# Financial Markets Report - Third Quarter 2024

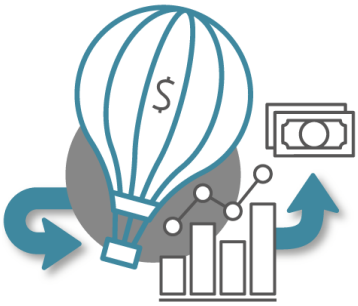
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During the third quarter of 2024 (3Q24), inflation indicators in most major developed economies resumed their convergence towards the targets set by their central banks. Simultaneously, economic activity remained resilient. This environment allowed monetary policymakers to adopt a less restrictive stance, leading the market to anticipate steeper cuts in monetary policy rates (MPR) compared to projections at the end of the previous quarter. In this context, the region's sovereign bonds, including Colombian sovereign bonds (TES in Spanish), appreciated, while the main regional currencies appreciated, except for the Colombian peso, which slightly depreciated.

Read the full report (only in Spanish)

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**The global economy proved resilient during the period analyzed, although signs of a slowdown emerged towards the end of the quarter.**

- Inflation resumed its convergence towards targets in most major developed economies.
- There was a shift towards less restrictive monetary policy stances and looser financial conditions compared to the previous quarter.
- The U.S. Federal Reserve surprised the market at its September meeting by cutting the federal funds range by 50 basis points (bp) and projecting additional 50-bp cuts for the remainder of 2024.
- In the United States and the eurozone, financial conditions became looser due to interest rate cuts and an upturn in stock markets.
- In contrast, the United Kingdom and Japan faced more restrictive conditions, driven by the appreciation of their currencies and, in the case of Japan, also by higher interest rates and declines in the stock market.



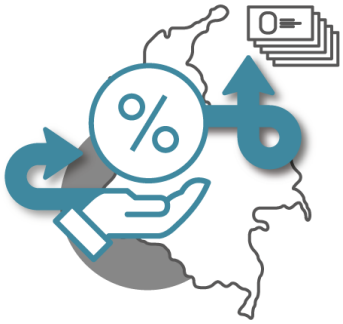
**International uncertainty remained high due to signs of economic slowdown towards the end of the quarter, along with escalating geopolitical conflicts, the proximity of the U.S. elections, and fiscal concerns in some developed economies.**

- These factors coincided with a period of significant volatility in financial markets, possibly due to the liquidation of carry trade positions following the yen's appreciation. However, net inflows of foreign portfolio investment into emerging economies increased.
- Oil prices declined amid expectations that OPEC+ would end its additional production cuts, alongside decreased demand from China.
- In Latin America, inflation exhibited mixed performance, and most central banks continued to cut their monetary policy rates.



**Locally, analysts expect inflation to continue converging towards the 3.0% target set by the Board of Directors of *Banco de la República* (the Central Bank of Colombia), although upside risks remain.**

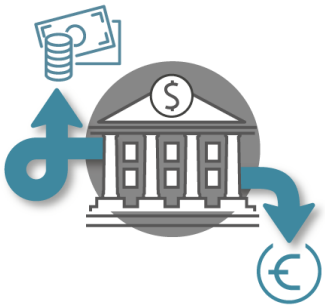
- The Board of Directors of *Banco de la República* (the Central Bank of Colombia) (BDBR) cut the MPR by 100 bp, placing it at 10.25% at the end of the third quarter of 2024.
- Markets anticipate future MPR cuts, which could total 125 basis points by the end of the year.
- Colombian public debt appreciated, although to a lesser extent than in other countries in the long tranche of the curve, amid fiscal uncertainty.
- Foreign investors reduced their TES purchases, which may have been related to the decrease in Colombia's weighting in the GBI-EM Global Diversified Index and the increase in risk aversion towards Colombian assets, reflected in a higher risk premium.
- Pension and severance funds maintained their role as the main buyers of public debt.
- The Colombian stock market exhibited an unfavorable performance, partially correcting gains made in the first half of the year, in a context of lower liquidity.



**In the foreign exchange market, the US dollar depreciated against most currencies of developed and emerging countries, driven by expectations of less restrictive monetary policy in the United States.**

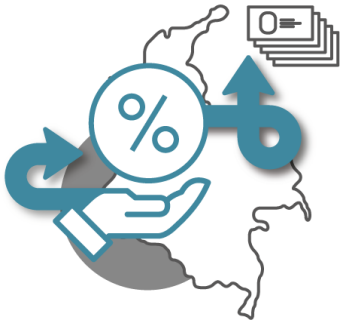
- In Latin America, most benchmark currencies appreciated, also supported by monetary policy decisions and idiosyncratic factors.
- The Colombian peso depreciated slightly during the quarter, which may have been related to fiscal uncertainty and falling oil prices.

- Volatility of the Colombian peso increased, and liquidity conditions deteriorated compared to the previous quarter.
- Under the foreign reserves accumulation program announced in December 2023, at the end of the quarter, *Banco de la República* (the Central Bank of Colombia) had acquired USD 1,336.8 million, representing 89% of the program's total target.



**In the Colombian money market, *Banco de la República* (the Central Bank of Colombia) implemented measures to maintain adequate liquidity flows, preventing significant and persistent deviations of the overnight Reference Banking Indicator (IBR in Spanish) from the monetary policy rate (MPR).**

- The IBR steering committee approved an increase in the amounts traded and modified the timing for placing bids, seeking to strengthen the operational framework in line with the international best practices established by the Bank for International Settlement (BIS), the International Organization of Securities Commissions (IOSCO), and the Financial Stability Board (FSB).
- The BDBR reduced the reserve requirement for credit institutions to contribute to the financial deepening process of the economy and to adapt this tool to Banrep's inflation-targeting framework.
- As in the previous quarter, there was significant demand for monetary contraction instruments from *Banco de la República* (the Central Bank of Colombia) and for temporary expansionary operations.
- contraction operations were complemented by TES purchases.



Index of Boxes in the Report


● Box 1: Sensitivity of Colombia's OIS Rates to Idiosyncratic, Regional, and International Factors.(Only in Spanish)

● Box 2: Recent Changes to the Framework for Establishing the Reference Banking Indicator (Only in Spanish).


Fuente: https://www.banrep.gov.co/en/publications-research/financial-markets-report/third-quarter-2024