Stock market confidence indices
November 2024
Bulletin No. 49

FEDESARROLLO
Centro de Investigación Económica y Social

bvc nuam

At the end of October, the **MSCI COLCAP** stood at 1,358, which is 48 points above analysts' forecast (1,310). It is expected that by the end of November, the index will settle at 1,342.

In November, the **Stock Market Confidence Index stood** at 83.3%, reflecting a decrease of 4.9 percentage points compared to the previous month (88.2%) and an increase of 1.8 percentage points compared to the same month in 2023 (81.5%). This indicates that the proportion of analysts predicting an appreciation of the COLCAP within a year decreased compared to the previous month but increased compared to a year ago.

The **Resilience Index** was at 38.9% in November, representing a drop of 16.7 percentage points from the previous month (55.6%) and 3.2 percentage points from the same month in 2023 (42.1%). This suggests that analysts consider it less likely for the MSCI COLCAP to rise the day after a potential drop in the index compared to October 2024 and November 2023.

In November, the **Immunity Index** reached 50.0%, marking an increase of 5.6 percentage points from the previous month (44.4%) and 2.6 percentage points compared to the same month in 2023 (47.4%). This indicates that analysts see the market as less vulnerable to declines in international markets compared to the previous month and a year ago.

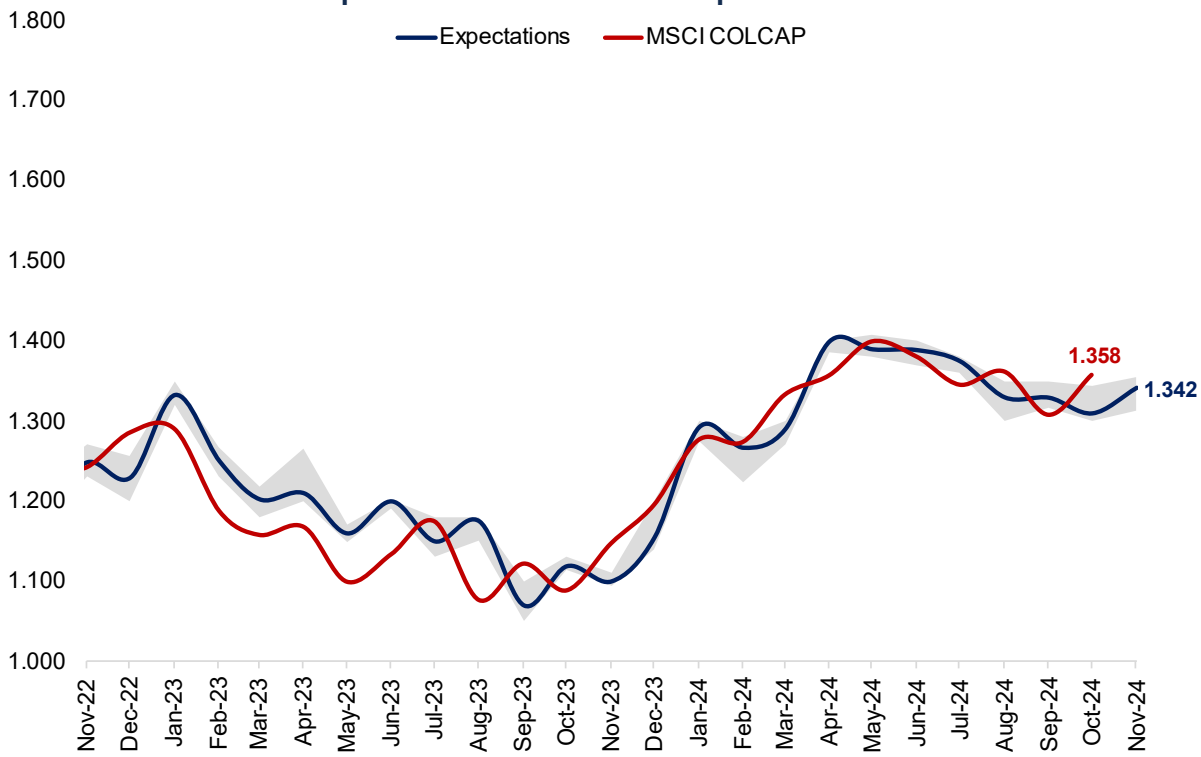
Finally, the **Valuation Index** stood at 87.5% in November, reflecting a decrease of 1.1 percentage points from the previous month's level (88.6%) and 5.4 percentage points from the same month in 2023 (92.9%). This implies that a smaller proportion of analysts believe that stock prices underestimate their fundamental values compared to October 2024 and November 2023.

MSCI COLCAP Index

The MSCI COLCAP index, which reflects the price variations of the most liquid stocks on the Colombian Stock Exchange (bvc), is one of the leading indicators for tracking the country's capital market. The average as of mid-November 2024 (up to November 15) stands at 1,350, representing a 1.7% increase compared to the October 2024 average (1,328) and a 21% increase compared to the November 2023 average (1,116).

At the end of October, the MSCI COLCAP stood at 1,358, which is 48 points above analysts' forecast (1,310). By the end of November, the index is expected to range between 1,355 and 1,313, with a median forecast of 1,342 (Figure 1).

Graph 1. MSCI COLCAP Index price forecast



Source: Financial Opinion Survey, Fedesarrollo – bvc.

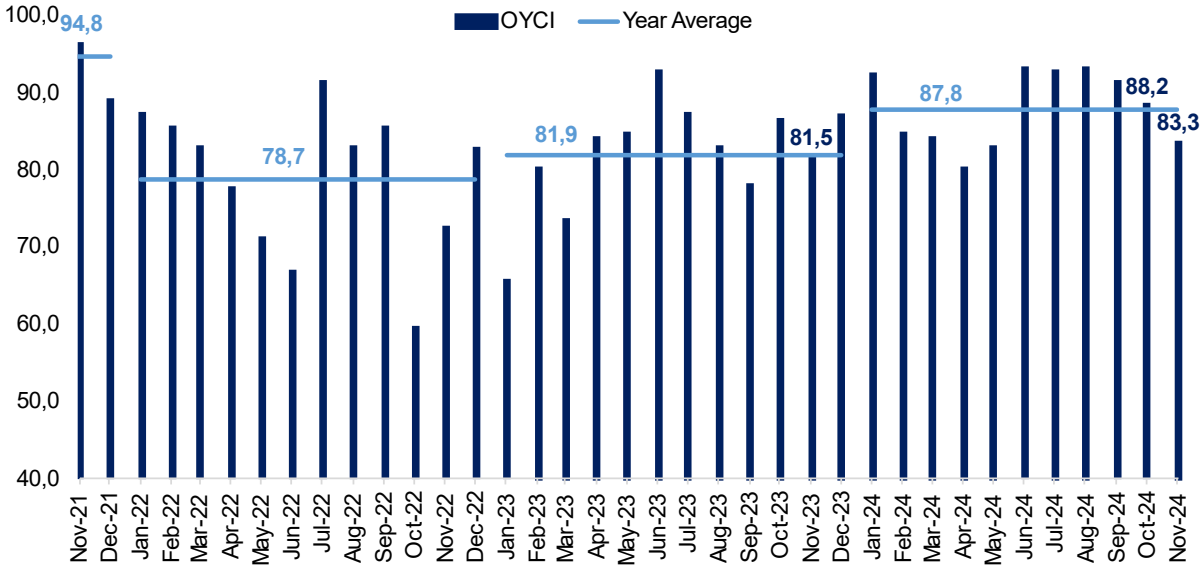
The four confidence indices for the Colombian stock market are presented down below. These indices are calculated based on the Shiller (2000)[1] methodology and using the analysts' expectations collected in the Financial Opinion Survey.

[1] Shiller, Robert J. (2000). Irrational Exhuberance. Princeton University Press. Princeton, N. J

One-Year Confidence Index[2]

The One-Year Confidence Index measures the proportion of analysts expecting an increase in the MSCI COLCAP in the coming year. In this edition, the index stood at 83.3%, indicating that this percentage of respondents anticipates an increase in the index by October 2025 compared to its level prior to the survey's release (1,335)[3] (Graph 2). The index experienced a decline of 4.9 percentage points from the previous month (88.2%) and an increase of 1.8 percentage points compared to the same month last year (81.5%). This reflects a decrease in stock market confidence compared to the previous month but an improvement compared to November 2023.

Graph 2. One-Year Confidence Index
(%)



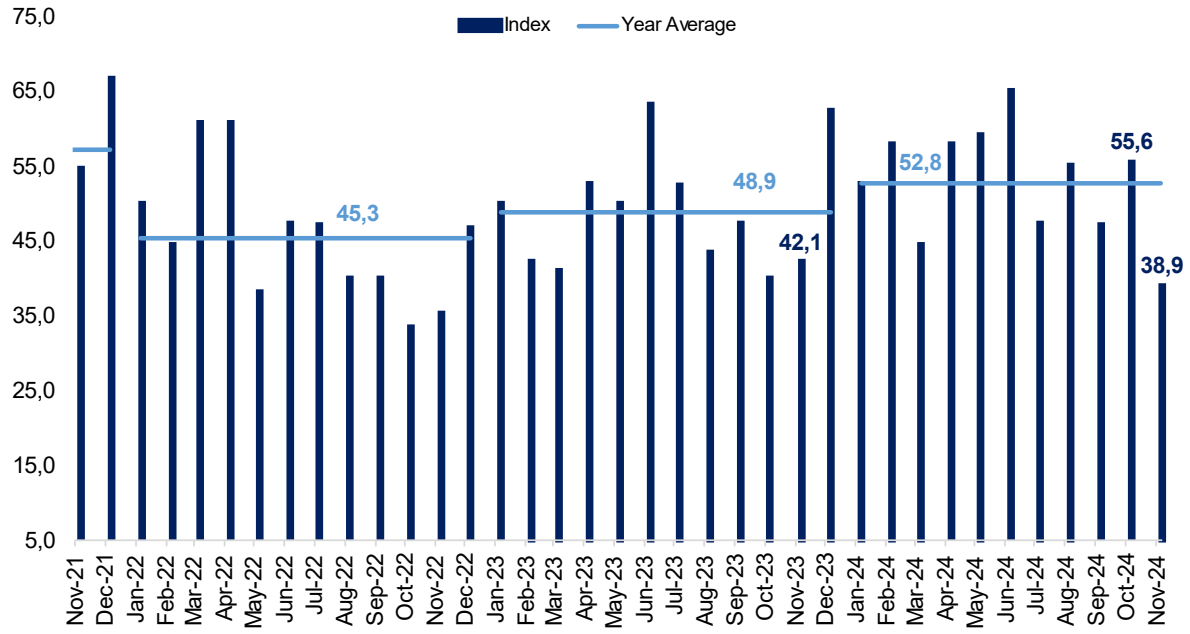
Source: Financial Opinion Survey, Fedesarrollo – bvc.

[2] The One-Year Confidence Index is calculated as the number of respondents that establish a price for the MSCI COLCAP index in 12-months higher than the current level of the index, divided by the total responses excluding invalid answers.
[3] Level of Novmber 8th.

Buy-on-Dips Confidence Index[4]

The Buy-on-Dips Confidence Index establishes the proportion of the analysts expecting a rebound the next day that the market hypothetically dropped 3%. In November 2024, the index decreased by 16.7 percentage points compared to October (55.6%), settling at 38.9% (Figure 3). Similarly, analysts consider an immediate recovery of the COLCAP less likely compared to the same month in 2023 (42.1%), representing a decrease of 3.2 percentage points.

Graph 3. Buy-on-Dips Confidence Index
(%)



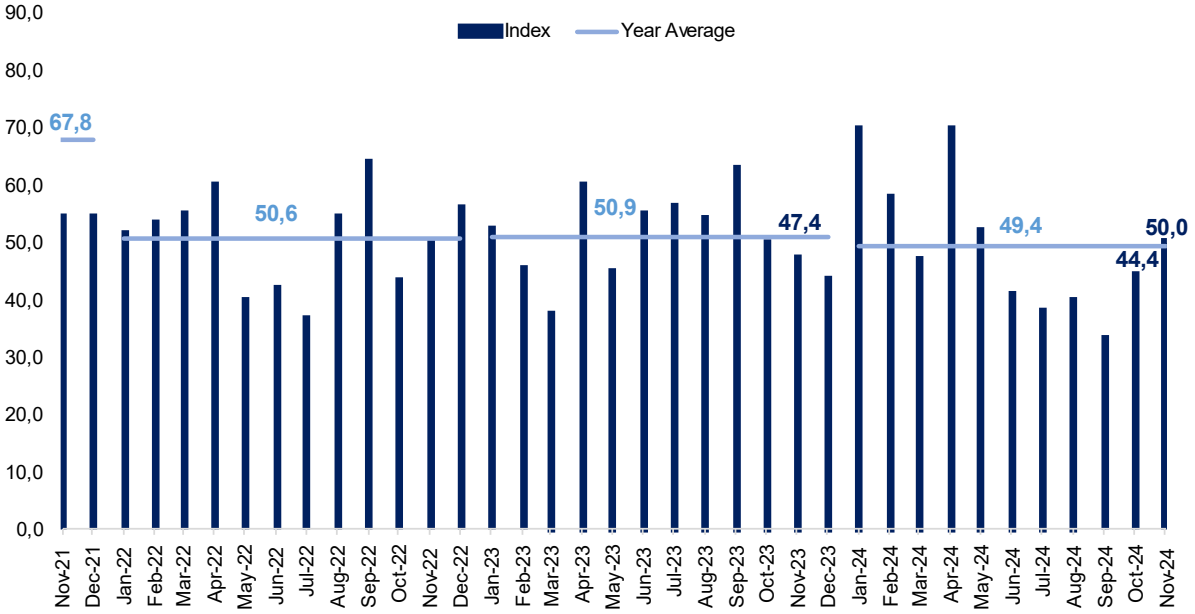
Source: Financial Opinion Survey, Fedesarrollo – bvc.

[4] The Buy-on-Dips Confidence Index is calculated as the number of respondents who expect an increase in the MSCI COLCAP index the next day after a 3% drop, divided by the total answers excluding the “no opinion” option.

Crash Confidence Index[5]

The Crash Confidence Index shows the proportion of analysts who attach little probability to a stock market crash in the next six months after a substantial drop in the international markets. In November, the index rose by 5.6 percentage points compared to the previous month (44.4%), reaching 50.0%. This indicates a reduced perception of the likelihood of a decline in the local stock market amid deteriorating international markets compared to October (Graph 4). Additionally, the index stood 2.6 percentage points higher than the level recorded in the same month last year (47.4%), reflecting greater confidence in the stock market's immunity to external shocks compared to the previous year.

Graph 4. Crash Confidence Index
(%)



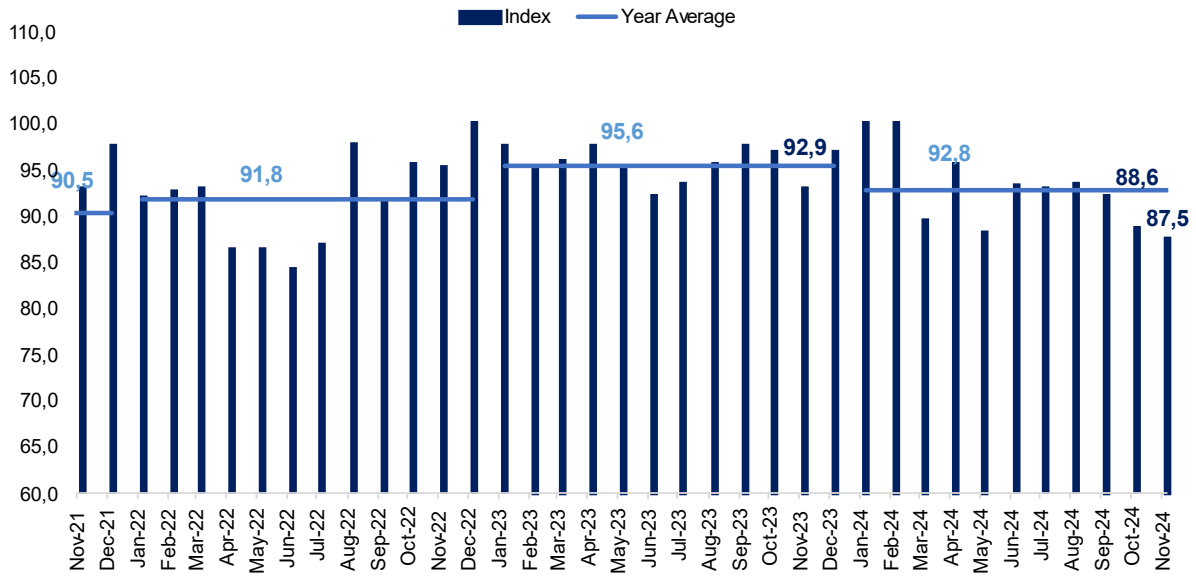
Source: Financial Opinion Survey, Fedesarrollo – bvc.

[5] The Crash Confidence Index is calculated as the number of responses who attach a probability between 0% and 25% to a stock market crash in the next six months including the case that a crash occurred in the international markets and spreads to Colombia, divided by the total responses excluding the “does not apply” option.

Valuation Confidence Index[6]

The Valuation Confidence Index is the proportion of analysts who think that the market is not too highly valuated compared with measures of true fundamental value. In November, the index stood at 87.5%, which is 1.1 percentage points lower than the level in October (88.6%) and 5.4 percentage points below the level in November 2023 (92.9%). This indicates that a smaller proportion of analysts, compared to the previous month and the same month last year, believe that stock prices underestimate their fundamental value (Graph 5).

Graph 5. Valuation Confidence Index
(%)



Source: Financial Opinion Survey, Fedesarrollo – bvc.

Contact us if you wish to access historical results and further information

FEDESARROLLO
Centro de Investigación Económica y Social

+601 3259777 ext. 340
comercial@fedesarrollo.org.co

Published November 20th, 2024
Comments to **José Julián Parra**: jparra@fedesarrollo.org.co

[6] The Valuation Confidence Index is calculated as:
$Valuation\ Confidence\ Index = (1 * (\%\ too\ low)) + (0.5 * (\%\ about\ right))$, where % too low and % about right, correspond respectively to the number of analysts who chose that the values of the local stocks are too low and about right in regard of the fundamental value excluding the option "do not know".