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During the third quarter of 2025 (3Q25), global financial markets exhibited greater stability than in the previous quarter, supported by the Federal Reserve's (Fed) policy rate cut and expectations of a more accommodative monetary policy stance in the United States (U.S.). These developments boosted risk appetite and contributed to an appreciation of financial assets, particularly across developed and emerging economies. In Latin America, inflation remained above Central Bank targets, and monetary policy decisions were mixed. In Colombia, *Banco de la República* (the Central Bank of Colombia, *BanRep*) maintained its monetary policy rate at 9.25%, while the Colombian peso (COP) recorded the strongest appreciation among emerging-market currencies. In the local market, TES (Colombian

government bonds) appreciated amid greater liquidity, and the MSCI Colcap¹ index extended its upward trend, supported by robust corporate earnings.

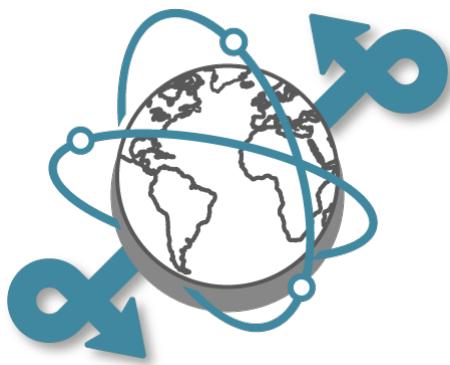


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The international environment was characterized by lower interest rates in the U.S. and a moderation of global risks compared to the previous quarter.

- The Fed lowered its policy rate, reinforcing expectations of further interest rate cuts in the US.
- International trade tensions eased and global growth forecasts improved, although the International Monetary Fund (IMF) cautioned that growth remains below pre-pandemic levels.
- Inflation remained above target levels in major developed economies, prompting central banks to maintain a cautious stance.
- Global financial conditions remained supportive, driven by increased portfolio investment flows into emerging markets.



Colombia's risk perception indicators improved, although fiscal challenges

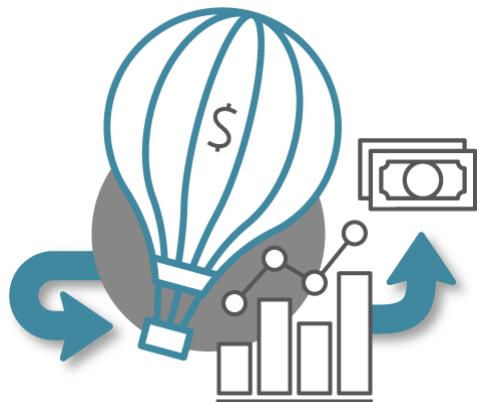
persist.

- Colombia's risk perception indicators improved vis-a-vis other emerging economies, reversing the deterioration observed in the previous quarter.
- Despite this progress, risk levels remain elevated relative to its peers, reflecting ongoing fiscal and political uncertainty.
- Growth expectations held steady for 2025, although they were slightly revised downward for 2026 due to weaker investment dynamics.



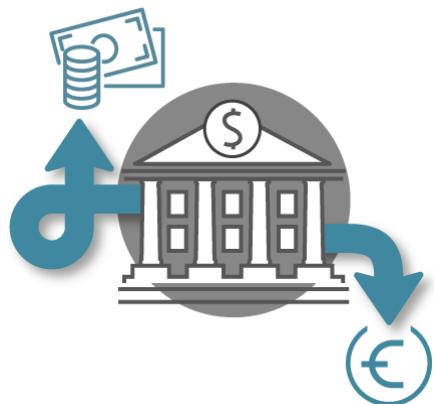
Across Latin America, inflation remained above target in most countries, while Central Banks adopted heterogeneous policy stances.

- In Colombia, inflation rose again to levels similar to those at the end of 2024, remaining above *BanRep*'s target.
- *BanRep* kept its monetary policy rate unchanged at 9.25%, a decision analysts deemed prudent given the inflation rebound and ongoing fiscal challenges.
- In the region, Mexico, Peru, and Chile lowered their policy rates, whereas Colombia and Brazil kept theirs unchanged.
- Markets expect *BanRep* to hold its policy rate for the remainder of 2025, with gradual cuts likely beginning in 2026.



Debt markets benefited from the global environment of lower interest rates and greater risk appetite.

- US Treasury bonds appreciated amid expectations of lower rates, while Latin American sovereign bonds also posted widespread gains.
- In Colombia, TES appreciated in a context of ample liquidity, higher demand expectations from public entities, and lower market volatility.
- During the quarter, the Ministry of Finance executed treasury transactions with foreign banks totaling USD 9.4 billion and issued EUR 4.1 billion in bonds in the European market.
- Despite the positive performance, challenges related to fiscal sustainability persist.



The COP led appreciations among emerging-market currencies, supported by its appeal for investment strategies and government treasury operations.

- The US dollar exhibited a volatile performance, ending the quarter slightly stronger.
- In the region, most currencies appreciated due to wider interest rate differentials with the US and the recovery of some commodity prices.
- The COP appreciated against the US dollar, driven by foreign currency supply from various market participants and expected monetization associated with Government financing operations with international banks.
- The COP volatility declined, and FX market liquidity improved.



Global stock markets continued their upward trend, driven by strong corporate earnings and optimism surrounding US monetary policy, while commodity prices recorded a mixed performance.

- Equity indexes in developed economies reached new record highs, led by the technology sector.
- In Latin America, major stock indexes also advanced, reflecting increased appetite for risk assets.
- In Colombia, the MSCI Colcap index continued to increase, supported by solid corporate earnings.
- Oil prices declined amid higher supply and weaker global demand, whereas precious metals reached new record highs during the quarter, reflecting an increased demand for safe-haven assets.

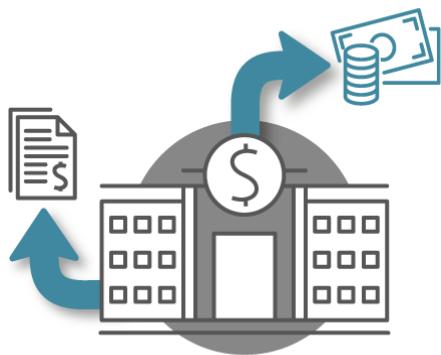


Table of Boxes in the Report



[Box 1: Results of the IMF Technical Assistance on the Colombian Foreign Exchange Market](#)



[Box 2: Simplification of the Sanctions Framework for Monetary and Foreign Exchange](#)

Transactions

¹ The MSCI Colcap is a stock market index compiled by Morgan Stanley Capital International (MSCI) that tracks the performance of the 20 issuers and the 25 most liquid stocks in Colombia.