

Financial Opinion Survey

January 2019

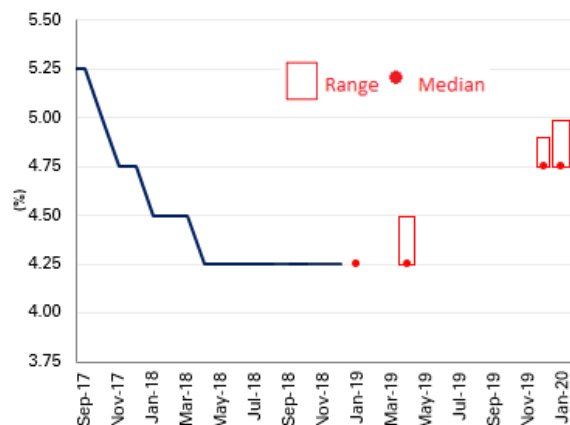
Bulletin No.165

CENTRAL BANK POLICY RATE

In December, Colombia's Central Bank kept its policy interest rate unchanged at 4.25%, as expected by the 100% of the analysts in the previous survey.

For January 2019, 100% of the analysts expect the interest rate to remain unchanged at 4.25%. By the end of the year, 66.7% of the analysts forecast an increase of 50 bps and 21.2% an increase of 75 bps. On the other hand, 9.1% expect it to remain unchanged and 3.0% anticipate a 100 bps increase (Graph 1).

Graph 1. Central Bank Intervention Rate

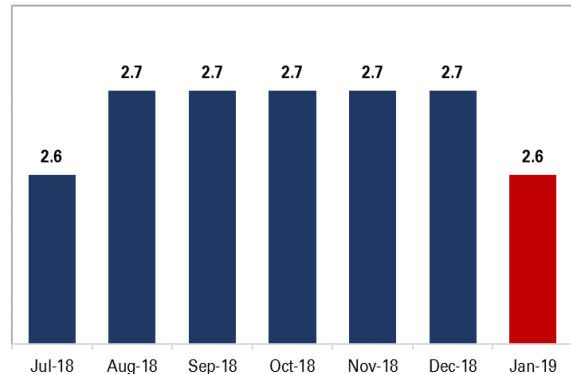


Source: Financial Opinion Survey, Fedesarrollo

ECONOMIC GROWTH

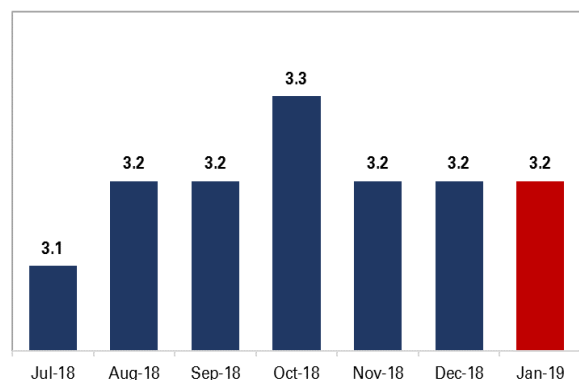
In January, analysts maintained their growth forecast for the fourth quarter of 2018 at 2.8% and believe that growth in the first quarter of 2019 will be 3.0%. On the other hand, the forecast of annual GDP growth for 2018 fell from 2.7% to 2.6% (Graph 2), while the forecast for 2019 remained at 3.2% (Graph 3).

Graph 2. GDP Growth Forecast for 2018
(Annual Change)



Source: Financial Opinion Survey, Fedesarrollo

Graph 3. GDP Growth Forecast for 2019
(Annual Change)

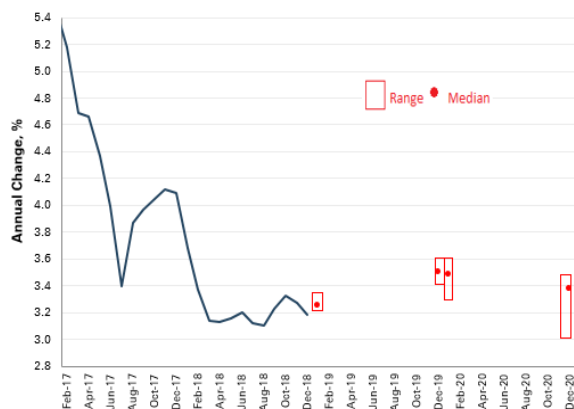


Source: Financial Opinion Survey, Fedesarrollo

INFLATION

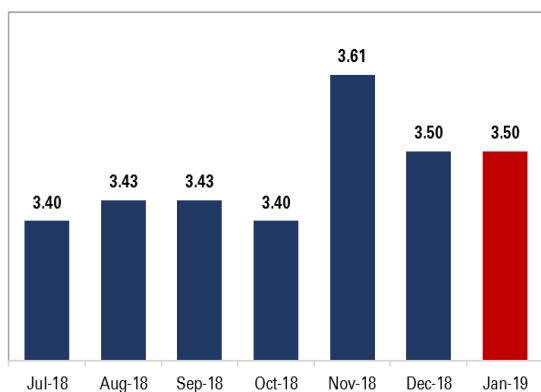
In December, annual inflation reached 3.18%, below the forecast of the previous survey (3.28%). In January, analysts believe that inflation will rise to 3.25% (Graph 4). Inflation expectations for the end of 2019 remained at 3.50% (Graph 5).

Graph 4. Inflation Forecast



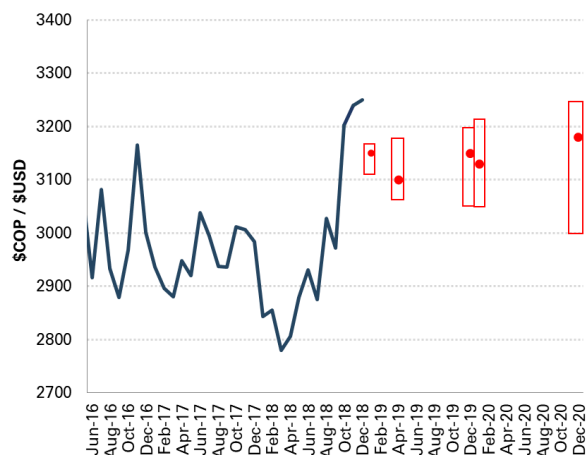
Source: Financial Opinion Survey, Fedesarrollo

Graph 5. Inflation Forecast. End of 2019



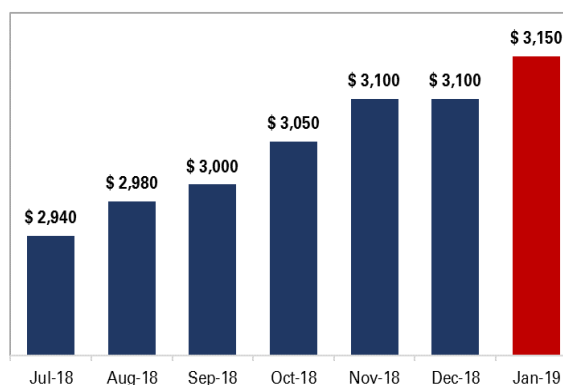
Source: Financial Opinion Survey, Fedesarrollo

Graph 6. Exchange Rate



Source: Financial Opinion Survey, Fedesarrollo

Graph 7. Exchange Rate Forecast, End of Period 2019



Source: Financial Opinion Survey, Fedesarrollo

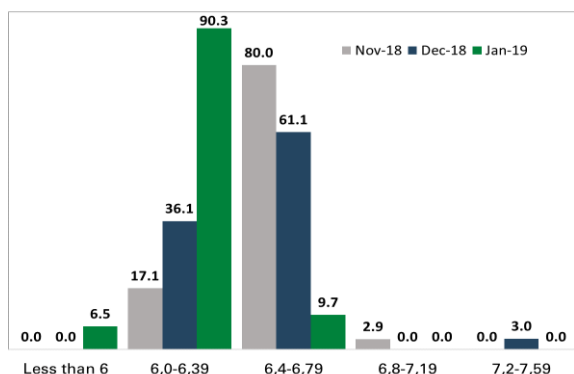
EXCHANGE RATE

The exchange rate closed in December at \$ 3,250, a monthly depreciation of 0.3%. It reached a maximum value of \$ 3,289 pesos per dollar on December 27th. **By the end of January, analysts expect the exchange rate to be between \$ 3,105 and \$ 3,157, with \$ 3,150 as the median response. The projection of the exchange rate for the next three months was between \$ 3,060 and \$ 3,180 with \$ 3,100 as the median response (Graph 6). By the end of 2019, the median projection increased slightly from \$ 3,100 to \$ 3,150 (Graph 7).**

TES 2024 RATE

During January, there has been an increase in TES 2024 trading rate. **The proportion of analysts expecting TES 2024 rate between 6.0% and 6.39% in the next three months increased considerably, while the proportion of analysts expecting it between 6.4 and 6.79% went down from 61.1% to 9.7% (Graph 8).**

Graph 8. Expectation of TES 2024 performance rate for the next 3 months.
(% of answers)

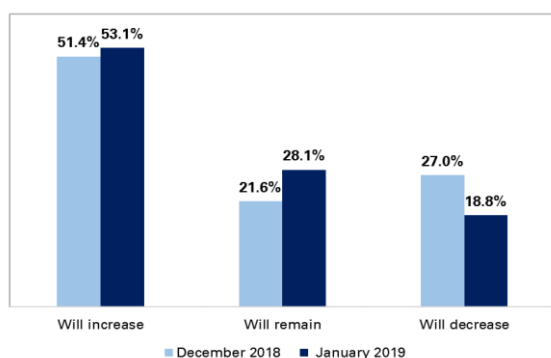


Source: Financial Opinion Survey, Fedesarrollo

DEBT SPREAD – EMBI+ COLOMBIA

Debt spread (EMBI + Colombia), defined as the difference between the yield of Colombian bonds issued abroad and the yield of American treasury securities, closed in December at 231 pbs. **In January 53.1% of analysts, 1.8 pps more than last month, expect an increase in the spread in the next three months, while 18.8%, 8.3 pps less than previous month, expect it to decrease. The remaining 28.1% of respondents believe the spread will remain the same (Graph 9).**

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

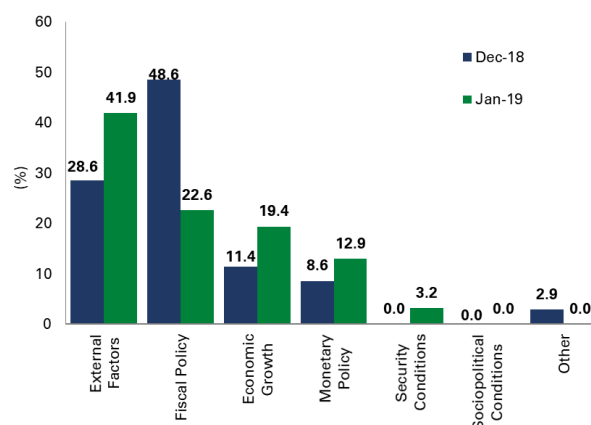


Source: Financial Opinion Survey, Fedesarrollo

FACTORS AFFECTING INVESTMENT

The share of analysts considering external factors as the most important aspect for investing presented a strong increase, going from 28.6% in December to 41.9% in January. Fiscal policy placed second with 22.6%, showing a reduction of 26.0 pps compared to the previous month (Graph 10).

Graph 10. Most relevant factors to invest
(% of answers)



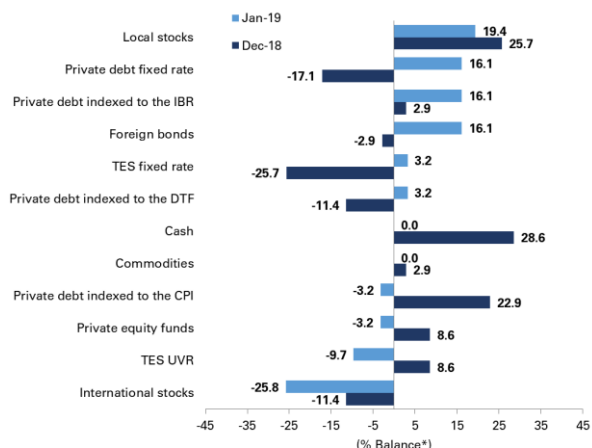
Source: Financial Opinion Survey, Fedesarrollo

INVESTMENT PREFERENCE

Relative to previous month, **portfolio managers increased their preferences for fixed rate private debt, private debt indexed to the IBR and the DTF, foreign bonds, and fixed rate TES.** In contrast, there is evidence of a deterioration in preferences for local shares, cash, commodities, private debt indexed to the CPI, private equity funds, UVR TES and international stocks (Graph 11).

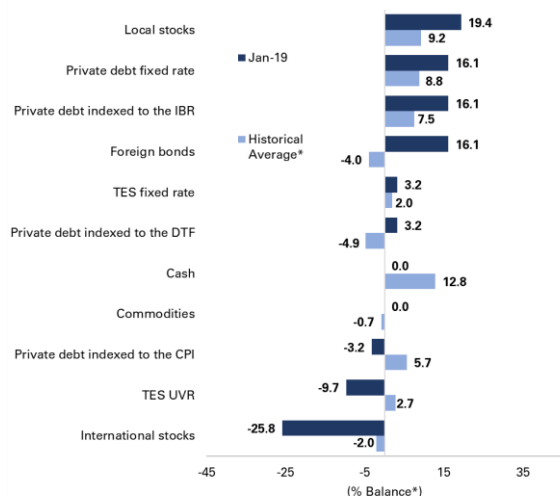
Compared to the survey historical average, there is a greater preference for local shares, private fixed rate debt, private debt indexed to the IBR and DTF, foreign bonds, TES fixed rate, and commodities (Graph 12).

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

Graph 12. Projection of Positions in the Next 3 Months for Different Assets vs Historical Average



* The historical average refers to the average of the response balances from June 2014 to date.
Source: Financial Opinion Survey, Fedesarrollo

COLCAP

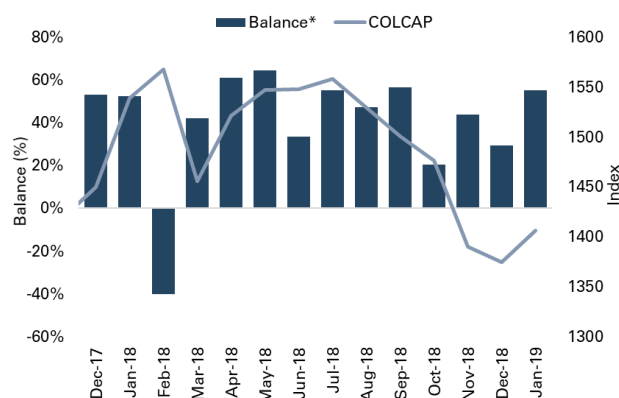
COLCAP reflects price changes in most liquid shares of Colombian Stock Exchange. In January 75.9% of analysts expect a valuation of the index in the next three months (Table 1). This proportion increased by 11.1 pps compared to the results of last month. On the other hand, the proportion of analysts expecting the stock index to depreciate in the next three months decreased from 35.3% to 20.7%.

Table 1. Expectations about the COLCAP Index Price at 3 months*
(% of answers)

Index COLCAP Price Level	December de 2018	January de 2019
Will increase 10% or more	2.9%	13.8%
Will increase between 5% and 9,99%	26.5%	13.8%
Will increase between 0,01% and 4,99%	35.3%	48.3%
Will remain	0.0%	3.4%
Will decrease between 0,01% and 4,99%	26.5%	13.8%
Will decrease between 5% and 9,99%	8.8%	6.9%
Will decrease between 10% or more	0.0%	0.0%

Source: Financial Opinion Survey, Fedesarrollo

Graph 13. Balance on the Price of the COLCAP Index 3 months*
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo

* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation

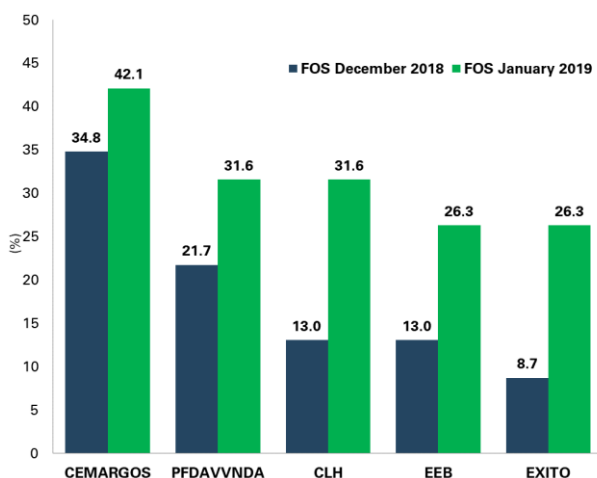
MOST ATTRACTIVE COLCAP SHARES

The FOS consults analysts about the three shares that they consider the most attractive within those that make up the COLCAP index. This month, **Cementos Argos stock was ranked first**, with a preference expressed by 42.1% of those who invest in shares. It was followed by **Davivienda, Cemex, Empresa de Energía de Bogotá y Éxito** (Graph 14).

Relative to December, there is a greater appetite among respondents for shares of the construction, financial and consumption sectors. On the contrary, shares in the oil sector, the energy sector and the Consumer Holdings group are less preferred (Graph 15).

Graph 14. More attractive COLCAP Stocks for investors

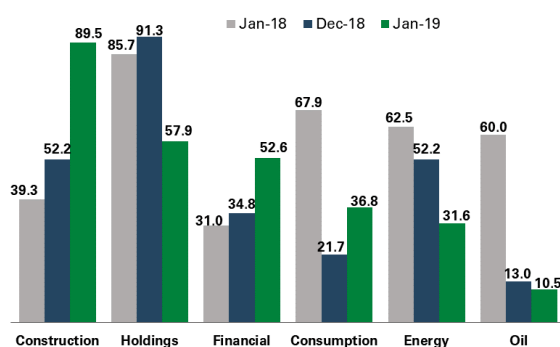
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey, Fedesarrollo.

Graph 15. More attractive COLCAP sectors for investors

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



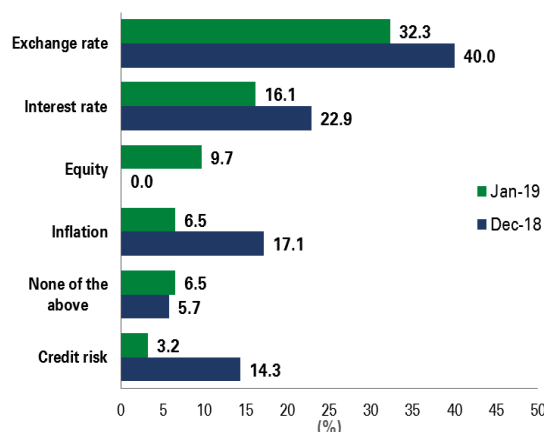
Source: Financial Opinion Survey, Fedesarrollo.

RISK COVERAGE

The FOS asks portfolio managers about the types of risk for which they plan to establish coverage in the next three months. In January **32.3% of respondents said they were planning a hedge against foreign exchange risk in the short term, which represents a reduction of 7.7 pps compared to last month.** On the other hand, the percentage of administrators expected to hedge against the interest rate risk continues in second place, despite the reduction of 6.7 pps compared to the previous month. In addition, there is evidence of an increase of 9.7 pps in the percentage of respondents who are planning coverage against equities (Graph 16).

Graph 16. Coverage of the Different Types of Risk for the Next 3 Months

(% of answers)



Fuente: Encuesta de Opinión Financiera, Fedesarrollo

Table 2. Summary of Macroeconomic Expectations*

Variable	Observed	Expectations (Median of the answers)		
	December	Jan-19	Apr-19	Dic-19
Inflation (% annual)	3.18	3.25		3.50
Exchange rate	\$ 3,250	\$ 3,150	\$ 3,100	\$ 3,150
Interest rate (%)	4.25	4.25	4.25	4.75
Growth (%)	3Q-2018	4Q-2018	Year 2018	Year 2019
	2.7	2.8	2.6	3.2

Source: Financial Opinion Survey -BVC

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

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