

Financial Opinion Survey

June 2019

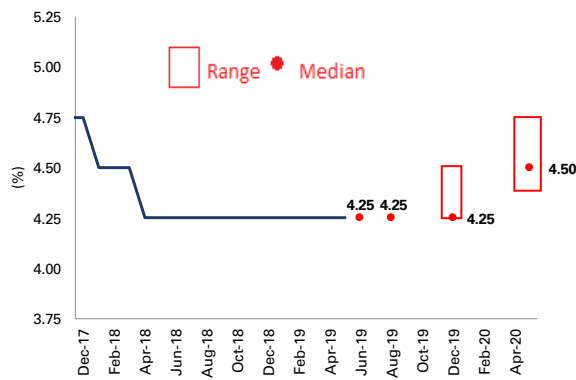
Bulletin No.170

CENTRAL BANK POLICY RATE

In May, there was no monetary policy decision made by the Central Bank of Colombia. In June, 100% of the analysts expect the interest rate to remain unchanged at 4,25%.

By the end of the year, 51.4% of the analysts expect the interest rate to remain unchanged (54.5% in previous FOS), 21.6% expect a 25-bps increase (30.3% in previous FOS), 13.5% expect it to increase 50-bps (12.1% in previous FOS) and 13.5% expect a reduction of 25-bps or more (Graph 1).

Graph 1. Central Bank Interest Rate

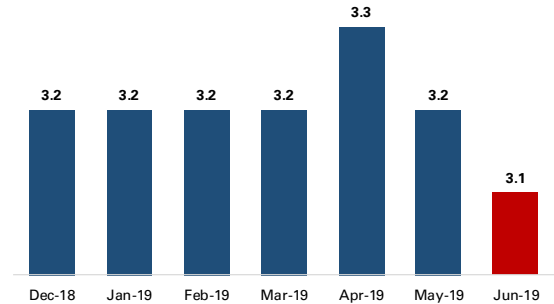


Source: Financial Opinion Survey, Fedesarrollo

ECONOMIC GROWTH

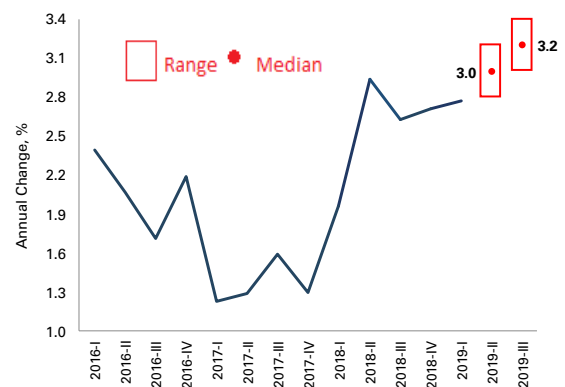
In June, analysts decreased their economic growth forecast for 2019 from 3.2% in the previous FOS to 3.1% (Graph 2). Economic growth forecast for the second quarter was adjusted from 3.1% to 3.0% (Graph 3).

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



Source: Financial Opinion Survey, Fedesarrollo

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

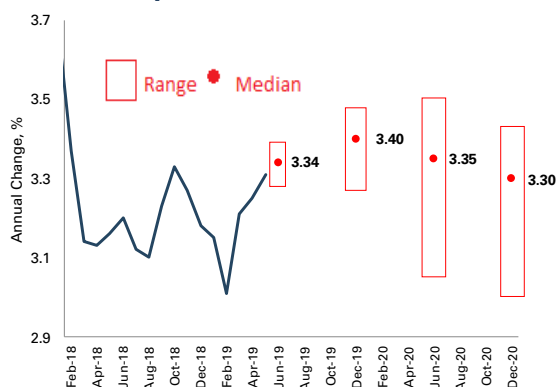


Source: Financial Opinion Survey, Fedesarrollo

INFLATION

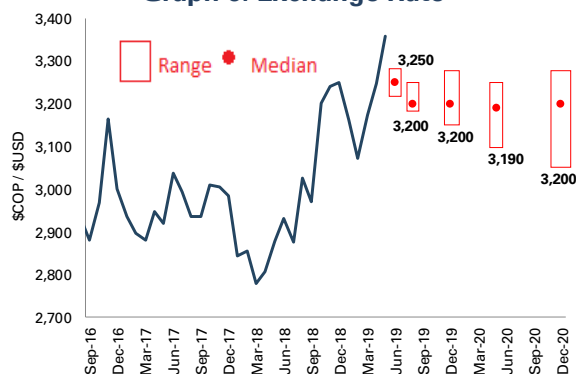
In May, annual inflation reached 3.31%, above the analysts' forecast in the previous survey (3.29%). In June analysts believe that inflation will increase to 3.34% (Graph 4). Inflation expectations for the end of 2019 remained at 3.40% (Graph 5).

Graph 4. Inflation Forecast



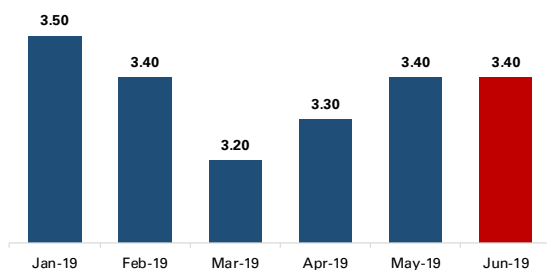
Source: Financial Opinion Survey, Fedesarrollo

Graph 6. Exchange Rate



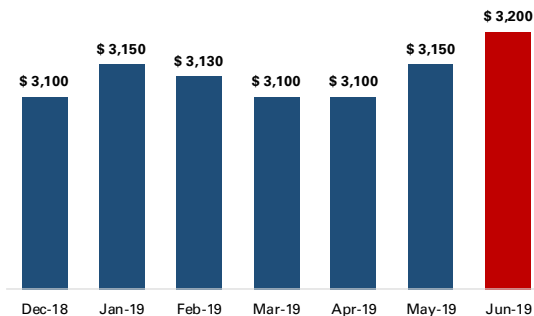
Source: Financial Opinion Survey, Fedesarrollo

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

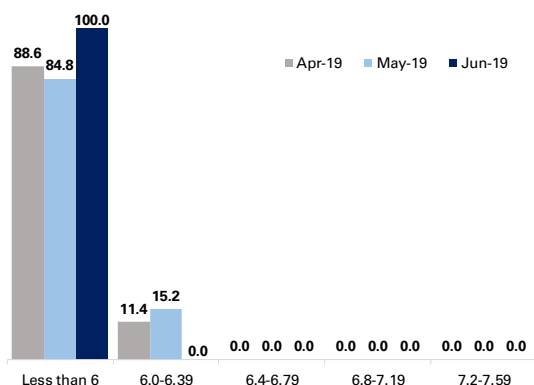
EXCHANGE RATE

The exchange rate closed in May at \$ 3,358, a monthly depreciation of 3.4%. On May 30th, it reached a maximum value of \$ 3,375 pesos per dollar. **By the end of June, analysts expect the exchange rate to be between \$ 3,280 and \$ 3,220, with \$ 3,250 as the median response. Exchange rate forecast for the next three months ranges between \$ 3,250 and \$ 3,180, with \$ 3,200 as the median response (Graph 6).** By the end of 2019, the median forecast increased to \$ 3,200 (Graph 7).

TES 2024 RATE

During June, TES 2024 trading rate followed a downward trend. In this edition, 100% of the analysts expect **TES 2024 rate to be below 6% during the next three months (84.8% in May)**, while the analysts who expect it to be between 6.0% and 6.39% decreased from 15.2% to 0.0% (Graph 8).

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

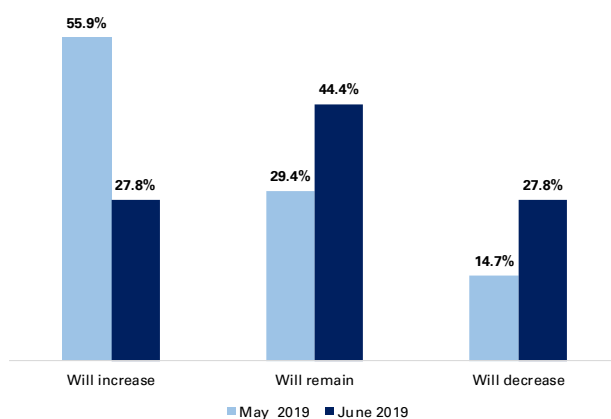


Source: Financial Opinion Survey, Fedesarrollo

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 210-bps in May. **In June 27.8% of analysts (28.1 pps less than previous month), expect a spread increase in the next three months, while 27.8% (13,1 pps more than previous month) expect it to decrease. The remaining 44.4% of respondents expect for the spread to remain stable.** (Graph 9).

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

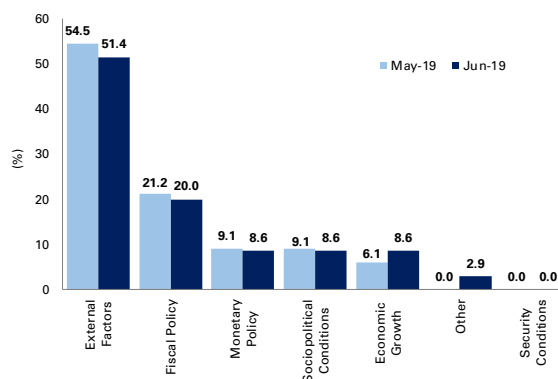


Source: Financial Opinion Survey, Fedesarrollo

INVESTMENT DETERMINANTS

External factors were ranked as the most important aspect for investing, despite decreasing 3.1 pps. Fiscal policy placed second (20.0%) with a reduction of 1.2 pps compared to the previous month (Graph 10).

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



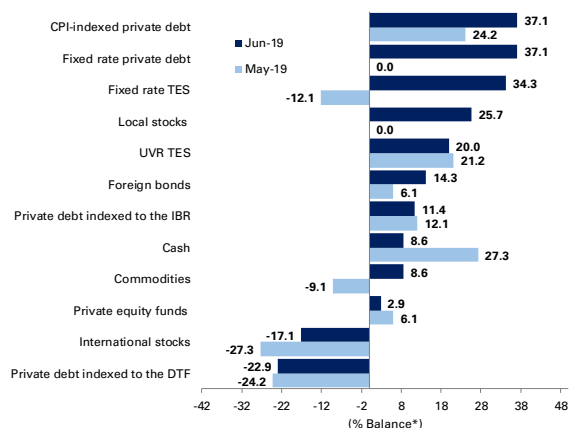
Source: Financial Opinion Survey, Fedesarrollo

INVESTMENT PREFERENCE

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

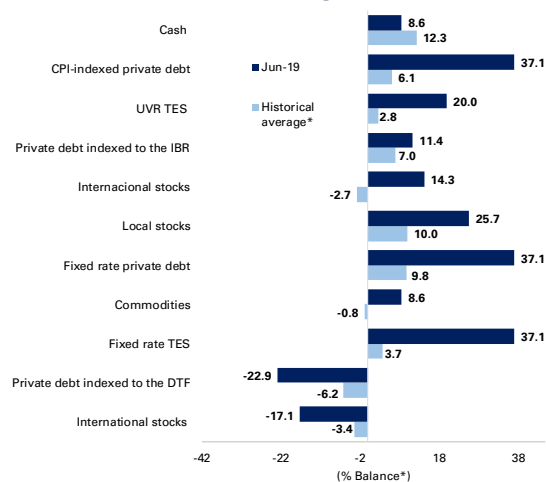
Compared to the survey's historical average, there is a greater preference for fixed rate TES, CPI-indexed private debt and fixed rate private debt (Graph 12).

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

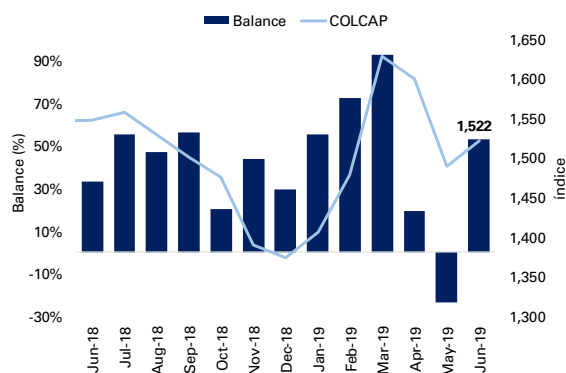
The COLCAP Index reflects changes in price of the most liquid shares of Colombian Stock Exchange. **In June 75.0% of analysts expect an appreciation of the index during the next three months (30.0% in May)** (Table 1). On the other hand, the percentage of analysts expecting the stock index to devalue decreased from 53.3% to 21.9%.

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

Index COLCAP Price Level	May 2019	June 2019
Will increase 10% or more	0.0%	0.0%
Will increase between 5% and 9,99%	0.0%	25.0%
Will increase between 0,01% and 4,99%	30.0%	50.0%
Will remain	16.7%	3.1%
Will decrease between 0,01% and 4,99%	46.7%	18.8%
Will decrease between 5% and 9,99%	6.7%	3.1%
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

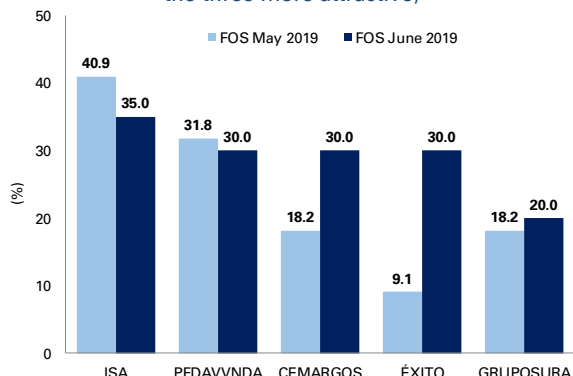
MOST ATTRACTIVE COLCAP SHARES

When asked for the most attractive shares within the COLCAP Index, 35.0% of analysts identified **ISA as the most attractive stock. It was followed by Banco Davivienda, Cementos Argos, Almacenes Éxito and Grupo Inversiones Suramericanas** (Graph 14).

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

Graph 14. More attractive COLCAP Stocks for investors

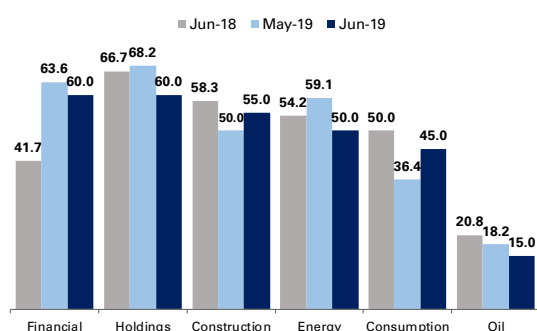
(% of the respondents who consider the stock as one of the three more attractive)



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)



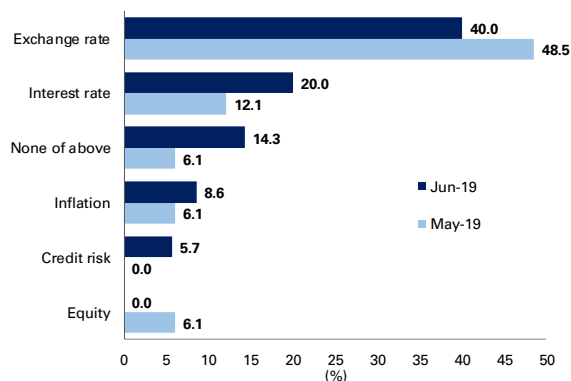
Source: Financial Opinion Survey, Fedesarrollo.

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 June 40.0% of respondents were planning to hedge against foreign exchange risk in the short term, which represents a decrease of 8.5 pps compared to last month responses.** On the other hand, the percentage of administrators who expect to hedge against interest rate placed second (20.0%). (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	Jun-19	Sep-19	Dec-19
	May-19			
Inflation (Annual variation, %)	3.31	3.34		3.40
Exchange rate	\$ 3,358	\$ 3,250	\$ 3,200	\$ 3,200
Interest rate (%)	4.25	4.25	4.25	4.25
	1Q-2019	2Q-2019	Year 2019	Year 2020
Growth (%)	2.8	3.00	3.10	3.30

Source: Financial Opinion Survey -BVC



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

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