Stock market confidence indices
February 2025
Bulletin No. 52

FEDESARROLLO
Centro de Investigación Económica y Social

bvc nuam

At the close of January, the **MSCI COLCAP** stood at 1,522, which is 122 points above analysts' forecast of 1,400. It is expected that the index will reach 1,522 by the end of February.

In February, the **One-Year Confidence Index** stood at 77.3%, which represents an increase of 5.3 percentage points compared to the previous month (72.0%) and a decrease of 7.3 percentage points compared to the same month in 2024 (84.6%). This indicates that the proportion of analysts who expect an appreciation of the COLCAP in the next 12 months increased compared to the previous month, but remains below the level seen a year ago.

The **Buy-on-Dips Confidence Index** stood at 56.3% in February, representing a decrease of 17.0 percentage points compared to the previous month (73.3%) and a decrease of 1.6 percentage points compared to the same month in 2024 (57.9%). This implies that analysts consider it less likely for the MSCI COLCAP to increase the day after a potential decline in the index compared to January 2025 and February 2024.

In February, the **Crash Confidence Index** reached 64.7%, which represents an increase of 11.4 percentage points compared to the previous month (53.3%) and an increase of 6.8 percentage points compared to the same month in 2024 (57.9%). This indicates that analysts consider the market less vulnerable to declines in international markets compared to the previous month and the same month a year ago.

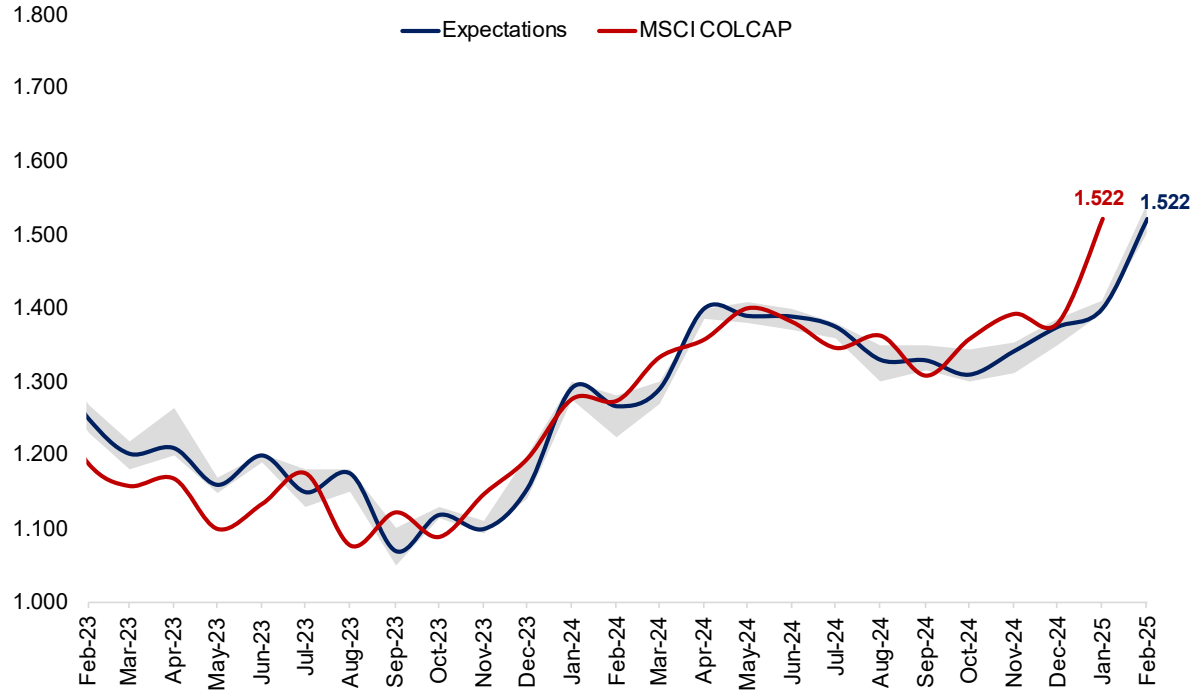
Finally, the **Valuation Confidence Index** was 94.4% in February, representing an increase of 2.3 percentage points compared to the previous month's level (92.1%) and a decrease of 5.6 percentage points compared to the same month in 2024 (100.0%). This implies that a larger proportion of analysts consider that stock values underestimate their fundamental value compared to January 2025, but it remains below the level observed in February 2024.

MSCI COLCAP Index

The MSCI COLCAP index, which reflects the price variations of the most liquid stocks on the Bolsa de Valores de Colombia (BVC), represents one of the most important leading indicators for monitoring the country's capital market. The average for February 2025 (up to February 14) stands at 1,526, representing an appreciation of 7.2% compared to the average of January 2025 (1,423) and 20.6% compared to the average of February 2024 (1,265).

At the close of January, the MSCI COLCAP was at 1,522, which is 122 points above analysts' forecast (1,400). It is expected that by the end of February, the index will remain stable at 1,522, with a median response within a range of 1,503 to 1,541 (Chart 1).

Graph 1. MSCI COLCAP Index price forecast



Source: Financial Opinion Survey, Fedesarrollo – bvc.

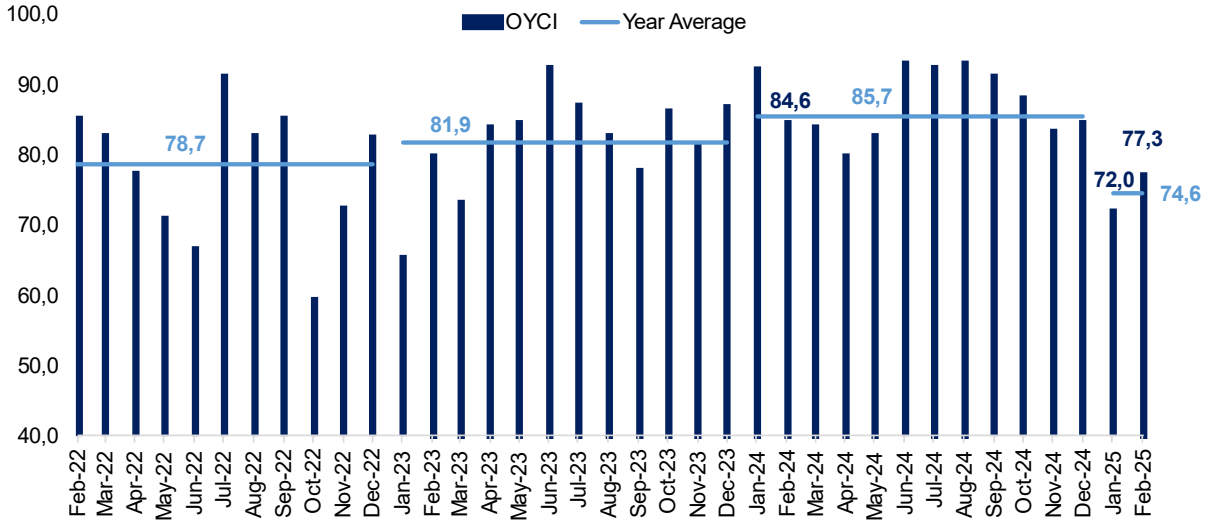
The four confidence indices for the Colombian stock market are presented down below. These indices are calculated based on the Shiller (2000)[1] methodology and using the analysts' expectations collected in the Financial Opinion Survey.

[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 who expect an increase in the MSCI COLCAP over the next year. In this edition, the index stood at 77.3%, indicating that this percentage of respondents expects an increase in the index by February 2026 compared to the level prior to the survey submission (1,518) (Chart 2). The index experienced an increase of 5.3 percentage points compared to the previous month (72.0%) and a decrease of 7.3 percentage points compared to the same month of the previous year (84.6%), reflecting an improvement in stock market confidence compared to the previous month, but remaining below the level of February 2024.

Graph 2. One-Year Confidence Index
(%)



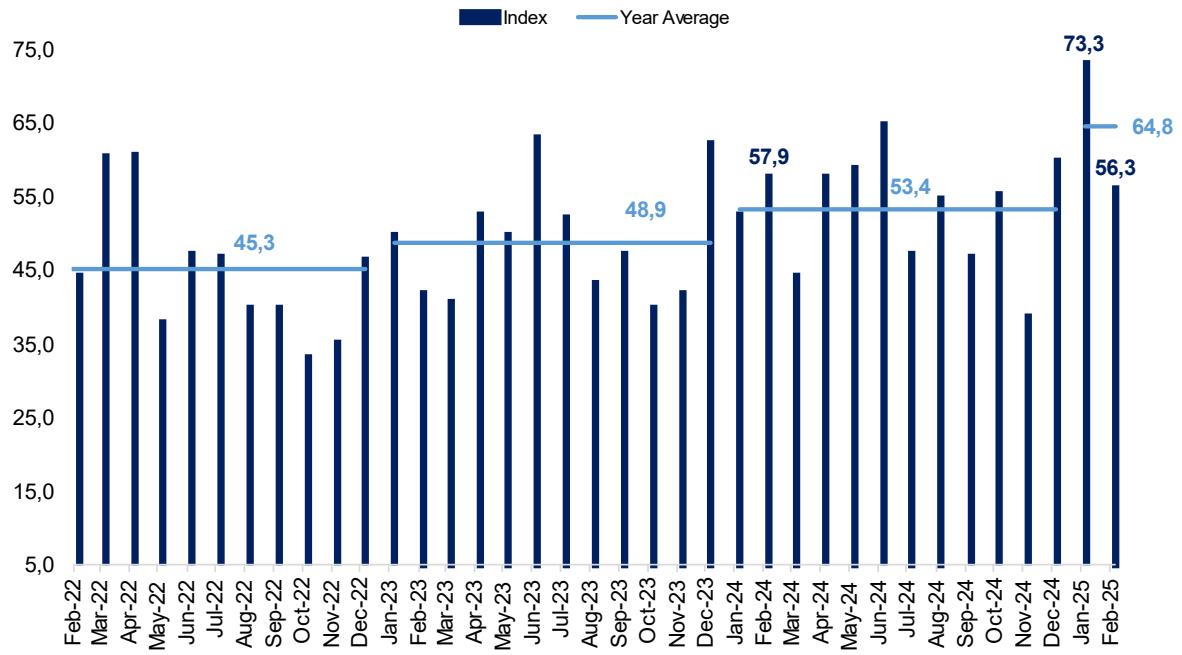
Source: Financial Opinion Survey, Fedesarrollo – bvc.

[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.

Buy-on-Dips Confidence Index[3]

The Buy-on-Dips Confidence Index measures the proportion of analysts who believe that the MSCI COLCAP has the ability to recover the day after a hypothetical 3% decline. In February 2025, the index decreased by 17.0 percentage points compared to January (73.3%), standing at 56.3% (Chart 3). Additionally, analysts consider an immediate recovery of the COLCAP less likely compared to the same month in 2024 (57.9%), representing a decline of 1.6 percentage points.

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



Source: Financial Opinion Survey, Fedesarrollo – bvc.

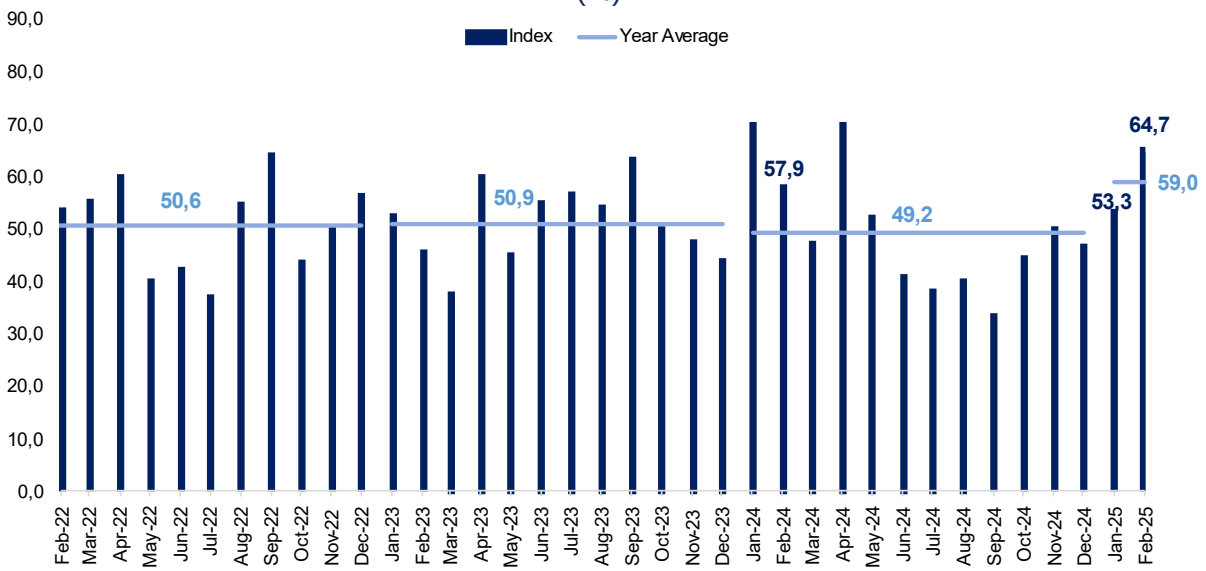
[3] The Buy-on-Dips Confidence Index is calculated as the number of respondents who expect an increase in the MSCI COLCAP index the next day after a 3% drop, divided by the total answers excluding the “no opinion” option.

Crash Confidence Index[4]

The Crash Confidence Index shows the proportion of analysts who believe that the Colombian stock market would have a low probability of a depreciation in the MSCI COLCAP over the next six months in the event of a sharp decline in international markets. In February 2025, the index increased by 11.4 percentage points compared to the previous month's result (53.3%), reaching 64.7%, indicating that the perception of the likelihood of a potential decline in the local stock market due to a deterioration in international markets decreased compared to January 2025 (Chart 4). Furthermore, the index was 6.8 percentage points higher than the figure recorded in the same month of the previous year (57.9%), reflecting a trend of greater confidence in the immunity of the stock market against external shocks compared to the previous year.

Graph 4. Crash Confidence Index

(%)



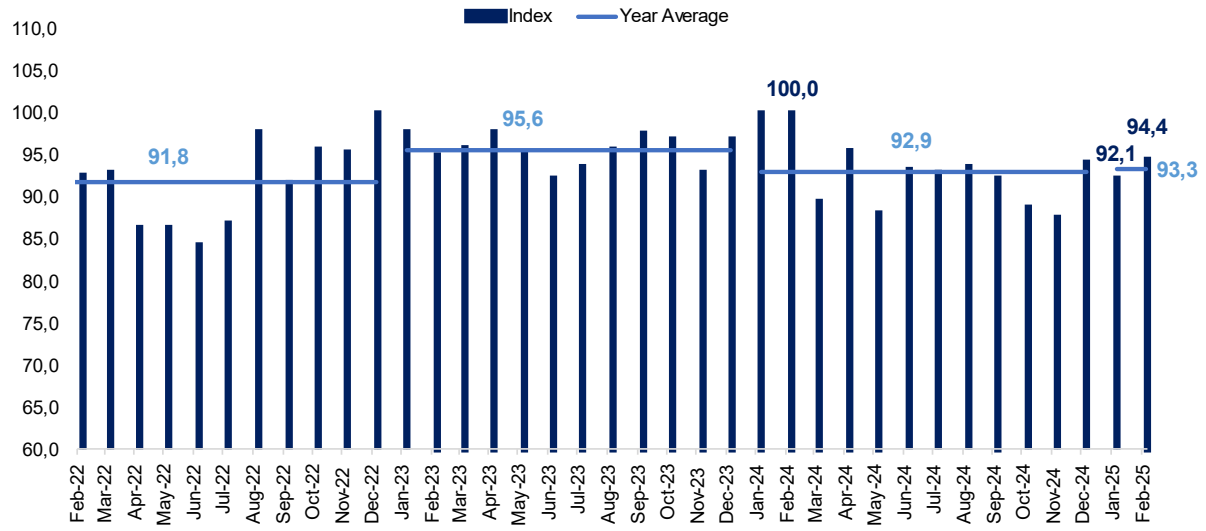
Source: Financial Opinion Survey, Fedesarrollo – bvc.

[4] 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[5]

The Valuation Confidence Index The Valuation Index measures the proportion of analysts who consider the prices of MSCI COLCAP stocks to be very low or fair compared to their fundamental value. In February 2025, the index stood at 94.4%, which is 2.3 percentage points higher than the observed figure in January (92.1%) and 5.6 percentage points below the level in February 2024 (100.0%). This indicates that a larger proportion of analysts, compared to the previous month, believes that stock prices underestimate their fundamental value, but it remains below the level from a year ago (Chart 5).

Graph 5. Valuation Confidence Index
(%)



Source: Financial Opinion Survey, Fedesarrollo – bvc.

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

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

Published February 19th, 2025
Comments to **Hugo Camilo Beltrán:** hgomez@fedesarrollo.org.co

[5] 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”.