BANK OF ISRAEL
Office of the Spokesperson and Economic Information

August 2, 2026

Press Release:

Israel's foreign currency market in the second quarter of 2026

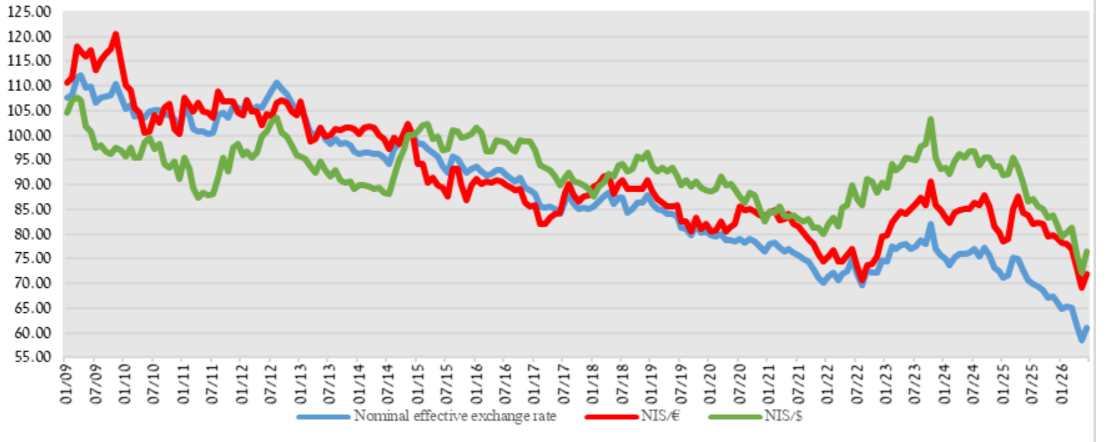
1. Exchange Rate Development

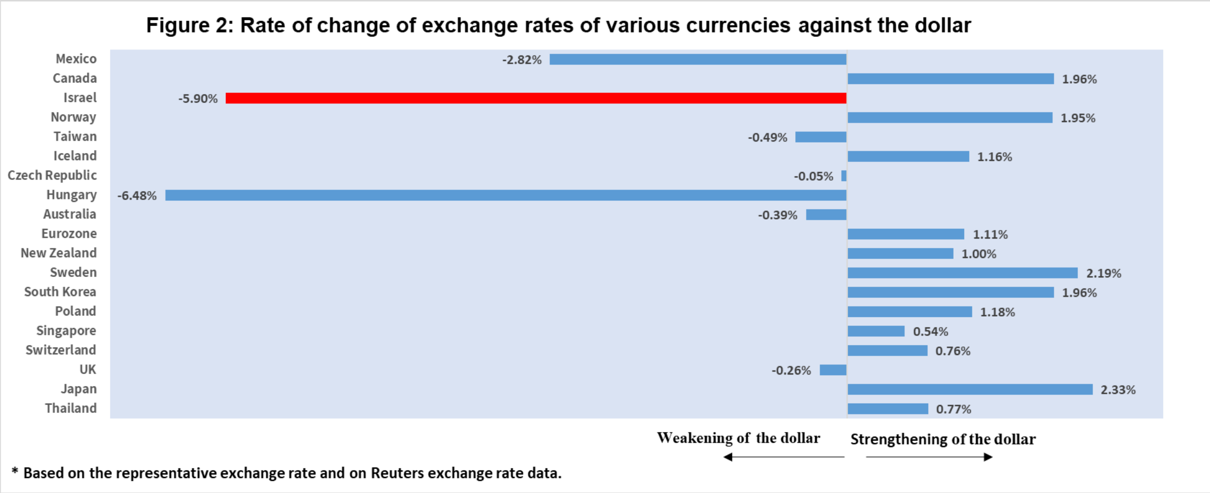
A strengthening of the shekel alongside a strengthening of the dollar worldwide.

In the second quarter of 2026, the shekel strengthened by approximately 5.9 percent against the US dollar and by about 6.6 percent against the euro. In addition, the shekel strengthened by about 6.1 percent against the currencies of Israel's main trading partners, in terms of the nominal effective exchange rate (i.e., the trade-weighted average shekel exchange rate against those currencies).

During the second quarter, the US dollar strengthened against most of the major currencies (Figure 2), including by about 2.3 percent against the Japanese yen and about by 2 percent against the Canadian dollar

Figure 1: Index of NIS/$ exchange rate, and the nominal effective exchange rate*





2. Exchange Rate Volatility

Increase in actual volatility alongside an increase in implied volatility

The average actual standard deviation of changes in the shekel/dollar exchange rate, which represents its **actual** volatility, increased by 2.3 percentage points during the quarter, to an average level of 10.7 percent.

The average implied volatility in over-the-counter shekel/dollar options—those traded outside the stock exchange—which is an indication of **expected** exchange rate volatility, increased by 0.2 percentage points, to an average level of about 9.9 percent at the end of the quarter. This is alongside the average level of implied volatility in foreign exchange options in emerging markets, which increased by 0.4 percentage point compared to the previous quarter, to 10.0 percent at the end of the quarter. In contrast, there was a decline of 0.7 percentage points in the average level of implied volatility in advanced economies, to 7 percent at the end of the quarter (Figure 4).

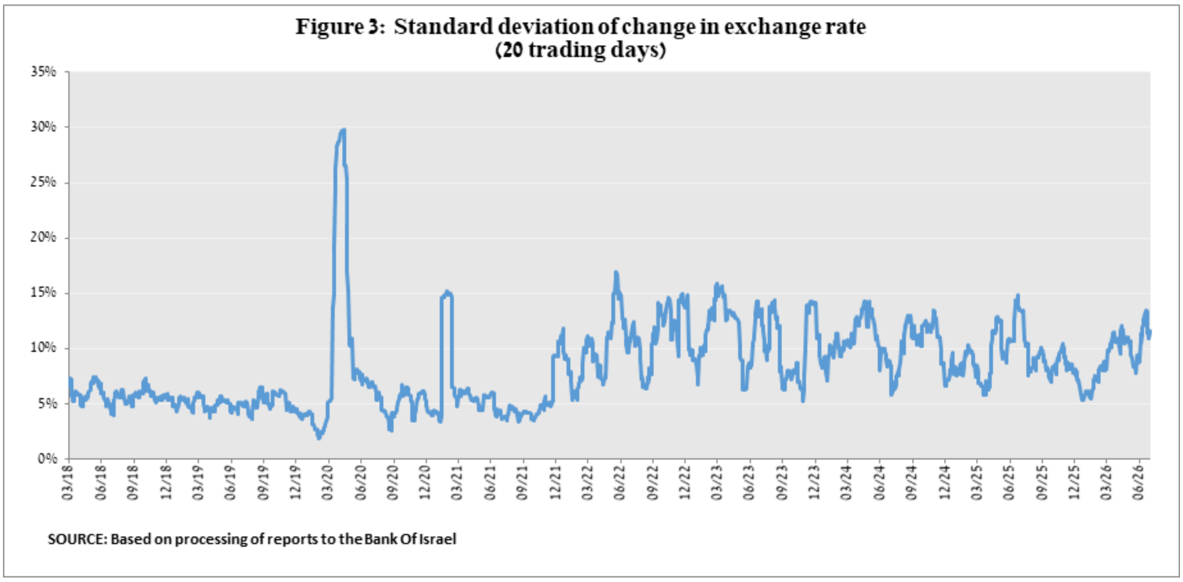
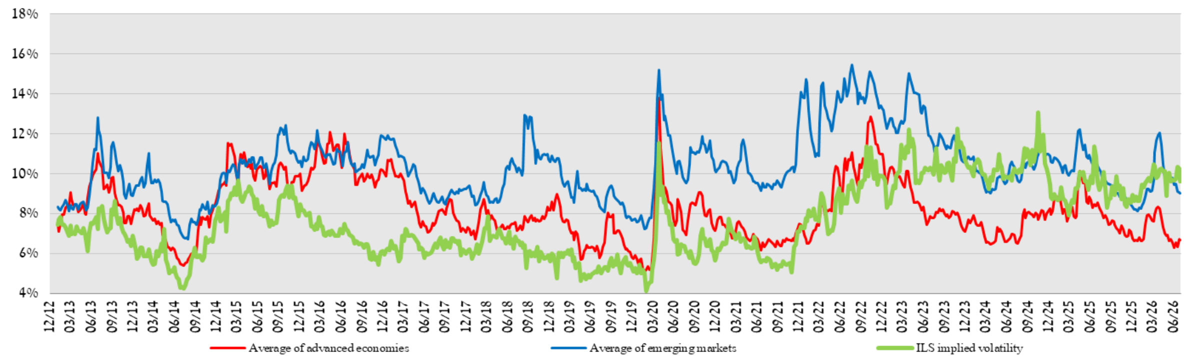


Figure 4: International comparison of implied volatility of shekel/dollar options



Emerging markets: Chile, Hungary, Mexico, the Philippines, Poland, Singapore, South Africa, South Korea, Thailand and Turkey.
Advanced economies: Australia, Canada, the eurozone, Japan, UK, Switzerland.
Source: Israel - Based on processing of reports to the Bank Of Israel. rest of the countries - Based on processing of bloomberg data

3. The Activity of the Main Segments in the Foreign Exchange Market[1,2]

An estimate of activity by the main segments in the foreign exchange market indicates a change in the composition of activity in the second quarter. During the quarter, there were significant net foreign exchange purchases by the business sector, while nonresidents transitioned from net foreign exchange purchases to net sales. Institutional investors increased their net foreign exchange sales, while the activity of the financial sector remained relatively moderate.

The institutional investors—pension funds, provident funds, and insurance companies—increased their net foreign exchange sales to about $18.3 billion during the quarter, compared with sales of about $5.8 billion in the previous quarter.
The business sector moved to net foreign exchange purchases, totaling about $12.2 billion in the second quarter, compared to sales of about $1.8 billion in the previous quarter.
Nonresidents moved to net foreign exchange sales of about $6.4 billion, compared with net purchases of about $6.5 billion in the previous quarter.
The financial sector (mainly the banks) increased its net foreign exchange sales to about $1.2 billion in the second quarter, compared with net sales of about $0.1 billion in the previous quarter.
The Bank of Israel made net foreign exchange purchases of about $1.8 billion during the second quarter.

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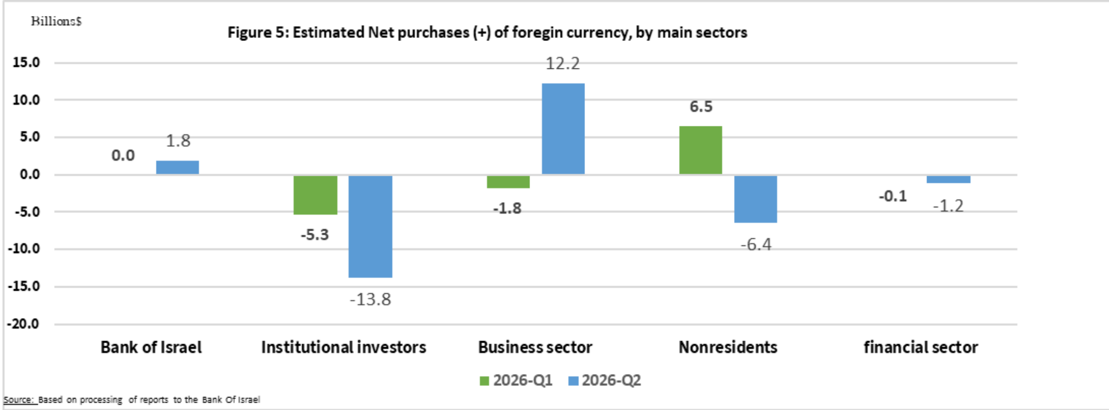
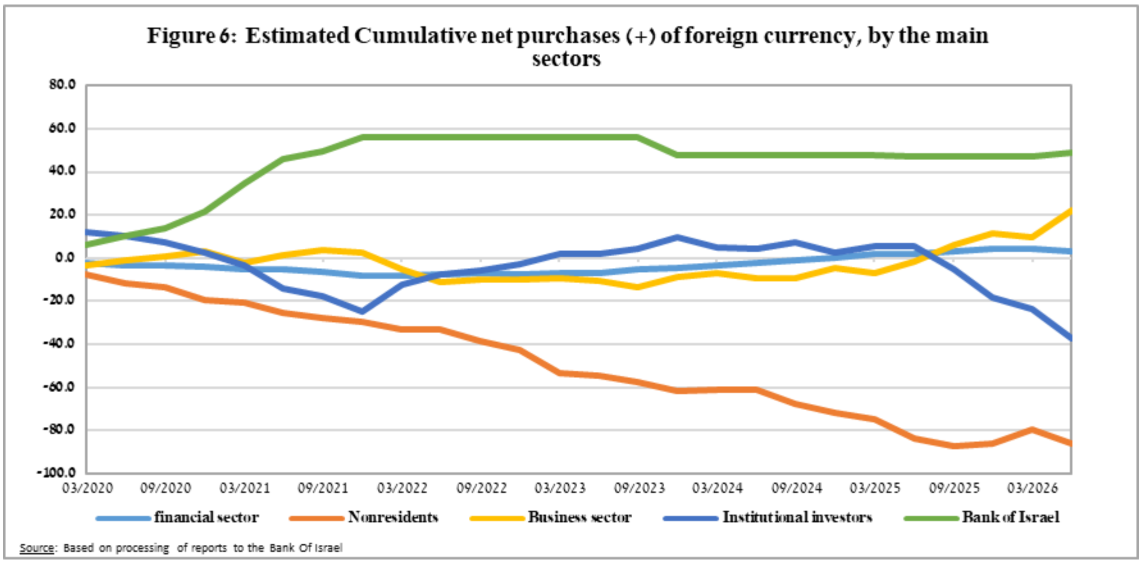
1 For additional information on the segments' activity in the foreign exchange market, see "Statistical Bulletin" 2024—Chapter D.
https://www.boi.org.il/en/communication-and-publications/regular-publications/statistical-publications/statistical-bulletin-2024/

2 The main segments presented do not make up the entire market. For additional information, see the section on "The Database of Foreign Exchange Market Activity" in the Bank of Israel's "Statistical Bulletin" for 2024.
https://www.boi.org.il/en/communication-and-publications/regular-publications/statistical-publications/statistical-bulletin-2024/





4. Trading Volume in the Foreign Currency Market—Tables and Figures

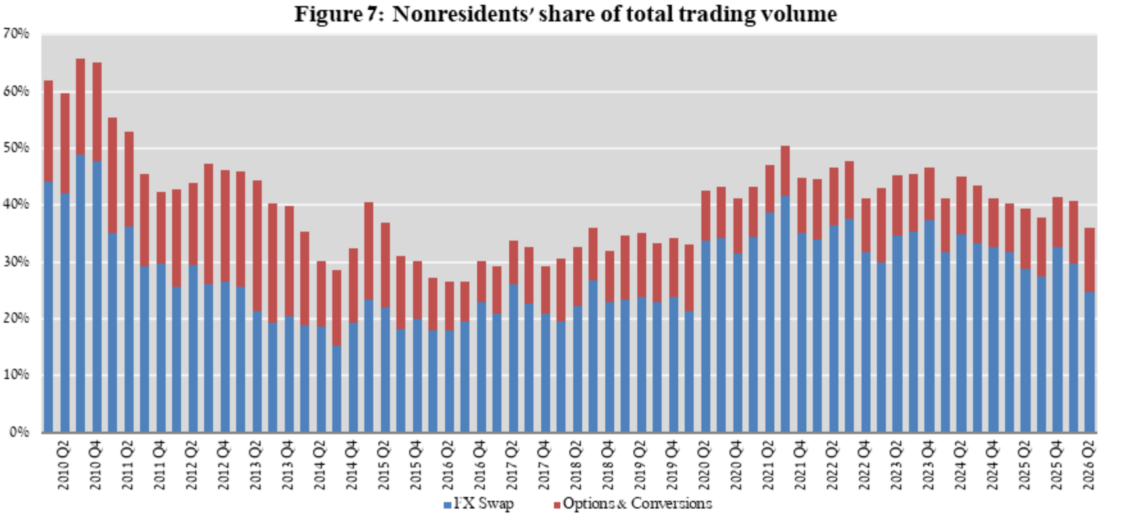
Trading volume vis-à-vis the domestic banking system[3]

The average daily trading volume increased by about 8.9 percent during the second quarter, to $17.6 billion, with most of the increase coming from swap transactions and spot and forward transactions.

Nonresidents' share of total trading volume vis-à-vis the domestic banking system (spot and forward transactions, options, and swaps) declined by about 4.5 percentage points to about 36.2 percent at the end of the second quarter.

[3] From the beginning of 2020, the data do not include branches of foreign banks in Israel.

Figure 7: Nonresidents' share of total trading volume



Source: Based on processing of reports to the Bank Of Israel

Forex transactions with domestic banks, by instruments and derivatives ($ million)

		Conversions (1)	Swaps[1] (2)	Cross Currency swap[2] (3)	Options[3] (4)	Total volume of trade (1)+(2)+(3)+(4)
Second quarter 2026 (Not final)	**Total**	**281,131**	**685,735**	**1,857**	**35,844**	**1,004,566**
	Daily average (57 days)	**4,932**	**12,030**	**33**	**629**	**17,624**
	Nonresidents	105,279	248,274	1,008	8,957	363,518
	of which **Foreign financial institutions**	104,406	248,274	1,008	8,846	362,534
	Residents	175,851	437,461	849	26,887	641,048
	of which **Real sector**	59,654	69,787	479	15,165	145,086
	Financial sector	48,647	176,081	59	1,807	226,594
	Institutions (incl. insurance companies)	39,109	139,285	0	6,216	184,610
	Individuals	7,904	3,318	0	90	11,312
	Other[4]	873	0	0	111	985
	Domestic banks[5]	11,876	20,747	81	2,959	35,663
First quarter 2026	**Total**	**257,625**	**692,740**	**3,002**	**33,456**	**986,823**
	Daily average (61 days)	**4,223**	**11,356**	**49**	**548**	**16,177**
	Nonresidents	97,993	294,023	1,075	9,110	402,200
	of which **Foreign financial institutions**	97,179	294,023	1,075	9,075	401,352
	Residents	159,632	398,718	1,927	24,346	584,623
	of which **Real sector**	53,182	56,154	324	13,981	123,640
	Financial sector	46,022	160,996	212	655	207,886
	Institutions (incl. insurance companies)	32,852	141,964	0	6,295	181,111
	Individuals	6,827	2,321	0	151	9,298
	Other[4]	814	0	0	35	849
	Domestic banks[5]	12,035	20,475	305	2,482	35,297

[1] Only one leg of the swap, i.e., the nominal value of the transaction (in accordance with the BIS definition)
[2] The exchanged founds through Cross Currency Swap transactions considered for the volume, as one leg only in cases where the two legs offset each other.
[3] The national value, that includes purchases and sales of put and call options.
[4] Including other entities such as portfolio managers, nonprofit organizations, national institutions, and those not included elsewhere.
[5] Total interbank trade, divided by 2

Estimated total trading volume[4]—domestic banking system and foreign reporting entities

The estimated total activity in transactions against the shekel, as reflected in reports from the domestic banking system and foreign reporting entities, indicates that nonresidents' share of trading volume in spot and forward transactions (excluding swaps and options) was about 87 percent in the second quarter.
Trade between nonresidents constituted about 77 percent of the volume, which had a daily average of about $23.4 billion.

		Relative share of total trading volume				
		Trade between nonresidents	Trade between a nonresident and a resident[1]	Trade between the domestic banking system and residents	Total volume ($ million)	Daily average ($ million)
Q2-2026 Tentative) (figure	volume Trading in spot and forward transactions	77.4%	9.7%	12.9%	1,336,842	23,453
	Trading volume in swap and options transactions	54.6%	18.2%	27.2%	1,698,363	29,796
Q1-2026	volume Trading in spot and forward transactions	78.6%	9.4%	12.0%	1,295,597	21,239
	Trading volume in swap and options transactions	55.9%	20.2%	23.9%	1,774,935	29,097

[1] Trade between a nonresident and a resident includes: (a) reports by foreign reporting entities regarding transactions with residents; and (b) reports by domestic banks regarding transactions with nonresidents.

[4] Total trading volume is an estimate of total activity in transactions against the shekel, based on reports by the domestic banking system and by foreign reporting entities.