BANK OF ISRAEL
Office of the Spokesperson and
Economic Information

November 3, 2026

Press Release

Israel's foreign currency market in the third quarter of 2026

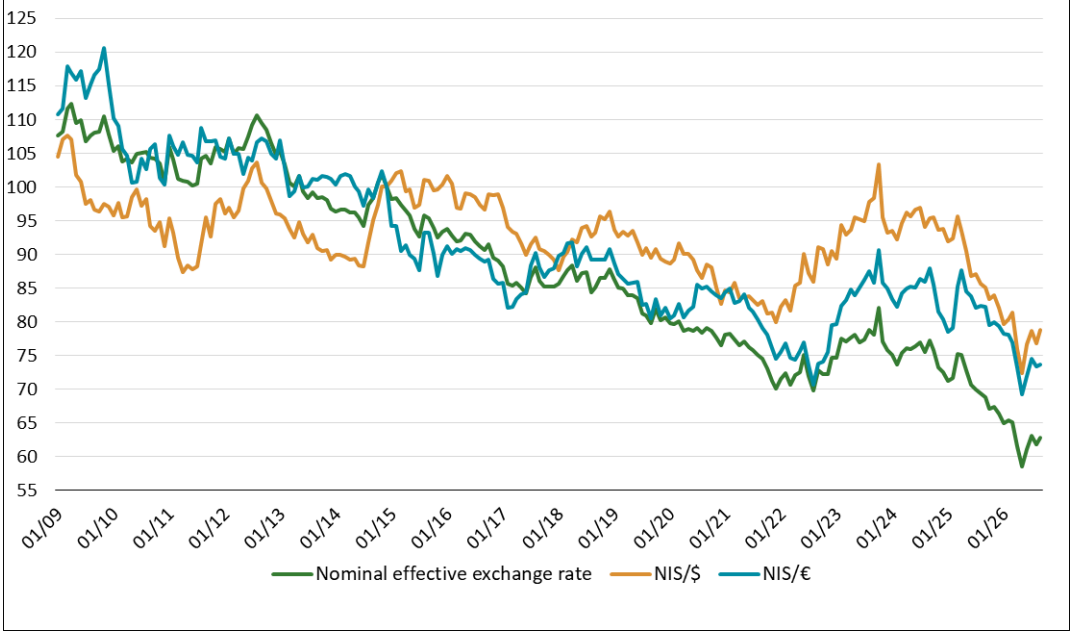
1. Exchange Rate Development

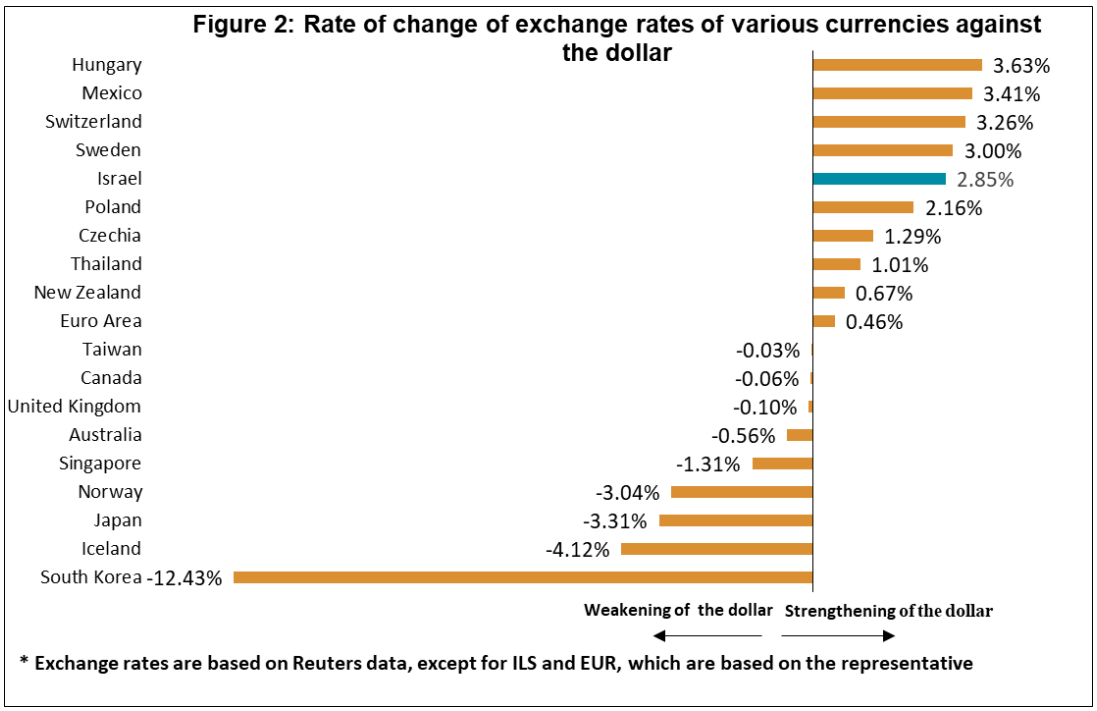
A weakening of the shekel alongside a mixed trend of the US dollar worldwide.

In the third quarter of 2026, the shekel weakened by approximately 2.9 percent against the US dollar and by about 2.4 percent against the euro. In addition, the shekel weakened by about 2.8 percent against the currencies of Israel's main trading partners, in terms of the nominal effective exchange rate (i.e., the trade-weighted average shekel exchange rate against those currencies).

During the third quarter, the US dollar was mixed against the major currencies (Figure 2). The dollar weakened by about 12.4 percent against the South Korean Won and by about 3.3 percent against the Japanese yen, while it strengthened by about 3.3 percent against the Swiss franc and by about 0.5 percent against the euro.

Figure 1: Index of NIS/$ exchange rate, and the nominal effective exchange rate*





2. Exchange Rate Volatility

A decline in actual volatility alongside an increase in implied volatility

The actual standard deviation of changes in the shekel/dollar exchange rate, which represents its **actual** volatility, declined by 1.7 percentage points during the quarter, to an average level of 9.0 percent.

The average implied volatility in over-the-counter shekel/dollar options—those traded outside the stock exchange—which is an indication of **expected** exchange rate volatility, increased by 0.1 percentage points, to an average level of about 10.1 percent at the end of the quarter. This is alongside the average level of implied volatility in foreign exchange options in emerging markets, which declined by about 1.3 percentage points to 8.7 percent at the end of the quarter. In addition, there was a decline of about 0.6 percentage points in the average level of implied volatility in advanced economies, to about 6.4 percent at the end of the quarter (Figure 4).

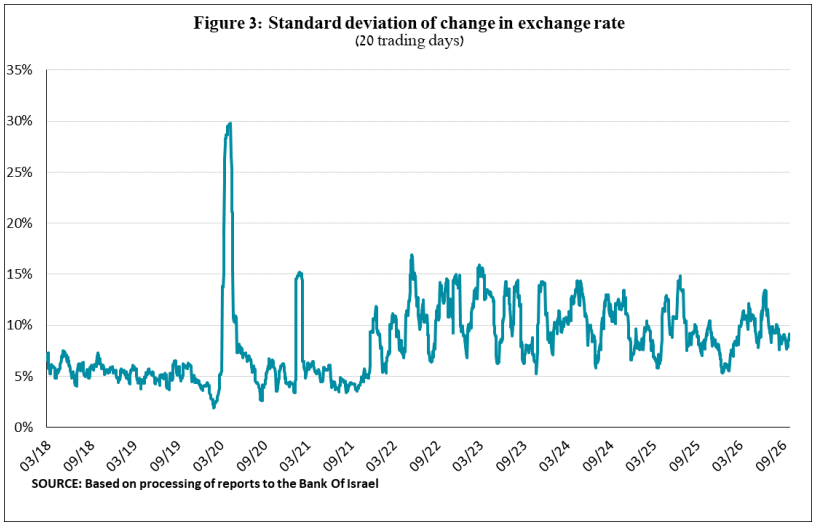
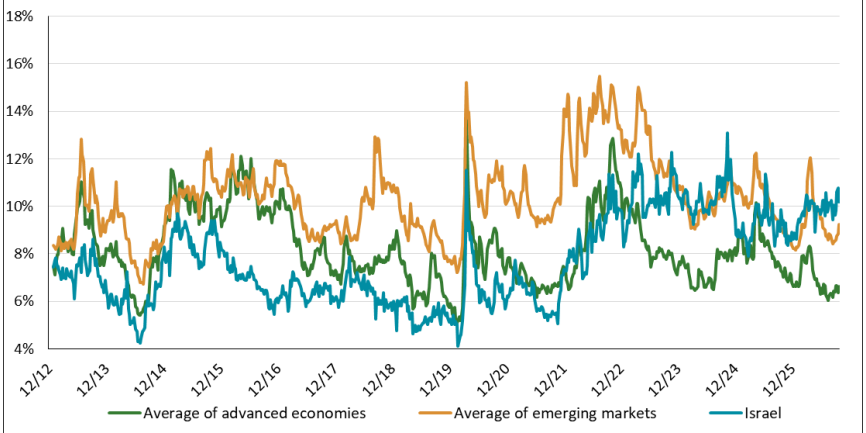


Figure 4: International comparison of implied volatility of shekel/dollar options



Emerging markets: Chile, Hungary, Mexico, the Philippines, Poland, Singapore, South Africa, South Korea, Thailand and Turkey.
Advanced economies: Australia, Canada, the eurozone, Japan, UK, Switzerland.

Source: Israel - Based on processing of reports to the Bank Of Israel rest of the countries - Based on processing of bloomberg data

3. The Activity of the Main Segments in the Foreign Exchange Market[1,2]

An estimate of activity by the main segments in the foreign exchange market indicates a change in the composition of activity in the third quarter. During the quarter, the financial sector moved to net foreign exchange purchases, while the business sector significantly reduced its net foreign exchange purchases. Institutional investors reduced their net foreign exchange sales, and nonresidents continued to make net foreign exchange sales.

The institutional investors—pension funds, provident funds, and insurance companies—reduced their net foreign exchange sales to about $4.4 billion during the quarter, compared with sales of about $13.8 billion in the previous quarter.
The business sector reduced its net foreign exchange purchases to about $1.7 billion in the third quarter, compared to sales of about $12.1 billion in the previous quarter.

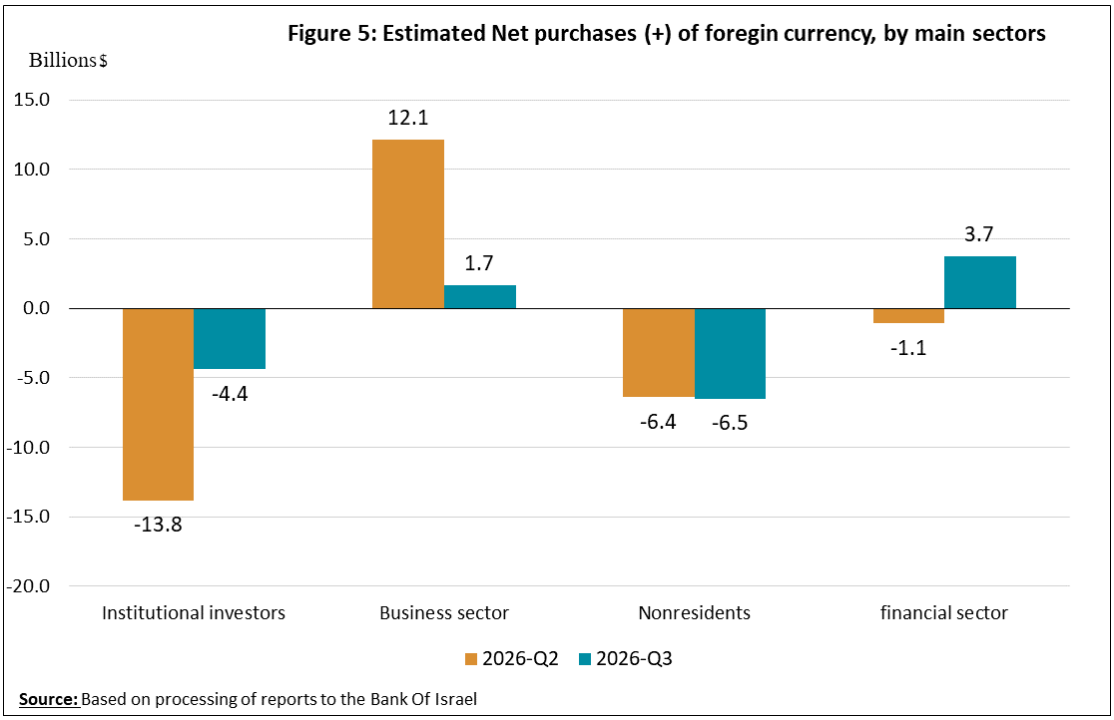
[1] For additional information on the segments' activity in the foreign exchange market, see "Statistical Bulletin" 2024—Chapter D.
https://www.boi.org.il/en/communication-and-publications/regular-publications/statistical-publications/statistical-bulletin-2024/

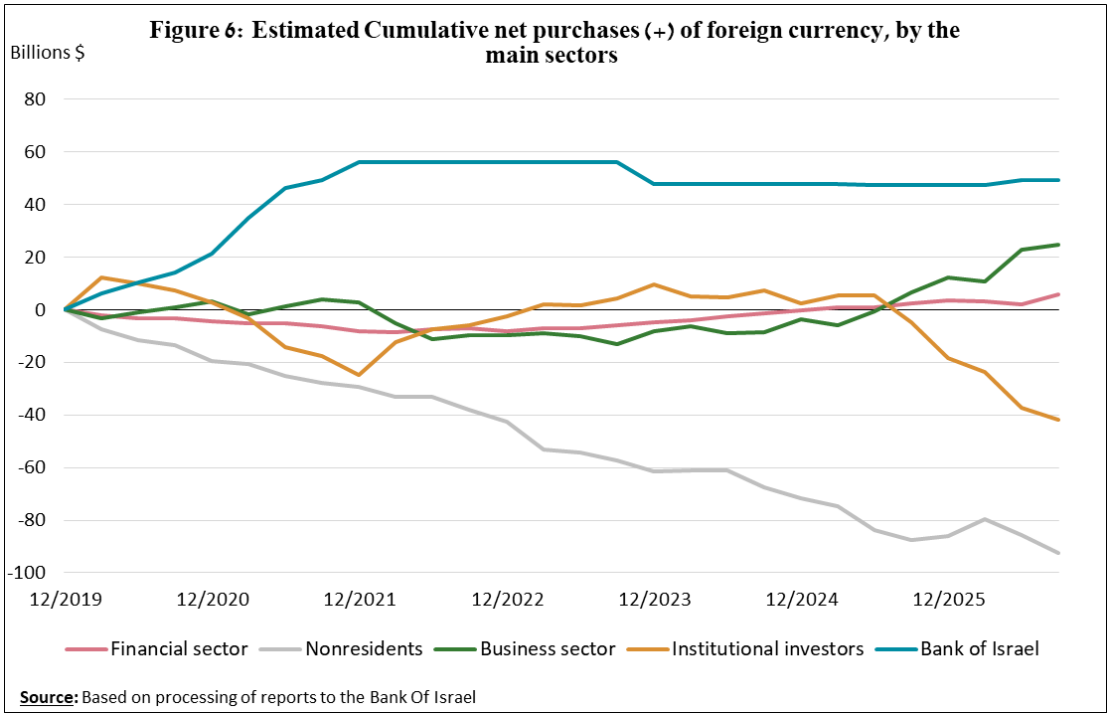
[2] The main segments presented do not make up the entire market. For additional information, see the section on "The Database of Foreign Exchange Market Activity" in the Bank of Israel's "Statistical Bulletin" for 2024.
https://www.boi.org.il/en/communication-and-publications/regular-publications/statistical-publications/statistical-bulletin-2024/

Nonresidents continued to make net foreign exchange sales of about $6.5 billion, compared with net sales of about $6.4 billion in the previous quarter.

The financial sector (mainly the banks) transitioned to net foreign exchange purchases of about $3.7 billion in the second quarter, compared with net sales of about $1.1 billion in the previous quarter.

The Bank of Israel did not make net foreign exchange purchases during the quarter. In the previous quarter it made net foreign exchange purchases of about $1.8 billion.



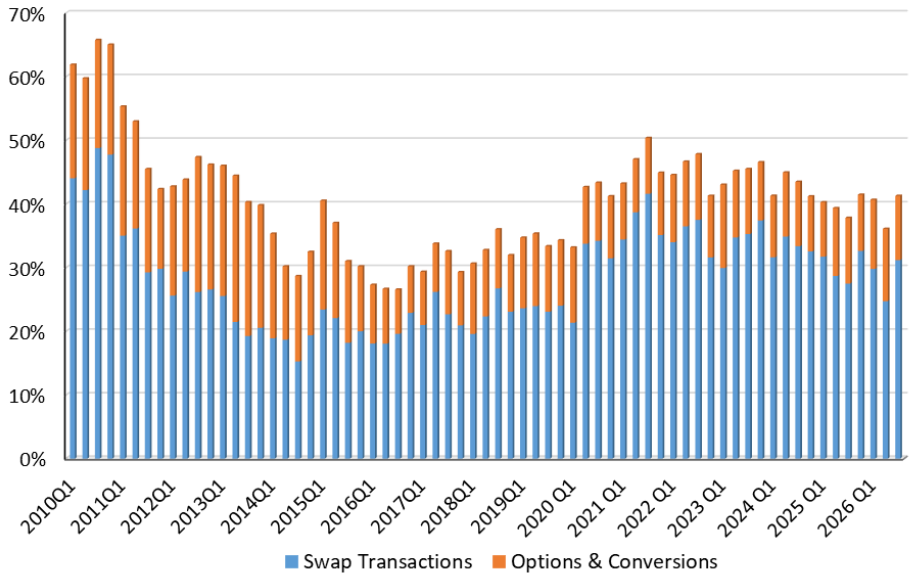


4. Trading Volume in the Foreign Currency Market—Tables and Figures

Trading volume vis-à-vis the domestic banking system[3]

The average daily trading volume declined by about 9.1 percent during the third quarter, to $16 billion, with most of the decline coming from spot and forward transactions.
Nonresidents' relative share of total trading volume vis-à-vis the domestic banking system (spot and forward transactions, options, and swaps) increased by about 5.2 percentage points to about 41.4 percent at the end of the third quarter.

Figure 7: Nonresidents' share of total trading volume



Source: Based on processing of reports to the Bank Of Israel

Forex transactions with domestic banks, by instruments and derivatives ($ million)

		Conversions (1)	Swaps[1] (2)	Cross Currency swap[2] (3)	Options[3] (4)	Total volume of trade (1)+(2)+(3)+(4)
Third quarter 2026 (Not final)	**Total**	**241,401**	**733,942**	**4,323**	**29,105**	**1,008,771**
	Daily average 63 days)	**3,832**	**11,650**	**69**	**462**	**16,012**
	Nonresidents	92,421	314,369	1,136	9,483	417,408
	of which Foreign financial institutions	91,436	314,369	1,136	9,476	416,417
	Residents	148,980	419,573	3,187	19,622	591,363
	of which Real sector	56,625	41,009	469	12,095	110,198
	Financial sector	38,758	178,877	878	794	219,306
	Institutions (incl. insurance companies)	27,416	169,576	0	4,026	201,018
	Individuals	7,885	4,766	0	85	12,737

[3] From the beginning of 2020, the data do not include branches of foreign banks in Israel.

	Other4	985	0	0	7	992
	Domestic banks5	10,327	14,200	242	2,035	26,804
Second quarter 2026	**Total**	**281,076**	**685,734**	**1,857**	**35,845**	**1,004,512**
	Daily average (57 days)	**4,931**	**12,030**	**33**	**629**	**17,623**
	Nonresidents	105,280	248,274	1,008	8,957	363,518
	of which Foreign financial institutions	104,406	248,274	1,008	8,846	362,534
	Residents	175,796	437,460	849	26,888	640,994
	of which Real sector	58,807	37,010	479	15,064	111,361
	Financial sector	49,440	208,856	59	1,910	260,265
	Institutions (incl. insurance companies)	39,110	139,285	0	6,216	184,611
	Individuals	7,904	3,318	0	90	11,312
	Other4	873	0	0	111	985
	Domestic banks5	11,876	20,747	81	2,959	35,663

[1] Only one leg of the swap, i.e., the nominal value of the transaction (in accordance with the BIS definition)

[2] The exchanged founds through Cross Currency Swap transactions considered for the volume, as one leg only in cases where the two legs offset each other.

[3] The national value, that includes purchases and sales of put and call options.

[4] Including other entities such as portfolio managers, nonprofit organizations, national institutions, and those not included elsewhere.

[5] Total interbank trade, divided by 2

Estimated total trading volume[4]—domestic banking system and foreign reporting entities

The estimated total activity in transactions against the shekel, as reflected in reports from the domestic banking system and foreign reporting entities, indicates that nonresidents' share of trading volume in spot and forward transactions (excluding swaps and options) was about 87 percent in the third quarter.

Trade between nonresidents constituted about 79 percent of the volume, which had a daily average of about $19.7 billion.

		Relative share of total trading volume				
		Trade between nonresidents	Trade between a nonresident and a resident[1]	Trade between the domestic banking system and residents	Total volume ($ million)	Daily average ($ million)

[4] Total trading volume is an estimate of total activity in transactions against the shekel, based on reports by the domestic banking system and by foreign reporting entities.

2026-Q3 (Tentative figure)	Trading volume in spot and forward transactions	79.4%	8.9%	11.7%	1,244,522	19,754.32
	Trading volume in swap and options transactions	54.3%	21.3%	24.4%	1,808,980	28,714
2026-Q2	Trading volume in spot and forward transactions	77.4%	9.7%	12.9%	1,336,110	23,441
	Trading volume in swap and options transactions	54.6%	18.2%	27.1%	1,701,854	29,857

[1] Trade between a nonresident and a resident includes: (a) reports by foreign reporting entities regarding transactions with residents; and (b) reports by domestic banks regarding transactions with nonresidents.