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AUTHORS AND/OR EDITORS

[Vargas-Herrera, Hernando](#) [Cardozo-Ortiz, Pamela Andrea](#) [Rojas-Moreno, Juan Sebastián](#) [Quicazán-Moreno, Carlos Andrés](#) [Hurtado-Guarín, Jorge Luis](#) [León-Díaz, Laura Viviana](#) [Martínez-Cruz, Diego Alejandro](#) [Mateus-Gamboa, Julián Camilo](#) [Mendoza, Andrés Mauricio](#) [Venegas-Karpf, Tatiana](#) [Vergara, Daniel Ricardo](#) [Perilla, Carlos Mateo](#) [Villamil-López, Santiago](#)

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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 2018, the dynamics of international financial markets were influenced by the following economic and political factors: i) divergence in growth among the main developed economies in the face of good macroeconomic data in the US, which contrasted with negative surprises in the Eurozone, U.K., and Japanese markets, generating a more contractionary monetary policy by the Federal Reserve (Fed); ii) trade tensions between the US and its main trading partners, which generated fears of a global economic slowdown; iii) the crisis in Turkey, Argentina, and South Africa, which evidenced the macroeconomic vulnerability of several emerging economies in a context of lower global liquidity; and iv) Brexit, tensions between the Italian government and the European Commission, and protests in France were some of the political events in Europe that generated political uncertainty during 2018.

During the fourth quarter of 2018 (4Q18), the dynamics of international financial markets continued to be influenced by these factors, as well as by the negative performance of oil and industrial metals prices and by greater fears about a global economic slowdown, which reduced expectations of a more contractionary monetary policy in developed countries. In this situation, the US dollar strengthened against its peers and emerging countries, while the US government bonds and stock market prices declined. The region's markets performed heterogeneously, influenced by the dynamics in the price of some commodities and idiosyncratic political events. In Colombia, depreciations were also observed in both the public debt and stock markets, a dynamic that continued during the last quarter 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 money and fixed-income global and local markets. In addition, section seven describes the performance of the local primary private debt market. Section eight analyzes the performance of regional and local stock markets. Finally, a box analyzes and characterizes the peso-dollar forward market for foreign agents.