Stock market confidence indices
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50 AÑOS
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In January, the **One-Year Confidence Index** reached 87.18%, which means a decrease of 1.7 pp compared to the previous month and of 5.3 pp relative to January 2021. This result shows that the proportion of analysts who expects a valuation of the COLCAP index in one year fell compared to the last month and to the previous year.

The **Buy-on-Dips Confidence Index** reached 50.0%, which represents a decrease of 16.7 pp compared to the past month and a decrease of 9.4 pp relative to the previous year.

The **Crash Confidence Index** reached 51.52%, meaning that it decreased 3,0 pp compared to the previous month, and also decreasing 17.1 pp relative to January of 2021.

Finally, the **Valuation Confidence Index** reached 91.94%, which represents a decrease of 5.7 pp compared to the past month and an increase of 9.7 pp relative to the same month one year ago.

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 of the index so far in January is placed at 1,456.62, which reflects a 4.0% valuation relative to the average in December and a 1.97% valuation with respect to the average in January 2021.

At the end of Necember, the MSCI COLCAP Index reached 1,410.97, this level is 7 units over the analyst's forecast (1,403.5). By the end of January, it is expected that the index ranges between 1,430 and 1,570, with 1,500 as the median response (Graph 1).

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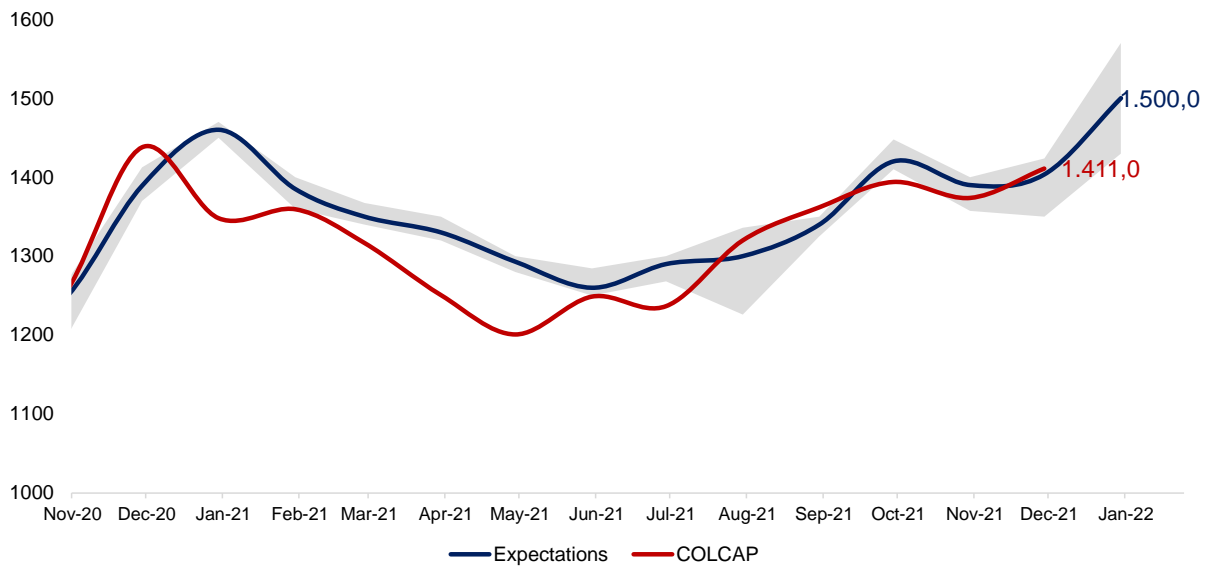
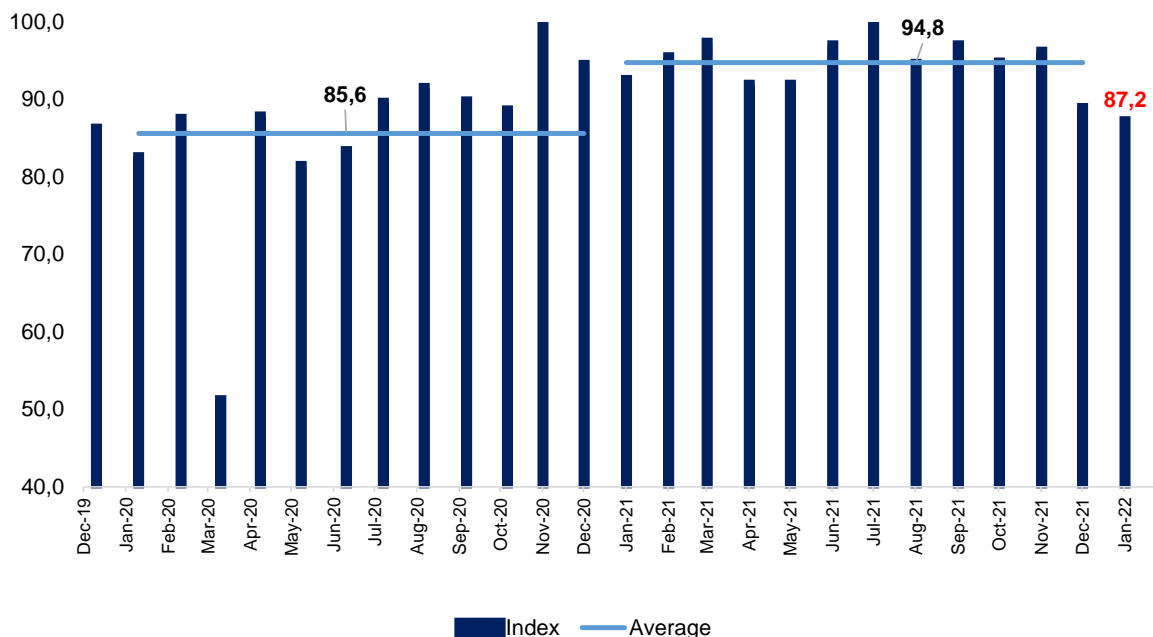Source: Financial Opinion Survey, Fedesarrollo – BVC

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.

One-Year Confidence Index[1]

The One-Year Confidence Index measures the proportion of analysts expecting an increase in the COLCAP in the coming year. In this edition, the index reached 87.18%, which indicates that more than 85% of the respondents expect an increase of the index in January 2023 regarding the current level (Graph 2). Also is important to notice that the index is placed below the average that it had in 2021, showing that it dropped compared to the last year.

Graph 2. One-Year Confidence Index

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

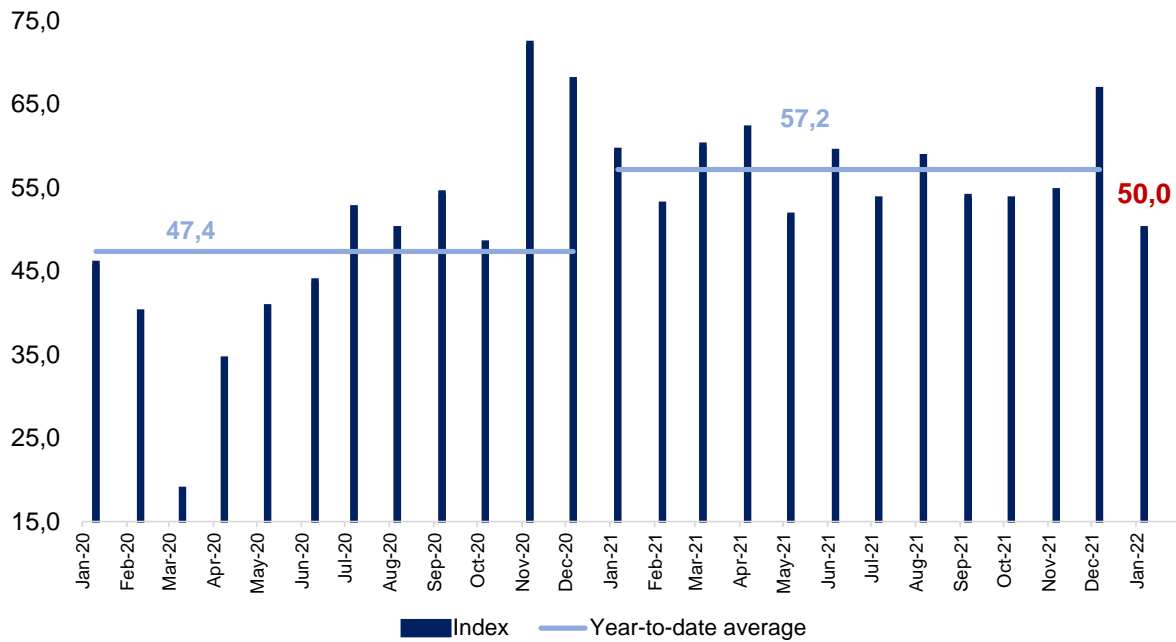Source: Financial Opinion Survey, Fedesarrollo – BVC

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%. This month the index reached 50,0%.

In 2020 the index showed very low numbers, taking into account that it was the year where the pandemic started to affect the entire world, and as is possible to see, January of 2022 locates the index close to the 2020 average (Graph 3). Relative to December it decreased 16.7 pp. Comparing with January 2020 it is observed a decrease of 9.4 pp.

Graph 3. Buy-on-Dips Confidence Index

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

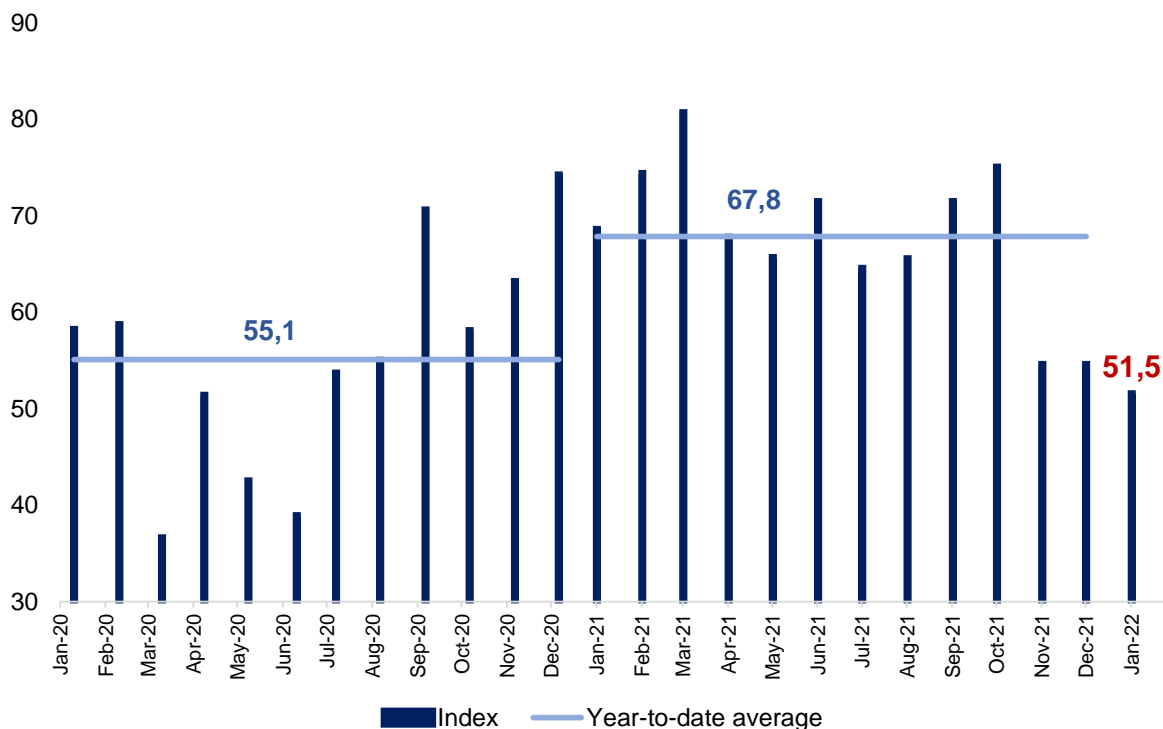Source: Financial Opinion Survey, Fedesarrollo – BVC

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 before a substantial drop in the international markets.

In January, the index had a contraction of 3 pps compared to December, placing itself at 51,5%. This result shows that the number of analysts who perceive a low probability of a fall in the local stock market after a substantial drop in the international markets has decreased after the 2021 ended (Graph 4).

Graph 4. Crash Confidence Index

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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.

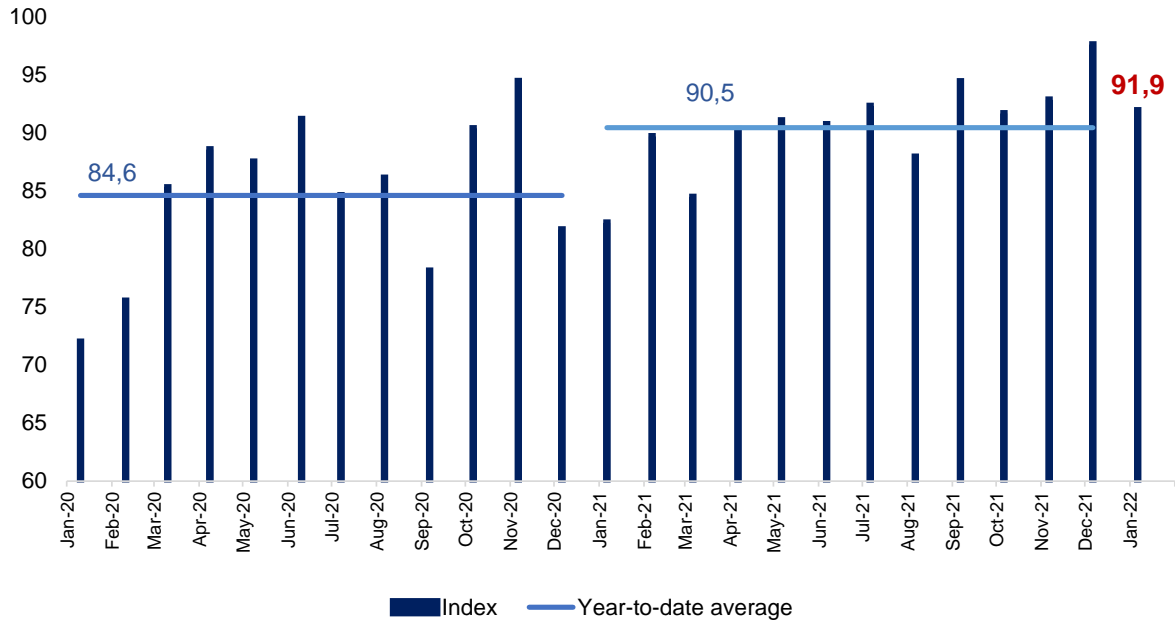Source: Financial Opinion Survey, Fedesarrollo – BVC

Valuation Confidence Index[4]

The Valuation Confidence Index is the proportion of analysts who think that the market is not too high compared with measures of true fundamental value (Graph 5).

In January, the index reached 91.94%, which means 5.7 pp below the last month (97.6%) and represents an increase of 9.7 pp compared to the same month in 2021. It is evident that although it had a drop compared to the last month, is placed over the average in 2021.

Graph 5. Valuation Confidence Index

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[4] The Valuation Confidence Index is calculated as:
$Valuation\ Confidence\ Index = \big(1 * (\%\ too\ low)\big) + \big(0.5 * (\%\ about\ right)\big)$, 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".

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Source: Financial Opinion Survey, Fedesarrollo – BVC

Contact us if you wish to access historical results and further information

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