

TASE in 2015*

The TA-25 index gained 4% this year, reaching an all-time high in August – as opposed to losses in leading European exchanges but in keeping with gains on NASDAQ;

The TA-75 index lost 5%; TA-MidCap 50 shares and communications shares led the market gaining 21% and 23% respectively over the year;

A 6% increase in equity trading volume;

2 real estate companies – “Vitania” and “Oron Group” completed equity IPOs, while 9 companies dual-listed shares on TASE, among them, “SodaStream”, which dual listed in December;

The “TA-BIGITech” index, covering Israeli high tech companies traded worldwide, and the TA-25 Net Dollar index were launched - both designed to attract foreign investors to TASE;

Modest gains in the bond market;

Record trading volume and record market capitalization in the corporate bond market;

Record US\$14.1 billion raised in public offerings and private placements of corporate bonds

Mega issues floated by 11 new bond-issuing companies raising US \$1.6 billion – of which 8 foreign commercial real estate firms;

Two new bond indices launched – “Tel Bond Non-linked” and “Tel Bond - Yield NIS”

60 new ETNs issued, and the number of ETNs at year’s end came to 638. Public holdings of the ETN of equity and bond indices came to US\$ 28 billion;

All the data appearing in this review are stated in terms of U.S. dollars, excluding the returns of indices which are stated in terms of NIS. In 2015 the dollar appreciated 0.3% against the New Israeli Shekel (NIS).

Equity market Share Prices

The TA-25 index gained 4% in 2015, continuing the 10% increase recorded in the previous year. The year opened on a positive note with the TA-25 index increasing 17%, peaking at August 5, 2015 an all-time record level of 1723.56 points – some 15.5% higher than the previous record set in December 2014.

The trend reversed after this point, retreating 11% by year's end. This trend was affected by the August Chinese market crash, the wave of terror in Israel, starting in September and falling oil prices in December.

The TA-75 index lost approximately 5%, while the TA-MidCap 50 led the market in 2015, posting a 21% annual return.

The shares having the greatest impact on the TA-25 index in 2015 include: **Bezeq** and **Frutarom**, which contributed 2.6% each to the index's increase, and in on the other side of the spectrum, **Israel Chemicals (ICL)** and **Perrigo**, which contributed to a 2.5% and 1.4% decline in the index, respectively.

The factors having a positive impact on TASE market trends included:

- The lowering of interest rates by the Bank of Israel by 0.15%, which brought rates down to a historic low of 0.1% starting in March, 2015, together with appreciation of the U.S. dollar to an exchange rate of NIS 4.049 in March. The decision to lower interest rates was made following the decline of the consumer price index (CPI) relative to inflation targets set by the government.
- Positive macroeconomic indicators, including: the fall in unemployment from 5.9% in 2014 to 5.4% at the end of the year, the reduction of the government deficit and the increase in the Composite State-of-the Economy index at the same pace as the previous year, S&P's affirmation of Israel's A+ credit rating, with a "stable" outlook.
- In the international arena, the contributors to rising prices in the stock market included the ongoing improvement of the U.S. economy and expectations for an increase in interest rates, which materialized in December, the adoption of quantitative easing in Europe and the decline of interest on deposits towards the end of the year. Other factors included: the nuclear agreement with Iran and the Greek bailout and the continuation of its membership in the Eurozone.

The factors having a negative impact on TASE market trends included:

- Slow growth –The GDP growth rate projected for 2015 is 2.3%, slightly lower than 2014, the lowest growth rate since 2010.
- The 4% weakening of the U.S. dollar relative to the NIS, starting in March and stabilizing at NIS 3.902 towards the end of the year, despite foreign currency purchases by the Bank of Israel, as well as the depreciation of the Euro to a 14-year low against the NIS.

- Additional negative factors included: the discovery of giant gas reserves off the Egyptian coast, which precipitated a plunge in oil company share prices in Tel Aviv in August, and the increase in tension and violence in Israel, starting in September.
- On the international front: commodities prices remained low and oil prices continued to decline, reaching a 7-year low of US\$ 37 per barrel; the maintenance of low interest rates in the U.S. until December, despite expectations for an interest rate increase; falling share prices in Europe over the prospect of Greece's insolvency and exit from the Eurozone; the sharp drop in Chinese stock prices following a decline in the pace of growth.

In dollar terms, the TA-25 gained 4% in 2015, as opposed to up to 10% drop posted in leading European markets. NASDAQ continued to shine for the third year running with positive returns of 8% in 2015.

In November, TASE launched the TA-25 Net Dollar index – The index reflects the total net rate of return in dollar terms, where only net dividends (75% of gross dividends) are reinvested in the index. The new index was developed to address the needs of foreign investors and is designed to facilitate the launch of ETFs on the TA-25 index abroad.

The returns on TASE's sector indices were mixed. The TA-Com (communications industry) index stood out, posting gains of 23%, in wake of the sharp 35% increase in "Bezeq" share prices, which followed a 50% surge in 2013 and 10% increase last year. On the other side of the spectrum, the TA-Biomed index stood out for the second year in a row for its negative performance, plunging 24% following a 34% drop in 2014.

The TA-BlueTech index gained 2%, reflecting the 24% drop in the TA Biomed index offset by the 8% increase in high tech stocks. The TA **Tech-Elite index**, which was launched in May 2014 and includes the shares of the largest high-tech and biomed companies, also rose 2% this year and 3% since its launch.

Annual Returns of TASE Share Price Indices

	2015	2014	2013
TA-25	4%	10%	12%
TA-75	-5%	-10%	25%
TA MidCap-50	21%	-12%	36%
TA Tech-Elite*	2%	—	—
TA-BlueTech	2%	-5%	9%
TA-Technology	8%	1%	7%
TA-Biomed	-24%	-34%	30%
TA-Finance	4%	-8%	19%
TA Real Estate-15	1%	1%	26%
TA-Oil & Gas	-5%	-20%	9%
TA-Com	23%	10%	50%

* This index was launched on May 11, 2014.

Pursuant to the recommendations of the Committee for the Promotion of Investment in Public Companies Engaged in R&D, TASE signed a cooperation agreement with BlueStar Indexes, a New York research firm engaged in calculating international indices. Within the framework of the agreement, **BlueStar developed the TA-BigiTech index - the first international index to include Israeli or Israel-linked high tech companies trading on TASE and/or abroad.** The launch of the index was designed to facilitate Israeli and foreign investor exposure to the “startup nation” through the purchase of a basket of Israeli high-tech.

The index includes 71 Israeli or Israel-affiliated high tech companies – 39 of which trade solely abroad, 27 dual listings and 5 companies trading solely on TASE. The market capitalization of the index constituents comes to US\$ 76 billion. **In November, BlueStar launched in NASDAQ the first ETF (ITEQ) on the TA-BigiTech index.**

Equity Market Trading Volume

Daily trading volume of the TASE equity market (on and off-floor trading, including ETNs specializing in shares) averaged US \$373 million – 10% higher than the 2014 average volume. On December 14, 2015, on the eve of the semi-annual index rebalancing date, equity trading volume came to US\$ 1.4 billion – the highest daily volume since May 2010. The average daily volume of shares and convertible securities alone (i.e, excluding ETNs) came to US\$ 252 million – 6% higher than the average volume in 2014.

The constituent shares comprising the TA-25 index accounted for 71% of the equity trading volume (excluding ETNs) this year, while the TA-75 constituents accounted for 20% and mid and small-cap shares 9% of total equity volume. These figures are in keeping with data in recent year, with the exception of 2008, the year of the financial crisis, in which the concentration and weight of TA-25 shares hit a record 81%.

The free float

The free float of TASE-listed shares increased this year as a result of **the sale of shares held by principal shareholders** to institutional investors and the public, for a net sum of more than US\$ 0.8 billion, following similar sales of more than US\$ 1.4 billion in each one of the past two years. Most of this sell-off can be attributed to the passage of the “Business Concentration Law”. Topping the list of sales is the liquidation of the majority of Bank Leumi’s holdings in **Israel Corp.** (US\$ 0.3 billion), the sale of the Bank Discount holdings in **First International Bank of Israel’s** and the sale of **Paz Oil Company** shares by Zadik Bino (85 million dollars each).

The trend of foreign investor entry into the Tel Aviv stock market continued in 2015. As of the end of November, foreign residents invested a net US\$ 1.6 billion in TASE-listed shares. This follows net purchases of US\$ 1.3 billion made in 2014.

Equity Raised in the Primary Market

The scope of equity raised in 2015 came to US\$ 1.4 billion, falling from 2014 levels. Capital raised in public offerings amounted to US\$ 0.9 billion – off 16% relative to the previous year. Equity raised in private placements came to US\$ 0.5 billion, a 53% decline relative to 2014 (in which US \$0.7 billion was raised by Perion Network, Ltd., as part of its merger with Conduit).

Two initial public offerings (IPOs) were concluded in 2015 for a total of US \$39 million by real estate companies **Vitania** (US \$21 million) and the **Oron Group** (US \$18 million).

Nine companies “joined” TASE this year, of which 3 high-tech companies through reverse takeovers of listed “shell companies”.

Real estate companies once again stood out in the 2015 primary market, raising US\$ 0.7 billion through public offerings, a sum equaling one half of all equity raised in public offerings, as was the case in 2013-2014.

Among the large secondary offerings conducted this year, the US\$ 155 million equity public offering completed by **Gazit Globe** (which also trades in the U.S.) stands out, as do the rights offerings concluded by **I.D.B. Development** and the **A.D.O. Group** for US\$ 108 and US\$ 96 million, respectively.

Dual Listings:

Nine companies dual listed their shares on TASE in 2015:

- **Kenon Holdings** – a foreign investment company that was spun off from TASE-listed “Israel Corp.”;

- **Ormat Technologies** – a foreign alternative energy company, which acquired TASE-listed “Ormat Industries”;
- **Optibase** – an Israeli commercial real estate company operating abroad;
- Foreign biotechnology companies – **Biotime, Navidea, Mannkind and Celsion**, which previously were traded solely in the United States;
- Dutch pharmaceutical giant, **Mylan.**, which listed as part of the tender offer to the TASE-listed Perrigo shareholders;
- In December **SodaStream**, an Israeli company manufacturing and distributing home sparkling water makers, dual listed its shares on TASE and is expected to be fast tracked into the TA-100 index in January 2016.

The shares of Biotime, Navidea and Mannkind were fast tracked into the TA-100, TA Tech-Elite, TA-BlueTech and TA-Biomed indices.

In wake of the inclusion of **Mylan** and four foreign biotechnology companies in various TASE share price indices, it was decided that until the reform of TASE equity indices scheduled to take place in 2016 gets underway, the inclusion of foreign companies in TASE indices will be contingent on the company’s being oriented with Israel. In addition, a 4% weight cap for constituents of the TA-25 and TA-100 indices was set. Accordingly, the pharmaceutical giant, Mylan, entered the TA-25 index on the semi-annual rebalancing date (December 15, 2015) and its weight was limited to 4%.

Biotime took advantage of its fast track entry to TASE share price indices and completed a US\$ 20 million private placement to ETN issuers, creating a new inroad for raising capital on the eve of the company's inclusion in TASE indices following a dual listing. **Mannkind** was the second company to take advantage of this strategy, raising US \$36 million from ETN issuers (approximately one third of the shares the latter needed to purchase to adjust their tracking of the index).

Two TASE-listed biomed firms – **Intec Pharma** and **Kitov Pharmaceutical**– completed public offerings in the U.S., raising US\$ 34 million and US\$ 13 million respectively, listing their shares on NASDAQ. Two other TASE-listed biomed companies – **Biondvax** and **Medigus** – listed their shares on NASDAQ without raising additional capital.

BATM Communications delisted its shares only from TASE; they continue to trade in London.

Dual-listed companies raised a total of US\$ 8.6 billion abroad this year in public offerings and private placements, as opposed to the US\$ 1.9 billion raised in the previous years. 2015 offerings include:

- **US\$ 7.4 billion** raised by **Teva** in a mega stock offering in the U.S of ordinary shares (50%) and (non-listed) preferred shares (50%) to finance the acquisition of the generic drug activity of pharmaceutical giant, Allergan.
- **US\$ 0.8 billion** raised by **Opko** through a private placement to Bio-Reference Laboratories shareholders as part of the merger between the two companies.

Currently **55** companies are dual-listed on TASE and a U.S. market, while **4** companies are cross-listed on TASE and foreign securities exchanges, which are not included in the dual listing framework.

Number of TASE-listed companies:

At year's end 461 companies traded on TASE, as opposed to 473 companies traded at the end of 2014. **23 companies** were delisted in 2015, as opposed to 42 delisted companies in 2014. The 2015 delistings can be broken down as follows:

- **11** companies voluntarily delisted following **tender offers and mergers**;
- **5** companies were delisted by TASE for **failure to meet maintenance rules**;
- **5** companies were delisted in wake of **capital restructuring or liquidation**;
- **One** dual listing, **BATM**, delisted its shares from TASE (while maintaining its London listing).
- **Carmel Holdings** – delisted following the early redemption of its convertible bonds.

Bond Market

TASE bond indices:

The bond market posted average gains of 2% in 2015. Non-linked shekel-denominated fixed interest bonds rose 3-4%, while CPI-linked corporate bonds rose 1%. In contrast, CPI-linked government bonds remained virtually unchanged, while the prices of corporate bonds included in TASE's Tel-Bond 20 index dipped 1% over the year.

The "Tel Bond-Yields" bond price index, which was launched in February 2013 and includes CPI-linked fixed interest corporate bonds holds "Maalot" credit rating (BBB-) to (A) by or "Midroog" credit rating (Baa3) to (A2) gained 1.6% this year- which compensates for the lower rating of the index's constituents relative those of the Tel-Bond 40 index, which remained unchanged this year.

In 2014 the performance of government non-linked shekel-denominated "*Shahar*" bonds was noteworthy, gaining 8% on average as well as that of CPI-linked government bonds which posted average gains of 6%.

Given the market demand arising from the success of the ten existing Tel Bond indices – as evidenced by the US\$ 5.5 billion public holdings of the 66 ETNs tracking these indices – **TASE launched two new Tel-Bond indices:**

- In January, the **Tel Bond Non-linked** index was launched. This index includes corporate bonds included in the Tel Bond-Shekel and Tel Bond-Floating indices. The new index includes 86 bond series and has a market capitalization of US\$ 15.7 billion.
- In November, the **Tel Bond –Yield NIS** index was launched. This index is composed of non-linked fixed rate corporate bonds, which holds "Maalot" credit rating (BBB-) to (A) by or "Midroog" credit rating (Baa3) to (A2) and are included in the Tel-Bond universe. The index includes 24 bond series and has a market capitalization of US\$ 3.5 billion.

Bond Market Trading Volume

The daily volume of bond trading (including ETNs, in on and off-floor trading) averaged US\$ 1.1 billion, – 10% lower than the average volume in 2014. On October 14, 2015, on the eve of the

semi-annual rebalancing of the Tel-Bond indices, **bonds valued at a record US\$ 3 billion exchanged hands, of which US\$ 2.2 billion were corporate bonds.**

The average daily trading volume of the bond market (excluding ETNs) came to US\$ 1 billion, 11% lower than the 2014 average:

- The 2015 volume of trade of government non-linked shekel-denominated bonds was 6% lower than in the previous year, averaging US\$ **0.5** billion daily.
- The 2015 volume of trade of government CPI-linked bonds was 23% lower than in the previous year, averaging US\$ **0.3** billion daily.
- The 2015 volume of trade of corporate bonds was 3% lower than in the previous year, averaging US\$ **0.2** billion daily.

As of the end of November, **foreign investors** purchased a net US\$ 0.7 billion government bonds since the beginning of 2015, following net purchases of US\$ 2.3 billion in the previous year.

Debt capital raising

Gross debt floated by the Israeli government dropped in 2015, amounting to US\$ 10 billion, as opposed to US\$ 14.5 billion in 2014. Approximately 74% of the total was raised through the issue of non-linked shekel-denominated bonds, while the remaining 26% through CPI-linked bonds. The decline in gross government issues was made possible *inter alia* by the decrease in the budget deficit resulting from an increase in government tax revenues and from a sharp reduction of publicly traded government bond redemptions – from US\$ 14.7 billion in 2014 to US\$ 8.4 billion in 2015.

In the corporate bond market, debt financing through public bond offerings and private placements on TASE, which has become a key platform for raising debt in recent years, accelerated in 2015, **amounting to US\$ 14.1 billion** (excluding sums raised on the TACT Institutional platform), as opposed to US\$ 10 billion annually in 2013-2014. The scope of capital raised was 30% higher than in the previous record year of 2007 (US\$ 10.9 billion).

Record low interest rates and the reduction of new government bond issues contributed to the brisk activity in new corporate bond issues.

Primary market for corporate bonds – key characteristics

- **Record amount of capital raised by new companies: 11 new companies raised US\$ 1.5 billion**, as opposed to 8 new issuers raising US\$ 0.9 billion in 2014. **Among the newcomers, seven foreign New York real estate companies – Moinian**, which raised US\$ 363 million **in the largest initial bond offering in the history of the Israeli corporate bond market, Related** (US\$ 210 million), **Copperline** (US\$ 88 million), **Strawberry** (US\$ 68 million), **GFI** (US\$ 56 million) the **Klein Group** (US\$ 53 million) and **MDG** (US\$ 24 million) – and a foreign company engaged in Canadian commercial real estate, **Urbancorp** (US\$ 46 million).

Among domestic new issuers, the offerings completed by **Migdal Insurance Capital** and **Israel Railways** for US\$ 270 million each were the largest, while the US\$ 114 million bond offering completed by **Eldan Transportation** was third largest.

- **Sharp increase in the concentration of issues** – a total of 16 mega bond offerings (at least US\$ 0.2 billion per offering) were held, in which a total of US\$ 6 billion was floated, accounting for 48% of the total debt raised in public offerings this year. This is in contrast to the 7 mega offerings, which raised US\$ 3.5 billion account for 37% of the total raised in public corporate bond offerings, held in 2014.

- **Increased capital raising activity by the financial services sector:**

The financial sector raised US\$ 5.6 billion dollars this year- a sum equaling 39% of the total debt raised in corporate bond offerings and private placements, as opposed to 26% in 2014 and 14% in 2013.

Banks raised US\$ 4.7 billion in 2015, after raising US\$ 2.8 billion and US\$ 1.1 billion in 2014 and 2013 respectively. The amount raised by the banking sector in 2015 comprises 33% of the total raised in corporate bond offerings and private placements (including TACT institutional – see table below), as opposed to 23% and 11% in 2014 and 2013 respectively. This market share places the banking sector once again, as in recent years, on the list of the top three sectors raising debt. Banks took advantage of low interest rates to recycle debt – redeeming bonds valued at US\$ 3.5 billion in 2015 – and to prepare for scheduled bond redemptions of US\$ 2.6 billion in 2016.

As in the previous year, the largest offerings were those of the banks: **Mizrahi Tefahot** completed three offerings for a total sum of US\$ 1.6 billion, of which US\$ 0.8 billion was raised in the **largest public bond offering in TASE's history**. **Bank Hapoalim** raised US\$ 1.3 billion in two offerings and **Bank Leumi** raised US\$ 0.7 billion in a single offering.

Insurance companies raised US\$ 0.8 billion in 2015, after raising US\$ 0.4 and US\$ 0.2 billion in 2014 and 2013 respectively. In contrast to the banks, only a small portion of the debt raised served to recycle debt - US\$ 0.1 billion were redeemed in 2015 and a similar sum is scheduled for redemption in 2016.

Other financial services raised US\$ 37 million in each one of the years 2014-2015. The redemption of bonds previously issued by these companies came to US\$ 33 million and a similar sum is scheduled for redemption in 2016.

- **Stability in debt raised by the real sector:**

The real sector raised US\$ 8.7 billion, similar to the amount raised in each one of 2013 and 2014. The stability in the absolute sum raised was accompanied by a drop in their relative weight in the new issues market to 61% in 2015, as opposed to 74% in 2014 and 86% in 2013.

Real estate companies continued to lead the list of sectors issuing bonds with a total US\$ 5.1 billion floated in 2015, a sum 8% higher than the total raised by the banking industry, after floating US\$ 4.1 and US\$ 4.8 billion in 2014 and 2013 respectively. The total raised by real estate companies in 2015 accounts for 36% of the total raised in public bond offerings and private placements overall, similar to 2014 figures. Real estate companies also took advantage of low interest rates to recycle debt – bond redemptions of US\$ 2.7 billion in 2015 – and to prepare for future bond redemptions of US\$ 2.5 billion scheduled for 2016.

Commerce and services came second on the list of real sectors, floating US\$ 2 billion debt in each one of the years 2013-2015. The issuing companies redeemed bonds for a sum of US\$ 1.5 billion in 2015, with US\$ 1.3 billion scheduled for redemption in 2016.

The investment and manufacturing sectors raised US\$ 0.7 billion each in 2015.

- **The relative weight of the issue of new series fell** to 68% of the total 2015 float – as opposed to a record 75% in 2014.
- **The relative weight of bonds rated A and above** came to **88%** of the total raised in public corporate bond offerings, similar to their relative weight in 2014 offerings and as opposed to 84% in 2013.
- **The relative weight of CPI-linked bonds of the total corporate debt issued to the public rose** from 47% in 2014 to 51% this year, and a total of US\$ 7.3 billion CPI-linked corporate bonds were floated.
- At the same time, **there was a comparable drop in the relative weight of new non-linked** corporate bond issues from 50% in 2014 to 46% this year. In total US\$ 6.4 billion were raised, of which, US\$ 6.2 billion in fixed-interest bonds.
- Five public offerings of **US dollar-linked bonds** were floated this year, raising a total of US\$ 0.4 billion as opposed to one offering of US\$ 0.1 billion in 2014, of which US\$240 million was raised by **Oil Refineries, Ltd.** in three separate public bond offerings.
- **US\$ 0.6 billion were raised in dedicated bond offerings to institutional investors alone** (TACT Institutional):

In 2015 a mere US\$ 0.2 billion was floated on the TACT Institutional platform, as opposed to US\$ 5.5 billion in 2014 (of which US\$ 3.6 billion was raised from foreign institutional investors), and **US\$ 0.4 billion were raised using TASE's N.S.R. (non-listed securities)**, as opposed to US\$ 0.3 billion in 2014. The majority of the total raised in this manner this year was through the issue of commercial paper.

**Debt Raised on TASE's Corporate Bond* Market, by Sector, 2013-2015
in million US dollars**

	2015		2014		2013	
Total	14,314		15,676		9,859	
Of which: abroad	-		3,661		-	
Total excluding abroad	14,314	100%	12,015	100%	9,859	100%
<u>Sectors:</u>						
Financial Services	5,583	39%	3,148	26%	1,349	14%
Banking	4,712	33%	2,756	23%	1,119	11%
Insurance	834	6%	355	3%	230	3%
Other	37	0.3%	38	0.3%	-	
Real Sector:	8,731	61%	8,867	74%	8,509	86%
Real Estate	5,097	36%	4,134	34%	4,838	49%
Commerce & Services	2,122	15%	2,040	17%	2,053	21%
Investments	765	5%	523	5%	612	6%
Manufacturing	719	5%	1,186	10%	659	7%
Technology	27	0.2%	260	2%	346	4%
Gas & Oil	-	0%	724	6%	-	0%

* including TACT Institutional, excluding financial instruments, option exercise and N.S.R. (non-listed securities).

Exchange Traded Notes (ETNs)

As of the end of 2015, **638 ETN series** traded on TASE, **23 of which** were “certificates of deposit”. **The public holdings of the ETN (including certificates of deposit) came to US\$ 30 billion in December 2015.**

New ETN series:

The ETN market continued to develop and **60 new ETN series were issued this year**, following the issue of 77 new series in each of the two years, 2013-2014. Ten ETNs, mostly “short” ETNs, expired and were delisted.

Among the series issued for the **first time**, were **four ETNs** tracking the **Tel Bond – Floating** index, which was launched in November 2014 (public holdings of US\$ 80 million) and **two ETNs** tracking the **BlueStar Israel Global** index (public holdings of US\$ 85 million), which currently covers the shares of 114 Israeli and Israel-linked companies.

In addition, **40** ETNs on foreign stock indices, **10** ETNs on local bond indices, **2** ETNs on mixed local and foreign bond indices and **1** on U.S. bond indices were issued in 2015.

ETN purchases/sales by the public

The public holdings of ETNs tracking share price indices reached a record level of US\$ 19.1 billion in 2015, as opposed to US\$ 18.2 billion at the end of 2014.

- **The public holdings of ETNs tracking domestic share price indices came to US\$ 7.7 billion in 2015.** Investors sold a net US\$ 0.3 billion, 25% lower than the sum for 2014. The public holdings of ETNs tracking local share price indices decreased by US\$ 0.2 billion, the entire decrease stemming from the decrease in investment.
- **The public holdings of ETNs tracking foreign share price indices in 2015 came to US\$ 11.4 billion.** Net investment in these ETNs came to US\$ 0.9 billion in 2015, following a net investment of US \$2.1 billion in 2014. The public holdings of these ETNs increased by US\$ 1.1 billion, resulting from new investment and partially from the appreciation of the value of the underlying assets.

The public holdings of ETNs on bond price indices reached a record high of US \$8.9 billion in 2015, as opposed to US\$ 8.4 billion at the end of 2014.

- Net investment in **bond price indices** in 2015 was negligible, a mere US\$ 40 million, following the net US\$ 1.1 billion purchased in 2014. The public holdings of these ETNs rose by US\$ 0.5 billion; the entire gain resulting from the increase of the value of underlying assets.

In 2015 the public sold a net US\$ 4.4 billion of certificates of deposit. The public holdings of these certificates fell by US\$ 4.4 billion this year to US\$ 2.4 billion at the year end. The entire decrease can be attributed to the aforementioned sell-off, particularly of NIS-denominated certificates, in response to the negligible interest rate in Israel. It is worth noting that money market mutual funds also experienced massive redemptions.

ETN trading volume

The average daily trading volume of ETNs tracking share price indices (domestic and foreign) increased in 2015, coming to US\$ 121 million (on and off-floor trading), higher by 19% than the average daily volume in 2014. This volume accounts for 32% of the trading volume of the equity market overall, as opposed to 30% in 2014.

The average daily trading volume of ETNs tracking bond price indices (including certificates of deposit) in 2015 came to US\$ 84 million (on and off-floor trading), slightly higher than 2014. This volume constitutes 30% of the volume of non-government bonds overall as opposed to 28% in 2014.

Derivatives Market

The average daily volume of **TA-25 index option** trading in 2015 came to 201 thousand contracts, similar to that of the previous year.

This includes the average daily volume of **weekly options** trading - launched in July 2013 - which this year came to 41 thousand contracts, as opposed to 26 thousand contracts in 2014 and 12 thousand contracts in 2013. **On July 8, 2015 125,833 contracts changed hands – the highest volume attained in weekly options since their launch.**

At the beginning of the year, the implied volatility of TA-25 options stood at 10%, while in February it dropped to a low of 8%. Until August it usually ranged between 10-13% but reached a record high of 31% that month in wake of the crisis in Chinese financial markets. Since that time, the implied volatility gradually receded and currently stands at 15%.

Currently nine stock options trade on TASE (Teva Pharmaceuticals, Bank Hapoalim, Bank Leumi, Israel Chemicals, Bank Mizrahi Tefahot, Bank Discount, Avner Oil Exploration, Bezeq and Perrigo). The daily trading volume in these options averaged 6,300 contracts in 2015, lower by 14% than the average in 2014, which came to 7,300 contracts. At the end of the year, the board of directors approved the launch of options on the 16 other stocks included in the TA-25 share price index.

TASE launched options and futures on the TA-100 index and trading on these options commenced on January 29, 2015. Trading during the first year of their launch was slow, amounting to a daily average of only 200 contracts.

Trading in **dollar exchange rate options** was active. Marking the 20th anniversary of these options, 2015 was a record year. Average daily trading volume came to 64 thousand contracts, 24% higher than the average in 2014. **On July 23, 2015 a record high volume of 499,944 contracts** was registered – 30% higher than the previous record set in September 2014.

Short-term Loan Certificates (MAKAM)

The average daily trading volume in *MAKAM* short-term loan certificates (on and off-floor trading) came to US\$ 131 million, 27% lower than last year's average daily volume.

MAKAM prices remained unchanged in 2015, and the yield-to-maturity, which came to 0.2% at the end of 2015 was slightly lower than that at the end of 2014, as opposed to 1% at the end of 2013.

At the end of 2015, the **public holdings of MAKAM** came to US\$ 30 billion, as opposed to US\$ 33 billion at the end of 2014, and a record US\$ 38 billion at the end of 2010.

After a hiatus of one year, sales of *MAKAM* by foreign residents resumed, **and in 2015 foreign investors sold** a net US\$ 1 billion **MAKAM on TASE**, following net *MAKAM* purchases of US\$ 1.1 billion in 2014 and net sales of US\$ 0.3 billion in 2013.