscal policy rank as the most important aspect considered for investing decisions, reaching 34,4% of participation (vs. 32,4% in the previous month)**.** The sociopolitical factors placed second with 34,4% (vs. 23,5% in the previous month). This was followed by monetary policy with 18,8% (vs. 20,6% in the previous month), economic growth with 6,3% (vs. 5,9% in the previous month) and other factors with 6,3% (vs. 8,8% in the previous month). Finally, external factors and security conditions are not relevant reasons for analysts (Graph 11).

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

Sep-22 ■ Oct-22

	Sep-22	Oct-22
Fiscal policy	32,4%	34,4%
Sociopolitical conditions	23,5%	34,4%
Monetary policy	20,6%	18,8%
Others	8,8%	6,3%
Economic growth	5,9%	6,3%
External factors	8,8%	0,0%
Security Conditions	0,0%	0,0%

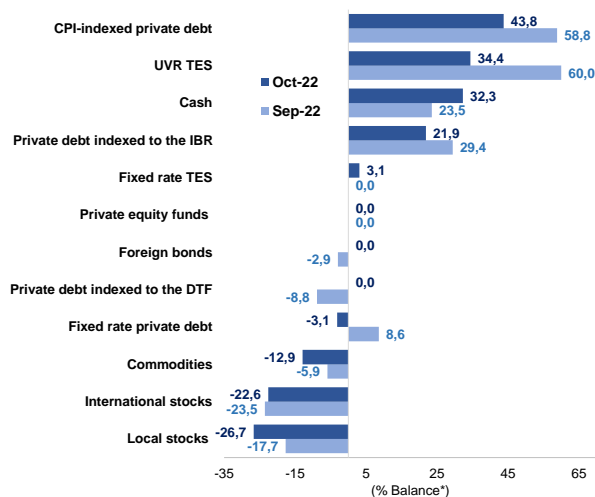Source: Financial Opinion Survey, Fedesarrollo – BVC

INVESTMENT PREFERENCES

Compared to September, **portfolio managers increased their preferences for international stocks, DTF-indexed debt, foreign bonds, fixed-rate TES and cash.** In contrast, there is evidence of a deterioration in preferences for local stocks, commodities,

[1] The debt spread (EMBI G Colombia) is defined as the difference between the yield of Colombian bonds issued abroad and the yield of American treasury securities.

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UVR TES and debt indexed to IBR, CPI and fixed rate (Graph 12).

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

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 October, the 36,7% of the analysts** (vs. 55,9% in the previous FOS) **expects a valuation of the index within three months** (Table 1), **while the remaining 63,3% of the analysts expects the index to devaluate** (vs. 44,1% in the previous FOS).

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

Index COLCAP Price Level	September 2022	October 2022
Will increase 10% or more	8,8%	10,0%
Will increase between 5% and 9,99%	26,5%	3,3%
Will increase between 0,01% and 4,99%	20,6%	23,3%
Will remain	0,0%	0,0%
Will decrease between 0,01% and 4,99%	29,4%	46,7%
Will decrease between 5% and 9,99%	11,8%	16,7%
Will decrease between 10% or more	2,9%	0,0%

Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 14. Balance on the price of the MSCI COLCAP index 3 months*
(% of answers)
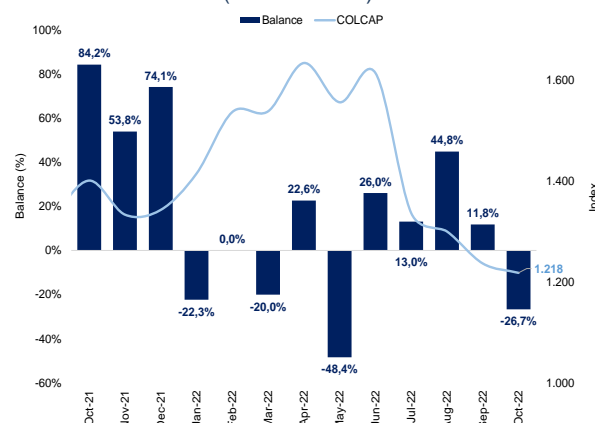
Source: Financial Opinion Survey, Fedesarrollo – BVC
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation. The calculations use the index corresponding to the day on which the EOF was enabled.

MOST ATTRACTIVE COLCAP SHARES

The FOS inquires the analysts for the most attractive stocks compounding the MSCI COLCAP index. **In October, the stock of Bancolombia was ranked in the first place with 52,9%. It was followed by Bancolombia's preferential stock, GEB's stock and ISA's 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)
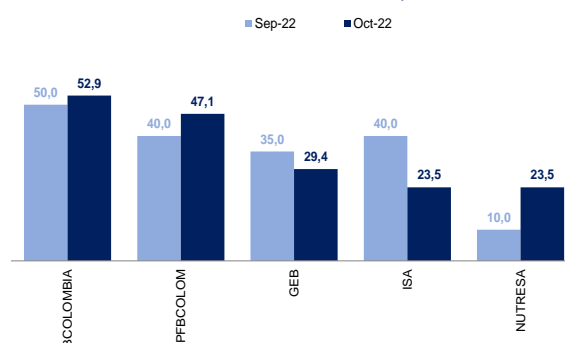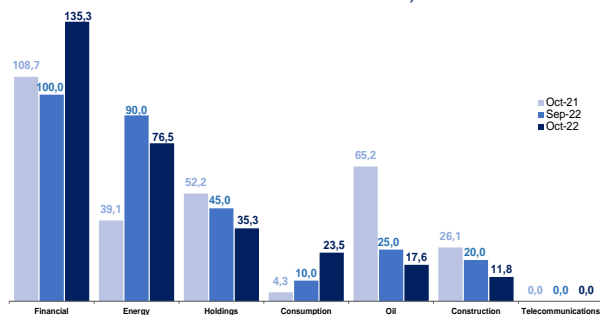

Source: Financial Opinion Survey, Fedesarrollo – BVC

Compared to the last month, there is greater appetite among respondents for shares of financial and consumption, concentrating in financial, energy, holdings and consumption (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)
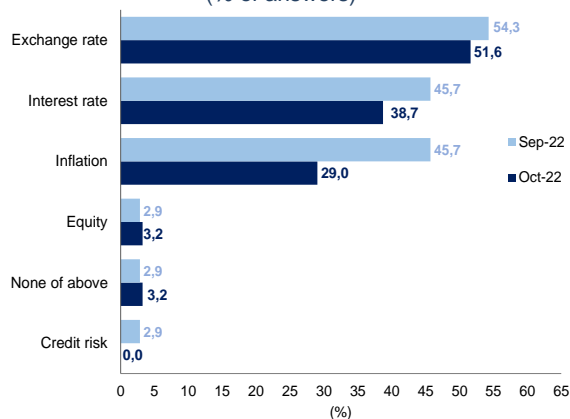

Source: Financial Opinion Survey, Fedesarrollo – BVC

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 October, 51,6% of the respondents** (54,3% in September) **were planning to hedge against the exchange rate in the short term** (Graph 17)**. The percentage of managers who expect to hedge against the interest rate is 38,7% and 29,0% against inflation** (45,7% in September for both).

Graph 17. 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	Temporality	Observed	Forecast (Median of answers)	
		Sep-22	Sep-22	Oct-22
Inflation (Annual variation, %)	End of year		11,18	11,88
	End of month	11,44	11,20	12,13
Exchange rate ($)	End of year		4.326	4.526
	End of month	4.532	4.415	4.600
Monetary policy interest rate (%)	End of year		11,00	11,50
	End of month	10,00	10,00	11,00
Growth (%)*	IIIQ-2022		5,6	6,4
	IVQ-2022		3,7	3,7
	2022		7,4	7,7
	2023		2,1	1,7

Source: Financial Opinion Survey – BVC
* Original series

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