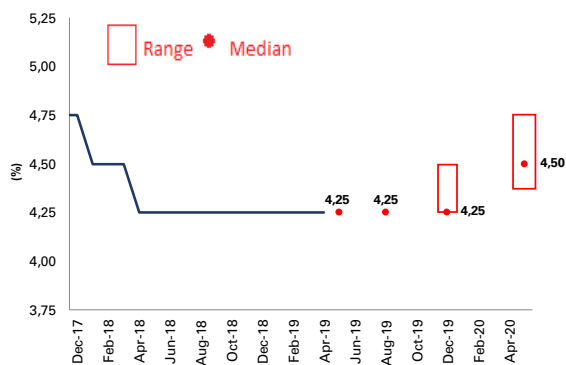


### CENTRAL BANK POLICY RATE

In April, Colombia's Central Bank kept its policy interest rate unchanged at 4.25%, as expected by the 100% of the analysts surveyed. This month the Board will not decide on the policy rate.

By the end of the year, **54.5% of the analysts expect the interest rate to remain unchanged (47.4% in previous FOS), 30.3% expect an increase of 25-bps (39.5% in previous FOS), 12.1% expect it to increase 50-bps (10.5% in previous FOS) and 3.0% expect a decrease of 25-bps (Graph 1).**

**Graph 1. Central Bank Intervention Rate**

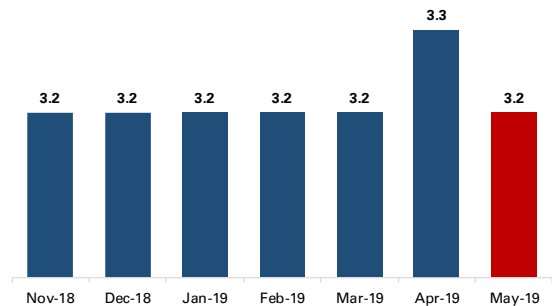


Source: Financial Opinion Survey, Fedesarrollo

### ECONOMIC GROWTH

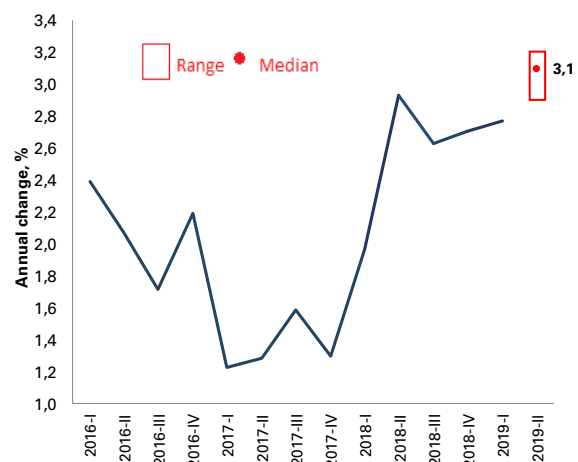
**In May, the analysts decreased their forecast for 2019 and 2020 to 3.2% (Graph 2) and 3.4%, respectively. The economic growth forecast for the second quarter decreased from 3.2% to 3.1% (Graph 3).**

**Graph 2. GDP Growth Forecast for 2019**  
(Annual Change, %)



Source: Financial Opinion Survey, Fedesarrollo

**Graph 3. GDP Growth Forecast for second quarter of 2019**  
(Annual Change)

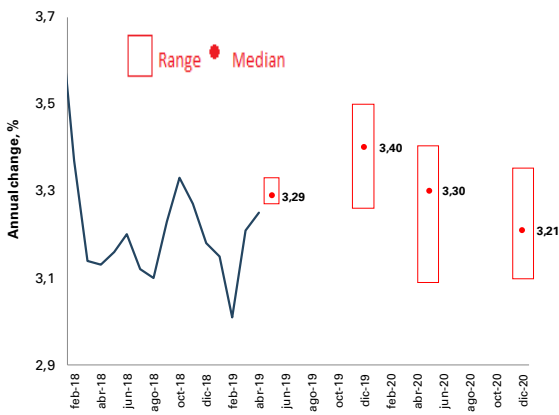


Source: Financial Opinion Survey, Fedesarrollo

### INFLATION

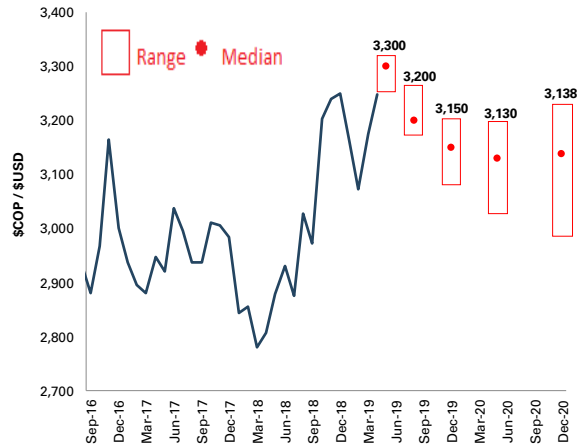
In April, annual inflation reached 3.25%, above the analysts' forecast in the previous survey (3.16%). **In May analysts believe that inflation will increase to 3.29% (Graph 4). Inflation expectations for the end of 2019 rose from 3.30% in the previous FOS to 3.40% (Graph 5).**

Graph 4. Inflation Forecast



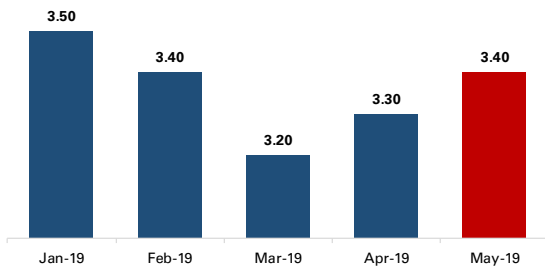
Source: Financial Opinion Survey, Fedesarrollo

Graph 6. Exchange Rate



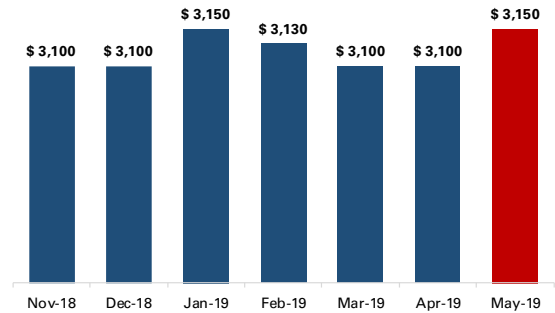
Source: Financial Opinion Survey, Fedesarrollo

Graph 5. Inflation Forecast. End of 2019



Source: Financial Opinion Survey, Fedesarrollo

Graph 7. Exchange Rate Forecast, End of Period 2019



Source: Financial Opinion Survey, Fedesarrollo

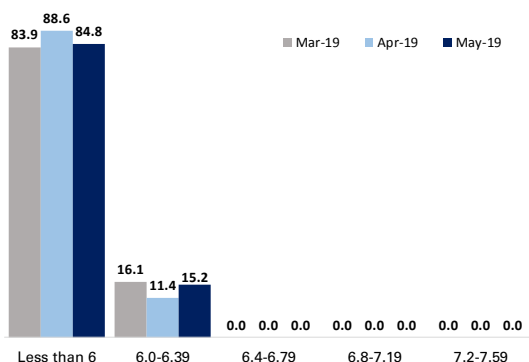
## EXCHANGE RATE

The exchange rate closed in April at \$ 3,248, which represents a monthly depreciation of 2.3%. It reached a maximum value of \$ 3,248 pesos per dollar on April 30<sup>th</sup>. **By the end of May, analysts expect the exchange rate to be between \$ 3,250 and \$ 3,318, with \$ 3,300 as the median response. Exchange rate forecast for the next three months was between \$ 3,175 and \$ 3,265, with \$ 3,200 as the median response (Graph 6).** By the end of 2019, the median forecast increased to \$ 3,150 (Graph 7).

## TES 2024 RATE

During May, TES 2024 trading rate followed a downward trend. In this edition, 84.8% of the analysts expect **the TES 2024 rate to be below 6% in the next three months (88.6% in April), while 15.2% of the analysts expect it to be between 6.0% and 6.39% (11.4% in April)** (Graph 8).

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

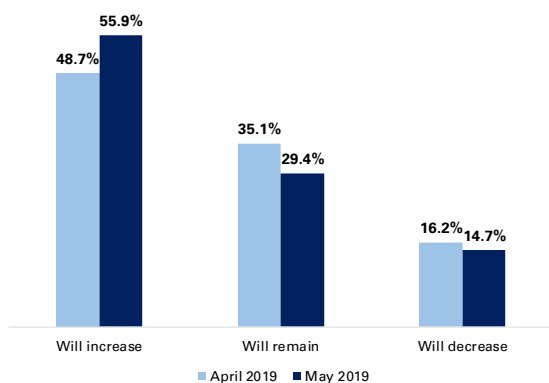


Source: Financial Opinion Survey, Fedesarrollo

### DEBT SPREAD – EMBI+ COLOMBIA

Debt spread (EMBI + Colombia), defined as the difference between the yield of Colombian bonds issued abroad and the yield of American treasury securities, closed in April at 177-bps. **In May 55.9% of analysts (7.2 pps more than previous month), expect an increase in the spread in the next three months, while 14.7% (1.5 pps less than previous month) expect it to decrease. The remaining 29.4% of respondents believe the spread will remain the same (Graph 9).**

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

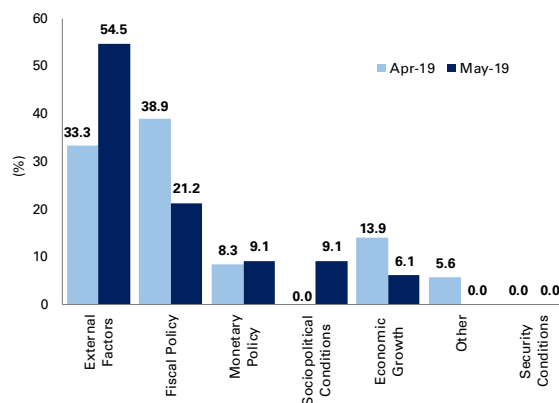


Source: Financial Opinion Survey, Fedesarrollo

### FACTORS AFFECTING INVESTMENT

The share of analysts considering external factors as the most important aspect for investing increased from 33.3% in April to **54.5% this month**. Fiscal policy placed second (21.2%) with a reduction of 17.7 pps compared to the previous month (Graph 10).

**Graph 10. Most relevant factors to invest**  
(% of answers)



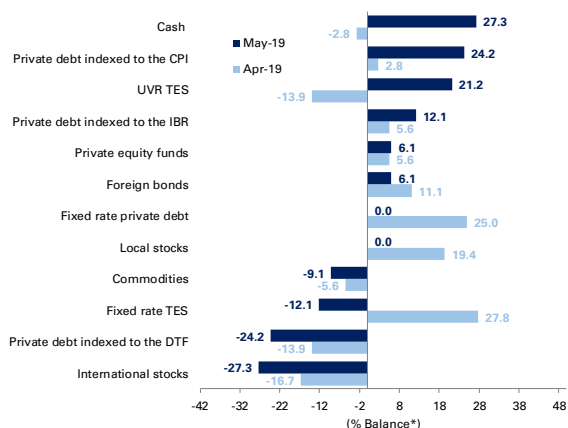
Source: Financial Opinion Survey, Fedesarrollo

### INVESTMENT PREFERENCE

Relative to April, **portfolio managers increased their preferences for UVR TES, cash, private debt indexed to CPI and IBR and private equity funds**. In contrast, there is evidence of a deterioration in preferences for fixed rate TES, fixed rate private debt, local and international stocks and private debt indexed to DTF (Graph 11).

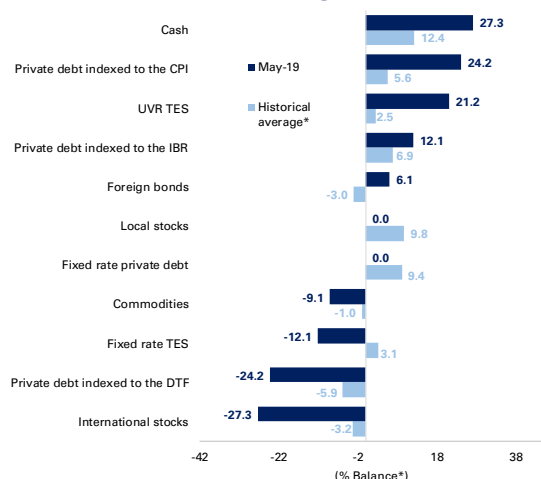
Compared to the survey's historical average, there is a greater preference for international stocks, private capital funds, private debt indexed to DTF and fixed rate TES (Graph 12).

**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

**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

## COLCAP

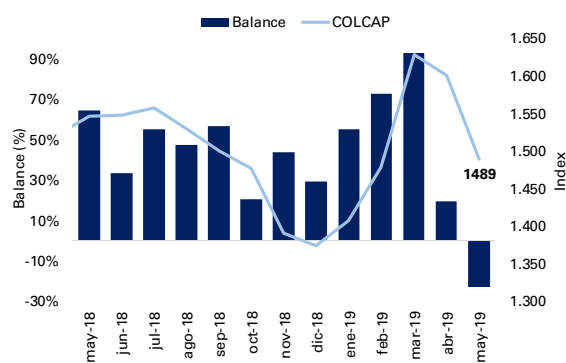
COLCAP reflects price changes in most liquid shares of Colombian Stock Exchange. **In May 53.3% of analysts expect a depreciation of the index in the next three months (38.7% in April)** (Table 1). On the other hand, the percentage of analysts expecting the stock index to value decreased from 58.1% to 30.0%.

**Table 1. Expectations about the COLCAP Index Price at 3 months**  
(% of answers)

Index COLCAP Price Level	April 2019	May 2019
Will increase 10% or more	3.2%	0.0%
Will increase between 5% and 9,99%	3.2%	0.0%
Will increase between 0,01% and 4,99%	51.6%	30.0%
Will remain	3.2%	16.7%
Will decrease between 0,01% and 4,99%	29.0%	46.7%
Will decrease between 5% and 9,99%	9.7%	6.7%
Will decrease between 10% or more	0.0%	0.0%

Source: Financial Opinion Survey, Fedesarrollo

**Graph 13. Balance on the Price of the COLCAP Index 3 months\***  
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo

\* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation

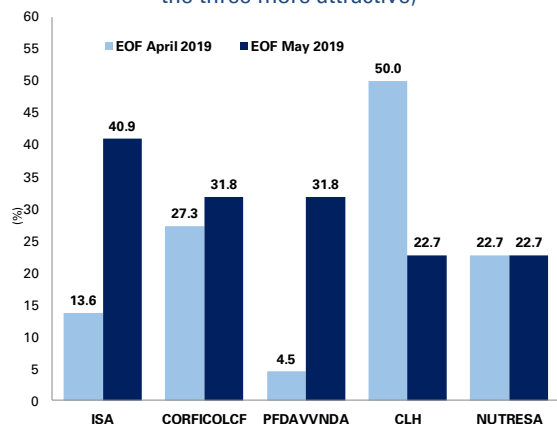
## MOST ATTRACTIVE COLCAP SHARES

The FOS consults analysts about the three shares they consider the most attractive within those that make up the COLCAP index. This month, **ISA stock was ranked first (40.9%)**. It was followed by **Corficolombiana, Banco Davivienda, Cemex and Nutresa** (Graph 14).

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

**Graph 14. More attractive COLCAP Stocks for investors**

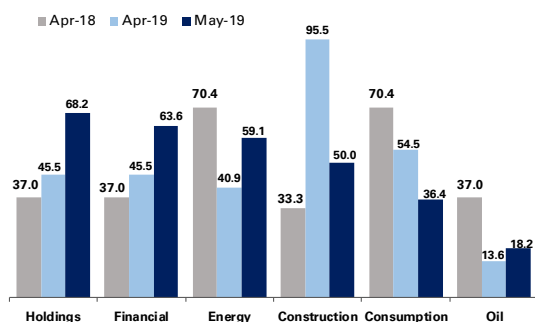
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey, Fedesarrollo.

**Graph 15. More attractive COLCAP sectors for investors**

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

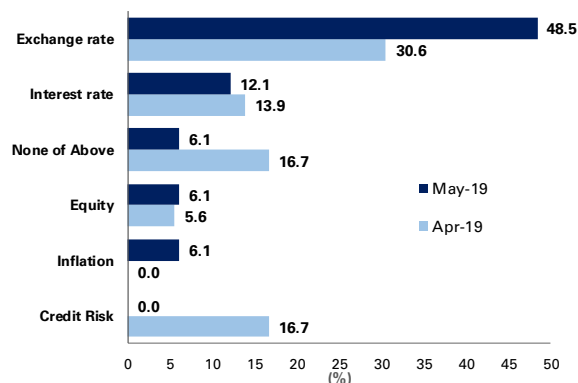


Source: Financial Opinion Survey, Fedesarrollo.  
**RISK COVERAGE**

The FOS asks portfolio managers about the types of risk for which they plan to hedge against in the next three months. **In May 48.5% of respondents were planning to hedge against foreign exchange risk in the short term, which represents an increase of 17.9 pps compared to last month responses.** On the other hand, the percentage of administrators who expect to hedge against interest rate placed second (12.1%). (Graph 16).

**Graph 16. Coverage of the Different Types of Risk for the Next 3 Months**

(% of answers)



Source: Financial Opinion Survey, Fedesarrollo.

**Table 2. Summary of Macroeconomic Expectations\***

Variable	Expectations (Median of the answers)				
	Observed	Apr-19	May-19	Aug-19	Dec-19
Inflation (Annual variation, %)	3.25	3.29			3.40
Exchange rate	\$ 3,248	\$ 3,300	\$ 3,200		\$ 3,150
Interest rate (%)	4.25	4.25	4.25		4.25
	1Q-2019	2Q-2019	Year 2019		Year 2020
Growth (%)	2.8	3.10	3.20		3.40

Source: Financial Opinion Survey -BVC



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

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