Financial Opinion Survey
August 2022
Bulletin No.208

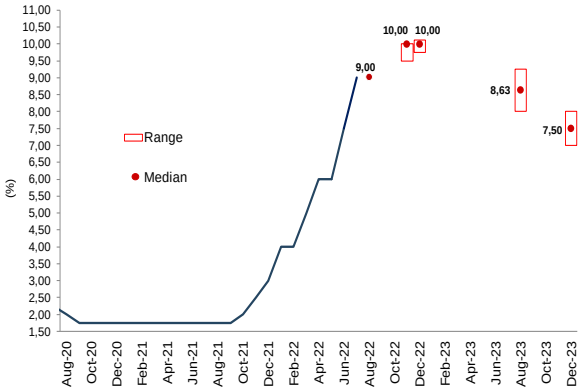
FEDESARROLLO
Centro de Investigación Económica y Social

CENTRAL BANK POLICY RATE

In July, the Board of Directors of the Central Bank increased the intervention rate by 150 bps to 9,0%. The next meeting of the Board of Directors, in which a monetary policy decision will be announced, will take place on September 30.

Considering that during August the Board of Directors of Banco de la República will not take a monetary policy decision, analysts expect the rate to remain at 9,0% at the end of the month. In turn, they expect the rate to increase to 10,0% in November and to remain there at the end of the year. Finally, they anticipate a reduction throughout 2023 to 7,50% in December (Graph 1).

Graph 1. Central Bank interest rate
(%)



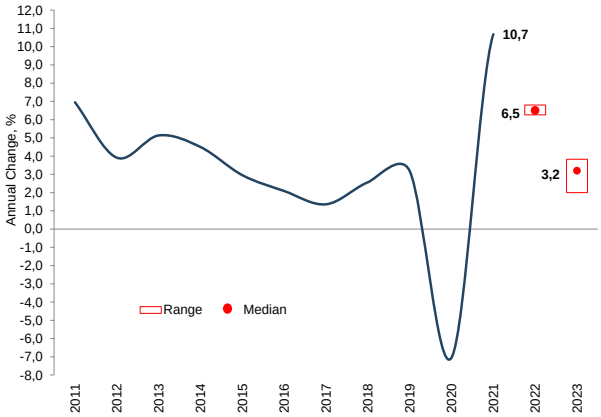
Source: Financial Opinion Survey, Fedesarrollo - BVC

ECONOMIC GROWTH

In August, the economic growth forecast for 2022 ranges between 6,3% and 6,8%, with 6,5% as median response (6,4% in the previous FOS) (Graph 2). **The economic growth forecast for 2023 was at 3,2%, ranging between 2,0% and 3,8%.**

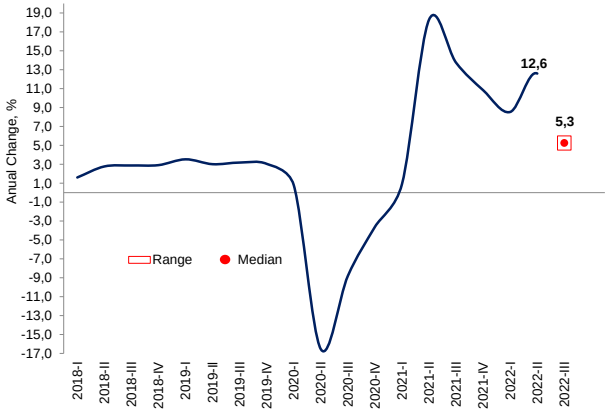
In the second quarter, annual growth was 12,6%, higher than analysts forecast for this edition (10,9%). **Expectations for third quarter 2022 growth ranged between 4,5% and 6,0% with 5,3% as the median response** (5,0% in the previous FOS) (Graph 3).

Graph 2. GDP annual growth forecast-2022
(Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 3. GDP growth forecast – second and third quarter 2022
(Annual Change, %)



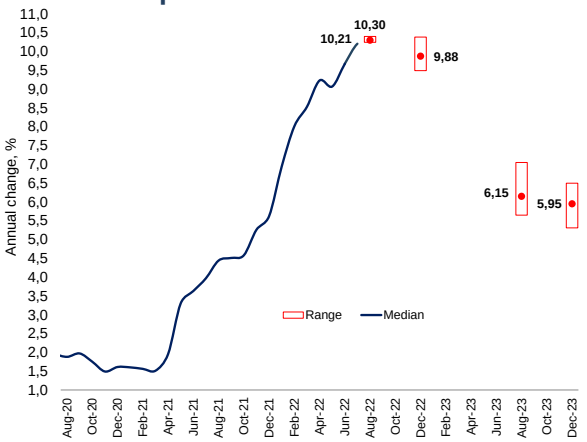
Source: Financial Opinion Survey, Fedesarrollo - BVC

INFLATION

In July, the annual inflation reached 10,21%, above the analysts forecast in the previous edition (9,95%). **In August, the analysts expect inflation to reach 10,30%** (Graph 4), which means that inflation expectations remain above the target range (2,0% to 4,0%) of the Central Bank.

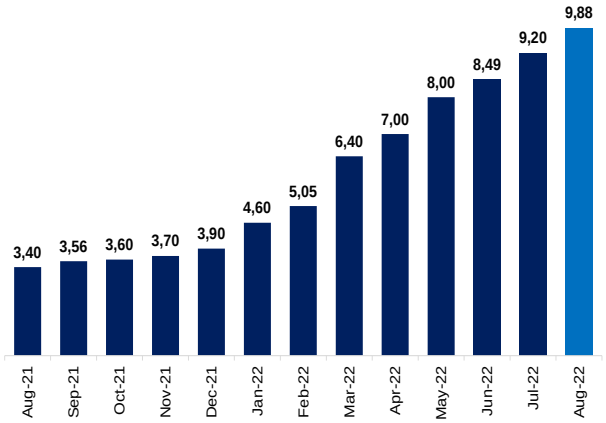
On the other hand, **the experts foresee that the inflation at the end of 2022 will reach the value of 9,88%. This means that the prediction made at this edition is higher than the one made on the previous month (9,20%)** (Graph 5).

Graph 4. Inflation forecast



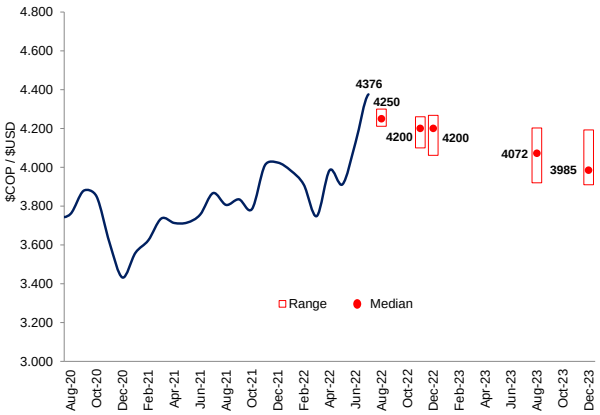
Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 5. Inflation forecast - End 2022



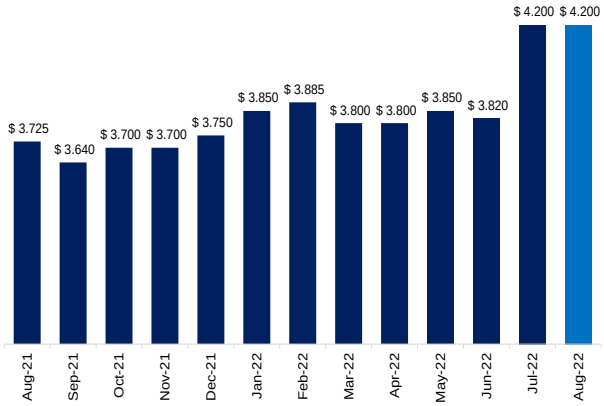
Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 6. Exchange rate - end of period



Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 7. Exchange rate forecast End of 2022



Source: Financial Opinion Survey, Fedesarrollo - BVC

EXCHANGE RATE

In July, the exchange rate closed at $ 4.375,51 with a monthly depreciation of 6,01%. On July 13 it reached a maximum value of $ 4.627,46 pesos per dollar and on July 1 it reached a minimum value of $4.151,21 pesos per dollar. **The exchange rate forecast by the end of the month ranges between $4.211 and $4.300, with $4.250 as median response** (Graph 6).

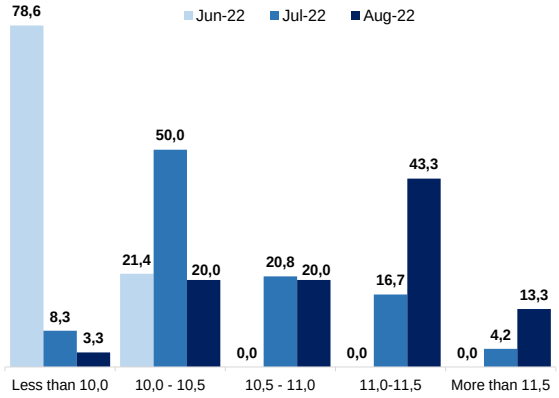
On the other hand, **experts forecast that the exchange rate will close at $4.200 at the end of 2022**. **This means that the prediction made at this edition remained stable with respect to the previous month ($4.200)** (Graph 7).

TES 2024 and 2028 RATE

In this edition, the percentage of analysts who considers that **the interest rate on the treasury bonds maturing in 2024 will be between 11,0%-11,5% in three months are 43,3%. On the other hand, 43,3% estimate that it will be below 11,0%, while the remaining 13,3% place it above 11,5%** (Graph 8). This shows an increase in the predictions made by the experts compared to the previous editions.

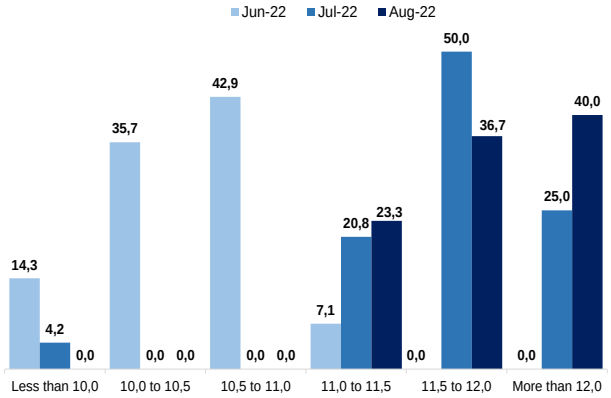
For TES maturing in 2028, **40,0% of the analysts expects the rate to be above 12,0% within three months. On the other hand, 36,7% and 23,3% expects it to be between 11,5%-12,0% and between 11,0%-11,5%, respectively** (Graph 9). This shows an increase in expectations with respect to the previous editions.

Graph 8. Expectation of TES 2024 performance rate within 3 months
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 9. Expectation of TES 2028 performance rate within 3 months
(% of answers)

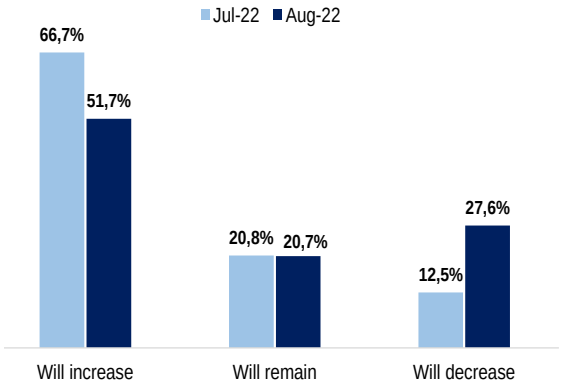


Source: Financial Opinion Survey, Fedesarrollo - BVC

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 387-bps in July. **In August 51,7% of the analysts** (15,0-pps less than the previous FOS) **expects the spread to increase in the next three months, while 27,6%** (15,1-pps plus than previous FOS) **expects it to decrease. The remaining 20,7% of the respondents expects for the spread to remain equal** (0,1-pps less than the previous FOS) (Graph 10).

Graph 10. Expectation 3-months debt spread
(% of answers)

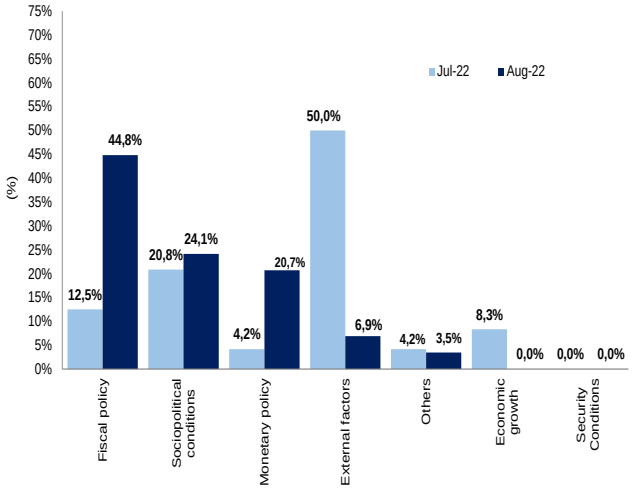


Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT DETERMINANTS

In this edition, fiscal policy rank as the most important aspect considered for investing decisions, reaching 44,8% of participation (12,5 in the previous month)**.** The sociopolitical factors placed second with 24,1% (20,8% in the previous month). This was followed by monetary policy with 20,7% (4,2% in the previous month), external factors with 6,9% (50,0% in the previous month) and other factors with 3,5% (4,2% in the previous month). Finally, economic growth and security conditions are not relevant reasons for analysts (Graph 11).

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



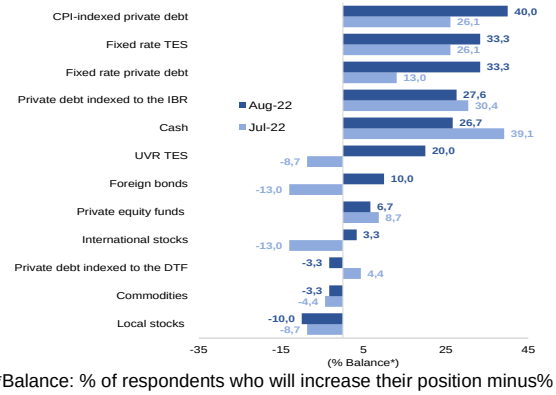
Source: Financial Opinion Survey, Fedesarrollo – BVC

INVESTMENT PREFERENCES

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

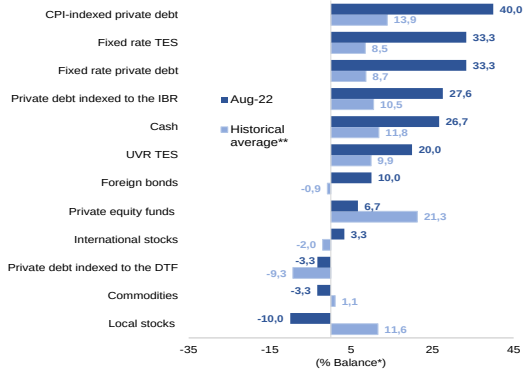
Compared to the survey's historical average, there is a greater preference for CPI-indexed private debt, fixed rate TES, fixed rate private debt, private debt indexed to the IBR, cash, foreign bonds, UVR TES, private debt indexed to the DTF and international stocks (Graph 13).

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



*Balance: % of respondents who will increase their position minus% of respondents that will decrease their position
**The historical average refers to the average of the response balances from June 2014 to date.
Source: Financial Opinion Survey, Fedesarrollo – BVC

MSCI COLCAP

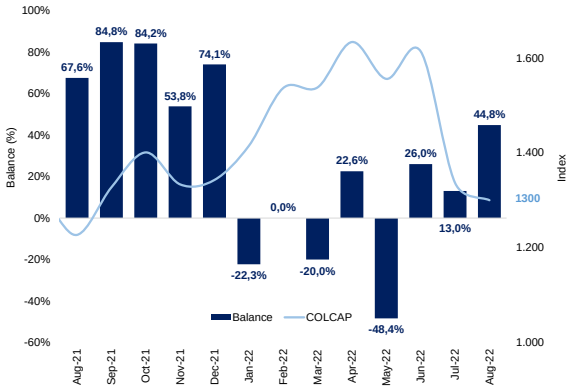
The MSCI COLCAP index is a market-capitalization weighted index that reflects price changes on the most liquid stocks listed in the Colombia's stock exchange. **In August, the 72,4% of the analysts** (56,5% in July) **expects a valuation of the index within three months** (Table 1), **while the remaining 27,6% of the analysts expects the index to devaluate** (43,5% in the previous FOS).

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

Index COLCAP Price Level	July 2022	August 2022
Will increase 10% or more	4,3%	20,7%
Will increase between 5% and 9,99%	17,4%	27,6%
Will increase between 0,01% and 4,99%	34,8%	24,1%
Will remain	0,0%	0,0%
Will decrease between 0,01% and 4,99%	17,4%	20,7%
Will decrease between 5% and 9,99%	13,0%	6,9%
Will decrease between 10% or more	13,0%	0,0%

Source: Financial Opinion Survey, Fedesarrollo – BVC

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



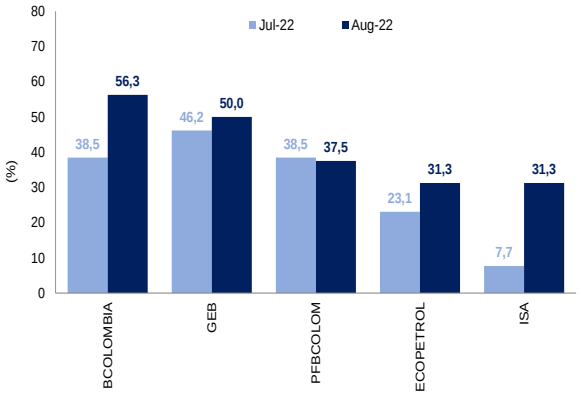
Source: Financial Opinion Survey, Fedesarrollo – BVC
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation. The calculations use the index corresponding to the day on which the EOF was enabled.

MOST ATTRACTIVE COLCAP SHARES

The FOS inquires the analysts for the most attractive stocks compounding the MSCI COLCAP index. **In August, the stock of Bancolombia was ranked in the first place with 56,3%. It was followed by GEB stock, Bancolombia's preferential stock, Ecopetrol's stock and ISA's stock** (Graph 15).

Graph 15. More attractive MSCI COLCAP stocks for investors

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

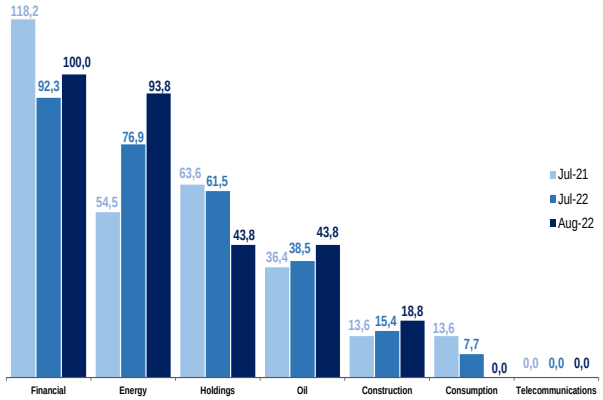


Source: Financial Opinion Survey, Fedesarrollo – BVC

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

Graph 16. Most attractive MSCI COLCAP sectors for investors

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



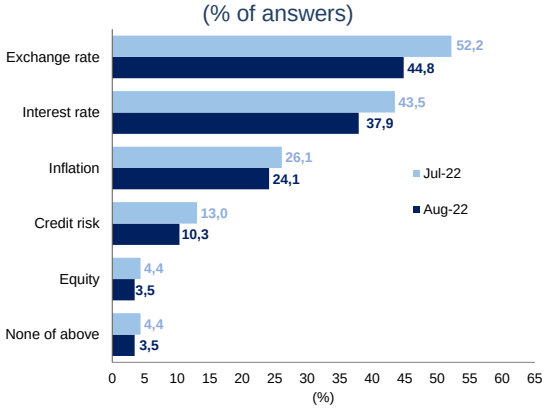
Source: Financial Opinion Survey, Fedesarrollo – BVC

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 August, 44,8% of the respondents** (52,2% in July) **were planning to hedge against the exchange rate in the short term** (Graph 17)**. The percentage of managers who expect to hedge against the interest rate is 37,9%** (43,5% in July).

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)		
	Jul-22	Aug-22	Nov-22	Dec-22
Inflation (Annual variation, %)	10,21	10,30		9,88
Exchange rate	$ 4.375,51	$ 4.250	$ 4.200	$ 4.200
Monetary policy interest rate (%)	9,0	9,0	10,0	10,0
	IIQ-2022	IIIQ-2022	2022	2023
Growth (%) *	12,6	5,3	6,5	3,2

Source: Financial Opinion Survey – BVC
* Original series

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