Box 1: Relationship between the Investor-Base Composition and Local Currency Government Bond Yields - Financial Markets Report, Second Quarter of 2026

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In Colombia, the main holders of peso-denominated government bonds (TES) are pension funds, foreign investors, banks, and public entities. Pension funds and banks have historically absorbed most new issuances and continue to hold a significant share of then outstanding stock, while foreign investors have become increasingly important participants in price formation since 2016.

The distribution of government bond holdings across different types of investors plays a key role in determining how changes in these investors' demand are transmitted to TES rates. Investors with different mandates, investment horizons, and regulatory constraints respond heterogeneously to changes in interest rates, global risk appetite, and local macroeconomic conditions, among other factors.

This box summarizes the main findings of Botero (2026), who develops a framework to quantify how changes in demand and supply are transmitted to TES rates in Colombia. To this end, the study uses granular data on holdings by investor and security, together with instrumental variable identification strategies to address the endogeneity between changes in demand (supply) and government bond interest rates.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/financial-markets-report/box-1-second-quarter-2026