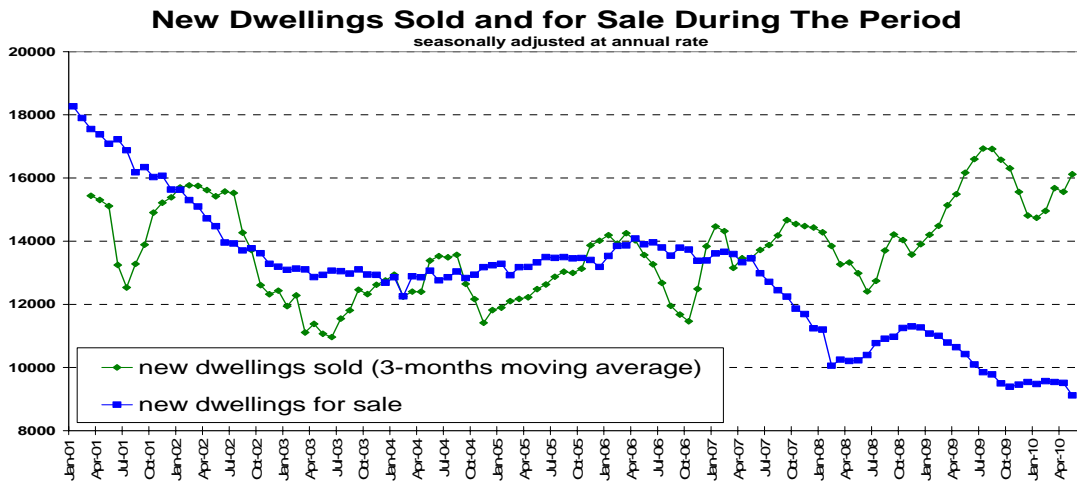


	Expectations derived from the capital market	Our forecast
Inflation in the coming months		0.2% in June 0.8% in July
Future cumulative inflation – next 12 CPIs (through May 2011 CPI)		3.0%
Inflation through July 2011 CPI (average annual rate)	3.3%	3.4%
Bank of Israel interest rate, 6 months ahead	1.95% (up 0.45)	2.25%
Fed interest rate, 6 months ahead	0.25% (unchanged)	0.25%
Yield on Israeli Government 10-Year bond, 6 months ahead	4.79% (up 0.20)	5.10%
Yield on US Treasury 10-Year bond, 6 months ahead	3.15% (up 0.20)	3.90%
Dollar exchange rate, 6 months ahead	NIS 3.87 (unchanged)	NIS 3.85 (down 0.7%)

Israel

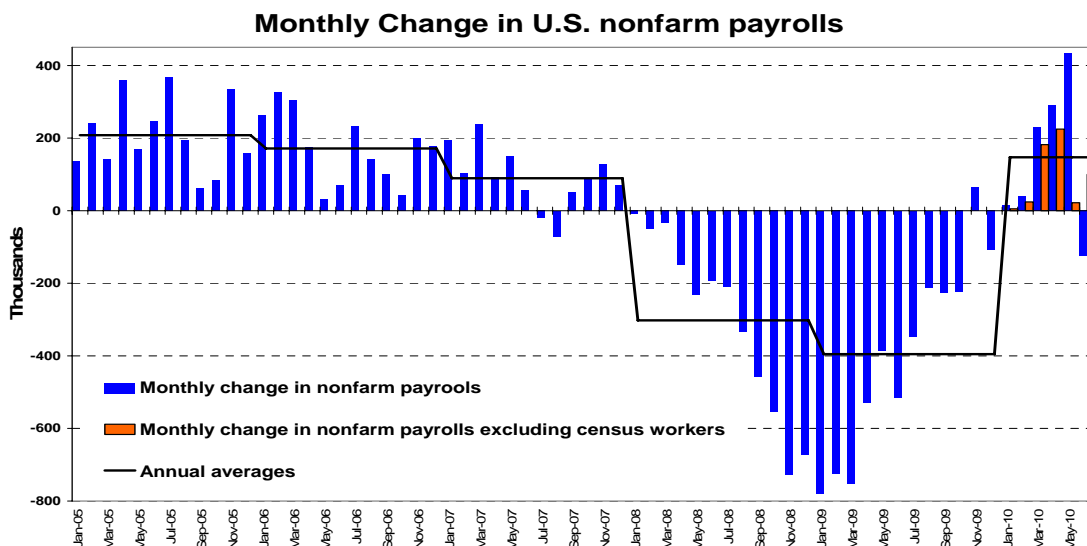
Increase in indirect taxes: Taxes on cigarettes have been raised, and the government is likely to decide on an increase in taxes on fuel in the near future. According to our estimates, the total impact of the tax hikes on the consumer price index will reach 0.4 percentage points. In view of the possible increases in taxes, we have slightly raised our inflation forecast for the coming months.

The number of new homes sold grew by 8 percent in May, and remained unchanged in the twelve months ended in May. The supply of new homes for sale decreased by 4 percent, and was 13 percent lower than in May 2009. The decline in the supply of homes continues to support the increase in home prices, at least in the short term.



United States

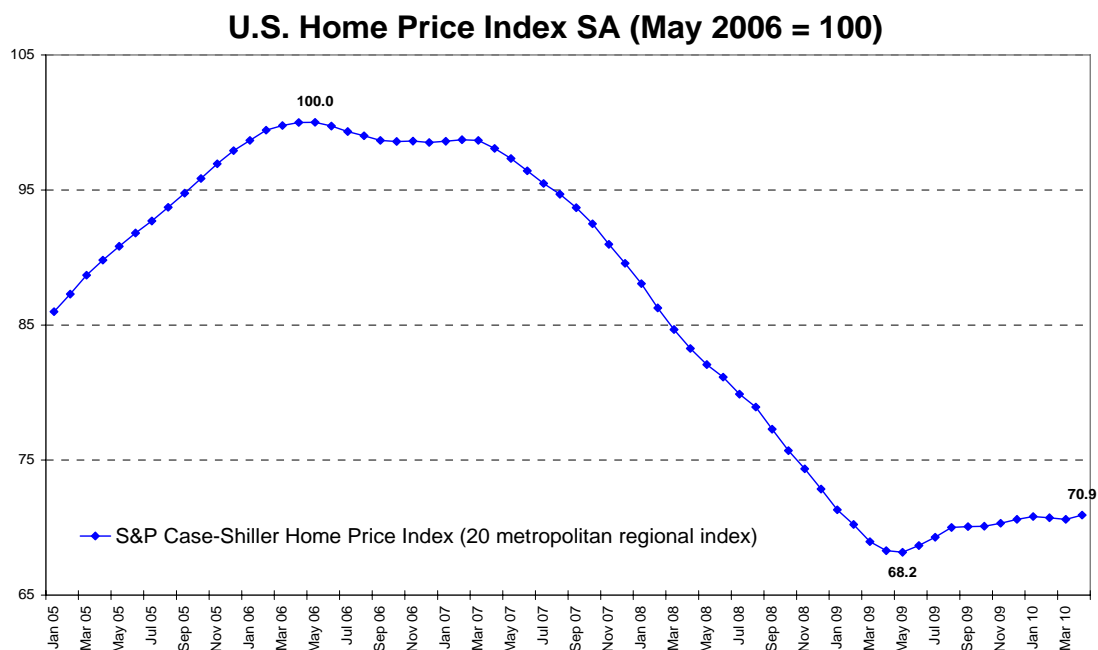
Employment data continue to disappoint. The number of employed persons in the non-agricultural sector decreased by 125,000, due to the end of the employment period of temporary personnel taken on by the government for the national census. Excluding the effect of the census, the number of employed persons grew by 100,000 in June and by a monthly average of 93,000 year to date – an insufficiently rapid increase to reduce the unemployment rate over time. The unemployment rate decreased to 9.5 percent in June, from 9.7 percent in the preceding month, due to a further decline in the participation rate.



The ISM manufacturing sector purchasing managers' index fell to 56.2 points in June, from 59.7 points in May, in a steeper-than-expected decline.

Case-Shiller 20-city home price index rose by 0.4 percent in April, above expectations. Prices of homes are 29 percent lower than the peak of May 2006 but 4 percent higher than May 2009 low.

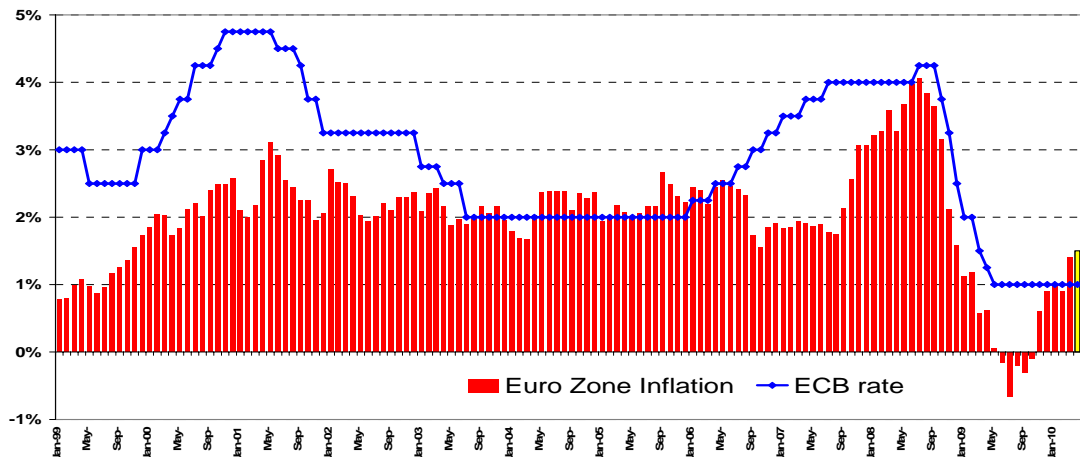
The US government incentive programs designed to support the housing market have recently been drawing to an end. This has reawakened concerns over a renewed decline in prices of homes.



Euro zone

Inflation over the last twelve months was 1.4 percent in June, according to an initial estimate, below expectations.

Euro Zone Inflation and ECB Interest Rate



Our forecast of cumulative changes in price indices due to be published during the coming three months

Forecast change, May 2010 to August 2010

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)
1.5%	4.2%	1.6%	1.4%	1.4%

Important Announcements in the Coming Week

- The ISM service sector index will be published in the United States on Tuesday, July 6.
- The Central Bureau of Statistics (CBS) will publish data on jobs and average wages in the Israeli economy on Wednesday, July 7.
- The interest-rate decisions will be announced in the UK and the eurozone on Thursday, July 8.
- The CBS will publish data on Israel's foreign trade on Sunday, July 11.
- The CBS will publish data on incoming tourists to Israel on Monday, July 12.

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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