Financial Markets Report - Third Quarter 2020

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Banco de la República (the Central Bank of Colombia) produces information for decision-making, accountability, and public dissemination. Particularly, the Financial Markets Report is framed within the principle of public dissemination and contributes to the Bank’s service of providing quality economic information and research.

In line with the above, this report aims to provide the public with a general analysis of the behavior and trends of domestic and international financial markets. Additionally, the report highlights the key factors that elucidate the behavior of these markets, along with their interactions. The report also provides a description of the main changes in monetary policy and central bank decisions worldwide.

Throughout the third quarter of 2020 (3Q20), financial assets exhibited a heterogeneous behavior globally, following the significant recovery in asset prices observed in the 2Q20. During the period, consistent with trends since the beginning of the year, some regional central banks continued to reduce their policy rates. Banco de la República (the Central Bank of Colombia) reduced its interest rate and continued to provide ample liquidity in both Colombian pesos and dollars to the economy to ensure the proper functioning of the payment systems, foreign exchange markets, public debt, and credit markets.

During this period, the US dollar weakened broadly against most developed and emerging market currencies (according to the DXY, the dollar weakened 3.6%). Latin American currencies displayed mixed performance, with the Colombian peso depreciating by 2.9%. Local public debt appreciated due to reduced international risk perception, more expansionary monetary policy expectations, and high demand from foreign investors. Regarding the local stock market, the Colcap (an index created by MSCI and BVC to measure the performance of the Colombian equity market) regained some of the ground lost in previous quarters, although it continues to lag significantly behind its regional counterparts.

This edition of the document is divided into nine sections, with this introduction being the first. Section two provides an executive summary of the document. Section three presents a description of the most significant events in the international economic environment. Subsequently, section four outlines the behavior of key risk perception indicators at the local level. Section five describes the global and local foreign exchange markets. Section six offers 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. Section eight analyzes the behavior of the stock markets. Finally, in the last section, a Box is presented that analyzes the set of tools available to some of the region's central banks in terms of exchange rate intervention and how they have been used over the last decade.

Fuente: https://www.banrep.gov.co/en/publications-research/financial-markets-report/third-quarter-2020