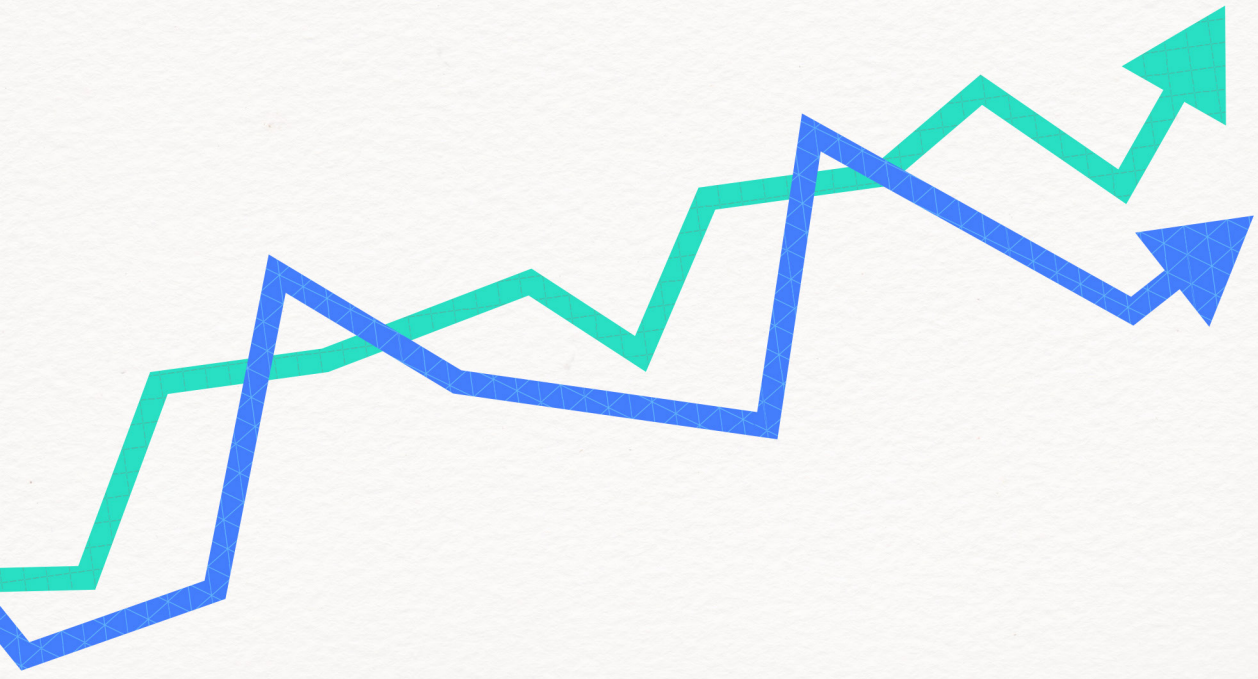
TEL AVIV STOCK EXCHANGE
הבורסה לניירות ערך תל אביב

70 Since 1953

TASE

The Best Israel Has to Offer

2023 Review



Main Indicators 2021-2023

The Tel-Aviv Stock Exchange

Local Currency Yield[1]	2023	2022	2021
TA-35 Index	3.8%	-9.2%	32.0%
TA-90 Index	4.3%	-18.2%	33.1%
TA-SME60 Index	7.0%	-33.2%	29.7%
TA-Oil & Gas Index	37.9%	35.0%	61.7%
TA Tech-Elite Index	14.0%	-29.9%	8.7%
TA-Banks5 Index	10.4%	-4.1%	67.9%
TA-Real Estate Index	7.8%	-30.9%	53.4%
General Share Index	4.9%	-15.5%	30.9%
All-Bond Index	3.8%	-8.3%	3.9%
Government Bonds - Tel Gov Shekel Index	1.3%	-10.0%	-1.0%
Corporate Bonds - Tel-Bond 20 Index	4.8%	-10.0%	8.4%
Corporate Bonds - Tel Bond-Shekel Index	5.3%	-7.0%	3.0%
Daily Turnover (US $ millions)			
Shares and Convertibles (Including ETFs)	542	683	581
Bonds (Including ETFs)	1,065	1,035	1,216
Treasury Bills	379	233	99
TA-35 Index Monthly Options (Thousands of contracts)	61	71	68
TA-35 Index Weekly Options (Thousands of contracts)	47	43	39
Dollar Options (Thousands of contracts)	35	39	47
Capital Raised (US $ billions)[2]			
Shares and Convertibles in Tel-Aviv[3]	2.3	6.5	8.0
Shares and Convertibles abroad	0.5	0.3	1.1
Corporate Bonds - Public[4]	24.7	26.2	24.3
Corporate Bonds - TASE UP bonds	2.6	1.3	5.2
Government Bonds in Tel-Aviv - Gross[5]	23.4	12.0	32.0
Market Capitalization (US $ billions)			
Shares and Convertibles[2]	262.6	269.6	361.6
Corporate Bonds[2]	123.1	116.3	136.8
Government Bonds[5]	168.7	166.9	226.8
ETFs	36.3	27.8	34.6
Treasury Bills (MAKAM)	84.0	59.5	37.0
Number of Shares Listed Companies[6]	**537**	**548**	**541**

Major World Stock Exchanges' Indices

Dollar Yield	2023	2022	2021
S&P 500 Index	24.2%	-19.4%	26.9%
NASDAQ 100 Index	53.8%	-33.0%	26.6%
DJ Euro STOXX 50 Index	23.6%	-16.8%	11.6%
FTSE 100 Index	9.8%	-10.1%	13.1%
DAX 40 Index	24.8%	-17.4%	6.8%
NIKKEI 225 Index	19.6%	-20.9%	-6.0%
TA-35 Index	**0.7%**	**-19.7%**	**36.4%**

(1) In 2023 the dollar has appreciated 3.1% against the NIS. (2) Excluding ETFs. (3) Excluding amount raised by TASE UP shares - 0.2 US$ billions in 2021. (4) Including structured bonds. (5) Excluding borrowed bonds from the Government Bonds Lending Facility.
(6) Excluding TASE UP shares companies - 3 companies in 2021, 2022 and 2023.

TASE 2023 by Numbers

+5.3%
Tel Bond Shekel*

The Bonds Year

+12.1%
Tel Bond-CPI Linked A*

*Annual yield (NIS)

+4%
TA-35 and TA-125 indices each
Annual Yield (NIS), each

+38%
TA – Oil & Gas Index
Annual Yield (NIS)

+103% / **+89%**
TA-Technology Index / **TA-Real Estate Index**
Five years cumulative yield (NIS)

263
billion dollars
Shares Market Capitalization

537
Companies with share listings
of which,
50 Dual-listing

199
High-tech companies & Limited Partnerships
of which:
149 Technology
50 Biomed

542
million dollars
daily turnover in shares market

2.3
billion dollars
raised in shares market

292
billion dollars
Market Capitalization of bonds: government (34 series), corporate (730 series)

1.1
billion dollars
daily turnover in bonds market

23.4
billion dollars
raised by Government bonds in Tel-Aviv – almost twice the amount raised in 2022

27.3
billion dollars
capital raised in corporate bonds (Thereof: 3.1 billion dollars raised by structured bonds)

36.3
billion dollars
Public Holdings of 482 ETFs and 36 cross listed ETFs

14.4
billion dollars
Net public purchases of money market funds

84
billion dollars
Public holdings in MAKAM (T-Bills) in December

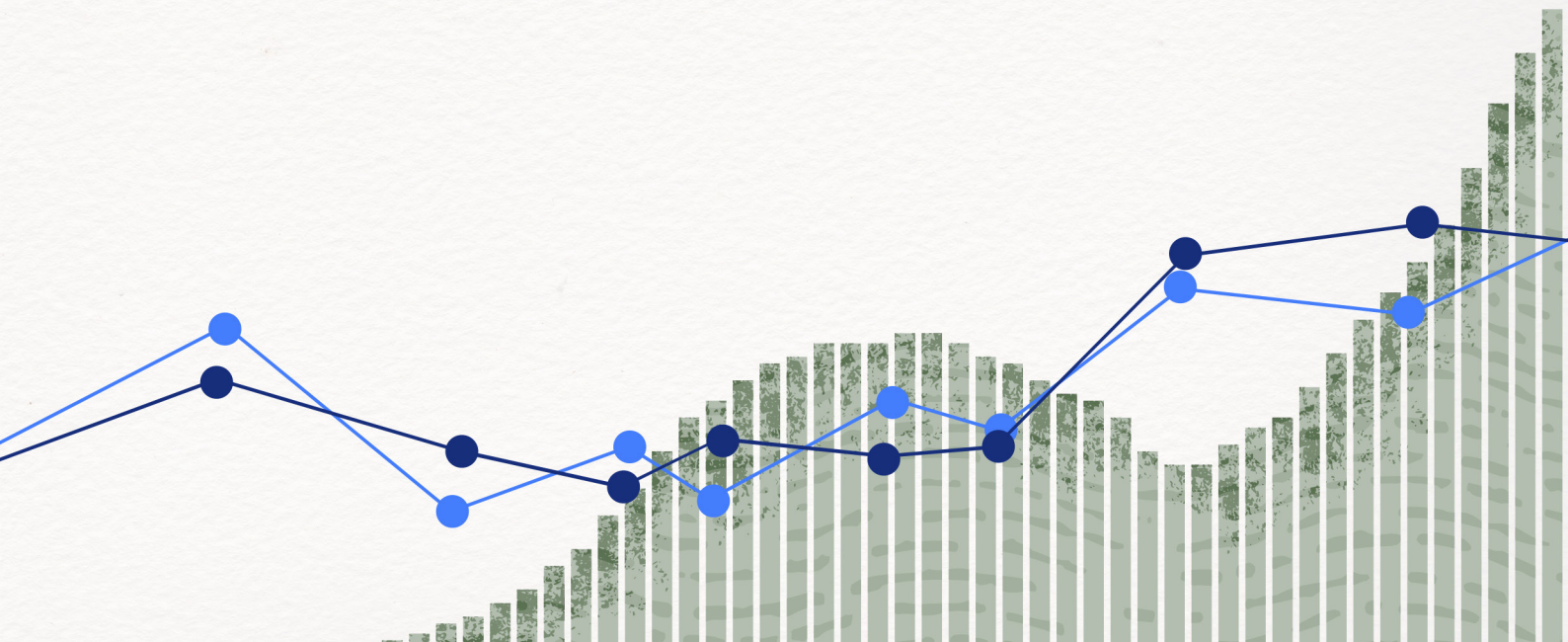
6
billion dollars
Net public purchases of funds which tracks shares or bonds indices.

TEL AVIV STOCK EXCHANGE הבורסה לניירות ערך תל אביב

70 Since 1953

Equity Market*

*All the data in this review are in dollar terms, with the exception of index yields that are in the local currency - unless stated otherwise. In 2023, the dollar appreciated by 3.1% relative to the NIS.



Introduction

The TASE capital market, which is a mirror of the Israeli economy, has constantly and continuously exhibited strength, performing on par with the average returns of leading global exchanges and even outperforming them. This was also the case in 2022, when double-digit price drops were recorded in the global markets, while the TA-35 index decreased by a more moderate rate of 9%.

All in all, during the years 2020-2022 the TA-35 index increased by 7%, similarly to the increase in the global MSCI index, the TA-90 index increased by 29% and the TA-125 index increased by 12%, as compared to an average increase of 17% in the S&P 500 and Dow Jones indices in the United States, an increase of 1% in the EURO STOXX 50 index in Europe, and a 14% reduction in the MSCI Emerging Markets index (the data of overseas exchanges are in local currency).

Stock trading on TASE in 2023 was highly volatile, disparately from the global trend, this due to the influence of two material internal events:

The first event commenced at the beginning of 2023, following the Minister of Justice's announcement of the **Judicial Reform**, which resulted in widespread protests against the planned reform and in uncertainty that influenced trading during January-September. At the same time, trading on TASE was influenced by the repeated interest-rate increases in Israel, similarly to the global trend.

The second event commenced on October 7, with a terrorist attack on southern Israel and the ensuing **breakout of the "Swords of Iron" War** - a war imposed on Israel that is still ongoing. Its negative effects on the economy emerged in the final quarter of 2023 and are expected to persist in the coming year.

Overall, this year, TASE's leading share indices underperformed relative to the share indices on leading global exchanges, IPOs came to a halt, and capital raising by the TASE-listed companies slowed down compared to the previous year. Nevertheless, issuances of government bonds has increased since the outset of the war, to finance the war costs. The public diverted its money from mutual funds investing in shares and bonds in Israel to money market funds, ETFs and open-end funds tracking foreign share and bond indices.

Trading on TASE on the backdrop of the Judicial Reform and the rises of the market interest rate:

Since the beginning of the year until October 7, trading on TASE was sluggish, ending in negligible price gains of 2%-3% in the TA-35, TA-90 and TA-125 indices, as opposed to the S&P 500 index in the United States and the EURO STOXX 50 index in Europe, which increased by 12% and 9%, respectively, and compared to the 2% decrease in the MSCI Emerging Markets index.

Trading on the global markets and on TASE was influenced by the **interest rate increases by the central banks**, continuing the trend that commenced at the end of the first quarter of 2022, in an attempt to fight the inflation, creating a concern for an economic slowdown as a result of the higher interest rates.

The **Federal Reserve** raised the U.S. interest rate from 0.25% at the beginning of 2022 to 4.5% at the end of 2022 and repeatedly raised it up to **5.5%** at the end of July 2023. The **European Central Bank (ECB)** raised the interest rate from 0% at the beginning of 2022 to 2.5% at the end of 2022 and repeatedly raised it up to **4.5%** at the end of September 2023. The **Bank of England (BOE)** raised the interest rate from 0.1% at the beginning of December 2021 to 3.5% at the end of 2022, and repeatedly raised it up to **5.25%** at the end of August 2023.

The **Bank of Israel**, too, raised the interest rate from 0.1% at the beginning of 2022 to 3.25% at the end of 2022, and repeatedly raised it up to **4.75%** in May 2023.

The interest rate increases curbed the inflation in the markets, which was moderated and at the end of 2023 reached an annual rate of 3.4% in the United States, 2.9% in the Eurozone and 4.0% in the United Kingdon - as compared to 6.5%, 9.2% and 10.5% in 2022, respectively, but still exceeded the target of 2%. In Israel, inflation also decreased to 3% at the end of 2023, as compared to 5.3% in 2022, and converged into the maximum target range which stands on 1%- 3%. Due to the concern for an economic slowdown and despite the inflation rate exceeding the targets, the interest rate increases in the global markets were stopped at the end of the third quarter of 2023.

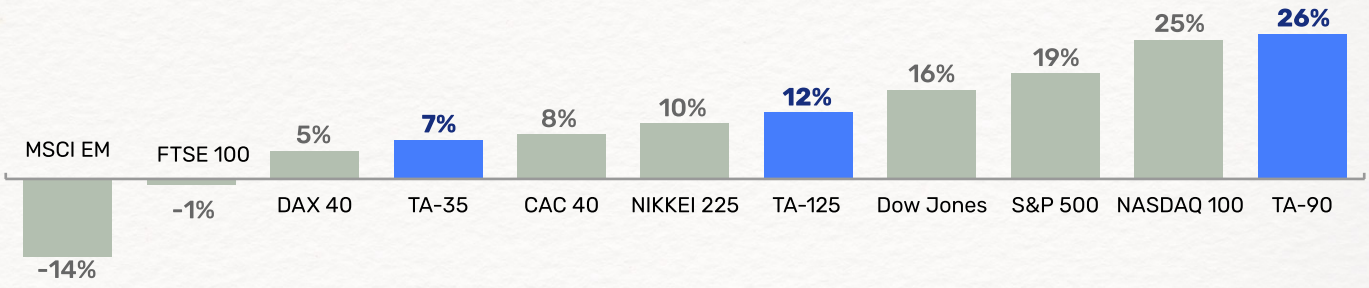
Stock trading on TASE since the beginning of the year until shortly before the breakout of the "Swords of Iron" War was influenced by the uncertainty surrounding the Judicial Reform, alongside interest-rate increases in Israel, the United States and Europe. The "Swords of Iron" War that broke out on October 7 has shaken the economy and TASE, giving rise to ongoing uncertainty.

Alongside the interest rate increases, the trading on TASE was also adversely influenced by the planned Judicial Reform advanced by the government that took office in January 2023 - the growing opposition to the reform and the concerns over its impact on the Israeli economy. In the third quarter, the tensions surrounding the reform intensified following the approval, in July, of the limitation of the "Reasonableness Standard" of the Basic Law: The Judiciary, and in September the High Court of Justice started hearing appeals in the matter.

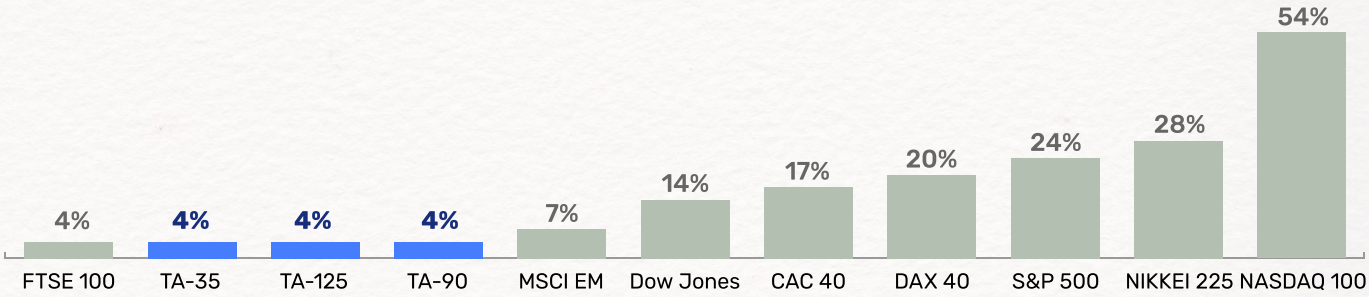
As a result of the dispute surrounding the Judicial Reform and the concern for the downgrading of Israel's sovereign credit rating, **diversion of monies from the local market to foreign markets took place**, which was reflected in both the ETFs and the mutual funds. **The NIS depreciated** in January-September 2023, with fluctuations, by 8.7% relative to the dollar - the exchange rate of the dollar reached NIS 3.849, and by 8% relative to the Euro - the exchange rate of the Euro reached NIS 4.137, the highest rates since March 2020 (the breakout of the Covid-19 crisis in Israel). The depreciation of the NIS raises the cost of import, driving up market prices. **In addition, investments in the high-tech sector during January-September 2023** dropped by 63% compared to the corresponding period last year, as indicated by a survey published by research and policy institute, SNPI, the third quarter of 2023 being the seventh consecutive quarter of reduced investments.

In opposition, trading on TASE **enjoyed tailwind from the positive macroeconomic data of the economy**, including: **continued substantial positive growth** - the growth rate in Israel in the third quarter of 2023, compared to the third quarter in 2022, reached 3.4%, slightly below the growth rate in the United States (4.9%), but greater than the growth rate in Europe (0.1%); **low unemployment rate** - the rate of unemployed in the economy, excluding furloughed workers, decreased to 3.4% in September 2023, compared to 4.3% in December 2022. It should be noted that the crisis in the high-tech sector, which was reflected in downsizing, similarly to the global trend, has not yet increased the unemployment rate in Israel; the affirmation **of the State of Israel's high sovereign credit rating** by the international credit rating agencies - **Fitch** affirmed Israel's sovereign credit rating of A+ with a "stable" outlook; **Moody's** affirmed Israel's sovereign credit rating of A1 in April 2023, but reduced the outlook from "positive" to "stable"; **S&P** affirmed Israel's sovereign credit rating of AA- with a "stable" outlook. It should be noted that, the three agencies' decision to keep Israel's credit rating was accompanied by a warning of the adverse implications of the Judicial Reform, if completed, on the Israeli economy and on the rating. International investment banks, such as Citibank and Morgan Stanley, published similar warnings.

TASE and International Indices, 2020-2022 (In Local Currency)



TASE and International Indices, 2023 (In Local Currency)



After years of performing consistently with global trends and even outperforming international indices, this year the Israeli stock exchange diverged from the global trends - while the indices of the major stock exchanges in the United States and Europe recorded a double-digit increase, the TA-35 index and TA-125 index increased only slightly this year, as a result of two extreme events experienced by Israel.

Stock trading on TASE in the shadow of the "Swords of Iron" War:

On Saturday, October 7, 2023, following a murderous terrorist attack on towns in the Gaza Envelope, the "Swords of Iron" War broke out, which is still ongoing, with concerns for its evolvement into a multifront regional war.

TASE opened trading on schedule on October 8 and all of the systems of TASE have been operating without disruption throughout the war.

TASE and the economy as a whole were shaken, the fear index surged by more than 100%, the dollar soared, breaking the NIS 4 threshold and reaching NIS 4.08 - the highest rate since July 2012, share prices dropped, private Israeli investors and foreign investors reduced their exposure to the equity market, whereas long-term institutional investors made purchases and increased their exposure.

An emergency government was formed to manage the war, the Ministry of Finance announced an assistance program for small and medium businesses through the State Guaranteed Fund, the Bank of Israel announced a plan for the sale of up to US$ 30 billion to support the shekel as well as an aid program that includes repo transactions on the foreign currency market and on the bond market, the United States was quick to mobilize equipment, vessels and aircraft to prevent the spreading of fighting in the Middle East, and the President of the United States and European heads of states visited Israel to express their support.

Due to the security situation, the Ministry of Finance increased the floatation of bonds locally and globally, as did Israel Bonds, who raised the highest amount of debt since its establishment. Demands for government bonds in Israel and internationally support Israel and constitute a vote of confidence in the Israeli economy.

Even prior to the war, the national budget deficit was on the rise, representing 2.5% of the GDP at the end of September 2023, as compared to a national budget surplus of 0.6% of the GDP in the full year 2022. A contributing factor to the national budget deficit was the 3.9% reduction in the government revenue compared to the corresponding period last year, concurrently with a 7.3% increase in the government expenditure. As a result of the war, whose direct and indirect costs are estimated by the Ministry of Finance at US$ 55 billion, the deficit increased to 3.4% in November and is expected to continue to rise to 4.2% of the GDP at the end of 2023 and to 6.6% of the GDP in 2024.

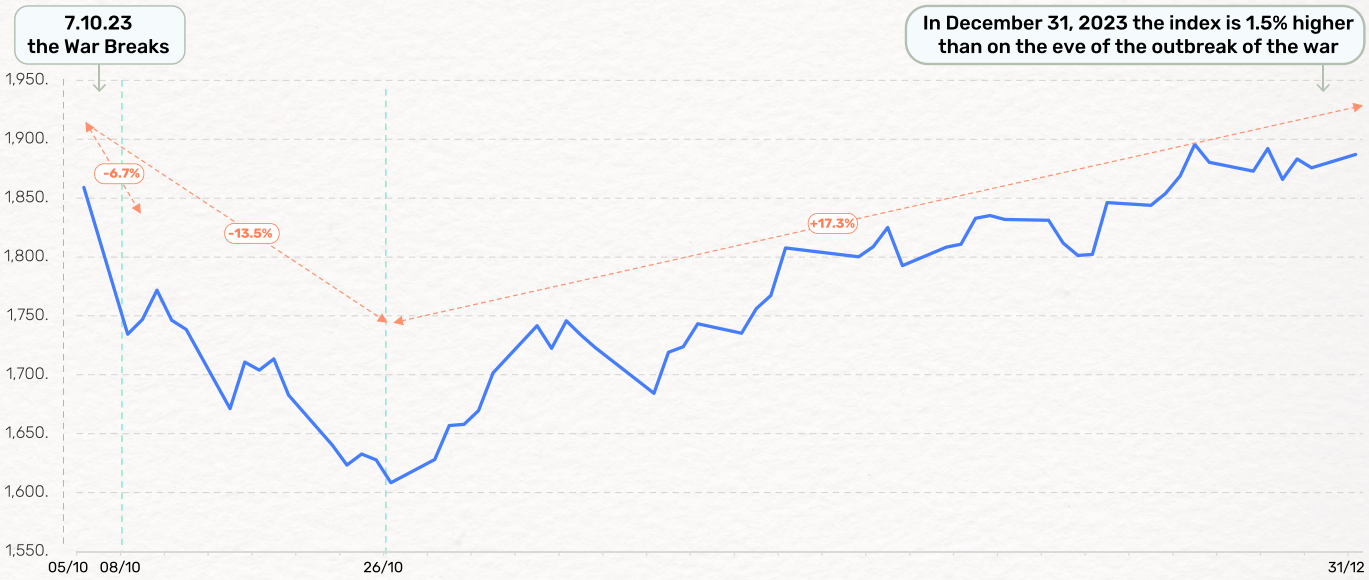
The unemployment rate in Israel, which includes workers absent due to economic causes or dismissed, surged to 9.6% in October 2023, as compared to 3.6% in the previous month, this as a result of workers furloughed as a result of the evacuation of towns in the Gaza Envelope in the south of Israel and on Israel's northern border.

The rising economic risk increased the yields of long-term government bonds up to 5.3%, and the international credit rating agencies responded accordingly: **Fitch** and **Moody's** announced that Israel's sovereign credit rating is now under "Rating Watch Negative", which signifies that escalation (expansion and prolonging of the war) could entail downgrading. Shortly thereafter, **S&P** affirmed Israel's high sovereign credit rating of AA-, but downgraded the outlook from "stable" to "negative".

Following the breakout of the war, the Bank of Israel published an updated macroeconomic forecast, pursuant to which: **GDP** is expected to grow by only 2% in each of the years 2023 and 2024 (as compared to 3% in each of the aforesaid years according to the forecast issued prior to the war). **Inflation** is expected to reduce to 3.3% in 2023 and to 2.4% in 2024. **The monetary interest rate** is expected to reach 3.75%-4.0% in the fourth quarter of 2024.

Information on the global environment: growth in the developed markets will total 1.3% in 2023 and 0.8% in 2024. **Inflation in the developed markets** will reach 3.1% in 2023 and 2.3% in 2024. **The average interest rate in the developed markets** is expected to reach 4.8% at the end of 2023 and 3.9% at the end of 2024.

October 7 War and the Effect on TA-125 Index



Since the beginning of the year until 7.10, on the backdrop of the protests and the uncertainty surrounding the Judicial Reform, the TA-125 index increased by 2.5%. Since the breakout of the war on 7.10 until the end of the year, the TA-125 index increased by an additional 1.5%.

Share Prices

In total, in 2023 the **TA-35** index and the **TA-125** index increased by **4%** on average.

Table 1: **Rate of Return on Select TASE Share Indices**

	From January 2023 to 5.10.2023	From 7.10.2023 to the end of the year	2023	2022	2023-2019
TA-35	1.9%	1.9%	**3.8%**	-9.2%	27.4%
TA-90	3.3%	0.9%	**4.3%**	-18.2%	87.9%
TA-125	2.5%	1.5%	**4.1%**	-11.8%	41.5%
TA-SME60	1.5%	5.4%	**7.0%**	-33.2%	18.1%
TA-Growth	1.7%	3.1%	**4.8%**	-33.4%	24.9%
TA Oil & Gas	42.2%	-3.0%	**37.9%**	35.0%	64.8%
TA-Banks5	15.5%	-4.4%	**10.4%**	-4.1%	76.5%
TA-Technology	10.3%	6.0%	**17.0%**	-26.8%	102.9%
TA-RealEstate	-2.5%	10.6%	**7.8%**	-30.9%	88.7%

A mixed trend characterized the sectorial indices.

The indices that stood out positively during the year are:

- The index of oil and gas companies and partnerships- **TA Oil & Gas**, surged by 42% since the beginning of the year until 5.10.2023, compared to a slight reduction in Brent oil prices. The increase in the index since the beginning of the year, further to an increase of 35% in 2022, is due to the increased demand for natural gas from Israel. Additionally, the increase in the index in the second quarter of the year was influenced by the coming together of a major deal for the acquisition of 50% of the NewMed partnership that holds 45% of the "Leviathan" gas field by two international energy companies; and its increase in the third quarter of the year was influenced by the decision of the oil-producing countries that are OPEC+ members to continue the oil production cuts announced in April 2023 by one year, until the end of December 2024. Since the breakout of the war until the end of the year, the TA Oil & Gas index decreased by 3% - this as a result of the reduced economic activity in Israel, and the announcement by the Ministry of Energy that, in view of the security situation, the production of natural gas from the "Tamar" reservoir must be stopped - production resumed close to the end of the year. In total, in 2023 the **TA Oil & Gas** index stood out with a steep increase of **38%**, and **over the past five years**, 2019-2023, the index increased by **65%**.
- The indices of high-tech companies - **TA-Technology** and **TA Tech-Elite**, increased by 10% until the breakout of the war, a significantly lower yield than that of the NASDAQ, which increased by 28% in the same period, this as a result of the Judicial Reform, which further drove down the investments in Israeli high-tech. Since October 7 until the end of the year, the **TA-Technology** index increased by 6% and the **TA Tech-Elite** index increased by 4%, and in the full year 2023 the indices increased by **17%** and **14%**, respectively, a moderate increase compared to the 43% surge of the NASADAQ index. It should be noted that **in the past five years**, 2019-2023, the **TA-Technology index is in the lead, with an increase of 103%**.

The sectorial indices were characterized by a mixed trend. The indices that stood out positively include the TA Oil & Gas index, which surged by 38%, and the TA-Technology and TA-Tech Elite indices that increased by 17% and 14%, respectively. The TA-Banks5 index, which increased by 10% this year, reached a historic record on the eve of the war.

- The **TA-Banks5 index** increased by 15.5% since the beginning of the year until **5.10.2023, reaching a historic record**, influenced by the increased profitability of the banks as a result of the higher financing income that stemmed from the rise of inflation and the market interest rate and the fact that no interest is paid on current accounts. Since the breakout of the war until the end of the year, the TA-Banks5 decreased by 4.5% - this as a result of the expected increase in the banks' provisions for credit losses, alongside the reduction in financing income and commissions due to easements extended to bank customers directly impacted by the war. It should be noted that the international rating agencies, **Fitch** and **Moody's**, announced in October that Israeli banks, too, are now under "Negative Watch". In total, in 2023 the **TA-Banks5** index increased by **10%**, and **over the past five years**, 2019-2023, the index increased by **77%**.

The **TA-RealEstate** index increased by **8%** during the year, while the **TA-Construction** and **TA-Investment Properties Abroad** indices increased by **7.5%**, each, and the **TA-Investment Properties in Israel** index increased by **3%**.

The leveraged real estate companies are greatly susceptible to interest rate increases, and the interest rate increases between April 2022 and May 2023 have driven up their financing costs and reduced the value of their properties.

Investment properties companies in Israel decreased by 9% since the beginning of the year until the breakout of the war, further to the steep drops last year, this on the backdrop of the interest rate increases in Israel and internationally and the economic slowdown. On top of the aforesaid, since the breakout of the war, the index corrected and increased slightly - due to the expected reduction of the interest, which would reduce the financing expenses.

The construction companies recorded a negligible change in 2023, with an adverse effect of the reduced demands by home buyers due to the high interest rate as well as the significant slowdown in construction as a result of the temporary shut-down of some of the construction sites following the breakout of the war, and the steep drop in the number of construction workers authorized to enter Israel. In opposition, a positive effect ensued from the discontinuance of the interest rate increases already in the first half of the year and the growing expectations for its reduction already in early 2024, the expected increase in the demand for construction in southern Israel as part of the reconstruction of the damaged towns and the rise in demand for apartments with saferooms (MAMAD) nationwide, as well as the ongoing short supply of housing in Israel.

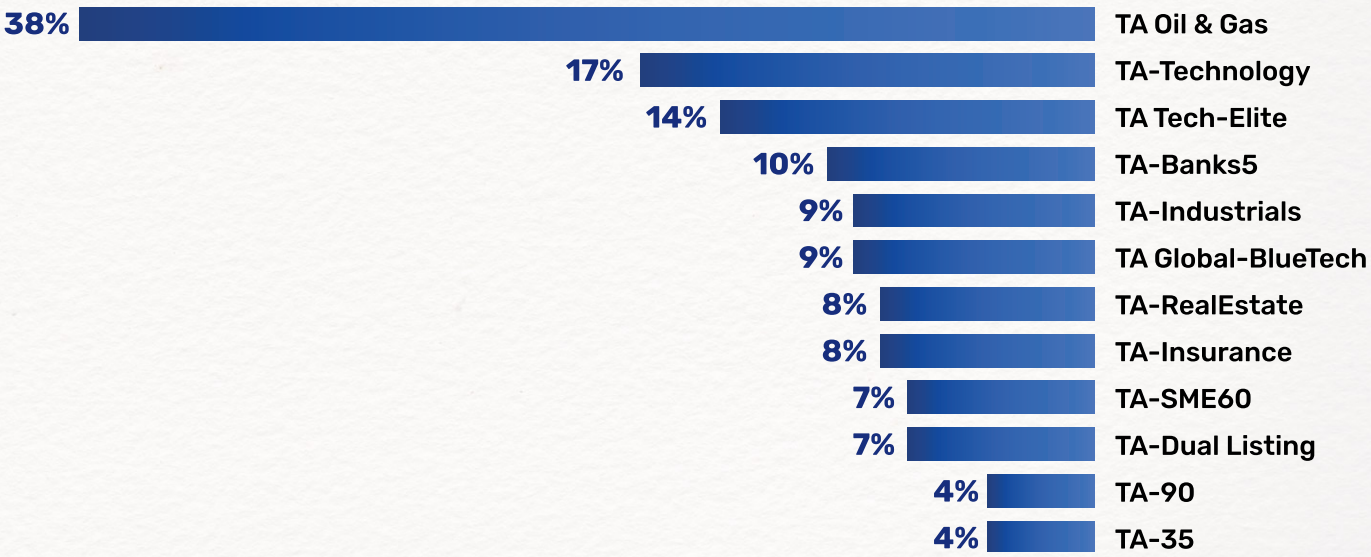
It should be noted that **in the past five years**, 2019-2023, the **TA-RealEstate index** increased by **89%**.

In opposition, indices that stood out negatively during the year are:

- In total, the **TA-Retail** index decreased by **12%** in 2023. Contributing factors to the decrease in the index include the uncertainty and economic slowdown on the backdrop of the Judicial Reform and the war.
- The **TA-Cleantech** and **TA-Energy Utilities** indices stood out with a decrease of **9%**, each, in 2023. Although the world is headed towards renewable energy and independent production of green energy, the green energy sector has suffered a negative sentiment in recent years, inter alia as a result of the transition from a zero-interest environment to a high-interest environment, which makes it difficult to finance non-profitable projects around the world, requiring government subsidy.

The leading indices in the past five years, 2019-2023 include the TA-Technology index, with a 103% increase, the TA-RealEstate index, with an increase of 89%, and the TA-Banks5 index, with an increase of 77%.

Share's leading indices in Tel-Aviv in 2023 (In Israeli Shekel terms)



Equity Trading Volumes

Table 2: **Average Daily Trading Volumes in the Equity Market** (US$ million)

	2023	2022	% Change in 2023
Shares including ETFs	542	683	**-21%**
Shares excluding ETFs	434	558	**-22%**

Shares trading was active, posting an average daily volume of US$ **542** million - 21% lower than the average daily volume in 2022, which was the highest volume since 2011.

The reduction in the trading volumes this year compared to the trading volumes in 2022 was influenced by purchases of equity holdings by long-term institutional investors, and the sale of equity holdings by the Israeli public and by foreign investors.

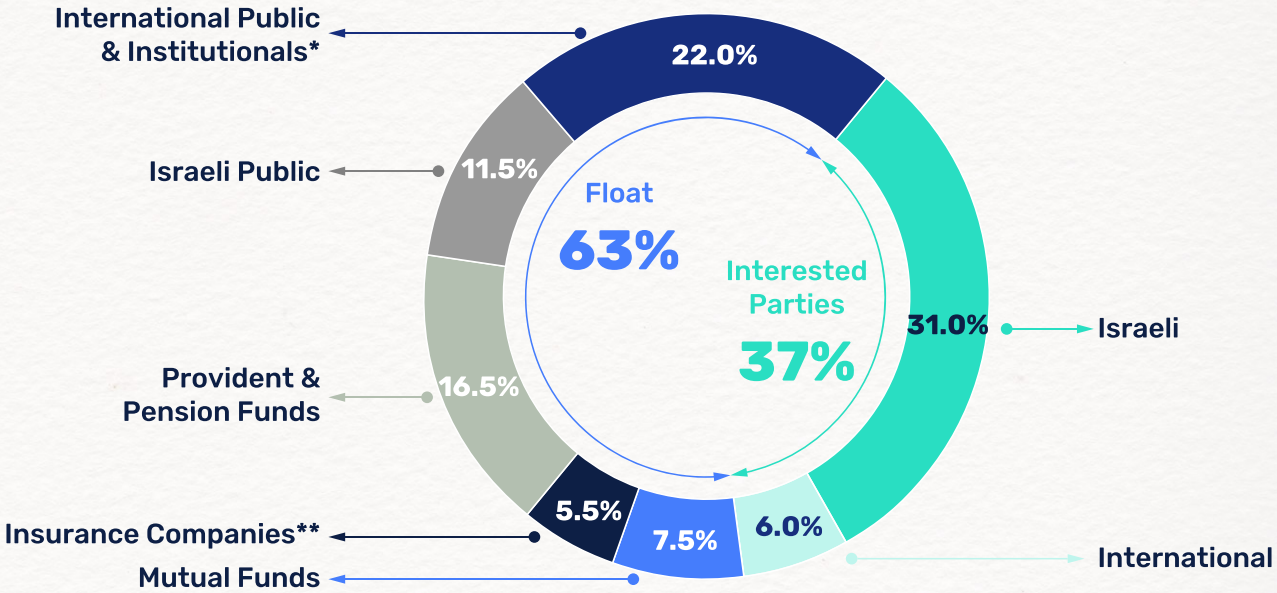
According to the data of TASE[1], **in the first nine months of the year, Israeli long-term institutional investors** increased their exposure to the Israeli equity market by US$ 1 billion, **and since the beginning of the war they continued to increase their exposure to the equity market** by a further US$ 1.4 billion; accordingly, since the beginning of the year the institutional investors increased their exposure by US$ 2.4 billion.

At the same time, **the Israeli public and foreign investors reduced their equity holdings** by US$ 3.2 billion and US$ 0.5 billion, respectively. While the Israeli public reduced its equity holdings by US$ 2.3 billion already **in the first nine months of the year**, on the backdrop of the protests against the Judicial Reform, foreign investors purchased equity holdings in an amount of US$ 0.5 billion. Following the breakout of the war, the Israeli public continued to reduce its investments by a further US$ 0.9 billion, concurrently with net sales of equity holdings in an amount of US$ 1 billion by foreign investors.

The support of the local institutional investors, which purchased equity holdings since the beginning of the war and scooped up the equity holdings sold by local retail investors and by the foreign investors, also helped moderate the price drops on the equity market.

The average daily trading volume of shares totaled US$ 542 million this year - 21% below the average daily volume in 2022, which was the highest since 2011.

Breakdown of Shares Ownership, 2023



* Including holdings in dual-listed shares abroad. ** Investments in life insurance and general insurance. Source: TASE & Bank of Israel

The support of the local institutional investors, which purchased equity holdings since the beginning of the war and scooped up the equity holdings sold by local retail investors and by the foreign investors, also helped moderate the price drops on the equity market.

[1] In the analysis of the activity of the various investors: the data do not include OTC transactions. Short-term investors include the Israeli public that purchases equity holdings directly and indirectly through the ETFs and mutual funds, and the foreign investors. Long-term institutional investors include the pension funds, the provident funds and the insurance companies.

Equity Capital Raising

Table 3: **Equity Raised on TASE**

	Amounts Raised (U.S$ Millions)			No. of Public Offerings and Private Placements		
	2023	**2022**	**2021**	**2023**	**2022**	**2021**
Public offerings - IPOs*	41	714	3,220	1	13	94
Public offerings - TASE-listed companies	935	2,848	2,406	65	65	73
Private placements	1,299	2,829	2,220	98	117	145
Warrant exercise	66	150	127	-	-	-
Total	**2,341**	**6,541**	**7,973**	**164**	**195**	**312**

* IPOs do not include companies listed without raising capital (dual listings and splits), and companies that completed a reverse merger with TASE-listed companies.

The total equity raised from the public on the equity market in Israel dropped sharply and came to US$ **2.3** billion, further to an amount of US$ 6.5 billion raised last year and a record amount of US$ 8 billion raised in 2021.

The wave of IPOs, which reached a historical record in 2021 with 94 new companies, came to a standstill already in August 2022. And this year **one new issuer** - renewable energy company, **Zephyrus** - raised US$ **41** million in an IPO in the first quarter of the year, compared to 13 new issuers that raised US$ 714 million in 2022. The market capitalization of the company after-the-money is US$ **264** million.

In addition, **two new companies were listed following their split from TASE-listed companies**:

- The income property operations of real estate company, "Netanel Group", was split by way of distribution of shares of **Netanel Menivim** as a dividend in kind to the shareholders of "Netanel Group". The market capitalization of Netanel Menivim at the end of the first trading day was US$ **23** million.
- TASE-listed company, "Paz Oil", distributed to its shareholders the shares of **Ashdod Refinery**, as a dividend in kind and listed them on TASE. Ashdod Refinery imports oil and produces petroleum products and electricity. The market capitalization of Ashdod Refinery at the end of the first trading day was US$ **362** million.

The total equity raised from the public on TASE came to US$ 2.3 billion, further to an amount of US$ 6.5 billion raised in 2022.

7 new companies listed on the equity market this year, with a combined market capitalization of US$ 1.4 billion, including one new issuer, two dual listings, two companies that split off a listed company and two companies that completed a reverse merger with TASE-traded companies.

Two new companies completed reverse mergers with TASE-listed companies:

- Construction company, "Ray T.L.V. Real Estate", which is engaged in the betterment of real estate properties situated in Tel Aviv, merged with the shell company, "Intelicanna". As part of the transaction, 90% of the shares of Intelicanna were allotted and its name was changed to **Ray T.L.V.** The market capitalization of Ray T.L.V. at the end of the first trading day was US$ **16** million.
- Fintech company, "iintoo Investments", which operates investment and finance sourcing platforms, merged with **NELA Digital**, a company that operates physical and online pop-up stores. As part of the transaction, 73% of the shares of NELA Digital were allotted. The market capitalization of NELA Digital at the end of the first trading day was US$ **13** million.

A sharp drop was also recorded in equity raised by seasoned issuers, which came to US$ **2.2** billion in 2023 (offerings and private placements), compared to US$ 5.7 billion raised by TASE-listed companies last year. Outstanding offerings performed by the seasoned companies were:

- An amount of US$ **207** million was raised by cleantech company, **Veridis**, in a rights issuance. In addition, the company allotted shares with a value of US$ **92** million in consideration for 30% of the shares of "Infinia".
- An amount of US$ **191** million was raised by **Meshek Energy** in private placements of shares to accredited investors and to Saramaitu.
- An amount of US$ **161** million was raised by construction company, **Shikun & Binui**, in a private placement of shares to accredited investors.
- In issuances of convertible bonds to the public, an amount of US$ **115** million and US$ **112** million was raised by investment properties abroad company, **G City**, and by solar energy company, **Nofar Energy**, respectively.

Dual listings and changes in the traded Companies number

Dual listings

There are currently 50 dual listings on TASE, after:

Two companies listed their shares for trading on TASE within the framework of the dual listing provisions.

- Technology company, **Ondas**, that is traded on NASDAQ, merged technology company, Airobotics, and listed on TASE in its place.
- **Cion** - an American company that provides credit to small and medium businesses in the United States, which is traded on NYSE, dual-listed its shares on TASE and raised US$ 81 million in an IPO of bonds on TASE.

A company traded on TASE dual-listed on NASDAQ in the United States.

- Renewable energy company, **Enlight**, which has been traded on TASE for 29 years, raised US$ 289 million in an IPO in the United States, and its shares are now also traded on NASDAQ.

Dual listings delisted

Four companies delisted their shares from TASE only and continue to be traded in the United States: biomed Companies **IceCure Medical** and **Protalix**, cleantech company **Brenmiller**, and defense technology company **Leonardo DRS** whose shares delisted on 31.12.23.

It should be noted that the shares of communications company Partner, were delisted from NASDAQ and continue to be traded on TASE.

The number of TASE-listed

At the end of 2023, the shares of **537** companies traded on TASE, compared to 548 companies at the end of 2022.

The combined market capitalization of the **one new issuer** that performed an IPO this year (US$ 264 million, after-the-money), the **2 companies** that completed a reverse merger with a TASE-listed company (US$ 29 million), and the **4 companies** that listed without raising capital (two dual listings and two splits - US$ 1,061 million), amounts to US$ **1.4** billion.

On the delisting side, 16 companies have been delisted from TASE, including three companies that completed reverse mergers with TASE-listed companies, the delisting of which does not impact TASE coverage. The distribution of delisting companies according to the reason for delisting follows:

- **Three companies** with a combined market capitalization of US$ 0.9 billion have been delisted as a result of corporate reorganization, which did not impact TASE coverage, as the delisting was effected by way of merger into another public company that continues to be traded (the dual-listing, "Airobotics", was purchased by "Ondas", which listed in its place, "Infinia" was purchased by "Veridis", and "Gama Management" was purchased by "The Phoenix").
- **One company** has been merged into an international company - "Hub" was purchased by Mount Rainier. Its market capitalization on the eve of the delisting was US$ 0.2 billion.
- **Four companies** with a combined market capitalization of US$ 0.3 billion have been delisted as a result of a tender offer of the controlling shareholders - "Alon Gas", "Decama Capital", "Tierra Properties" and "Shalag Industries".
- **Four dual-listings** with a combined market capitalization of US$ 5.2 billion have been delisted from TASE (including foreign company, Leonardo DRS, with a market capitalization of US$ 5 billion on the eve of the delisting).
- **Two foreign companies** with a negligible combined market capitalization have been delisted after 4 years of trading suspension - "Gadsden Properties" and "Vonetize".
- **Two companies** with a combined market capitalization of US$ 0.1 billion have been delisted for various reasons ("Ability" as a result of liquidation, and "ISPAC 1" as a result of its failure to complete a merger).

Table 4: **Main Indicators of the Equity Market, 2014-2023**

Year	Daily Turnover (US $ millions)	Capital Raised in Tel-Aviv[1] (US $ billions)	Number of Listed Companies[2]	Thereof: New Listed Companies[2]	TA-125 Index % Change (local currency terms)
2014	339	2.1	473	7	6.7
2015	373	1.4	461	11	2.0
2016	330	1.8	451	8	-2.5
2017	390	3.4	457	20	6.4
2018	391	1.9	448	14	-2.3
2019	365	3.8	442	11	21.3
2020	540	5.0	455	30	-3.0
2021	581	8.0	541	98	31.1
2022	683	6.5	548	16	-11.8
2023	**542**	**2.3**	**537**	**7**	**4.1**

(1) Including private placements and exercise of warrants. Excluding issues abroad of the dual-listed companies and amount raised by TASE UP shares (- 0.2 US$ billions in 2021). (2) Including dual-listed companies. Excluding ETFs and TASE UP issuers.

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Bond Market*

*All the data in this review are in dollar terms, with the exception of index yields that are in the local currency - unless stated otherwise. In 2023, the dollar appreciated by 3.1% relative to the NIS.



Bond Market Indices

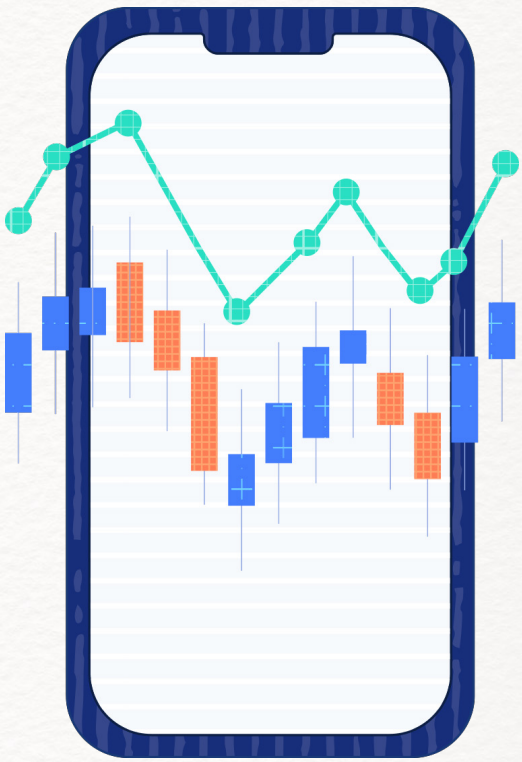
Government and Corporate Bonds Indices, 2022-2023 (in Israeli Shekel terms)



The bond market stood out positively this year, with substantial price gains, led by the CPI-linked corporate bonds, most notably the bonds included in the **Tel Bond Yields CPI Linked** index and the **Tel Bond-CPI Linked A** index, which increased by 8%-9%, each, since the beginning of the year until the breakout of the war, and thereafter increased by a further 2.6% - bringing their total increase in 2023 to **12.1%** and **10.7%**, respectively.

It should be noted that the **corporate shekel bonds** increased by a moderate 2% since the beginning of the year until the breakout of the war, and continued to climb by up to 4% until the end of the year - all in all, achieving an increase of up to **6%** in 2023.

The **Tel Bond-Dollar** index, comprising the **currency-linked corporate bonds**, increased by 15.5% until the breakout of the war, concurrently with the 10% appreciation of the dollar relative to the shekel. Since the breakout of the war until the end of the year - the Tel Bond-Dollar index decreased by 3.2%, while the dollar continued to appreciate, reaching NIS 4.081 on October 27, then depreciated to NIS 3.627 at year's end, influenced by the sale of dollars by the Bank of Israel and the holding steady of the U.S. interest rate. Overall, in 2023 the **Tel Bond-Dollar** index also stood out positively with an increase of **11.8%**, **reaching a historic record**.



The year of bonds - the bond market stood out positively this year, with substantial price gains, led by the CPI-linked corporate bonds, which increased by up to 12%.

Table 5: **Rate of Return of the Indices & Market Capitalization of the Corporate Bonds**

Index	2023 Market Capitalization (US$ billion)	From January 2023 To 5.10.2023	From 7.10.2023 To The End of the Year	2023	2022
CPI-linked - total	**69**	**4.1%**	**2.1%**	**6.3%**	**-7.6%**
Stood out among the above indices: Tel-Bond 20	17	2.8%	1.9%	4.8%	-10.0%
Tel-Bond 40	20	3.6%	2.1%	5.8%	-8.0%
Tel Bond-CPI Linked SmallCap	20	4.8%	2.3%	7.1%	-7.3%
Tel Bond Yields CPI Linked	9	9.3%	2.6%	12.1%	-8.4%
Non-linked - total	**39**	**Non-linked**	**Non-linked**	**Non-linked**	**Non-linked**
Stood out among the above indices: Tel Bond-Shekel	29	1.8%	3.5%	5.3%	-7.0%
Tel Bond-Yields - NIS	8	2.6%	3.1%	5.9%	-6.1%
Currency-linked	**2**	**16.0%**	**-2.7%**	**12.9%**	**7.5%**
Total corporate bonds*	**110**	**3.9%**	**2.3%**	**6.3%**	**-6.2%**

* Excluding TASE UP bonds and financial instruments.

Trading in government bonds was marked by a mix trend - price increase in the short- and mid-term bonds, and price decrease in the long-term bonds.

The yield-to-maturity of 10+ years fixed-rate government shekel bonds on TASE rose to **5.25%** towards the end of October 2023 - the highest level in many years, then dropped to 4.4% at the end of 2023, exceeding the 3.7% yield at the end of 2022. In comparison, the yield-to-maturity of the 10-year treasuries increased to 5.0% in October - the highest yield in more than 15 years, then dropped to 3.9% at the end of 2023, identical to its level at the end of 2022.

The rise in the yield of long-term government bonds, both in Israel and in the United States, which reached a record high in October 2023, reflects the higher national budget deficit and economic risk, and resulted in the downgrading of the rating and/or the outlook by the international rating agencies.

Table 6: **Rate of Return of the Indices & Market Capitalization of the Government Bonds**

Index	2023 Market Capitalization (US$ billion)	From January 2023 To 5.10.2023	From 7.10.2023 To The End of the Year	2023	2022
Bonds for 0-2 years					
Tel Gov - Shekel 0-2	21	2.5%	1.7%	4.2%	-1.6%
Tel Gov - CPI Linked 0-2	10	3.2%	1.1%	4.4%	0.8%
Bonds for 2-5 years					
Tel Gov - Shekel 2-5	25	1.1%	3.1%	4.2%	-8.3%
Tel Gov - CPI Linked 2-5	14	1.9%	1.8%	3.7%	-5.7%
Bonds for 5-10 years					
Tel Gov - Shekel 5-10	17	-0.6%	3.9%	3.3%	-14.3%
Tel Gov - CPI Linked 5-10	13	-0.7%	1.5%	0.8%	-11.3%
Bonds for 10+ years					
Tel Gov - Shekel 10+	20	-7.5%	1.6%	-6.1%	-18.5%
Tel Gov - CPI Linked 10+	23	-4.1%	-1.0%	-5.1%	-15.8%

Trading in government bonds, CPI-linked and shekel, was characterized by a mixed trend - price increase of up to 4.5% in the short-term bonds, and a decrease of 6% in bonds for 10+ years.

Bond Trading Volumes

Table 7: **Average Daily Trading Volumes in the Bond Market** (US$ million)

	2023	2022	% change in 2023
Government bonds	789	724	9%
Corporate bonds including ETFs	276	311	-11%
Corporate bonds excluding ETFs*	245	272	-10%
MAKAM (Central Bank Treasury-Bills)	379	233	63%

* Includes structured bonds.

An increase of 9% in the trading volumes of government bonds, which totaled US$ 789 million. Most of the increase in non-linked bonds is due to the increase in bonds issuing by the Ministry of Finance. Foreign investors purchased government bonds, while the Israeli public reduced its holdings.

The average daily trading volume of government bonds totaled US$ **789** million in 2023, 9% greater than the trading volume last year. The increase is due to the trading volume of **government non-linked bonds**, which came to US$ **544** million - 16% greater than the trading volume last year. The average daily trading volume of **CPI-linked government bonds** came to US$ **245** million - 3% below the trading volume last year.

The increase in the trading volumes of government bonds was influenced by the **increased floatation of bonds by the Ministry of Finance this year**, designed to finance the rise in the national budget deficit. For details, see "Debt Raising in the Bond Market", below.

According to the data of TASE, **foreign investors** purchased government bonds on TASE in a net amount of US$ 3.7 billion in January-September 2023, and sold government bonds in a net amount of US$ 0.9 billion in the final quarter of the year, whereas the **Israeli public** sold government bonds in an amount of US$ 3.4 billion in January-September 2023 and continued to sell government bonds in an additional net amount of US$ 0.8 billion until the end of the year.

It should be noted that the long-term **institutional investors** in the government bonds sold government bonds in a net amount of US$ 0.5 billion in the first nine months of the year, and purchased government bonds in a net amount of US$ 1.6 billion in the final quarter of the year.

The average daily trading volume of corporate bonds (including structured bonds and ETFs) totaled US$ **276** million in 2023 - 11% below the average daily trading volume in 2022. According to the data of TASE, the **Israeli public's** purchases of corporate bonds totaled US$ 2 billion, net, in 2023, including purchases in a net amount of US$ 0.8 billion made since breakout of the war. At the same time, **foreign investors** sold corporate bonds in a net amount of US$ 2 billion, including net sales of US$ 0.7 billion since the breakout of the war. **Long-term institutional investors'** net activity was immaterial.

The average daily trading volume of corporate bonds totaled US$ 276 million, 11% below the trading volume last year, with increased purchases by the Israeli public and reduced purchases by the foreign investors.

Debt Raising in the Bond Market

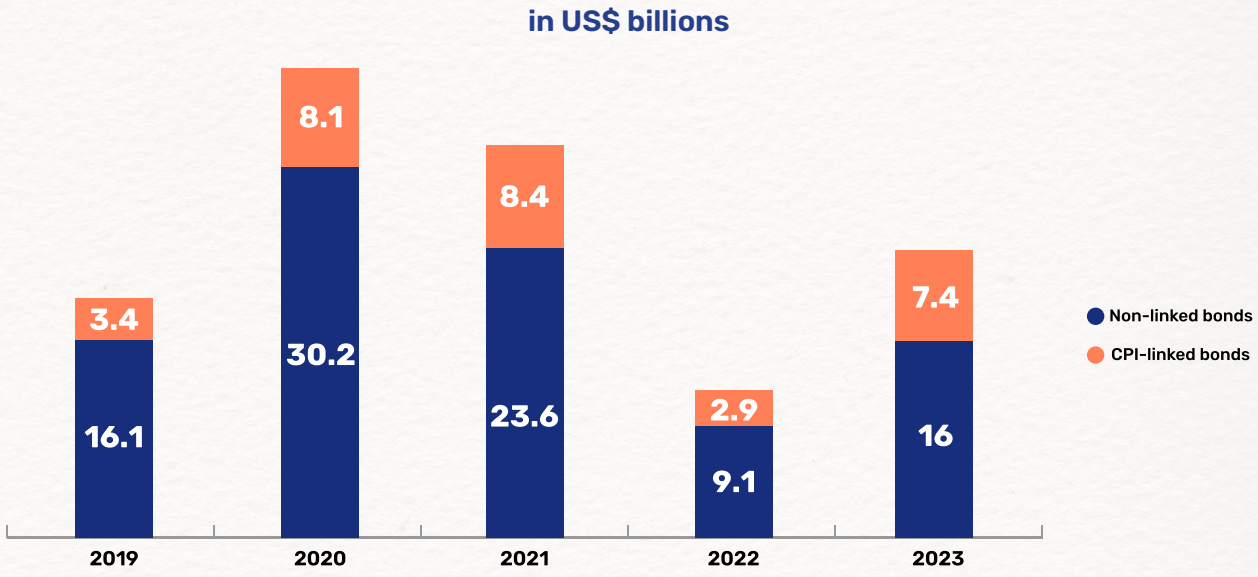
The bond market continues to serve as a significant hub for government and corporate debt raising.

The Ministry of Finance's bond issuing's on TASE increased in 2023 as a result of the transition from a national budget surplus to a national budget deficit, which is expected to grow due to the costs of the Swords of Iron War.

The total amount raised by the Government in Israel and overseas during the year amounted to a gross US$ **32.6** billion, of which US$ 23.4 billion on TASE - compared to an amount of US$ 13.7 billion raised last year.

- An amount of US$ **23.4** billion was **raised on TASE in 2023**, almost double the amount raised last year (US$ 12 billion).
  - » **The monthly raising volume** rose from US$ 1 billion in 2022 to an average of US$ 1.5 billion in January-September 2023, then surged to US$ 2.1 billion in October and to an average of US$ 3.7 billion in the last two months of 2023.
  - » This year, **the weight of capital raised in non-linked bond offerings decreased** to 68% of the total amount raised in government-bond offerings on TASE during the year, as compared to 76% in 2022, of which 9% was raised in offerings of variable-rate shekel bonds, compared to 4% in 2022. At the same time, **the weight of debt raised in offerings of CPI-linked bonds increased** to 32% of the total amount raised in government-bond offerings on TASE during the year, compared to 24% in 2022.
  - » About 4% of the amount raised in offerings of non-linked bonds were raised through short-term bonds, as preferences shifted from long-term bonds to short-term bonds.
  - » In addition, in 2023 the Ministry of Finance carried out government bond switch auctions in an amount of NIS 26 billion par value in consideration for the issuance of a larger quantity in an amount of NIS 33 billion par value. As part of the auctions, bonds that mature in the years 2023 to 2025 were switched with bonds with a later maturity of 3 to 18 years ahead. In addition, the non-linked component was increased - CPI-linked bonds in an amount of NIS 10 billion par value were switched with non-linked bonds.
  - » The Ministry of Finance's offerings were accompanied by redemptions in an amount of US$ 14.3 billion in dollar bonds and US$ 7.2 billion in CPI-linked bonds.
- An amount of US$ **9.2** billion was **raised overseas in 2023**, compared to US$ 1.7 billion raised last year:
  - » Since the outset of the war, the **Ministry of Finance** raised **overseas** an amount of US$ 5 billion, which testifies to the confidence in the Israeli economy and its strength, and overall, since the beginning of the year the Ministry of Finance raised a total of US$ 7 billion in several offerings. These include US$ **2** billion raised in the **first offering of "green" bonds,** the consideration for which is earmarked by the Government for climate and environmental issues. The debt was raised through bonds for varying terms of 3 to 8 years, bearing a coupon of 5%-6.5%.
  - » **Israel Bonds** raised since the outset of the war more than US$ 1 billion from investors in the United States, Europe, Canada and Latin America, and since the beginning of the year it raised a total of US$ **2.2** billion - one of the highest amounts raised by Israel Bonds since its establishment.

Debt raised by Government Bonds in Tel-Aviv, Gross (2019-2023)



The Ministry of Finance raised US$ 23.4 billion locally in offerings of bonds to the public - almost double the amount raised in this manner in 2022, and an additional US$ 9.2 billion was raised by the Ministry of Finance and by the "Israel Bonds" on international markets. Close to half of the amount was raised in the forth quarter of the year, since the breakout of the war.

Debt raised in offerings and private placements of corporate bonds

The volume of debt raised through corporate bonds from the public and from institutional investors on the Israeli bond market (excluding structured bonds) totaled US$ **24.2** billion in 2023, of which US$ 2.6 billion was raised through bonds listed on TASE UP, further to the US$ 26.7 billion raised in 2022. **Most of the debt raised** in 2023 was raised by **the banks and the real estate companies**, similarly to the trend in the past two years.

It should be noted that redemptions totaled US$ 14.7 billion in 2023 and are expected to reach US$ 16 billion in 2024.

Table 8: **Non-government Bond Issues by Sector 2021-2023** (US$ million)

	2023		2022		2021	
Corporate bonds to the public	**21,551**	**100%**	**25,365**	**100%**	**24,257**	**100%**
Sectoral classification						
Financial sector:	**7,794**	**36%**	**10,048**	**39%**	**8,181**	**34%**
Banks	5,484	25%	7,674	30%	6,250	26%
Insurance	1,657	8%	1,100	4%	864	4%
Financial services	653	3%	1,274	5%	1,067	4%
Real sector:	**13,757**	**64%**	**15,317**	**61%**	**16,076**	**66%**
Real estate	7,896	36%	9,410	37%	9,996	41%
Energy & gas	2,944	14%	2,697	11%	1,965	8%
Commerce & services	1,910	9%	2,019	8%	1,837	8%
Investments	419	2%	640	3%	923	4%
Technology	392	2%	453	2%	1,246	5%
Manufacturing	196	1%	98	0.4%	109	0.4%
TASE UP bonds	**2,634**		**1,333**		**5,223**	
Total corporate bonds	**24,185**		**26,698**		**29,480**	
Structured bonds	**3,149**		**808**		**67**	
Total raised through non-government bonds	**27,334**		**27,506**		**29,547**	

On the bond market, US$ 24.2 billion was raised in 2023 in offerings of corporate bonds to the public and to institutional investors, further to an amount of US$ 26.7 billion raised last year.
In addition, in 2023 a record amount of US$ 3.1 billion was raised in offerings of structured bonds, almost four times the amount raised last year.

Debt raised through corporate bonds in 2023 - key characteristics:

- **Reduction in debt raised by the financial sector - mainly that raised by the major banks:** During the year, the **financial sector** raised US$ **9.4** billion in offerings of bonds to the public and to institutional investors, of which US$ 1.6 billion in offerings of bonds to institutional investors on TASE UP, compared to US$ 11.1 billion raised in 2022.

  The major banks raised US$ **6.9** billion in offerings of bonds to the public and to institutional investors in 2023, of which US$ 1.4 billion in offerings of bonds to institutional investors on TASE UP, compared to US$ 8.6 billion raised in 2022. The reduction in debt raised by the banks in 2023 is due, on the one hand, to the decrease in the demand for credit by home buyers, as a result of the higher mortgage costs, as well as by real estate companies, as a result of the downturn in the real estate sector and the reduction in the number of new builds, and on the other hand, to the increased profitability of the banks as a result of higher financing income (due to the interest-rate increases).

  In the third quarter of 2023, the banks were forced to increase the provisions for credit losses, influenced by the high market interest rate and the breaking out of the war in October, and in December raised US$ 2.1 billion - close to 30% of the amount raised during the year. The banks are expected to continue to increase the provisions for credit losses in the final quarter of the year.

This year's prominent issuers include:

» **Leumi** bank raised US$ **2.3** billion in **public offerings of bonds and commercial paper**. An amount of US$ **1** billion was raised through a new series of variable-rate commercial paper, and US$ **1.3** billion was raised through CPI-linked bonds (US$ 0.9 billion in new series, and US$ 0.4 billion in an expansion of a series).

In addition, the bank raised US$ **0.5** billion in an **international private placement** to institutional investors of "green" bonds listed on TASE UP - the consideration of the offering is earmarked for "green projects". The debt was raised through **COCO bonds,** which include a mechanism for the absorption of losses through conversion into shares, that received an international rating of BBB from international rating agencies, S&P and Fitch.

Another amount of US$ **0.14** billion was raised by the bank through **credit risk linked bonds** issued to institutional investors on TASE UP. The bond protects the bank from the credit risk to which it is exposed in connection with loans that it has extended to borrowers in the real estate sector - upon the occurrence of a credit event that is defined in the terms of the bond, the principal amount is reduced accordingly.

» **Mizrahi-Tefahot** bank raised US$ **2.15** billion in **public offerings of bonds and commercial paper**- US$ **1.3** billion was raised through CPI-linked bonds, US$ **0.7** billion raised through variable-rate commercial paper, and US$ **0.15** billion was raised through COCO bonds that include a mechanism for the absorption of losses by way of principal write-down.

» **Discount** bank raised US$ **0.5** billion in a **public offering of bonds** - in an expansion of two series of CPI-linked bonds, of which US$ **0.1** billion with COCO bonds that include a mechanism for the absorption of losses by way of principal write-down.

In addition, the bank raised US$ **0.8** billion in an **international private placement to institutional investors** of bonds on TASE UP. The debt was raised through a series of dollar-linked bonds that received an international rating of A from Fitch and A2 from Moody's.

- **Debt raised by the real sector - reduction in amounts raised by the real estate companies:**

  The **real sector** raised US$ **14.8** billion from the public and from institutional investors in 2023, of which US$ 1 billion was raised in offerings of bonds to institutional investors on TASE UP, compared to US$ 16.9 billion raised in 2022.

  Redemption of marketable bonds by the real sector totaled US$ 10.4 billion in 2023, slightly above the amount of redemptions in 2022, which totaled US$ 10 billion, and is expected to further increase to US$ 12.1 billion in 2024.

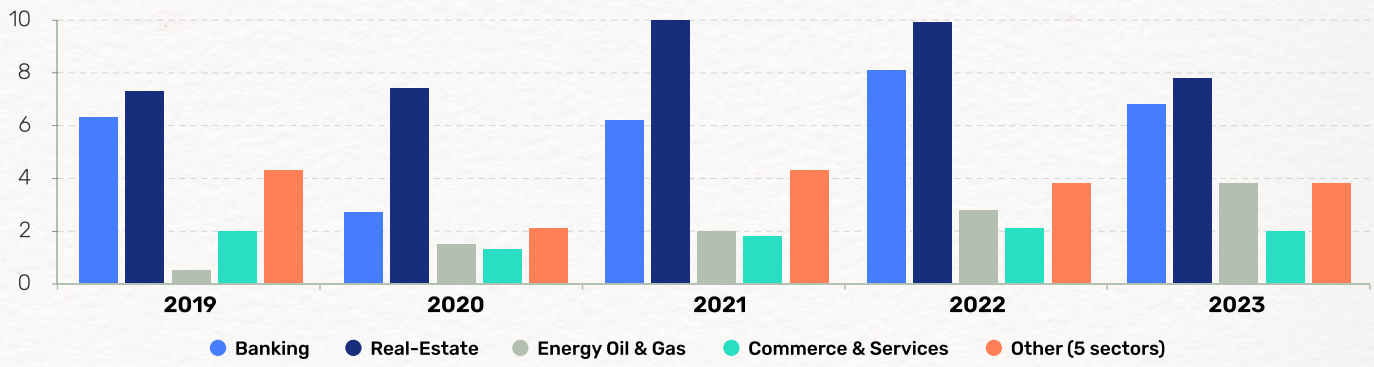
- Presented below are the principal trends in debt raising by the real sector through public offerings of bonds:

  » **Real estate companies**, which continue to lead debt raising, with 36% of total debt raised through public offerings of corporate bonds, raised US$ 7.9 billion in 2023, compared to US$ 9.4 billion raised by companies in the sector in 2022.

  The downturn in the real estate sector that commenced in the second half of 2022 as a result of the interest rate increases, which drive up mortgage and financing costs, continued into 2023 and was reflected in housing prices. According to the data of the Central Bureau of Statistics, in September-October 2023 housing prices remained unchanged compared to the two previous months, but reduced by 1.3% compared to the corresponding period last year - the first reduction in five years, after increasing by an annual rate of 12.7% in the full year 2022.

  It should be noted that office investment property, which experienced reduced demands during the Covid-19 years and thereafter as a result of the slowdown in the high-tech sector, continues to experience reduced demands due to the war.

Debt Raised by Non-Government Bonds by Sectors, 2019-2023 (US$ billions)



Among the issuers this year are **ten new bond companies** that raised US$ **645** million:

- ◊ **Nine real estate and construction companies - Ispro** (US$ 270 million), **Rent It** (US$ 26 million) and **M.W. Investments** (US$ 21 million) issued non-rated CPI-linked bonds; **Delek Properties** (US$ 115 million) issued CPI-linked bonds rated A- ("Maalot"); and the companies **Luzon Ronson** (US$ 57 million), **City People** (US$ 25 million), **Ram Aderet** (US$ 20 million), **Ampa Yuvalim** (US$ 16 million) and **Jordan Eshel** (US$ 14 million) issued non-rated non-linked bonds;
- ◊ an American **non-banking credit company - Cion,** which concurrently with the dual-listing of its shares on TASE raised US$ 81 million in an offering of dollar-linked bonds.

More than 70 of the seasoned issuers in the real estate sector raised US$ **7.3** billion this year. Bond redemptions by the real estate companies totaled US$ 5.5 billion this year and are expected to increase to US$ 6.2 billion in 2024.

Companies that stood out in terms of the volume raised: **Azrieli Group** (US$ 849 million), **Mivne** (US$ 635 million), **Property & Building** (US$ 503 million), **Alony Hetz** (US$ 422 million), **Melisron** and **BIG** (US$ 334 million and US$ 268 million, respectively), **Ashtrom Group** (US$ 222 million). Most of the amount raised was designed for the refinancing of marketable debt in 2023 and in the following year.

» Again, this year, the second largest volume of debt was raised by the **energy and oil & gas exploration** sector. Seven energy companies **raised from the public** an amount of US$ **2.9** billion, further to an amount of US$ 2.7 billion raised by companies in the sector in 2022. These companies redeemed traded bonds in an amount of US$ 1.9 billion this year, and are expected to redeem traded bonds in a larger amount of US$ 2.3 billion in 2024.

Most of the amount raised from the public by companies in the sector, US$ **1.5** billion, was raised by **Israel Electric Corporation**, through CPI-linked bonds. The company redeemed traded bonds in an amount of US$ 0.4 billion in 2023 and is expected to redeem traded bonds in an amount of US$ 1.4 billion in 2024.

In addition to raising from the public, two companies raised US$ **0.9** billion **through bonds issued to institutional investors on TASE UP: Energean Israel** raised US$ **0.75** billion **in a global private placement** of dollar-linked bonds to institutional investors overseas. The company did not redeem traded bonds in 2023, but is expected to redeem traded bonds in an amount of US$ 0.6 billion in 2024; **Paz Refinery** raised, for the first time, an amount of US$ **0.17** billion in an offering of non-linked bonds to institutional investors in Israel.

- **The weight of debt raised through bonds rated above "A" increased this year and accounted for 93%** of the amount raised in public offerings of bonds, as compared to 89% in 2022. The weight of debt raised through non-rated bonds decreased and accounted for 4% of total debt raised during the year, compared to 9% in 2022.
- **The weight of debt raised through CPI-linked bonds** in the total debt raised in public offerings of bonds slightly decreased this year, accounting for **57%,** compared to 58% in 2022. A total of US$ **12.4** billion was raised through CPI-linked bonds this year, compared to US$ 14.7 billion in 2022.

  The weight of debt raised through non linked bonds in the total debt raised in public offerings of bonds slightly increased this year, accounting for **42%**, compared to 41% in 2022. A total of US$ **9.1** billion was raised through non linked bonds this year, mostly fixed-rate shekel bonds, compared to US$ 10.6 billion in 2022.

  US$ **2.1** billion of the amount raised through non-linked **commercial paper** this year bear variable-rate (- a margin above the Bank of Israel interest rate), compared to US$ 1.3 billion raised through commercial paper in 2022.

  Offerings of dollar-linked bonds totaled US$ **0.1** billion only in 2023, representing 1% of the total raised in public offerings of bonds, similarly to the amount raised last year.

Offerings of structured bonds backed by bank deposits:

In 2023, the amounts raised in **offerings of structured bonds backed by deposits**, totaling US$ **3.1** billion - a record amount, compared to an amount of US$ 0.8 billion raised in 2022. Of said amount, US$ 2.9 billion was raised through variable-rate non-linked bonds and US$ 0.2 billion was raised through dollar-linked bonds. All of the bonds have received a triple A rating by "Maalot" or "Midroog".

The steep increase in the volume of offerings this year is designed to accommodate the growing demand for solid investments in the currently prevailing uncertainty. Bonds are attractive since they bring together multiple investors, awarding them a higher interest rate than that awarded to a single investor on a bank deposit. In addition, the issued bonds bear variable interest with a margin of 0.1%-0.21% above the Bank of Israel interest rate, which is currently 4.75% - the highest rate in 17 years.

Ten new bond companies, nine of which are real estate companies, raised debt in a joint amount of US$ 645 million.

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ETF's Market*

*All the data in this review are in dollar terms, with the exception of index yields that are in the local currency - unless stated otherwise. In 2023, the dollar appreciated by 3.1% relative to the NIS.



ETFs

In 2023, 29 new ETFs were listed with a total market capitalization of US$ 480 million at year's end. Among the new ETFs:

- US$ **365** million - the market capitalization of **21 ETFs on share or bond indices on TASE**. Among these: US$ **230** million market capitalization of **11 new ETFs on corporate bond indices on TASE**; US$ **110** million market capitalization of **five new ETFs on share indices on TASE** - the TA-35, TA-90, TA-125, and TA-Insurance indices, and the 120-Index Israel; and US$ **25** million market capitalization of **five new ETFs on government bond indices on TASE**.
- US$ **115** million - the market capitalization of **8 new ETFs on foreign indices**, including an ETF on foreign share index, MSCI ACWI Sustainable Impact - The index comprises companies that are primarily engaged in one or more of the areas that have been defined as global social and environmental challenges under the U.N.'s Sustainable Development Goals.

In opposition, **22** ETFs with a combined market capitalization of US$ **80** million, mostly on foreign share indices, have been delisted: US$ **65** million - the market capitalization of **ten** ETFs that become open-ended or were merged into open-ended ETFs, and US$ **15** million - the market capitalization of **12** ETFs that were liquidated.

53 ETFs of **Psagot** have been merged into the ETFs of **Kesem** - the merger detracted from the number of traded ETFs, but not from their combined market capitalization.

There are currently 482 ETFs listed on TASE, including: 82 ETFs on local share indices and 242 ETFs on foreign share indices, 140 ETFs on local bond indices, and 18 ETFs on foreign bond indices and commodities. The combined market capitalization of the ETFs amounts to US$ **34.3** billion at years' end.

260 of the ETFs, with a combined market capitalization of US$ 14.6 billion, **are tracking foreign share and bond indices, as well as commodities**. The most popular base assets among the ETFs tracking foreign share indices are U.S. indices, S&P 500 and NASDAQ 100, that are tracked by ETFs with a total market capitalization of US$ 10.4 billion.

ETFs that track the foreign indices facilitate investment through the Israeli market in a wide range of areas, by tracking sectorial indices, such as: technology, cyber, biotechnology, industry and finance; global indices for developed and emerging markets; American indices, all-European indices and national indices - Germany, U.K., Switzerland and France; and select Asian indices - Japan, China, India and Australia.

In addition, 36 foreign ETFs issued by leading international institutions are currently traded on TASE, which are traded in parallel on foreign exchanges - 23 foreign ETFs managed by "Blackrock", and 13 foreign ETFs managed by "Invesco" - following the delisting, in March 2023, of three ETFs on foreign share indices managed by "Lyxor".

The joint market capitalization of the aforesaid 36 ETFs on TASE amounts to US$ **1.8** billion as of the end of 2023, US$ 1 billion greater than their joint market capitalization at the end of 2022 - an increase of US$ 0.7 billion attributed to purchases of ETFs on the S&P 500 share index, and an increase of US$ 0.3 billion attributed to the increase in foreign share indices.

Table 9: **Market Capitalization and Purchases/Sales of ETFs* by the Public** (US$ billions)

	Number of ETFs	Market capitalization		Purchases/(sales), net
	December 2023	December 2023	December 2022	2023
ETFs on share TASE indices	82	12.2	10.6	1.2
ETFs on foreign share indices	242	14.2	8.7	2.9
ETFs on bond market indices and commodity indices **, primarily local corporate bonds	158	7.9	7.6	0.2
Total	**482**	**34.3**	**26.9**	**4.3**

* Excluding foreign ETFs.
** Including ETFs on government bond indices on TASE and on foreign corporate bond indices and commodity indices.

482 ETFs are traded on TASE alongside 36 foreign ETFs, which are also traded overseas, with a combined public holding of US$ 36.1 billion, US$ 8.4 billion greater than the public holding at the end of 2022. Most of the increase is attributed to the public's purchases of ETFs on the S&P 500 index and to the increase in foreign share indices.

In 2023, the ETFs' market capitalization increased by US$ 7.4 billion. The increase originated mainly from ETFs on foreign and local share indices:

- **An increase of** US$ **5.5** billion in the market capitalization of **ETFs on foreign share indices** - an increase of US$ 2.6 billion originating in share price gains, and an increase in a net amount of US$ 2.9 billion originating in purchases of ETFs by the public and by institutional investors, mainly ETFs on the S&P 500 index.
- **An increase of** US$ **1.6** billion in the market capitalization of **ETFs on share indices on TASE** - an increase of US$ 1.2 billion originating in sales of ETFs by the public and by institutional investors, mainly ETFs on the TA-125 index, and a US$ 0.4 billion increase originating in the increase in some of the share indices.
- **An increase of** US$ **0.3** billion in the market capitalization of **ETFs on bond indices on TASE** - an increase of US$ 0.2 billion originating in bond price gains, and an increase of US$ 0.1 billion originating in purchases of ETFs by the public and by institutional investors, mainly ETFs on the Tel Bond-Composite and Tel Bond-Yields indices.
- **An increase of** US$ **0.2** billion in the market capitalization of **ETFs on foreign bond indices and commodities** - most of the increase stems from purchases of ETFs by the public and by institutional investors.

On the other hand,

- **A decrease of** US$ **0.2** billion in the market capitalization of **ETFs on government bond indices on TASE** - a decrease originating in sales of ETFs by the public and by institutional investors, mainly ETFs on the Tel Gov - CPI Linked 2-5 index.

Table 10: **: Creations/Redemptions in Mutual Funds** (US$ billions)

	2023	2022
Funds specializing in TASE-listed shares	**-1.3**	**0.2**
Funds specializing in TASE-listed bonds	**-6.6**	**-7.3**
Money market funds	14.4	9.6
Funds investing in foreign markets	2.8	-1.0

Mutual funds showed a mix trend in 2023 - the public withdrew money from the funds that invest in shares and bonds on TASE, and diverted its money to the money market funds and to the mutual funds that invest overseas.

Influenced by the raising of the market interest rate and the underperformance of the equity market, in 2023 the public infused a massive net amount of US$ **14.4** billion into the **money market funds**. In December, a relatively small amount of only US$ 0.3 billion was infused, compared to 0.9-1.8 billion dollars in each of the months January-November, this as a result of the reduced inflation and the growing expectations for the reduction of the market interest rate. Noteworthy in this context are the increased sales of MAKAM by the Bank of Israel and the historic record of public holdings of MAKAMs (for details, see "MAKAM Market", below).

In addition, the public infused an amount of US$ **6** billion into the ETFs and the tracking funds.

As of the end of 2023, there are **1,136 tracking funds** on TASE (ETFs and open-ended funds) that manage US$ 55 billion. During the year, 100 new tracking funds were opened, raising a combined net amount of US$ **1.2** billion.

It should be noted that this year the public has made significant purchases of ETFs and tracking funds on a foreign share index:

- The S&P 500 index - US$ 4 billion.

The public has also made significant purchases of ETFs and tracking funds on a local share index:

- TA-125 - US$ 0.9 billion

And purchases of ETFs and tracking funds on 5 local bond indices:

- Tel Bond-Composite - US$ 265 million
- Tel Bond Yields CPI Linked - US$ 165 million
- Tel Bond-Dollar-50 - US$ 90 million
- Tel Bond-CPI Linked 1-3 - US$ 75 million
- Tel Gov-CPI Linked 0-2 - US$ 50 million

The public withdrew an amount of US$ 7.9 billion from the active funds investing in shares and bonds on TASE, and infused US$ 14.4 billion into the money market funds and US$ 6 billion into the ETFs and the tracking funds investing in foreign markets.

At the same time, the public withdrew from the **funds investing in bonds on TASE**, mainly the active funds, a net amount of US$ **6.6** billion in 2023. The withdrawals came to a halt in December as a result of the expected reduction of the interest rate. In addition, the public withdrew from the **funds investing in shares on TASE**, mainly the active funds, a net amount of US$ **1.3** billion in 2023. The withdrawals came to a halt in the last two months of the year.

Launch of a new investment instrument - mutual hedge funds

As part of the Israel Securities Authority's efforts to upgrade the public capital market by enhancing competition and initiating the development of new products, the Authority decided to make the hedge funds accessible to the public by transforming them into a controlled investment product, and has instituted applicable regulations.

The AUM of the first 20 **mutual hedge funds** listed on TASE, starting on March 2023, totaled US$ **40.5** million at the end of 2023.

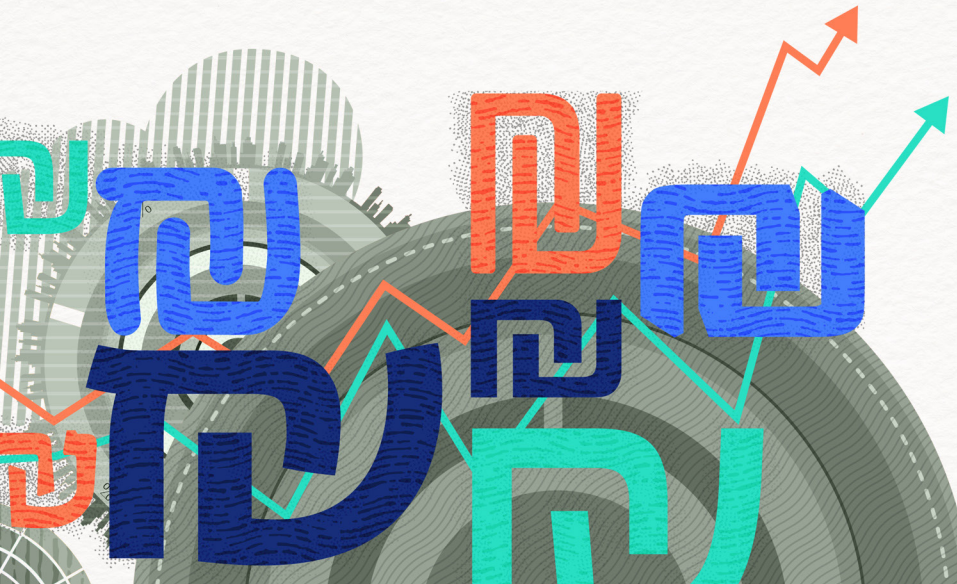
Table 11: **Average Daily Trading Volume in the ETF Market** (US$ millions)

	2023	2022
Share market ETFs	**108**	**125**
% of total shares trading volume	20%	18%
Bond market ETFs	**31**	**39**
% of total non-government bonds trading volume	11%	12%

Other Markets*

Derivatives Market
Central Bank T-Bills (Makam)

*All the data in this review are in dollar terms, with the exception of index yields that are in the local currency - unless stated otherwise. In 2023, the dollar appreciated by 3.1% relative to the NIS.



Central Bank T-Bills (MAKAM)

MAKAM prices increased by **4.1%** in 2023, and the yield-to-maturity increased to 4.5%, compared to 3.5% at the end of 2022, and compared to 0% in the 8 previous years.

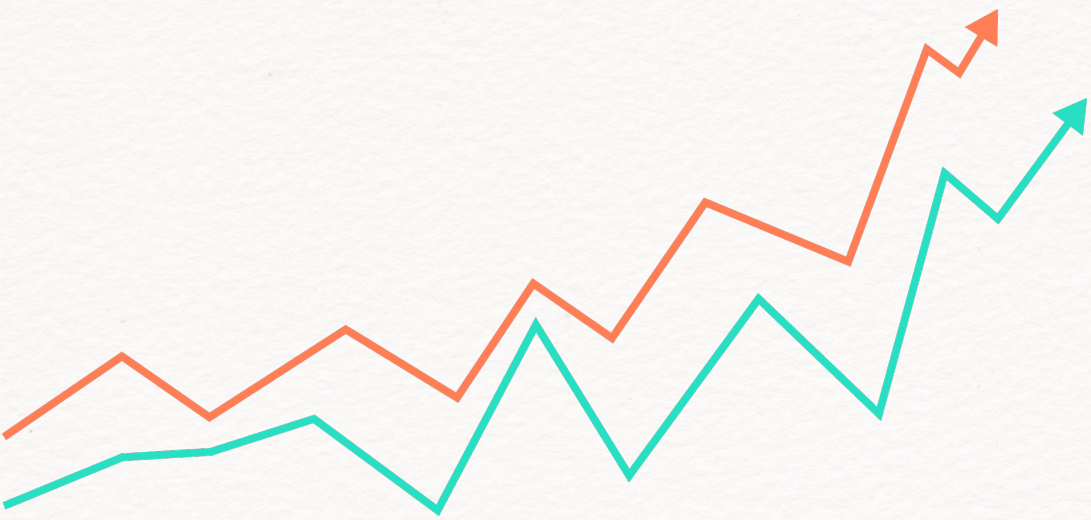
The average daily turnover of MAKAM (in on-exchange and off-exchange transactions) surged and totaled US$ **379** million in 2023, 63% higher than the turnover last year. The increase in the turnover was due to the increase in MAKAM issuances by the Bank of Israel.

The increase in the trading turnovers in 2023 was influenced by the steep rise **in the volume of MAKAM sales by the Bank of Israel**, further to the trend of the previous year, which totaled NIS **127** billion par value, net, compared to NIS 98 billion net par value in 2022, and compared to NIS 28 billion net par value in 2021. The increase in MAKAM issuances accommodates the public's demand for this solid channel of investment, a demand that is also reflected in the massive infusion of funds into the money market funds. In addition, MAKAM offerings absorb money from the public, which contribute to a more moderate interest-raising policy - as aggressive interest-rate increases are detrimental to the economic activity.

Accordingly, in 2023, **the Israeli and foreign public holdings of MAKAM** soared, reaching a **record amount** (in shekel terms) in October and totaling US$ **84** billion at the end of the year, as compared to US$ 59.5 billion and US$ 37 billion at the end of 2022 and 2021, respectively.

According to the data of TASE, **the Israeli public** purchased MAKAM in an amount of US$ 17 billion in 2023, of which US$ 11 billion was purchased in the first nine months of the year. At the same time, **foreign investors** sold MAKAM in an amount of US$ 1.6 billion in 2023, of which US$ 1 billion was sold in the first nine months of the year, **and long-term institutional investors** sold MAKAM in an amount of US$ 4.6 billion in 2023, of which US$ 3.5 billion was sold in the first nine months of the year.

In light of the growing demand for money market funds, the Bank of Israel increased MAKAM sales, and the public's holdings of MAKAM totaled US$ 84 billion at the end of 2023, after reaching a record amount in October and compared to US$ 59.5 billion at the end of 2022.



Derivatives Market

Trading on the derivatives market in 2023 was marked by volatility, concluding with a reduction in the trading volumes compared to the previous year.

The average daily volume of trading in **TA-35 options (monthly and weekly)** totaled an average daily **108** thousand units in 2023, 6% below the volume last year.

In January 2023, 90 thousand units were traded daily, while during February-March, as protests against the Judicial Reform escalated, the average daily trading volume gradually increased to 130 thousand units in March 2023. In the second and the third quarters of 2023, influenced by discussions held between the parties in an attempt to reach a consensus, the average daily trading volume totaled 106 thousand units. In the fourth quarter of the year, on the backdrop of the war, the average daily trading volume increased to 111 thousand units.

Trading was influenced by the volatility in share trading, as the fear index **VTA35** rose from 16 points at the end of December 2022 to 27 points on March 19, 2023, ultimately settling at 15 points on the eve of the war. Following the breakout of the war, the index soared to 26-28 points by October 26 - the highest rate since March 2022 (the first month of the Russia-Ukraine war). Thereafter, the index gradually reduced back to **16** points at the end of 2023 - identical to its level at the beginning of the year.

In opposition, the VIX index in the United States rose from 22 points at the end of December 2022 to 26 points on March 15, 2023, dropping to 12 points at the end of 2023.

In light of the success of the weekly options on the TA-35 index and their growing popularity, **on July 4, 2023 TASE launched a new weekly series of options on the TA-35 index that expires on Tuesdays**, in addition to the Thursday expiration series. Consequently, the trading volume of the weekly options increased to an average daily 50 thousand units in the second half of 2023, compared to 44 thousand units in the first half of 2023.

The average daily trading volume of **dollar options** amounted to **35** thousand units in 2023, 11% below the average daily volume in 2022. Trading in these options was also active in February-March 2023 (an average daily 44 thousand units), then reduced to an average daily 35 thousand units.

Trading was influenced by the volatility of the exchange rate of the dollar relative to the shekel, as a result of a number of factors, including: price gains in the United States and their impact on the hedging strategy of institutional investors in Israel, interest rate increases by the Federal Reserve, and the sale of dollars by the Bank of Israel commencing in October 2023, to support the exchange rate of the shekel and reduce import prices. Other factors of impact included the uncertainty surrounding the Judicial Reform until October, and in the final quarter - concerns for the spreading of the war in the Middle East.

Table 12: **Ta-35 Index Options Turnover, 2019-2023**

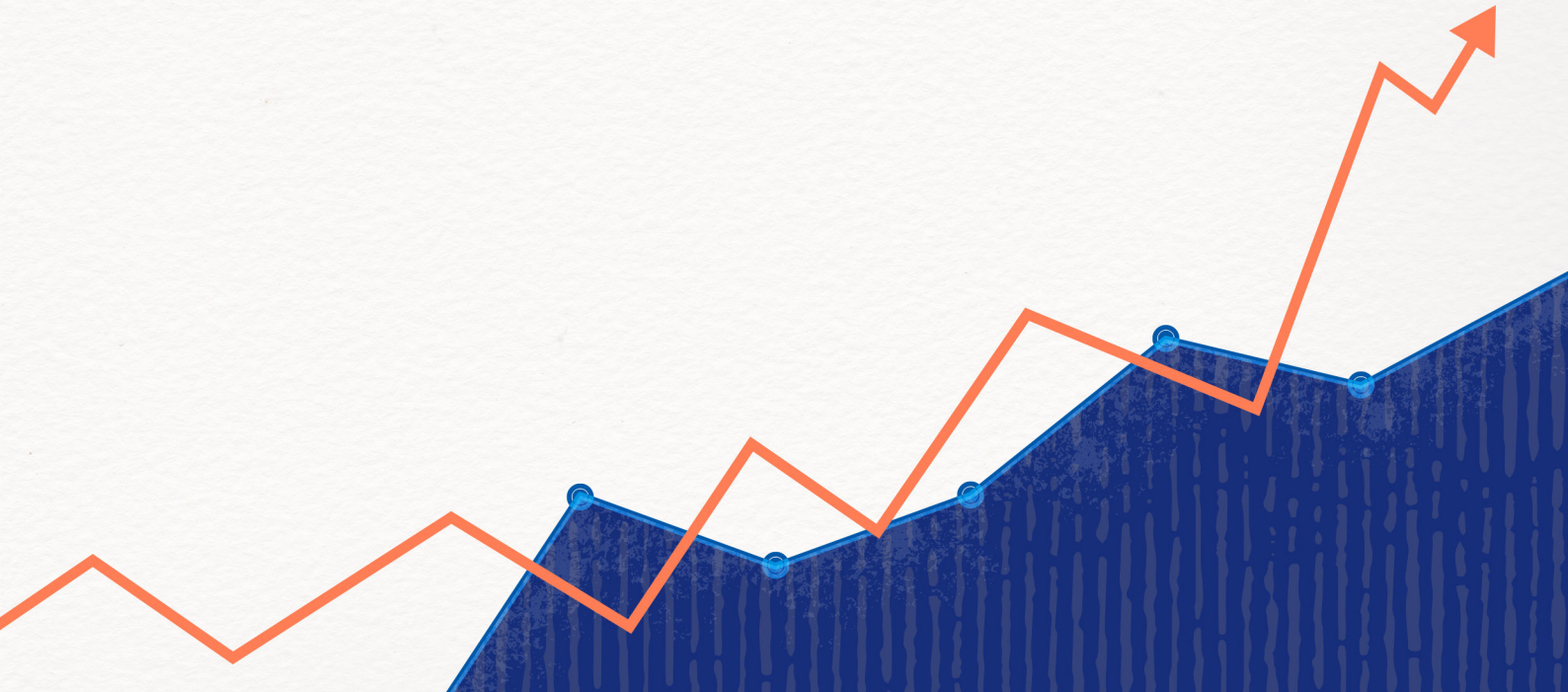
Year	Daily Volume in Monthly Options (thousands contracts)	Daily Volume in Weekly Options (thousands contracts)	Derivatives Liquidity ratio(1)	Maximum no. of open interest contracts (thousands)
2019	67	30	668%	346
2020	76	36	567%	411
2021	68	39	735%	349
2022	71	43	640%	355
2023	**61**	**47**	**620%**	**381**

(1) The ratio between the turnover of the TA-35 options, in the underlying asset terms, (delta-weighted, taking into account the probability that the options will be exercised) and the turnover of the TA-35 index shares.

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Outlook For The Future



A positive outlook for the future – capital markets belongs to the optimistic

The performance of the Israeli markets in the coming year will be determined by the outcome of the war.

The markets in 2024 have started off on a positive note, with both the share market pricing and future interest rate path showing promising signs.

Yaniv Pagot, EVP, Head of Trading, summarizes the Annual Review Looking forward to 2024

- **The Israeli stock market is currently offering attractive pricing, although its performance lags behind the global market due to the security and political situation**. In 2023, the Tel Aviv share market significantly underperformed its American counterpart, resulting in widened pricing gaps between the two markets. For example, the price-to-earnings ratio of the TA-125 Index is 11.4, compared to the 21.3 price-to-earnings ratio of the S&P500 Index. Adding to these gaps is the fact that the risk-free interest rate in the United States is 0.75% higher than the Bank of Israel interest rate, further increasing pricing disparities. Despite these factors, there are modest risk margins in corporate bonds that support exposure to Israeli shares. However, for the Israeli stock market to close the gap with the global market, stability in both the internal and external political environment is crucial.
- **The Ministry of Finance is expected to substantially increase the floatation of bonds**. The unfolding of the "Swords of Iron" War plays a critical role in any microeconomic analysis of the Israeli economy in 2024. Currently, the likely scenario is for a gradual shift to lower-intensity operations in the first quarter of 2024, with no further escalations on the northern border of Israel with Lebanon. Assuming budget deficit reaches 5%-6% in the upcoming year, the Ministry of Finance needs to raise up to NIS 200 billion in 2024. This amount is two-thirds greater than the total raised in 2023 and four times the total raised in 2022. The majority of this sum is expected to be raised on the local capital market, leading to high trading volumes in sovereign bonds in 2024, potentially surpassing 2023, an already a very active year for sovereign debt raising.
- **Recovery likely to be more gradual than in the aftermath of COVID-19**. There are still many uncertainties regarding Israeli aggregate demand for when war ends. The unraveling of these uncertainties will depend on the outcome of the war and government policies to encourage growth. Given a scenario of the war's gradually shifting to lower-intensity operations in the first quarter of 2024 and the non-escalation into an all-out war on the northern border, aggregate demand is expected to recover substantially. However, the recovery scenario is likely be more gradual than in the aftermath of the COVID-19 crisis.
- **The likelihood of implementing a non-consensual judicial reform in Israel is decreasing**. This reform has caused turmoil in both Israeli society and the Tel Aviv Stock Exchange (TASE) during the first three quarters of 2023. Due to the ongoing war and its harrowing impact, it is becoming less probable that the non-consensual judicial reform will be put into effect. As a result, investing in the Israeli capital market may become more appealing.
- **The formation of a "national unity" government following the war has the potential to revitalize the Israeli stock exchange and economy**. While it is challenging to predict the exact Israeli political landscape in 2024, reflecting on the lessons learned from the past year, there is reason to believe that a united government could have a positive impact on these sectors.
- **A responsible fiscal responsibility is crucial to ensure that a steep rise in the debt-to-GDP ratio does not adversely affect government debt raising prices**. Given the current security climate, a downgrading of Israel's sovereign credit rating in 2024 remains possible. However, one should keep in mind that the State of Israel's risk premium on the global bond markets translates into a debt rating risk that is 4-5 notches below Israel's current debt rating. Thus, unlikely to have extreme implications on the economy and the stock exchange. Fiscal responsibility of the Government of Israel in relation to the 2024 and 2025 budget would increase the investors' confidence in the fiscal credibility of the Government and support the local bond market. Under the aforementioned war scenario, Israel's debt-to-GDP ratio is likely to climb to a level of 70%-75% of the GDP at the end of 2024, compared to the current 60% of the GDP. A debt-to-GDP ratio of 75% is not extraordinary among comparable developed countries.

- **The projected inflation rate for the Israeli economy in 2024 is expected to decrease**, as indicated by the inflation expectations derived from yield curves, analysts' predictions, and national evaluation institutions' assessments. It is anticipated that inflation will reach levels of 2%-2.5% in 2024 and subsequent years. This moderation in inflation is beneficial for gradual reductions in interest rates and is likely to provide support for NIS denominated assets traded on the Tel Aviv Stock Exchange.
- **Interest is on its way down**. The yields of MAKAMs indicate that investors are currently pricing 4-5 interest-rate reductions of about 0.25% during 2024. Should the assessments priced into the yield curves be realized, the Israeli market and economy will gain significant tailwind. The capital market loves nothing more than a downward interest rate path, which directly influences the pricing of bonds and shares. Furthermore, in the U.S. capital market an aggregate interest-rate reduction of more than 1% is priced for 2024, which, if realized, will increase the monetary flexibility of the Bank of Israel as well as the chances of the appreciation of the NIS.
- **The attractiveness of money market funds is expected to decrease if the anticipated interest rate reduction is realized**. As a result, investors are likely to shift their focus to alternative investment solutions in the bond market and the stock market. This shift is expected to have a significant impact on trading volumes and offerings on TASE. Additionally, if the security scenario described above materializes, there is an expected gradual increase in risk appetite. Furthermore, the anticipated increase in the number of TASE members offering services to the public is also likely to influence trading volumes over time.
- **Interest rate reductions will support the corporate channel, despite the expected increase in debt arrangements**. The reduction of market interest rates, if realized, would make the corporate channel more attractive. This channel of investment, which deserves more attention from the public, experienced significant growth in 2023, despite the challenges faced by the State of Israel. **For example, the Tel Bond-60 Index increased by 4.6%, while its risk margin decreased from 1.76% at the beginning of the year to 1.43% to date**. In this context, it is clear that the public's large withdrawals from active mutual funds that are heavily invested in corporate bonds were a missed opportunity for investors. Additionally, the public is not fully aware of the wide range of investment opportunities available through index-tracking instruments that invest in bond indices, as evidenced by the minimal growth in those funds and the low daily trading volumes of ETFs that track bond indices.

  At the same time, it can be reasonably assumed that there will be an increase in corporate debt downgrades in the coming year, along with a rise in the volume of debt arrangements in the local market. Given this scenario and the projected corporate bond redemptions of close to NIS 59 billion in 2024, it is anticipated that there will be an increase in debt raising on the corporate market in 2024. This increased debt raising is crucially dependent on banks and real estate companies, which reduced their debt raising activity in 2023. An efficient and significant reduction of the interest rate will enable lower-rated and non-rated companies to resume debt raising on the marketable bonds market, which is currently dominated by the strongest companies in the Israeli economy. Investment in diversified bond indices can better manage the growing risk associated with investing in corporate debt during these challenging economic times.
- **A significant reduction in the market interest rate will particularly benefit highly leveraged sectors and growth companies**. Industries such as real estate development, income-producing real estate, renewable energy, and technology are the most obvious candidates to gain from declining interest rates. However, it is important to consider the specific characteristics of companies within the technology sector, as it relies heavily on the positive trend in the United States but also includes technology companies with significant operations in the local market. Additionally, the local energy sector's performance in 2024 will be greatly influenced by global economic conditions and decisions made by the OPEC+ cartel regarding production volume and global energy pricing. The retail sector, which faced disappointment in 2023, will continue to struggle with declining demand, rising costs, and intense competition. Following the war, investing in infrastructure will be crucial to boost companies in this field, particularly ones with strong financial foundations.
- **The real estate development sector is poised for recovery, with the strong real estate players set to thrive while the weaker players are likely to struggle.** This recovery will be bolstered by the anticipated reduction in interest rates, which will incentivize individuals to secure mortgages and boost demand from both first-time home buyers and those looking to upgrade their homes. The Israeli demographics present a unique opportunity for the real estate development sector. However, it is crucial for the security situation to stabilize in order for the sector to truly flourish.

- **Defense budget will grow** - According to generally accepted estimates, to accommodate Israel's security needs, defense spending's are required to grow at an annual rate of NIS 10-20 billion in the coming years. The anticipated increase in the defense budget will have significant implications on the national budget, as 1% of the budget will be earmarked annually for security purposes. However, this is good news for Israeli defense companies.
- **Banks will be adversely affected by large provisions for doubtful debts and a reduction in the interest rate margin, but they are expected to maintain high profitability. The performance of the insurance sector will be influenced by capital market performances and the interest rate path**. The reduction in the interest rate is predicted to decrease the banks' interest revenue but will also strengthen the financial position of borrowers and stimulate economic activity. Therefore, overall, the profitability of Israeli banks is expected to remain high after the war, despite the anticipated increase in provisions and reduction of the interest rate margin. The insurance sector's performance will be significantly influenced by the future interest rate path, which will have a substantial impact on both assets and liabilities.
- **The accrual in instruments that track the S&P500 Index is expected to continue, hand-in-hand with the growing dependence on its performance**. The AUM of mutual funds tracking the S&P500 Index surged to a historic record of NIS 41 billion this year, after the index-tracking instruments raised upwards of NIS 21 billion. Given the outstanding performance of the index in 2023, it is anticipated that the accrual in instruments tracking the index will continue to grow. This is in line with the increased dependence of the Israeli public's investment portfolios on the performance of the U.S. share market, particularly the 10 largest shares in this index which hold an aggregate weight of 30%.
- **Statistics indicate that elections in the United States typically yield a favorable outcome for the performance of the U.S. stock exchange**. Given the significant exposure of the Israeli public to the prominent U.S. share index, the results of the U.S. elections in November 2024 have garnered significant attention. It is widely anticipated that these results will not only impact market performance but also influence the performance of different sectors.
- **The Israeli capital market is eager for plans to advance its growth**. These plans include, among others, reducing the capital gains tax on Israeli securities, amending the Consulting Law, encouraging Israeli technology companies to pursue dual listings, approving the launch of new products, and more. The past year has highlighted the vital role of TASE as the backbone of the Israeli economy. To prevent any obstructions, it is crucial to remove barriers. Currently, we have an exceptional opportunity to implement these initiatives, which will have an immediate impact on the pricing of local financial assets.

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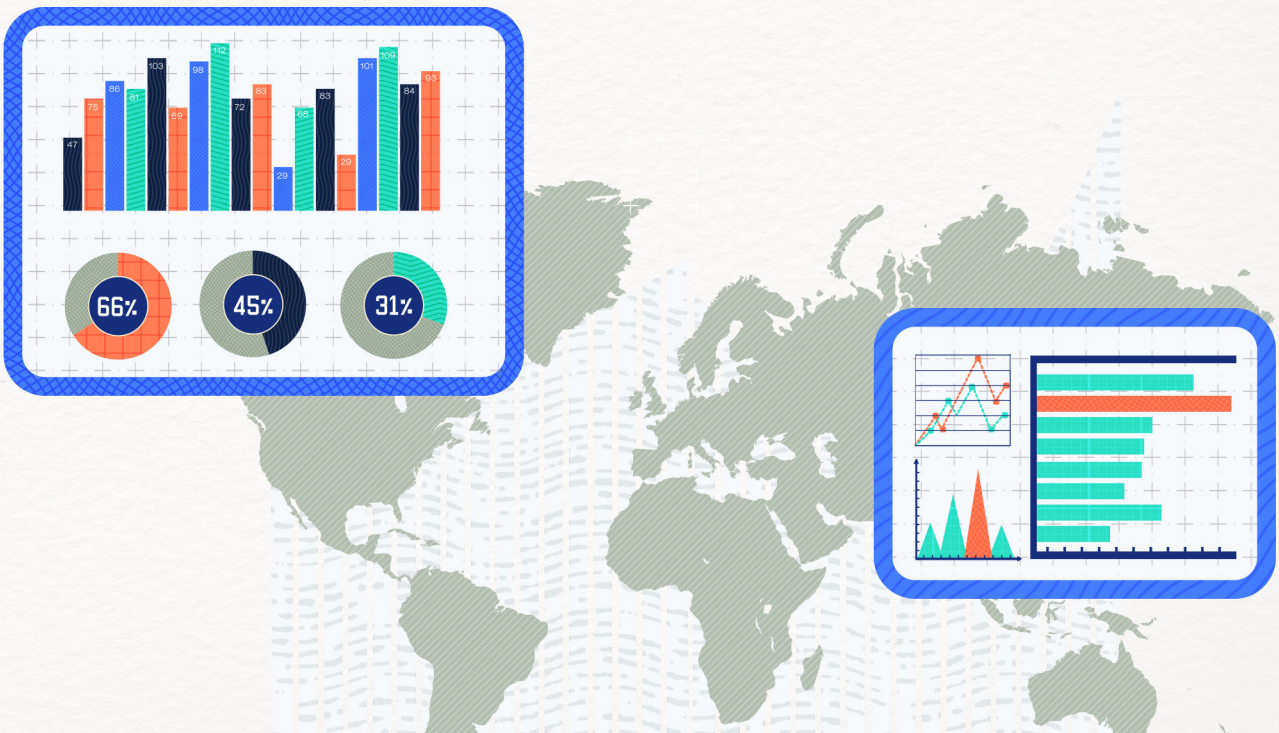
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DATA TABLES*

*All the data in this review are in dollar terms, with the exception of index yields that are in the local currency - unless stated otherwise. In 2023, the dollar appreciated by 3.1% relative to the NIS.



TA-35 INDEX COMPANIES

Table 13: **Market Capitalization & Weighting**

	Security	Market Cap 31.12.2023 (US$ millions)	Weighting[1]
1	Nice[2]	12,731	7.4%
2	Bank Hapoalim	11,986	7.1%
3	Teva[2]	11,867	7.1%
4	Bank Leumi	12,222	7.0%
5	Bank Discount	6,173	6.5%
6	Mizrahi Tefahot Bank	9,955	6.3%
7	Elbit Systems[2]	9,413	5.8%
8	Nova[2]	4,005	4.4%
9	ICL[2]	6,509	4.0%
10	Ormat Technologies[2]	4,309	3.9%
11	Tower[2]	3,372	3.7%
12	Bezeq	3,758	3.0%
13	Azrieli Group	7,831	2.6%
14	Enlight Energy[2]	2,280	2.5%
15	International Bank	4,089	2.3%
16	Melisron	3,667	2.1%
17	Camtek[2]	3,105	2.0%
18	Energean[2]	2,334	2.0%
19	Mivne	2,239	1.9%
20	Phoenix	2,557	1.9%
21	NewMed Energ PU	3,294	1.6%
22	Big	2,504	1.5%
23	Delek Group	2,388	1.3%
24	Amot	2,526	1.3%
25	Airport City	2,112	1.2%
26	Energix	2,007	1.1%
27	Israel Corp.	1,942	1.1%
28	Strauss Group	2,185	1.0%
29	Shapir Engineering	2,286	1.0%
30	Shikun & Binui	1,541	1.0%
31	Sapiens[2]	1,638	1.0%
32	Harel Investments	1,633	0.9%
33	Electra	1,627	0.9%
34	OPC Energy	1,454	0.7%
35	Ashtrom Group	1,569	0.7%
Total		**155,108**	**100.0%**

Table 14: **Daily Turnover**

	Security	Daily Turnover[3] (US$ thousands)
1	Bank Leumi	31,000
2	Bank Hapoalim	26,403
3	Nice[2]	17,331
4	Bank Discount	17,143
5	Teva[2]	14,628
6	ICL[2]	14,308
7	Mizrahi Tefahot Bank	14,200
8	Elbit Systems[2]	10,489
9	Bezeq	10,254
10	International Bank	9,896
11	Tower[2]	9,284
12	Delek Group	7,810
13	Azrieli Group	6,088
14	Enlight Energy[2]	5,636
15	Nova[2]	4,866
16	NewMed Energ PU	4,805
17	Melisron	4,716
18	Ormat Technologies[2]	4,185
19	Mivne	3,967
20	Phoenix	3,955
21	Camtek[2]	3,817
22	Big	3,457
23	Amot	3,354
24	Israel Corp.	3,199
25	Energean[2]	3,074
26	Harel Investments	3,022
27	Energix	2,846
28	Shikun & Binui	2,410
29	Airport City	2,368
30	OPC Energy	2,213
31	Strauss Group	2,076
32	Shapir Engineering	1,951
33	Ashtrom Group	1,913
34	Electra	1,724
35	Sapiens[2]	1,584
Total		**259,974**
% OF TOTAL TURNOVER		**70%**

(1) The weight is calculated according to the value of the float in each share. Weighting is adjusted according to the 7% cap - updated monthly.
(2) A Dual-Listing company.
(3) Not including off exchange transactions.

Table 15: **Capital Raised By Security Types, 2014-2023** (US$ millions)

Year	Shares & convertibles		Government Bonds- Gross[3] Tel-Aviv	Corporate Bonds			ETPs[4]
	Tel-Aviv[1]	Abroad[2]		Corporate Bonds[1]	TASE UP bonds[5]	Total	
2014	2,146	1,876	14,525	10,321	5,547	15,868	116
2015	1,428	8,591	9,965	14,072	249	14,321	45
2016	1,804	5,860	12,361	16,518	842	17,360	24
2017	3,407	589	12,829	20,500	1,120	21,620	933
2018	1,858	622	12,912	14,967	3,607	18,574	674
2019	3,759	787	19,542	19,305	1,077	20,382	930
2020	4,967	2,219	38,347	15,074	4,132	19,206	461
2021	7,973	1,107	32,014	24,257	5,223	29,480	67
2022	6,541	298	12,039	25,365	1,333	26,698	808
2023	**2,341**	**453**	**23,389**	**21,551**	**2,634**	**24,185**	**3,149**
Change in 2023	**-64%**	**52%**	**94%**	**-15%**	**98%**	**-9%**	**290%**

(1) Including direct offers, private placements and exercise of warrents. Excluding TASE UP shares.
(2) In 2015 including US$ 7.4 billion raised by TEVA through public shares offers in USA. In 2016 including US$ 5.5 billion raised by TEVA through private placement to Allergan.
(3) Excluding borrowed bonds from the Government Bonds Lending Facility.
(4) Till 2018 Including deposit notes and structured bonds. Since 2019 Including structured bonds.
(5) Including bonds to institutions abroad that listed on TASE UP.

Table 16: **Daily Turnover, 2014-2023**[1] (US$ millions)

Year	The Equity Market			The Fixed Income Market				Treasury Bill	Total
	Total	Thereof:		Total	Thereof:				
		Shares & convertibles	ETPs[2]		Government Bonds	Corporate Bonds[5]	ETPs[2][3]		
2014	339	237	102	1,186	901	204	81	179	1,704
2015	373	252	121	1,070	789	198	83	131	1,574
2016	330	240	90	979	712	216	51	90	1,399
2017	390	306	84	1,011	726	248	37	60	1,461
2018[4]	391	313	78	1,025	736	251	38	120	1,536
2019	365	303	62	985	735	223	27	116	1,466
2020	540	426	114	1,201	888	270	43	168	1,909
2021	581	477	104	1,216	936	241	39	99	1,896
2022	683	558	125	1,035	724	272	39	233	1,951
2023	**542**	**434**	**108**	**1,065**	**789**	**245**	**31**	**379**	**1,986**
Change in 2023	**-21%**	**-22%**	**-14%**	**3%**	**9%**	**-10%**	**-21%**	**64%**	**2%**

(1) Including off-the floor transactions.
(2) Till 2018 ETNs, since 2019 ETFs
(3) Till 2018 including deposit notes and structured bonds.
(4) In 2018 not including off-floor trading of exchange-traded products (ETPs) that were unusually large in scope due to the conversion of ETNs to ETFs under the reform implemented in the last quarter of the year.
(5) Since 2019 Including structured bonds.

Table 17: **Market Capitalization of Listed Securities, 2014-2023** (US$ billions)

Year	The Equity Market		The Fixed Income Market				Treasury Bills
	Shares & convertibles	ETPs[1]	Government Bonds	Corporate Bonds[3]	TASE UP	ETPs[1][2]	
2014	200.6	18.1	127.6	67.8	12.6	16.0	33.4
2015	243.6	19.1	128.8	70.2	11.9	11.4	29.7
2016	213.9	18.6	129.7	78.2	11.7	10.4	27.3
2017	231.0	21.6	141.9	94.8	12.4	11.3	26.5
2018	187.6	16.0	129.1	89.5	11.9	7.1	28.8
2019	237.2	18.5	154.2	108.3	10.6	8.4	34.7
2020	262.0	18.8	196.2	110.5	10.3	9.5	27.1
2021	361.6	24.3	226.8	126.1	10.7	10.4	37.0
2022	269.6	20.1	166.9	107.9	8.4	7.7	59.5
2023	**262.6**	**28.2**	**168.7**	**114.5**	**8.6**	**8.1**	**84.0**

(1) Till 2017 ETNs Public Holdings. Sorce: Bank of Israel. Since 2018 - Market capitalization of ETFs. Sorce: TASE.
(2) Till 2018 Including deposit notes and structured bonds.
(3) Since 2019 Including structured bonds.

Table 18: **Annual Yields of the Equity Indices, 2014-2023** (%, In NIS Terms)

Year	TA-35[1]	TA-125[1]	TA Global-BlueTech	TA-Finance	TA-RealEstate[2]	General Share
2014	10.2	6.7	-5.2	-7.7	0.9	11.5
2015	4.4	2.0	1.6	4.0	1.1	6.8
2016	-3.8	-2.5	15.3	19.2	17.0	-11.0
2017	2.7	6.4	-2.2	26.6	23.4	-1.1
2018	-3.0	-2.3	-10.6	-0.3	-10.9	-3.9
2019	15.0	21.3	18.6	23.7	73.2	17.8
2020	-10.9	-3.0	37.6	-7.6	-4.6	-0.4
2021	32.0	31.1	1.6	53.3	53.4	30.9
2022	-9.2	-11.8	-36.2	-8.8	-30.9	-15.5
2023	**3.8**	**4.1**	**8.9**	**9.2**	**7.8**	**4.9**

(1) Till February 2017 TA-35 was TA-25 and TA-125 was TA-100.
(2) Till February 2017 - RealEstate-15.

Table 19: **Annual Yields of the Bond Indices, 2014-2023** (%, In NIS Terms)

Year	General Bond	Government Bond Indices		Corporate Bond Indices				
		CPI Linked Bonds	Non Linked Bonds	CPI Linked Bonds			Non Linked Bonds	Dollar Linked Bonds
	All-Bond	Tel Gov - CPI Linked	Tel Gov-Non Linked	Total	Thereof: Tel-Bond 20	Thereof: Tel-Bond 40	Tel Bond-Shekel	
2014	4.7	5.8	7.2	1.0	1.0	0.6	4.0	3.3
2015	1.8	-0.2	2.8	0.8	-1.1	0.2	4.7	5.5
2016	2.1	0.7	1.2	4.1	2.9	1.7	2.4	9.4
2017	4.7	3.4	3.6	6.2	7.1	4.4	7.5	-1.7
2018	-1.5	-1.4	-1.2	-0.8	-1.1	-0.4	-4.3	5.1
2019	8.7	10.3	8.3	7.9	8.2	6.5	8.6	2.5
2020	0.8	1.2	1.3	0.0	-0.2	0.1	-0.1	-2.8
2021	3.9	7.4	-0.8	8.7	8.4	7.4	3.0	5.7
2022	-8.3	-9.8	-8.8	-7.6	-10.0	-8.0	-7.0	7.5
2023	**3.8**	**-0.4**	**1.4**	**6.3**	**4.8**	**5.8**	**5.3**	**12.9**

Table 20: **ETFs market on TASE[1], 2023**

Index		Number of ETFs (December 2023)	Market Capitalization (US$ millions)		Net ETFs purchases/selling by the public (US$ millions, 2022)
			December 2023	December 2022	
Shares indices	**TA-125**	14	4,325	3,330	900
	TA-35	13	1,460	1,870	-365
	TA-90	10	1,475	1,410	50
	Other local shares indices	45	5,000	4,010	610
	Total ETFs on TASE share indices	**82**	**12,260**	**10,620**	**1,195**
	Total ETFs on foreign share indices	**242**	**14,200**	**8,724**	**2,950**
	Total ETFs on share indices	**324**	**26,460**	**19,344**	**4,145**
Bonds indices	**Tel-Bond 60**	11	1,515	1,640	-150
	Tel Bond-Shekel	9	1,080	1,110	-45
	Tel-Bond 20	7	740	930	-200
	Tel Bond Shekel-50	4	625	580	30
	Other bonds and goods indices	127	3,920	3,369	585
	Total ETFs on bond indices	**158**	**7,880**	**7,629**	**220**
Total		**482**	**34,340**	**26,973**	**4,365**

(1) All data are excluding Cross listed ETFs

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