# Financial Opinion Survey
## December 2020
## Bulletin No.188

**50 AÑOS**
**FEDESARROLLO**
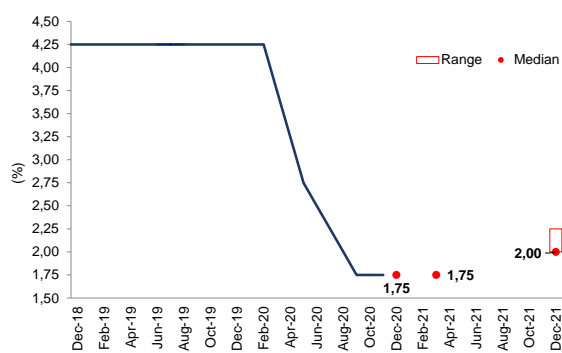Centro de Investigación Económica y Social

## CENTRAL BANK POLICY RATE

In November, the Board of Directors of the Central Bank decided to maintain its monetary policy in 1.75%.

**By the end of the month, 97.4% of the analysts expect the interest rate to remain unchanged at 1.75%, while 2,6% expects a decrease of 25-bps (Graph 1).**

### Graph 1. Central Bank interest rate



Source: Financial Opinion Survey, Fedesarrollo - BVC

## ECONOMIC GROWTH

**In December, the economic growth forecast for 2020 ranges between -7,5% and -7,0%,** with **-7.2%** as median response *(-7.1% in the previous FOS)* (Graph 2). **The economic growth forecast for 2021 was at 4.7%, ranging between 4.0% and 5.3%.**

**Expectations about the fourth quarter continue decreasing related to the previous edition, the economic growth forecast for the fourth quarter ranged between -6.0% and -4.4%,** with **-5.0%** as the median response *(-4.8% in the previous FOS).* **Expectations regarding the first quarter of 2021 growth reached -2.3%, ranging between -3.3% and -3.0%** (Graph 3).

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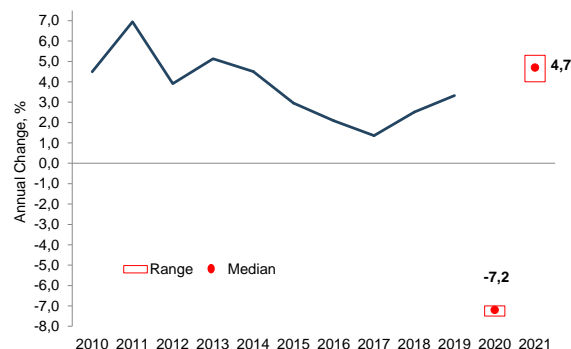


Source: Financial Opinion Survey, Fedesarrollo - BVC

### Graph 3. GDP growth forecast – fourth quarter of 2020 and first quarter of 2021
(Annual Change)
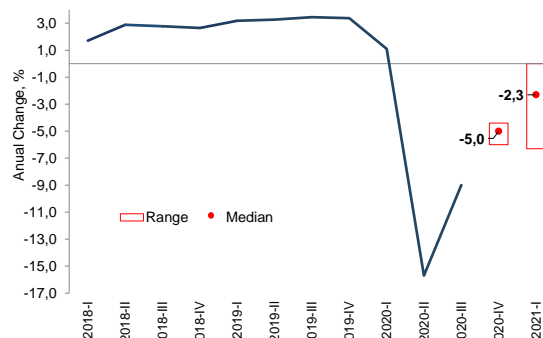


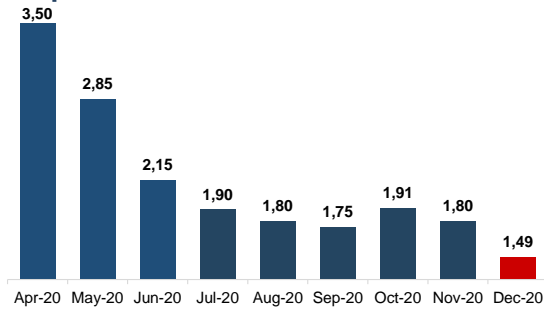Source: Financial Opinion Survey, Fedesarrollo - BVC

## INFLATION

In November, the annual inflation reached 1.49%, lesser than the analysts forecast in the previous edition (1.74%). **In December, the analysts believe that inflation will decrease to 1.49%** (Graph 4). **In this sense, inflation expectations for the end of 2020 decreased from 1.80% in the previous edition to 1.49%** (Graph 5).

### Graph 4. Inflation forecast
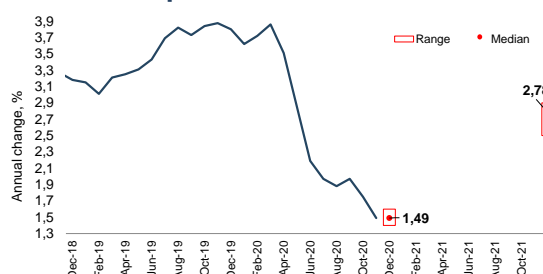
Source: Financial Opinion Survey, Fedesarrollo - BVC

### Graph 5. Inflation forecast - end of 2020



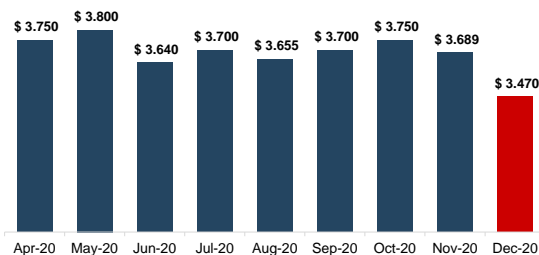Source: Financial Opinion Survey, Fedesarrollo - BVC

## EXCHANGE RATE

In November, the exchange rate closed at $3,611.44, with a monthly appreciation of 6.18%. On November 3, it reached a maximum value of $3,858.56 pesos per dollar and on November 30 it reached a minimum value of $3,611.44 pesos per dollar. **The exchange rate forecast by the end of the month ranges between $3,430 and $3,500, with $3,470 as median response** (Graph 6) *($3,689 in the previous FOS)* (Graph 7). **Finally, the exchange rate forecast for next three months ranges between $3,400 and $3,550,** with **$3,450** as median response.

### Graph 6. Exchange rate - end of period
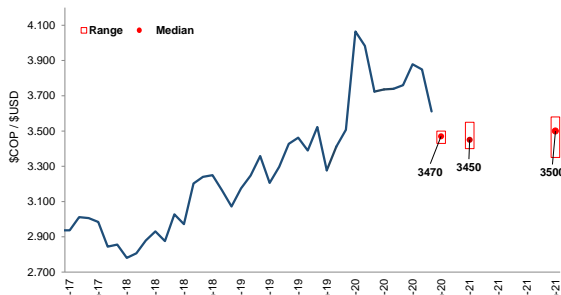


Source: Financial Opinion Survey, Fedesarrollo – BVC

### Graph 7. Exchange rate forecast - end of period 2020



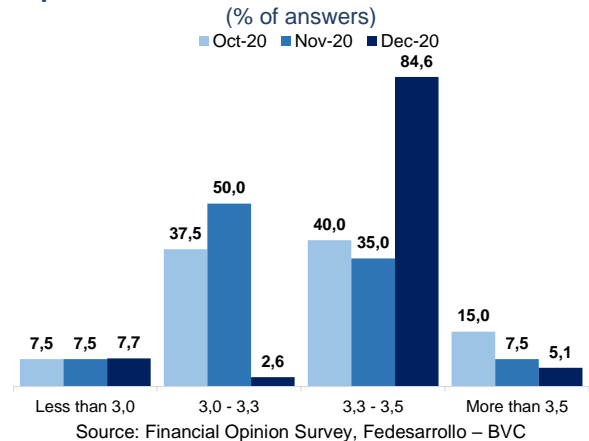Source: Financial Opinion Survey, Fedesarrollo – BVC

## TES 2024 and 2028 RATE

In November, the traded volume of the Colombian treasury bonds reached COP 30,5 trillion, which entails a decrease of 17.2% compared to October and a decrease of 10.2% 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 7.7%, and between 3.0% and 3.5% is 2.6%.** The percentage of analysts who expects that **the rate will be between 3.5% and 3.7% during the next three months is 84.6%; meanwhile 5.1% of the analysts expects a rate higher than 3.7%** (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 12.8%, and between 4.9% and 5% was 74.4%.** The percentage of analysts who expect that **the rate will be between 5.1% and 5.2% during the next three months was 10.3%. 2.6% 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)



Source: Financial Opinion Survey, Fedesarrollo – BVC

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

Oct-20 ■ Nov-20 ■ Dec-20



Source: Financial Opinion Survey, Fedesarrollo - BVC
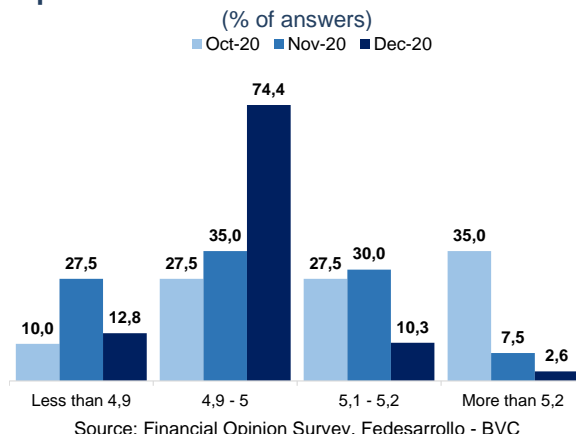
## DEBT SPREAD – EMBI + COLOMBIA

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 231-bps in November. **In December 23.08% of analysts** *(1.7-bps more than the previous FOS)* **expects the spread to increase in the next three months, while 17.95%** *(22.5-bps less than previous FOS)* **expects it to decrease. The remaining 58.97% of the respondents expects for the spread to remain equal** *(20.9-bps more than previous FOS)* (Graph 10).

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

Oct-20 ■ Nov-20



Source: Financial Opinion Survey, Fedesarrollo - BVC
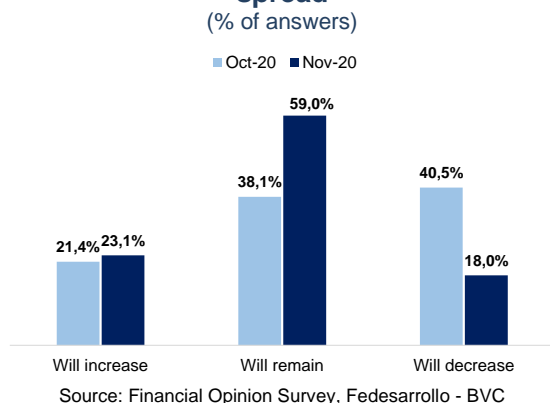
### INVESTMENT DETERMINANTS

**In this edition, the economic growth continues ranking as the most important aspect considered for investing decisions, reaching 47.4%** *(68.4% in the previous month).* Fiscal policy and external factors placed second and third place, respectively.

Concerns accounting for fiscal policy reached 26.3% *(15.8% in the previous month),* while external factors, reached 13.2% *(10.5% in the previous month).* Other factors placed at fourth place, with 5.3% *(5.3% in the previous month),* mostly related to COVID-19. Monetary policy also reached 5.3% *(0,0 in the previous month),* while sociopolitical conditions reached 2,6% *(0,0 in the previous month). Finally,* the security conditions was the least in the investment determinants with 0.0% (Graph 11).

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

Nov-20 ■ Dec-20



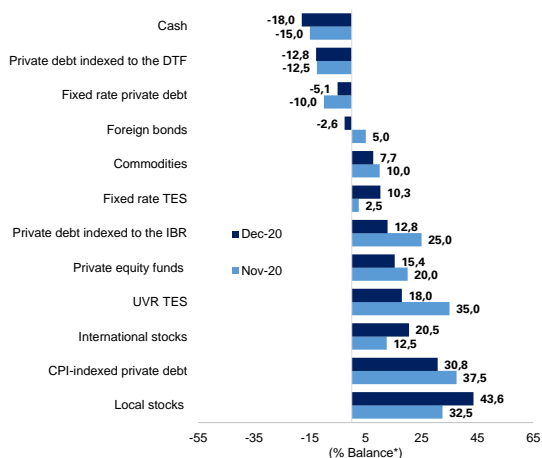Source: Financial Opinion Survey, Fedesarrollo - BVC
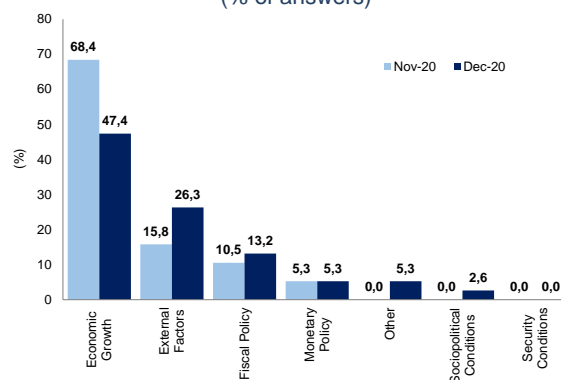
### INVESTMENT PREFERENCES

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

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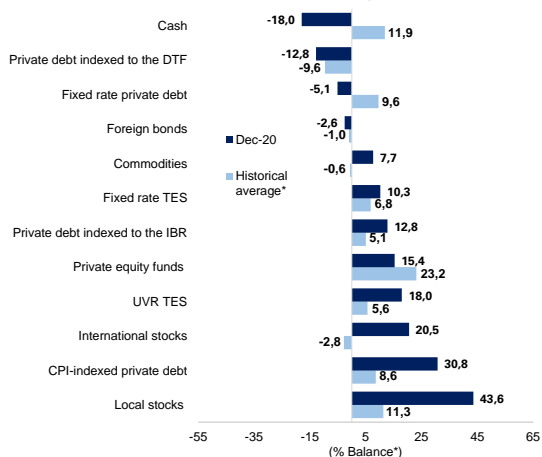


* The historical average refers to the average of the response balances from June 2014 to date.
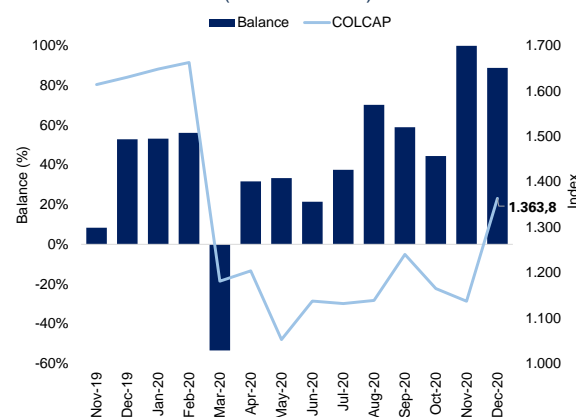Source: Financial Opinion Survey, Fedesarrollo - BVC

### 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 December 94.4% of the analysts** (*100.0% in November*) **expect a valuation of the index during the next three months** (Table 1). Meanwhile, **5.6% of the analysts expects the index to devaluate** *(0.0% in November)* **and 0.0% 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 | November 2020 | December 2020 |
|---|---|---|
| Will increase 10% or more | 84,2% | 8,3% |
| Will increase between 5% and 9,99% | 5,3% | 36,1% |
| Will increase between 0,01% and 4,99% | 10,5% | 50,0% |
| Will remain | 0,0% | 0,0% |
| Will decrease between 0,01% and 4,99% | 0,0% | 5,6% |
| Will decrease between 5% and 9,99% | 0,0% | 0,0% |
| Will decrease between 10% or more | 0,0% | 0,0% |

Source: Financial Opinion Survey, Fedesarrollo - BVC

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



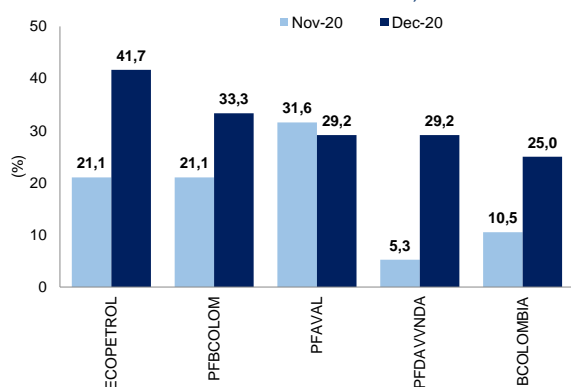Source: Financial Opinion Survey, Fedesarrollo - BVC
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation

### MOST ATTRACTIVE COLCAP SHARES

The FOS inquires the analysts for the most attractive stocks compounding the COLCAP index. In December, **the Ecopetrol common stock, was ranked in the first place** with 41.7%. It was followed by the **the preferential stocks of Grupo Bancolombia, Grupo Aval, and Davivienda, and the Bancolombia stock** (Graph 15).

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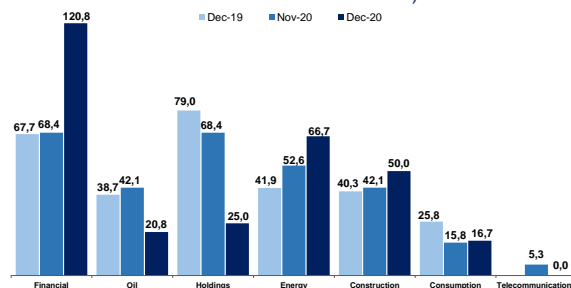


Source: Financial Opinion Survey, Fedesarrollo – BVC

Compared to November, there is greater appetite among respondents for shares of the financial, energy, construction, and consumption 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

The FOS inquires portfolio managers about the types of risk for which they plan to hedge against, in the next three months. **In December 51.3% of the respondents** *(50.0% in November)* **were planning to hedge against foreign exchange risk in the short term.** The percentage of managers who expect to hedge against interest rate is 38.5% *(22.5% in November)* and the percentage who foresee to hedge against inflation risk corresponds to the 18.0% (*12.5% in the previous month*) (Graph 17).

### Graph 17. Coverage of the different types of risk for the next 3 months
(% of answers)
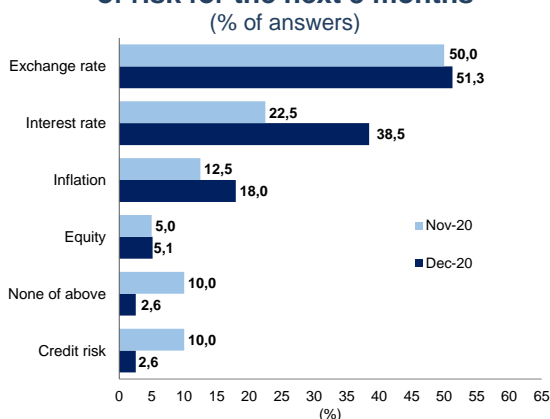


Source: Financial Opinion Survey, Fedesarrollo - BVC

## Table 2. Summary of the Macroeconomic Expectations

| Variable | Observed | Forecasts (Median of answers) | | |
|---|---|---|---|
| | Nov-20 | Dec-20 | Mar-21 |
| Inflation (Annual variation, %) | 1,49 | 1,49 | |
| Exchange rate | $ 3.611 | $ 3.470 | $ 3.450 |
| Monetary policy interest rate (%) | 1,75 | 1,75 | 1,75 |
| | 3Q-2020 | Year 2020 | Year 2021 |
| Growth (%) | -9,0 | -7,2 | 4,7 |

**Source**: Financial Opinion Survey - BVC