



Financial Markets Report - First Quarter of 2018

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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 1Q18, the performance of international financial markets was characterized by a favorable macroeconomic environment, expectations of a more contractionary monetary policy in developed economies, fears of protectionist measures in the US, events generating political uncertainty in Europe, Asia, and Latin America, and a good level of energy commodity prices. Thus, the US dollar continued to weaken, and the US public debt market depreciated while its stock markets lost the favorable dynamics observed during the past year. The region's markets performed heterogeneously, influenced by the dynamics in the price of some commodities and political uncertainty. In Colombia, the fixed-income government bonds showed gains (due to the reduction of the monetary policy rate and the favorable performance of inflation), while the stock market lost some dynamism.

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.