

In February, the **One-Year Confidence Index** stood at 84.6%, down 7.7 pps from the previous month (92.3%) and up 4.6 pps from the same month in 2023 (80%). This indicates that the proportion of analysts forecasting a COLCAP appreciation in a year's time decreased versus the previous month and increased versus a year ago.

The **Buy-on-Dips Confidence Index** stood at 57.9%, representing an increase of 5.3 pps versus the previous month (52.6%) and of 15.8 pps versus the same month of 2023 (42.1%). This implies that analysts consider a rise in the MSCI COLCAP the day after a potential fall in the index to be more likely than in January 2024 and before February 2023.

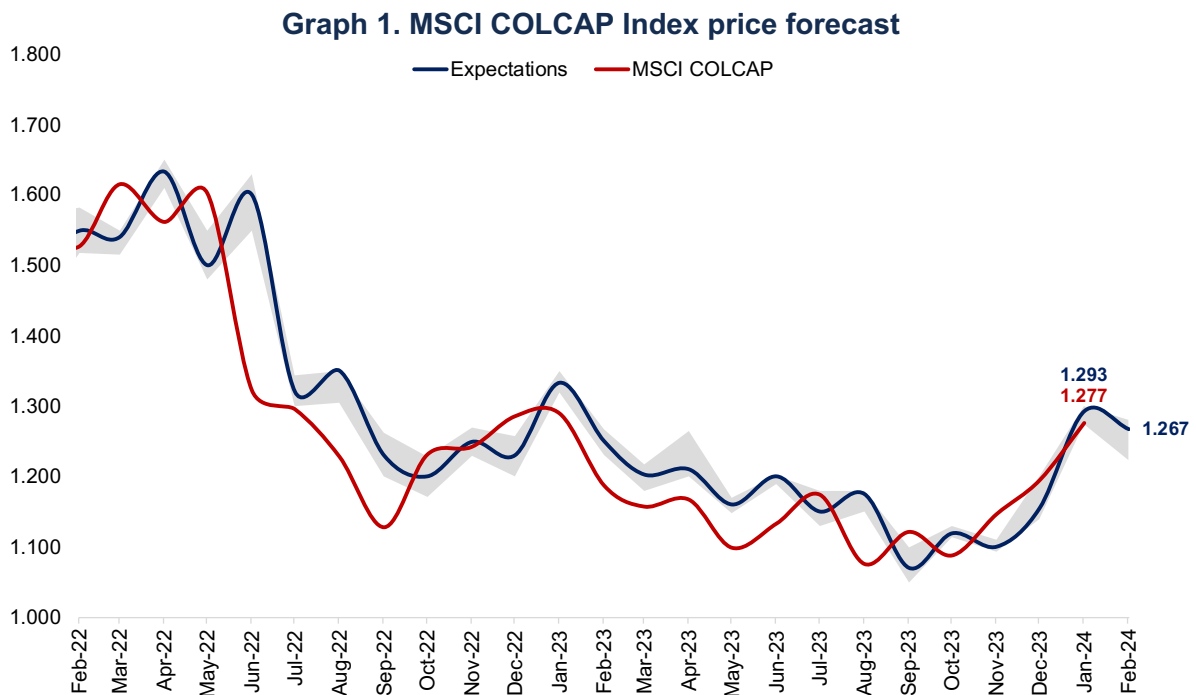
The **Crash Confidence Index** stood at 57.9%, down 12.1 pps versus the previous month (70%) and up 12.4 pps versus the same month in 2023 (45.5%). This indicates that analysts consider the market more vulnerable to declines in international markets compared to the previous month and less vulnerable compared to a year ago.

Finally, the **Valuation Confidence Index** stood at 100.0%, the same level as the previous month's level (100%) and up 5.0 pps versus the same month in 2023 (95%). This implies that the same proportion of analysts believe that stock values underestimate the value of their fundamentals versus January 2024 and a larger proportion versus February 2023.

MSCI COLCAP Index

The Colombian MSCI COLCAP Index is a market-capitalization weighted index that includes the 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 so far in February 2024 (up to February 15th) is at 1,260, which represents a depreciation of 1.2% with respect to the average for January (1,275) and an appreciation of 2.5% with respect to the average for February 2023 (1,229).

At the end of January, the MSCI COLCAP stood at 1,277, which corresponds to 16.0 units below analysts' forecast (1,277). By the end of February, the index is expected to be in a range between 1,224 and 1,281, with a median response of 1,267 (Graph 1).

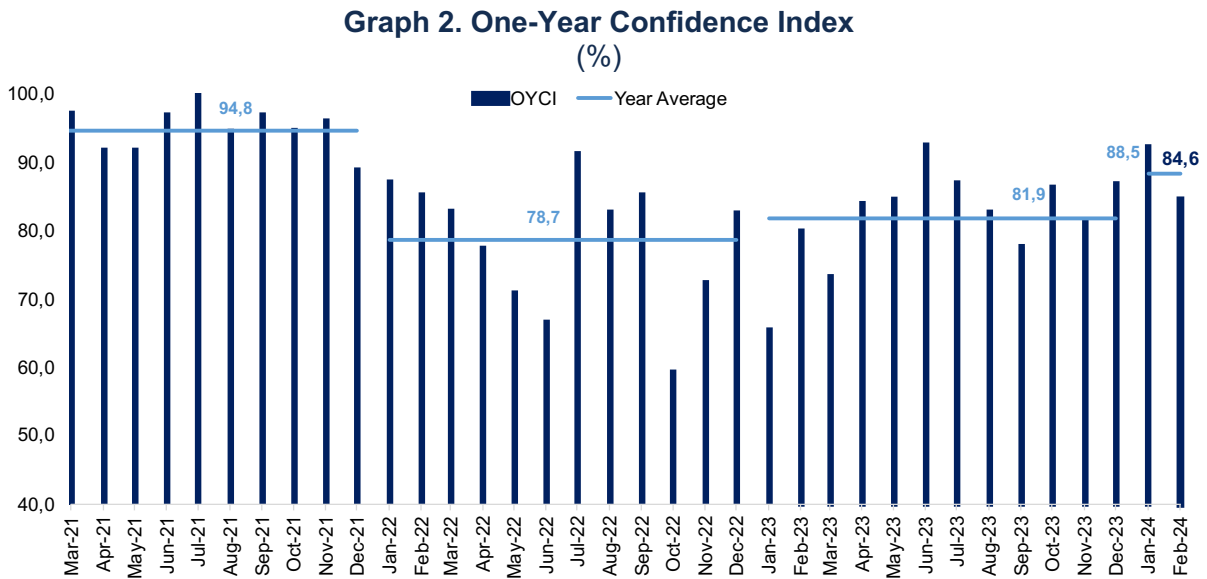


Source: Financial Opinion Survey, Fedesarrollo – bvc.

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 Index¹

The One-Year Confidence Index measures the proportion of analysts expecting an increase in the MSCI COLCAP in the coming year. In this edition, the index stood at 84.6%, indicating that this percentage of respondents expects an increase in the index in February 2024 compared to the level prior to the survey mailing (1,279) (Graph 2). The index experienced a decrease of 7.7 pps versus the previous month (92.3%) and an increase of 4.6 pps versus the same month of the previous year (80.0%), reflecting a monthly drop and an annual increase in stock market confidence.



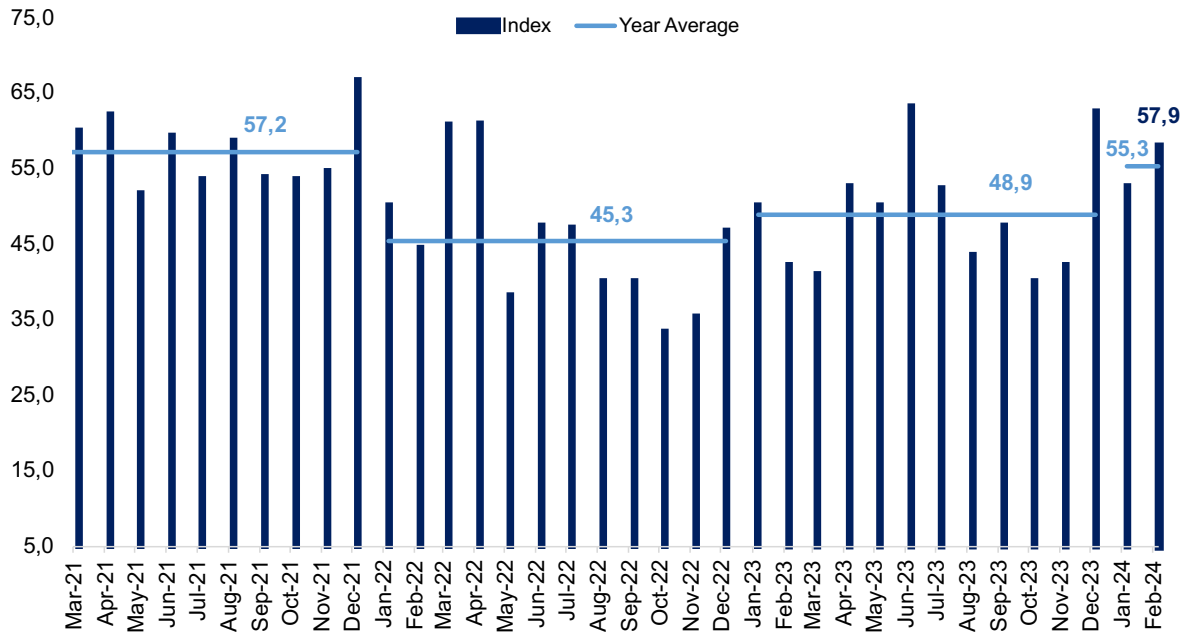
Source: Financial Opinion Survey, Fedesarrollo – bvc.

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

Buy-on-Dips Confidence Index²

The Buy-on-Dips Confidence Index establishes the proportion of the analysts expecting a rebound the next day that the market hypothetically dropped 3%. The index increased in February 2024 compared to January (52.6%), standing at 57.9% (Graph 3), showing an increase of 5.3 pps. Likewise, analysts consider an immediate recovery of COLCAP more likely compared to the same month of 2023 (42.1%), which represents an increase of 15.8 pps.

Graph 3. Buy-on-Dips Confidence Index (%)



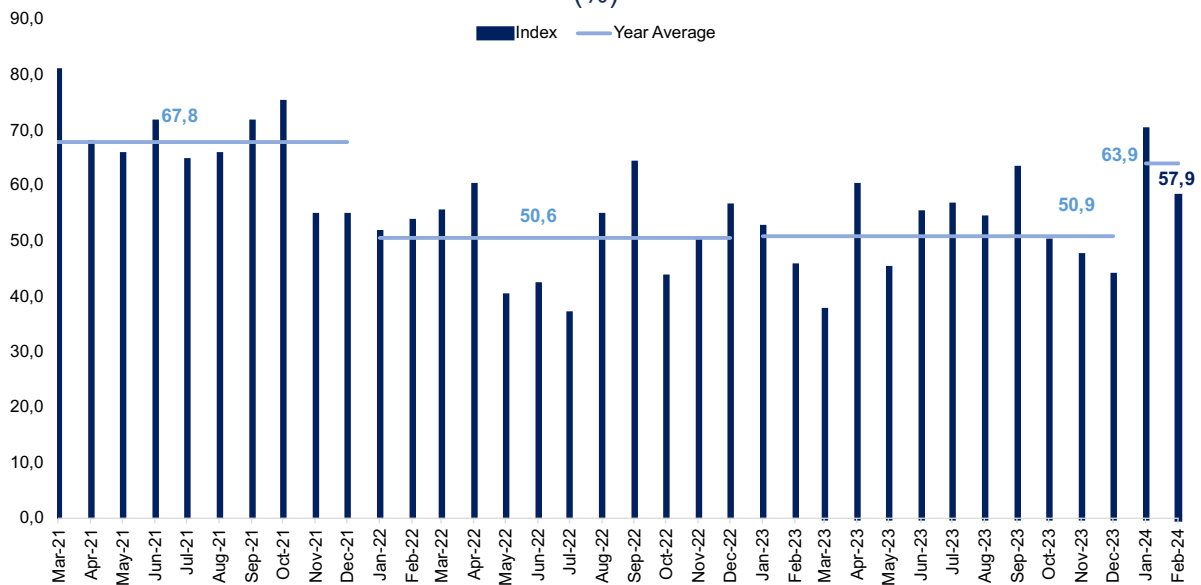
Source: Financial Opinion Survey, Fedesarrollo – bvc.

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

Crash Confidence Index³

The Crash Confidence Index shows the proportion of analysts who attach little probability to a stock market crash in the next six months after a substantial drop in the international markets. In February, the index decreased 12.1 pps with respect to the previous month's result (70.0%), standing at 57.9%, indicating that the perception of the probability of an eventual fall of the local stock market in the face of the deterioration of international markets increased with respect to January (Graph 4). In turn, the index was 12.4 pps above the figure recorded in the same month of the previous year (45.5%).

Graph 4. Crash Confidence Index
(%)



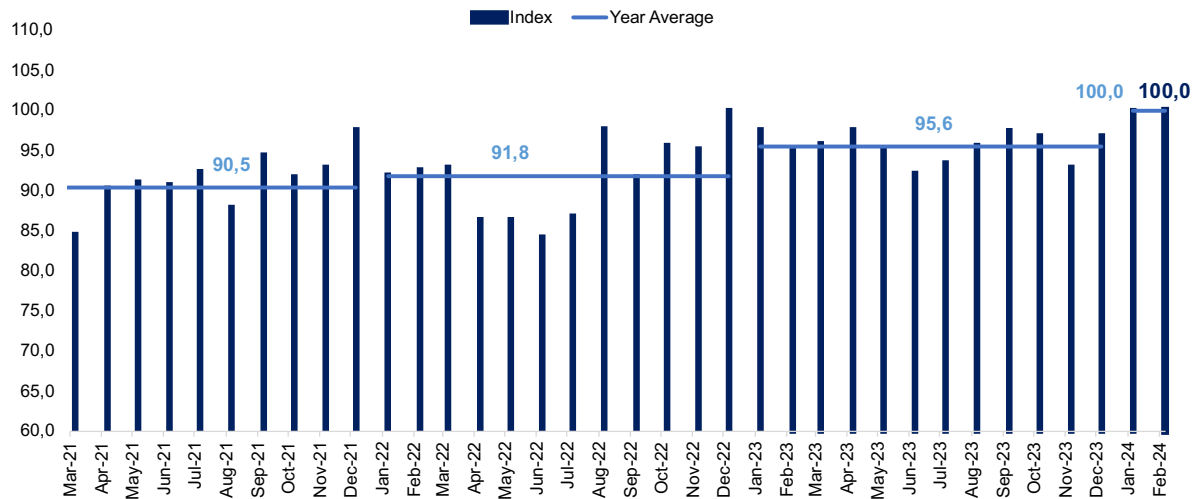
Source: Financial Opinion Survey, Fedesarrollo – bvc.

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.


Valuation Confidence Index⁴

The Valuation Confidence Index is the proportion of analysts who think that the market is not too highly valued compared with measures of true fundamental value. In February, the index stood at 100.0%, the same level as in January (100.0%) and 5.0 pps above the level of February 2023 (95.0%). This indicates that the same proportion of analysts versus the previous month and a higher proportion versus the same month last year believe that the value of stocks underestimates the value of their fundamentals (Graph 5).

Graph 5. Valuation Confidence Index (%)



Source: Financial Opinion Survey, Fedesarrollo – bvc.



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Published February 19th, 2024

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⁴ The Valuation Confidence Index is calculated as:
 $Valuation\ Confidence\ Index = (1 * (\% \text{ too low})) + (0.5 * (\% \text{ about right}))$, 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”.