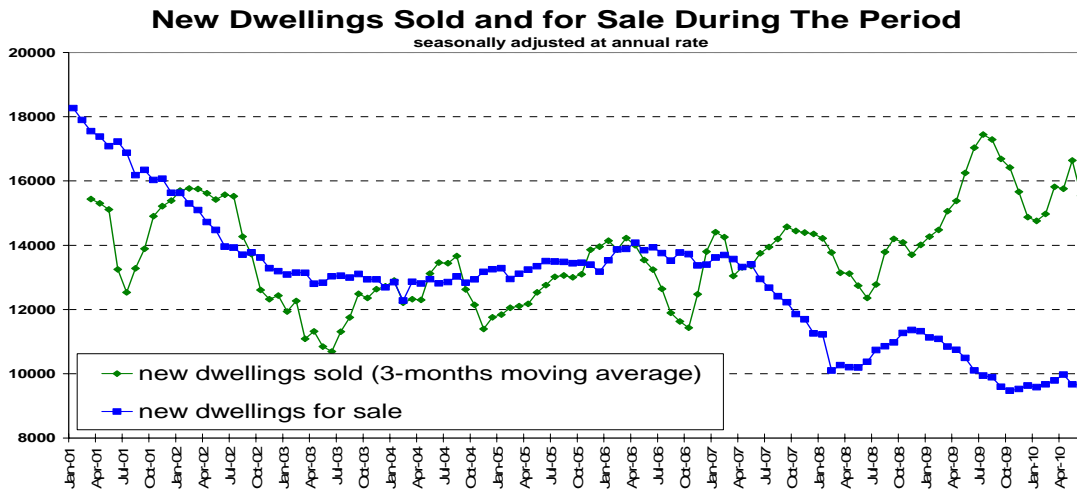


	Expectations derived from the capital market	Our forecast
Inflation in the coming months		0.8% in July 0.3% in August
Future cumulative inflation – next 12 CPIs (through May 2011 CPI)		3.7%
Inflation through July 2011 CPI (average annual rate)	3.4%	4.0%
Bank of Israel interest rate, 6 months ahead	2.10% (up 0.35)	2.50%
Fed interest rate, 6 months ahead	0.25% (unchanged)	0.25%
Yield on Israeli Government 10-Year bond, 6 months ahead	4.69% (up 0.18)	5.00%
Yield on US Treasury 10-Year bond, 6 months ahead	3.16% (up 0.20)	3.80%
Dollar exchange rate, 6 months ahead	NIS 3.76 (up 0.3%)	NIS 3.75 (unchanged)

Israel

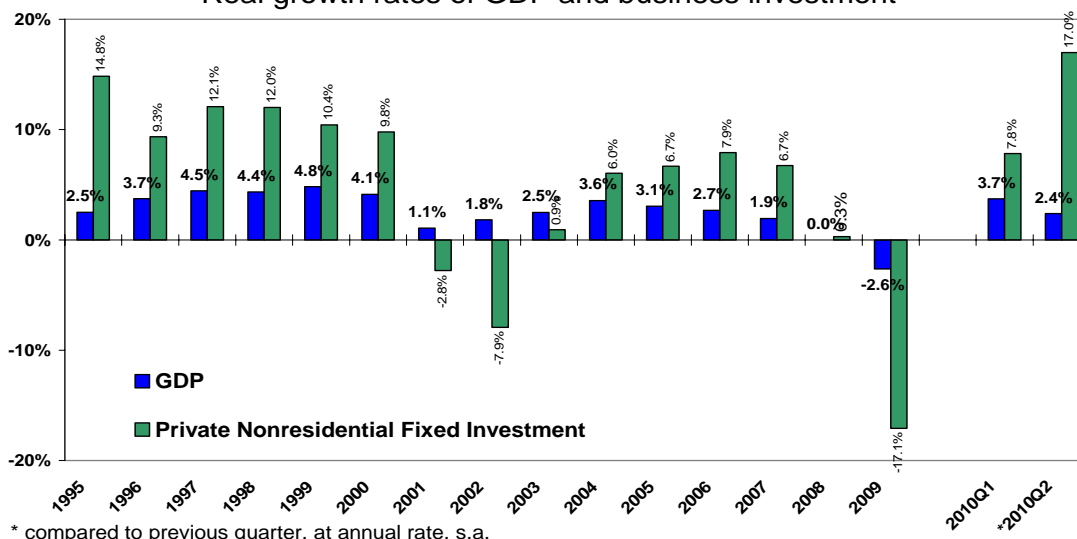
The number of new homes sold dropped sharply, by 25 percent in June and 27 percent in the twelve months ended in June. The **supply of new homes for sale** remained almost unchanged in June, and was 5 percent lower year-on-year.



United States

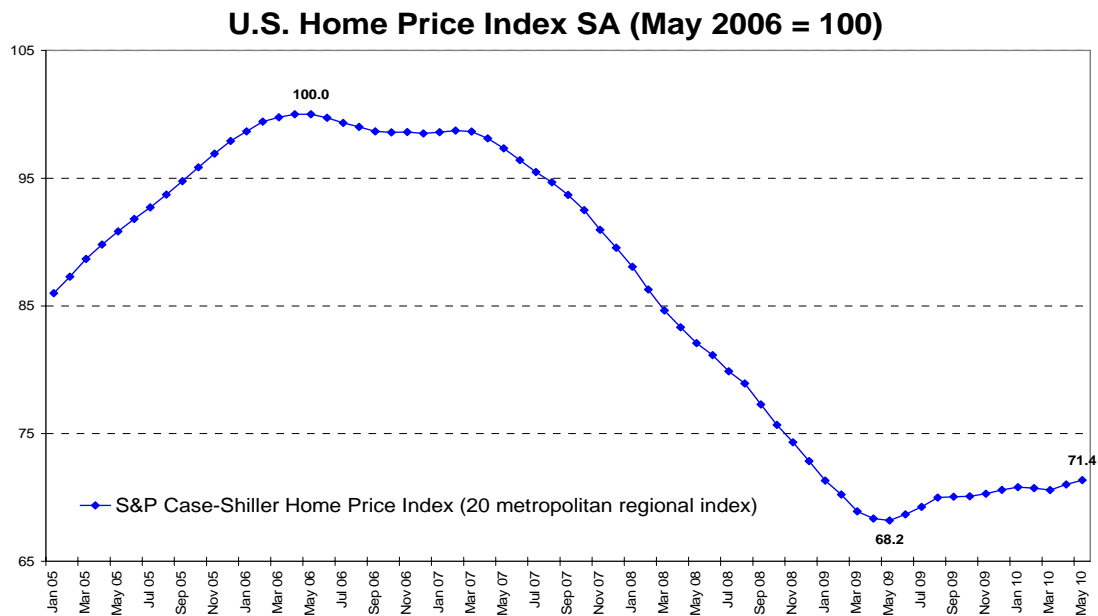
According to an initial estimate, the **US economy grew** at an annualized rate of 2.4 percent in the second quarter of 2010, slightly below advance estimates. Private consumption grew by 1.6 percent, and investments by firms increased by an impressive 17 percent. In addition, past data were amended: growth for the first quarter of 2010 was adjusted upward to an annualized rate of 3.7 percent, but growth rates for 2007, 2008, and 2009 were revised downward, by about 0.3 percentage points for each year.

The U.S. Economy, 1995-2010
Real growth rates of GDP and business investment



The ISM manufacturing sector purchasing managers' index fell to 55.5 points in July, from 56.2 points in June, a smaller decrease than expected.

The Case-Shiller twenty city house price index rose by 0.5 percent in May and by 4.6 percent in the last twelve months, more than expected.



Euro zone

Twelve-month inflation reached 1.7 percent in July, according to an initial estimate, in line with expectations.

The unemployment rate in the eurozone stabilized in the four months through June, when it stood at 10.0 percent. However, rates still range widely within the eurozone; the unemployment rate is 20 percent in Spain, but 7 percent in Germany.

Our forecast of cumulative changes in price indices during the coming three months

Forecast change, June 2010 index to September 2010 index

Consumer Prices Index (CPI)	Housing component in the CPI (mainly rent prices)	Prices of Owner-Occupied Dwellings	Price Index of Inputs in Residential Building	Wholesale Price Index of Manufacturing (excl. Fuel)
0.9%	3.2%	1.5%	1.2%	0.5%

Important Announcements in the Coming Week

- Data on private income and consumption will be published in the US on Tuesday, August 3.
- Data on retail sales in the eurozone and the ISM services sector index in the US will be published Wednesday, August 4.
- The interest-rate decisions will be announced in the eurozone on Thursday, August 5.
- The employment report will be published in the United States, on Friday, August 6.
- The Central Bureau of Statistics (CBS) will publish data on jobs and average wages in the Israeli economy on Sunday, August 8.
- The CBS will publish data on incoming tourists to Israel on Monday, August 9.

This review is posted online at www.harel-finance.co.il/macro in Hebrew

and at <http://www.harel-group.com/finance.html> in English.

Please address comments or questions to Mr. Ofer Klein at

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