

Weekly Macroeconomic Review

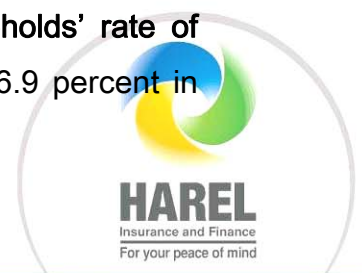
June 30, 2009

	Expectations derived from the capital market	Our forecast
Inflation in the coming months		0.2% in June 1.0% in July
Future cumulative inflation – next 12 CPIs (through May 2010 CPI)	2.9%	3.3%
Inflation through July 2011 CPI (average annual rate)	2.5%	2.8%
Bank of Israel interest rate, 6 months ahead	0.75% (up 0.25)	0.75%
Fed interest rate, 6 months ahead	0.35% (up 0.10)	0.25%
Yield on Israeli Government 10-Year bond, 6 months ahead	5.64% (up 0.33)	5.64%
Yield on US Treasury 10-Year bond, 6 months ahead	3.74% (up 0.24)	4.00%
Dollar exchange rate, 6 months ahead	NIS 3.91 (unchanged)	NIS 3.99 (up 1.8%)

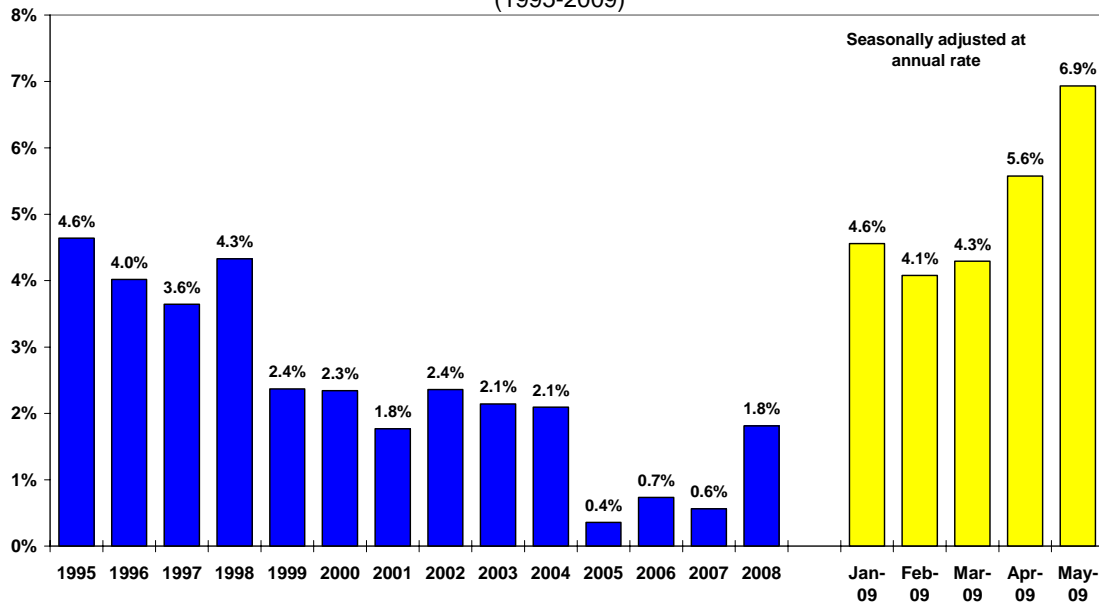
United States

Growth in the first quarter was adjusted upward slightly to an annualized negative rate of 5.5 percent, from negative 5.7 percent in the previous estimate. Firms' investments and exports dropped sharply, and private consumption increased moderately, by 1.4 percent.

Households' real disposable income showed considerable growth again in May, at 1.6 percent, further to the 1.2 percent increase in April, as a result of the budgetary measures applied by the government – the fiscal stimulus. However, households decided to save rather than consume the added income. Real private consumption increased by only 0.2 percent in May, following a 0.1 percent decrease in April. As a result, households' rate of savings out of disposable income continued to rise, reaching 6.9 percent in May. This was the highest rate of savings since 1993.



US - Personal saving as a percentage of disposable personal income
(1995-2009)



Core PCE prices rose by just 0.1 percent in May, less than in the preceding months; this indicates that there is still no evidence of inflationary pressures in the American economy.

The Fed left the interest rate unchanged at 0-0.25 percentage points, as expected. The government bond purchase plan remained unchanged. The Fed said that signs of recovery had been noted in the economy, as well as a decrease in concerns over deflation.

The University of Michigan's consumer confidence index rose to 70.8 points in June, above expectations.

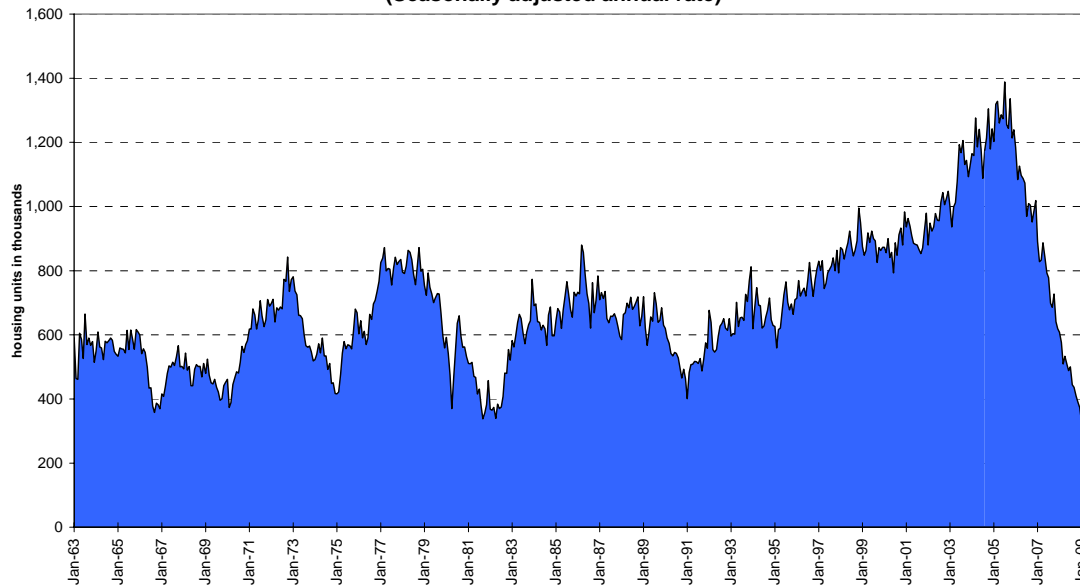
Sales of existing homes were lower than expected, but the supply of homes for sale, in terms of months of sales, decreased.

Sales of new homes remained almost unchanged in May, while sales figures for previous months were adjusted downward, to a low of many decades.



New Family Houses Sold

(Seasonally adjusted annual rate)



Yields of US government bonds decreased at the end of last week, due to lower private consumption figures and core private consumption prices. Surplus demand for bond issues supported this process.

Important Announcements in the Coming Week

- An estimate of the consumer price index in the euro zone, an update of first-quarter growth in the UK, and sales of new homes in Israel will be published on Tuesday, June 30.
- The Tankan second-quarter survey in Japan and the ISM manufacturing sector index in the US will be published on Wednesday, July 1.
- Unemployment data in the euro zone and the employment report in the US will be published on Thursday, July 2.
- The purchasing managers' index and retail sales figures will be published in the euro zone on Friday, July 3.
- The ISM service sector index will be published in the US on Monday, July 6.



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

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