Financial Opinion Survey
September 2021
Bulletin No.197

FEDESARROLLO
Centro de Investigación Económica y Social

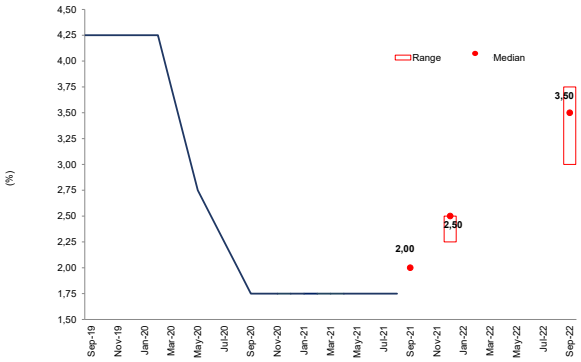
CENTRAL BANK POLICY RATE

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

By September, 88.9% of the analysts expects the interest rate to reach 2,0% and 8.3% expects it to be at 2.25%, meanwhile 2.8% foresee an unchanged rate (1.75%).

By the end of 2021, 52.8% of the analysts foresee a 2,5% interest rate, 30.6% expects an increase to 2.25% and 2.8% expects it to locate in 2.0%. Meanwhile, the 13.9% of the analysts expects it exceed 2.5% to the end of the year (Graph 1).

Graph 1. Central Bank interest rate



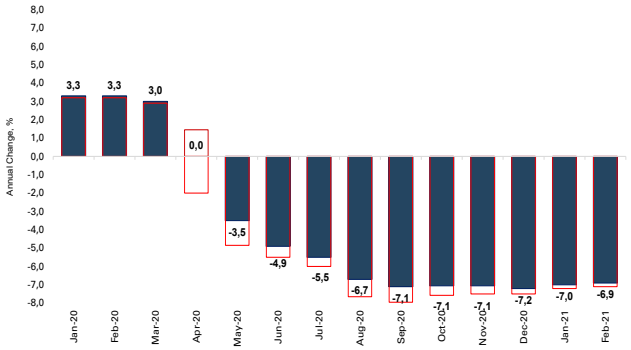
Source: Financial Opinion Survey, Fedesarrollo - BVC

ECONOMIC GROWTH

In September, the economic growth forecast for 2021 ranges between 7.35% and 8.20%, with **7.80%** as median response *(7.20% in the previous FOS)* (Graph 2). **The economic growth forecast for 2022 was at 4.0%, ranging between 3.53% and 4.75%.**

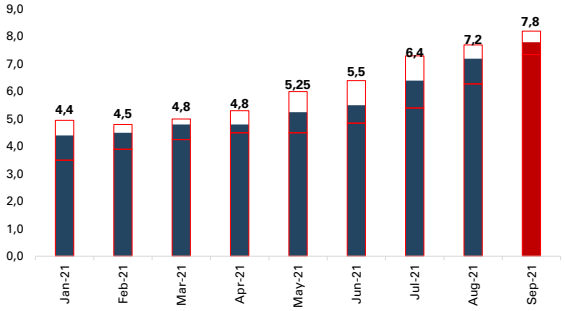
Expectations about the third quarter were in a median of 9.05% *(7.0% in the previous edition),* **ranging between 7.50% and 10.0%. Expectations regarding the fourth quarter growth reached 5.0%, ranging between 4.25% and 5.65%** (Graph 3).

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



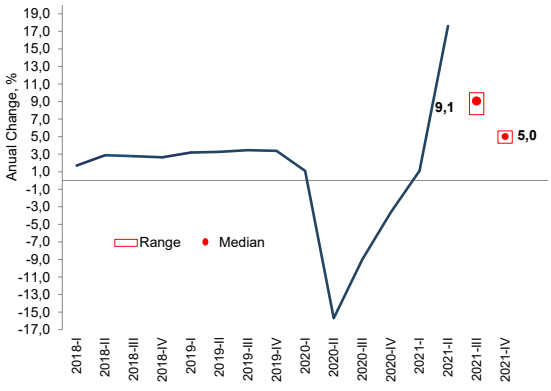
Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 3. 2021 GDP annual growth forecast
(Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 4. GDP growth forecast – third and fourth quarter 2021
(Annual Change)

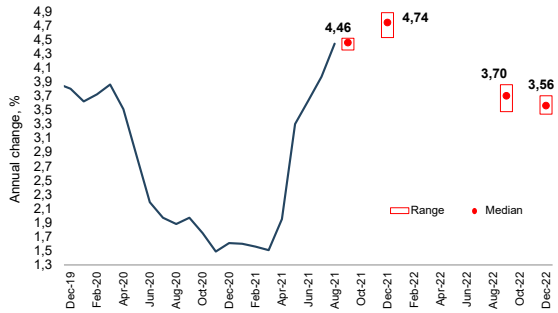


Source: Financial Opinion Survey, Fedesarrollo - BVC

INFLATION

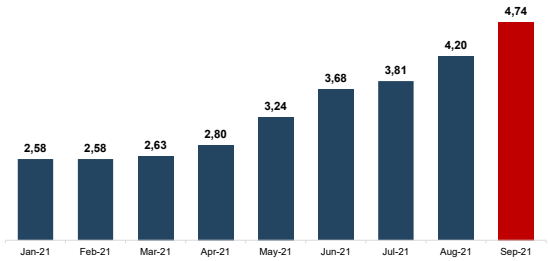
In August, the annual inflation reached 4.44%, higher than the analysts forecast in the previous edition (4.13%). **In September, the analysts believe that inflation will reach 4.46%** (Graph 4). **Inflation expectations for the end of 2021 were in 4.74%** (Graph 5).

Graph 5. Inflation forecast



Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 6. Inflation forecast - End 2021

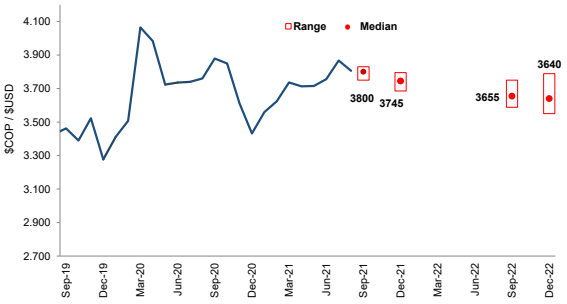


Source: Financial Opinion Survey, Fedesarrollo - BVC

EXCHANGE RATE

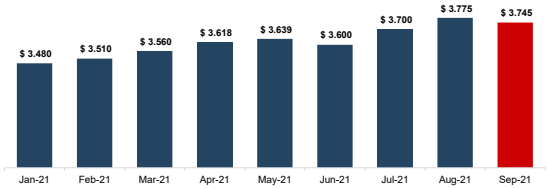
In August, the exchange rate closed at $3,806.87, with a monthly appreciation of 1.58%. On August 10 it reached a maximum value of $3,988.27 pesos per dollar and on August 31 it reached a minimum value of $3,806.87 pesos per dollar. **The exchange rate forecast by the end of the month ranges between $3,750 and $3,830, with $3,800 as median response** (Graph 6). **The exchange rate forecast for the end of 2021 was 3,745, ranging between $3,685 and $3,795** (Graph 7).

Graph 7. Exchange rate - end of period



Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 8. Exchange rate forecast End of 2021



Source: Financial Opinion Survey, Fedesarrollo - BVC

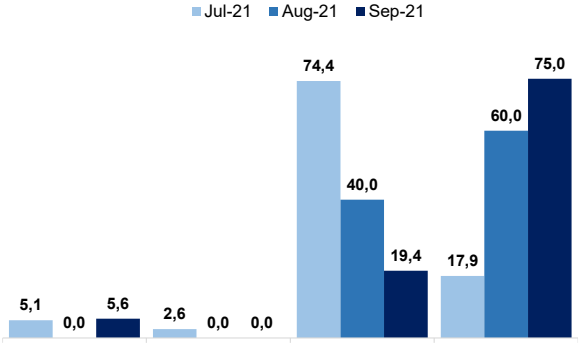
TES 2024 and 2028 RATE

In August, the traded volume of the Colombian treasury bonds reached COP 40.4 billion, which entails an increase of 32.9% compared to the last month and of 29.8% related to August 2020.

In this edition, the percentage of analysts who considers that **the interest rate on the treasury bonds maturing in 2024 will be lower than 3.0% is 5.6% and 19.4% of them expects that it will be between 4.0% and 5.0% during the next three months. Meanwhile, most of them (75%) foresee a rate over 5%** (Graph 8).

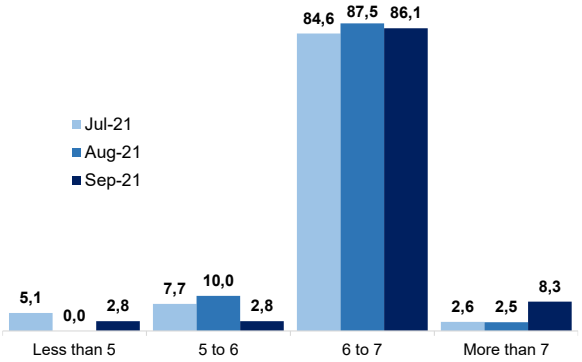
Regarding TES maturing in 2028, **the 86.1% expects a rate between 6.0% and 7.0%** during the next three months. 2.8% of the analysts expects **the rate to be located below 5.0%, 2.8% considers it to be between 5.0% and 6.0%, and 8.3% of them foresee it to be higher than 7%** (Graph 9).

Graph 9. Expectation of TES 2024 performance rate for the next 3 months
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 10. Expectation of TES 2028 performance rate for the next 3 months
(% of answers)

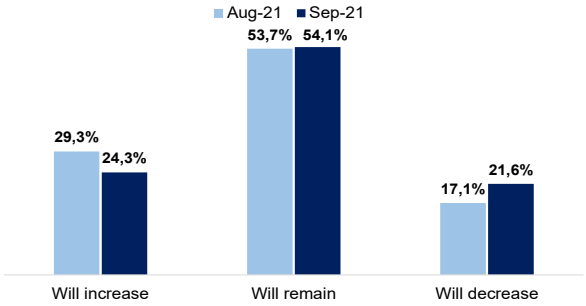


Source: Financial Opinion Survey, Fedesarrollo - BVC

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 277-bps in August. **In September, 24.32% of the analysts** *(5.0-bps less than the previous FOS)* **expects the spread to increase in the next three months, while 21.62%** *(4.6-bps more than previous FOS)* **expects it to decrease. The remaining 54.05% of the respondents expects for the spread to remain equal** *(0.4-bps more than the previous FOS)* (Graph 10).

Graph 11. Expectation 3-months debt spread
(% of answers)

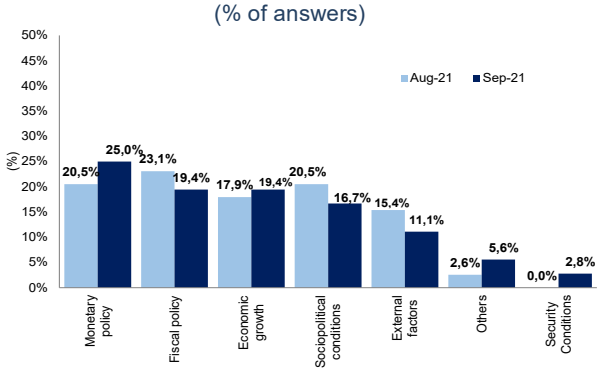


Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT DETERMINANTS

In this edition, the monetary policy ranks as the most important aspect considered for investing decisions, reaching 25.0% *(20.5% in the previous month)*. Fiscal policy and economic growth placed second and third place, respectively, with 19.44% each of them *(23.1% and 17.9% in the previous month)*. Sociopolitical conditions was placed at fourth place, with 16.67% *(20.5% in the previous month)*. External factors reached 11.11% and other factors 5.56%, while security conditions were relevant for the 2.78% of investors (Graph 11).

Graph 12. Most relevant factors for investment decisions
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo – BVC

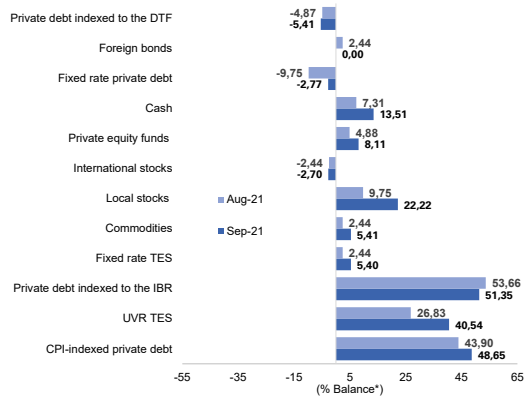
INVESTMENT PREFERENCES

Compared to August, **portfolio managers increased their preferences for CPI-indexed**

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

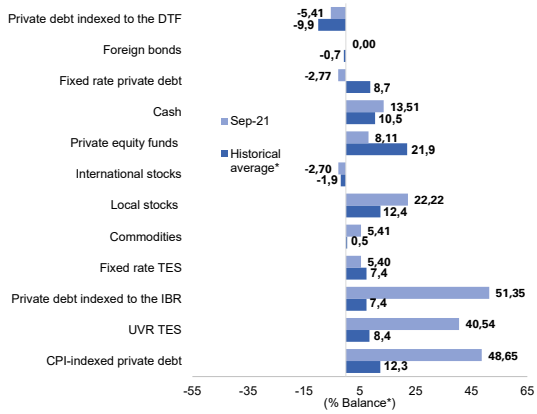
Compared to the survey's historical average, there is a greater preference for CPI-indexed private debt, UVR TES, private debt indexed to the IBR, commodities, local stocks, cash, foreign bonds and DTF-indexed private debt (Graph 13).

Graph 13. 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 14. 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 – BVC

COLCAP

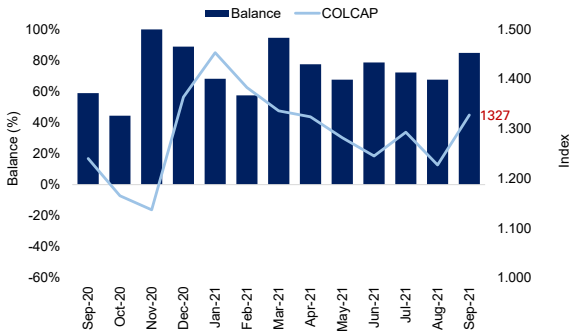
The COLCAP index is a market-capitalization weighted index that reflects price changes on the most liquid stocks listed in the Colombia's stock exchange. **In September, the 90.9% of the analysts** (*83.8% in August*) **expect a valuation of the index during the next three months** (Table 1), while 6.1% **of the analysts expects the index to devaluate and 3.0% of them expects it to remain the same** *(16.2% and 0% respectively in the previous FOS).*

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

Index COLCAP Price Level	August 2021	September 2021
Will increase 10% or more	56,8%	6,1%
Will increase between 5% and 9,99%	8,1%	39,4%
Will increase between 0,01% and 4,99%	18,9%	45,5%
Will remain	0,0%	3,0%
Will decrease between 0,01% and 4,99%	16,2%	6,1%
Will decrease between 5% and 9,99%	0,0%	0,0%
Will decrease between 10% or more	0,0%	0,0%

Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 15. 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

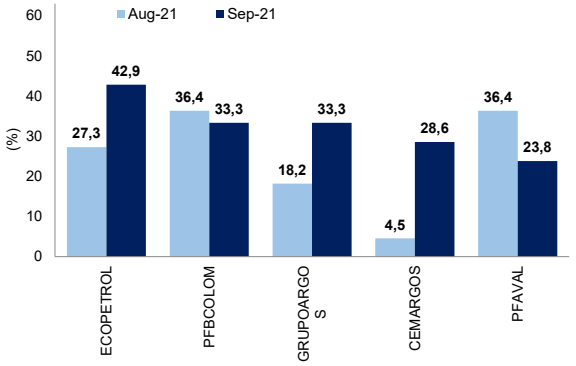
MOST ATTRACTIVE COLCAP SHARES

The FOS inquires the analysts for the most attractive stocks compounding the COLCAP index. **In September, the common stock of Ecopetrol was ranked in the first place** with 42.9%. It was followed by the preferential stock of Grupo Bancolombia, the stock of Grupo Argos, the common stock of Cementos Argos

and the preferential stock of Grupo Aval (Graph 15).

Graph 16. More attractive COLCAP stocks for investors

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

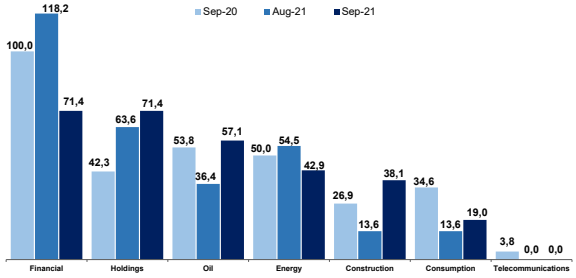


Source: Financial Opinion Survey, Fedesarrollo – BVC

Compared to the last month, there is greater appetite among respondents mainly for shares of the oil, construction, consumption, and holdings sectors (Graph 17).

Graph 17. Most attractive COLCAP sectors for investors

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



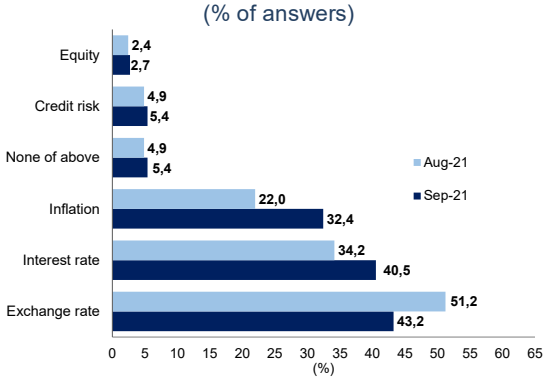
Source: Financial Opinion Survey, Fedesarrollo - BVC

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 September, 43.2% of the respondents** *(51.2% in August)* **were planning to hedge against the foreign exchange risk in the short term.** The percentage of managers who expect to hedge against the interest rate is 40.5% *(34.2% in August).*

Graph 18. 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)	
	August-21	Sept-21	Dec-21
Inflation (Annual variation, %)	4.44	4.46	4.74
Exchange rate	$ 3,806.87	$ 3,80	$ 3,745
Monetary policy interest rate (%)	1.75	2.0	2.5
	IIQ-2021	IIIQ-2021	Year 2021
Growth (%)	17.6	9.05	7.8

Source: Financial Opinion Survey - BVC

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