

## CHAPTER XX

# THE SECURITY MARKET

### 1. GENERAL TRENDS

INVESTMENTS IN NEW securities, which had diminished slightly in 1960, expanded again in 1961. Domestic issues of new securities listed on the Stock Exchange totalled IL. 233 million,<sup>1</sup> a record figure after a previous peak of IL. 138 million in 1959. Adding the value of non-listed shares<sup>2</sup> issued in 1961 and subtracting capital repayments effected in the course of the year, a net total of approximately IL. 190 million is obtained for new local issues (see Table XX-2). This is equivalent to 14 per cent of the total gross capital formation in Israel during the year; in 1959 and 1960 the percentages were 10 and 6 per cent respectively.

Apart from these, new shares to the value of IL. 28 million and new debentures to the value of some IL. 49 million were sold abroad.

The total amount of capital raised at home and abroad in 1961 against the issue of new securities thus reached approximately IL. 320 million, before the deduction of capital redemptions and not counting the Government Short-Term Loan and the Development Bonds (the latter were issued only abroad and are not traded in Israel).

Equities listed on the Stock Exchange accounted for 36 per cent of the net amount of new security issues in 1961, as compared with about 40 per cent in 1960. Listed and unlisted shares constituted 46 per cent of all newly issued securities during the year reviewed.

Renewed inflation in 1961 induced large-scale private purchases of linked bonds, especially dollar-linked bonds, in anticipation of the currency devaluation which, in fact, was carried out in 1962. Provident funds, too, invested larger amounts in linked bonds than in 1960, following the amendment of the

<sup>1</sup> Debentures at par; shares at issue prices. Excludes: (1) the Government Short-Term Loan, (2) bonus shares and shares issued without prospectus, (3) securities not intended for quotation on the Stock Exchange (see below), (4) shares created by the conversion of debentures; and (5) new securities earmarked for foreign investors. To facilitate comparison with data published in previous years, certain debentures issued by financial institutions to provident funds have been included, although they are not listed on the Stock Exchange. In former years, similar issues used to be listed, but since it has become apparent that trading in them is negligible, new issues of this type are no longer listed, and trading in them, if any, is now conducted over the counter.

<sup>2</sup> Apart from private share issues.

TABLE XX-1

*The Security Market, 1958-61*  
(*Indicators*).

	Unit	1958	1959	1960	1961
Local new issues (gross) <sup>a</sup>	IL. million	79	138	105	233
Issuing bodies <sup>b</sup>	Number	7	13	25	27
Local new issues (net) <sup>c</sup>					
Value	IL. million	44	99	61	183
Percentage of total gross capital formation	Per cent	5	10	6	14
Securities listed on the Tel Aviv Stock Exchange					
Par value (end of year)	IL. million	255	362	444	627
Market value (end of year)	IL. million	..	371	494	701
Indices of security prices (1950 average=100)					
Linked bonds	Annual average	312	322	312	326
Ordinary shares	Annual average	147	202	412 <sup>d</sup>	490
Ordinary shares	End of year	147	272	518 <sup>d</sup>	454

<sup>a</sup> Debentures at par; shares at issue prices. Excluding securities not listed on the Stock Exchange and securities issued to foreign investors only.

<sup>b</sup> Of securities locally issued and listed on the Stock Exchange, and of debentures purchased by provident funds.

<sup>c</sup> Gross security issues, as defined above, less value of capital redemptions during the year.

<sup>d</sup> Revised figures.

regulations governing the composition of their assets. Hence the big increase in linked bond issues in 1961 and the advance in their prices.

As regards ordinary shares, the boom of 1959 and 1960 continued into the early months of 1961; thereafter share prices fell sharply, and the decline continued until the year's end, although at a slower rate.

The reasons mainly responsible for this state of affairs may be summed up as follows: (1) The flotation of new issues increased the availability of shares, and the excess demand which had been felt for some time was rapidly being absorbed. Moreover, owing to their very dimensions, the new issues exerted some pressure on the liquidity of the market. (2) There was a renewed and competing demand by private investors for linked bonds and real assets, such as real estate, which were believed to provide a better hedge than equities against inflation and currency devaluation. (3) Towards the end of the boom, equity prices had reached what many investors regarded as an upper limit, and the newer shares were cheaper than the more seasoned ones. Hence the drop in prices, especially of the latter.

Despite the decline of equity prices, the share market continued to expand throughout 1961, and its relative importance as a source of investment finance

increased. Moreover, in 1961 foreign capital for the first time ranked high among the sources of Stock Exchange investment in Israel.

## 2. THE STOCK EXCHANGE LIST

The nominal value of securities listed on the Tel Aviv Stock Exchange in 1961 increased by IL. 183 million<sup>1</sup>—i.e. almost as much as in the two preceding years taken together. The total par value of the Stock Exchange list

TABLE XX-2

*Public and Rights Issues of Israel Securities, 1961*  
(IL. million)

A. *To local investors*

1. Government loans <sup>a</sup>		
Linked bonds	33.9	
Savings certificates (non-linked)	16.4	
Other non-linked bonds	0.1	50.4
2. Debentures of financial institutions		131.6
3. Shares listed on the Stock Exchange	50.7	
4. Not listed <sup>b</sup>	9.0	59.7
5. Gross total—(1) to (4)		241.7
6. Less: Capital redemptions (estimate)		50.0
7. Net total—(5)–(6)		191.7

B. *To foreign investors*

10. Debentures <sup>c</sup>		48.6
11. Shares listed on the Stock Exchange	18.4	
12. Not listed	9.5	27.9
13. Total—(10) to (12)		76.5

C. *Summary*

14. Debentures—(1)+(2)+(10)		230.6
15. Listed shares—(3)+(11)	69.1	
16. Non-listed shares—(4)+(12)	18.5	87.6
17. Gross total—(5)+(13)		318.2
18. Net total—(7)+(13)		268.2

<sup>a</sup> Excluding the Government's Short-Term Loan.

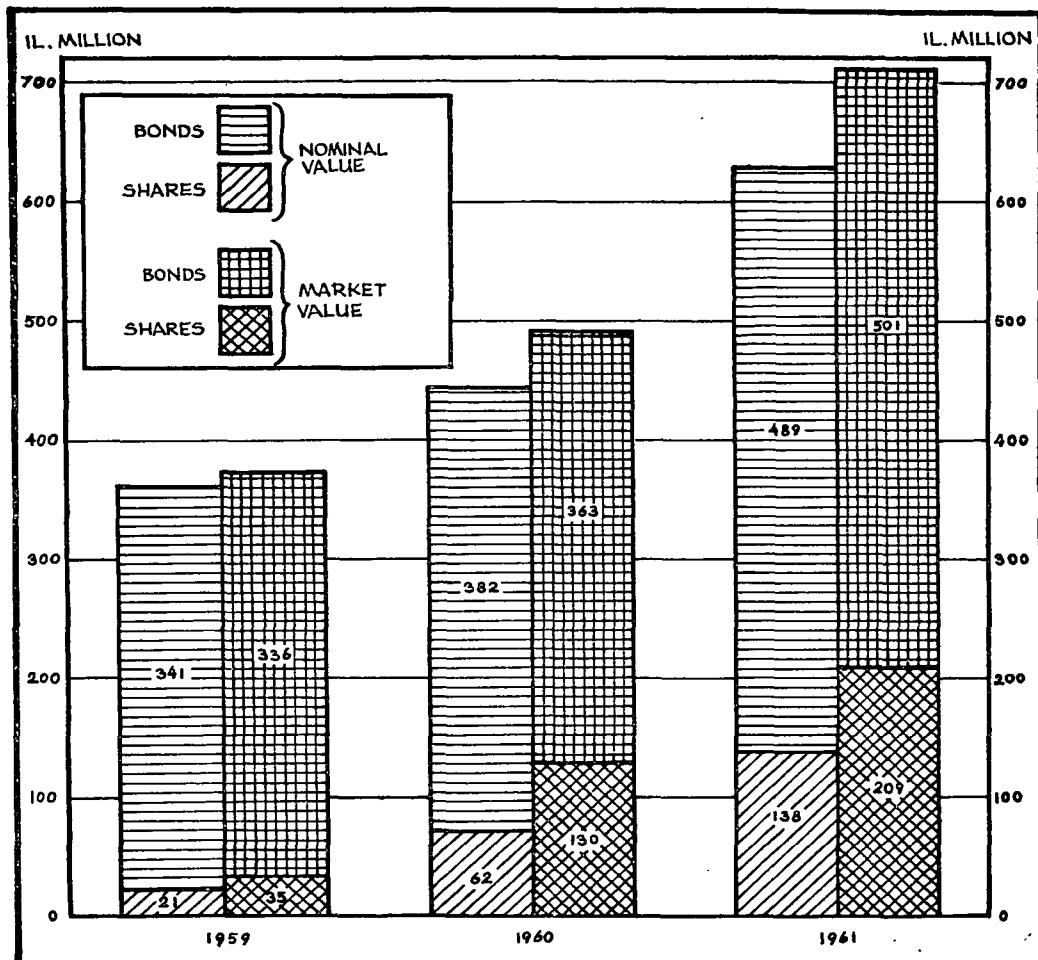
<sup>b</sup> See footnote <sup>2</sup> on page 389.

<sup>c</sup> Excluding the Development Loan of the Israel Government.

<sup>1</sup> This figure does not equal that for new net issues. See Bank of Israel Annual Report for 1960, p. 378, footnote <sup>1</sup>.

DIAGRAM XX-1

*Nominal and Market Value of Securities Listed on Tel Aviv Stock Exchange,  
1959-61*



thus advanced by about 40 per cent, reaching IL. 627 million at the end of 1961 (see Table XX-3).

The proportion of loan capital continued to decrease. It equalled 78 per cent of the face value of all securities listed at the end of 1961, compared with 86 per cent at the end of 1960. Linked bonds accounted for two-thirds of the list, as against 71 per cent at the end of 1960. The proportion of Government loans declined from 72 per cent at the end of 1958 to 39 per cent at the end of 1961, and that of Government loans together with loans guaranteed by the Government declined from 86 per cent at the end of 1958 to 64 per cent at the end of 1960 and 50 per cent at the end of 1961. The ratio between Gov-

TABLE XX-3

*Nominal Value of Securities Listed on the Tel Aviv Stock Exchange, 1958-61*  
*(at the end of each year)*

	1958	1959	1960	1961	1958	1959	1960	1961
	IL. million				Per cent			
<i>Government loans</i>								
Dollar-linked	85	118	110	120	33.4	32.6	24.8	19.1
Index-linked	25	27	38	43	9.8	7.5	8.6	6.9
“Mixed” link	—	—	4	10	—	—	0.9	1.6
Others (unlinked)	73	70	65	71	28.6	19.3	14.6	11.3
<i>Total</i>	183	215	217	244	71.8	59.4	48.9	38.9
<i>Government-guaranteed loans</i>								
Dollar-linked	14	40	47	54	5.5	11.1	10.6	8.6
Index-linked	22	21	19	15	8.6	5.8	4.2	2.4
<i>Total</i>	36	61	66	69	14.1	16.9	14.8	11.0
<i>Other securities</i>								
Ordinary shares	16	18	44	114	6.3	5.0	9.9	18.2
Preference shares	3	3	18	24	1.2	0.8	4.0	3.8
Dollar-linked loans	10	62	96	104	3.9	17.1	21.6	16.6
Index-linked loans				8				1.3
“Mixed” link loans				62				9.8
Unlinked debentures	7	3	3	2	2.7	0.8	0.7	0.3
<i>Total</i>	36	86	161	314	14.1	23.7	36.2	50.0
<i>Grand total</i>	255	362	444	627	100.0	100.0	100.0	100.0

NOTE: Discrepancies due to rounding.

SOURCE: The Tel Aviv Stock Exchange Ltd.

ernment and other securities has thus undergone a complete change, mainly because new methods of finance have evolved in the last few years. For example, to finance its Development Budget, the Government in recent years repeatedly drew on funds raised by financial institutions against debentures issued for this purpose. The proceeds from these issues were deposited by the issuing institutions with the Government, which in turn applied them to finance loans via these same institutions. Moreover, provident funds, which formerly used to deposit some portion of their additional assets in “special deposits”,<sup>1</sup> in 1961 invested large amounts in debentures issued by the financial organs of the Histadrut. Another factor contributing to the reduction of the percentage share of public loans among the Stock Exchange list was the inflow of foreign

<sup>1</sup> Linked deposits for periods of two years or more, held at financial institutions specially authorized to accept them.

capital in the form of Stock Exchange investments, mainly in non-governmental securities.

Simultaneously, the proportion of shares continued to increase. Their par value totalled IL. 138 million at the end of 1961, as compared with IL. 62 million at the beginning of the year and IL. 21 million at the end of 1959. Equities therefore made up 22 per cent of all the securities listed on the Stock Exchange at the end of 1961—as against merely 6 per cent at the end of 1959.

At market prices, the total value of all securities listed on the Stock Exchange advanced in 1961 from IL. 493 million to IL. 710 million (see Table XX-4). The increment (IL. 217 million) was mainly due to the following factors: (1) the net change in the nominal capital listed (IL. 183 million); (2) the net appreciation of existing securities (IL. 24 million); and (3) the premium included in the issue prices of new securities, over and above their par values (IL. 10 million). In contrast to the big increase in the nominal value of the capital listed on the Stock Exchange, its market value advanced less

TABLE XX-4

*Nominal and Market Value of Securities Listed on the Tel Aviv Stock Exchange, 1959-61  
(IL. million)*

Type of security	Year	Nominal value		Market value		Difference due to premiums and price fluctuations (4)–(2)
		At end of year	Increase during year	At end of year	Increase during year	
		(1)	(2)	(3)	(4)	(5)
Bonds	(1) 1959	341	105	336	..	..
	(2) 1960	382	41	363	27	-14
	(3) 1961	489	107	501	138	+ 31
Shares	(4) 1959	21	2	35	..	..
	(5) 1960	62	41	130	95	+ 54
	(6) 1961	138	76	209	79	+ 3
All securities listed on the Stock Exchange	(7) 1959	362	107	371	..	..
	(8) 1960	444	82	493	122	+ 40
	(9) 1961	627	183	710	217	+ 34

in 1961 than in 1960, since the rise in bond prices was partly offset by a fall in those of shares.<sup>1</sup>

### 3. THE VOLUME OF TRADE

The total volume of Stock Exchange transactions in 1961 was about IL. 88 million<sup>2</sup>—or IL. 18 million more than in 1960. But whereas trading increased almost continuously throughout 1960, it fluctuated sharply in 1961 (see Table XX-5 and Diagram XX-2). The monthly figures ranged from IL. 9.5 million (in March) to IL. 4.2 million (in September<sup>3</sup>).

The larger volume of trading on the Stock Exchange was largely due to the issue and listing of new securities. Trading opportunities improved as the Stock Exchange list grew in size. Moreover, the issue of new shares—especially in the early months of the year—gave rise to numerous speculative deals on top of the normal volume of business. Seven out of the ten public issues floated during the year totalled less than IL. 2 million each. The great demand for most of the new shares created possibilities for “staggering”—the subscription of new shares with the object of selling them at a profit shortly after their issue. Transactions of this kind not only led to spectacular over-subscriptions (in one instance amounting to 52 times the amount actually issued), but also inflated the volume of business in the new shares after their issue, and thereby the volume of Stock Exchange transactions as a whole. The large over-subscriptions also resulted in small allotments to genuine investors along with the “stags”, and many of them, instead of holding insignificant positions of the newly issued shares, sold their allocations immediately. Others followed the opposite course, and supplemented their allotments by purchases in the market. Thus there ensued a brisk initial trade in the new shares. These smaller flotations happened to succeed each other rather rapidly within the first four months of the year and, for the reasons just explained, at least partly accounted for the bulging volume of equity transactions during those months.

<sup>1</sup> This decline is not fully reflected in Table XX-4 because the premium on the issue of new shares is not recorded in columns (1) and (2). In 1961 these premiums totalled just over IL. 10 million. If this were taken into account, line (6) of column (5) would show a difference of minus IL. 7 million (instead of plus IL. 3 million), and line (9) of column (5) a difference of plus IL. 24 million (instead of plus IL. 34 million).

<sup>2</sup> At market prices. Excluding the proceeds from the issue of new securities, the internal compensation by banks and brokers of buying and selling orders received, as well as the banks' and brokers' own-account transactions outside the Stock Exchange. According to unofficial estimates, transactions on the Stock Exchange itself account for approximately three-quarters of all trading in securities listed on the Exchange.

<sup>3</sup> Owing to the Holidays, September had the smallest number of trading days. But the average volume per trading day was also smaller in September than in other months of the year.

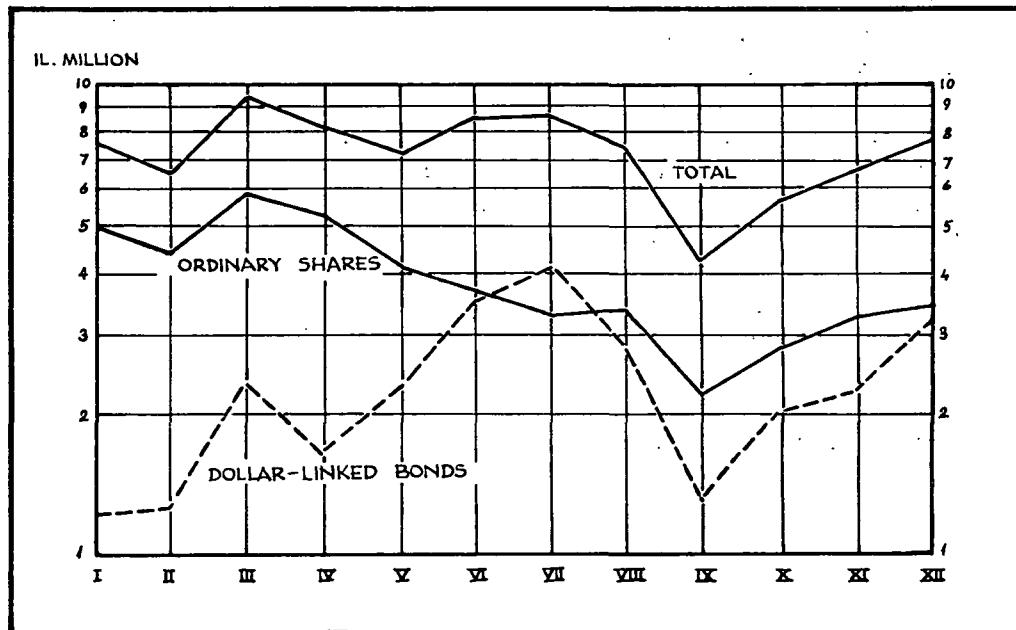
TABLE XX-5

Volume of Transactions at the Tel Aviv Stock Exchange, by Type of Securities, 1961

Month	Bonds						Bonds							
	Dollar-linked	Index-and "mixed" link	Unlinked		Total	Shares	Total	Dollar-linked	Index-and "mixed" link	Unlinked		Total	Shares	Total
			Unlinked	Total						Unlinked	Total			
IL. thousand—at market prices														Per cent
January	1,215	403	663	2,281	4,906	7,187	16.9	5.6	9.2	31.7	68.3	100		
February	1,280	330	470	2,080	4,521	6,601	19.4	5.0	7.1	31.5	68.5	100		
March	2,348	313	855	3,516	5,947	9,463	24.8	3.3	9.0	37.1	62.9	100		
April	1,650	402	885	2,937	5,225	8,162	20.2	4.9	10.8	35.9	64.1	100		
May	2,224	412	670	3,306	4,063	7,369	30.2	5.6	9.1	44.9	55.1	100		
June	3,606	511	679	4,796	3,779	8,575	42.1	5.9	7.9	55.9	44.1	100		
July	4,214	425	774	5,413	3,227	8,640	48.8	4.9	8.9	62.6	37.4	100		
August	2,979	511	561	4,051	3,261	7,312	40.7	7.0	7.7	55.4	44.6	100		
September	1,349	283	443	2,075	2,171	4,246	31.7	6.6	10.4	48.7	51.3	100		
October	2,097	339	575	3,011	2,849	5,860	35.8	5.8	9.8	51.4	48.6	100		
November	2,328	448	791	3,567	3,168	6,735	34.6	6.7	11.7	53.0	47.0	100		
December	3,158	417	757	4,332	3,388	7,720	40.9	5.4	9.8	56.1	43.9	100		
Total	28,448	4,794	8,123	41,365	46,505	87,870								
Monthly Average	2,371	399	677	3,447	3,875	7,322	32.4	5.5	9.2	47.1	52.9	100		

DIAGRAM XX-2

*Volume of Transactions on the Tel Aviv Stock Exchange, by Months, 1961*



In 1961 the Stock Exchange volume was still largely determined by the business in equities. From the second quarter of 1959 until the first months of 1961, the demand for equities increased more rapidly than offers. Consequently, share prices advanced steeply and the volume of business expanded. The boom itself further underpinned the demand; share prices were pushed up and the volume of transactions continued to increase. This process came to an end in the spring of 1961. Following new equity issues of unprecedented dimensions, and under the influence of additional factors to be mentioned later, the pressure of buying orders now ceased to be felt. Share prices came down and the volume of business contracted. The monthly figures for equity transactions alone, which had averaged IL. 5.1 million during the first quarter of 1961, declined to IL. 4.3 million in the second quarter, and to IL. 3 million in the second half of the year. The total volume of Stock Exchange transactions declined in a roughly parallel manner (see Diagram XX-2).

It should be noted in this context that Stock Exchange transactions in Israel are conducted almost exclusively on a cash basis. Margin facilities and other forms of customer credit are practically non-existent. Unknown, too, are short sales, deferred purchases and sales, option deals, and similar operations such as are practised on the big stock markets elsewhere. The set-up of the Tel Aviv

market technically permits speculation on rising prices, but severely handicaps speculation on falling prices. This may be an additional reason for the diminishing volume of equity transactions during the second half of 1961, when the price trend was downwards. If speculation on falling prices were possible, it is likely that heavy short selling, say, in May 1961, would have been followed by purchases at a later date to cover these sales, and the volume would have been more substantial than it actually was.

As regards fixed-interest securities, the volume of business during the first five months of 1961 was much the same as in 1960, i.e. between IL. 2 million and just over IL. 3 million per month. In June, July, and August, and again during the last two months of the year, the volume expanded owing to heavy buying of linked bonds—especially dollar-linked bonds—always in anticipation of the currency devaluation.

The volume of equity business exceeded that of fixed-interest securities during the first five months of 1961 (see Table XX-5 and Diagram XX-2). But in June 1961, after 10 months of relatively heavy trading in shares, the portion of equity business in the total Stock Exchange turnover began to decline, while trading in fixed-interest securities picked up again.

#### 4. FIXED-INTEREST SECURITIES

##### (a) *General trends*

In linked bonds—the backbone of the fixed-interest securities market—there began a new period of expansion in 1961. During the years 1959 to 1961 this market fluctuated in accordance with changes in legislation, the economic climate in general, and in response to the developments which took place in the rest of the security market.

In 1959 institutional buying of linked bonds, especially purchases by provident funds, reached a peak. These institutions were then still in the process of adjusting their assets to the requirements of the regulations enacted in 1957, a process which entailed large-scale investments in linked bonds. Moreover, it was widely believed at the time that the general elections held that year would be followed by a currency devaluation, and this created a considerable demand for dollar-linked bonds on the part of private investors as well. Consequently, more linked bonds were issued in 1959 than in any previous year, and the prices of dollar-linked bonds went up. The upward trend was reinforced by the Government's decision in September 1959 to authorize thereafter only the issue of such bonds as were linked half and half, to the exchange rate and the consumer price index.

In the following year (1960), institutional as well as private buying of linked bonds diminished considerably. Private investors largely switched to shares, whereas the provident funds tended to invest additional funds in so-

called "special deposits", which were entirely dollar linked and not subject to market fluctuations. New issues of linked bonds in 1960 were IL. 65 million less than in 1959 (a decline of 53 per cent), and the index of linked-bond prices declined (see Table XX-6).

TABLE XX-6.  
*Linked Bonds: Issue Amounts and Prices, 1958-61*

Year	Gross issue amount (IL. million)	Price indices (Nominal value+increment due to linking terms=100)		
		Dollar-linked bonds		Index-linked bonds
		Annual average	End of year	Annual average
1958	55	100.4	106.7	98.0
1959	122	102.9	105.1	94.4
1960 <sup>a</sup>	57	99.3	99.2	93.9
1961	157	102.2	104.4	95.3

<sup>a</sup> Revised figures.

In 1961 the demand for linked bonds picked up again, for three main reasons: First, the option formerly granted to provident funds of putting their money into "special deposits" was cancelled towards the end of 1960, and the proportion of the so-called "approved investments"—henceforth comprising securities only—was raised from 65 per cent to 75 per cent of their total assets. Not unexpectedly, linked bond purchases by the provident funds therefore increased considerably in 1961.<sup>1</sup> Secondly, the renewed inflation and the strong general feeling that the currency would be devalued shortly after the elections of August 1960 once again created a heavy demand for linked bonds among private investors anxious to hedge against the eventualities of continued inflation and of devaluation, and willing to gain from the linkage increment in case of devaluation. Thirdly, the revived demand for linked bonds was also connected with the ending of the boom in the share market. In the two-year period ending with the first quarter of 1961, a period of relative price stability and of a continuous boom in equities, there appears to have been a flow of funds from the bond into the share market. Moneys which otherwise might well have been invested in linked bonds were actually invested in shares, since share prices were witnessed to be rising steeply and the rise was expected to continue. In 1961, the trend was reversed and the attractiveness of linked bonds restored.

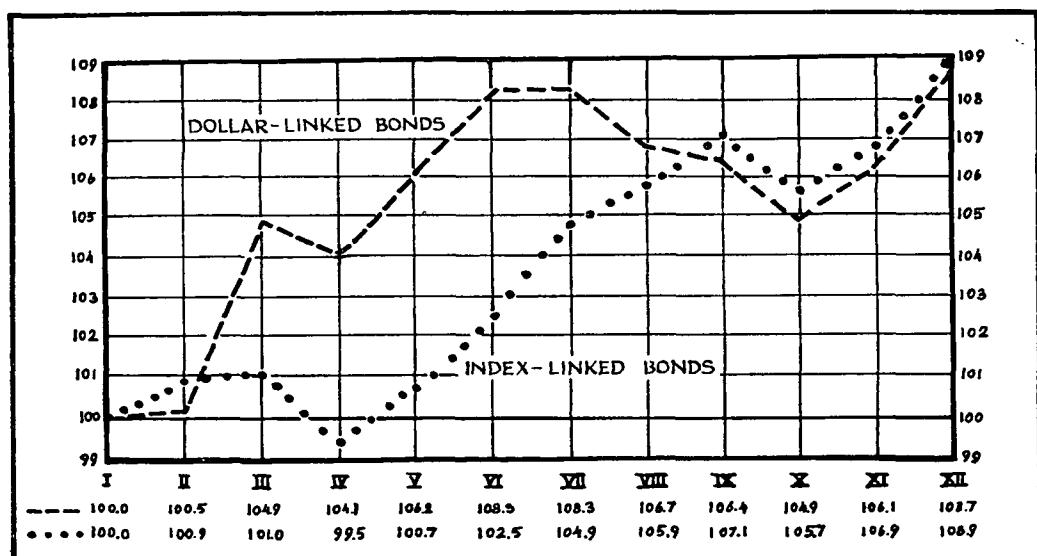
<sup>1</sup> See Chapter XVIII—"Provident Funds and Insurance Companies".

(b) *Prices*

Linked bond prices fluctuated more widely in 1961 than in 1960. Between the beginning and the end of the year, the price index of all linked bonds advanced by 8 per cent (see Table XX-7, column 2), whereas in the preceding year it had receded by 1½ per cent (column 1). The rise was more pronounced in the case of dollar-linked bonds (column 4) than in the case of bonds linked to the cost-of-living index. The latter lagged behind the rise in consumer prices, and throughout the years 1960 and 1961 they were mostly below their adjusted par value (equal to the nominal value plus the increment due to the rise in the cost-of-living index). This is shown in columns (5) and (6) of Table XX-7 and in Diagram XX-4. Measured by the unadjusted par values, the prices of index-linked bonds rose faster and more steadily. On this basis, index-linked bonds rose to a roughly similar extent as dollar-linked bonds, and the downward fluctuations in their quotations were short-lived and very slight (see Diagram XX-3).

DIAGRAM XX-3

*Indices of Linked Bond Prices, by Months, 1961*  
(January 1961 = 100)



Most of the trading in fixed-interest securities was in dollar-linked bonds. Despite the overall increase in dollar-linked bond prices, the trend was by no means uniform throughout the year, and the volume of transactions expanded and contracted by turns. As in previous years, the fluctuations were chiefly

motivated by the decisions of the private investors, because provident funds (which account for most of the institutional investments) were required to purchase their securities not on the Stock Exchange but directly from the issuing bodies or the underwriters. Their market operations were therefore confined essentially to switches from one security to another. The remaining institutional investors have always been inclined to follow medium- and long-range investment policies and to react less strongly than private investors to temporary fluctuations and rumors. Demand and price fluctuations of dollar-linked bonds depended, more or less, on the intensity of devaluation rumors. In June and July, and again towards the end of the year, dollar-linked bonds commanded peak prices. But during the months of August to November there was a relative ebb in the demand for them. These were the months of the Knesset elections and of negotiations for the formation of a new Government coalition, and it was taken for granted that the caretaker Government would not carry out the devaluation. Towards the end of the year, devaluation rumors surged again and dollar-linked bond prices advanced accordingly.

Index-linked bonds were less susceptible to this kind of speculation, and trading in them was on a much smaller scale.

TABLE XX-7

*Indices of Linked Bond Prices, 1960-61*

Month	All linked bonds		Dollar-linked bonds		Index-linked bonds	
	(January 1960=100)		(Nominal value plus linkage increment=100)		1960	1961
	(1)	(2)	(3)*	(4)	(5)*	(6)
January	100.0	100.0	101.7	97.8	94.8	95.5
February	98.8	100.5	100.0	98.1	94.7	93.6
March	97.5	103.3	98.9	102.3	93.9	94.7
April	98.4	102.4	100.7	101.1	93.3	92.6
May	98.2	104.0	100.2	103.1	94.5	94.5
June	98.1	105.7	99.9	104.3	92.4	90.1
July	97.1	106.5	99.1	104.8	95.0	95.8
August	96.5	105.8	98.6	103.2	94.1	98.5
September	97.1	106.0	98.5	103.6	94.5	100.3
October	96.6	104.7	97.7	101.8	92.2	95.5
November	96.0	105.7	97.3	102.1	92.8	95.6
December	98.5	108.1	99.2	104.4	94.4	97.2

\* Revised figures.

SOURCE: Based on data of Central Bureau of Statistics.

### (c) *New issues*

#### 1. *Government loans*

The nominal value of Government bonds sold to the public in 1961 reached approximately IL. 50 million,<sup>1</sup> as compared with IL. 42 million in 1960 and IL. 38 million in 1959. The net increase in the outstanding balance of domestic loans totalled IL. 14 million, or about IL. 6 million more than in 1960 and about IL. 500,000 more than in 1959. Yet, compared with the total volume of new bond issues, the proportion of Government borrowing continued to diminish.<sup>2</sup>

About two-thirds of the Government issues (some IL. 34 million) were in the form of linked bonds, the composition of which by type of linkage and of ownership—registered and bearer bonds—is shown in Table XX-8.

The issue of bonds fully linked either to the exchange rate or to the consumer price index was resumed in 1961. More than half the amount of the new issues of linked Government bonds in 1961 was linked to the dollar; however, as in the past, the proportion between the various types of linkage varied considerably, depending on whether the bonds were bearer or registered bonds. Of the former, nearly 85 per cent were linked to the dollar, while about half the amount of the registered bonds was linked to the cost-of-living index. (For the purpose of this calculation, one-half of the issue amount of the bonds linked on a "fifty-fifty" basis to the dollar and the cost-of-living index has been included with the index-linked group.) On the assumption that most of the registered bonds are owned by institutional investors while most of the bearer bonds are held by individuals, it would appear that private investors continued to prefer the dollar link, whereas institutional investors divided their purchases in 1961 almost equally between dollar-linked and index-linked bonds.

On the same assumption, it also appears that roughly two-thirds of the linked bonds issued by the Government in 1961 were purchased by institutional investors, and one-third by individuals.

Among Government loans issued during the year, there have been included, as in previous years, the savings bonds of the Immigrant Housing Loan.<sup>3</sup> In 1961 bonds of this type were issued to the amount of IL. 16.4 million, i.e. about IL. 5 million less than in 1960 but IL. 1.5 million more than in 1959. Repayment of savings bonds in 1961 exceeded the value of new issues; the outstanding balance declined by IL. 3.5 million, and amounted to IL. 7.3 million at the end of the year. As in previous years, the savings bonds were

<sup>1</sup> Including savings certificates, but excluding the Short-Term Loan.

<sup>2</sup> The economic significance of the distinction between Government and non-Government borrowing is discussed in the Bank of Israel Report for 1960, pp. 383-385.

<sup>3</sup> Bearer bonds, carrying cumulative interest at average annual rates increasing with the length of the period for which they have been held. Holders may redeem such bonds as from the seventh month after issue.

TABLE XX-8

Issue of Linked Government Bonds, by Type of Link and Ownership, 1961

Type of ownership	Dollar link	Index link	"Mixed" link	Total
IL. thousand				
Bearer	10,978	751	1,314	13,043
Registered	8,632	7,488	4,787	20,907
<i>Total</i>	19,610	8,239	6,101	33,950
Per cent				
Bearer	84.2	5.7	10.1	100.0
Registered	41.3	35.8	22.9	100.0
<i>Total</i>	57.7	24.3	18.0	100.0

issued almost entirely to the recipients of personal restitution payments and similar transfers, as a premium on the sale of foreign currency. Despite the growing amount of transfer receipts and the retention of substantial foreign currency balances by the beneficiaries in the past, the total amount converted into local currency was smaller in 1961 than in 1960. The awareness that an eventual currency devaluation would increase the value of their foreign currency assets in terms of Israel pounds apparently caused the recipients of restitution payments etc. to postpone the conversion and to deposit the largest possible proportion of their foreign currency receipts in PAZAK and TAMAM accounts. Likewise, persons who in previous years had received funds from

TABLE XX-9

Restitution Receipts and their Conversion into Israel Currency, 1959-61  
(IL. million)

Year	Balance of PAZAK and TAMAM deposits at beginning of year	Amount of restitution received during year	Total amount available to restitution recipients (1)+(2)	Amount converted	Amount converted as a percentage of total amount available ( $\frac{4}{3} \times 100$ )
	(1)	(2)	(3)	(4)	(5)
1959	31.2	127.3	158.5	69.6	44
1960	73.9	181.1	255.0	98.7	39
1961	124.5	200.2	324.7	77.8	24

SOURCE: Ministry of Finance and Bank of Israel.

abroad and who had not yet converted them into local currency also refrained, whenever possible, from doing so. PAZAK and TAMAM accounts therefore expanded in 1961 to a greater extent than ever before.<sup>1</sup> In 1961 the percentage of foreign currency available to restitution recipients that was converted into local currency was much smaller than in previous years (see Table XX-9). In 1959 conversions amounted to 44 per cent of the total amount available, and in 1961 to 24 per cent.

As in previous years, a large proportion of the savings bonds issued during 1961 were sold in the market.<sup>2</sup> The buyers obtained a net annual income of 8 to 11 per cent, depending on the state of supply and demand. As far as the sellers were concerned, it will be remembered that they had been issued these bonds as a premium on the conversion of foreign currency. The sale of savings bonds by this group of persons must therefore be regarded as being part and parcel of the exchange transaction. Judging by the general reluctance of foreign currency owners to convert their holdings into local currency, it may be assumed that, in order to obtain a given amount of cash (i.e. local currency), they preferred to dispose of the savings bonds at a discount rather than convert additional amounts of foreign currency. These circumstances explain the sharp fluctuations in the yield from savings certificates, based on their market prices at various rates (see Table XX-10).

TABLE XX-10  
*Net Yield from Savings Certificates*

<i>Date (1961)</i>	<i>Series</i>	<i>Net annual yield<sup>a</sup> (in per cent)</i>
8 June	65	8.6
29 June	69	10.0
17 August	71	7.6
5 October	72	8.1
2 November	72	10.0
23 November	74	11.0
14 December	74	7.4
28 December	76	11.4

<sup>a</sup> Redemption yield, on the assumption that redemption takes place at the beginning of the seventh month after issue.

<sup>1</sup> The increase was particularly marked in the case of PAZAK accounts, since the amount that could be deposited in TAMAM accounts was restricted in 1961 to one-third of the total sum received (see Chapter XIV).

<sup>2</sup> Redemption yield, it being assumed that redemption takes place at the beginning of the seventh month after issue.

The issue of the Short-Term Loan, launched by the Government in the summer of 1960, continued in 1961.<sup>1</sup> The outstanding balance of this loan increased from IL. 12 million to IL. 22.5 million. As in 1960, the main buyers were financial institutions. Stock Exchange deals in this security were few and far between. Owing to its short-term character, it has not been included in the aggregate figures cited in this chapter, which relate to long-term capital movements.

The turnover in other Government loans (Popular Loans etc.) was negligible. Only half the amount due for redemption in 1961—approximately IL. 4 million—was actually redeemed. New issues totalled less than IL. 50,000.

## 2. *Non-Government loans*

The issue of non-Government bonds proceeded faster in 1961 than in any previous year. Local issues of this kind amounted to about IL. 132 million, as compared with IL. 37 million in 1960 and IL. 99 million in 1959.<sup>2</sup> Apart from this, about IL. 49 million worth of non-Government bonds were issued to foreign lenders.

All of this capital was raised by financial institutions from the public and from provident funds in Israel, as well as from various investors abroad. In most cases the local issues were for 12-year periods, to be repaid in annual instalments starting in 1963 or 1964. They were linked and, as in the case of Government loans, the lender was given the option between three kinds of linkage—to the dollar, to the consumer price index, or a combination of the two. Bonds issued to foreign investors were for periods of 8 to 10 years, and their denomination was either in foreign or Israel currency. In the latter case, the bonds were linked to the dollar.

The big increase in the volume of new issues was largely the outcome of changes in the methods of investment finance, which had already been tried in 1960 and were more vigorously applied in 1961. Thus, (1) the proceeds from linked bond issues were, to some extent, recorded on the revenue side of the Government's Development Budget, even though the funds were actually raised not by the Government itself but by financial institutions. The procedure was for such moneys to be deposited with the Government, which utilized them to finance investments via the issuing institutions. (2) As from the end of 1961, provident funds were prevented from including "special deposits" among their authorized investments, so that debentures have practically become the only type of investment outlet open to them. Some IL. 71 million of the debenture series issued in 1961 were liabilities of financial institutions affiliated

<sup>1</sup> A description of this loan may be found in the Bank of Israel Annual Report for 1960, p. 385. Further details are cited in Chapter XXI—"The Activities of the Bank of Israel".

<sup>2</sup> Including Government-guaranteed debentures to the amount of IL. 44 million.

to Hevrat Ovdim, the holding company of the General Federation of Labor.<sup>1</sup> These were earmarked mainly for sale to provident funds. The proceeds from their issue were utilized to finance capital investments by Histadrut undertakings.

Most of the debentures issued to foreign investors (about IL. 40 million out of IL. 49 million) were those of mortgage banks. The remainder were issued by two institutions engaged in development finance.

The remaining debentures in this group, totalling IL. 60 million, were also liabilities of financial institutions. They were purchased partly by private and partly by institutional investors. As already mentioned, the demand for dollar-linked bonds was on the increase in 1961, and some issues were oversubscribed.

## 5. THE SHARE MARKET

### (a) *End of the boom*

The boom in the equity market, which had gained in momentum throughout the two preceding years, came to an abrupt end in the second quarter of 1961. The turning point was reached while the market was expanding rapidly and the new issues business was achieving record dimensions. The Tel Aviv Stock Exchange equity list had been growing rapidly, and the volume of transactions had increased steadily. New share issues continued to be made throughout 1961, but equity prices came down considerably.

Until the turning point, the upward trend had been extremely steep. The index of ordinary share prices almost doubled twice within two years, while the nominal share capital listed on the Stock Exchange increased nearly two and a half times within 16 months.<sup>2</sup> In its early stage, the boom was mainly due to a reappraisal of the then existing share prices, in view of the condition and business prospects of the companies concerned. The initial rise in share prices led to further purchases, largely by new investors, many of whom were inspired by the hope of quick capital gains, without paying too much attention to dividend yields or developments within the companies concerned. Most of the purchases were made by private investors. Their financing was made possible chiefly by the continuous rise in personal incomes and—the indication, perhaps, of a growing propensity to save—by the increased liquidity of the public. It is also possible that part of the private restitution payments that were converted into Israel currency were

<sup>1</sup> For instance: two series of debentures, totalling IL. 20 million, issued by Bitzur Ltd.; two series, totalling IL. 20 million, issued by Gmul; one series of IL. 8.2 million (the balance of an issue floated in 1960) and another, totalling IL. 10 million, issued by Igarot.

<sup>2</sup> Between the end of 1959 and the end of April 1961, the nominal capital increased from IL. 18 million to IL. 61 million.

invested in shares. It will be noted that the boom in the share market occurred in a period of consumer price stability; in the circumstances, it seems that equity investments to some extent took the place of investments in linked debentures. The authorities indirectly encouraged this trend, both by fiscal measures<sup>1</sup> and—as far as possible—by directing companies requiring additional capital to the share market. Moreover, during the two years ending April 1961, equity investments became fashionable, so to speak, spreading to wide sections of the public who previously had not invested in securities at all.

This bullish trend suddenly ended in April 1961. From the beginning of the year until then, the sum total of new share issues almost equalled that for the whole of 1960. Contrary to past experience, the new issues now began to weigh on the securities price level, both because of the heavy demand on the liquidity of investors and because, compared with the newly issued shares, the prices of the more seasoned ones seemed to be very high. The comparison applies particularly to the public issues which were floated in 1961. But the impact of rights issues, too, was more strongly felt in 1961 than before. At the beginning of the year, a number of companies raised relatively large amounts of new capital through rights issues, compared with their then existing capital structure. In one case a company trebled its share capital at a single stroke, through such an issue. Many of the old shareholders being unable to exercise their subscription rights, a substantial proportion of the rights were disposed of in the market. This not only reduced the prices of subscription rights below their mathematical value, but also resulted in the old shares being marked down several points. Additional factors contributed, at the same time, to the weakening of equity prices.

1. The intensification of inflationary pressures and the uncertainty of the exchange rate once again made linked bonds an attractive investment, drawing not only new savings but apparently also capital invested in other assets, including equities. Similarly, there are indications that funds which under different conditions might have been invested in shares were actually invested in real estate; the demand for residential housing increased greatly in 1961 and real estate prices rose appreciably. It was widely held that, in the event of continued inflation or of a currency devaluation, the prices of linked bonds and real property would go up, or at least remain stable, whereas no general opinion seems to have crystallized with regard to the effect of such developments on equity prices.

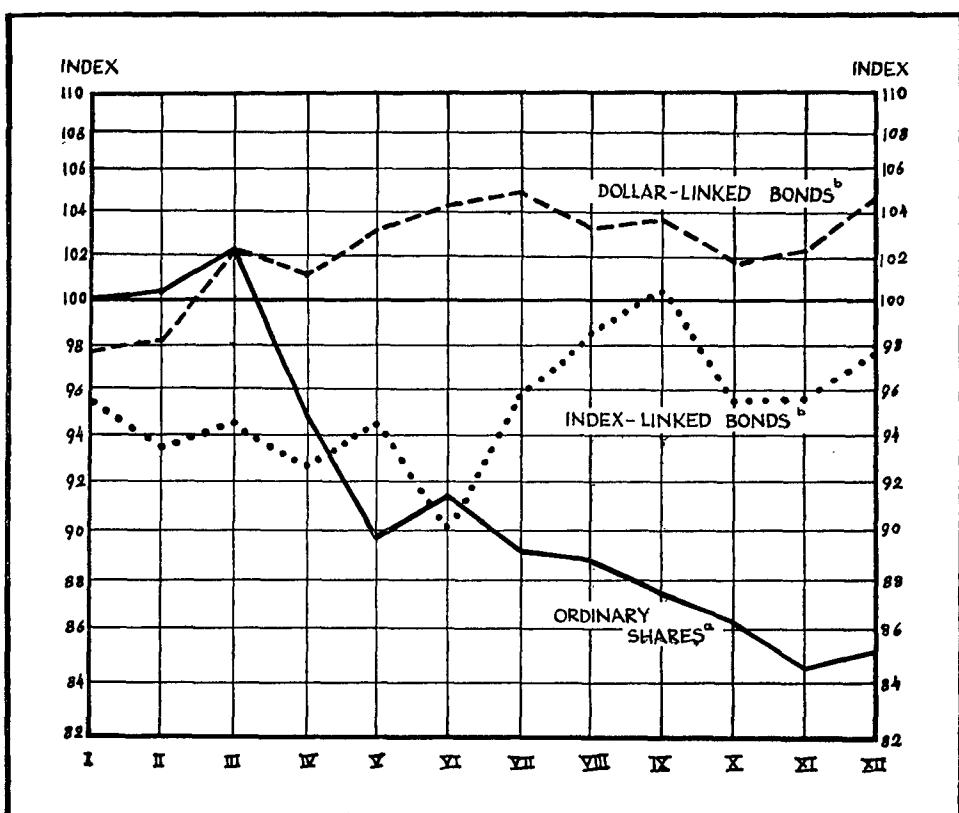
2. During the last stages of the boom, many investors felt that equity prices had risen to levels which it would be impossible to maintain. Nor was the information received in 1961 about the business position of individual com-

<sup>1</sup> The permission was granted to revalue fixed assets for the purpose of calculating depreciation charges, and a tax ceiling was fixed with regard to the dividends from new shares, approved for this purpose by the Government.

panies necessarily calculated in all cases to encourage investment at the prevailing prices. A few companies reduced their dividend rates in the year reviewed. Production difficulties and liquidity problems arose in one company, while others experienced labor disputes, which added to production costs and threatened to reduce profits. In the case of some shares, hopes of dividend increases or bonuses failed to materialize. Together, these and other developments pushed down the general level of equity prices.

3. The very fact that share prices had ceased to rise induced sales for the purpose of profit-taking and protection. The changed climate also deterred potential investors. The volume figures (see Table XX-5) and the steepness of the decline of equity prices (see Table XX-11 and Diagram XX-4) seem to indicate that there was little or no panic selling. However, just as the rising prices during the boom days had encouraged buying, so falling prices had the opposite effect. In April 1961 average share prices declined by about 7 per

DIAGRAM XX-4  
*Indices of Security Prices, by Months, 1961*



<sup>a</sup> January 1961 = 100.

<sup>b</sup> Nominal value plus linkage differentials = 100.

TABLE XX-11

*Index of Ordinary Share Prices, 1960-61*

Month	1960 <sup>a</sup>		1961	
	1950 average=100	January 1960 =100	1950 average=100	January 1961 =100
January	278.8	100.0	534.2	100.0
February	288.9	103.6	535.3	100.2
March	312.7	121.7	546.2	102.2
April	344.7	123.6	506.6	94.8
May	367.7	131.9	479.9	89.8
June	416.7	149.5	488.0	91.4
July	416.4	149.5	477.2	89.3
August	467.5	167.7	474.7	88.9
September	494.6	177.4	467.6	87.5
October	552.6	198.2	461.1	86.3
November	492.1	176.5	451.3	84.5
December	517.8	185.7	454.5	85.1

<sup>a</sup> Revised figures.

SOURCE: Central Bureau of Statistics.

cent—approximately the average monthly rate at which they had risen in 1960 (though at a different level)—and it was feared that the decline would gain in momentum. At the end of April, the authorities decided to postpone the projected issues of new shares, both in order to eventually ensure their successful flotation and to check the slump of the existing market. Although share prices continued to fall in the following months, the rate of decline slowed down. In July new issues were again, and successfully, floated, despite the downward trend of the market.

Between the peak month and the end of the year, the price level of listed ordinary shares declined by 17 per cent. Most affected were those shares which had risen the fastest in the past, and the shares of companies whose performance had actually been disappointing. Some of the newer shares were traded below their issue prices. There was talk of greater selectivity, although it is difficult to establish whether there had really been an improvement in the ability of the investing public to interpret share prices. Company reports remained rudimentary and lagging, so that there was little opportunity of analyzing investments according to the standards accepted elsewhere. Nevertheless, the payment of interim dividends, which became more common in 1961, gave shareholders at least some indication of business trends.

To sum up, despite the reversal of the price trend, the equity market continued to grow rapidly in 1961. The preceding boom of the equity market had caused shareholding to become more widespread and added to the importance

of the new issue market compared with other sources of investment finance. In this regard, there was no change in 1961. On the contrary, industrial companies for the first time financed big investment projects through public share issues in the local market, and foreign portfolio investments in Israel companies were on a larger scale than ever before.

(b) *New issues*

Domestic issues of new shares in 1961 amounted to IL. 60 million,<sup>1</sup> while about IL. 28 million was raised from foreign investors. The breakdown into listed and unlisted shares is given in Table XX-12.

TABLE XX-12

*New Equity Issues, 1961*  
(IL. million)

	Listed		Unlisted	Total (at issue prices)
	Nominal value	At issue prices	(At issue prices)	
To local investors	41.4	51.0	9.0	60.0
To foreign investors	18.0	18.4	9.5	27.9
<i>Total</i>	<i>59.4</i>	<i>69.4</i>	<i>18.5</i>	<i>87.9</i>

Nearly 60 per cent of the capital raised in 1961 against shares listed on the Stock Exchange (IL. 41 million out of nearly IL. 70 million) was accounted for by industrial companies, less than one-third (IL. 22 million) by financial institutions, and the remainder (IL. 6 million) by land and development companies (see Table XX-13).

Most of the capital (IL. 54.5 million) was raised by 13 "new" companies, i.e. companies whose shares had not been previously listed on the Stock Exchange, whereas in 1960 seven "new" companies accounted for approximately one-quarter of the year's total. And whereas in 1960 preferred ordinary shares<sup>2</sup> accounted for about three-quarters of the share capital raised by "new" companies, in 1961 the proportion fell to about one-quarter (IL. 13.4 million), and ordinary shares pure and simple represented about three-quarters of new share issues (IL. 41 million).

<sup>1</sup> At issue prices; excluding shares created by the conversion of debentures and shares issued without prospectus.

<sup>2</sup> See Bank of Israel Annual Report for 1960, p. 388.

TABLE XX-14

Foreign Currency Assets and Assets Denominated in Foreign Currency, Originating from Personal Restitution Payments, 1960-61

Currency	End of June 1960					End of October 1961				
	PAZAK deposits	TAMAM deposits	Foreign securities <sup>a</sup>	NATAD deposits	Total	PAZAK deposits	TAMAM deposits	Foreign securities <sup>a</sup>	NATAD deposits	Total
IL. million										
Deutsche mark	13.7	14.3	0.5	—	28.5	30.1	32.0	2.9	0.3	65.2
U.S. dollar	7.6	16.6	5.0	—	29.3	11.5	20.2	8.9	1.0	41.6
Swiss franc	0.9	0.7	1.8	—	3.4	2.4	2.8	3.4	— <sup>b</sup>	8.7
Sterling	1.5	0.8	1.1	—	3.3	2.4	1.2	2.6	0.2	6.3
Other currencies	0.2	0.1	0.1	—	0.3	0.4	0.2	0.3	— <sup>b</sup>	0.9
Total	23.9	32.5	8.4	—	64.8	46.8	56.3	18.0	1.6	122.7
Per cent										
Deutsche mark	57.3	44.0	5.8	—	44.0	64.3	56.7	16.1	16.9	53.2
U.S. dollar	31.8	51.3	59.5	—	45.2	24.7	35.8	49.0	64.8	33.9
Swiss franc	3.8	2.2	20.8	—	5.2	5.1	5.0	18.9	4.4	7.1
Sterling	6.4	2.3	12.7	—	5.2	5.0	2.1	14.3	13.5	5.1
Other currencies	0.7	0.2	1.2	—	0.4	0.9	0.4	1.7	0.4	0.7
Total	100.0	100.0	100.0	—	100.0	100.0	100.0	100.0	100.0	100.0

<sup>a</sup> At purchase price.<sup>b</sup> Less than \$ 100,000.

SOURCE: Ministry of Finance.

positis.<sup>1</sup> The owners of these deposits are recipients of personal restitution payments or other personal transfers from abroad. While the transfer of such deposits to third parties is prohibited by the foreign exchange regulations, it is permissible to sell securities acquired out of such deposits to other residents, regardless of whether they are holders of TAMAM deposits or not.<sup>2</sup> In 1961, as in former years, the sale of such securities against Israel pounds was transacted at the official exchange rate, with the addition of an agio depending on the state of supply and demand. In 1961 there was a fairly heavy demand for foreign securities which, like dollar-linked domestic bonds, were considered to provide a hedge against losses, or even a source of profit in the event of a currency devaluation. The agio accordingly rose from 23.5 per cent in the middle of January to 33.9 per cent at the end of the year.<sup>3</sup>

The composition by types of currency of the various kinds of foreign assets held by Israel residents was far from uniform; it also fluctuated in the course of time. The proportion of Deutsche mark assets,<sup>4</sup> for instance, increased from 44 per cent of the total in June 1960 to 53 per cent in October 1961. Yet, at the end of October 1961, DM securities accounted for no more than 16 per cent of all foreign securities owned by Israel residents, whereas DM deposits accounted for 60 per cent of the foreign currency deposits. At the beginning of March 1961, shortly before the revaluation of the Deutsche mark, Israel residents owned assets denominated in that currency to the equivalent of \$42.3 million. The revaluation raised the countervalue of these assets by a further \$ 2 million.

The proportion of assets denominated in U.S. dollars declined from 45 per cent of the total foreign currency assets held by Israel residents<sup>4</sup> at the end of June 1960, to 34 per cent at the end of October 1961. The decline was particularly steep in the case of TAMAM deposits (from 51 to 36 per cent of all such deposits) and in the case of PAZAK deposits (from 32 to 25 per cent). The proportion of dollar securities also declined (from 60 per cent to 49 per cent).

<sup>1</sup> See Chapter XIV.

<sup>2</sup> From the point of view of those selling foreign securities against Israel currency, the transaction strictly represents a conversion of foreign currency into Israel pounds. But, unlike the sale of foreign currency to the Treasury, such transactions do not involve the creation of additional local currency.

<sup>3</sup> Selling prices based on unofficial information. During the year, there were fairly sharp fluctuations within the above-mentioned range.

<sup>4</sup> Including PAZAK deposits. These are denominated in foreign currency, but can only be drawn in Israel pounds, at the prevailing rate of exchange.

TABLE XX-13

*New Share Issues Listed on Stock Exchange, at Issue Prices,  
by Sector and Type of Issue, 1961*  
(IL. thousand)

	<i>Commercial and industrial<sup>a</sup></i>	<i>Finance</i>	<i>Land and develop- ment</i>	<i>Total</i>	<i>No. of issuing companies</i>
Public issues	31,031	5,170	—	36,201	10
Rights issues	360	7,778	6,340	14,478	8
Stock Exchange introduction <sup>b</sup>	—	350	—	350	—
<b>Total issues to local investors</b>	<b>31,391</b>	<b>13,298</b>	<b>6,340</b>	<b>51,029</b>	<b>18</b>
Issues to foreign investors	9,755	8,657	—	18,412	7 <sup>c</sup>
<i>Grand total</i>	<i>41,146</i>	<i>21,955</i>	<i>6,340</i>	<i>69,441</i>	<i>—</i>
Number of issuing companies	7	12	2	—	21

<sup>a</sup> Including, *inter alia*, the Dead Sea Works and Solel Boneh.

<sup>b</sup> Recorded at nominal value.

<sup>c</sup> Four of the companies issuing new shares to foreign investors also issued shares for sale in the local market.

The average size of new share issues increased from IL. 1.5 million in 1960 to IL. 3.1 million in 1961. But in 1961, unlike the previous year, much of the new capital was concentrated in a few big issues. Five out of the 21 public issues and rights issues represented over 60 per cent (IL. 47.2 million) of the total capital raised, and two issues—the preferred ordinary shares of Solel Boneh's Building and Public Works Co. Ltd. and the ordinary shares of Dead Sea Works Ltd.—accounted for more than half the total (IL. 36.4 million). These two issues represent the largest operations of their kind carried out so far on the new issue market. One of them was floated before the end of the boom in share prices and, because of its very size, must probably be counted among the factors that brought the boom to an end. The Dead Sea Works issue was rather heavily subscribed by institutions, while the Solel Boneh shares were purchased mainly by individuals.

The weighted average issue price of preferred ordinary shares floated through public issues was 130 per cent of their nominal value, and their initial yield<sup>1</sup>

<sup>1</sup> The ratio between the preferred dividend and the issue price.

ranged from 6.7 to 7.6 per cent. Ordinary shares were issued at a premium of 6 per cent, on the average.

Of the shares issued to foreign investors, IL. 13 million worth belonged to four issues which were also offered in the home market. These issues totalled IL. 35.9 million,<sup>1</sup> of which local investors purchased IL. 22.9 million worth—or 64 per cent. In each case the extent of foreign and domestic allotments was laid down in advance and mentioned in the prospectus. Other new issues to foreign investors (three, totalling IL. 5.4 million) were not offered locally at all. In addition, foreign investors purchased new unlisted shares of five Israel companies, to a total amount of IL. 9.5 million.

Foreign capital may likewise have been invested in the remaining 15 new issues (totalling IL. 28.1 million), but no data on such transactions are available. Foreign portfolio investments in Israel in 1961 were of a new order of magnitude altogether. To some extent, they were made through the medium of investment companies abroad specializing in the Israel market—a new source of foreign investment in this country. If the capital inflow from these and similar sources is sustained, it may in the course of time strengthen the influence of institutional investors on the formation of equity prices in Israel. For the time being, institutional investors account for only a small proportion of the Stock Exchange turnover in general, and of equities turnover in particular. Until the structure of the market will have changed in this respect, small excess bids or offers may still be expected to occasionally cause sharp fluctuations in individual equity prices.

In 1961 one company received permission to sell some of its shares by way of a Stock Exchange introduction. This did not imply the raising of new capital for the company concerned, but merely a change in the ownership of already existing shares. The transaction, in the amount of IL. 350,000, has nevertheless been recorded in Tables XX-11 and XX-12, because it does represent part of the investment by the public in 1961 in shares not traded before.

## 6. FOREIGN SECURITIES

Holdings of foreign securities and NATAD deposits<sup>2</sup> by Israel residents increased by about IL. 17 million in 1961, as compared with IL. 12 million in 1960;<sup>3</sup> total holdings came to IL. 39.8 million at the end of the year reviewed.

As in 1960, part of the investments were made in the securities of foreign affiliates of local bodies (such as the National Institutions or banking institutions).

All such investments are, in the final analysis, financed from TAMAM de-

<sup>1</sup> Including the IL. 28.9 million Dead Sea Works Ltd. share issue.

<sup>2</sup> NATAD deposits stem from the income from foreign securities. NATAD balances may be utilized for the purchase of additional foreign securities.

<sup>3</sup> Calculated at the exchange rate of \$ 1 = IL. 1.80; securities at purchase prices.