

CHAPTER XXI

THE SECURITY MARKET

THE YEAR 1960 was notable for the growing momentum of the boom in equities. Share prices nearly doubled, on the average, in the course of the year. There were more and larger capital issues, and the volume of transactions in the share market surpassed that of transactions in fixed-interest securities.

Against this, the bond market slackened and prices receded somewhat. The amount of new bond issues was smaller than in 1959.

1. CAPITAL FORMATION AND THE STOCK MARKET

Stock exchange investment decreased in 1960. New issues<sup>1</sup> totalled IL.104.8 million, as against IL. 137.7 million in 1959. After allowing for redemptions,

TABLE XXI-1  
*The Stock Market, 1957 to 1960*  
(Indicators)

	<i>Unit</i>	1957	1958	1959	1960
New issues (gross) <sup>a</sup>	Millions of IL.	61	79	138	105
Issuing bodies	Number	2	7	13	25
New issues (net) <sup>b</sup>	Millions of IL.	49	44	99	61
Net issues as a percentage of gross issues	Per cent	80	56	75	58
Net issues as a percentage of gross domestic investment	Per cent	5.6	4.8	10.2	5.9
Securities listed on the Stock Exchange					
Nominal value	Millions of IL.	219	255	362	444
Market value	Millions of IL.	..	..	371	494
<i>Indices of security prices</i> (1950 average = 100)					
Linked bonds	Annual average	294	312	322	312
Ordinary shares	Annual average	161	147	202	410
Ditto	End of year	151	147	272	549

<sup>a</sup> Bonds and saving certificates at nominal value; shares at issuing prices. See Note <sup>1</sup> on this page.

<sup>b</sup> Gross issues *less* redemptions.

<sup>1</sup> Including bonds and savings certificates at par, and shares at issue prices. Excluding: (a) the Government "Short-Term Loan"; (b) bonus shares and shares issued without prospectus; (c) securities not intended for quotation on the Tel-Aviv Stock Exchange (e.g., those of private companies); (d) shares created by the conversion of debentures; (e) issues earmarked for foreign investors only.

the net amount raised through security issues in 1960 is found to total approximately IL.61 million, as compared with about IL.100 million in 1959. And whereas in 1959 the capital raised on the stock market was tantamount to about 10 per cent of gross investment in the economy that year, the proportion declined to 6 per cent in 1960.

At the same time, a far reaching shift took place in the composition of the new issues: loan capital formed a much smaller portion in 1960 than in previous years, and shares began to acquire importance. No less than 40 per cent of the net capital raised on the stock market in 1961 was equity capital.

## 2. THE STOCK EXCHANGE LIST

Linked bonds constituted over 70 per cent of the aggregate face value of securities listed on the Tel-Aviv Stock Exchange at the end of 1960 (see Table XXI-2). The nominal value of all listed securities totalled IL.444 mil-

TABLE XXI-2

*Nominal Value of Securities Listed on the Tel-Aviv Stock Exchange,  
1957 to 1960*

(End of year)

	<i>Millions of IL.</i>				<i>Percentages</i>			
	1957	1958	1959	1960	1957	1958	1959	1960
<i>Government loans</i>								
Dollar-linked	75	85	118	110	34.3	33.4	32.6	24.8
Index-linked	13	25	27	38	5.9	9.8	7.5	8.6
"Mixed" link	—	—	—	4	—	—	—	0.9
Other loans	67	73	70	65	30.6	28.6	19.3	14.6
<i>Total</i>	155	183	215	217	70.8	71.8	59.4	48.9
<i>Government-guaranteed loans</i>								
Dollar-linked	13	14	40	47	5.9	5.5	11.1	10.6
Index-linked	17	22	21	19	7.8	8.6	5.8	4.2
<i>Total</i>	30	36	61	66	13.7	14.1	16.9	14.8
<i>Other securities</i>								
Ordinary shares	16	16	18	44	7.3	6.3	5.0	9.9
Preference shares	3	3	3	18	1.4	1.2	0.8	4.0
Linked bonds	7	10	62	96	3.2	3.9	17.1	21.6
Other bonds	8	7	3	3	3.6	2.7	0.8	0.7
<i>Total</i>	34	36	86	161	15.5	14.1	23.7	36.2
<i>Grand total</i>	219	255	362	444	100.0	100.0	100.0	100.0

SOURCE: The Tel-Aviv Stock Exchange Ltd.

lion, i.e. IL. 82 million more than in the preceding year. The corresponding increase in 1959 was IL. 107 million.<sup>1</sup> The proportion of Government loans declined from 59 per cent of the total, at the end of 1959, to 49 per cent at the end of 1960; and that of Government loans together with Government-guaranteed loans declined similarly—from 76 per cent to 64 per cent.

The par value of ordinary and preference shares listed on the Stock Exchange increased almost three-fold during the year—from IL.21 million to IL. 62 million. Equities constituted 14 per cent of all listed securities, as against 6 per cent at the end of 1959. In terms of market value, the increase was much greater—from IL.35 million to IL.130 million, or from 10 per cent to 26 per cent of all listed securities.

The market value of the securities listed on the Stock Exchange amounted to IL.493 million at the end of 1960, as against IL.371 million at the end of 1959 (see Table XXI-3). Of the IL.122 million increment, IL.82 million

TABLE XXI-3  
*Nominal and Market Value of Securities Listed on the Tel-Aviv  
Stock Exchange, 1959 and 1960*

<i>Type of security and date</i>	<i>Nominal value</i>	<i>Market value</i>	<i>Change due to price increase (+) or decrease (-) (2) - (1)</i>
	(1)	(2)	(3)
<i>Bonds</i>			
(a) End of 1960	382	363	
(b) End of 1959	341	336	
Change			
(a) - (b)	41	27	-14
<i>Shares</i>			
(c) End of 1960	62	130	
(d) End of 1959	21	35	
Change			
(c) - (d)	41	95	+54
<i>All listed securities</i>			
(e) End of 1960	444	493	
(f) End of 1959	362	371	
Change			
(e) - (f)	82	122	+40

<sup>1</sup> The annual increase in the nominal value of listed securities is not identical with the face value of securities issued during the year for several reasons, one of them being the time lag between the issue and the registration of new securities on the Stock Exchange.

was due to net changes in the nominal capital listed on the Stock Exchange, and IL.40 million to the net appreciation of existing securities and the premium of new issue prices over par values.

### 3. THE VOLUME OF TRADE

The volume of Stock Exchange transactions expanded considerably in 1960, owing to increased trade in equities. The money value of all Stock Exchange deals in 1960 totalled IL.70 million<sup>1</sup>—almost ten times as much as in 1956. Trading in equities, which had previously been of subsidiary importance, gradually became the main business of the Stock Exchange in 1960. In the peak month, October 1960, the total volume was IL.9 million, of which the turnover in shares represented about 70 per cent (as against 25 per cent of the total volume in January). Taking the year's transactions as a whole, shares accounted for just over one half (see Table XXI-4 and Diagram XXI-1).

TABLE XXI-4  
*Volume of Transactions on the Tel-Aviv Stock Exchange,  
by Type of Security, January-December, 1960*  
(percentages)

	Dollar-linked bonds	Other linked bonds	Other bonds	Total (1) + (2) + (3)	Shares	Grand total (4) + (5)
	(1)	(2)	(3)	(4)	(5)	(6)
January	46	11	17	74	26	100
February	42	15	16	73	27	100
March	39	9	14	62	38	100
April	34	12	16	62	38	100
May	31	9	12	52	48	100
June	27	8	10	45	55	100
July	37	5	9	51	49	100
August	24	6	9	39	61	100
September	23	6	6	35	65	100
October	20	5	4	29	71	100
November	21	7	8	36	64	100
December	25	6	10	41	59	100
<i>Whole year</i>	29	8	10	47	53	100

SOURCE: Based on data of State Loan Administration, Bank of Israel.

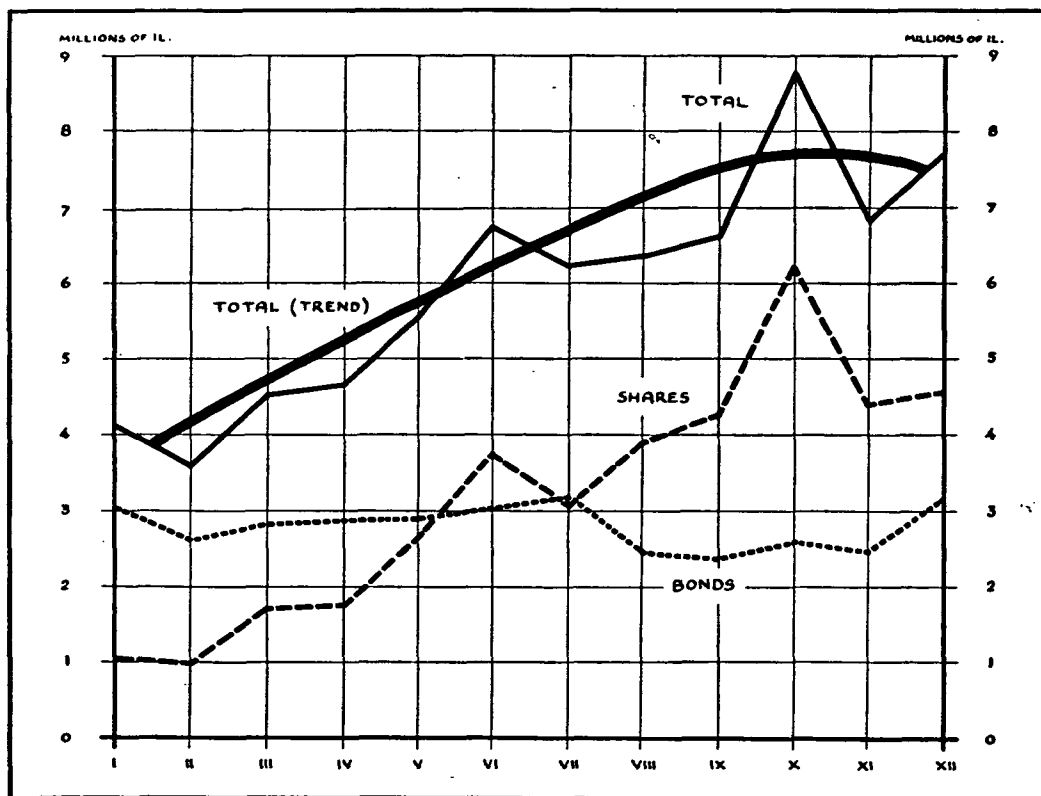
Excluding transactions outside the Stock Exchange. In Israel, as in most of the stock markets of continental Europe, banks or brokers need not execute customers' orders at the Stock Exchange. They may as well set off buying and selling orders or trade on their own account.

With the growing volume, new and increased demands were made on the market apparatus. The institutional framework remained unchanged, apart from the creation of two committees now entrusted with the control of new issues. One of these, known as the Securities Committee, consists of civil servants, Bank of Israel officials, as well as representatives of financial institutions and various economic sectors. Its main function is the examination of prospectuses so as to ensure full disclosure by the issuing bodies of their financial and business position. The committee is not responsible for the successful investment in any security, this being dependent upon factors beyond its control, such as efficient management, the state of the economy as a whole, etc.

The other new body, known as the New Issues Committee, was appointed under the terms of the Income Tax Ordinance, and is empowered to grant

DIAGRAM XXI-1

*Volume of Stock Exchange Transactions, 1960*



concessions on income from some types of securities.<sup>1</sup> The committee, comprising officials of the Bank of Israel and of the Government, also examines the capacity of the market to absorb new securities, estimates the Government's capital requirements, and sets the dates of new issues.

The Stock Exchange appointed, at the beginning of 1960, a committee of its own to suggest methods of improving its efficiency and encouraging stock exchange investment. Most of the committee's recommendations still await implementation. In view of the rapid expansion of the stock market in the last two years, a reappraisal of stock exchange practices and their adjustment to current conditions may well be desirable. For instance, the problem of how to prevent sharp fluctuations in security prices as a result of a very small excess of supply or demand during a single session of the Stock Exchange has yet to be solved. Moreover, a number of new problems arose in 1960, when staggard operations led to heavy over-subscription of new equity issues and to opening prices far in excess of issue prices. It is still difficult to say whether this was a chance phenomenon, possibly due to the relatively small size of individual issues and comparatively low issue prices—or whether steps should be taken to check it by tougher subscription terms, such as the insistence on full payment upon subscription, the collection of subscription dues, etc. The time seems also to have come to re-examine the obligations of listed companies towards their shareholders and to fix penalties for transgressors. For example, it appears imperative to enjoin companies to report at regular intervals, promptly, fully and accurately about their financial and business situation. The information thus obtained is an essential aid to investors.

#### 4. LEGISLATION

At the beginning of 1961, the Knesset laid the legal basis for the creation of Unit Trusts.<sup>2</sup> Elsewhere, such trusts have greatly stimulated stock exchange investment in the last decade. Their characteristic is the reduction of risk owing to the spreading of investments, a procedure which many investors cannot otherwise follow, because of their limited resources.

Additional tax concessions were granted in 1960 to foreign investors on income from Israel securities. New concessions were also introduced with regard to the conversion into foreign currency of the proceeds from the sale of Israel securities by foreign residents. Provident funds have been permitted to invest a certain proportion of their assets in shares approved for this purpose.<sup>3</sup> However, approval was granted only in a single case in 1960.

<sup>1</sup> Income tax concessions on dividends are granted and confirmed by the New Issues Committee. As regards interest income from debentures, tax concessions may be granted by the Minister of Finance with the consent of the Knesset Finance Committee.

<sup>2</sup> Mutual Funds in the American vocabulary.

<sup>3</sup> See Chapter XIX—"The Financial Activities of Provident Funds and Insurance Companies".

## 5. FIXED-INTEREST SECURITIES

### (a) *Reduced demand for linked bonds*

Loan capital traded on the Israel stock market consists mainly of value-linked bonds. Special circumstances caused a considerable expansion of private as well as institutional demand for such bonds in 1959, and the amount of new issues of this type of securities reached record dimensions that year. The main reasons were: (a) the strong and wide-spread expectation at the time of an early currency devaluation; and (b) substantial buying by superannuation and pension funds to adapt their assets structure to the newly-enacted regulations.

In 1960, in the absence of the afore-mentioned special conditions, bond issues of all types totalled only IL. 79 million, as against IL. 137 million in 1959; the issue amount of linked bonds alone declined, from IL. 122 million in 1959 to IL. 57 million in 1960.

The smaller volume of new issues must be ascribed, first and foremost, to reduced private buying of linked bonds. The anticipation of an imminent currency depreciation faded away; this reduced the attraction of dollar-linked bonds. The general price level, moreover, remained relatively stable throughout the year, and caused a decline also in the demand for bonds linked to the cost-of-living index. In 1960, therefore, some bond holders and investors, who otherwise might have considered the purchase of linked bonds, tended to switch into, or preferred to buy, shares.

TABLE XXI-5

*Indices of Linked Bond Prices, 1960*

	(January 1960 = 100)	<i>Adjusted par value<sup>a</sup></i> = 100	
	<i>All linked bonds</i>	<i>Dollar-linked</i>	<i>Linked to the cost-of-living index</i>
January	100.0	101.3	94.7
February	98.8	99.6	94.7
March	97.5	98.7	93.8
April	98.4	100.2	93.3
May	98.2	99.7	94.5
June	98.1	99.5	92.5
July	97.1	98.7	95.1
August	96.5	97.5	94.1
September	97.1	97.9	94.5
October	96.6	97.2	92.2
November	96.0	96.4	92.6
December	98.5	98.8	94.7
1960 Average	97.9	99.0	93.9

SOURCE: Central Bureau of Statistics.

<sup>a</sup> *Adjusted par value*: Face value *plus* accumulated interest *plus* increment due to "linking" terms.

Provident funds, the group which had taken up approximately half the linked bonds issued in the years 1957–59, took up nearly four-fifths of new bond issues in 1960, with the purchase of bonds to the tune of IL. 45 million. In accordance with existing regulations, these institutions must invest most of their assets either in linked bonds or in “special” deposits.<sup>1</sup>

Most of the provident funds’ new purchases were made during the second half of 1960, whereas in the first half of the year they mainly increased their “special” deposits. The balance of such deposits rose by more than IL. 50 million over the year, i.e. by approximately half the additional resources of these institutions. According to regulations, the banks and other intermediaries receiving these deposits should have invested half the amount in securities, but in practice the investments held against “special” deposits increased only by about IL. 4 million, and the balance was mainly used to extend credit. Towards the end of the year, new regulations abolished the provident funds’ privilege of making “special” deposits, requiring them to invest 75 per cent of their assets in so-called approved securities. Judging by the rate of increase of the funds’ assets in the last few years, it may therefore be expected that linked bonds will again be issued in larger quantities in 1961.

The prices of linked bonds showed a downward trend and were mostly below par (see Table XXI-5). At the beginning of the year, there was a considerable amount of dollar-linked Savings Bonds (“Zmudey-Dollar”) on offer. Many investors, and among them provident funds, sold their holdings of these securities, which had been created in 1959 by the conversion of old (non-transferable) bonds into new ones (made out to bearer). In 1960, there was a tendency among many private bondholders to sell in order to buy ordinary shares. Nevertheless, there were periods of heavy buying of linked bonds also in 1960, particularly dollar-linked bonds, the prices of which tended to advance whenever some development or Government ruling gave rise to devaluation rumours.

In 1960, as before, provident funds were permitted to increase their security portfolios only through the purchase of new securities—not through the Stock Exchange but only from issuing bodies or underwriters. On the other hand, they were entitled to *sell* on the Stock Exchange (for instance, in order to switch into assets other than securities). On the Stock Exchange, as opposed to the new issue market, the funds were therefore a source of supply rather than of demand, and increased the pressure on bond prices.

## (b) *The new issues*

### 1. *Government loans*

Domestic sales of Government securities in 1960 totalled IL. 42.1 million,<sup>2</sup> as compared with IL. 38.1 million in the previous year. The net increase in the

<sup>1</sup> See Chapter XIX—“The Financial Activities of Provident Funds and Insurance Companies.”

<sup>2</sup> Including Savings Bonds, but excluding the Short-Term Loan.



outstanding balance of the Government's internal loans was IL. 7.6 million, as against IL. 13.2 million in 1959. The Government's percentage share of the new issue market diminished throughout 1959 and 1960 as compared with previous years. Moreover, in 1960, the Government did not guarantee debentures issued by other bodies, as had been its practice in the past.

To all practical intents, the distinction between Government and other bond issues on the Israel market is an artificial one. Not only do non-government securities include issues of the National Institutions and other semi-official bodies, but there is a considerable degree of interchangeability between the financing of specific projects from Government budgets (possibly financed in turn by the sale of Government bonds to the public) and between the ultimate borrowers making security issues of their own. However, the gradually decreasing share of the Government in the new issue market is mentioned here because it reflects a declared policy of the authorities, namely to withhold Government lending until the possibilities of direct resort to the capital market have been exhausted.

In 1960, as in previous years, Government issues included savings bonds of the Immigrant Housing Loan.<sup>1</sup> Bonds of this type to the nominal value of IL. 21.3 million were issued in 1960, as compared with IL. 14.8 million in 1959. The balance of unredeemed savings bonds increased by IL. 4.1 million. Almost the entire amount of savings bonds issued in 1960 was allotted to recipients of personal restitution payments or similar transfers from abroad, as

TABLE XXI-6  
*Personal Restitution Payments and their Conversion  
into Israel Currency, 1959 and 1960*  
(millions of IL.)

<i>Year</i>	<i>Premium (20% of amount converted)</i>	<i>Total amount converted</i>	<i>Resources available to persons receiving restitution payments<sup>a</sup></i>	<i>Conversion as a percentage of resources <math>\frac{(2)}{(3)} \times 100</math></i>
	(1)	(2)	(3)	(4)
1959	13.9	69.6	158.5	43.9
1960	19.7	98.7	255.0	38.7

<sup>a</sup> Including total "PAZAK" and "TAMAM" deposits at the beginning of the year and all personal restitution payments received during the year. Excluding remittances received during 1960 from sources other than restitution.

<sup>1</sup> Bearer bonds carrying cumulative interest at rates increasing with the length of time for which they have been held. Redemption is after five years, but holders may cash them as from the seventh month after issue.

a premium on the sale of foreign currency to the Treasury. A similar procedure had been followed in previous years. However, a smaller percentage of the resources at the disposal of transfer recipients as such was converted in 1960 than in 1959 (see Table XXI-6).

In July 1960, the Government began to issue a new type of security, known as Short-Term Loan. Series of 91 and 182 days to maturity have been issued from time to time. The nominal interest is 6 per cent per annum. Income tax at a flat rate of 25 per cent is deducted at source. The issue price has been below par, producing a net income of 7 per cent per annum in the case of the 91-days series and of 8.5 per cent per annum in the case of the 182-days series. Between the middle of July and the end of December 1960, 15 series were issued, amounting to IL. 13.6 million. Of these, IL. 11 million worth were issued for 182 days and the remainder for 91 days. The outstanding balance of the "Short-Term Loan" at the end of the year under review was IL. 12 million, of which approximately half was held by financial institutions. Owing to the nature of this loan, it is not included in the aggregate figures in this chapter, which refer to long-term capital movements.

The flotation of the Short-Term Loan is a step towards the creation of an organized money market.

TABLE XXI-7

*Bond Issues, by Issuing Bodies, 1960*  
(thousands of IL.)

	<i>Nominal value</i>	
<i>Government</i>		
Immigrant Housing Loan 1957		
6% Registered bonds	1,304	
4½% Bearer bonds	25	
Savings bonds, bearer*	21,277	
Premium bonds, bearer	254	
Development Loan 1960	19,134	
Popular Loans*	151	42,145
<i>National Institutions</i>		5,750
<i>Government corporations</i>		15,099
<i>Financial institutions</i>		15,523
<i>Other</i>		250
<i>Total</i>		78,767

NOTE: All bonds are value-linked, except those marked by an asterisk (\*).

## 2. Non-government bonds

Non-government bonds issued in 1960 amounted to IL. 36.6 million (see Table XXI-7). All of these were value-linked, most of them half each to the dollar and the cost-of-living index.

## 6. THE EQUITY MARKET

### (a) *The continuation of the boom*

A prolonged depression in the share market had come to an end before 1960. The basic reasons for the renewed demand for equities in 1959 were the improved earnings of most companies with shares quoted on the Stock Exchange, the bright business outlook at the time, and official encouragement of the equity market through tax concessions on the dividend from new shares. The direct cause of the rise of share prices in the early stages of the boom was the growing realization that most shares were cheap according to generally accepted yardsticks, such as dividend rates,<sup>1</sup> break-up values and the growth potential of the companies concerned. The ensuing boom and the spectacular gains attending it stimulated speculative buying, which accelerated the upward trend of share prices.

Growing demand, an expanding volume of transactions (see Diagram XXI-1) and steeply rising prices continued to mark the share market in 1960; share prices now caught up with the steep rise in the general price level that occurred in the nineteen-fifties (see Table XXI-8).

TABLE XXI-8

*Indices of Consumer Prices and Ordinary Share Prices,  
1958 to 1960*

	<i>Consumer prices</i>	<i>Ordinary shares</i>
1950 average	100	100
End of 1958	322	147
End of 1959	331	272
End of 1960	340	549

SOURCE: Based on data from the Central Bureau of Statistics.

In view of the increased demand for shares, the issue of new equities was resumed in 1960. While ordinary and preference shares had virtually disappeared from the new issue market in the years 1956 to 1959, the par value of new share issues in 1960 reached IL. 21 million—roughly the equivalent of the

<sup>1</sup> In 1959, there was an increase in the number of dividend paying companies and in the average size of dividends paid.

total par value of shares listed on the Stock Exchange at the beginning of the year. The stock market in 1960 ceased to be a bond market first and foremost. Some 15 companies resorted to it to raise risk capital. The ownership of some companies thereby became much more broadly based than in the past.

TABLE XXI-9  
*Index of Ordinary Share Prices, 1959 and 1960*

	1959		1960	
	1950 average = 100	1959 average = 100	1950 average = 100	1960 average = 100
January	152	75	277	68
February	156	77	287	70
March	152	75	312	76
April	157	77	343	84
May	183	90	368	90
June	184	91	408	100
July	195	96	411	100
August	260	128	475	116
September	251	124	504	123
October	262	129	574	140
November	255	126	518	126
December	272	134	549	134

SOURCE: Based on Central Bureau of Statistics data.

Some of the forces which intensified the boom in equities were new: the growing demand for shares in 1960 was accompanied by a slackening of the demand for linked bonds among private investors. Much of the redemption proceeds of linked bonds, such as Tavei Dollar, were used to finance the purchase of shares instead of being reinvested in bonds. This flow of funds from the fixed interest securities to the share market was entirely new.

Most of the new shares issued in 1960 were purchased by private investors. The number of institutional buyers of equities is small in Israel, and the additional funds available to them in 1960 were largely raised from private sources. There are no statistics of shareholders in this country, but their number must have increased substantially in 1960.

One of the by-products of this development was the improvement and increased number of information media at the disposal of investors (wireless, newspapers, circular letters, etc.).

(b) *New issues*

The total value of shares issued in 1960 was approximately IL. 21 million at par, and about IL. 26 million<sup>1</sup> at issue prices.

Of this amount, industrial shares (at issue prices) accounted for slightly more than half; banks and financial institutions for about one third; and the remainder were shares of commercial and land development companies (see Table XXI-10).

TABLE XXI-10  
*New Shares, at Issuing Prices, by Branch and Type, 1960*  
(thousands of IL.)

<i>Type of issue</i>	<i>Industrial</i>	<i>Financial</i>	<i>Commercial</i>	<i>Real estate</i>	<i>Total</i>	<i>Number of issuing bodies</i>
1. Public issues	4,385	1,552	—	—	5,937	7
2. Rights issues	4,600	5,377	977	2,341	13,295	8
3. Direct issues	1,571	300	—	673	2,544	(4) <sup>a</sup>
4. Government sales	4,254	—	—	—	4,254	2
5. Total	14,810	7,229	977	3,014	26,030	
6. Number of issuing bodies	8	6	1	2		17

<sup>a</sup> Four companies made direct issues as well as rights issues.

Most of the new equity issues were by companies the shares of which had already been listed on the Tel Aviv Stock Exchange: eight companies increased their capital through rights issues totalling IL. 13 million (at issue prices). Four of these simultaneously sold blocks of new shares to employees and private investors. These direct sales amounted to about IL. 2.5 million.

Seven companies issued shares publicly for the first time in 1960. Four of these public issues, totalling IL. 4.5 million, consisted of preference shares or preferred ordinary shares,<sup>2</sup> and three of them, totalling IL. 1.4 million, were issues of ordinary shares.

The remaining securities listed in Table XXI-10 did not represent new capital issues but sales by the Government out of its own holdings. Sales of this kind included Palestine Electric Corporation Ltd. ordinary stock and Fertilizers and

<sup>1</sup> Excluding shares created as a result of the conversion of bonds, and shares floated without prospectus. Altogether, shares to the total par value of IL. 41 million were added to the Stock Exchange list in 1960 (see Tables XXI-2 and XXI-3).

<sup>2</sup> A typical share of this type is the 8 per cent cumulative preferred ordinary share liable to income tax at a maximum rate of 25 per cent.

Chemicals Ltd. ordinary shares. The proceeds amounted to IL. 4.5 million.<sup>1</sup> Palestine Electric Corporation Ltd. ordinary stock to the amount of IL. 2.7 million (at the selling price) was disposed by way of a public offer at a fixed price; and the remaining securities were sold on the Stock Exchange at market prices.

Only a small portion—less than a quarter—of the new share capital was issued by companies not previously listed on the Stock Exchange. This reflects the slow pace at which the habit of raising share capital on the stock market is taking root among unquoted companies. In some instances this was only a matter of technical delay in the year under review, caused by the extent of preliminary work, such as the necessity of revaluing the assets of the would-be issuing company. In other cases, companies deliberately refrained from increasing their share capital by means of public issues, because share issues of this kind often cause radical changes in the character of the issuing companies (e.g. the conversion of private into public companies). Owners of small companies in search of capital are often unwilling to grant voting rights to outside investors, to the extent of renouncing the idea of capital increases altogether. Moreover a good many companies in need of long-term finance do not possess the goodwill necessary to raise funds from a large investing public. And finally, the stock market constitutes only one—and not necessarily the richest—source of capital. Nevertheless, the scope of the new share issues of 1960 marked a turning point in the development of the Israel stock market.

## 7. FOREIGN SECURITIES

In 1960, foreign security holdings by Israel residents increased from IL. 10.2 million to IL. 22.3 million. Purchases were financed from "TAMAM" deposits. Some of these securities were issued by foreign affiliates of Israel bodies, the proceeds being invested in Israel. A number of securities of this description are listed on the Tel Aviv Stock Exchange and dealt in at the official rate of exchange plus an agio fluctuating according to the state of demand and supply.

<sup>1</sup> This amount has been included in Table XXI-10 and in other aggregate figures cited in this chapter because, like new issues in the strict sense of the word, it is part of private and institutional stock exchange investment in 1960.