



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

The discussion was held on March 23, 2020.

Background:

The Monetary Committee met to discuss the possibility of launching a government-bond purchase program in the secondary market, against the background of increased yields and volatility in the government bond market in Israel, in view of the effect of the spread of the coronavirus and its ramifications on the global and domestic economies.

Discussion:

The Monetary Committee was presented with assessments that yields in the government bond market had increased in a relatively high manner compared with those in other countries, relatively high compared with the increase in yields of Israeli government dollar denominated bonds with a similar duration, and higher than the increase in fiscal risk measured in markets by the price of insuring the debt.

The Committee was presented with a recommendation to launch a program to purchase government bonds, CPI-indexed and unindexed, in the secondary market, for various terms to maturity, at a total of NIS 50 billion. This is in order to achieve the Bank's objectives, pursuant to the programs announced by the Bank on March 15, 2020 (purchasing government bonds and executing repo transactions vis-à-vis financial institutions) and on March 18, 2020 (shekel/dollar swaps).

Committee members assessed that the measure suggested will contribute to the reduction of government bond yields and indirectly will impact as well on the corporate bond and risk asset market, and will lead to an easing of credit conditions in the economy.

Monetary Committee decision:

The Monetary Committee approved the recommendation unanimously.

Participants:

Members of the Monetary Committee

Prof. Amir Yaron, Governor of the Bank of Israel and Monetary Committee Chairperson (by phone)

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

Prof. Reuben Gronau (by phone)

Prof. Moshe Hazan (by phone)

Prof. Zvi Hercowitz (by phone)
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
Mr. Mickey Blank, Markets Department (by phone)
Dr. Golan Benita, Chief of Staff to the Governor (overlap period)
Mr. Arad May, Secretariat of the Monetary Committee and the Supervisory Council
Mr. Yoav Soffer, Advisor to the Governor (by phone)
Ms. Michal Sinai Livyatan, Legal Department
Dr. Amit Friedman, Advisor to the Markets Department Director
Ms. Esti Schwartz, Secretary of the Monetary Committee and the Supervisory Council