Financial Opinion Survey
March 2021
Bulletin No.191

FEDESARROLLO
Centro de Investigación Económica y Social

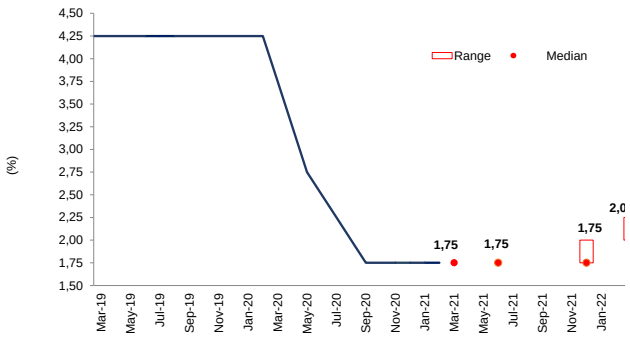
CENTRAL BANK POLICY RATE

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

By march, 100% of the analysts expect the interest rate to remain unchanged at 1.75%.

By the end of 2021, 60% of the analysts foresee an unchanged interest rate (1.75%), 2.5% expect a reduction of 25-bps. Meanwhile, 27,5% expects an increase of 25-bps, 5%% expects an increase to reach a 2,25% interest rate and the remaining 5% expects it to reach 2,5% to the end of the year (Graph 1).

Graph 1. Central Bank interest rate



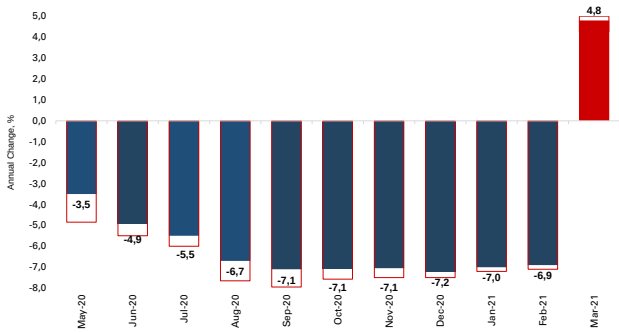
Source: Financial Opinion Survey, Fedesarrollo - BVC

ECONOMIC GROWTH

In March, the economic growth forecast for 2021 ranges between 4.25% and 5%, with **4.80%** as median response *(4.5% in the previous FOS)* (Graph 2). **The economic growth forecast for 2022 was at 3.75%, ranging between 3.5% and 4%.**

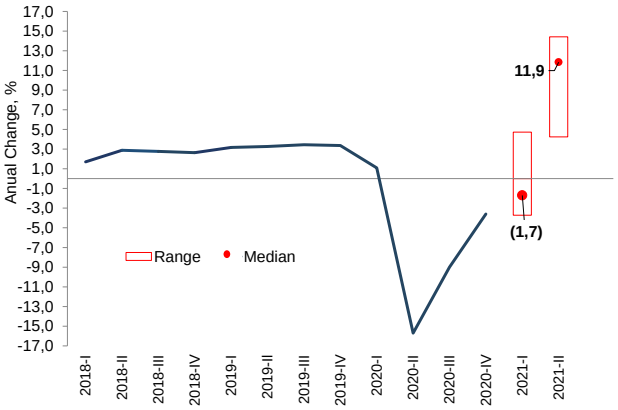
Expectations about the first quarter were in a median of -1.7%, ranging between -3.73% and 1%, *(0% in the previous FOS).* **Expectations regarding the second quarter growth reached 11.85%, ranging between -4.25% and 14.43%** (Graph 3).

Graph 2. 2020 and 2021 GDP annual growth forecast
(Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo - BVC

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

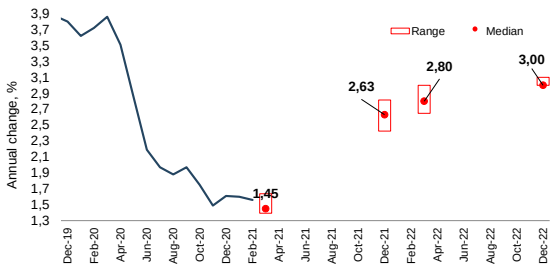


Source: Financial Opinion Survey, Fedesarrollo - BVC

INFLATION

In February, the annual inflation reached 1.56%, higher than the analysts forecast in the previous edition (1.5%). **In March, the analysts believe that inflation will be located in 1.45%** (Graph 4)**. Inflation expectations for the end of 2021 were in 2,63%** (Graph 5).

Graph 4. Inflation forecast

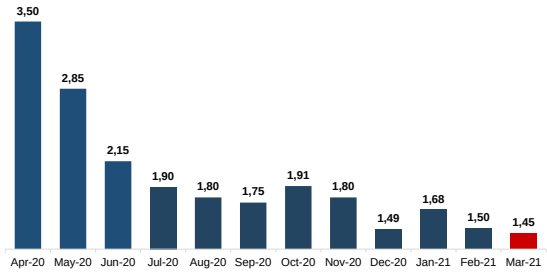


Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 5. Inflation forecast – March 2021

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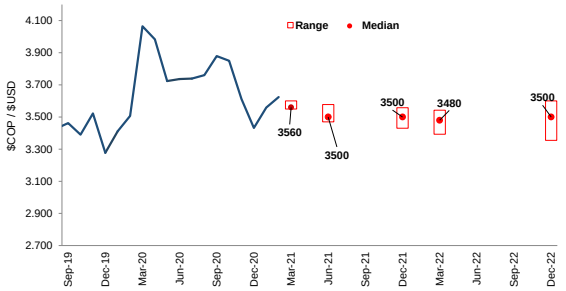


Source: Financial Opinion Survey, Fedesarrollo - BVC

EXCHANGE RATE

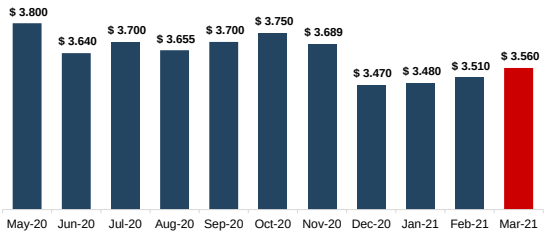
In February, the exchange rate closed at $3,624.39, with a monthly appreciation of 1.83%. On February 23, it reached a maximum value of $3,602.41 pesos per dollar and on February 15 it reached a minimum value of $3,515.65 pesos per dollar. **The exchange rate forecast by the end of the month ranges between $3,550 and $3,600, with $3,560 as median response.** (Graph 6). **The exchange rate forecast for the end of 2021 was 3,500**, **ranging between $3,430 and $3,558** (Graph 7). **Finally, the exchange rate forecast for next three months ranges between $3,470 and $3,578,** with **$3,500** as median response.

Graph 6. Exchange rate - end of period



Source: Financial Opinion Survey, Fedesarrollo – BVC

Graph 7. Exchange rate forecast March 2021



Source: Financial Opinion Survey, Fedesarrollo - BVC

TES 2024 and 2028 RATE

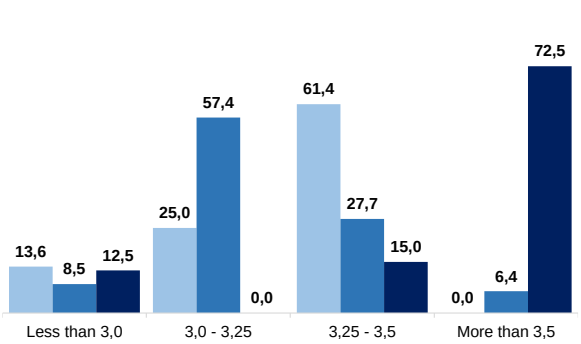
In February, the traded volume of the Colombian treasury bonds reached COP 50.4 billion, which entails an increase of 6.3% compared to the last month and a decrease of 20% related to February 2020.

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 12,5%, meanwhile no one expects it to be between 3.0% and 3.25%.** The percentage of analysts who expects that **the rate will be between 3.25% and 3.5% during the next three months is 15.0%; and the greatest part, the remaining 72.5%, expects a rate over 3.5%** (Graph 8).

Regarding TES maturing in 2028, **the 90% expects a rate higher than 5.2% during the next three months. The 5% of the analysts considers that the rate will be between 4.8% and 5.2%.** The remaining 5% of analysts expects **the rate to be located under 4.5%. (**Graph 9).

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

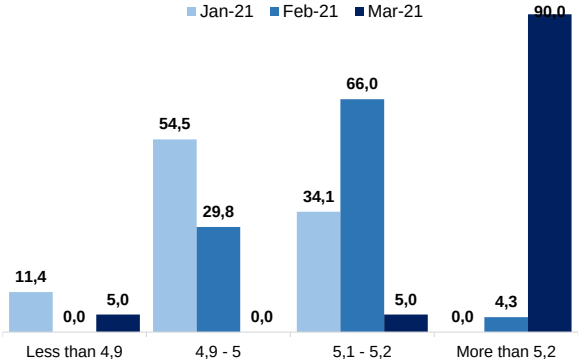
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo – BVC

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

(% of answers)

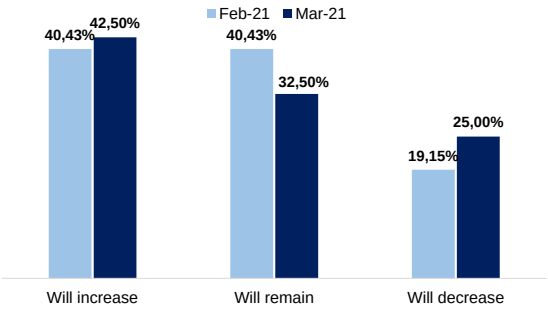


Source: Financial Opinion Survey, Fedesarrollo - BVC

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 238-bps in February. **In March 42.50% of analysts** *(2.1-bps more than the previous FOS)* **expects the spread to increase in the next three months, while 25%** *(5.9-bps more than previous FOS)* **expects it to decrease. The remaining 32.5% of the respondents expects for the spread to remain equal** *(7.9-bps less than previous FOS)* (Graph 10).

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

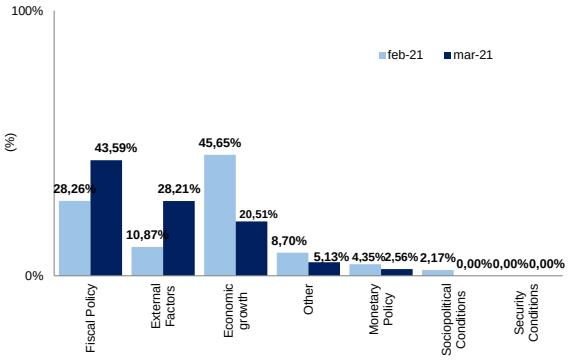


Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT DETERMINANTS

In this edition, the Fiscal Policy ranks as the most important aspect considered for investing decisions, reaching 43.59% *(28.3% in the previous month)*. External factors and the economic growth placed second and third place, respectively. Concerns accounting for external factors reached 28.21% *(10.9% in the previous month),* while economic growth 20.51% *(45.7% in the previous month).* Other factors was placed at fourth place, with 5.13% *(8.7% in the previous month).* In that category the United States´ monetary policy is the other relevant topic. Monetary policy registers relevance for the 2.56% of the analysts (*4.4% in the last month*); sociopolitical conditions and security conditions were the least in the investment determinants with 0% both of them (Graph 11).

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



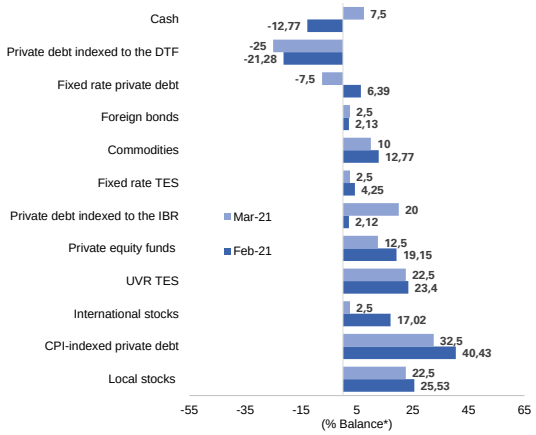
Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT PREFERENCES

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

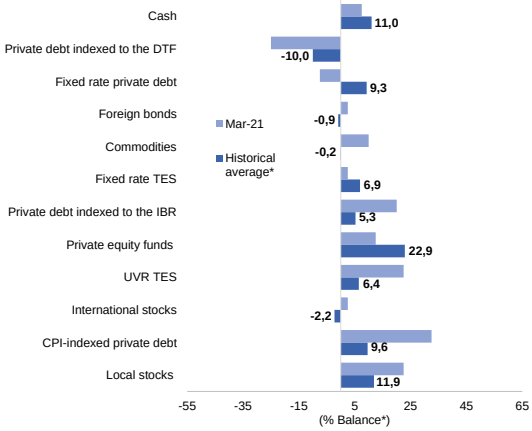
Compared to the survey's historical average, there is a greater preference for local stock, CPI-indexed private debt, international stock, commodities, UVR TES, private debt indexed to the IBR and foreign bonds. (Graph 13).

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



* The historical average refers to the average of the response balances from June 2014 to date.
Source: Financial Opinion Survey, Fedesarrollo - BVC

COLCAP

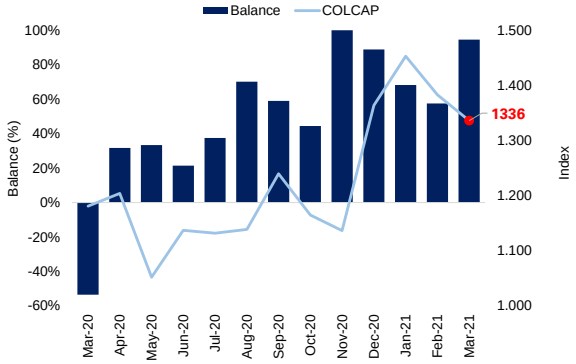
The COLCAP index is a market-capitalization weighted index that reflects price changes on the most liquid stocks listed in the Colombia's stock exchange. **In March, the 97.3% of the analysts** (*76.6% in February*) **expect a valuation of the index during the next three months** (Table 1). While 2.7% **of the analysts expects the index to devaluate and none of them expects it to remain the same** *(19.1% and 4.3% in the previous FOS).*

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

Index COLCAP Price Level	February 2021	March 2021
Will increase 10% or more	8,5%	5,4%
Will increase between 5% and 9,99%	10,6%	29,7%
Will increase between 0,01% and 4,99%	57,4%	62,2%
Will remain	4,3%	0,0%
Will decrease between 0,01% and 4,99%	10,6%	2,7%
Will decrease between 5% and 9,99%	2,1%	0,0%
Will decrease between 10% or more	6,4%	0,0%

Source: Financial Opinion Survey, Fedesarrollo - BVC

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



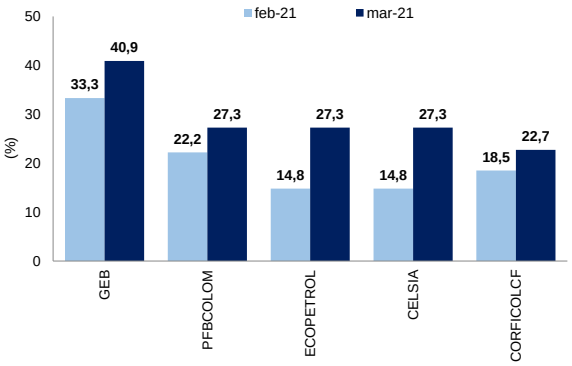
Source: Financial Opinion Survey, Fedesarrollo - BVC

* 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 March, **the Grupo de Energía de Bogotá stock was ranked in the first place** with 40.9%. It was followed by **the preference stock of Bancolombia, the Ecopetrol common stock, Celsia stock and Corficolombiana stock** (Graph 15).

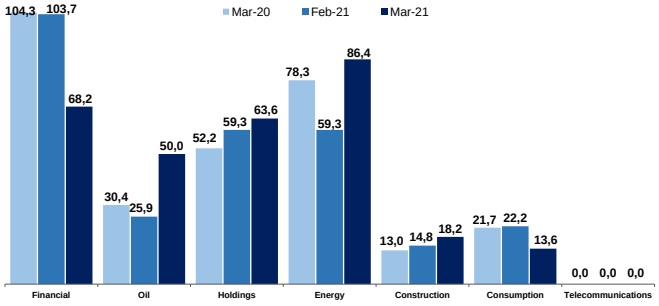
Graph 15. More attractive COLCAP stocks for investors
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey, Fedesarrollo – BVC

Compared to the last month, there is greater appetite among respondents mainly for shares of the oil and energy 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)



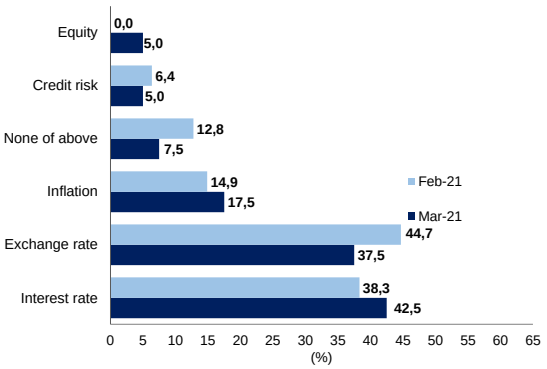
Source: Financial Opinion Survey, Fedesarrollo - BVC

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 March, 42.5% of the respondents** *(38.3% in February)* **were planning to hedge against**

the interest rate in the short term. The percentage of managers who expect to hedge against foreign exchange risk are 37.5% *(44.7% in February).*

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)		
	Feb-21	March-21	June-21	Dec-21
Inflation (Annual variation, %)	1.56	1.45		2.63
Exchange rate	$ 3,624.39	$ 3.560	$ 3.500	$ 3.500
Monetary policy interest rate (%)	1.75	1.75	1,75	1,75
	4Q-2020	IQ-2021	Year 2021	Year 2022
Growth (%)	-3.6	-1.7	4.8	3.75

Source: Financial Opinion Survey - BVC

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Comments to Daniela Alejandra López Charry: dlopez@fedesarrollo.org.co

50 AÑOS FEDESARROLLO
Centro de Investigación Económica y Social

Contact us if you wish to access historical results and other survey questions

+57 1 3259777 ext. 340
comercial@fedesarrollo.org.co