



Report of the monetary discussion held at the Bank of Israel regarding implementation of monetary tools

The discussions were held on March 14th and 15th, 2020.

Background:

Against the background of the spread of the coronavirus and the sharp fluctuations in financial markets in Israel and abroad during the week preceding the discussion, the Monetary Committee met for telephone discussions to discuss the need to adopt urgent measures to inject liquidity into the financial markets in Israel.

Discussion:

The Markets Department presented the Committee with data, according to which extensive withdrawals had accumulated from mutual funds and that there had been a decline in the value of the assets in which institutional investors invest abroad. In addition, there was some increase in corporate bond spreads, that should it persist is liable to weigh on financing conditions in the economy. The Department assessed that a need for shekel liquidity had formed in the financial system. This assessment was supported by, among other things, long-term government bond yields rising sharply while the underlying macroeconomic fundamentals—the sharp decline in growth and inflation forecasts due to the extensive limitations adopted in Israel and abroad to prevent the continued spread of the virus—should have led to government bond yields declining or at least rising more moderately, as in fact happened in government bond markets around the world.

As such, the Department recommended to the Monetary Committee that the Bank of Israel act in the open market and purchase, in the secondary market, government bonds of various types and of various terms to maturity, at the quantities required, in order to ensure that the government bond market is functioning in an orderly manner. In addition, the Bank of Israel will carry out repo transactions using government bonds as a security vis-à-vis financial institutions.

Monetary Committee decision:

The Monetary Committee approved the Markets Department's recommendation unanimously.

Participants:

Members of the Monetary Committee

Prof. Amir Yaron, Governor of the Bank of Israel and Monetary Committee Chairperson

Mr. Andrew Abir, Deputy Governor of the Bank of Israel

Prof. Reuben Gronau

Prof. Moshe Hazan
Prof. Zvi Hercowitz
Prof. Michel Strawczynski, Research Department Director

Other participants

Mr. Eddy Azoulay, Chief of Staff to the Governor
Mr. Tal Biber, Head of Markets Division in Markets Department
Dr. Golan Benita, Chief of Staff to the Governor (overlap period)
Mr. Uri Barazani, Acting Spokesperson of the Bank
Mr. Arad May, Secretariat of the Monetary Committee and the Supervisory Council
Mr. Yoav Soffer, Advisor to the Governor
Ms. Esti Schwartz, Secretary of the Monetary Committee and the Supervisory Council
Ms. Tida Shamir, General Counsel (at the March 14th, 2020 discussion)