

Financial Opinion Survey

October 2023

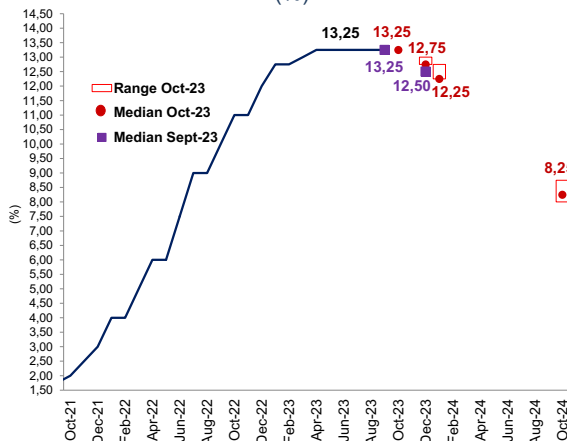
Bulletin No. 222

CENTRAL BANK POLICY RATE

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

For the months of October and December, analysts expect the intervention rate to be 13.25% and 12.75%, respectively. They also anticipate that the intervention rate will be at 8.25% in October 2024 (Graph 1).

Graph 1. Central Bank interest rate (%)



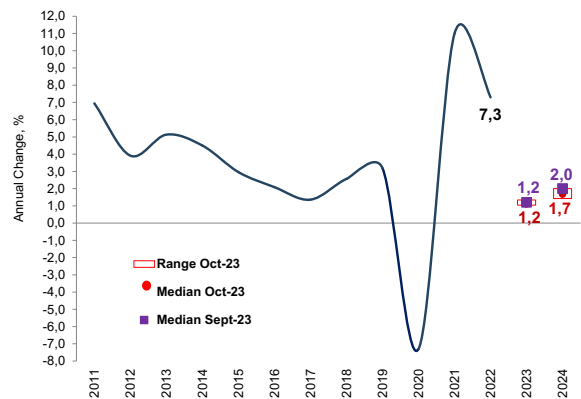
Source: Financial Opinion Survey, Fedesarrollo - bvc

ECONOMIC GROWTH

In October, the growth forecast for 2023 was in a range between 1.0% and 1.3%, with 1.2% as the median response (same as in the September 2023 edition) (Graph 2). The median for 2024 was 1.7%, ranging between 1.4% and 2.0%.

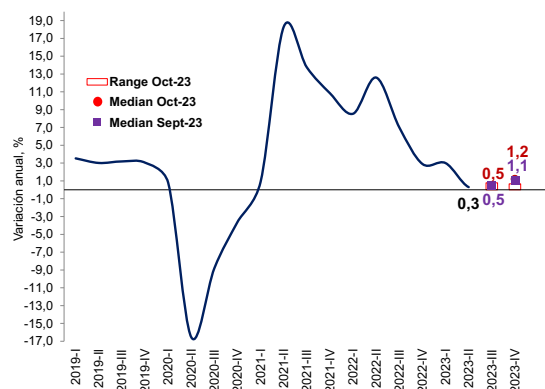
Expectations for third quarter 2023 growth ranged between 0.1% and 0.9%, with 0.5% as the median response (same as in the September issue). The growth forecast for the fourth quarter of 2023 was 1.2% (Graph 3).

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, %)



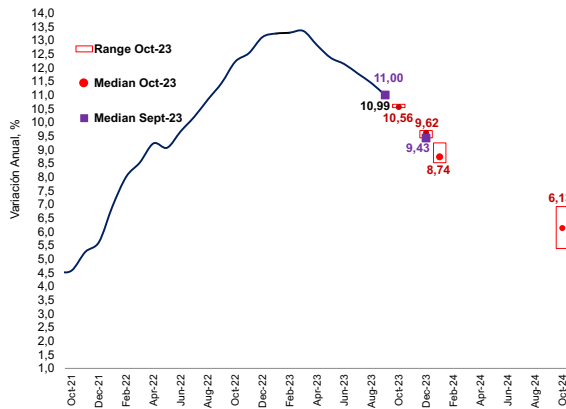
Source: Financial Opinion Survey, Fedesarrollo - bvc

INFLATION

In September, annual inflation stood at 10.99%, in line with analysts' forecast (11.00%). In October, analysts believe that inflation will stand at 10.56% (in a range between 10.54% and 10.66%) (Graph 4).

Analysts expect year-end inflation to close at 9.62% (in a range between 9.43% and 9.70%), evidencing an increase compared to the previous year (9.43%), so inflation expectations remain outside the target range of Banco de la República (2-4%).

Graph 4. Inflation forecast

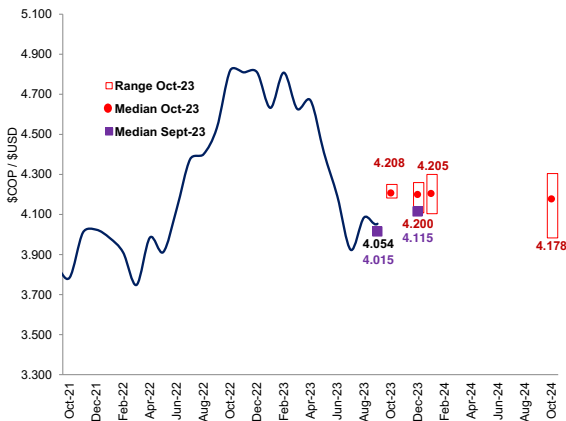


Source: Financial Opinion Survey, Fedesarrollo - bvc

EXCHANGE RATE

In September, the exchange rate closed at \$4.054, with a monthly appreciation of 0.8%, reaching its maximum value for the month on September 1 (\$4.099) and its minimum value on September 20 (\$3.903). In October, analysts consider that the exchange rate will be in a range between \$4.183 and \$4.250, with \$4.208 as the median response (Graph 5). By the end of 2023, they expect a rate of \$4,200, which is an increase compared to the previous month's forecast (\$4,115).

Graph 5. Exchange rate - end of period



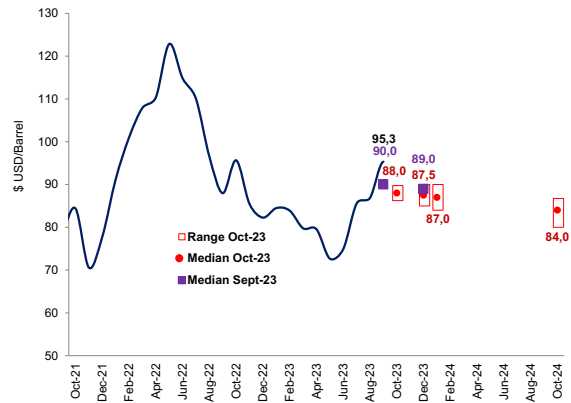
Source: Financial Opinion Survey, Fedesarrollo - bvc

OIL

In September, Brent benchmark oil closed at \$95.3 dollars, showing a monthly increase of 9.7% and \$5.3 dollars higher than analysts' expectations (\$90.0). In October, analysts consider that oil prices will be in a range between \$86.3 and \$89.8, with \$88.0 as the

median response (Graph 6). By the end of 2023, they expect a price of \$87.5.

Graph 6. Brent's price - end of period



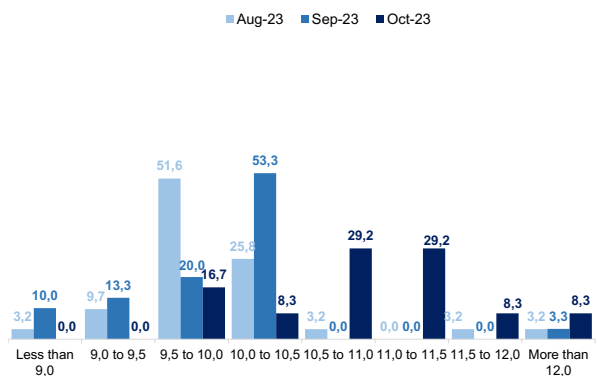
Source: Financial Opinion Survey, Fedesarrollo - bvc

TES 2028 and 2032 RATE

In this edition, 16.7% of analysts consider that the TES rate maturing in 2028 will be between 9.5%-10.0% in three months, 8.3% expect it to be between 10.0%-10.5%, 29.2% estimate it to be between 10.5%-11.0%, 29.2% between 11.0%-11.5%, 8.3% estimate it to be between 11.5%-12.0% and 8.3% project it to be over 12.0% (Graph 7).

For TES maturing in 2032, 29.2% of analysts project their yield to be between 10.0%-10.5%, 4.2% consider it to be between 10.5%-11.0%, 16.7% project it to be between 11.0%-11.5%, 33.3% forecast it to be between 11.5%-12.0% and 16.7% place it at more than 12.0% (Graph 8).

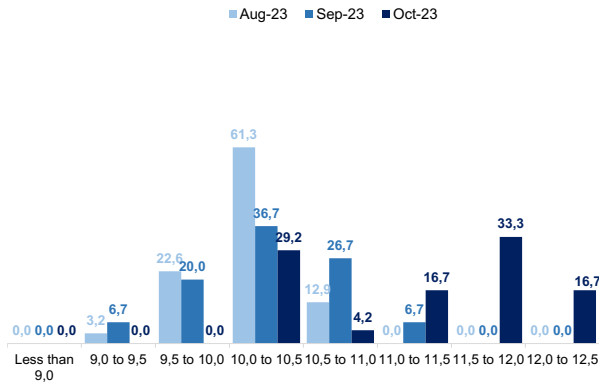
Graph 7. Expectation of TES 2028 performance rate within 3 months (% of answers)



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)

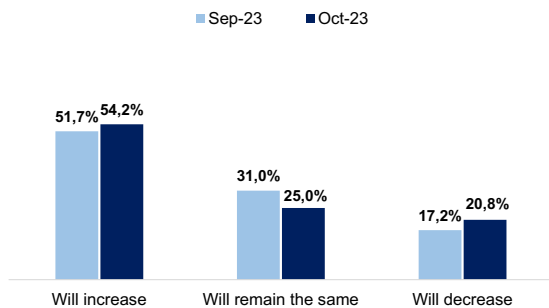


Source: Financial Opinion Survey, Fedesarrollo - bvc

DEBT SPREAD – EMBIG COLOMBIA

The debt spread (EMBIG Colombia) closed September 2023 at 335 bps. **In October, 54.2% of analysts** (2.5 pps higher than the previous month) **expect the spread to increase in the next 3 months, while 25.0%** (6.0 pps lower than the previous month) **expect it to decrease. The remaining 20.8% of respondents expect the spread to remain the same** (3.6 pps more than the previous month) (Graph 9).

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



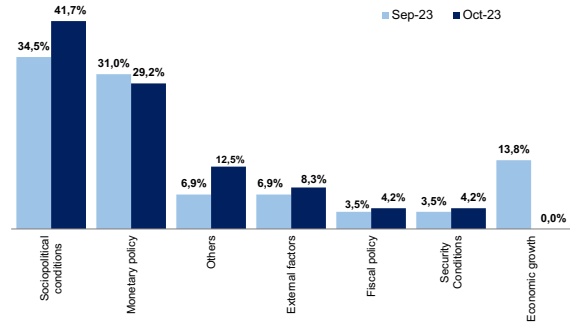
Source: Financial Opinion Survey, Fedesarrollo - bvc

INVESTMENT DETERMINANTS

In this edition of the survey, **socio-political conditions were shown as the most relevant aspect at the time of investing, being chosen by 41.7% of analysts** (vs. 34.5% the previous month). Monetary policy came in second place with 29.2% of participation (vs. 31.0% the previous month). This was followed, in order, by other factors and external factors, with 12.5% and 8.3% of the share, respectively (vs. 6.9% both the

previous month). Fiscal policy and security conditions increased their importance, both from 3.5% to 4.2%. Economic growth decreased its importance from 13.8% to 0.0% (Graph 10).

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

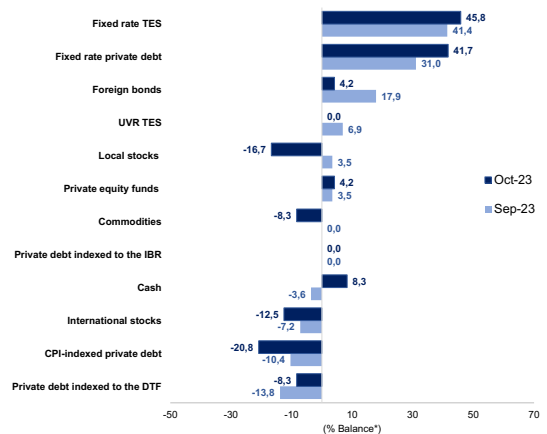


Source: Financial Opinion Survey, Fedesarrollo – bvc

INVESTMENT PREFERENCES

Compared to September 2023, **portfolio managers increased their preferences for private debt indexed to the DTF and fixed rate, cash, private equity funds and fixed rate TES**. On the contrary, there was a decrease in preferences for private debt indexed to the IBR and CPI, international and local equities, commodities, TES in UVR and foreign bonds (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

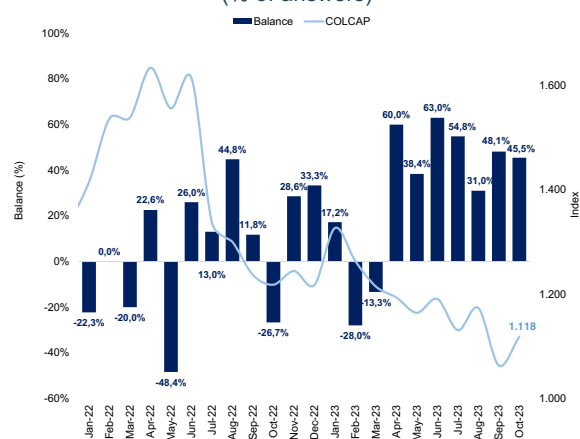
Colombian Stock Exchange (bvc). **In October, 72.7% of analysts** (vs. 74.1% in September) **expect the index to appreciate in three months** (Table 1), **while the remaining 27.3% expect the stock market index to depreciate** (vs. 25.9% in September).

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

Index COLCAP Price Level	September 2023	October 2023
Will increase 10% or more	25,9%	4,5%
Will increase between 5% and 9,99%	18,5%	36,4%
Will increase between 0,01% and 4,99%	29,6%	31,8%
Will remain the same	0,0%	0,0%
Will decrease between 0,01% and 4,99%	18,5%	22,7%
Will decrease between 5% and 9,99%	7,4%	4,5%
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

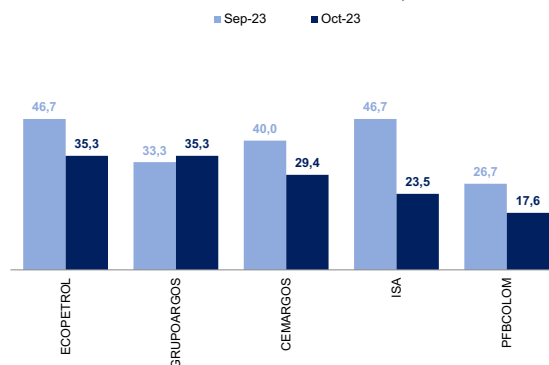
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation. The calculations use the index corresponding to the day on which the FOS was enabled.

MOST ATTRACTIVE COLCAP SHARES

The FOS asks analysts about the three stocks they consider most attractive within the MSCI COLCAP index. **In October, the common shares of Ecopetrol and Grupo Argos occupied the first place in the ranking, being selected by 35.3% of analysts.** They were followed by the common stock of Cementos Argos (29.4%) and the common stock of ISA (23.5%) (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)

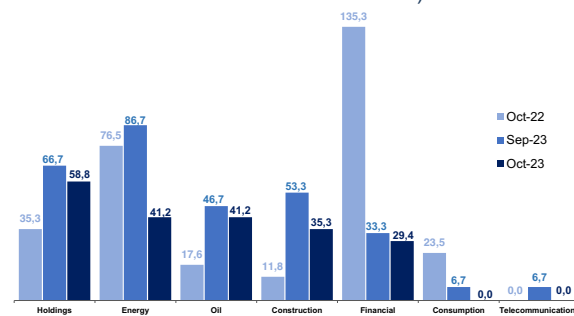


Source: Financial Opinion Survey, Fedesarrollo – bvc

There was less appetite for equities across all sectors compared to September (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)

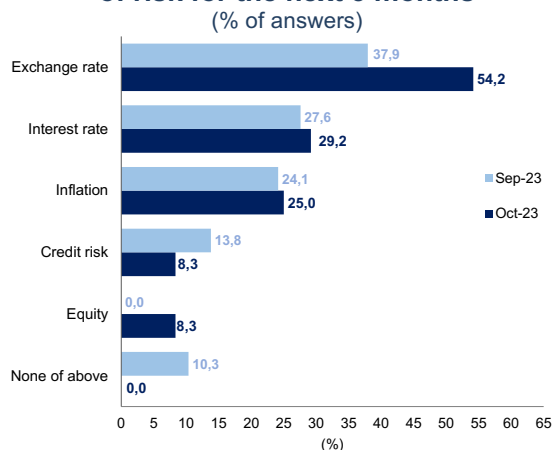


Source: Financial Opinion Survey, Fedesarrollo – bvc

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 October, 54.2% of respondents** (37.9% in September) **stated that they are planning to hedge against the exchange rate in the short term** (Graph 15). **In second place, the percentage of managers expecting to hedge against the interest rate was 29.2%, while against inflation risk it stood at 25.0%** (27.6% and 24.1% in September, respectively).

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



Source: Financial Opinion Survey, Fedesarrollo – bvc

Table 2. Summary of the Macroeconomic Expectations

Variable	Temporality	Observed	Forecast (Median of answers)	
		Sep-23	Sep-23	Oct-23
Inflation (Annual variation, %)	End of month	10,99	11,00	10,56
	End of year 2023		9,43	9,62
	End of year 2024		5,00	5,40
Exchange rate (\$)	End of month	4.054	4.015	4.208
	End of year 2023		4.115	4.200
Monetary policy interest rate (%)	End of month	13,25	13,25	13,25
	End of year 2023		12,50	12,75
Oil (Brent, \$USD/Barrel)	End of month	95,3	90,0	88,0
	End of year 2023		89,0	87,5
Growth (%)*	IIIQ-2023		0,5	0,5
	IVQ-2023		1,1	1,2
	2023		1,2	1,2
	2024		2,0	1,7

Source: Financial Opinion Survey – bvc
*Original series

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Comments to Daniel García: dgarcia@fedesarrollo.org.co



FEDESARROLLO
Centro de Investigación Económica y Social

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

+601 3259777 ext. 340
comercial@fedesarrollo.org.co