Financial Markets Report - Third Quarter of 2026

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During the third quarter of 2026, uncertainty in financial markets increased. This was due, among other factors, to the prolonged conflict in the Middle East, growing concerns about fiscal conditions in some advanced economies, decisions by several central banks to maintain more restrictive policy stances, and investment appetite in the artificial intelligence sector. In this context, global financial risk perception indicators increased, particularly those linked to public debt developments. This environment led to a tightening of financial conditions, adjustments in measures of inflation expectations, and a deterioration in economic growth prospects.

See the report (only in Spanish)

Publication Date: Thursday, 12 of November 2026 Global inflation and interest rates increased amid heightened caution among central banks

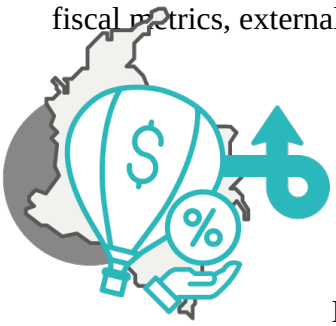
- Inflation rebounded in major developed economies and stood above their central banks' targets.
- Major central banks adopted more restrictive policy stances, and expectations regarding monetary policy increased.
- The Federal Reserve (Fed) raised its reference interest rate range for the first time since 2023.
- During the quarter, capital flows to economies recovered following the outflows recorded in the previous quarter, despite geopolitical uncertainty.



Colombia's macroeconomic and financial environment remains challenging amid inflationary and fiscal pressures

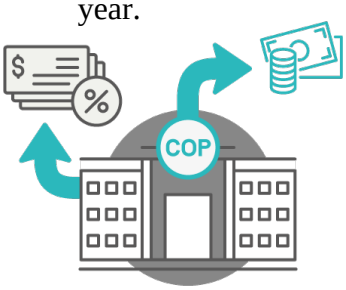
- Inflation increased vis-a-vis the previous quarter and remained above *Banco de la República*'s (the Central Bank of Colombia) target.
- *Banco de la República* increased its monetary policy rate to 12.25%.
- Inflation expectations increased compared with the second quarter of 2026 and remain well above *Banrep* 's target.

- Colombia’s sovereign risk premium increased more than those of its regional peers, although it remained below the levels observed at the beginning of the year.
- Looking ahead, the most important factors for the performance of local markets will be the trajectory of fiscal metrics, external conditions, and the monetary policy stance.



Debt markets reflected higher inflation and interest rate expectations, in line with developments surrounding the conflict in the Middle East and fiscal concerns

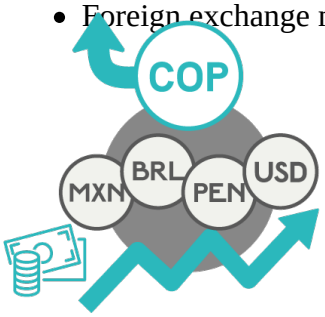
- Globally, sovereign debt yields showed mixed performance.
- In Latin America, most sovereign bonds depreciated amid increased appetite for risky assets and expectations of a more contractionary monetary policy.
- In Colombia, Treasury Bonds (TES, Colombian government bonds) experienced greater price declines than those observed in the region, particularly in the long end of the curve. This was mainly driven by the increase in the perception of sovereign risk and the unfavorable environment for global public debt.
- Foreign investors reduced their TES holdings in both the spot and derivatives markets (non-deliverable forward, NDFs).
- This performance by foreign investors may be related to profit-taking following the price appreciation of TES in previous periods.
- This performance occurred in a context of improved liquidity in the TES market, which continues to approach the levels observed before December 2025.
- In October, the Ministry of Finance and Public Credit (MHCP in Spanish) conducted a debt swap to reduce the concentration of its debt maturities. Additionally, in August, the MHCP announced an increase in the TES issuance limit for 2026 and the possibility of issuing global bonds during the remainder of the year.



The Colombian peso (COP) was volatile and appreciated against the U.S. dollar (USD), outperforming its regional peers

- The U.S. dollar appreciated moderately against the basket of currencies comprising the DXY index, supported by expectations of a more restrictive monetary policy stance by the Fed amid increased inflationary pressures.
- The appreciation of the Colombian peso unfolded in two distinct phases. At the beginning of the period, the currency appreciated steadily. This trend continued until early September, before reversing significantly during the last two weeks of the quarter.

- The strength of the Colombian peso was supported by expectations of increased U.S. dollar inflows from the government's external financing, as well as by lower demand for foreign exchange hedging from foreign investors, high interest rates in Colombia, and strong remittance flows.
- Foreign exchange market liquidity indicators improved compared with the previous quarter.



Stock markets posted gains amid increased risk appetite

- In the United States, market performance was driven by strong corporate earnings, particularly in the technology and artificial intelligence sectors.
- In Latin America, most equity indices posted gains during the third quarter of 2026, with the exception of Mexico.
- In Colombia, the MSCI Colcap1 stock index reached all-time highs amid increased buying activity by foreign investors.



Index of Boxes in the Report

● Box 1: Liquidity Indicators for the Primary and Secondary Markets for Local-Currency Public Debt (only in Spanish)
Reviews the measures used to monitor the liquidity in the public debt market and introduces a new indicator to track developments in the primary market.

● Box 2: Sovereign Credit Default Swap (CDS) Market: Structure, Liquidity, and Price Formation (only in Spanish)
Provides an overview of the credit default swap (CDS) market, with a particular focus on the Colombian sovereign CDS market, based on a literature review and a survey conducted by *Banco de la República* among portfolio managers.

● Box 3: Differences in the Main Country Risk Indicators for Colombia and Selected Regional Peers (only in Spanish)
Examines the methodological differences among indicators such as CDS, EMBI+, and EMBIG, and explains how country risk perceptions should be interpreted in light of movements in these indicators.

1 ? The MSCI Colcap Index is a Colombian stock market index calculated by Morgan Stanley Capital International (MSCI), which tracks the performance of the 20 issuers and the 25 most liquid stocks in the country.

Fuente: https://www.banrep.gov.co/en/publications-research/financial-markets-report/third-quarter-2026