FIBI FIRST INTERNATIONAL BANK OF ISRAEL

Capital Markets Research and Advisory Unit *Mar. 30, 2008*

Weekly Survey of Local and Global Capital Markets

Main Recommendations for the Coming Week
Mar. 30, 2008 – Apr. 4, 2008

Local stock market – In our assessment, trading in the coming week is likely to be highly volatile; there may well be a transition to price declines due to signs of a deepening U.S. recession. Accordingly, we reiterate that the risk levels recommended by FIBI's advisory services are appropriate to the current turbulent times as they are relatively conservative. **We recommend maintaining the portfolio composition that matches the risk profile of a given client from among the recommended portfolio compositions. Preferred investment tools are those that track the leading indices, with an emphasis on the Tel Aviv 25 index in order to reduce the risk inhering in specific stocks in this period. In addition, we advise diversifying investment portfolios among a number of defensive sectors, such as water, private consumer goods, food, security, infrastructure, pharmaceuticals and communications.**

Local fixed-income market – The **shekel segment** will be influenced by the volatility on the stock market and by projections concerning the direction of the interest rate. We recommend that investments in the shekel segment be in bonds of short average duration of up to two years.

Investors with a moderate risk profile may wish to apportion the shekel segment as follows: some 75% notes of short average duration, and some 25% notes of medium average duration, with the average duration of notes in the shekel segment not to exceed two years. Sample securities in this segment are listed on p. 12.

The **linked segment** will be influenced by expectations of a negative consumer price index in the near future ad by market projections of another interest rate cut. We therefore advise focusing the portfolio on linked government bonds with a medium average duration. One can diversify with corporate bonds rated A+ and above with a medium average duration, which offer a surplus yield of 1.0% or more over government bonds, and ETFs on the Tel Bond 40 or Tel Bond 60 indices. Sample securities in this segment are listed on p. 13.

Local forex market – The dollar exchange rate is still at a low level which in our opinion constitutes a purchase opportunity for investors with a long-term orientation. However, in the coming week U.S. economic data is slated for publication; if the data is bad, speculation will intensify that Bernanke will lower the U.S. interest rate once again.

We recommend diversifying the foreign currency segment with other currencies in addition to the dollar, such as the euro and the Australian dollar for investors with a moderate risk profile. Sample securities in this segment are listed on p. 17.

U.S. stock market – The U.S. stock market, which was understanding of the U.S. central bank governor's decision to reduce the interest rate by only 0.75%, continues to be nervous. Volatile markets tensely await the publication of additional data that will shed light on the state of U.S. employment. In addition and as we have pointed out before, it is very important that inflation remain low, however this week there were again sharp hikes in commodity prices. Low inflation would enable the American Fed to hold interest rates down at a low level in order to overcome the recession currently being experienced by the largest and most influential economy in the world. **We recommend focusing on defensive stock indices of large corporations, such as the S&P 500 index.**

European stock markets – European stock markets will be influenced by the publication of macroeconomic indicators and by the trend in the U.S., and will be characterized by volatility. **We advise trading on the indices of the strong European economies.**

Asian stock markets and emerging markets – Asian markets will be influenced by global trends. We believe that emerging markets still have the potential for high surplus yields. To recall, however, potential goes hand in hand with risk, and these markets are characterized by high risk. **We recommend focusing on markets with high growth potential, such as**

India, Brazil and South Africa. The degree of exposure should match the risk level of the portfolio.

Local Stock Market

Index name	Index in points	Weekly change	Change since the beginning of the year	Change in 2007
Tel Aviv 100	**950.89**	**4.33%**	**-17.64%**	**20.17%**
Tel Aviv 25	**1022.99**	**3.00%**	**-15.95%**	**23.89%**
Tel-Tech 15	**250.62**	**10.71%**	**-29.76%**	**-1.33%**
Tel Aviv 75	**752.28**	**8.82%**	**-24.41%**	**7.15%**
Yeter 50	**469.58**	**9.92%**	**-19.22%**	**-5.13%**
The average daily turnover totaled NIS 2.26 billion, compared with NIS 1.60 billion the previous week.				

The following is a graph of the **Tel Aviv 25 index, the Yeter 50 index and the Tel-Tech 15 index over the last 12-month period:**

Main Economic Indicators

Indicator	Current figure	Previous figure
Bank of Israel interest rate	**3.25%**	**3.75%**
Annual inflation rate	**3.50%**	**3.40%**
Consumer price index	**-0.2%**	**0.00%**
Rate of GDP growth (in annual terms)	**6.40%**	**6.10%**
Unemployment rate (in annual terms)	**7.30%**	**8.40%**
Goods exports in 2007, in $ billions	**71.4**	**45.9**
Goods imports in 2007, in $ billions	**73.8**	**56.1**
Balance of trade in 2007, in $ billions	**-2.4**	**-10.2**

The TASE benefited from a breeze of optimism this week, registering sharp price rises. Most of the gains were recorded last Sunday, due to bullish data in the U.S.

The surprising interest rate reduction in Israel last Monday supported continuing handsome price rises on the market. The decision to slash the interest rate by 0.5% to 3.25% derived from increased chances of a significant slowing in the global economy and from the strengthening of the shekel exchange rate.

The impressive gains on European and Asian stock markets contributed to the bullish atmosphere in Israel.

In the macroeconomic arena:

A section in the Bank of Israel's 2007 annual report **discusses the gap between the government's spending commitments in its multi-year plans and the expenditure ceiling fixed by law.** The implementation of plans in the fields of social services, welfare, infrastructure and defense that the government has adopted are not compatible with the law that government outlays should not increase by more than 1.7% during 2009-2012; implementation of the plans would entail an increase of 4% a year in government expenditures. Such a government policy, the Bank of Israel argues, will brake the trend for Israeli fiscal parameters to approach the levels customary among developed countries, will expose the economy to financial risks and will increase the burden of interest payments in the years to come.

Real estate sector data for the beginning of 2008 is not encouraging. During January-February 2008 there was a 4.1% decline in **new apartment sales** compared with the corresponding period last year.

Hapoalim Bank today introduced an **index of consumer confidence** for Israel (similar to that conducted in the U.S.). The bank's survey shows no signs of a recession in private consumption in Israel. Hapoalim Bank notes that contrary to the U.S. and England, in Israel there is no housing crisis undermining consumer confidence, which may be one explanation for the big differences between the countries.

In addition, the Central Bureau of Statistics released the data for **credit card purchases by private consumers** in December 2007-February 2008; there was a 4.1% increase in credit card purchases during that time period.

In the coming week the following indicators are slated for publication:

Monday – Economic indicators for January-February 2008.

Tuesday – The agriculture sector's account in 2007.

Survey of main sectoral indices:

All the main sectoral indices sported handsome price rises, spearheaded by **real estate, construction and agriculture shares** which soared by 8.5%. **Commerce and services stocks** jumped by 4.2%, while **industrial shares** added 2.7%. **Bank shares** were not far behind with a rise of 2.5%. In view of the bullish trend, **insurance shares** strengthened by 1.7%.

Shares in the spotlight:

Companies expected to be influenced by the publication of their 2007 annual reports: **Israel Chemicals, Delek Nadlan, Gazit Globe, Elbit Imaging, the Israel Corporation, Jerusalem Economic, Strauss group.**

Teva, due to the court case it lost in which the court forbade Teva to market its version of the Arisept drug for treatment of Alzheimer's disease, which was developed by the Japanese Isai firm.

Assets and Construction, due to reports that an additional project in Las Vegas, with a projected investment of $5 billion, has been stalled.

Recommendations for the coming week, March 30, 2008-April 3, 2008:

The euphoria we experienced last week dissipated at the beginning of this week, reminding everyone who thought otherwise that the U.S. is in a recession and there are even signs that it is getting worse. Do not forget the interest rate reductions and other measures adopted by central banks around the world in order to revive their economies. We believe that the downturn has yet to hit bottom, and currently tension is increasing in anticipation of the publication of a wealth of macroeconomic indicators together with reports by investment banks regarding their economic condition.

We reiterate that the recommended risk levels in FIBI's advisory services are suited to the current turbulent period as they are relatively conservative. We therefore advise maintaining the composition of the portfolio that matches the individual customer's risk profile from among the recommended portfolio compositions. Preferred investment tools are those that track the leading indices, with an emphasis on the Tel Aviv 25 index, in order to reduce the risk inhering in individual stocks in this period. In addition, we advise diversifying investment

portfolios among defensive sectors, such as water, private consumer goods, food, security and aircraft, infrastructure, pharmaceuticals and telecom.

Fixed-Income Market

The fixed-income market was characterized by a bearish trend due to the rally on the stock market.
The **shekel segment** was characterized by a negative trend among bonds of all durations due to the trend on the stock market and the interest rate reduction in Israel.
The yield on 10-year U.S. Treasury bills rose to 3.46% (compared with 3.33% the previous week). The yields gap between 10-year American bonds and Israeli bonds of similar duration rose to 2.15, compared with 1.99 the previous week.
One-year zero-coupon bond yields rose to 3.70%. The curves of one-year zero-coupon bond yields and Shahar bond yields indicate expectations of another interest rate reduction.
The Bank of Israel announced that it would hold a tender for zero-coupon bonds on April 1, 2008 in the amount of NIS 5.5 billion. To recall, the tender closes at 12:00 on the day in question.
The Finance Ministry announced its fundraising schedule for April, which is estimated at NIS 4.5 billion (see details on p. 11).

	This week	Previous week	Beginning of the year
One-year zero-coupon bond yield	3.70%	3.63%	4.64%
Average yield on long-term Galil bonds (10-17 years)	3.43%	3.32%	3.58%
Yield on index-linked 30-year bonds (MMZM 0536)	3.58%	3.48%	3.67%
Yield on long-term Galil bonds (Galil 5904)	3.34%	3.34%	3.58%
Yield on long-term Shahar bonds (2683)	5.61%	5.32%	6.15%
Yield on 20-year Shahar bonds (MMSK 1026)	6.20%	5.94%	6.46%
Yield on long-term Gilon bonds (2305)	4.59%	4.63%	4.62%
Projected inflation rate for the next 12-month period	2.39%	2.20%	2.70%

	Government shekel		AAA rating	
Category	**Weighted average maturity**	**Gross**	**Weighted average maturity**	**Gross**
Over 5 years	7.48	5.77%	7.97	6.81%
3-5 years	3.99	5.04%	3.25	5.73%
0-3 years	1.37	4.01%	0.69	4.77%
	AA rating		**A rating**	
Category	**Weighted average maturity**	**Gross**	**Weighted average maturity**	**Gross**
Over 5 years	6.88	7.11%	Insufficient number of bonds	
3-5 years	4.23	6.58%	3.67	6.07%
0-3 years	2.41	5.55%	Insufficient number of bonds	

The table shows that corporate instruments of all durations rated AA offer a surplus yield of 1.3% over government tools.
The yields gap between long- and short-term bonds rated AA is approximately 1.3%.

The **linked segment** was characterized by a general trend toward price declines, with short-term bonds registering stability and medium- and long-term bonds posting price declines.

The latest forecast (March 17, 2008) by FIBI's Economic Division for the consumer price index for the next few months is as follows: March: -0.1%; April: 0.4%, May: 0.4%.
The inflation rate derived from the capital market for the next 12-month period rose to 2.39%.

	Government linked		AAA rating	
Category	**Weighted average maturity**	**Gross**	**Weighted average maturity**	**Gross**
Over 5 years	11.45	3.35%	6.61	4.30%
3-5 years	3.60	2.18%	3.16	3.44%
0-3 years	1.43	2.08%	1.67	3.17%
	AA rating		**A rating**	
Category	**Weighted average maturity**	**Gross**	**Weighted average maturity**	**Gross**
Over 5 years	7.15	4.87%	6.45	5.59%
3-5 years	4.21	4.38%	4.11	5.29%
0-3 years	2.14	3.65%	2.42	5.08%

The table shows that for bonds of all durations corporate bonds rated A provide a good investment alternative to government bonds. This is due to the fact that corporate bonds offer a surplus yield of some 2.2% or more over government bonds. Corporate bonds of medium duration rated AA provide a surplus yield of some 2.2% over government bonds. Corporate bonds of other durations offer a surplus yield of some 1.5% over government bonds.

Bond issues scheduled by the Finance Ministry for the end of March and April, in NIS millions:

Tender date	Tender type	Shahar 2680	5% govt. bond 3/2013	5.5% govt. bond 2/2017	2.5% linked govt. bond 6/2010	3.5% linked govt. bond 4/2018	4% linked govt. bond 5/2036	Total
Mar. 31, 2008	market-makers			500		250	250	1,000
Apr. 7, 2008	market-makers	500	500			500		1,500
Apr. 14, 2008	public	500			500	500		1,500
Apr. 28, 2008	market-makers		500	500	500			1,500
Total April		1,000	1,000	500	1,000	1,000		4,500

Recommendations for the coming week, Mar. 30, 2008-Apr. 3, 2008

The **shekel segment** will be influenced by the volatility on the stock market and by expectations regarding the direction of the interest rate.
We recommend investing in the shekel segment in bonds of short average duration of up to two years. Investors with a moderate risk profile may wish to apportion the shekel segment as follows: some 75% of the investment in short-term notes and some 25% in medium-term notes, while ensuring that the average duration of bonds in the shekel segment does not exceed two years.
On April 2, 2008, zero-coupon bond 418 will be redeemed in the amount of some NIS 5.8 billion.

Examples of shekel instruments*

Security no.	Security name	Net for holding	Gross for holding	Weighted average maturity	Rating
8090318	Zero-coupon bond 319	3.18%	3.75%	0.92	Government
9230236	Gilon 2302	3.53%	3.53%	1.62	Government
7410178	Leumi Finance 9	4.75%	5.70%	4.69	AAA
2590271	Oil Refineries bond 3	4.86%	5.91%	4.27	AA
1109826	Delek Nadlan bond 25	6.53%	7.71%	3.46	A+

The **linked segment** will be influenced by forecasts of a negative consumer price index in the near term and by market projections that there will be another interest rate reduction. We therefore advise focusing portfolios on linked government bonds of medium average duration while diversifying with medium-term corporate bonds rated A+ and above which afford a surplus yield of 1.0% or more over government bonds, and with ETFs on the Tel Bond 40 or Tel Bond 60 indices.
On March 31, 2008, the Galil 5416 bond will be redeemed in the amount

of NIS 3.8 billion.

Examples of index-linked instruments*

Security no.	Security name	Net for holding	Gross for holding	Weighted average maturity	Rating
1106525	Linked 0610	1.04%	1.67%	2.18	government
9548132	Galil 5481	1.26%	2.32%	4.00	government
6990139	Assets and Construction 3	3.91%	4.97%	4.86	AA
1094051	Electra Nadlan 1	4.18%	5.35%	2.63	A+
1980150	Kalkalit bond 5	4.74%	5.94%	4.08	A+

*** The sample bonds refer to the day the survey was written. On the day the investment is made one should check the yield offered by each note compared to its counterparts on the market.**

Foreign Exchange Market

Currency	Exchange rate	Weekly change	Change since the beginning of the year	Change in 2007
Dollar	**3.519**	**3.53%**	**-8.50%**	**-9.85%**
Euro	**5.553**	**5.72%**	**-1.89%**	**1.68%**
Euro/dollar	**1.579**	**2.21%**	**8.32%**	**9.50%**
Pound sterling	**7.034**	**4.27%**	**-8.78%**	**-7.49%**
Japanese yen (100)	**3.528**	**2.97%**	**2.71%**	**-3.44%**
Australian dollar	**3.242**	**5.55%**	**-4.04%**	**1.14%**

Main Interest and Inflation Data

	Current	**Previous**
U.S. interest rate U.S. inflation rate (in annual terms)	**2.25%** **4.00%**	3.00% 4.30%
Euro block interest rate Euro block inflation rate (in annual terms)	**4.00%** **3.30%**	4.00% 3.20%
British interest rate British inflation rate (in annual terms)	**5.25%** **2.20%**	5.25% 2.10%
Japanese interest rate Japanese inflation rate (in annual terms)	**0.5%** **0.7%**	0.5% 0.6%
Australian interest rate Australian inflation rate (in annual terms)	**7.25%** **3.00%**	7.00% 1.90%

The shekel weakened against the major currencies, following the 0.5% interest rate reduction in Israel.

The **dollar** fell by 3.5%, reverting to NIS 3.5 to the dollar.

The **euro** soared by 5.7% in light of the interest rate gap of 0.75% and in keeping with its global gains. In addition, the governor of the European central bank continues to insist that he has no intention of lowering the interest rate in the foreseeable future.

The **pound sterling** strengthened by 4.3% in view of the increase in the interest rate gap to 2.0%.

The **Japanese yen** added some 3.0% to its value.

The **Australian dollar** gained 5.6% in light of the increase in the interest rate gap to 3.0%.

<u>Recommendations for the coming week , Mar. 31, 2008 – Apr. 4, 2008</u>

We reiterate that **the foreign currency component of a portfolio should not be composed of dollars alone but should include other currencies. It is important to diversify the foreign currency portfolio among several currencies in order to diffuse the risk.**

Dollar – In our assessment the dollar exchange rate will be influenced by the publication of macroeconomic data in the U.S. If the data is bad, speculation will increase that the governor of the U.S. central bank will lower the interest rate once again at the end of April.

Euro – We believe that the euro will be affected by global trends regarding the dollar and by the publication of the consumer price index in the euro block this week. If the CPI is low, this may enable European central bank governor Jean Claude Trichet to lower the interest rate.

Pound sterling – In our opinion the pound sterling will be influenced by the high interest rate gap between Israel and the U.K. and by global trends concerning the dollar.

Australian dollar – We believe that the Australian dollar will be affected by the high interest rate gap between Israel and the U.S. and by demand for commodities and metals in Australia.

Yen – A bearish trend on the markets will lead the yen to strengthen against the shekel. A bullish trend on the markets will have the reverse effect.

In light of the above, we advise diversifying the foreign currency component between the various currencies in accordance with the above recommendations. Preferred investment vehicles include interest-bearing dollar/euro/pound sterling promissory notes, currency-linked deposits or investment in foreign corporate bonds in accordance with the list below.

The following is a sample list of corporate bonds for investment in the forex segment**:

Security number	Symbol	Security name	Sector of activity	Interest	Yield	Date of expiry	Inter-national rating	Currency	Mini-mum*
71059869	HSBC	HSBC	banking	5.25%	4.45%	Jan. 14, 2011	AA-	U.S. dollar	100,000
71071641	AA	Alcoa	industry	6.00%	4.61%	Jan. 15, 2012	BBB+	U.S. dollar	1,000
71091383	BAC	Bank of America	banking	4.50%	4.50%	Jan. 23, 2009	AA	Euro	1,000
71090187	VLVY	Volvo Treasury	industry	5.375%	4.35%	Jan. 26, 2010	A-	Euro	1,000
71127559	PACLIF	Pacific Life	insurance	6.25%	5.70%	Feb. 8, 2011	AA	Pound sterling	1,000
71128060	GE	General Electric	industry	8.5%	8.42%	Feb. 28, 2011	AAA	Australian dollar	2,000

***Note minimum order per purchase.**
****The listed yields are meant only as an indication. Be sure to check the updated yield when making the transaction.**
In addition, the list is not designed to replace appropriate investment consultations suited to the personal needs and circumstances of each customer.

U.S. Stock Market

Index	Level	Weekly change	Change since the beginning of the year	Change in 2007
Dow Jones	**12,216.4**	**-1.17%**	**-7.90%**	**6.04%**
Nasdaq	**2,261.2**	**0.14%**	**-14.75%**	**8.94%**
S&P 500	**1,315.2**	**-1.07%**	**-10.43%**	**3.41%**

Main Economic Indicators

Indicator	Current figure	Previous figure
U.S. interest rate	**2.25%**	3.00%
U.S. inflation rate (annual)	**4.00%**	4.30%
Rate of GDP growth	**0.60%**	4.90%
Unemployment rate (in annual terms)	**4.80%**	4.90%
Balance of trade in billions of dollars	**-58.2**	-58.8

The following graph traces the trajectory of the **Nasdaq, S&P 500 and Dow Jones indices over the past 12 months:**

The Wall St. capital markets launched the week with a bullish trend in the wake of the federal bank's interest rate cut of 0.75% to 2.25% on Tuesday two weeks ago. This is the lowest interest rate since December 2004. On Wednesday of last week the trend shifted to negative and persisted until the end of the trading week, accompanied by the publication of bearish macroeconomic data.
For the week as a whole the leading indices registered price declines.

In the macroeconomic arena:

- **A 13-year low was recorded in new homes sales in the U.S. –** New homes sales declined by 1.9% to an annual rate of 590,000 units, compared with 601,000 in January. This is the fourth successive monthly decline.
- **Improvement in existing homes sales –** In February there was an improvement in the sale of existing homes to an annual rate of 5.03 million units, compared with 4.89 million units in January.
- **Consumer confidence fell sharply** this month, with the index dropping from 75 points to 64.5 points, 9 points below the forecast.
- **Orders for durable goods declined** by 1.7%, following a sharper decline of 5.3% registered last month.
- **There was a modest decline in the number of first-time applications for unemployment pay and in the number of continuing applications.**
- **Private income** increased by half a percent in February.
- **Private expenditures** grew by 0.1%, in keeping with forecasts. The previous month there had been an increase of 0.4%.

The following data is slated for publication in the coming week:
Auto sales, the number of mortgage applications, factory orders, employment requests, the unemployment rate.

Recommendations for the coming week, Mar. 31, 2008 – Apr. 4, 2008
The U.S. stock market, which was understanding concerning the U.S. central bank governor's decision to lower the interest rate by only 0.75%, continues to be nervous. Volatile markets tensely await the publication of additional data that will shed light on U.S. employment. In addition and as noted previously, it is very important that inflation remain low, but this week there were again sharp hikes in commodity prices. A low inflation rate would enable the American Fed to keep the interest rate low in order to vanquish the recession currently being experienced by the largest and most influential economy in the world.
We recommend focusing on defensive stock indices of large corporations, such as the S&P 500.

European Stock Markets

Index	Level	Weekly change	Change since the beginning of the year	Change in 2007
FTSE index	5,692.9	3.60%	-11.83%	3.66%
DAX index	6,559.9	3.80%	-18.69%	18.23%
CAC index	4,695.9	3.58%	-16.35%	1.29%

The following is a graph of the **FTSE 100, DAX and CAC indices over the last 12-month period:**

Main Economic Indicators

Indicator	Current figure	Previous figure
Euro block interest rate	**4.00%**	4.00%
Euro block inflation rate (in annual terms)	**3.30%**	3.20%
Rate of GDP growth in the euro block (in annual terms)	**2.20%**	2.30%
Unemployment rate in the euro block (in annual terms)	**7.1%**	7.1%
Balance of trade in the euro block in billions of euros	**-2.10**	2.60
U.K. interest rate	**5.25%**	5.50%
U.K. inflation rate (in annual terms)	**2.20%**	2.10%
Rate of GDP growth in the U.K. (in annual-quarterly terms)	**2.80%**	2.90%
Balance of trade in the U.K. in billions of pounds	**-4.1**	-4.72

European markets had an abbreviated trading week as last Monday there was no trading due to the Easter holiday. On Tuesday, the first day of trading, the markets registered sharp price rises. The trend reversed itself on every day thereafter. For the week as a whole the leading indices posted steep gains.

In the macroeconomic arena:

- **The current account of the euro block** came to a deficit of 10.6 billion euros (compared with the previous month's figure of 10.3 billion euros).

- **British GDP** expanded by 0.6% in the fourth quarter of 2007 for an annual rate of 2.8%, in line with forecasts. (Economists' projections had been for 2.9%.) This reflects a continuing weakening trend.
- **Britain's current account** came to a deficit of 8.5 billion pounds sterling in the fourth quarter.
- **Home prices in Britain** rose by 0.8% compared with the previous month. Compared with the corresponding period last year, home prices are currently 5% higher**.**

The following indicators are slated for publication in the euro block: consumer price index, index of consumer confidence, index of manufacturers' and service providers' confidence, procurement officers' index, unemployment rate, manufacturers' price index.

In Britain the following indicators are slated for release: procurement officers' index, production managers' index.

<u>Recommendations for the coming week, Mar. 31, 2008 – Apr. 4, 2008:</u>
European stock markets will be influenced by the publication of macroeconomic data and by the trend in the U.S., and will be characterized by volatility. In these markets we recommend trading on the indices of the strong European economies.

Asia and Emerging Markets - Stock Markets

Index	Level	Weekly change	Change since the beginning of the year	Change in 2007
Nikkei 225 index	**12,820.5**	**2.71%**	**-16.25%**	**-12.53%**
Hang Seng index	**23,286.0**	**10.32%**	**-16.28%**	**28.22%**
Xinhua 25 index	**20,433.7**	**13.94%**	**-19.89%**	**34.91%**

The following is a graph of the **Nikkei, Hang Seng and Xinhua 25 indices over the last 12-month period:**

Main Economic Indicators

Indicator	Current figure	Previous figure
Chinese interest rate	**7.47%**	7.29%
Chinese inflation rate (in annual terms)	**7.70%**	6.50%
Rate of GDP growth in China (in annual terms)	**11.20%**	11.50%
Chinese unemployment rate (in annual terms)	**4.10%**	4.20%
Chinese trade balance in $ billions	**19.49**	22.69
Hong Kong interest rate	**6.25%**	6.75%
Hong Kong inflation rate (in annual terms)	**3.2%**	1.60%
Rate of GDP growth in Hong Kong (in annual terms)	**6.20%**	6.60%
Unemployment rate in Hong Kong (in annual terms)	**3.4%**	4.1%
Balance of trade in Hong Kong in $ billions	**15.8**	7.5

Asian markets rallied this week with sharp price rises; the Chinese Xinhua 25 index soared by close to 14%. The Hong Kong Hang Seng index also leapt upwards by a double-digit figure. Asian markets ignored the skittishness of Wall St., against the backdrop of increases in oil and commodities prices and the release of superior financial reports by leading corporations. Nevertheless, many investors fear further turbulence on Western markets that would return Asia to sharp price declines.

Macroeconomic data:

- **Hong Kong published import and export data. Exports** grew by 7.6% in February compared with February 2007, exceeding economists' forecasts of a more moderate increase of 7.1%. **Imports** grew by 11.9% compared with February 2007, eclipsing economists' projections of a more moderate addition of 10.0%.

- **Hong Kong released the country's trade balance** for February, which totaled $15.8 billion.
- **In China the profitability of the industrial sector** increased by 16.5% in February compared with the corresponding period in 2007. In January 2007 industrial sector profits increased by 36.7%.
- **In Japan the number of unemployed persons** totaled 3.9%, a 0.1% increase compared with the previous figure and with economists' forecasts.

Indicators slated for publication in the coming week:
Hong Kong: retail sales data.
India: trade balance, import and export data.
China: Procurement officers' index.

Recommendations for the coming week Mar. 31, 2008 – Apr. 4, 2008

Markets in Asia and emerging markets will be influenced by global trends. Emerging markets are characterized by a high degree of volatility and therefore also by a high degree of risk. When investing in these markets the risk should be taken into account, and only investors who can cope with these levels of risk should get involved. We believe that the markets with a high potential yield are those that are rich in natural resources and are characterized by rapid GDP growth, such as India, Brazil and South Africa.

Recommended Investment Portfolios

Portfolio	Portfolio 1	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5
Stock risk component	0%	up to 15%	up to 30%	up to 50%	up to 100%
Fixed-income component	100%	at least 85%	at least 70%	at least 50%	completion
Foreign currency exposure	up to 30%	up to 30%	up to 50%	up to 50%	over 50%
Exposure profile	0B	2B	2C	3C	4D

Portfolio no. 1 – No risk component Exposure profile 0B	Portfolio no. 2 – Low-risk (up to 15% stocks) Exposure profile 2B	Portfolio no. 3 – Average risk (up to 30% stocks) Exposure profile 2C
Linked 50% Shekel 40% Foreign currency 10%	Linked 45% Shekel 35% Foreign currency 12% Local stocks* 4% Foreign stocks** 4%	Linked 35% Shekel 30% Foreign currency 15% Local stocks* 10% Foreign stocks** 10%

Portfolio no. 4 – High risk (up to 50% stocks) Exposure profile 3C	Portfolio no. 5 – Speculative Exposure profile 4D
Linked 25% Shekel 20% Foreign currency 15% Local stocks* 20% Foreign stocks** 20%	Linked 15% Foreign currency 15% Local stocks* 35% Foreign stocks** 35%

The composition of the foreign stock segment will be determined by the average geographic and sectoral portfolio.

Composition of average geographic portfolio	Composition of average sectoral portfolio
U.S. 25% Europe 35% Emerging markets 15% Japan 10% Australia 5% Hong Kong 5% Canada 5%	Pharmaceuticals 20% Water and sewage/Infrastructure 20% Security and aircraft manufacturers 20% Goods 15% Technology and communications 15% Green energy 10%

*** Convertible bonds traded in the stock segment belong to the stock segment.**
**** <u>Includes Israeli ETFs for foreign indices and also shares traded on foreign stock exchanges.</u>**

This publication is not a recommendation, consultation or opinion regarding specific investments. The above sample portfolios are not a substitute for personal advisory services which address the special needs, circumstances and goals of each individual. Investors rely on the information conveyed here on their own personal responsibility, and the First International Bank of Israel is in no way liable for damage and/or losses sustained from use of this publication.

Dates of Dividend Distributions

Company name	Amount of dividend per share (in agorot unless otherwise noted)	EX-date	Payment date
Poalim ABA	19.1145	Mar. 25, 2008	Apr. 8, 2008
Oha	600	Mar. 25, 2008	Apr. 8, 2008
Africa Residential	238.09	Mar. 26, 2008	Apr. 14, 2008
Ituran (dual)	481	Mar. 27, 2008	Apr. 8, 2008
Makhteshim	$0.267	Mar. 27, 2008	Apr. 10, 2008
Castro	441.5	Mar. 30, 2008	Apr. 15, 2008
Golan Plastic	7.416	Mar. 30, 2008	Apr. 8, 2008
Gold	73	Mar. 30, 2008	Apr. 14, 2008
Office	45.45	Mar. 31, 2008	Apr. 14, 2008
Leader	71.31	Mar. 31, 2008	Apr. 14, 2008
Analyst	600	Apr. 1, 2008	Apr. 16, 2008
Yishras	200	Apr. 1, 2008	Apr. 15, 2008
Assets and Construction	3,650.58	Apr. 2, 2008	Apr. 15, 2008
Elbit Systems	$0.18	Apr. 2, 2008	Apr. 14, 2008
Frutarom	18	Apr. 2, 2008	May 6, 2008
Industrial Buildings	31.54	Apr. 2, 2008	Apr. 16, 2008

Company name	Amount of dividend per share (in agorot unless otherwise noted)	EX-date	Payment date
Kesem Indices – series 2	0.048 pounds sterling	Apr. 2, 2008	Apr. 17, 2008
Kesem Macash – series 3, 5, 6, 7	2.03 cents	Apr. 2, 2008	Apr. 17, 2008
Kesem Basket – 6, 11, 12, 13, 14, 15, 31, 35	-	Apr. 2, 2008	Apr. 17, 2008
Kesem Indices – series 3	2.03 cents	Apr. 2, 2008	Apr. 17, 2008
Delek Israel	455.693	Apr. 3, 2008	Apr. 15, 2008
Avgol	$0.0335	Apr. 3, 2008	Apr. 16, 2008
SNP	49.36	Apr. 3, 2008	Apr. 14, 2008
Alony Hetz	14	Apr. 3, 2008	Apr. 16, 2008
Hilan Tech	40	Apr. 3, 2008	Apr. 15, 2008
Levinstein	400	Apr. 3, 2008	Apr. 16, 2008
PCB Technics	22.8	Apr. 6, 2008	Apr. 17, 2008
Kagrinston	43.72323	Apr. 6, 2008	Apr. 17, 2008
Rit 1	42	Apr. 6, 2008	Apr. 17, 2008
Erldan	82.169	Apr. 6, 2008	Apr. 17, 2008
British Israel	9.69	Apr. 8, 2008	Apr. 27, 2008
Kelrom	107	Apr. 8, 2008	Apr. 22, 2008
Komask	16.89595	Apr. 9, 2008	Apr. 21, 2008
Beit Hazahav	24.85666	Apr. 9, 2008	Apr. 23, 2008

Company name	Amount of dividend per share (in agorot unless otherwise noted)	EX-date	Payment date
Rami Levy	208.33	Apr. 9, 2008	Apr. 21, 2008
Kamor Motors	26	Apr. 10, 2008	May 4, 2008
Bezeq	26.06	Apr. 14, 2008	Apr. 28, 2008
Israel Chemicals	8.93 cents	Apr. 15, 2008	Apr. 30, 2008
Keter	62.60	Apr. 16, 2008	Apr. 30, 2008
Brimage Digital	11.92199	Apr. 17, 2008	Apr. 30, 2008
Dorsal	18.75715	Apr. 17, 2008	Apr. 30, 2008
Brill	200	Apr. 22, 2008	May 6, 2008
Flight Connections	$0.27	Apr. 27, 2008	May 1, 2008
Migdal Insurance	4.78	Apr. 29, 2008	May 14, 2008
IDB Development	469	Apr. 29, 2008	May 15, 2008
Clal Insurance	680.55825	Apr. 29, 2008	May 15, 2008
Oil Refineries	11.99	May 7, 2008	May 20, 2008
Oil Refineries	11.999	May 11, 2008	-
Dexia Israel	59.3	May 19, 2008	June 4, 2008
Mehadrin	1200	May 29, 2008	June 12, 2008

(*) Check minimum holding periods required for eligibility for dividends.

Transactions by Controlling Shareholders

Major Acquisitions of the Past Week

Security	Controlling shareholder	Average level	Quantity	% of company equity the deal represents	% of voting rights after consummation of deal
Aura	Misholi Boaz	440.00	102271	0.23	36.12
Azorim	Arad Yossi	4489.20	4000	-	0.01
Baran	Garafa	5773.00	49858	0.58	16.94
Gadot Containers	Insurance – Clal Partners	735.70	2351283	3.50	17298.4
Gadot Containers	Insurance – Clal Provident Fund	735.70	250379	0.37	1842
Gadot Containers	Clal Insurance Returns	735.70	107962	0.16	792.3
Gazit Globe	Clal Insurance Returns	4833.80	10996	0.01	531.5
Durban	Tao	2049.10	92550	1.76	23.29
Ken Fite Biopharma	Shaked Tal	62.16	685930	0.35	9.71
Fox	Wiesel Holdings	1600.00	10000	-	26.70

Major Sales of the Past Week

Security	Controlling shareholder	Average level	Quantity	% of company equity the deal represents	% of voting rights after consummation of deal
Levy	Meah Net	628.00	32000	0.25	7.03