Characteristics of Household Activity in Foreign Securities

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ABSTRACT

- The balance of households' foreign securities has been growing in recent years. At the end of 2025, it accounted for around one-quarter of total Israeli holdings in securities traded abroad.
- Households prefer to invest in equity assets. Even though investment in foreign securities has been growing, the ratio between investments in Israel and Israel's International Investment Position has been stable over the years .
- Most household investments in foreign securities are made directly. As of December 2025, households made direct investments worth US $73 billion in foreign securities, compared with US $26 billion invested via mutual funds that are active abroad.
- The share of household investments in foreign securities is high compared with other OECD countries for which data on households' securities holdings are available.
- Most household investment in foreign securities is focused on the American market, with a preference for tech equities.

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Introduction

Household investment in foreign securities has increased sharply in recent years and continues to play a central role in Israel's financial activity abroad. Given households' growing share of Israeli economic activity abroad and the significant increase in the size of their investments, it is of particular interest to thoroughly understand their behavior patterns as investors, especially where investments in bonds and equities traded abroad are concerned.

This study analyzes households' direct holdings of foreign securities[1], which constitute the main component of their financial activity abroad. Section 1 compares households' activity abroad with that of the other sectors of the Israeli economy. Section 2 reviews long-term developments in the household investment portfolio and their main determinants. Section 3 focuses on the way households invest, whether directly for the portolio or via mutual funds. Section 4 presents an international comparison of households' investments in securities. Section 5 discusses the geographic distribution of household investments in foreign securities.

To analyze households' behavior accurately, it is important to distinguish between direct securities investments and indirect investments via investment management vehicles such as savings institutions and mutual funds. Even though the financial account and International Investment Position (IIP)[2] data include mutual funds in the category of households, we distinguish between household (individual) investments and those made via mutual funds and present the data for each separately.

Additionally, this study is based on data on hoseholds' securities holdings that are deposited with members of the Tel Aviv Stock Exchange, and do not relate to holdings deposited with external financial intermediators.

This study is based on data relating to households' securities holdings.[3]

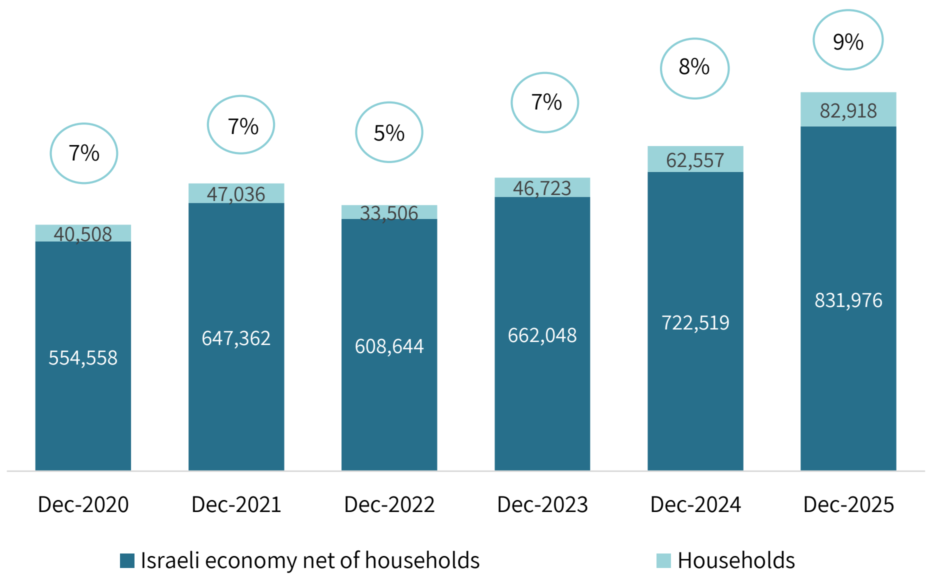
[1] Excluding Israeli residents' securities held in custodianship by financial intermediators abroad.
[2] For elaboration, see Part C, Economic Activity vis-a-vis Abroad, in this publication.
[3] For further information about the data on securities holdings, see Part 2 of the 2023 *Statistical Bulletin*: /https://www.boi.org.il/publications/regularpublications/statistic_bulletin/bulletin2023.

1. Households' external activity compared with that of other economic sectors

In recent years, there has been an increase in the foreign assets of households and the other sectors of the Israeli economy. Such assets include direct capital investments and owners' loans, portfolio investments, other investments such as deposits, loans, and commercial credit, and reserve assets and derivative instruments.

As overall Israeli external economic activity has grown, so has households' share in these investments. At the end of 2025, households held 9 percent of total Israeli holdings of foreign assets, compared with 7 percent in 2020 (Figure 1). In 2022, the economy's assets dipped temporarily, largely due to a downturn in securities prices abroad. Afterwards, however, assets grew consistently.

Figure 1: Israeli Households' Foreign Investments as a Share of Total Investments,
Balances in US $million (columns) and Share of Households in the Total Israeli Economy (bubbles)

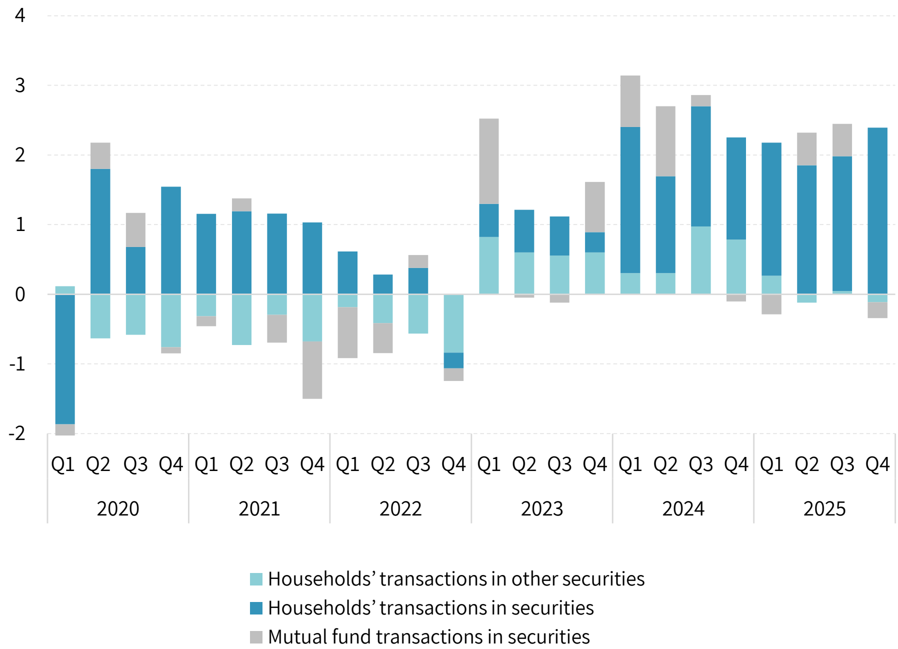


SOURCE: Bank of Israel.

With the increase in foreign assets held by households, households' transactions[4] in foreign securities (buy and sell) continued to account for the largest share of their activity, outpacing transactions in other instruments (foreign direct investment and deposits). These transactions have grown perceptibly over the past two years, surpassing earlier years' levels and underscoring the dominance of investment in foreign securities among households (Figure 2).

[4] Changes in the balance of households' net holdings at a given point in time are composed of transactions and other changes such as in prices and exchange rates, as well as changes originating in securities reclassification or delisting.

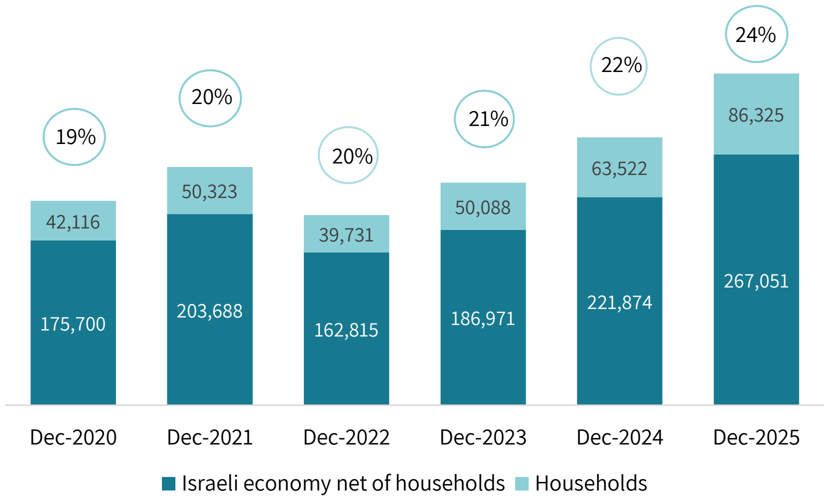
Figure 2: Estimate of Households' Foreign Transactions, by Type of Investment (US $billion)



SOURCE: Bank of Israel.

Data on balances also reflect this trend, indicating that households accounted for 24 percent of Israeli holdings in securities traded abroad in December 2025, compared with 19 percent in 2020 (Figure 3). Households's share of foreign securities holdings has been rising in recent years, apparently due to households' wish to diversify their investment portfolios as part of a broader effort to disperse risks. Access to advanced technology is also contributing to the growth of investment in foreign markets.

Figure 3: Net Israeli Holdings of Foreign Securities —Households vis-a-vis Rest of the Economy, Balances in US $million (columns) and Share of Households in Total Israeli Economy (bubbles)

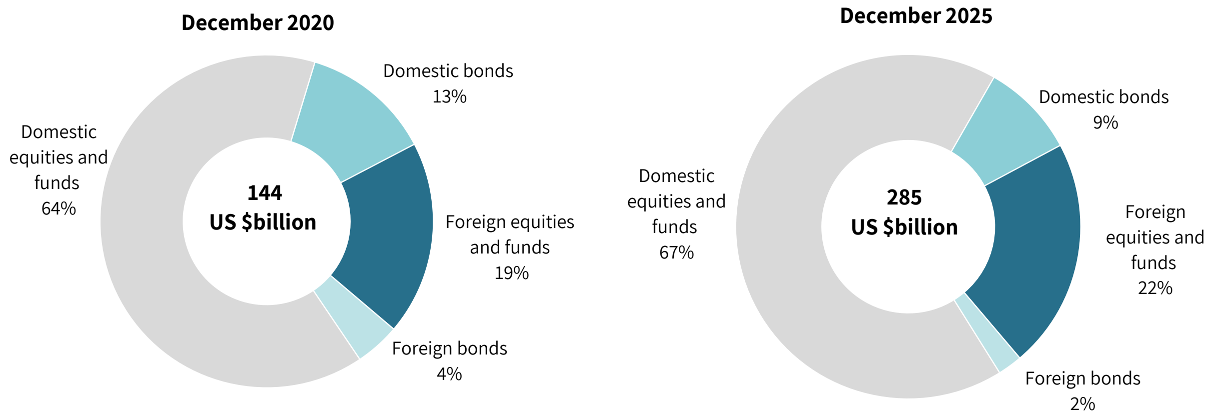


SOURCE: Bank of Israel.

2. The household securities portfolio

Households' assets in securities, both domestic and foreign, have doubled in the past five years (Figure 4). Even when the Israeli economy has gone through times of uncertainty, the mix of households' investments in securities between those traded abroad and those traded in Israel has been stable. Some 75 percent of the households' portfolio is invested in Israel, attesting to a consistent preference of investing in the domestic market. It is also evident that households plainly prefer equity assets and focus their main holdings, foreign and domestic, on high-risk investments such as equities and funds.

Figure 4
Composition of Households' Portfolio of Securities Traded in Israel and Abroad (US $billion)

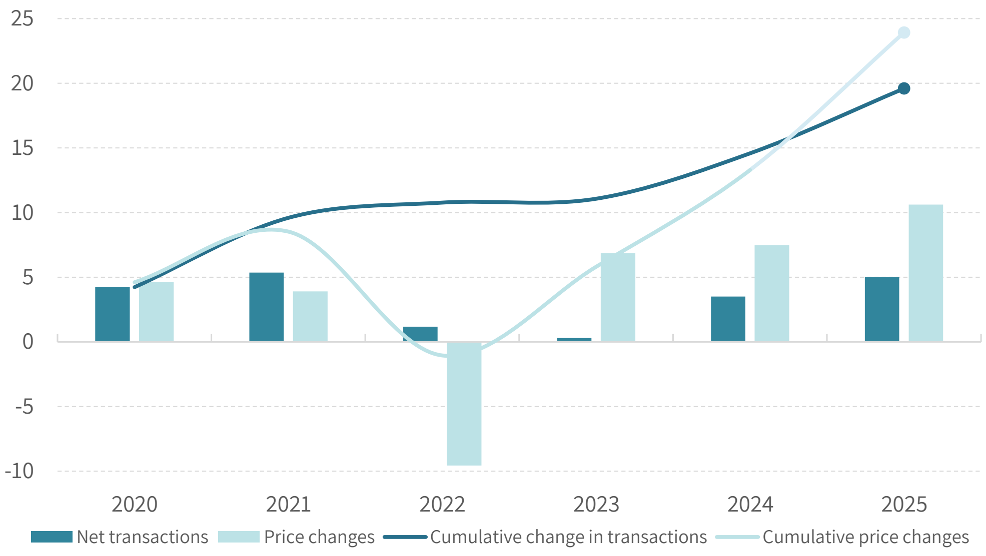


SOURCE: Bank of Israel.

The household portfolio of equities and funds traded abroad has grown by US $34.5 billion in the past five years, reflecting a combination of changes in prices and net transactions .
Prices of foreign equities were acutely volatile during that time, generating a meaningful cumulative impact and leading to a US $23.9 billion increase in the value of households' portfolio of foreign equities and funds. Concurrently, net cumulative transactions in households' holdings during these years added up to US $19.6 billion (Figure 5).

Figure 5

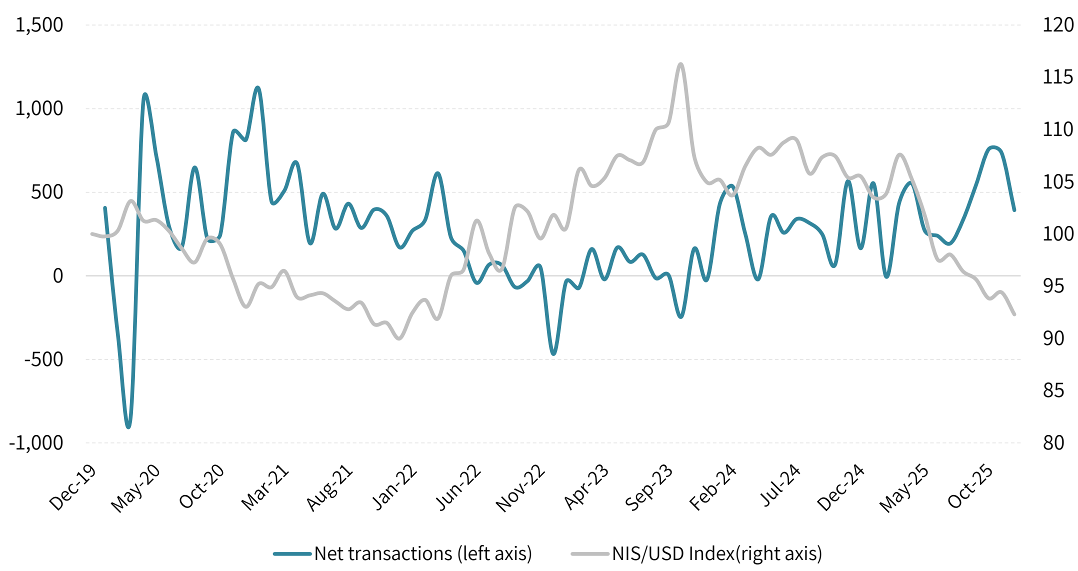
Main Determinants of Change in the Household Portfolio of Foreign Equities and Funds



SOURCE: Bank of Israel.

Another determinant of the household portfolio of foreign investments is the change in the exchange rate. Households tend to invest more abroad when the shekel gains against the US dollar and to invest less when the shekel loses ground (Figure 6).

Figure 6: Effect of the NIS/USD Exchange Rate on Transactions in the Household Portfolio of Foreign Equities and Funds (USD billion)



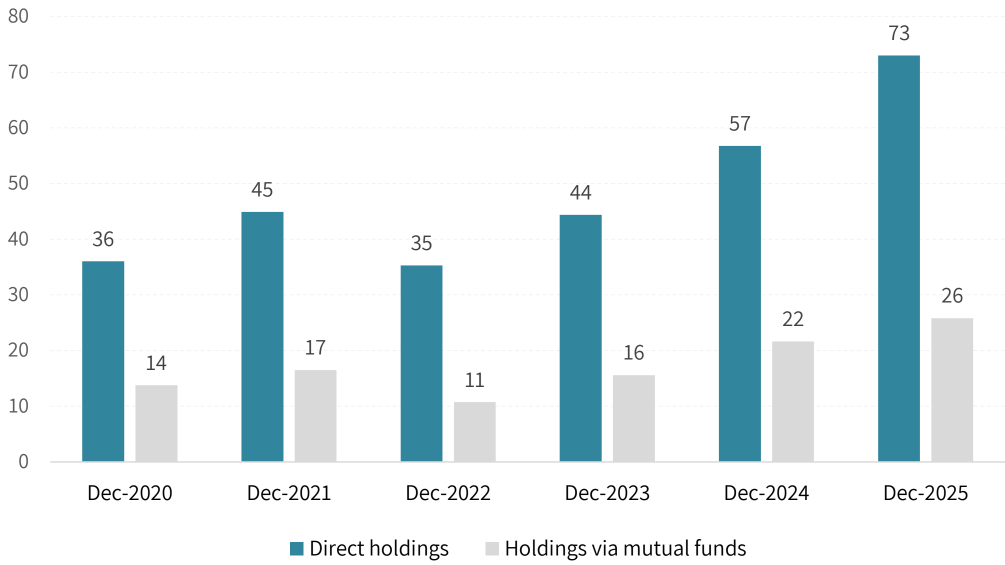
SOURCE: Bank of Israel.

3. Households' foreign bond holdings: Comparison of direct and indirect

Households can invest in the capital market in two main ways: directly, by purchasing securities themselves, or indirectly, by means of institutions that manage their investments for them. Indirect investment takes place mainly via mutual funds and savings vehicles (pension funds, provident funds, advanced training funds, and insurance policies).

During the reviewed period, both kinds of holdings—direct and indirect, by means of mutual funds—increased perceptibly, although the former were much larger in value (Figure 7). The gap may be due to the characteristics of households that choose to invest in foreign securities directly—those that enjoy relatively strong financial literacy or have access to professional consulting—whereas other households avail themselves of mutual funds due to the complexity of direct investment.
Households choosing to invest directly may also seek greater flexibility in their choice of securities in order to .tailor the composition of their portfolio to their specific needs

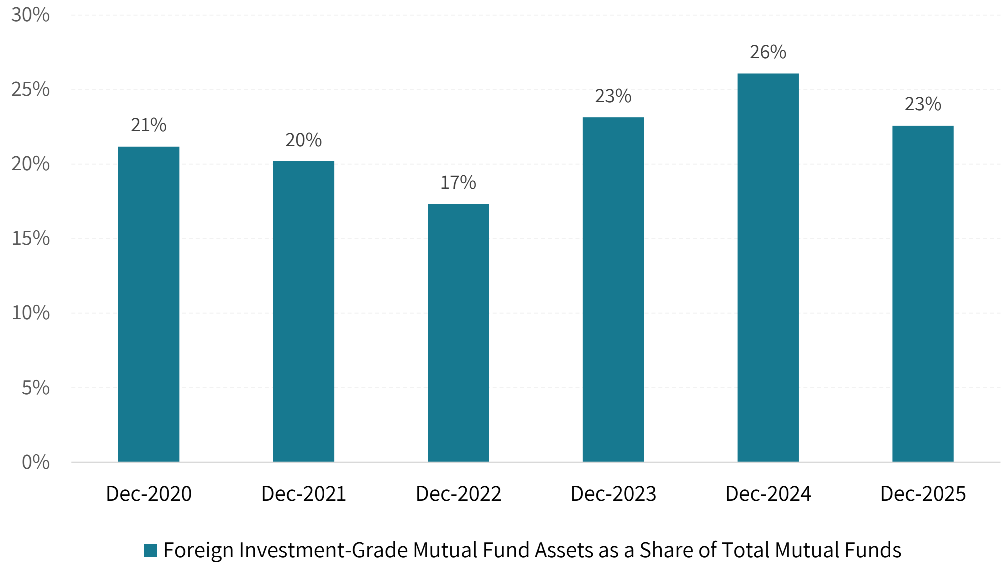
Figure 7
Households' Direct and Indirect Holdings of Foreign Securities (US $billion)



SOURCE: Bank of Israel.

The data show that the share of foreign investment-grade assets of mutual funds (Figure 8) resembles the share of foreign securities investment made directly by households. Both account for around 25 percent of the total portfolio (Figure 4).

Figure 8: Foreign Investment-Grade Mutual Fund Assets as a Share of Total Mutual Funds (percent)



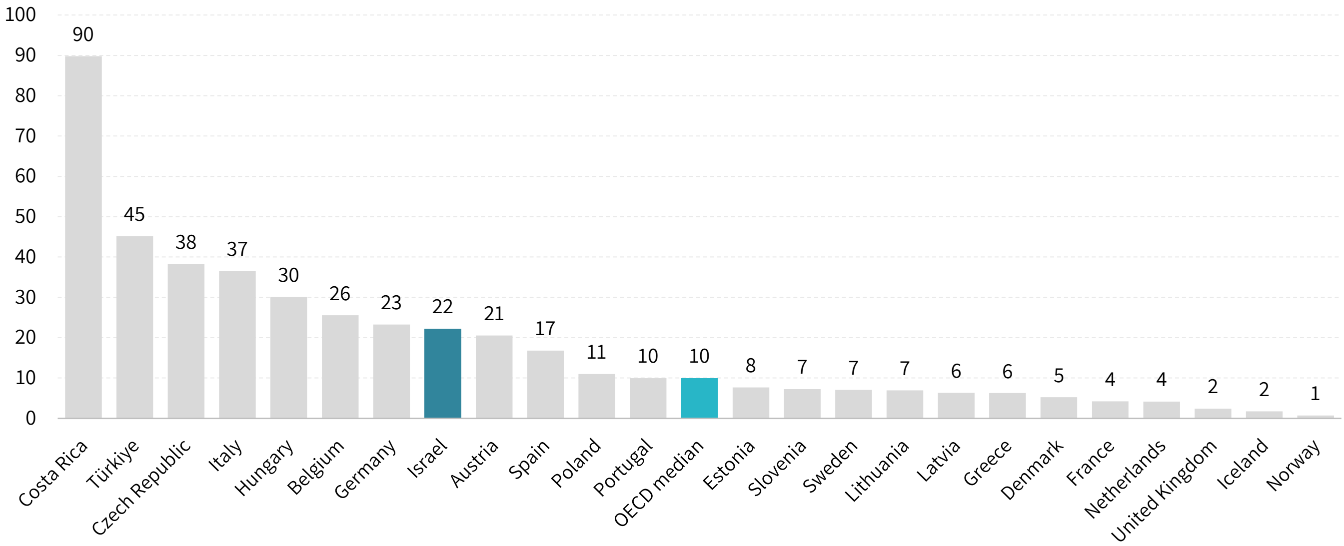
SOURCE: Bank of Israel.

4. International comparison

To compare Israel with other countries, we examined only data from OECD countries that have readily available information about households' securities holdings in accordance with the IMF's PIP (Portfolio Investment Positions by Counterpart Economy) Report. These data reflect the extent of portfolio investment held in other countries, showing where the economy's financial assets are situated.

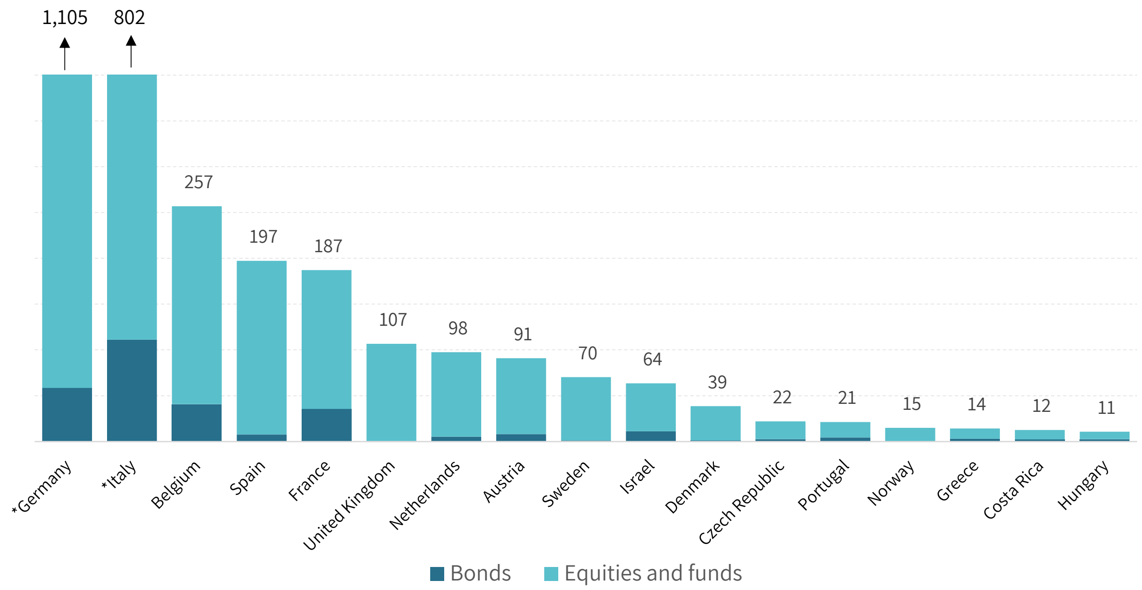
Our analysis of households's share of total investment shows major differences among countries in foreign securities investment (Figure 9). Households's share of investment in Israel is 22 percent, far above the 10 percent median among the OECD countries. This apparently traces to the Israeli public's higher involvement in the domestic capital market, access to financial information in Israel, domestic regulation, and investment habits.

Figure 9: Household Investment as a Share of Total Investment in Securities Traded Abroad, by Countries, December 2024 (percent)



Much like the trend in Israel, investment by households in the OECD countries focuses mainly on equities and funds, whereas investment in bonds is relatively limited (Figure 10).

Figure 10: Net Household Investment in Securities Traded Abroad, by Countries and Investment Instruments, December 2024 (US $billion)



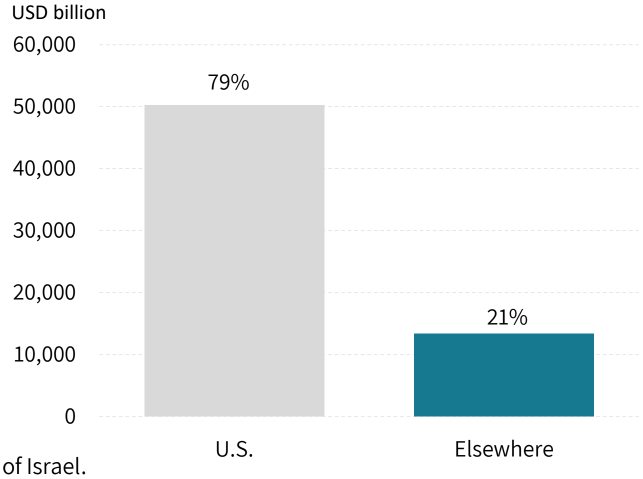
* The columns representing Germany and Italy are cut off at US $400 billion

SOURCE: Bank of Israel.

5. Geographic distribution of household investment in foreign securities

Despite the protracted increase in households' investment in foreign securities, the geographic distribution of these investments remains limited. Around 79 percent of such investments are made in the United States, compared with only 21 percent in the rest of the world combined (Figure 11). Despite this narrow geographic distribution, the American market brings leading and large firms together and enjoys additional advantages, explaining why many households prefer it as their place of investment.

Figure 11
Geographic Distribution of Households' Foreign Investments[5], December 2024 (percent)

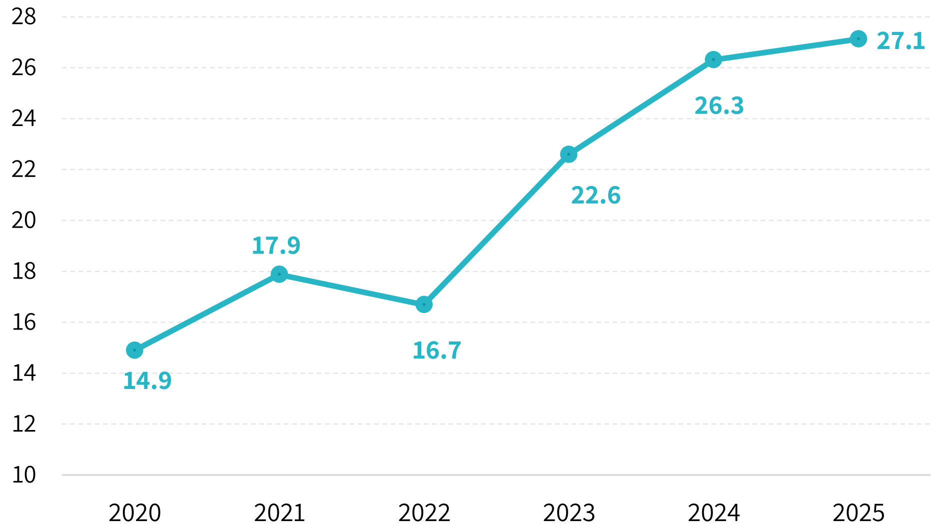


SOURCE: Bank of Israel.

Looking at households' preference of equities, we find that much of the portfolio centers on six tech shares. Their cumulative share in the portfolio of foreign equities climbed from 14.9 percent in 2020 to 27.1 percent in December 2025 (Figure 12). The equities in question are those of large American multinational firms that participate in leading American equity indices such as the S&P 500 and the NASDAQ 100.

[5] https://data.imf.org/en/datasets/IMF.STA:PIP. As of this writing, the data in the PIP report are current to December 2024.

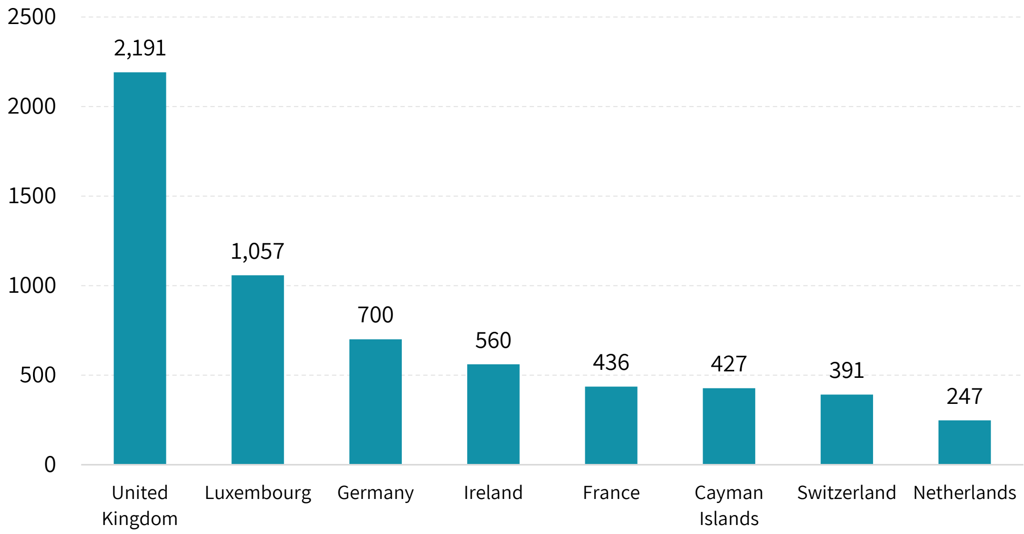
Figure 12: Share of Large Equities in the Household Equity Portfolio (percent)



SOURCE: Bank of Israel.

Examining households' investments in countries other than the United States, we find relatively narrow geographic distribution. Most such investment is made in Western Europe, particularly in countries known as financial hubs such as the UK and Luxembourg (Figure 13). Israeli households apparently tend to prefer to invest in familiar and relatively safe areas.

Figure 13: Households' Holdings of Foreign Securities, by Country of Investment (excluding U.S.), December 2024[6] (US $billion)



SOURCE: Bank of Israel.

[6] https://data.imf.org/en/datasets/IMF.STA:PIP. As of this writing, the data in the PIP report are current to December 2024.

Conclusion

Israeli households are investing more and more in securities abroad. In December 2025, these investments accounted for about one-quarter of all Israeli portfolio investment in foreign securities—an increase of around 5 percentage points relative to 2020. By international comparison, too, Israel's balance of household investment in foreign securities exceeds that of most OECD countries for which data are available.

Equities account for the plurality of the household investment portfolio and focus on the American market and large tech companies that participate in the leading indices. As the level of investment rises, however, so does the risk due to volatility in equity prices in international markets and exposure to changes in the exchange rate.