

## Stock market confidence indices

March 2024

Bulletin No. 41



In March, the **One-Year Confidence Index** stood at 84.0%, down 0.6 pps from the previous month (84.6%) and up 10.7 pps from the same month in 2023 (73.3%). 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 44.4%, down 13.5 pps from the previous month (57.9%) and up 3.5 pps from the same month in 2023 (40.9%). This implies that analysts consider a rise in the MSCI COLCAP the day after a potential fall in the index less likely compared to February 2024 and more likely compared to March 2023.

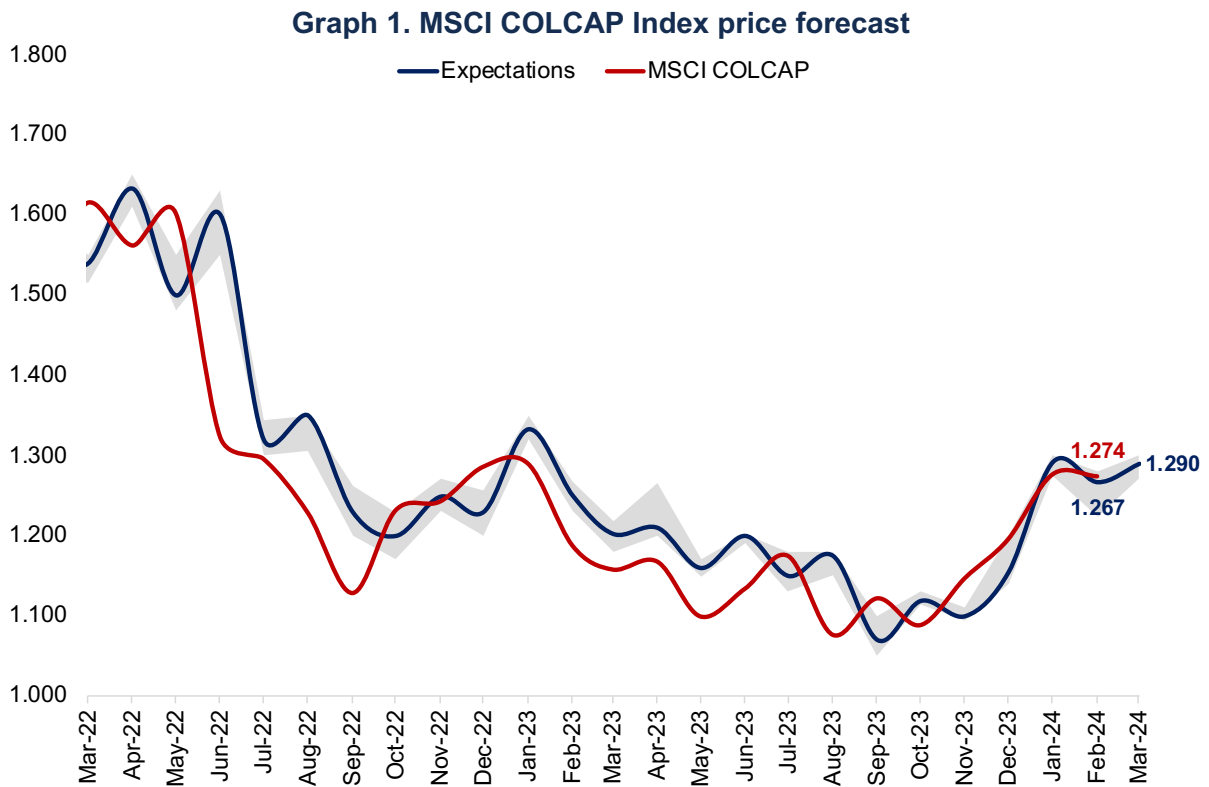
The **Crash Confidence Index** stood at 47.1%, down 10.8 pps from the previous month (57.9%) and up 9.6 pps from the same month in 2023 (37.5%). This indicates that analysts consider the market more vulnerable to downturns in international markets compared to the previous month and less vulnerable compared to a year ago.

Finally, the **Valuation Confidence Index** stood at 89.5%, down 10.5 pps from the previous month's level (100%) and down 6.4 pps from the same month in 2023 (95.8%). This implies that a smaller proportion of analysts believe that stock values underestimate the value of their fundamentals versus February 2024 and versus March 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 March 2024 (up to March 18) is at 1,294, which shows an appreciation of 2.3% with respect to the average for February 2024 (1,265) and 11.7% with respect to the average for March 2023 (1,158).

At the end of February, the MSCI COLCAP stood at 1,274, which corresponds to 7.1 units above analysts' forecast (1,267). By the end of March, the index is expected to be in a range between 1,270 and 1,300, with a median response of 1,290 (Graph 1).

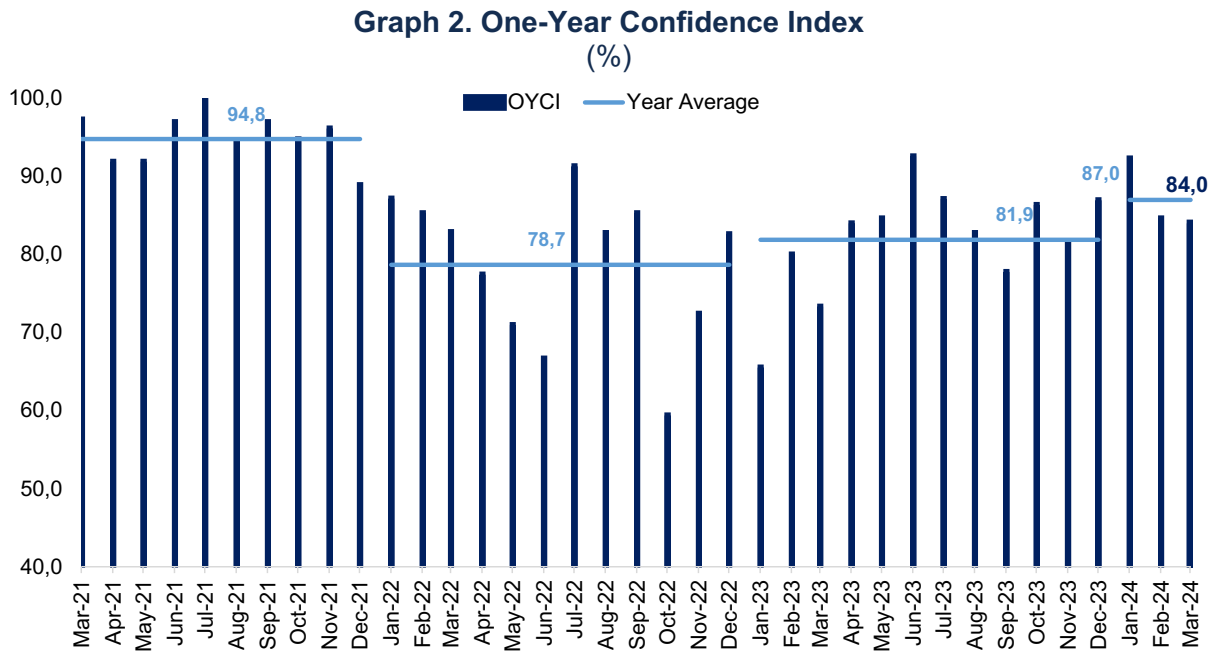


Source: Financial Opinion Survey, Fedesarrollo – bvc.

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 Index<sup>1</sup>

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 84.0%, indicating that this percentage of respondents expects an increase in the index in March 2024 compared to the level prior to the survey (1,299)<sup>2</sup> (Graph 2). The index experienced a decrease of 0.6 pps versus the previous month (84.6%) and an increase of 10.7 pps versus the same month of the previous year (73.3%), reflecting a monthly drop and an annual increase in stock market confidence.



Source: Financial Opinion Survey, Fedesarrollo – bvc.

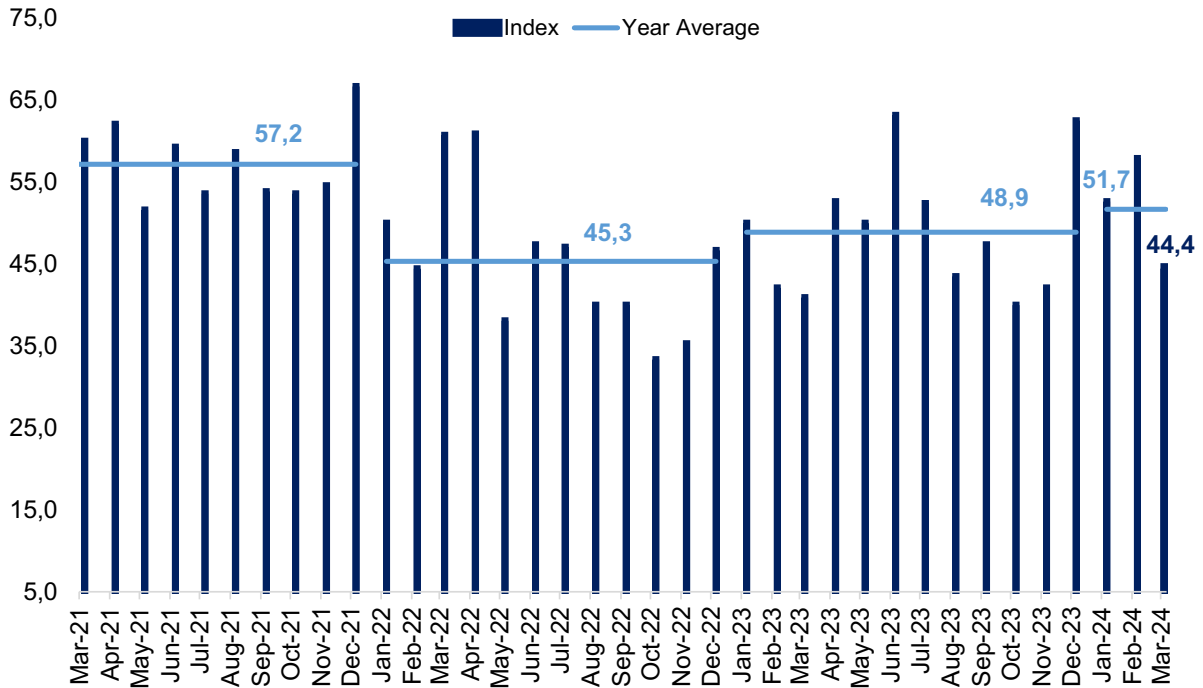
<sup>1</sup> The One-Year Confidence Index is calculated as the number of respondents that establish a price for the MSCI COLCAP index in 12-months higher than the current level of the index, divided by the total responses excluding invalid answers.

<sup>2</sup> Level of March 8<sup>th</sup>.

### Buy-on-Dips Confidence Index<sup>3</sup>

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 decreased in March 2024 compared to February (57.9%), standing at 44.4% (Graph 3), showing a decrease of 13.5 pps. Likewise, analysts consider an immediate recovery of COLCAP more likely compared to the same month of 2023 (40.9%), which represents an increase of 3.5 pps.

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



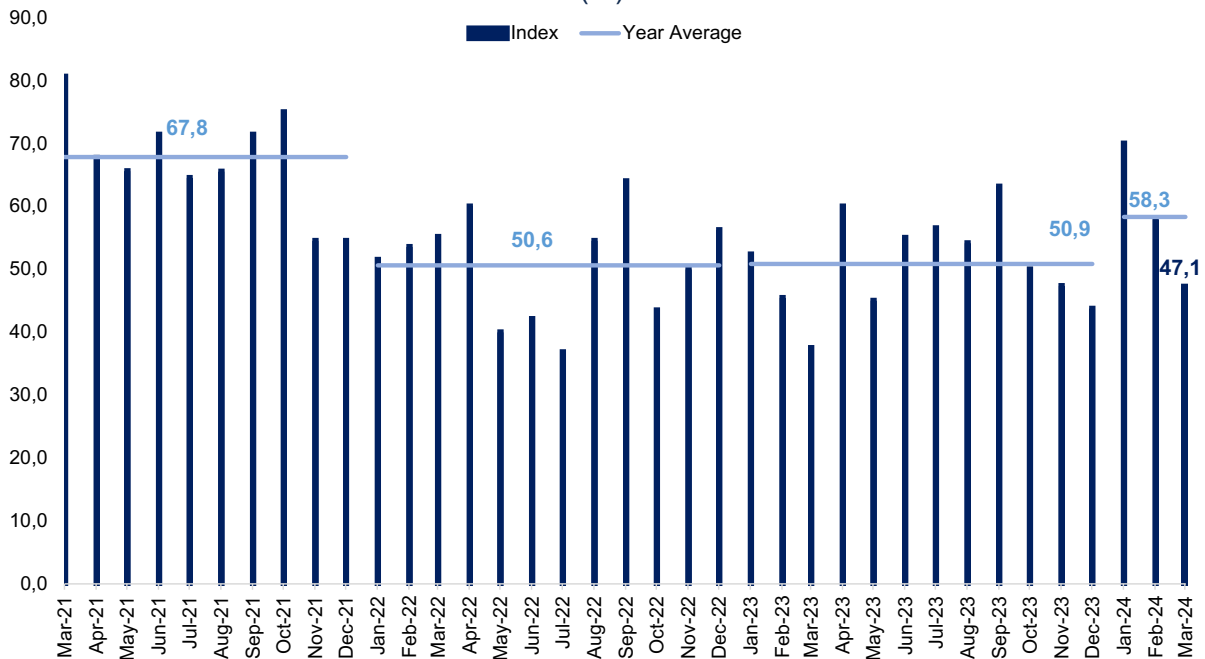
Source: Financial Opinion Survey, Fedesarrollo – bvc.

<sup>3</sup> 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 Index<sup>4</sup>

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 March, the index decreased 10.8 pps with respect to the previous month's result (57.9%), standing at 47.1%, 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 February (Graph 4). In turn, the index was 9.6 pps above the figure recorded in the same month of the previous year (37.5%) showing greater confidence in the stock market's immunity to external shocks.

**Graph 4. Crash Confidence Index**  
(%)



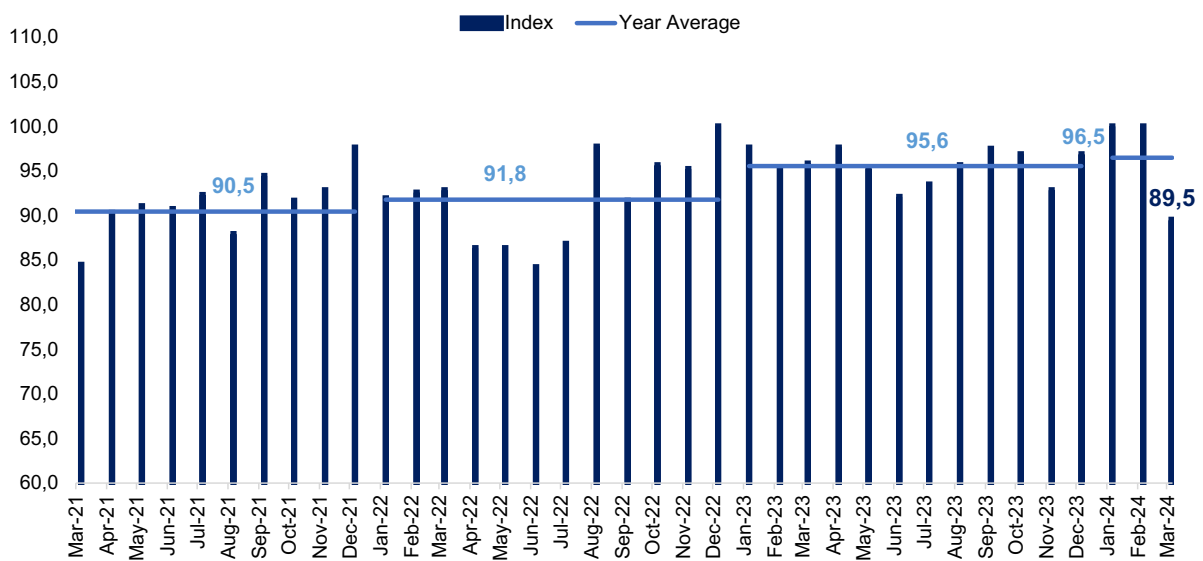
Source: Financial Opinion Survey, Fedesarrollo – bvc.

<sup>4</sup> 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 Index<sup>5</sup>

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 March, the index stood at 89.5%, 10.5 pps below February's level (100.0%) and 6.4 pps below March 2023's level (95.8%). This indicates that a lower proportion of analysts versus the previous month and versus the same month last year consider 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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<sup>5</sup> 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".

