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Publication Date:  
Friday, 22 of October 2021

*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

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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.

The third quarter of 2021 (3Q21) was characterized by a global increase of inflation expectations due to rising commodities prices and disruptions in global supply chains. These higher inflation expectations translated into a less expansionary monetary policy stance globally. Furthermore, uncertainty surrounding the pandemic's evolution, fears of economic slowdown, and various idiosyncratic events in developed and several countries in the region contributed to increased risk aversion.

In this context, during 3Q21, the US dollar strengthened, public yields on public debt in emerging economies rose, and to a lesser extent in developed economies, while stock market indexes exhibited a mixed performance. Domestically, annual inflation increased from 3.63% in June to 4.51% in September, the Colombian peso depreciated 1.7%, and both the overnight benchmark interbank rate (IBR in Spanish) and the interbank rate hovered around the reference rate. Moreover, local public debt, as well as dollar-denominated debt, experienced depreciations.

Central banks in the region raised their policy rates amid rapid economic recovery and increased inflationary pressures during 3Q21. The Board of Directors of Banco de la República (the Central Bank of Colombia) maintained its interest rate at a minimum of 1.75%, and on September 30, 2021, increased it by 25 basis points (bps) to 2.00%.

This edition of the document is divided into eight 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. Finally, section eight analyzes the behavior of the stock markets.