

Financial Opinion Survey

November 2018

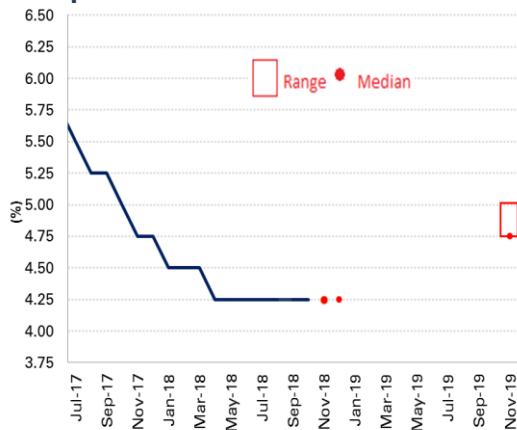
Bulletin No.163

CENTRAL BANK POLICY RATE

In October, the Central Bank kept its policy rate unchanged. In November, the Board will not decide on the policy interest rate. **For the end of the year, 86.1% of the analysts expect the rate to remain at 4.25%.**

For November 2019, 50% of the analysts expect an increase of 50 bps, 31% an increase of 75 bps, while 11% expect an increase of 100 bps. The remaining 8.4% expect it to increase 25 bps or to remain unchanged (Graph 1).

Graph 1. Central Bank Intervention Rate

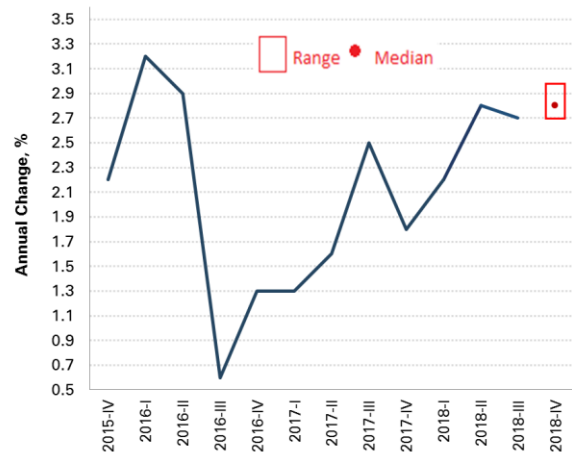


Source: Financial Opinion Survey, Fedesarrollo

ECONOMIC GROWTH

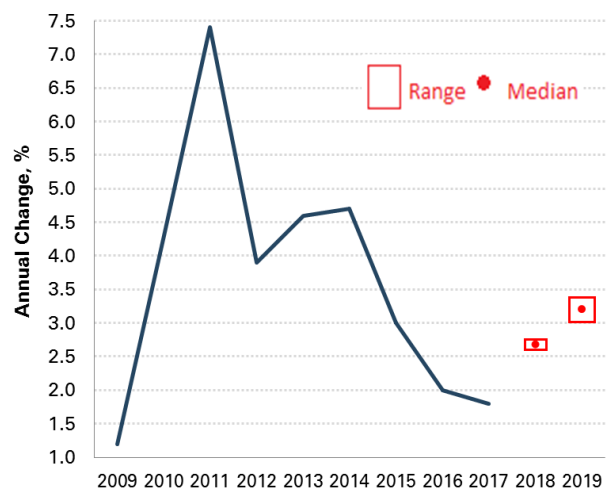
In the third quarter of the year, the Colombian economy grew 2.7%, 0.1 pps above the FOS forecast in October. **In November, analysts revised down their growth forecast for the fourth quarter from 2.9% to 2.8% (Graph 2).** Annual GDP growth forecast for 2018 remained at 2.7% but for 2019 was revised down from 3.3% to 3.2% (Graph 3).

Graph 2. Quarterly GDP growth
(Annual Change)



Source: Financial Opinion Survey, Fedesarrollo

Graph 3. Annual GDP growth
(Annual Change)

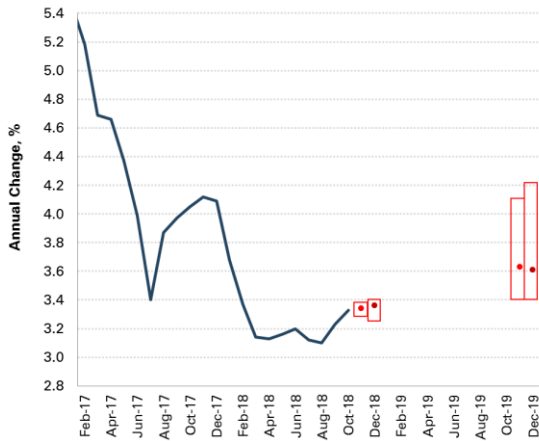


Source: Financial Opinion Survey, Fedesarrollo

INFLATION

In October, annual inflation stood at 3.33%, slightly above the forecast of the last survey. In November, analysts expect inflation to rise to 3.34%. **Inflation expectations for the end of 2018 increased from 3.30% to 3.36%, and for the end of 2019 from 3.40% to 3.61% (Graph 4).**

Graph 4. Inflation

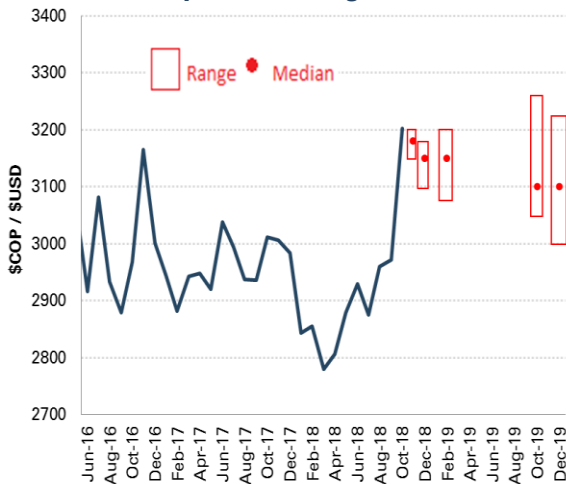


Source: Financial Opinion Survey, Fedesarrollo

EXCHANGE RATE

The exchange rate USD/COP closed in September at \$3,080, a monthly depreciation of 1.4%. It reached a maximum value of \$3,202 on November 1st. **For the end of this month, analysts expect the exchange rate to be between \$ 3,150 and \$ 3,200, with \$ 3,180 as the median response. Forecasts for the next three months were between \$ 3,090 and \$ 3,200 with \$ 3,150 as the median response.** For the end of 2019, the median projections went up from \$3,050 in October to \$3,100 (Graph 5).

Graph 5. Exchange Rate

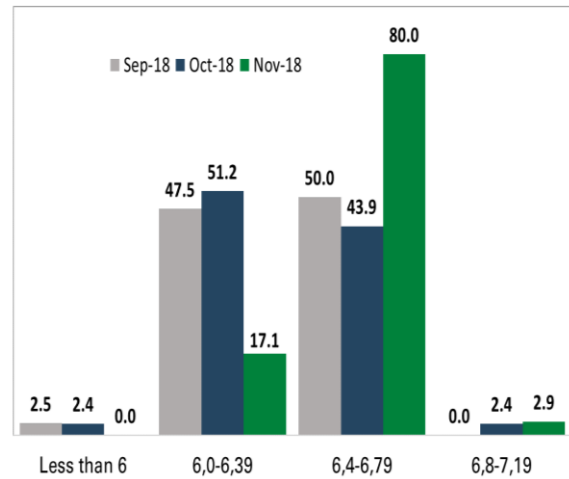


Source: Financial Opinion Survey, Fedesarrollo

TES 2024 RATE

During the last month there has been an increase in TES 2024 (domestic bonds) rate. **Compared to October, the proportion of analysts expecting a rate above 6.0% for the next 3 months increased from 97.6% to 100%.** The proportion of analysts expecting the rate to be between 6.4% and 6.79% increased, while the proportion of analysts expecting it to be between 6.0 and 6.39% went down from 51, 2% to 17.1% (Graph 6).

Graph 6. Expectation of TES 2024 performance rate for the next 3 months. (% of answers)

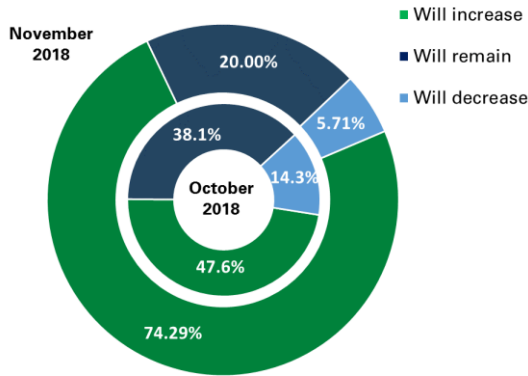


Fuente: Encuesta de Opinión Financiera, Fedesarrollo

DEBT SPREAD – EMBI+ COLOMBIA

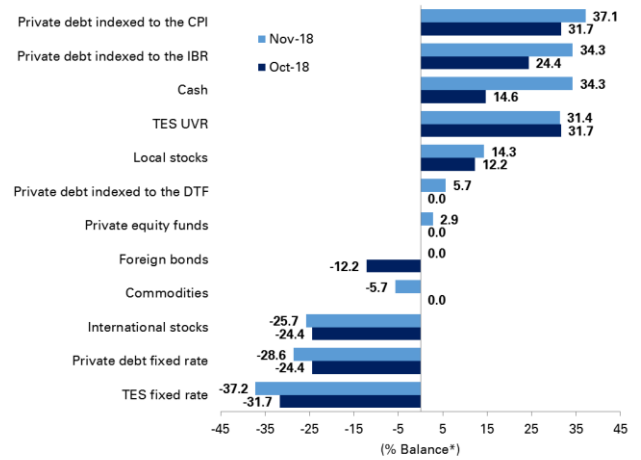
The debt spread (EMBI + Colombia), defined as the difference between the yield of the Colombian bonds issued abroad and the yield of the American treasury securities, increased from 178 bps in mid-October to 216 bps at the close of November 21. **In November 74.3% of the analysts, 26.7 pps more than last month, expect the spread to increase in the next 3 months, while 5.7%, 8.5 pps less than the previous month, expect it to decrease. The remaining 20.0% of respondents believe that the spread will remain the same (Graph 7).**

Graph 7. Expectation 3-months debt spread
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo

Graph 9. Projection of Positions in the Next 3 Months for Different Assets

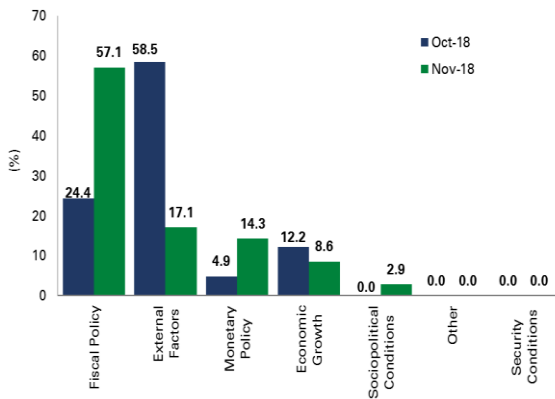


*Balance: % of respondents who will increase their position minus % of respondents that will decrease their position
Source: Financial Opinion Survey, Fedesarrollo

FACTORS AFFECTING INVESTMENT

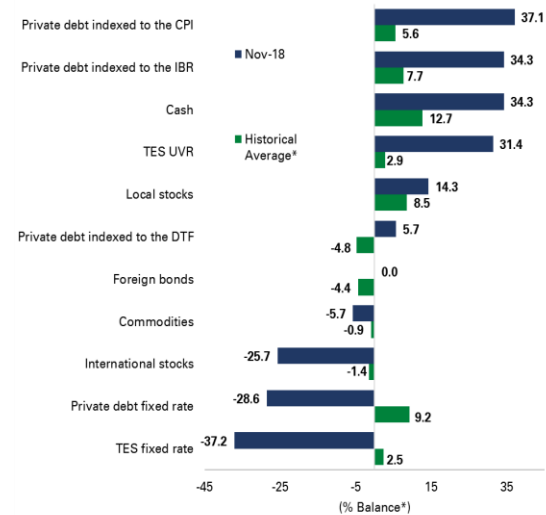
The proportion of analysts considering fiscal policy as the most important factor for investing increased from 24.4% in October to 57.1% this month. External factors placed second with 17.1%, showing a strong reduction compared to the previous month (Graph 8).

Graph 8. Most relevant factors to invest
(% of answers)



Source: Financial Opinion Survey, Fedesarrollo

Graph 10. 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

INVESTMENT PREFERENCE

Last month, portfolio managers increased their preferences for cash, foreign bonds, private debt indexed to the IBR, DTF and CPI, as well as private equity funds. In contrast, there is evidence of a deterioration in preferences for commodities, private debt, fixed rate, fixed rate TES, international shares and UVR TES (Graph 9).

COLCAP

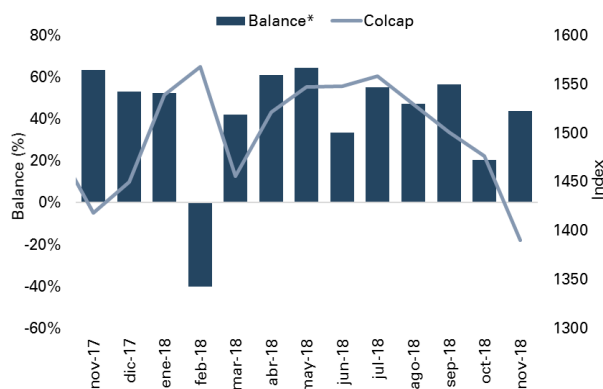
COLCAP reflects price changes in the most liquid shares of Colombian Stock Exchange. In **November 71.9% of analysts expect a valuation of the index in the next 3 months** (Table 1). This proportion increased by 12.9 pps compared to previous survey. On the other hand, the proportion of analysts expecting the index to depreciate in the next three months decreased from 38.5% to 28.1%.

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

Index COLCAP Price Level	October 2018	November 2018
Will increase 10% or more	0.0%	6.3%
Will increase between 5% and 9,99%	17.9%	9.4%
Will increase between 0,01% and 4,99%	41.0%	56.3%
Will remain	2.6%	0.0%
Will decrease between 0,01% and 4,99%	30.8%	28.1%
Will decrease between 5% and 9,99%	7.7%	0.0%
Will decrease between 10% or more	0.0%	0.0%

Source: Financial Opinion Survey, Fedesarrollo

Graph 11. 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

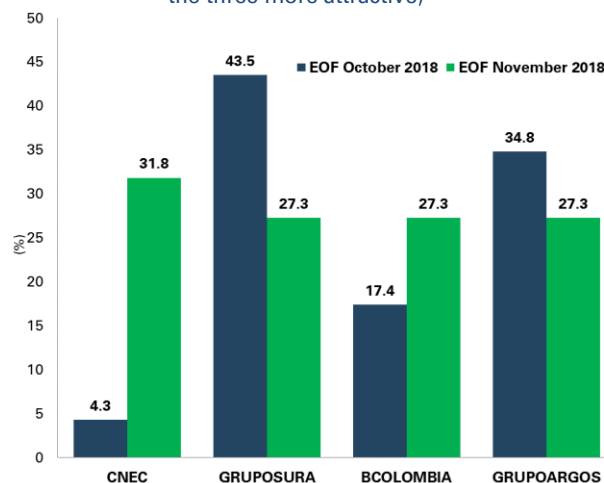
The FOS consults the analysts about the three stocks they consider the most attractive within those that make up the COLCAP index. This month, **Canacol stock was ranked first**, with preference expressed by 31.8% of those who invest in shares. It was followed by the shares

of **Grupo Sura, Bancolombia and Grupo Argos** (Graph 12).

Relative to October, there is greater appetite for shares of construction and oil sectors. On the contrary, there is less appetite for holdings shares (although they are still the most preferred), financial, energy and consumer sectors (Graph 13).

Graph 12. More attractive COLCAP Stocks for investors

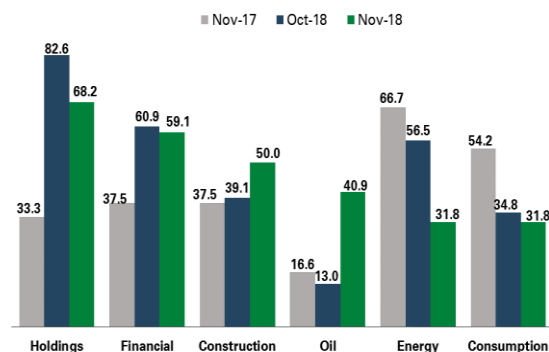
(% of the respondents who consider the stock as one of the three more attractive)



Source: Financial Opinion Survey, Fedesarrollo.

Graph 13. More attractive COLCAP sectors for investors

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

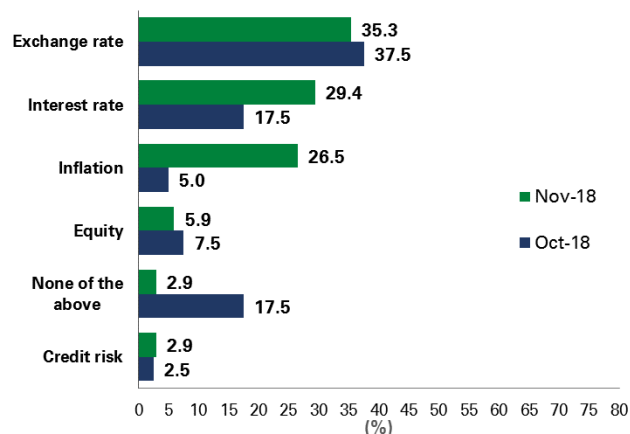


Source: Financial Opinion Survey, Fedesarrollo.

RISK COVERAGE

The FOS asks portfolio managers about the types of risk for which they plan to establish coverage in the next three months. In November **35.3% of respondents said they were planning a hedge against foreign exchange risk in the short term, which represents a reduction of 2.2 pps compared to last month.** On the other hand, the percentage of administrators expected to hedge against the interest rate risk continues in the second place, with an increase of 11.9 pps compared to the previous month. In addition, there is a strong increase of 21.5 pps in the percentage of respondents who are planning inflation coverage (Graph 14).

Graph 14. 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	Observed	Expectations (Median of the answers)			
		October	Nov-18	Dec-18	Nov-19
Inflation (%annual)	3,33	3,34	3,36	3,63	3,61
Exchange rate	\$ 3.202	\$ 3.180	\$ 3.150	\$ 3.100	\$ 3.100
Interest rate (%)	4,25	4,25	4,25	4,75	
	3Q-2018		4Q-2018	Year 2018	Year 2019
Growth (%)	2,7		2,8	2,7	3,2

Source: Financial Opinion Survey -BVC

Published November 26, 2018

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