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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 second quarter of 2020 (2Q20), most financial assets globally and locally experienced a significant recovery from the sharp downturn observed during the first quarter of the year (1Q20). In line with this behavior, commodity prices increased. This improved performance was framed in a context of high volatility that characterized the entire period.

The high global volatility was reflected in local risk perception indicators, which initially increased at the beginning of the period but later corrected. Likewise, during this period, indicators such as economic activity and growth forecasts for Colombia in 2020 indicated signs of historic declines in output. During this period, observed inflation and its expectations at different horizons fell and were below the 3.0% target. Additionally, the policy interest rate was reduced by 125 basis points (bps), and by June reached a historic low of 2.50%.

Regarding the US dollar, a widespread weakening was observed against the currencies of both developed and emerging countries. The currencies of countries in the region displayed a mixed performance, with the Colombian peso appreciating by 7.4%.

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 at both regional and local levels.