Financial Markets Report – Fourth Quarter of 2025

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During the fourth quarter of 2025 (4Q25), international financial markets operated in an environment characterized by the partial shutdown of the U.S. federal government, the absence of certain U.S. economic information due to the shutdown, and expectations of interest rate cuts by the Federal Reserve (Fed), amid limited available economic information, together with the resumption of trade tensions with China. These factors gradually eased as the government shutdown was resolved and the United States (US) reached a trade agreement with China. This, combined with the moderation of some global risks, contributed to a generalized reduction in financial market volatility. However, at the beginning of January, a rebound in uncertainty became evident, associated with new geopolitical developments that increased volatility in certain markets.

See the report (only in Spanish)

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In Latin America, inflation remained above central banks' inflation targets in most economies, and monetary policy decisions were mixed. In Colombia, *Banco de la República* (the Central Bank of Colombia, *BanRep*) maintained its monetary policy rate (MPR) at 9.25%, while the Colombian peso (COP) appreciated in line with the performance of regional currencies, albeit supported by idiosyncratic factors, to a greater extent. In the local market, TES (Colombian Government bonds) depreciated amid fiscal uncertainty and expectations of increases in the MPR, while the MSCI Colcap1 index continued its upward trend, supported by favorable corporate results and the solid performance of certain commodities.

The international environment was marked by interest rate cuts in the US and a moderation of global risks vis-a-vis the previous quarter.

- International financial markets were influenced by the partial shutdown of the US federal government, which resulted in the temporary absence of key macroeconomic information.
- In this environment, the Fed cut its MPR, strengthening expectations of a more expansionary monetary policy stance.
- International trade tensions eased, and global growth projections improved.
- Inflation remained above inflation targets in major developed economies, leading central banks to maintain a cautious stance driven by idiosyncratic factors in each economy.
- Global financial conditions remained favorable, although lower net inflows of portfolio investment into emerging economies were recorded.



Colombia recorded a deterioration in its country risk indicators, which may have been linked to fiscal pressures.

- The country's sovereign risk perception indicators deteriorated, diverging from the trends observed in other emerging economies.
- In this regard, risk levels remain high compared to its peers, reflecting fiscal and political uncertainty.
- However, growth expectations increased for 2025 and 2026, in an environment characterized by strong



In Latin America, inflation remained above inflation targets in most countries, and central banks adopted heterogeneous stances.

- In Colombia, inflation increased and stood at levels similar to those observed at the end of 2024, remaining above *BanRep*'s target.
- *BanRep* maintained its MPR at 9.25%, a decision considered prudent by analysts in light of the inflationary upturn and fiscal challenges.
- Monetary policy decisions in the region were mixed: the central banks of Colombia, Brazil, and Peru maintained their MPRs unchanged, while Mexico and Chile reduced theirs.
- Markets anticipate that *BanRep* will raise its MPR in 2026, in line with the inflation upturn observed at the ...r inflationary pressures ahead.



Debt markets benefited from lower global interest rates and greater risk appetite.

- US Treasury Bonds appreciated at the short end of the yield curve amid expectations of lower rates, while Latin American securities recorded broad-based gains driven by stronger risk appetite.
- In Colombia, TES depreciated amid upward inflation surprises, expectations of MPR increases, and higher fiscal uncertainty.

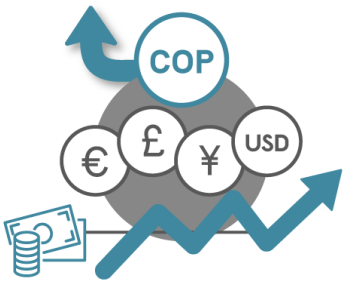
- During 4Q25, the Ministry of Finance and Public Credit (MHCP, in Spanish) conducted two exchange operations totaling COP 46 trillion (t), reaching a record annual amount of COP 160 t. Additionally, in December, it carried out a direct sale of peso-denominated TES to a foreign investor for COP 22.7 t.
- In this context, challenges associated with fiscal sustainability and the intermediation capacity of local



The Colombian peso appreciated in line with the trends observed across emerging market currencies, further supported by its attractiveness for investment strategies and by Government's treasury operations.

- The US dollar exhibited volatile performance and closed the quarter strengthening slightly, although this movement did not reverse the cumulative depreciation observed over the year.
- In the region, most currencies appreciated, influenced by the weakness of the US dollar and recovery of certain commodity prices.
- The Colombian peso stood out for its appreciation vis-a-vis the US dollar, driven by foreign currency supply from various agents and monetization expectations associated with the government's debt management operations with international banks.

nbian peso increased, and foreign exchange market liquidity deteriorated.



Global stock markets extended their upward trend, driven by strong corporate results and optimism surrounding the US monetary policy, in an environment of heightened volatility amid concerns regarding a potential overvaluation of the technology sector.

- Equity indexes in developed economies reached new highs, led by the technology sector, despite concerns regarding potential overvaluation.
- In Latin America, major equity indexes also appreciated, reflecting the greater appetite for risk assets and in line with the performance observed in other emerging markets throughout 2025.
- In Colombia, the MSCI Colcap index continued to rise, supported by favorable corporate results and the solid performance of certain commodities.
- Oil prices declined due to higher inventories in the US, the expected production recovery by the Organization of the Petroleum Exporting Countries and its allies (OPEC+), and signs of weaker global demand, while precious and industrial metals appreciated, in some cases reaching record highs. On the other hand, precious metals continued to record all-time highs, driven by their appeal as safe-haven assets.



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● Box 1: Results of the Bank for International Settlements (BIS) Triennial Survey on Foreign Exchange and Derivatives Markets (2025).

1 ? MSCI Colcap refers to a stock index of the Colombian market, calculated by Morgan Stanley Capital International (MSCI), which tracks the performance of the 20 issuers and the 25 most liquid stocks in the country.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/financial-markets-report/fourth-quarter-2025