Financial Opinion Survey
March 2020
Bulletin No.179

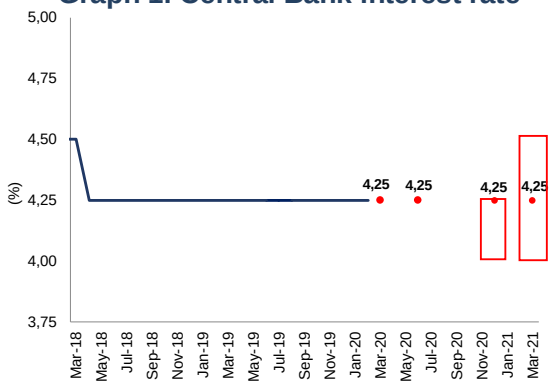
FEDESARROLLO
Centro de Investigación Económica y Social

CENTRAL BANK POLICY RATE

In February, the Board of Directors of the Central Bank decided to keep its monetary policy interest rate unchanged at 4.25%.

By the end of the month, 82.4% of the analysts foresee the interest rate to remain unchanged, 13.7% of the analysts expect a 25-bps decrease, while the remaining 2.0% expect a 50-bps decrease. By the end of the year, 60.8% of the analysts expect the interest rate to remain unchanged, 3.9% expect an increase of 25-bps, 3.9% expect it to increase 50-bps and 2.0% expect an increase of 75-bps. 15.7% of the analysts expect a decrease of 25-bps, 5.9% expect a 50-bps decrease, 5.9% expect a 75-bps decrease and the remaining 2.0% expect a decrease of 100-bps (Graph 1).

Graph 1. Central Bank interest rate

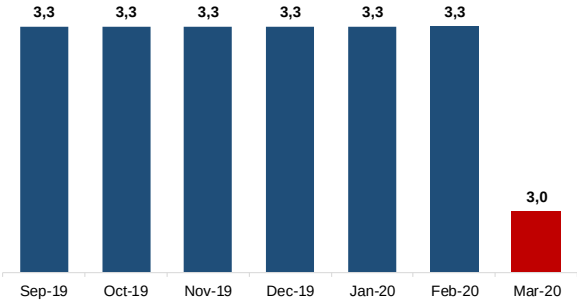


Source: Financial Opinion Survey, Fedesarrollo - bvc

ECONOMIC GROWTH

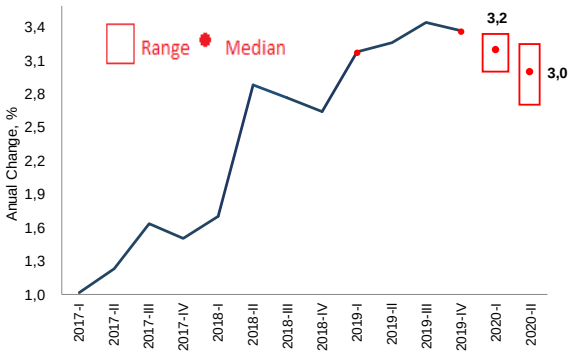
In March, analysts decreased their economic growth forecast for 2020 at 3.0% (Graph 2) and **at 3.2% for 2021. Expectations about first quarter decreased related to previous edition, the economic growth forecast for the first quarter fell from 3.3% to 3.2%. Expectations about second quarter growth reached 3.0%** (Graph 3).

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



Source: Financial Opinion Survey, Fedesarrollo - bvc

Graph 3. GDP growth forecast – first and second quarter of 2020
(Annual Change)

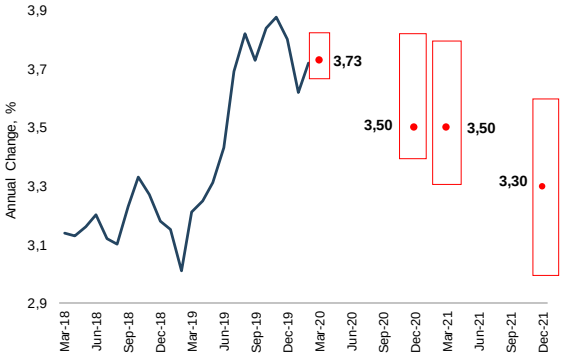


Source: Financial Opinion Survey, Fedesarrollo - bvc

INFLATION

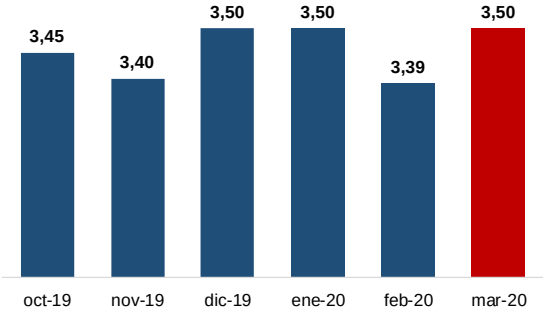
In February, annual inflation reached 3.72%, upper than the analysts' forecast in the previous edition (3.68%). **In March, analysts believe that inflation will increase to 3.73%** (Graph 4).
Inflation expectations for the end of 2020 increased from 3.39% in the previous edition to 3.50%. (Graph 5).

Graph 4. Inflation forecast



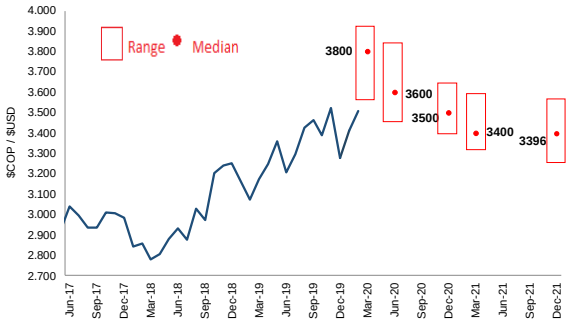
Source: Financial Opinion Survey, Fedesarrollo - bvc

Graph 5. Inflation forecast - end of 2020



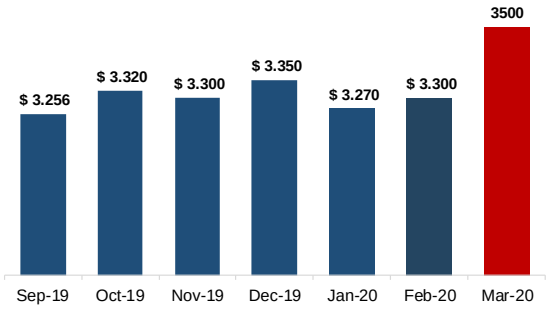
Source: Financial Opinion Survey, Fedesarrollo - bvc

Graph 6. Exchange rate - end of period



Source: Financial Opinion Survey, Fedesarrollo - bvc

Graph 7. Exchange rate forecast - end of period 2020



Source: Financial Opinion Survey, Fedesarrollo - bvc

EXCHANGE RATE

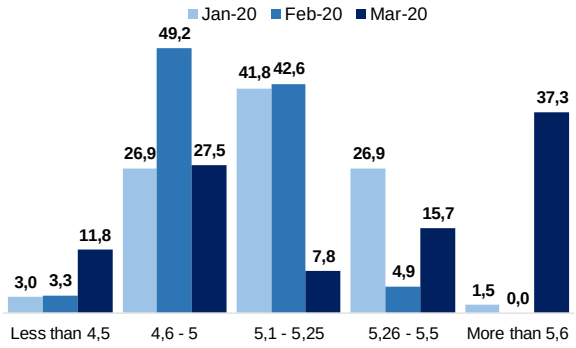
In February, the exchange rate closed at $3,507.11, with a monthly depreciation of 3.20%. On February 28th, it reached a maximum value of $3,507.11 pesos per dollar and on February 6h it reached a minimum value of $3,355.44 pesos per dollar. **Exchange rate forecast for next three months ranges between $3.450 and $3.800,** with **$3.600** as median response (Graph 6). **Exchange rate forecast for the end of 2020 increased compared to past month result,** with **$ 3.500** as the median response *($3.300 in previous FOS),* **ranging between $3.380 and $3.600** (Graph 7).

TES 2024 RATE

In February, the traded volume increased to COP 63.1 trillion, which entails an increase of 21.2% compared to January and an increase of 10.3% compared to the same month of the previous year.

In this edition, the percentage of analysts who consider that **the rate will be under 4.5% during the next three months was 11.8%, between 4.6% and 5% was 27.5%.** The percentage of analysts who expect that **the rate will be between 5.1% and 5.25% during the next three months was 7.8%; while the 15.7% of analysts believe it will be between 5.26% and 5.5%. The remaining 37.3% of analysts expect a higher rate than 5.6%** (Graph 8).

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

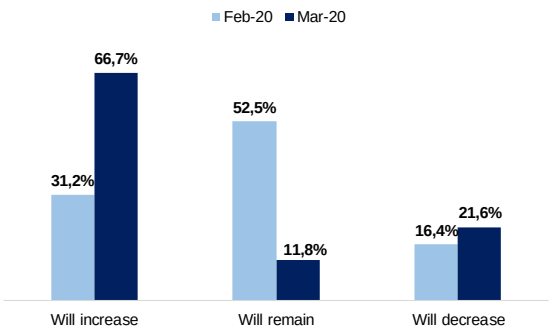


Source: Financial Opinion Survey, Fedesarrollo - bvc

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. Debt spread closed at 214-bps in February. **In March 66.7% of analysts** *(35.5-bps more than the previous FOS)* **expect the spread to increase in the next three months, while 21.6%** *(40.7-bps less than previous FOS)* **expect it to decrease. The remaining 11.8% of the respondents expect for the spread to remain equal.** (Graph 9).

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

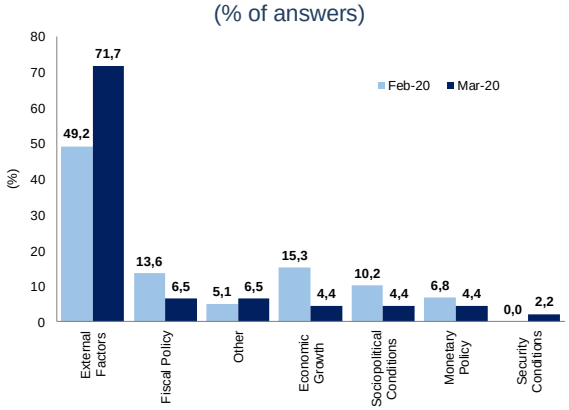


Source: Financial Opinion Survey, Fedesarrollo - bvc

INVESMENT DETERMINANTS

In this edition of the survey, external factors continue ranking this month as the most important aspect for investing decisions and the proportion of analysts considering it raised to 71.2% *(49.2% in the previous month)***.** Fiscal policy and other factors placed second and third place, respectively. Concerns about fiscal factor reached 6.5% *(13.6% in previous month)*, while other factors reached 6.5% *(5.1% in previous month)*. Economic growth placed fourth place, with 4.4% *(15.3% in previous month).* Sociopolitical conditions placed fifth with 4.4% *(10.2% in previous month) and monetary policy* reached 4.4% *(6.8% in previous month).* Security conditions reached 2.2% *(0.0% in previous month)* (Graph 10).

Graph 10. Most relevant factors for investment decisions
(% of answers)



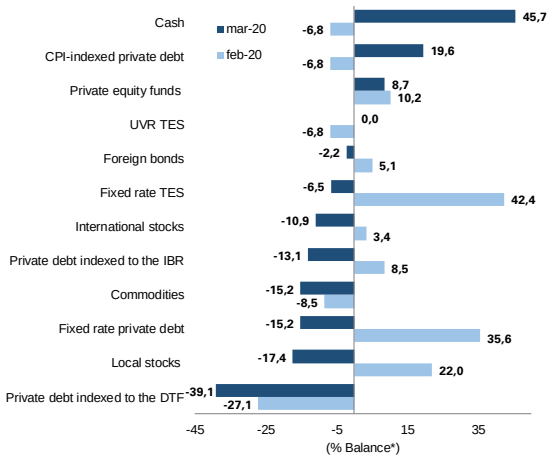
Source: Financial Opinion Survey, Fedesarrollo - bvc

INVESTMENT PREFERENCE

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

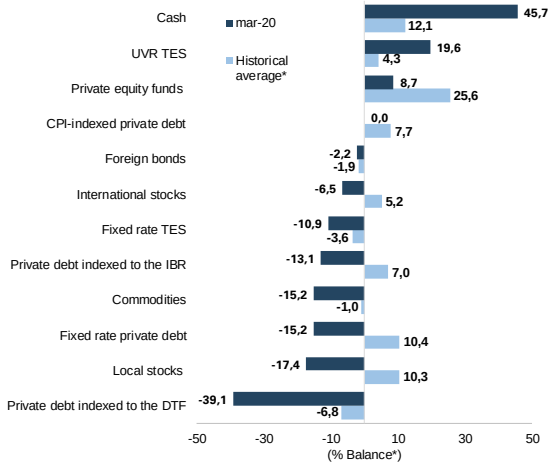
Compared to the survey´s historical average, there is a greater preference cash and TES UVR (Graph 12).

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 - bvc

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 - bvc

COLCAP

The COLCAP index reflects price changes on the most liquid shares of Colombian Stock Exchange. **In March 23.3% of analysts (***77.2% in February*) **expect an appreciation of the index during the next three months** (Table 1). On the other hand, **the percentage of analysts expecting the stock index to devaluate during the next three months is 76.7%** *(21.1% in February).* Finally, **none of analysts expect the index will remain unaltered** *(1.8% in previous FOS).*

Table 1. Expectations about the COLCAP index price at 3 months

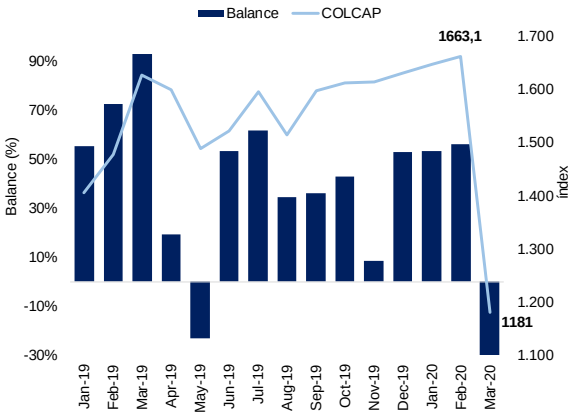
(% of answers)

Index COLCAP Price Level	February 2020	March 2020
Will increase 10% or more	0,0%	2,3%
Will increase between 5% and 9,99%	10,5%	4,7%
Will increase between 0,01% and 4,99%	66,7%	16,3%
Will remain	1,8%	0,0%
Will decrease between 0,01% and 4,99%	17,5%	16,3%
Will decrease between 5% and 9,99%	3,5%	20,9%
Will decrease between 10% or more	0,0%	39,5%

Source: Financial Opinion Survey, Fedesarrollo - bvc

Graph 13. 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

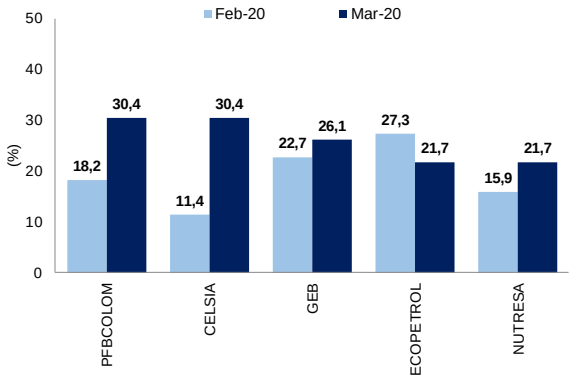
MOST ATTRACTIVE COLCAP SHARES

The FOS asked the analysts for the most attractive shares compounding the COLCAP index. In March, **Bancolombia preferred stock was ranked in the first place** with the 30.4%. It was followed by **CELSIA common stock, Grupo Energía de Bogotá common stock, Ecopetrol common stock and Nutresa common stock.** (Graph 14).

Compared to February, there is a greater appetite among respondents for shares of energy and financial sector. On the contrary, shares in oil, holdings, consumption and construction are less preferred (Graph 15).

Graph 14. More attractive COLCAP stocks for investors

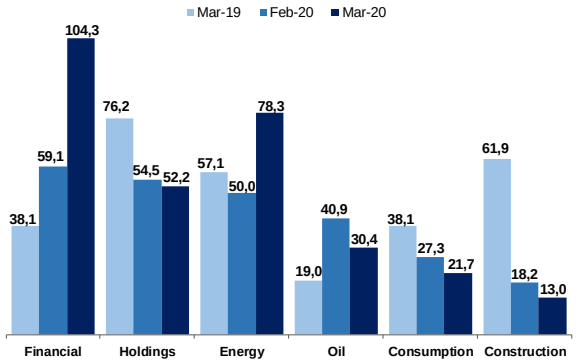
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey, Fedesarrollo - bvc

Graph 15. More attractive COLCAP sectors for investors

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



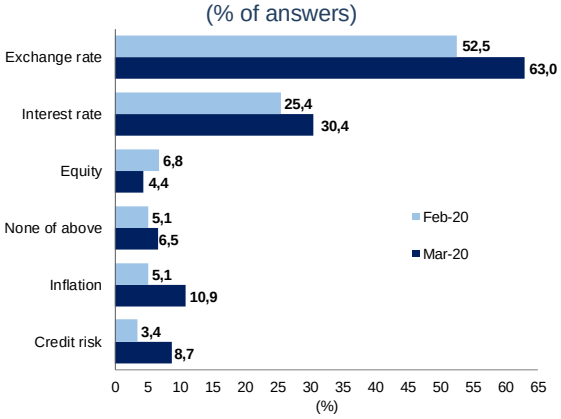
Source: Financial Opinion Survey, Fedesarrollo - bvc

RISK COVERAGE

The FOS asks portfolio managers about the types of risk for which they plan to hedge against in the next three months. **In March 63.0% of respondents** *(52.5% in February)* **were planning to hedge against foreign exchange risk in the short term.** The percentage of administrators who expect to hedge against interest rate placed second with 30.4% *(25.5% in February)* (Graph 16).

Graph 16. Coverage of the different types of risk for the next 3 months

(% of answers)



Source: Financial Opinion Survey, Fedesarrollo - bvc

Table 2. Summary of Macroeconomic Expectations

Variable	Observed	Expectations (Median of answers)	
	Feb-20	Mar-20	Jun-20
Inflation (Annual variation, %)	3.72	3.73	
Exchange rate	$ 3,507	$ 3,800	$ 3,600
Interest rate (%)	4.25	4.25	4.25
	4Q-2019	1Q-2020	Year 2020
Growth (%)	3.37	3.20	3.0

Source: Financial Opinion Survey -bvc

Published March 16th, 2020

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