Financial Markets Report - First Quarter of 2024

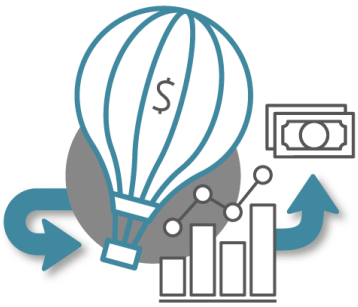
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In the first quarter of the year, inflation indicators surprised on the upside in developed economies and are still above their central banks' targets. These banks reported the possibility of keeping monetary policy rates (MPRs) unchanged until there is certainty that inflation continues to fall, which led the market to discount a higher MPR path. As a result, government bonds prices declined in most countries, and bonds issued by the Colombian government exhibited a similar behavior.

See the report (Only in Spanish)

Publication Date: Monday, 6 of May 2024
Inflation indicators remain above the target of most central banks despite continuing to show a decline in most countries.

- The main central banks of developed economies suggested the possibility of keeping monetary policy rates (MPRs) at high levels for a longer period.
- Fixed income assets decreased in value in most countries after the partial recovery exhibited at the end of 2023.
- The central banks of some countries in the region (Colombia, Brazil, Chile, and Perú) cut their monetary policy rate (MPR), which aligns with the correction of inflation and its expectations in these countries.



In the first quarter, global economic activity remained more resilient than expected. Although there were some risk events, global risk perception remained low.

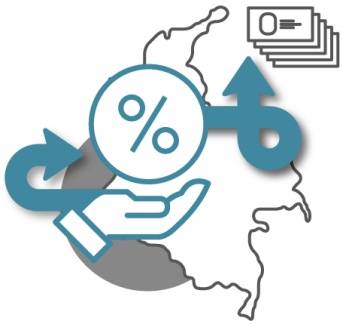
- The economic activity has surprised the market favorably, particularly due to the strong performance of the labor market, the recovery in consumer confidence, and the upturn in leading global manufacturing indicators.
- Some of the riskier assets, including equities, performed well, supported by favorable corporate results.

- Risk perception indicators remained at low levels despite the increased geopolitical tensions in the Middle East. This also withstood the increase in oil prices.



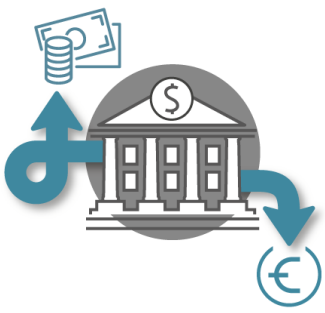
Locally, the Board of Directors of *Banco de la República* (BDBR) cut the MPR by 75 basis points to 12.25% at the end of the quarter. Fixed income assets fell in value in line with the global trend.

- Colombian government bonds (TES) prices fell along with the fixed-income securities of the region's countries due to the upward performance of global rates in a scenario of expectations of high-interest rates for a longer time in developed economies and an escalation in geopolitical tensions.
- Local risk perception remained delimited in a favorable global context; however, market agents indicated greater concern on the fiscal and institutional fronts.
- Foreign investors made purchases of public debt securities in the quarter, changing the selling position they held during 2023.
- Local pension funds continue to make record purchases.



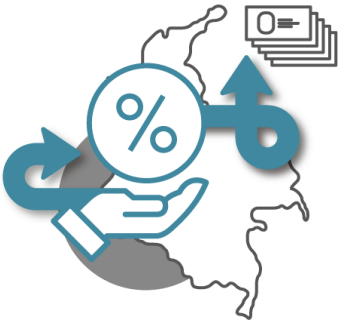
In the foreign exchange market, the US dollar strengthened due to expectations that the U.S. Federal Reserve would reduce its MPR cuts. The Colombian peso depreciated marginally.

- Most currencies in developed and emerging countries depreciated as a result of the strengthening of the dollar.
- The Colombian peso depreciated marginally, partly supported by higher oil prices.
- In this same context, liquidity and exchange rate volatility performed favorably.
- As part of the Program to Accumulate Foreign Reserves announced in December 2023 by *Banco de la República* (Banrep), at the end of the first quarter of 2024 USD 425 million (m) had been purchased.



In compliance with the operational objective of the monetary policy, during 2023, Banrep implemented actions to maintain adequate liquidity flows in the system, thus preventing the overnight Benchmark Interbank Rate (IBR) from deviating from the MPR.

- The period analyzed was characterized by low levels of deposits by the General Directorate of Public Credit and National Treasury (DGCPTN in Spanish) in Banrep and high volatility.
- There was a significant demand for Banrep's monetary contraction instruments and transitional expansion transactions.
- The instruments for supplying and temporarily contracting liquidity in the economy were complemented



Index of boxes in the Report

Box 1: Characterization of the access of non-financial entities to the foreign exchange hedging market in Colombia (Only Available in Spanish).

Box 2: The ability of agents to Intermediate in the local spot public debt market and secondary market of private debt: An analysis and proposed indicator (Only Available in Spanish).

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/financial-markets-report/first-quarter-2024