

BUSINESS & FINANCE

'There's no stopping Tel Aviv stocks'

• By MATTHEW KRIEGER

As the Tel Aviv Stock Exchange set new all-time highs during the Pessah holiday, capping off a 200 percent gain over the past four years, analysts said they saw little on the horizon to indicate the rally was anywhere near finished.

"We have experienced a huge bull market since the outbreak of the second Gulf War, and if one were to look at emerging markets, of which Israel is a part, we have enjoyed some of the fastest and largest growth over the past four years," said Ami Segal, president of the Forum Group, a financial consulting and business development company.

He said low interest rates have stimulated most of the recent growth, as many investors have taken their money out of shekel accounts and put it into the TASE.

"Investors are left with few other alternatives except for the stock market as it offers significant returns on investments," he noted.

The TA-25 ended trading last Thursday at a record 1,028.81, a rise of some 9.3 percent, just over the past 12 sessions.

As more investors use dollars to purchase shekels, the market will continue to rise and the shekel will maintain its strength, despite the fact that lower interest rates generally tend to weaken currencies, added Saar Golan, a trader at Clal Finance Batucha.

The shekel was fixed Thursday at 4.1239 against the dollar, its highest



TRADERS IN Tel Aviv expect the local stock market to continue its upward trend. (Bloomberg)

level in six years.

Roy Vermus, CEO of Psagot Ofek Investment House Ltd., meanwhile, pointed to globalization, cheap labor and low inflation as contributors to low interest rates, and said he expects this pattern to continue for at least the next couple of years.

As a result, he said investors are being advised to increase the percentage of stock investments in their portfolios.

"What we will see is less and less investment in deposits or *makams* (treasury bills) and a higher percentage of invest-

ment in equities in the local market and abroad," he said at a recent conference.

While Israeli investors are being encouraged to look abroad, the investment of foreign currency in Israel, particularly the dollar, have worked to not only drive the local economy forward, but also to strengthen the shekel and increase the wealth of Israeli banks.

"Americans see Israeli banks as good investments because they want to purchase shekels as the dollar is especially weak right now," said Joel Kirsch, an equity trader at Leader Capital Markets.

"Additionally, shares of Israeli banks are not expensive and they are high yielding, and in the last six months there has been a spike in the confidence of the Israeli market on the part of international investors, leading to more shekels being purchased with dollars," he said.

Even events that typically have shaken up stock markets in the past are unlikely to do so at this point, analysts said.

"After disengagement, many analysts thought that the market would go down, but it remained unchanged, and last summer's Lebanon War totally convinced everyone that the market cannot be affected by local political upheaval, much less by the firing of the finance minister," said Chaim Venezia, a research analyst at Proxima financial consultants, referring to the possibility that current Finance Minister Avraham Hirschon may be forced to leave office amid a criminal investigation. He did add, however, that the fiscal policies of Amir Peretz, should he be named to the position, could hurt the economy in the short-run, but would not leave permanent damage.

Meanwhile, Avi Weinreb, another trader at Clal, said the market already assumes that Peretz will not be able to get the finance portfolio and that, therefore, there has been no reaction forthcoming from traders.

Even if Peretz were to assume the post, he didn't believe it would cause a halt to the current market surge.