

Financial Opinion Survey

August 2020

Bulletin No.184

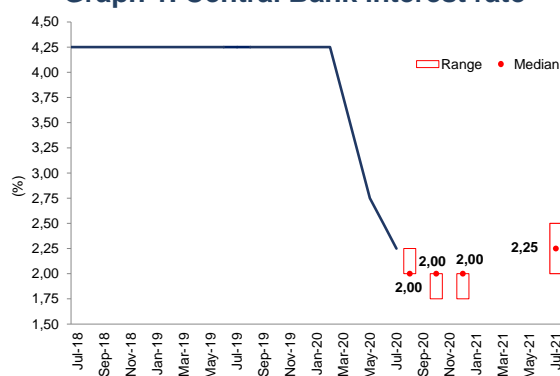
CENTRAL BANK POLICY RATE

In August, the Board of Directors of the Central Bank decided to reduce its monetary policy interest rate by 25 basis points to 2.25%.

By the end of the month, 18.4% of the analysts foresee the interest rate to remain unchanged at 2,25%, 81.6% of the analysts expect a 25-bps decrease to 2% and none of the analysts expect a decrease of 50-bps to 1.75%.

By the end of the year, 63.3% of the analysts expect a reduction of 25-bps (2.0%), 24.5% expect a 50-bps decrease (1.75%) and 8.2% expect the interest rate to decrease 75-bps to 1.5%. More than 100-bps decrease is expected by 2.0% of the analysts, meanwhile the remaining 2.0% foresee an unchanged interest rate (Graph 1).

Graph 1. Central Bank interest rate



Source: Financial Opinion Survey, Fedesarrollo - BVC

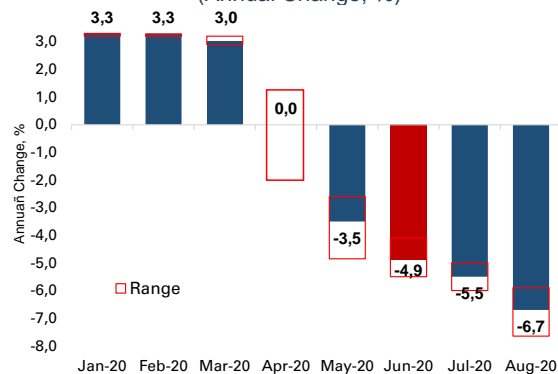
ECONOMIC GROWTH

In August, the economic growth forecast for 2020 ranges between -7,65% and -5,9%, with -6.7% as median response (5.5% in the previous FOS) (Graph 2). The economic growth forecast for 2021 was at 3.9%, ranging between 3.0% and 4.5%.

Expectations about the second quarter continued decreasing related to the previous edition, the economic growth

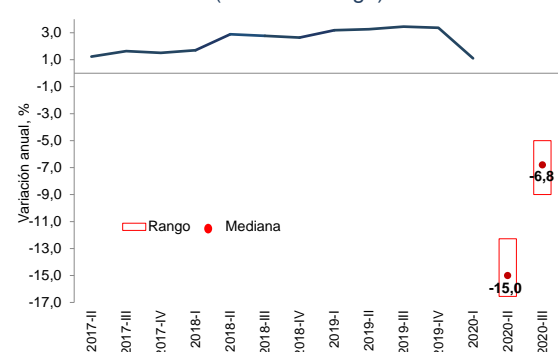
forecast for the second quarter ranged between -16.55% and -12.28%, with -15.0% as the median response (-10.0% in the previous FOS) (The observed growth was -15,7%¹). Expectations regarding third quarter growth reached -6.8%, ranging between -9.0% and -5.0% (Graph 3).

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)



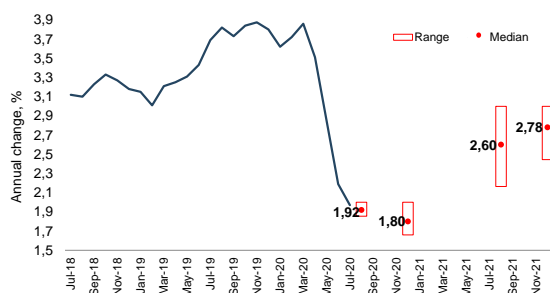
Source: Financial Opinion Survey, Fedesarrollo - BVC

INFLATION

In July, the annual inflation reached 1.97%, lower than the analysts forecast in the previous edition (1.99%). In August, the analysts believe that inflation will decrease to 1.92% (Graph 4). Inflation expectations for the end of 2020 decreased from 1.9% in the previous edition to 1.8% (Graph 5).

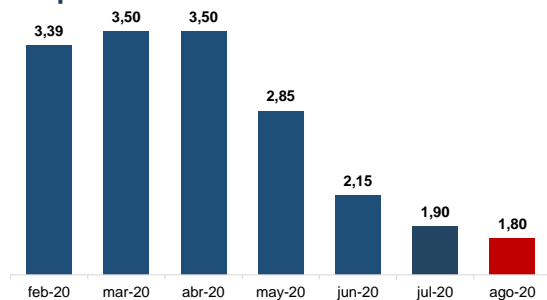
¹ National Administrative Department of Statistics

Graph 4. Inflation forecast



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 5. Inflation forecast - end of 2020

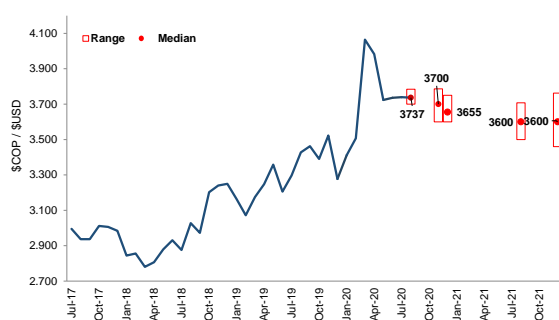


Source: Financial Opinion Survey, Fedesarrollo - BVC

EXCHANGE RATE

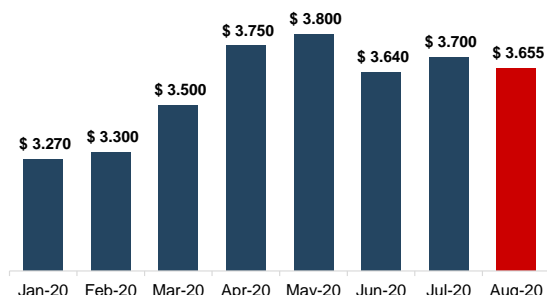
In July, the exchange rate closed at \$3,739.49, with a monthly appreciation of 0.52%. On July 1th, it reached a maximum value of \$3,756.28 pesos per dollar and on July 16th it reached a minimum value of \$3,611.61 pesos per dollar. **The exchange rate forecast by the end of the month ranges between \$3,700 and \$3,784, with \$3,737 as median response. The exchange rate forecast for next three months ranges between \$3,600 and \$3,786, and its median response corresponds to \$3,700 (Graph 6). Finally, the exchange rate forecast for the end of 2020 decreased compared to the past month result, being \$3,655 the median response (\$3,700 in the previous FOS), and ranging between \$3,600 and \$3,750 (Graph 7).**

Graph 6. Exchange rate - end of period



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 7. Exchange rate forecast - end of period 2020



Source: Financial Opinion Survey, Fedesarrollo - BVC

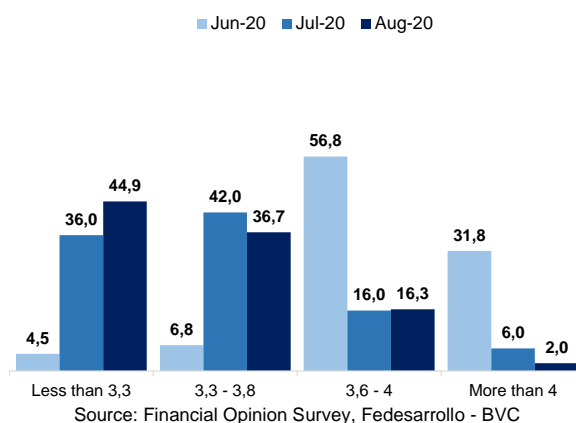
TES 2024 and 2028 RATE

In July, the traded volume of the Colombian treasury bonds reached COP 33,6 trillion, which entails an increase of 42.37% compared to June and of 26.9% as compared to the same month in the previous year.

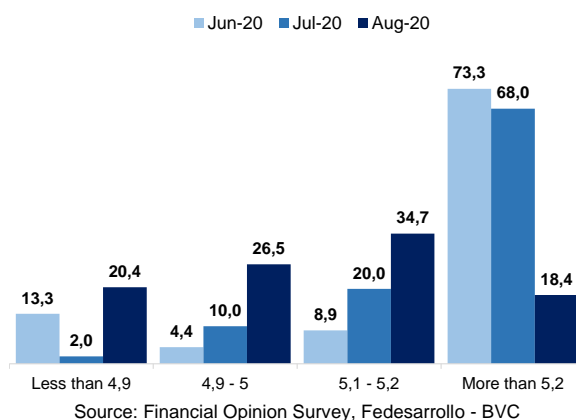
In this edition, the percentage of analysts who considers that **the interest rate on the treasury bonds maturing in 2024 will be under 3.3% during the next three months is 44.9%, and between 3.3% and 3.5% is 36.7%.** The percentage of analysts who expects that **the rate will be between 3.6% and 4.0% during the next three months is 16.3%; meanwhile 2.0% of the analysts expects a rate higher than 4.0% (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 20.4%, and between 4.9% and 5% was 26.5%.** The percentage of analysts who expect that **the rate will be between 5.1% and 5.2% during the next three months was 34.7%. 18.4% 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)



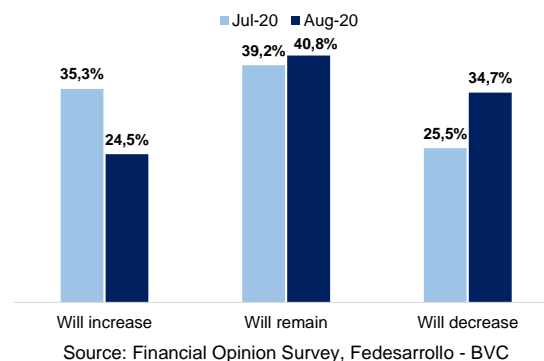
Graph 9. Expectation of TES 2028 performance rate for the next 3 months
(% of answers)



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 256-bps in July. **In August 24.5% of analysts (10.8-bps less than the previous FOS) expects the spread to increase in the next three months, while 34.7% (9.2-bps less than previous FOS) expects it to decrease. The remaining 40.8% of the respondents expects for the spread to remain equal (1.6-bps more than previous FOS) (Graph 10).**

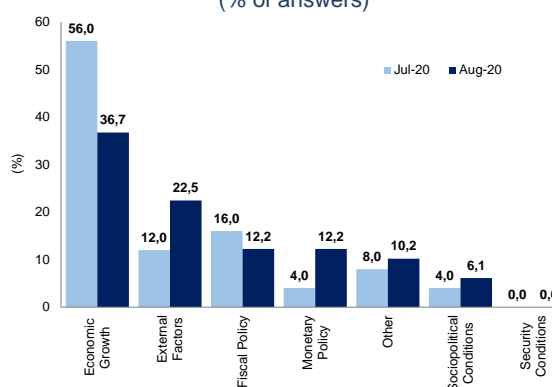
Graph 10. Expectation 3-months debt spread
(% of answers)



INVESTMENT DETERMINANTS

In this edition, the economic growth continues ranking as the most important aspect considered for investing decisions, reaching 36.7% (56.0% in the previous month). External factors and fiscal policy placed second and third place, respectively. Concerns accounting for external factors reached 22.5% (12.0% in the previous month), while fiscal policy, reached 12.2% (16.0% in the previous month). Monetary policy, placed at fourth place with 12.2% (4.0% in the previous month). Other factors placed at fifth place, with 10.2% (8.0% in the previous month), mostly related to COVID-19, and sociopolitical conditions reached 6.1% (4.0% 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)



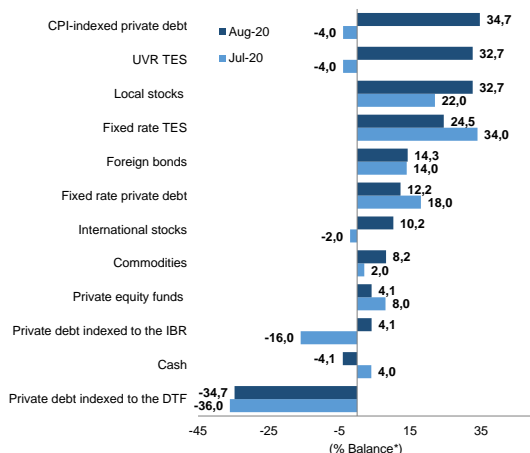
Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT PREFERENCES

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

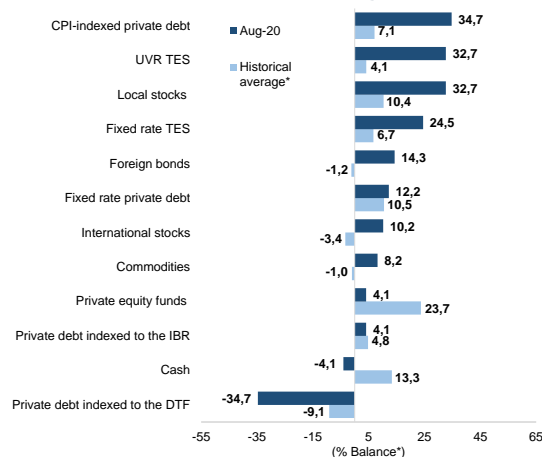
Compared to the survey's historical average, there is a greater preference for UVR TES, CPI-indexed private debt, local stocks, fixed rate TES, foreign bonds, international stocks, commodities and fixed rate private debt (Graph 13).

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

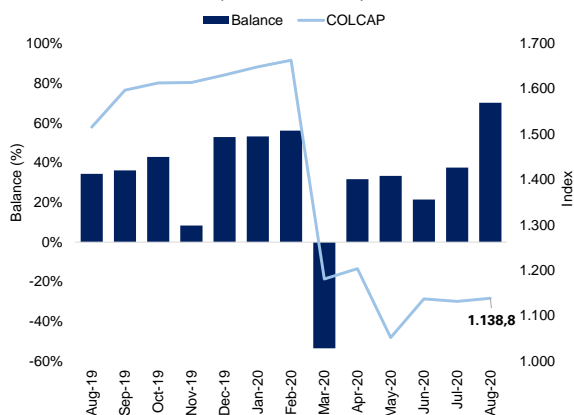
The COLCAP index is a market-capitalization weighted index that reflects price changes on the most liquid stocks listed in the Colombia's stock exchange. In August 85.1% of the analysts (68.8% in July) expects a valuation of the index during the next three months (Table 1). On the other hand, the percentage of analysts expecting the stock index to devalue during the next three months is 14.9% (31.3% 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	July 2020	August 2020
Will increase 10% or more	22,9%	19,1%
Will increase between 5% and 9,99%	27,1%	31,9%
Will increase between 0,01% and 4,99%	18,8%	34,0%
Will remain	0,0%	0,0%
Will decrease between 0,01% and 4,99%	18,8%	12,8%
Will decrease between 5% and 9,99%	8,3%	0,0%
Will decrease between 10% or more	4,2%	2,1%

Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 14. Balance on the price of the COLCAP index 3 months*
(% of answers)

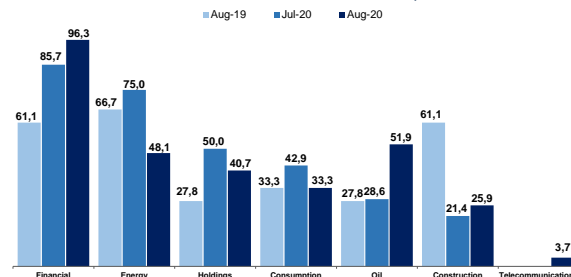


Source: Financial Opinion Survey, Fedesarrollo - BVC
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation

contrary, shares in energy, consumption and holdings are less preferred (Graph 16).

Graph 16. Most attractive COLCAP sectors for investors

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



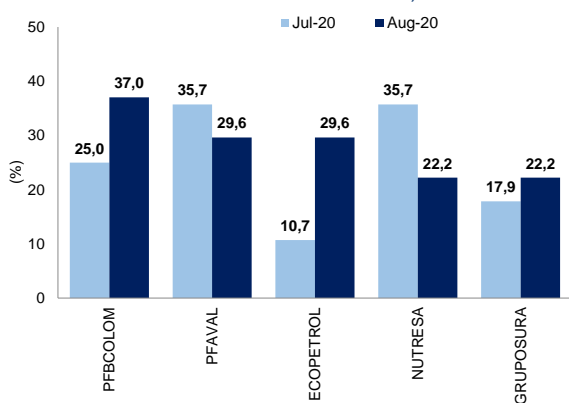
Source: Financial Opinion Survey, Fedesarrollo - BVC

MOST ATTRACTIVE COLCAP SHARES

The FOS inquires the analysts for the most attractive stocks compounding the COLCAP index². In August, the **Bancolombia's preferential stock**, was ranked in the first place with 37.0%. It was followed by the **Grupo Aval preferential stock**, the **Ecopetrol's**, **Nutresa's** and **Suramericana's common stocks** (Graph 15).

Graph 15. More attractive COLCAP stocks for investors

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



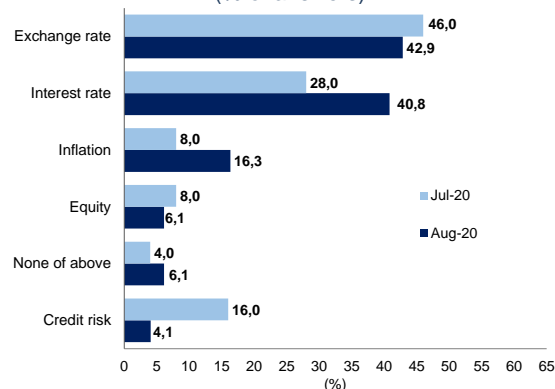
Source: Financial Opinion Survey, Fedesarrollo - BVC

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 August 42.9% of the respondents (46.0% in July) were planning to hedge against foreign exchange risk in the short term.** The percentage of managers who expect to hedge against interest rate are 40.8% (28.0% in July) and the percentage who foresee to hedge against inflation risk corresponds to the 16.3% (8.0% in the previous month) (Graph 17).

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

(% of answers)



Source: Financial Opinion Survey, Fedesarrollo - BVC

Compared to July, there is greater appetite among respondents for shares of the oil financial and construction sectors. On the

² The COLCAP rebalancing included the ETB stock and the Corficolombiana preferential stock.

Table 2. Summary of the Macroeconomic Expectations

Variable	Observed	Expectations (Median of answers)		
	July-20	Aug-20	Nov-20	Dec-20
Inflation (Annual variation, %)	1.97	1.92		1.80
Exchange rate	\$ 3,739	\$ 3,737	\$ 3,700	\$3,655
Monetary policy interest rate (%)	2.25	2.00	2.00	2.00
	1Q-2020	2Q-2020	3Q-2020	Year 2020
Growth (%)	1.1	-15.0	-6.8	-6.7

Source: Financial Opinion Survey -BVC

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Comments to Tatiana García: tgarcia@fedesarrollo.org.co



Contact us if you wish to access historical results and other survey questions

+57 1 3259777 ext. 340

comercial@fedesarrollo.org.co