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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 2019, the dynamics of international financial markets were mainly influenced by the following economic and political factors: i) the persistence of fears of a further global economic slowdown; ii) uncertainty regarding the magnitude of monetary accommodation by most central banks; iii) the evolution of trade tensions between the US and its main partners; iv) the events generating political uncertainty in several countries in Asia, Europe, and Latin America; and v) the positive performance of most commodities, except for agricultural ones.

During the fourth quarter of 2019 (4Q19), political uncertainty in Asia, Europe, and Latin America continued, as well as the positive performance of commodities, except metals. However, due to reduced fears of a recession or a sharp slowdown in global growth, the materialization of expectations of greater monetary stimulus by most central banks and reduced trade tensions between the US and China, the trend observed during previous quarters in international financial markets was partially reversed.

During 4Q19, the US dollar weakened against most of its peers and emerging countries. In the region, currencies appreciated despite idiosyncratic factors such as the emergence of different social protests, which led some currencies to exhibit particular behaviors during specific periods of time. As for the money market, there were no changes in the monetary policy rate in Colombia, and money market rates remained at levels close to the policy rate. Local currency public bonds depreciated, while the MSCI COLCAP Index (created by MSCI and BVC to measure the performance of the Colombian equity market) performed positively, favored by optimism regarding the progress of trade talks between the

United States and China, which concluded with the reaching of a Phase I agreement at the end of the year.

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 global and local money and fixed-income markets. Additionally, section seven describes the performance of the local primary private debt market. Finally, section eight analyzes the performance of the stock markets at the regional and local levels.