

Financial Opinion Survey

July 2023

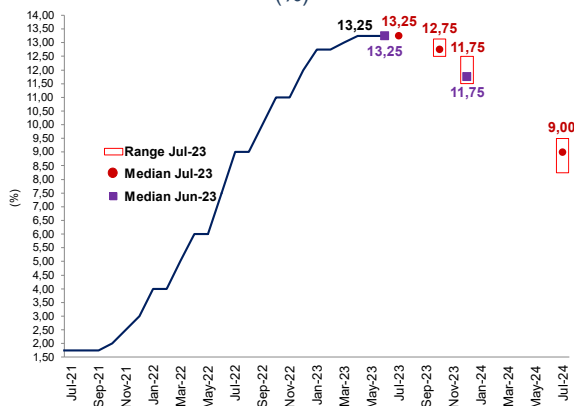
Bulletin No. 219

CENTRAL BANK POLICY RATE

In June 2023, the Board of Directors of Banco de la República (Colombia's Central Bank) unanimously decided to leave the intervention rate unchanged at 13.25%. The next meeting at which a monetary policy decision will be made will take place on July 31, 2023.

For the months of July and October, analysts expect the intervention rate to stand at 13.25% and 12.75%, respectively. They also anticipate a reduction throughout 2023, to 11.75% in December 2023 and 9.00% in July 2024 (Graph 1).

Graph 1. Central Bank interest rate (%)



Source: Financial Opinion Survey, Fedesarrollo - bvc

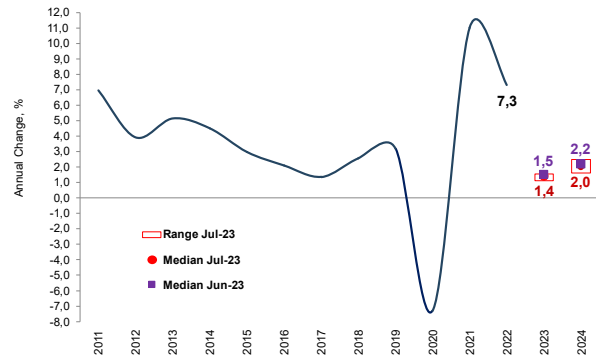
ECONOMIC GROWTH

In July, the growth forecast for 2023 was in a range between 1.1% and 1.6%, with 1.4% as the median response (0.1 percentage point (pps) higher than in the June 2023 edition) (Graph 2). The median forecast for 2024 was 2.0%, ranging between 1.6% and 2.5%.

Expectations for growth in the second quarter of 2023 ranged between 0.5% and 1.3%, with 1.0% as the median response (1.4% in the June edition). On the other hand, the growth forecast for the third quarter of 2023 stood at 0.8% (Graph 3).

Graph 2. GDP annual growth forecast-2023 and 2024

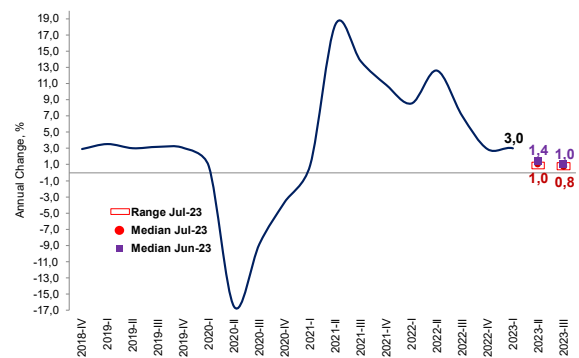
(Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo - bvc

Graph 3. GDP growth forecast – second and third quarter 2023

(Annual Change, %)



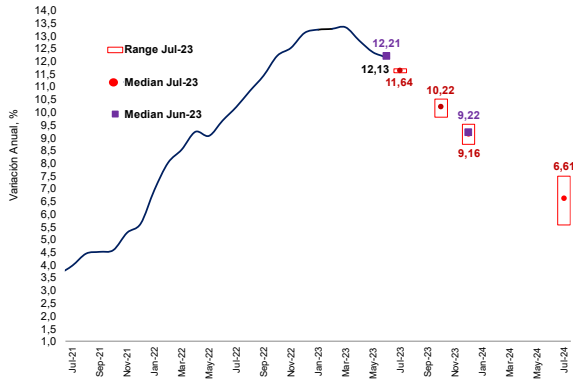
Source: Financial Opinion Survey, Fedesarrollo - bvc

INFLATION

In June, annual inflation stood at 12.13%, lower than analysts' forecast (12.21%). In July, analysts expect inflation to stand at 11.64% (in a range between 11.55% and 11.72%) (Graph 4).

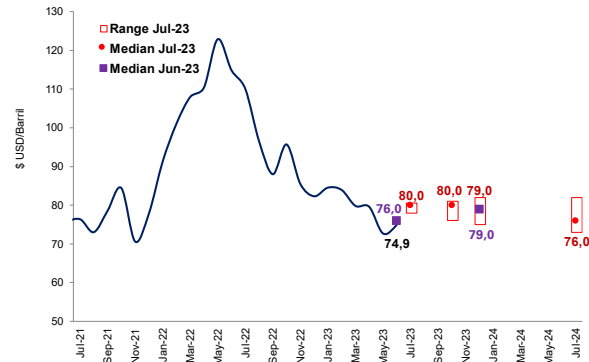
For this edition, analysts expect year-end inflation to close at 9.16% (in a range between 8.74% and 9.54%), showing a slight decrease compared to the previous edition (9.22%), so inflation expectations remain outside the target range of Banco de la República (2.0% - 4.0%).

Graph 4. Inflation forecast



Source: Financial Opinion Survey, Fedesarrollo - bvc

Graph 6. Brent's price - end of period

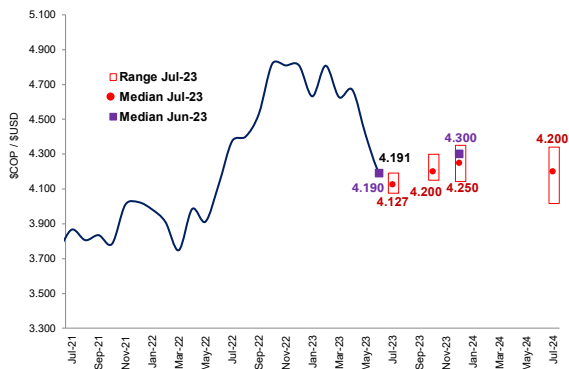


Source: Financial Opinion Survey, Fedesarrollo - bvc

EXCHANGE RATE

In June, the exchange rate closed at \$4.191, with a monthly appreciation of 4.9%, reaching its maximum value for the month on June 1 (\$4.434) and its minimum value on June 23 (\$4.114). In July, analysts consider that the exchange rate will be in a range between \$4.076 and \$4.192, with \$4.127 as the median response (Graph 5). By the end of 2023, they expect a rate of \$4.250, which shows a decrease compared to the previous month's forecast (\$4.300).

Graph 5. Exchange rate - end of period



Source: Financial Opinion Survey, Fedesarrollo - bvc

OIL

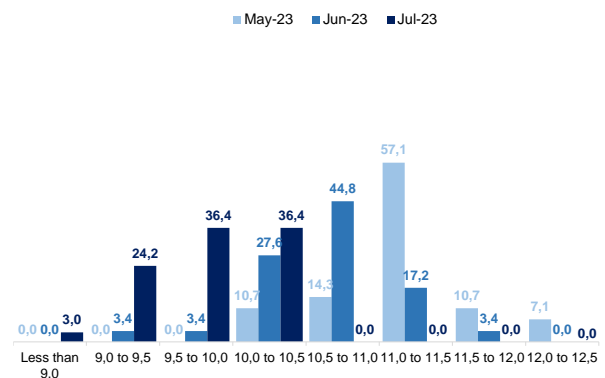
In June, Brent benchmark oil closed at \$74.9 dollars, showing a monthly increase of 3.1% and a difference of 1,1 pts with respect to analysts' expectations (\$76,0). In July, analysts consider that the price of Brent benchmark oil will be in a range between \$78.0 and \$80.5, with \$80.0 as the median response (Graph 6). By the close of 2023, they expect a price of \$79.

TES 2028 and 2032 RATE

In this edition, 15.2% of analysts consider that the TES rate maturing in 2028 will be less than 9.0% in three months, 21.2% between 9.0%-9.5%, 57.6% expect it to be between 9.5%-10.0% and 6.1% expect it to be more than 10.0% (Graph 7).

For TES maturing in 2032, 3.0% of analysts expect it to be less than 9.0%, 24.2% project it to be between 9.0%-9.5%, 36.4% consider it to be between 9.5%-10.0% and 36.4% project it to be between 10.0%-10.5% (Graph 8).

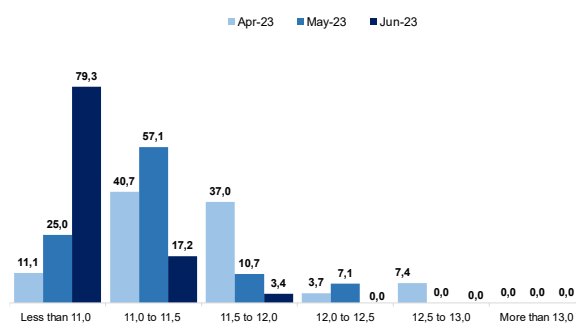
Graph 7. Expectation of TES 2028 performance rate within 3 months (% of answers)



Source: Financial Opinion Survey, Fedesarrollo - bvc

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

Graph 8. Expectation of TES 2032 performance rate within 3 months
(% of answers)

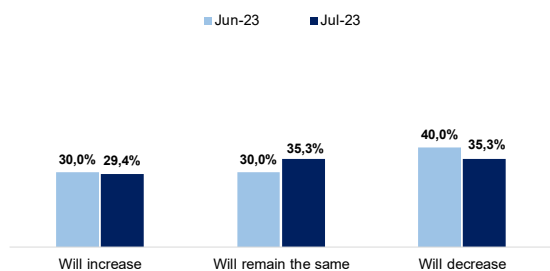


Source: Financial Opinion Survey, Fedesarrollo - bvc

DEBT SPREAD – EMBIG COLOMBIA

The debt spread (EMBIG Colombia) closed June 2023 at 358 bps. **In July, 29.4% of analysts** (0.6 pps less than the previous month) **expect the spread to increase in the next 3 months**, while **35.3%** (4.7 pps less than the previous month) **expect it to decrease**. The remaining **35.3% of respondents expect the spread to remain the same** (5.3 pps more than the previous month) (Graph 9).

Graph 9. Expectation 3-months debt spread
(% of answers)



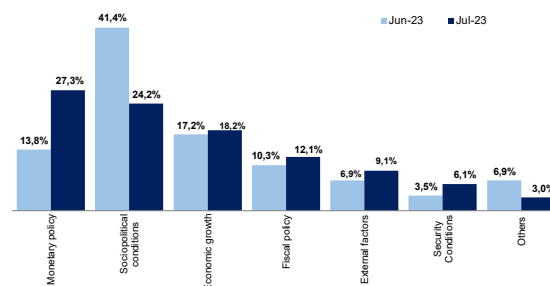
Source: Financial Opinion Survey, Fedesarrollo - bvc

INVESTMENT DETERMINANTS

In this edition of the survey, **monetary policy was shown as the most relevant aspect when it comes to investing, being chosen by 27.3% of analysts** (vs. 13.8% the previous month). Socio-political conditions ranked second with 24.2% of participation (vs. 41.4% the previous month). This was followed, in order, by economic growth and fiscal policy, with 18.2% and 12.1% of the share, respectively (vs. 17.2% and 10.3% the previous month). On the other hand, external factors and security conditions increased their

importance, from 6.9% and 3.5% to 9.1% and 6.1%, respectively. Finally, other factors decreased from 6.9% to 3.0% (Graph 10).

Graph 10. Most relevant factors for investment decisions
(% of answers)

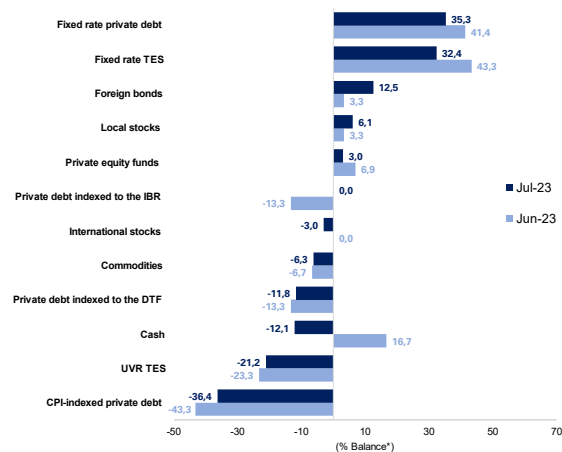


Source: Financial Opinion Survey, Fedesarrollo – bvc

INVESTMENT PREFERENCES

Compared to June 2023, **portfolio managers increased their preferences for private debt indexed to the CPI, DTF and IBR, TES in UVR, commodities, local stocks and foreign bonds**. In contrast, there was a decrease in preferences for cash, international stocks, private equity funds, fixed rate TES and fixed rate private debt (Graph 11).

Graph 11. 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 reflects changes in the prices of the most liquid stocks on the Colombian Stock Exchange (bvc). **In July, 77.4% of analysts** (vs. 81.5% in June) **expect the index to appreciate in three months**

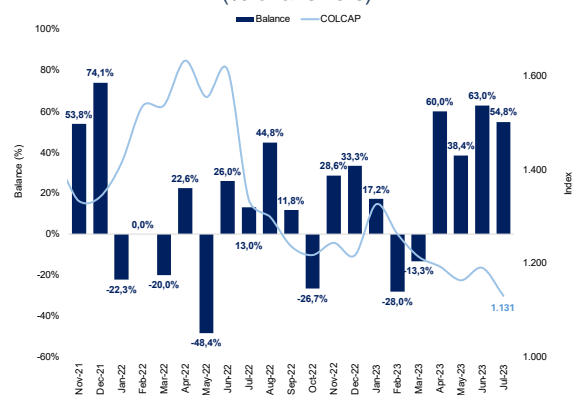
(Table 1), while the remaining 22.6% expect the stock index to depreciate (vs. 18.5% in June).

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

Index COLCAP Price Level	June 2023	July 2023
Will increase 10% or more	11,1%	16,1%
Will increase between 5% and 9,99%	11,1%	38,7%
Will increase between 0,01% and 4,99%	59,3%	22,6%
Will remain	0,0%	0,0%
Will decrease between 0,01% and 4,99%	18,5%	19,4%
Will decrease between 5% and 9,99%	0,0%	3,2%
Will decrease between 10% or more	0,0%	0,0%

Source: Financial Opinion Survey, Fedesarrollo – bvc

Graph 12. Balance on the price of the MSCI COLCAP index 3 months*
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo – bvc

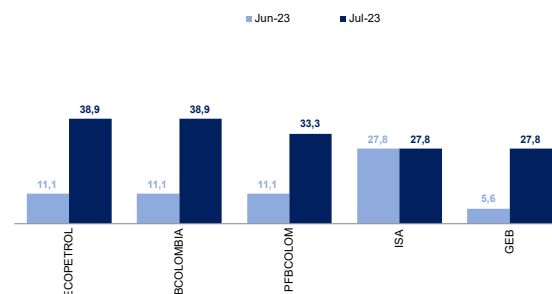
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation. The calculations use the index corresponding to the day on which the FOS was enabled.

MOST ATTRACTIVE COLCAP SHARES

The FOS consults analysts about the three stocks they consider most attractive within the MSCI COLCAP index. **In July, the common shares of Ecopetrol and Bancolombia ranked first, being selected by 38.9% of analysts. They were followed by the preferred stock of Bancolombia (33.3%) and the common stock of ISA and Grupo de Energía de Bogotá (both with 27.8%)** (Graph 13).

Graph 13. More attractive MSCI COLCAP stocks for investors

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

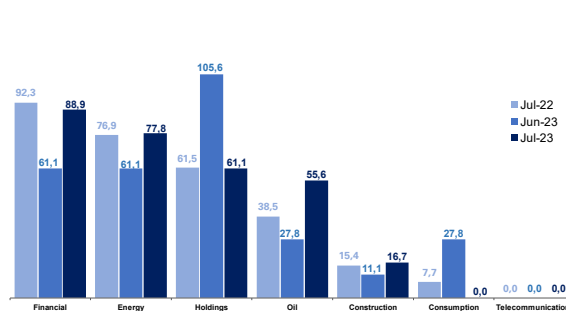


Source: Financial Opinion Survey, Fedesarrollo – bvc

There was a greater appetite for shares in the financial, energy, oil and construction sectors compared to June (Graph 14).

Graph 14. 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 asks portfolio managers about the types of risk for which they plan to establish a hedge in the next three months. **In July, 52.9% of respondents (50.0% in June) say they are planning to hedge against the exchange rate in the short term** (Graph 15). **In second place, the percentage of managers who expect to hedge against interest rate was 26.5% while against credit risk was 17.7% (33.3% and 23.3% in June, respectively).**

Graph 15. Coverage of the different types of risk for the next 3 months

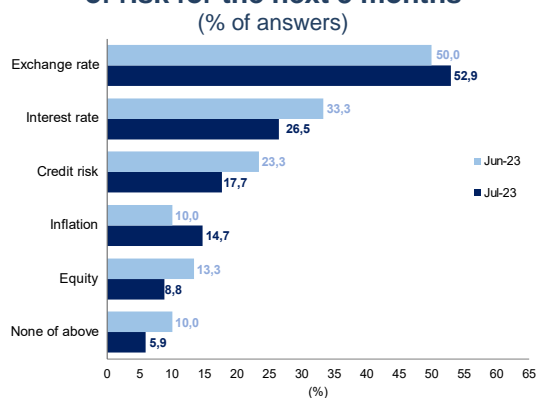


Table 2. Summary of the Macroeconomic Expectations

Variable	Temporality	Observed	Forecast (Median of answers)	
		May-23	May-23	Jun-23
Inflation (Annual variation, %)	End of month	12,13	12,21	11,64
	End of year 2023		9,22	9,16
Exchange rate (\$)	End of month	4.191	4.190	4.127
	End of year 2023		4.300	4.250
Monetary policy interest rate (%)	End of month	13,25	13,25	13,25
	End of year 2023		11,75	11,75
Oil (Brent, \$USD/Barrel)	End of month	74,9	76,0	80,0
	End of year 2023		79,0	79,0
Growth (%)*	IIQ-2023		1,4	1,0
	IIIQ-2023		1,0	0,8
	2023		1,5	1,4

Source: Financial Opinion Survey – bvc
*Original series

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