

Stock market confidence indices

December 2024

Bulletin No. 50



At the end of November, the **MSCI COLCAP** stood at 1,392, which is 50 points above analysts' forecast (1,342). It is expected that by the end of December, the index will be at 1,375.

In December, the **Stock Market Confidence Index** was at 84.6%, representing an increase of 1.3 percentage points compared to the previous month (83.3%) and a decrease of 2.4 percentage points compared to the same month in 2023 (87.0%). This indicates that the proportion of analysts who expect a COLCAP appreciation within one year increased compared to the previous month but decreased compared to the same month last year.

The **Resilience Index** stood at 60.0% in December, representing an increase of 21.1 percentage points from the previous month (38.9%) and a decrease of 2.5 percentage points from the same month in 2023 (62.5%). This implies that analysts now consider a COLCAP increase more likely after a potential drop in the index compared to November 2024 but less likely compared to December 2023.

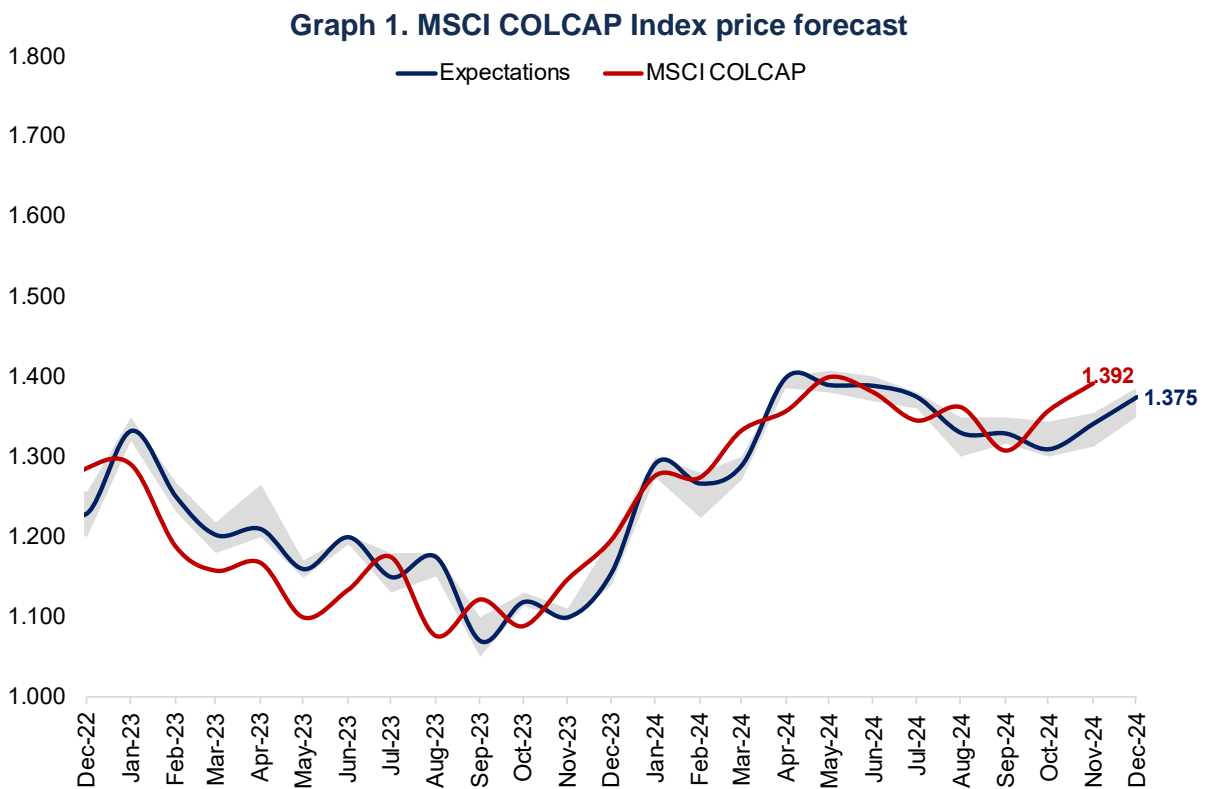
In December, the **Immunity Index** stood at 46.7%, reflecting a decrease of 3.3 percentage points from the previous month (50.0%) and an increase of 2.9 percentage points from the same month in 2023 (43.8%). This suggests that analysts now perceive the market as more vulnerable to declines in international markets compared to the previous month but less vulnerable than a year ago.

Finally, the **Valuation Index** stood at 94.1% in December, reflecting an increase of 6.6 percentage points compared to the previous month (87.5%) and a decrease of 2.8 percentage points compared to the same month in 2023 (96.9%). This indicates that a larger proportion of analysts now believe that stock prices underestimate their fundamental value compared to November 2024, but a smaller proportion believe so compared to December 2023.

MSCI COLCAP Index

The MSCI COLCAP index, which reflects the price variations of the most liquid stocks on the Bolsa de Valores de Colombia (bvc), is one of the most important leading indicators for tracking the country's capital markets. The average for December 2024 (up to December 15) stands at 1,384, representing an appreciation of 1.0% compared to the average for November 2024 (1,370) and an appreciation of 19.0% compared to the average for December 2023 (1,163).

At the end of November, the MSCI COLCAP was at 1,392, which is 50 points above analysts' forecast (1,342). It is expected that by the end of December, the index will be in a range between 1,350 and 1,385, with a median response of 1,375 (Graph 1).



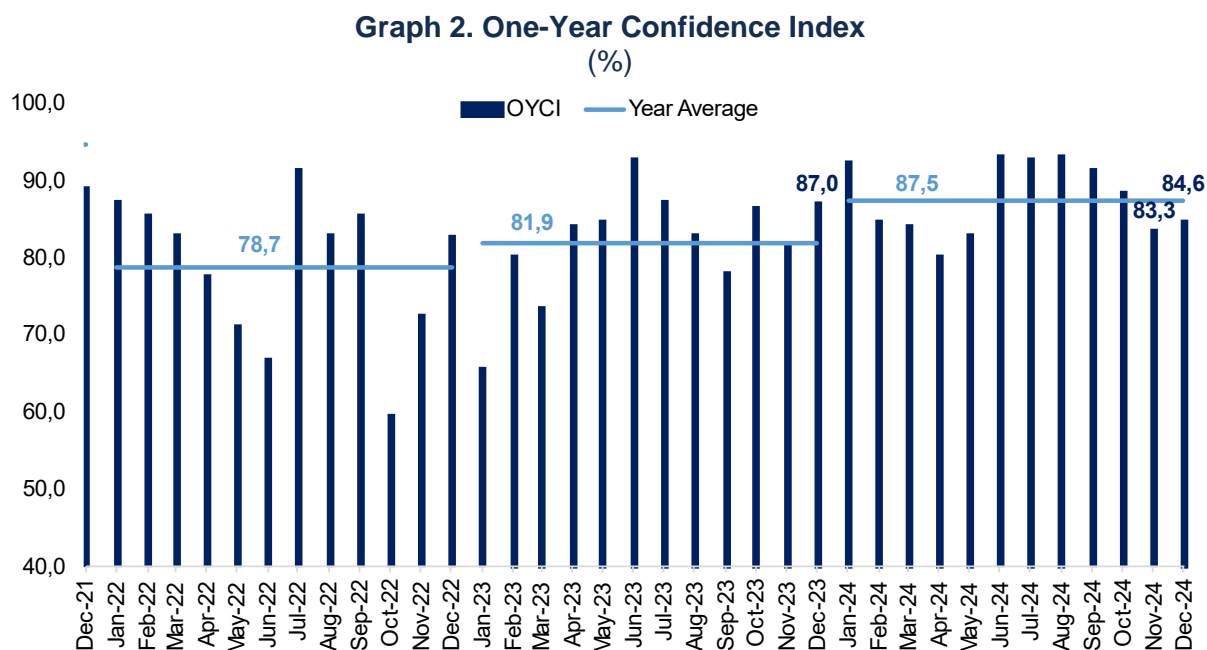
Source: Financial Opinion Survey, Fedesarrollo – bvc.

The four confidence indices for the Colombian stock market are presented down below. These indices are calculated based on the Shiller (2000)¹ methodology and using the analysts' expectations collected in the Financial Opinion Survey.

¹ Shiller, Robert J. (2000). Irrational Exuberance. Princeton University Press. Princeton, N. J

One-Year Confidence Index²

The Stock Market Confidence Index (ICMA) measures the proportion of analysts who expect an increase in the MSCI COLCAP over the next year. In this edition, the index stood at 84.6%, indicating that this percentage of respondents expects the index to rise in December 2025 compared to the level prior to the survey submission (1,377)³ (Graph 2). The index experienced an increase of 1.3 percentage points from the previous month (83.3%) and a decrease of 2.4 percentage points compared to the same month last year (87.0%), reflecting an increase in stock market confidence compared to the previous month and a decrease compared to December 2023.



Source: Financial Opinion Survey, Fedesarrollo – bvc.

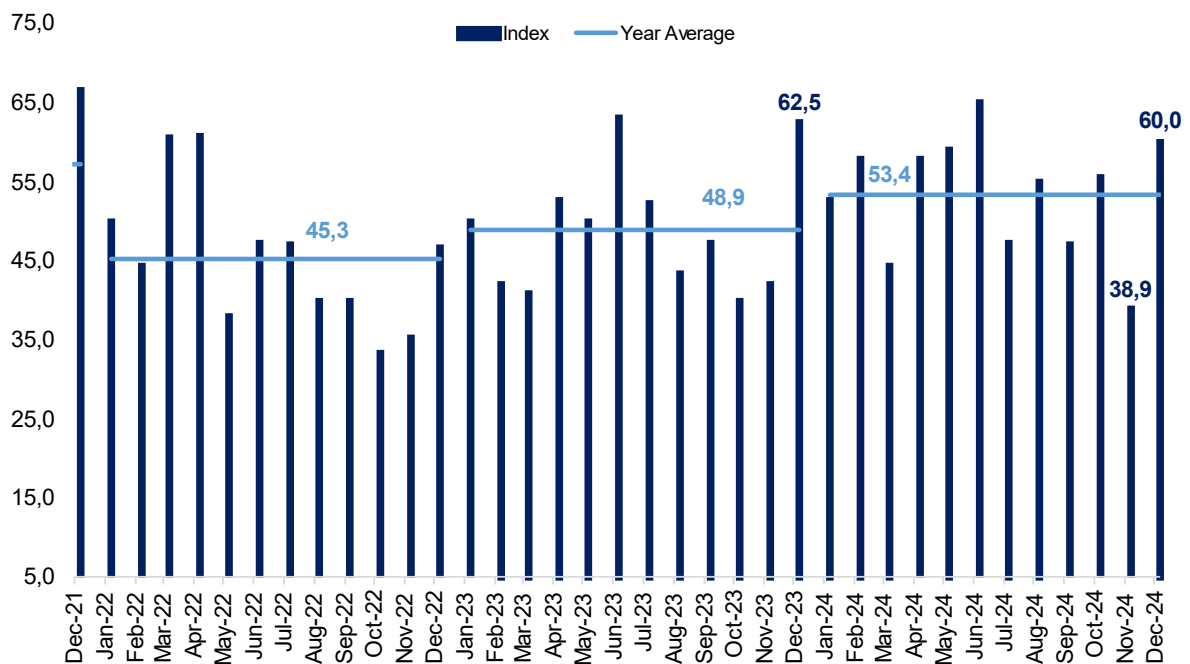
² The One-Year Confidence Index is calculated as the number of respondents that establish a price for the MSCI COLCAP index in 12-months higher than the current level of the index, divided by the total responses excluding invalid answers.

³ Level of November 8th.

Buy-on-Dips Confidence Index⁴

The Resilience Index measures the proportion of analysts who believe that the MSCI COLCAP has the ability to recover the day after a hypothetical 3% decline. The index increased by 21.1 percentage points in December 2024 compared to November (38.9%), standing at 60.0% (Graph 3). Additionally, analysts consider an immediate recovery of the COLCAP less likely compared to the same month in 2023 (62.5%), reflecting a decrease of 2.5 percentage points.

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



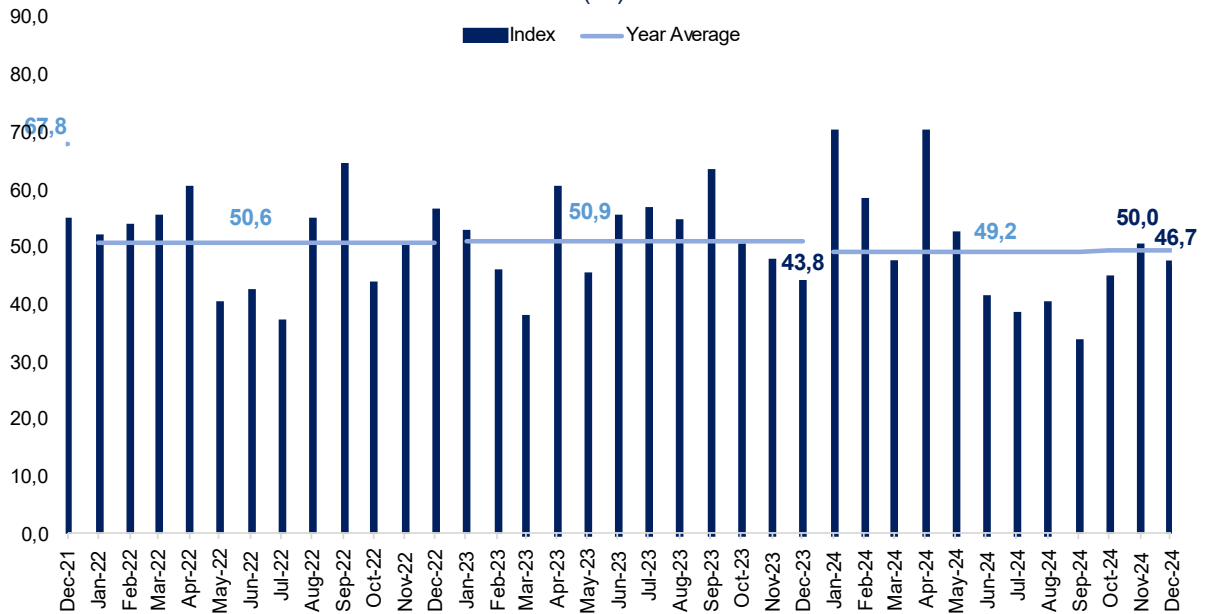
Source: Financial Opinion Survey, Fedesarrollo – bvc.

⁴ 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 Index⁵

The Crash Confidence Index shows the proportion of analysts who attach little probability to a stock market crash in the next six months following a substantial drop in international markets. In November, the index rose by 5.6 percentage points compared to the previous month (44.4%), reaching 50.0%. This indicates a reduced perception of the likelihood of a decline in the local stock market amid deteriorating international markets compared to October (Graph 4). Additionally, the index stood 2.6 percentage points higher than the level recorded in the same month last year (47.4%), reflecting greater confidence in the stock market's immunity to external shocks compared to the previous year.

Graph 4. Crash Confidence Index
(%)



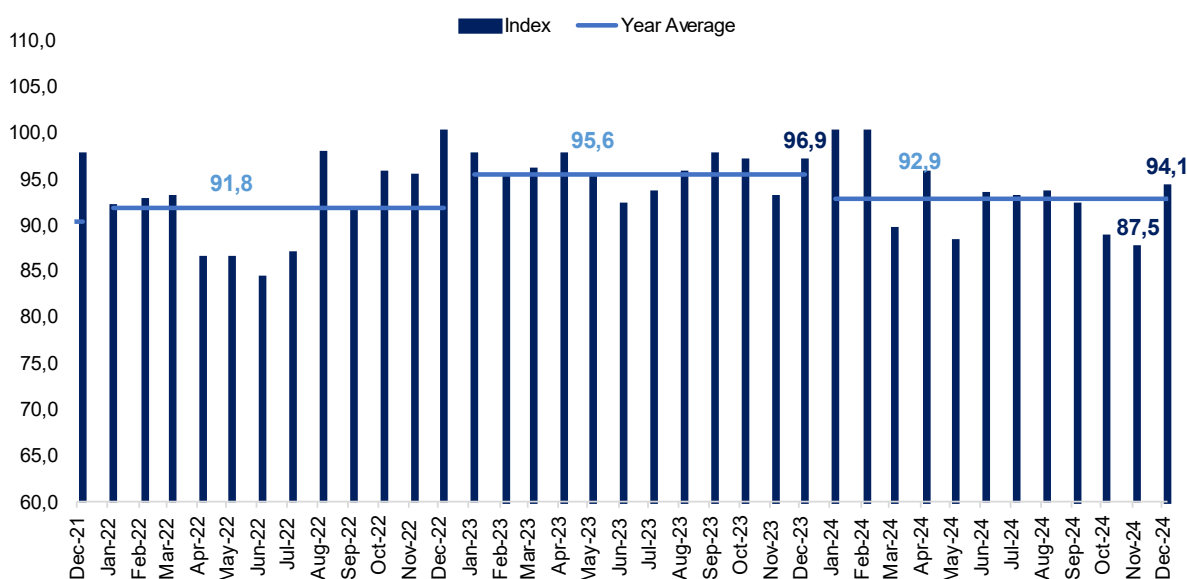
Source: Financial Opinion Survey, Fedesarrollo – bvc.

⁵ 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 Index⁶

The Immunity Index shows the proportion of analysts who believe that the Colombian stock market has a low probability of MSCI COLCAP depreciation in the next six months following a significant drop in international markets. In December, the index decreased by 3.3 percentage points compared to the previous month's result (50.0%), standing at 46.7%. This indicates that the perception of the likelihood of a potential decline in the local stock market due to the deterioration of international markets increased compared to November (Graph 4). Additionally, the index was 2.9 percentage points higher than the value recorded in the same month last year (43.8%), reflecting greater confidence in the stock market's immunity to external shocks compared to the previous year.

Graph 5. Valuation Confidence Index (%)



Source: Financial Opinion Survey, Fedesarrollo – bvc.



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

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

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Comments to José Julián Parra: jparra@fedesarrollo.org.co

⁶ 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”.