

Financial Opinion Survey

January 2021

Bulletin No.189

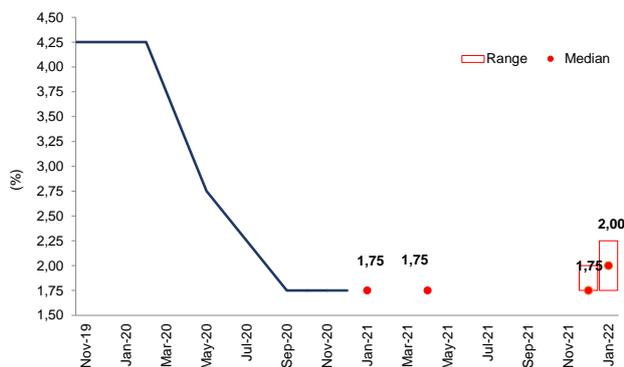
CENTRAL BANK POLICY RATE

In december, the Board of Directors of the Central Bank decided to maintain its monetary policy in 1.75%.

By the first month of the year, 97,7% the analysts expect the interest rate to remain unchanged at 1.75%, while 2,3% expect a reduction of 25 bps.

By the end of 2021, 47.7% of the analysts foresee an unchanged interest rate (1.75%), 6.8% expect a reduction of 25-bps. Meanwhile, 29.5% expects an increase of 25-bps, 11.4% expects an increase to reach a 2,25% interest rate and the remaining 4.5% expects it to reach 2,5% to the end of the year (Graph 1).

Graph 1. Central Bank interest rate



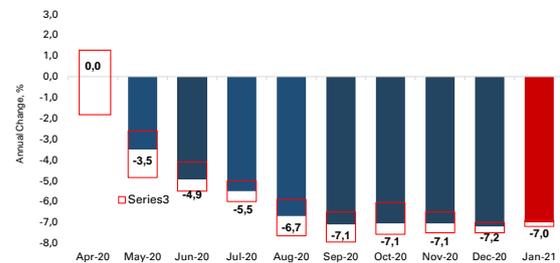
Source: Financial Opinion Survey, Fedesarrollo - BVC

ECONOMIC GROWTH

In January, the economic growth forecast for 2020 ranges between -7,2% and -6,9%, with -7% as median response (-7.2% in the previous FOS) (Graph 2). The economic growth forecast for 2021 was at 4.4%, ranging between 3.5% and 4.95%.

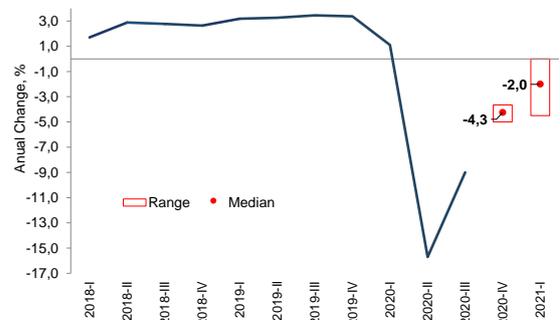
Expectations about the fourth quarter were in a median of -4.25%, ranging between -5% and -3,65%, (-5% in the previous FOS). Expectations regarding the first quarter growth reached -2%, ranging between -3% and 1.5% (-2.3% in the previous FOS) (Graph 3).

Graph 2. 2020 GDP annual growth forecast (Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 3. GDP growth forecast – fourth quarter 2020 and first quarter 2021 (Annual Change)

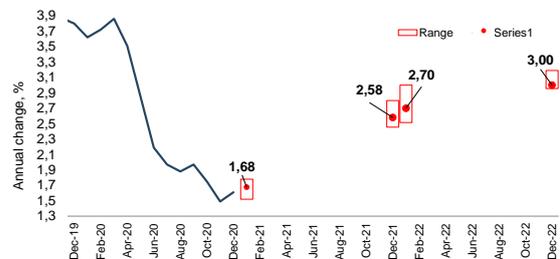


Source: Financial Opinion Survey, Fedesarrollo - BVC

INFLATION

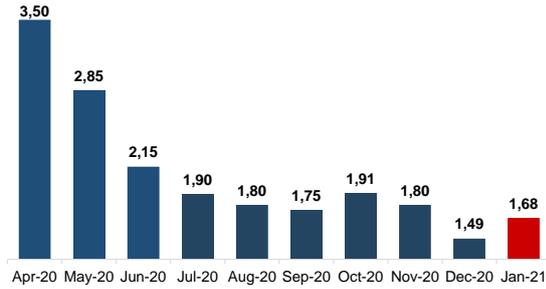
In December, the annual inflation reached 1.68%, higher than the analysts forecast in the previous edition (1.49%). In January, the analysts believe that inflation will increase to 1.68% (Graph 4). Inflation expectations for the end of 2021 were located in 2,58% (Graph 5).

Graph 4. Inflation forecast



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 5. Inflation forecast - end of 2020



Source: Financial Opinion Survey, Fedesarrollo - BVC

In December, the traded volume of the Colombian treasury bonds reached COP 16.7 billion, which entails a decrease of 45% compared to the last month and a decrease of 33.2% related to January 2020.

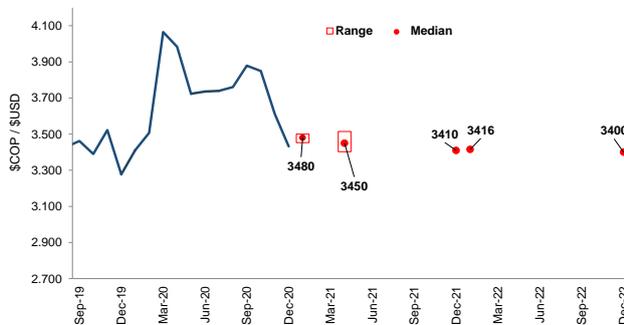
In this edition, the percentage of analysts who considers that the interest rate on the treasury bonds maturing in 2024 will be under 3.0% during the next three months is 13.6%, and between 3.0% and 3.25% is 25%. The percentage of analysts who expects that the rate will be between 3.25% and 3.5% during the next three months is 61.4%; meanwhile no one expects a rate over 3.5% (Graph 8).

EXCHANGE RATE

In December, the exchange rate closed at \$3,432.50, with a monthly appreciation of -4.95%. On December 1, it reached a maximum value of \$3,591 pesos per dollar and on December 18 it reached a minimum value of \$3,410.82 pesos per dollar. The exchange rate forecast by the end of the month ranges between \$3,453 and \$3,500, with \$3,480 as median response. (Graph 6). The exchange rate forecast for the end of 2021 was 3,410, ranging between \$3,351 and \$3,500 (Graph 7). Finally, the exchange rate forecast for next three months ranges between \$3,403 and \$3,515, with \$3,450 as median response.

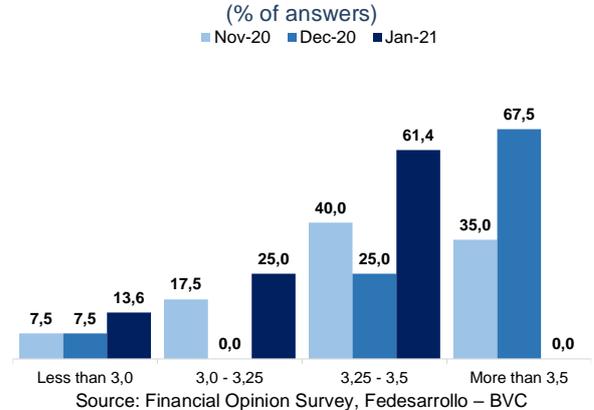
Regarding TES maturing in 2028, the percentage of analysts who considers that the rate will be under 4.5% during the next three months was 11.4%, and between 4.5% and 4.8% was 54.5%. The percentage of analysts who expect that the rate will be between 4.8% and 5.2% during the next three months was 34.1%. No one expects a rate higher than 5.2% (Graph 9).

Graph 6. Exchange rate - end of period



Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 8. Expectation of TES 2024 performance rate for the next 3 months



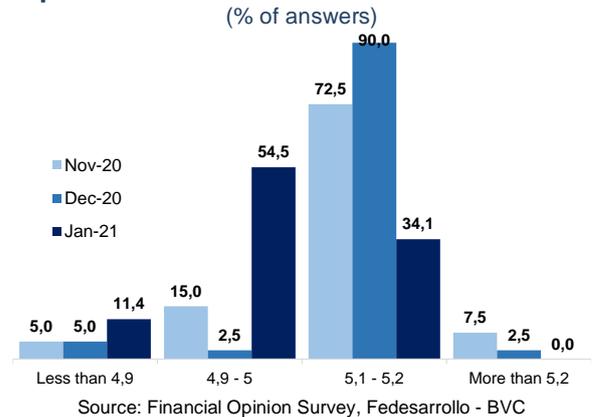
Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 7. Exchange rate forecast - beginning of period 2021



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 9. Expectation of TES 2028 performance rate for the next 3 months



Source: Financial Opinion Survey, Fedesarrollo - BVC

TES 2024 and 2028 RATE

DEBT SPREAD – EMBI + COLOMBIA

The debt spread (EMBI + Colombia) is defined as the difference between the yield of Colombian bonds issued abroad and the yield of American treasury securities. The debt spread closed at 209-bps in December. In January 31.82% of analysts (8.7-bps more than the previous FOS) expects the spread to increase in the next three months, while 13.64% (4.3-bps less than previous FOS) expects it to decrease. The remaining 54.55% of the respondents expects for the spread to remain equal (4.4-bps less than previous FOS) (Graph 10).

Graph 10. Expectation 3-months debt spread

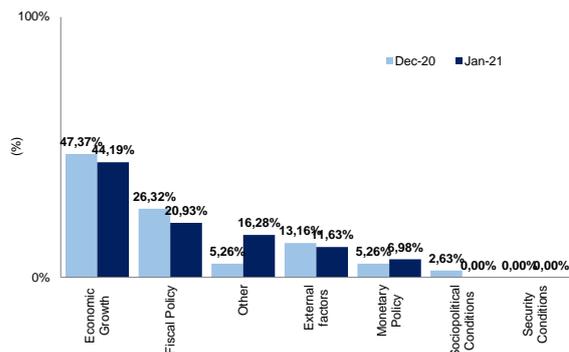


Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT DETERMINANTS

In this edition, the economic growth continues ranking as the most important aspect considered for investing decisions, reaching 44.19% (47.4% in the previous month). Fiscal policy and Other factors placed second and third place, respectively. Concerns accounting for fiscal policy reached 21% (26% in the previous month), while other factors, reached 16.3% (5% in the previous month). In Other factors Covid vaccines were the mostly related topic. External factors placed at fourth place, with 11.7% (13.2% in the previous month). Monetary policy, sociopolitical conditions and security conditions were the least in the investment determinants with 7% the first one and 0.0% the other two (Graph 11).

Graph 11. Most relevant factors for investment decisions
(% of answers)



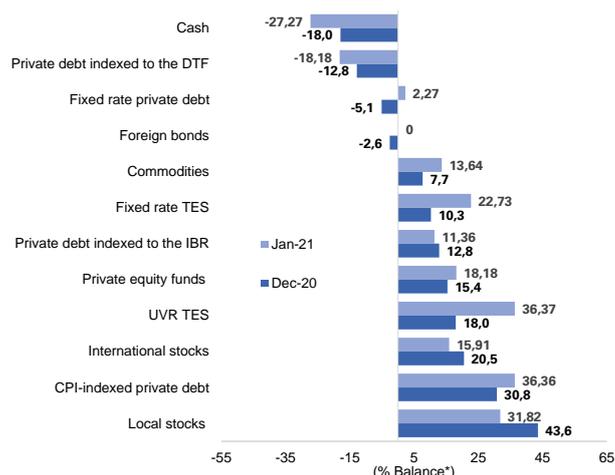
Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT PREFERENCES

Compared to december, portfolio managers increased their preferences for private debt indexed to the CPI, UVR TES, private equity funds, international bonds, fixed rate TES, fixed rate private debt and commodities. In contrast, there is evidence of a deterioration in preferences for cash, IBR and DTF-indexed private debt, and foreign and local stocks. (Graph 12).

Compared to the survey's historical average, there is a greater preference for UVR TES, CPI-indexed private debt, local stocks, private debt indexed to the IBR, international stocks commodities, and foreign bonds (Graph 13).

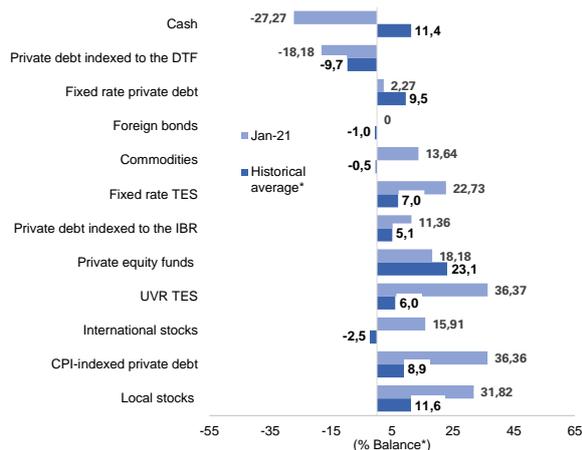
Graph 12. Projection of positions in the next 3 months for different assets



*Balance: % of respondents who will increase their position minus % of respondents that will decrease their position
Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 13. Projection of positions in the next 3 months for different assets vs historical average

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* The historical average refers to the average of the response balances from June 2014 to date.

Source: Financial Opinion Survey, Fedesarrollo - BVC

COLCAP

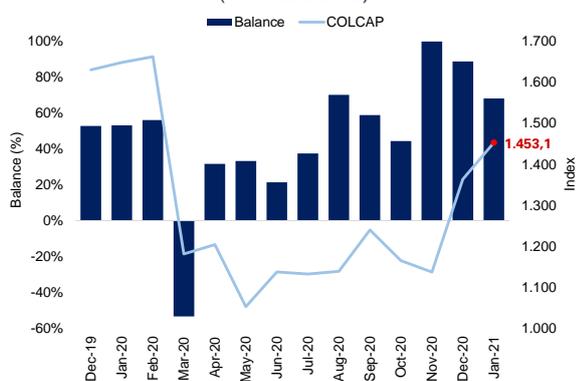
The COLCAP index is a market-capitalization weighted index that reflects price changes on the most liquid stocks listed in the Colombia's stock exchange. In January the 84.1% of the analysts (94.4% in december) expect a valuation of the index during the next three months (Table 1). While 15.9% of the analysts expects the index to devalue (5.6 0.0% in the previous FOS).

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

Index COLCAP Price Level	November 2020	January 2021
Will increase 10% or more	8,3%	9,1%
Will increase between 5% and 9,99%	36,1%	11,4%
Will increase between 0,01% and 4,99%	50,0%	63,6%
Will remain	0,0%	0,0%
Will decrease between 0,01% and 4,99%	5,6%	4,5%
Will decrease between 5% and 9,99%	0,0%	2,3%
Will decrease between 10% or more	0,0%	9,1%

Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 14. Balance on the price of the COLCAP index 3 months*
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo - BVC

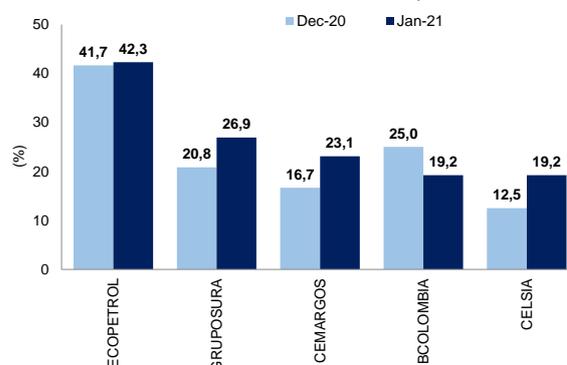
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation

MOST ATTRACTIVE COLCAP SHARES

The FOS inquires the analysts for the most attractive stocks compounding the COLCAP index. In January, the **Ecopetrol stock, was ranked in the first place with 42.3%**. It was followed by the **Grupo Sura standard stock, the Cemargos and the Bancolombia common stocks, and finally the Celsia common stock** (Graph 15).

Graph 15. More attractive COLCAP stocks for investors

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

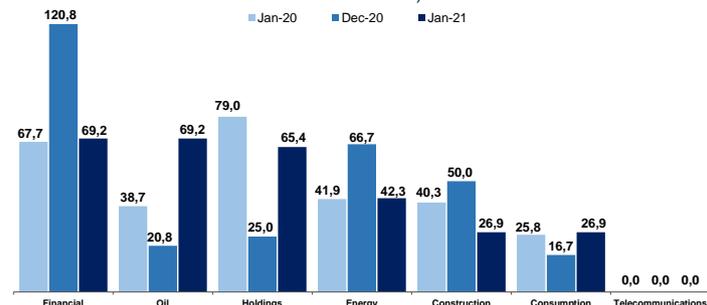


Source: Financial Opinion Survey, Fedesarrollo - BVC

Compared to the last month, there is greater appetite among respondents for shares of the holdings, oil, and consumption sectors (Graph 16).

Graph 16. Most attractive COLCAP sectors for investors

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



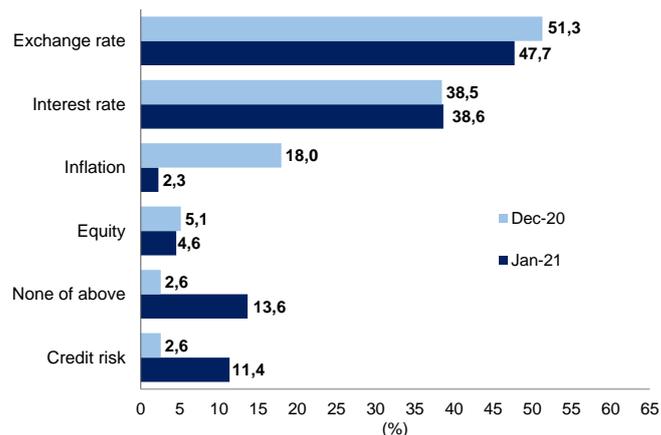
Source: Financial Opinion Survey, Fedesarrollo - BVC

RISK COVERAGE

The FOS inquires portfolio managers about the types of risk for which they plan to hedge against, in the next three months. In January **47.7% of the respondents (51.3% in december) were planning to hedge against**

foreign exchange risk in the short term. The percentage of managers who expect to hedge against interest rate are 38.6% (38.5% in december).

Graph 17. Coverage of the different types of risk for the next 3 months
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo - BVC

Table 2. Summary of the Macroeconomic Expectations

Variable	Observed	Forecasts (Median of answers)			
		dec-20	jan-21	apr-21	dec-21
Inflation (Annual variation, %)	1.61	1.68			2.58
Exchange rate	\$ 3,470	\$ 3.480	\$ 3.450		\$ 3.410
Monetary policy interest rate (%)	1.75	1.75	1,75		1,75
	3Q-2020	4Q-2020	Year 2020		Year 2021
Growth (%)	-9	-4.25	-7		4.4

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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