

Financial Markets Report - First Quarter of 2017

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Banco de la República (the Central Bank of Colombia) produces information intended for decision-making and accountability processes as well as for public knowledge. In particular, the Financial Markets Report responds to the principle of public dissemination, thus contributing to the Bank's service of providing quality economic information and research.

In line with the above, this report seeks to provide the public with a general analysis of the performance and trends of domestic and international financial markets. Additionally, the report points out the main factors that explain the performance of these markets, as well as their interactions. The report also presents an overview of the main changes in monetary policy and central bank decisions worldwide.

During the first quarter of 2017 (1Q17), the US dollar weakened against its major peers and emerging market currencies as a result of uncertainty about the effectiveness of some of the economic policy proposals announced by the US government, reduced expectations about the pace of federal funds rate hikes, and an increase in flows to emerging economies. In this context, the US Treasury-Bond yield curve flattened. In turn, the domestic and external public debt instruments of the region's countries appreciated, in line with the favorable performance of commodities, the reduction of risk perception towards the region, foreign portfolio investment inflows, and improvements in some of their macroeconomic fundamentals. Finally, as for the equity market, global stock indexes appreciated. However, performance was mixed depending on the region analyzed, as well as the impact of different events that affected the political, exchange, and commercial fronts, among others.

The document is divided into eight sections, with this introduction being the first. Section two presents an executive summary of the document. Section three describes the most significant developments in the international economic environment. Subsequently, section four presents the performance of the main local risk perception indicators. Section five describes the global and local foreign exchange market. Section six presents an analysis of the money and fixed-income global and local markets. In addition, section seven describes the performance of the local primary private debt market. Finally, section eight analyzes the performance of the regional and local stock markets.