



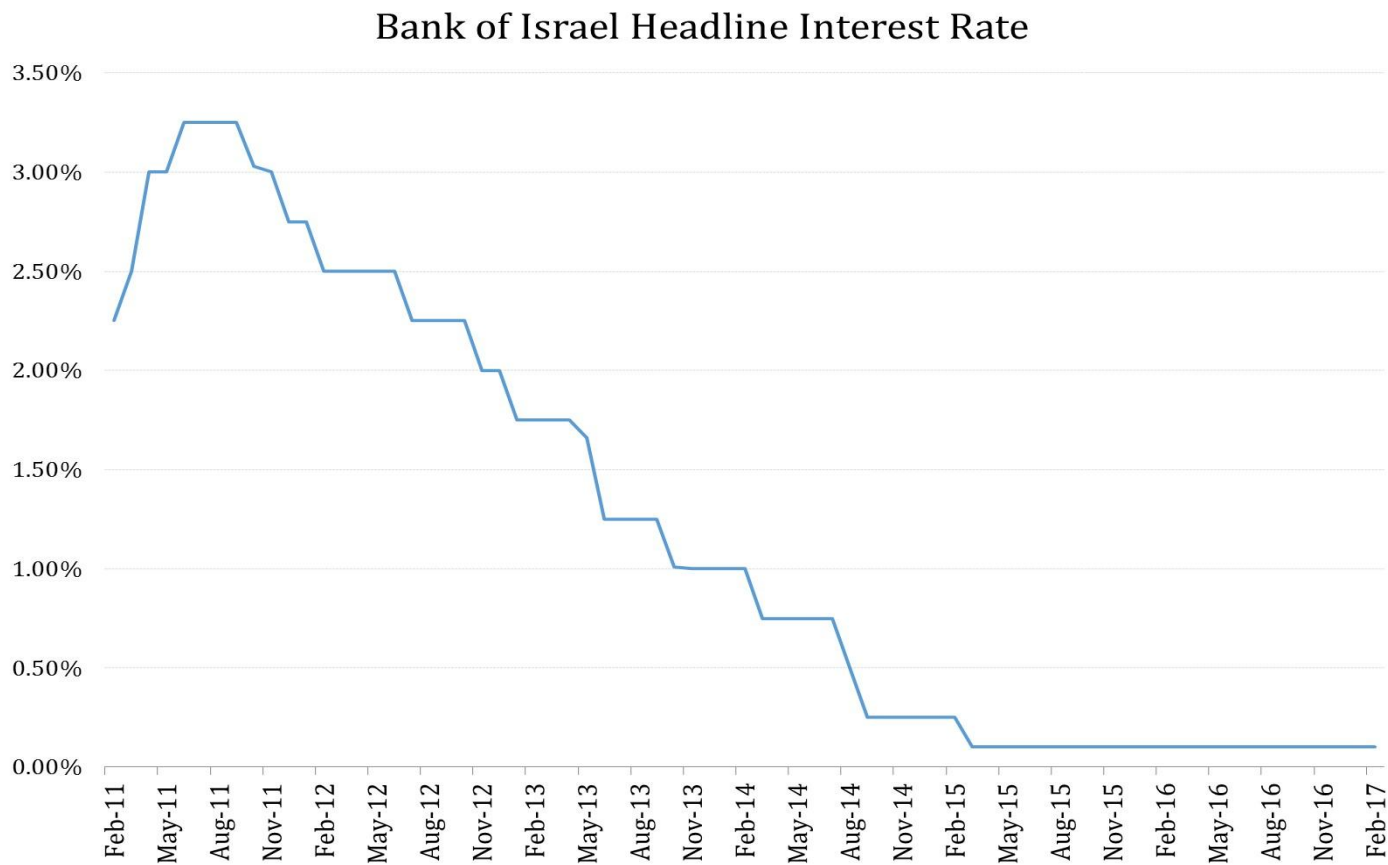
Israel International Government Bonds

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State of Israel

- Population: **8.4 Million**
- Unemployment Rate: **4.2%**
- GDP Growth: **3.5%** (5 year average)
- CPI: **0.4%** (5 year average)
- Budget deficit: **2.1%** of GDP in 2016
- Government Debt/GDP: **64.6%**
- Credit Rating: **A+** (S&P, Moody's, Fitch)

Bank of Israel Base Rate: 0.1%



Source: Bank of Israel

- First rate increase priced by the markets at H2 2018

Israel Shekel

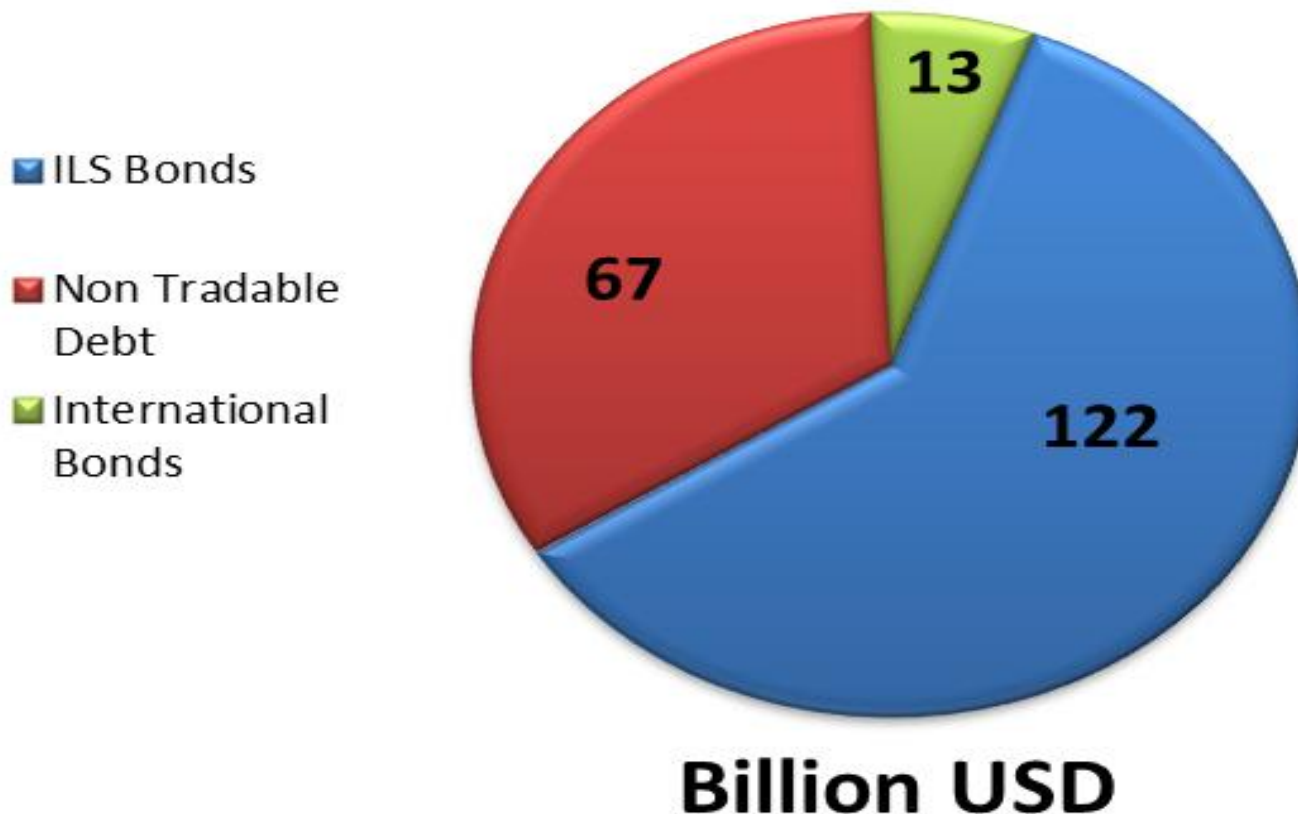
The ILS against the Currency Basket



- BOI buys on average 800M USD a month, since 2009
- **EUR=4 ILS**

Government Debt of Israel

Total Government Debt: 202B dollar (end of 2015)



International Bonds Flow

Reasons for maintaining an International Bond curve:

1. Rolling matured debt
2. Access to International Market
3. Having a government benchmark makes it easier for local firms to issue their debt to international investors.

Reasons for high demand from local banks, pension funds and insurance companies:

1. Regulation restrictions
2. Home bias effect
3. Usually trading at premium above local bonds.

90% of issuance goes to foreign investors



Foreign investors sell the bonds to local firms



After 2 year, at least half of the issued amount goes back to local Institutions

List of Israel International Bonds

Security	Outstanding Amount (B)	Currency	Yield	G-Sprd	I-Sprd
ISRAEL 5 $\frac{1}{8}$ 03/26/19	1.5	USD	1.55	25.6	0.9
ISRAEL 4 $\frac{5}{8}$ 03/18/20	1.5	EUR	-0.05	56.6	-2.8
ISRAEL 4 06/30/22	1.5	USD	2.54	66.9	61
ISRAEL 3.15 06/30/23	1	USD	2.70	68.1	68
ISRAEL 2 $\frac{7}{8}$ 01/29/24	1.5	EUR	0.80	87.1	34.8
ISRAEL 2 $\frac{7}{8}$ 03/16/26	1	USD	2.96	71.7	77.4
ISRAEL 1 $\frac{1}{2}$ 01/18/27	1.5	EUR	1.36	97.6	57
ISRAEL 7 $\frac{1}{4}$ 12/15/28	0.25	USD	3.53	114.9	120.5
ISRAEL 6 $\frac{7}{8}$ 10/21/34	0.1	GBP	2.79	120.9	137.3
ISRAEL 2 $\frac{3}{8}$ 01/18/37	0.75	EUR	2.30	140.6	93.8
ISRAEL 4 $\frac{1}{2}$ 01/30/43	1.7	USD	4.17	132.6	165.2

Active players in International Israel bond market:

International Banks

- Citi Bank
- Goldman Sachs
- Bank of America
- HSBC
- Barclays
- JP Morgan
- Deutsche Bank

Local Banks

- Mizrahi Tefahot
- Hapoalim
- Leumi

Advantages

- **Strong credit profile**- competitive economy that has been resilient in the face of repeated economic and political shocks.
- **Portfolio Diversification** - low correlation with most other Sovereign Bonds.
- **Stable Spreads** – low volatility of spreads over relevant benchmarks for the last few years.

Points to Consider

- **Market Liquidity** - in normal conditions bid/ask spread is around 50 points.
- **Political Situation** – fragmented and unstable political system.
- **Geopolitical Situation** - escalation in the region might affect Government Bond pricing.



Thank You!

Disclosure

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