



BANK OF ISRAEL
Office of the Spokesperson and Economic Information

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Press Release:

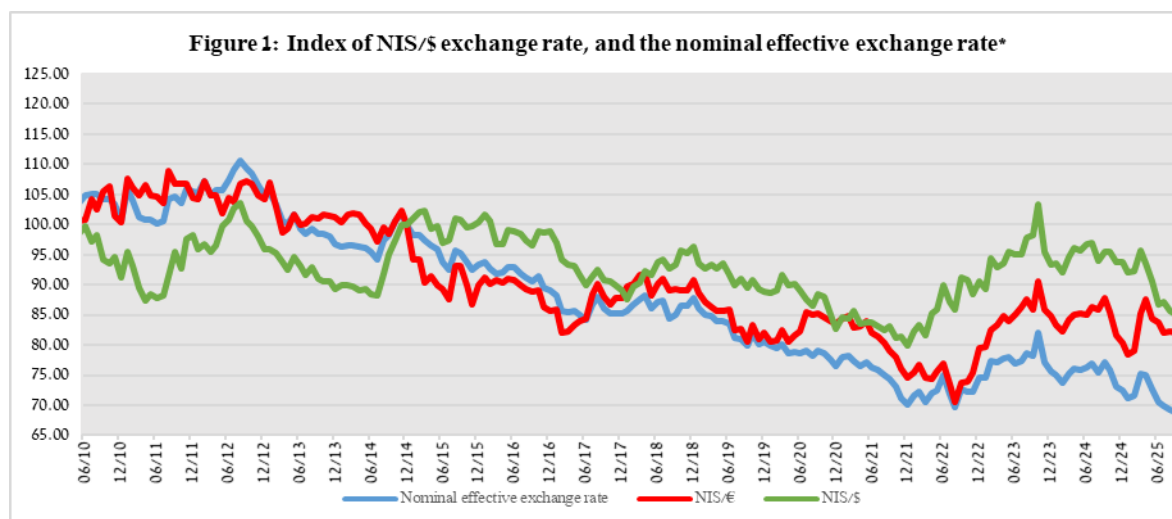
Israel's foreign currency market in the third quarter of 2025

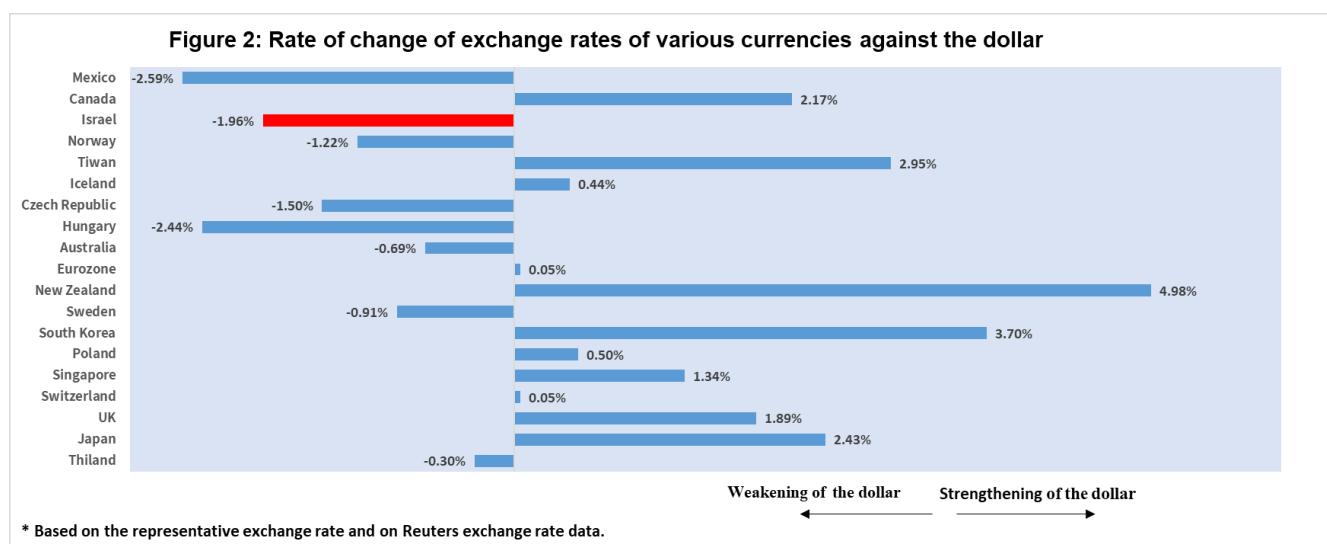
1. Exchange Rate Development

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

In the third quarter of 2025, the shekel strengthened by approximately 2.0 percent vis-à-vis the US dollar and by 1.9 percent vis-à-vis the euro, in view of the ceasefire in Gaza, which contributed to a decline in Israel's risk premium. In addition, the shekel strengthened by 2.6 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).

Worldwide, the trend of the US dollar was mixed against most of the world's major currencies (Figure 2). Among other things, the dollar strengthened during the course of the third quarter by about 2.2 percent against the Canadian dollar, and by about 1.9 percent against the British pound, but weakened by about 3.7 percent against the South Korean Won and by about 5.0 percent against the New Zealand dollar.





2. Exchange Rate Volatility

Decline in actual volatility alongside a decline in implied volatility

The average standard deviation of changes in the shekel/dollar exchange rate, which represents its **actual** volatility, declined by 1.7 percentage points during the quarter, to an average level of 9.4 percent.

The average implied volatility in over-the-counter shekel/dollar options which is an indication of **expected** exchange rate volatility, declined by 0.5 percentage points during the quarter, to an average level of about 9.3 percent at the end of the quarter.

This is alongside the average level of implied volatility in foreign exchange options in emerging markets, which declined by 1.5 percentage points compared to the previous quarter, to 9.6 percent at the end of the quarter. There was a similar decline in advanced economies, to 7.8 percent at the end of the quarter (Figure 4).

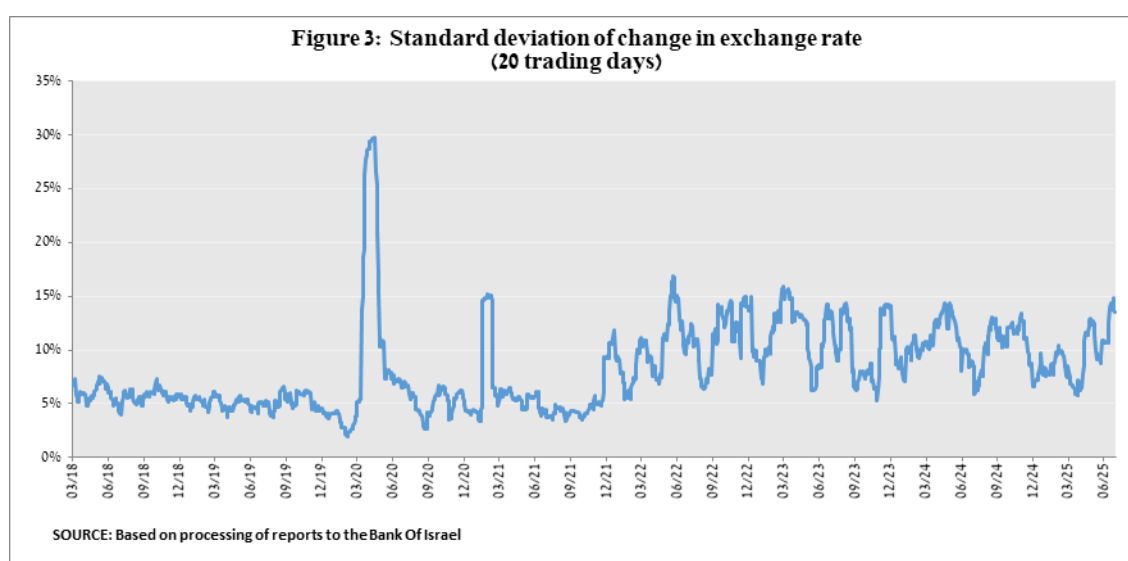
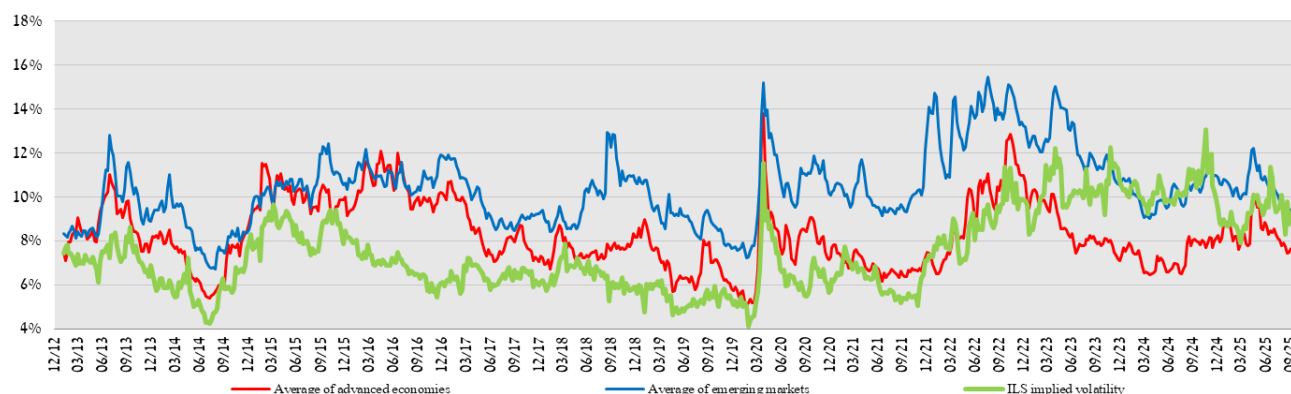


Figure 4: International comparison of implied volatility of shekel/dollar options



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 heterogeneous activity. In the third quarter, there were net foreign exchange sales by nonresidents and institutional investors, which supported the strengthening of the shekel, and foreign exchange purchases by the business sector. Institutional investors—pension funds, provident funds, and insurance companies—made a change in their activities. After moderate purchases in the previous quarter, totaling about \$0.1 billion, they made net sales of foreign exchange totaling about \$9.2 billion in the third quarter. Nonresidents continued to sell foreign exchange, but at a lower volume: about \$4.9 billion in the third quarter, compared to about \$8.9 billion in the second quarter. The business sector was prominent on the purchasing side, with a significant increase to about \$7.5 billion, mainly due to an increase in net purchases by import firms and more moderate sales by export firms than in the previous quarter.

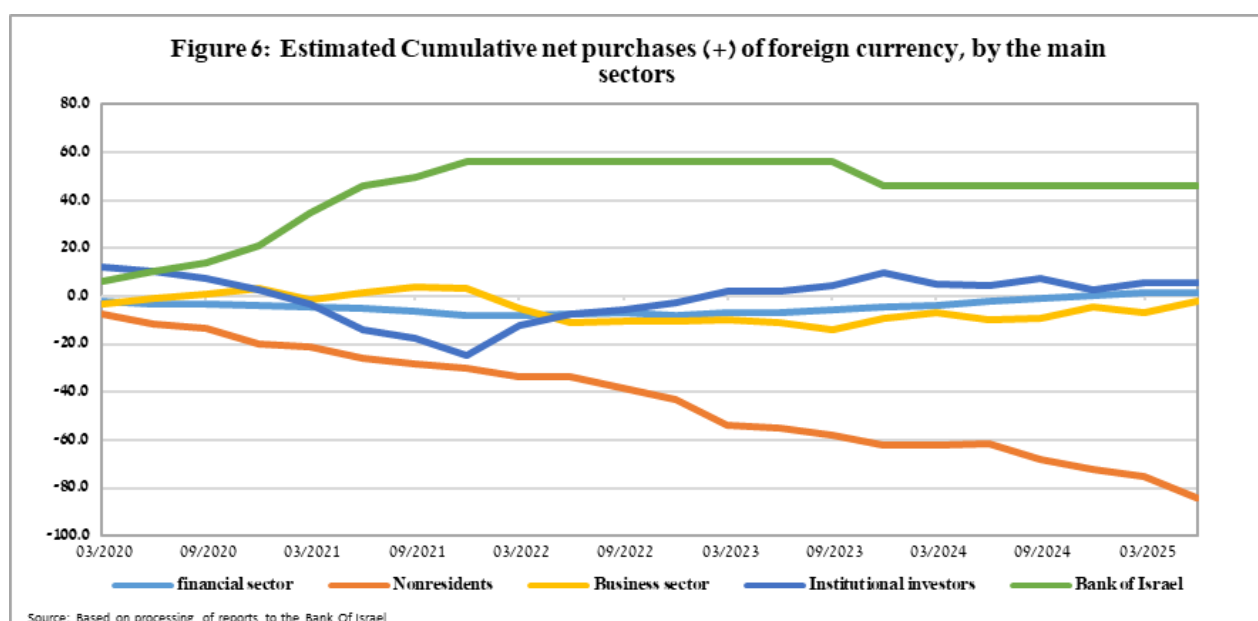
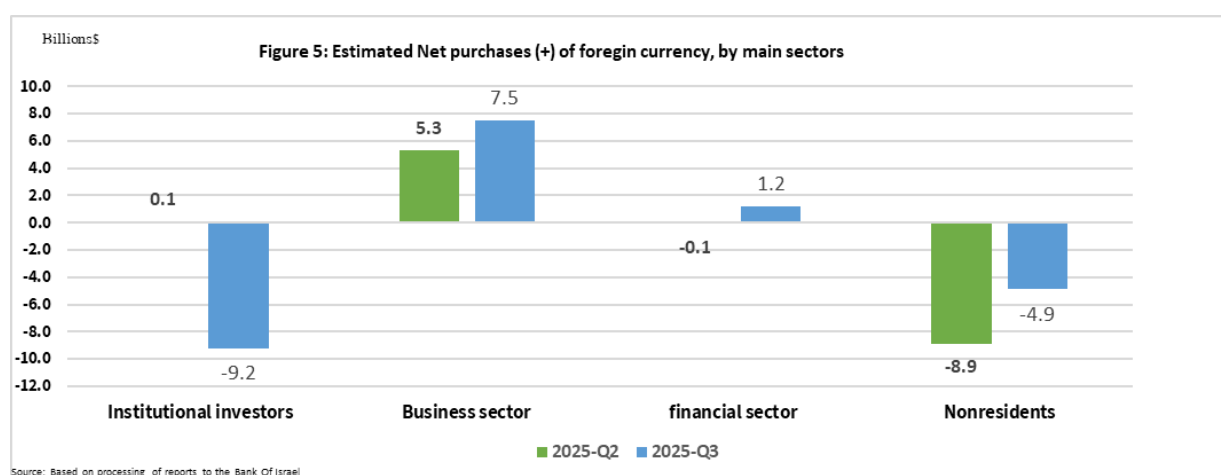
Finally, the financial sector (mainly the banks) moved from moderate sales in the second quarter to purchases totaling about \$1.2 billion in the third quarter.

¹ For additional information on the segments' activity in the foreign exchange market, see "Statistical Bulletin 2024—Chapter D".

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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

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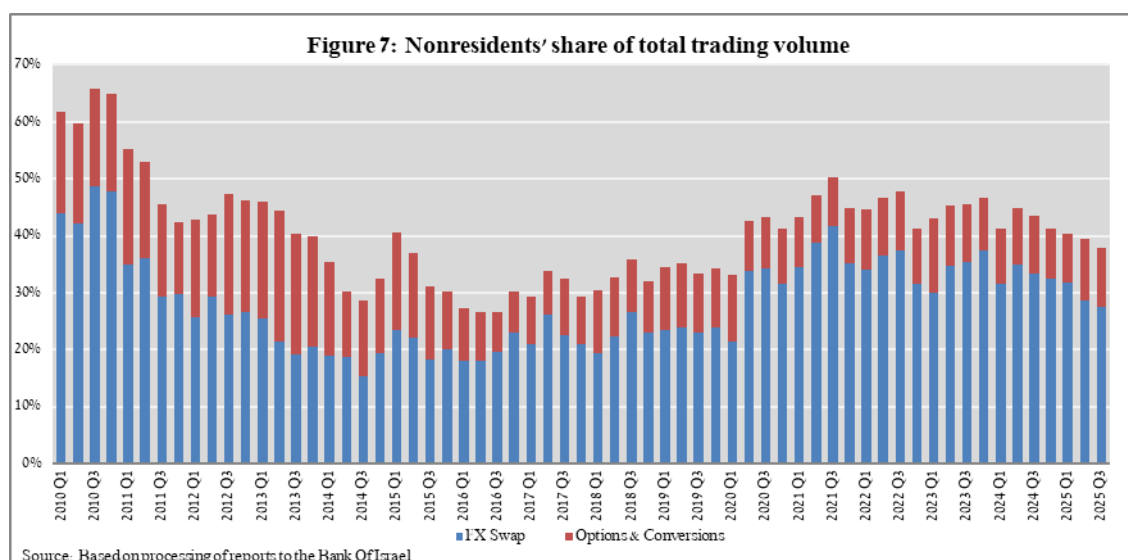
4. Trading Volume in the Foreign Currency Market—Tables and Figures

Trading volume vis-à-vis the domestic banking system³

The average daily trading volume declined by about 13 percent during the quarter to \$12.3 billion, with most of the decline coming from swap transactions.

Nonresidents' share of total trading volume vis-à-vis the domestic banking system (spot and forward transactions, options, and swaps) declined by about 1.3 percentage points to about 38 percent at the end of the third quarter.

³ From the beginning of 2020, the data do not include branches of foreign banks in 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) (5)
Third quarter 2025 (Not final)	Total	208,484	537,265	2,989	23,869	772,608
	Daily average (63 days)	3,309	8,528	47	379	12,264
	Nonresidents	70,117	212,365	2,165	9,636	294,282
	of which Foreign financial institutions	69,174	212,365	2,165	9,601	293,304
	Residents	138,368	324,901	825	14,233	478,326
	of which Real sector	43,597	29,418	300	6,520	79,835
	Financial sector	32,182	136,158	23	337	168,700
	Institutions (incl. insurance companies)	33,764	116,365	300	4,044	154,473
	Individuals	6,398	340	0	54	6,793
	Other⁴	943	0	0	35	978
Second quarter 2025	Total	224,714	591,790	2,407	41,108	860,019
	Daily average (61 days)	3,684	9,701	39	674	14,099
	Nonresidents	76,906	246,736	857	14,677	339,175
	of which Foreign financial institutions	76,209	246,735	857	14,677	338,478
	Residents	147,808	345,054	1,550	26,432	520,844
	of which Real sector	47,592	26,939	410	8,553	83,494
	Financial sector	42,515	139,701	575	1,149	183,940
	Institutions (incl. insurance companies)	29,109	134,097	160	8,951	172,317
	Individuals	5,696	202	0	122	6,021
	Other⁴	698	0	0	0	698
Domestic banks⁵		8,779	22,259	80	1,071	32,189
		11,182	26,154	26	2,831	40,193

¹ Only one leg of the swap, i.e., the nominal value of the transaction (in accordance with the BIS definition)

² The exchanged funds 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 volume⁴—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' relative share

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.

of trading volume in spot and forward transactions (excluding swaps and options) was about 86 percent in the third quarter.

Trade between nonresidents constituted about 78 percent of the volume, which had a daily average of about \$15.5 billion.

		Relative share of total trading volume			Total volume (\$ million)	Daily average (\$ million)
		Trade between nonresidents	Trade between a nonresident and a resident ¹	Trade between the domestic banking system and residents		
2025-Q3 (Tentative figure)	Trading volume in spot and forward transactions	77.6%	8.5%	13.9%	947,504	15,040
	Trading volume in swap and options transactions	57.9%	18.1%	24.0%	1,390,122	22,065
2025-Q2	Trading volume in spot and forward transactions	77.0%	9.0%	13.9%	1,015,629	16,650
	Trading volume in swap and options transactions	52.3%	21.5%	26.2%	1,380,591	22,633

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.