Box 1: TES (Bonds Issued by the Colombian Government) NDF Market Characterization - Financial Markets Report, First Quarter of 2025

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AUTHORS AND/OR EDITORS Botero-Ramírez, Óscar David Pérez-Villalobos, Jhonatan Barreto-Ramírez, Ittza Alejandra Publication Date: Monday, 28 of April 2025
TES Non-Delivery Forward (NDF) is a derivative instrument by which the parties agree to buy or sell Colombian public debt securities denominated in local currency (TES) at a future date, at a price agreed on the contract negotiation date. Generally, these contracts are negotiated between a local and a foreign counterparty. Most of the local counterparties in these transactions are banks of the commercial bank group.

In reality, local counterparties usually buy TES on the spot market at the same time they sell TES NDF to foreign investors. This strategy seeks to mitigate the risk associated with variations in the price of the security used in the derivative contract, since, by assuming a buying position in the spot market, they acquire a natural hedge for their selling positions in TES NDF.

Since July 2023, foreign investors have significantly increased their buying position in TES NDF, going from COP 4 trillion (t) to COP 21 t at the end of 1Q25. This dynamic appears to be motivated by expectations of TES valuation and a downward trend in interest rates in Colombia.

Considering the high growth of this market and its interaction with the spot market through local counterparties, this box presents its main characteristics. The analysis is organized into three sections: the first describes the volumes, characteristics, and types of agents involved in TES NDF contracts. In the second, an analysis based on network topology is developed, the aforementioned examines the relationships between the parties involved in these operations. Finally, a study of recent market dynamics is presented.

Fuente: https://www.banrep.gov.co/en/publications-research/financial-markets-report/box-1-first-quarter-2025