MarketVector™ BlueStar INDEXES

ISRAEL MARKET REVIEW AND OUTLOOK Q2 2026

Israel Market Review and Outlook Q2 2026

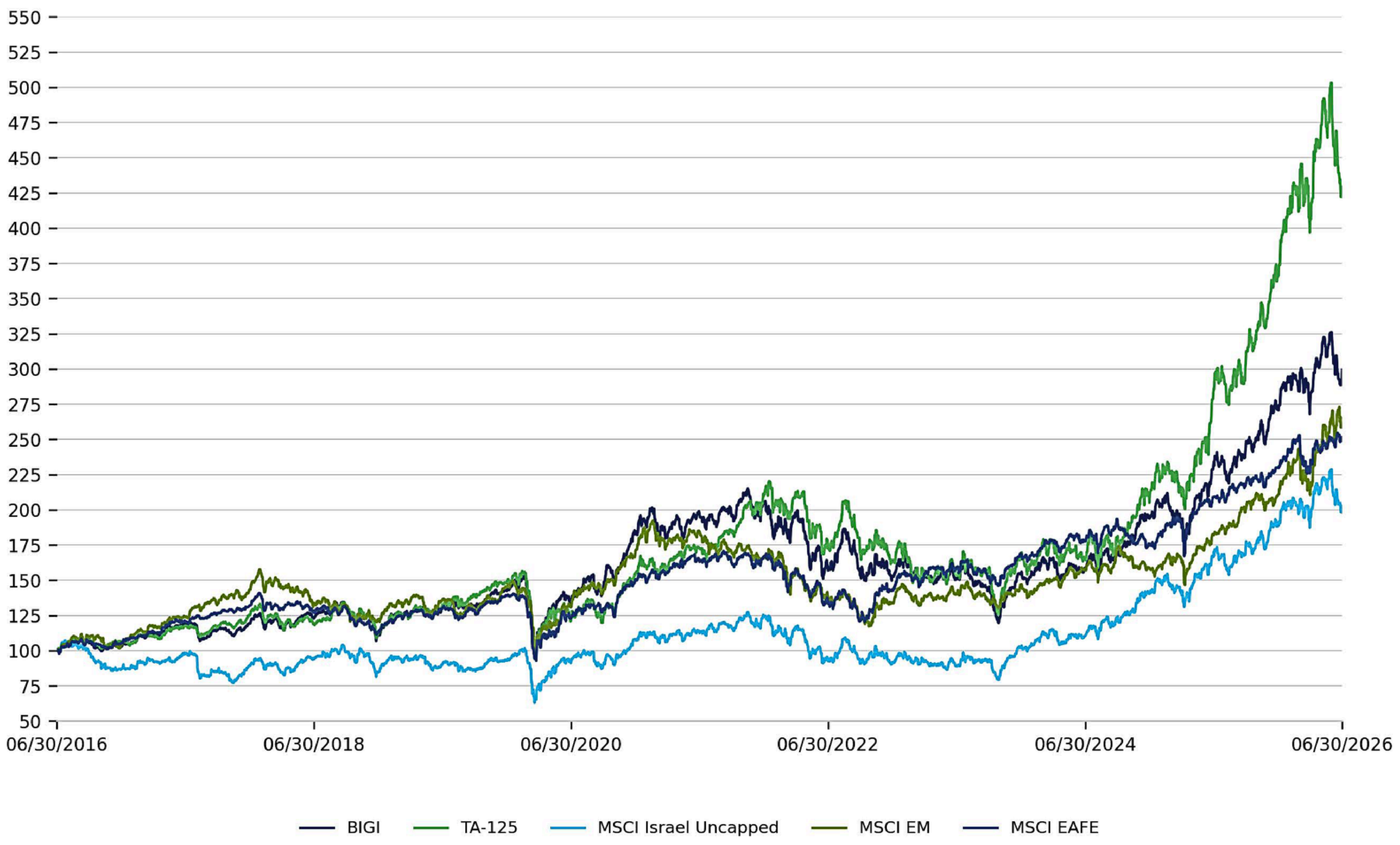
What's Inside

Israeli Equities Extend Gains as Tech Rebounds and Inflation Eases

Highlights:

- Israeli equities remained resilient despite significant geopolitical volatility. BIGI® gained 7.74% in Q2 and 10.63% YTD.
- BIGITech® rose 15.81% in Q2 and 15.25% YTD as growth-oriented stocks regained leadership.
- Israeli defense equities consolidated after their exceptional 2025 rally. The MarketVector™ Israel Defense Industries Index declined 15.33% in Q2 but remained 2.93% higher YTD.
- The Bank of Israel lowered its policy rate to 3.75% on May 25 and again to 3.5% on July 6. The easing cycle reflects moderating inflation and a recovery in economic activity, although the labor market remains tight and business-sector wages increased 6.8% year-over-year during March–May.
- The Bank of Israel forecasts GDP growth of 4.0% in 2026 and 5.5% in 2027. Growth is expected to be supported by the return of reservists to employment, an increased supply of foreign workers, and a recovery in investment.
- The shekel appreciated approximately 5.6% against the U.S. dollar and 6.8% against the euro during Q2.

10-Year Total Returns



Source: MarketVector, Refinitiv. Date as of June 30, 2026. All data in USD.
Bank of Israel (2026), Research department staff forecast. Retrieved July 17, 2026

Israel Equity Market Performance

Israel & Global Equity Benchmark Comparison

Israeli equities continued to advance in Q2 2026, with BIGI® gaining 7.74% for the quarter and 10.63% YTD. BIGI® outperformed MSCI Israel Uncapped and the TA-125 in Q2, though it lagged the broader global risk rally led by EM and U.S. equities. BIGITech® was the standout domestic segment, rising 15.81% in Q2, while the Israel Defense Industry Index declined 15.33% as investors took profits after last year's exceptional gains.

The macro backdrop became more supportive as inflation moderated and the Bank of Israel resumed easing, cutting rates to 3.75% in May and 3.5% in July. The BOI now expects GDP growth of 4.0% in 2026 and 5.5% in 2027, supported by improving activity and easing supply constraints, though it continues to flag geopolitical uncertainty, tight labor conditions, and wage growth as key risks.

BENCHMARK	Q2	2026 YTD (%)
BIGI®	7.74	10.63
BIGITech®	15.81	15.25
MSCI Israel Uncapped	4.70	7.42
TA-125 INDEX	5.58	17.17
S&P 500	15.20	10.21
MSCI EM	24.05	23.85
MSCI EAFE	11.08	9.84
Israel Defense Industry	(15.33)	2.93
BIGITech®	15.81	15.25
Dow Jones US Tech	29.59	17.38
S&P Global 1200 Info Tech	37.88	28.72
MSCI EM Tech	73.27	92.82
Nasdaq-100	27.27	20.31

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Israel Equity Market Performance

Total Return By Sector (BLSTR): 2026

Sector leadership shifted back toward growth. Information Technology (+18.82%), Consumer Discretionary (+16.74%), and Health Care (+12.99%) led the quarter, while Energy (-12.41%), Consumer Staples (-8.02%), and Industrials (-5.69%) lagged. This marked a notable rotation away from the energy and defense-linked leadership that had dominated prior quarters.

SECTOR	Q2 TOTAL RETURN
Communication Services	5.16
Consumer Discretionary	16.74
Consumer Staples	(8.02)
Energy	(12.41)
Financials	(4.00)
Health Care	12.99
Industrials	(5.69)
Information Technology	18.82
Materials	(5.45)
Real Estate	(1.03)
Utilities	9.66

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Israel Equity Market Performance

Top and Bottom Total Return by Name (BLSNTR): Q2 2026

At the constituent level, Varonis Systems, JFrog, Taboola, Pagaya, Tower Semiconductor, and Mobileye were among the strongest performers. On the other side, Wix.com, Amdocs, Delek Group, Energean, NICE, and NextVision weighed on returns. The weakness in NextVision highlights the broader defense-sector consolidation, even as Israel's defense export backdrop remains structurally strong, with 2025 exports reaching a record $19.2 billion.

NAME (TOP TOTAL RETURN)	TOTAL RETURN
Varonis Systems Inc	95.44
JFrog Ltd.	93.65
Taboola.com Ltd	61.29
Tower Semiconductor Ltd.	50.49
Payoneer Global Inc	47.41
Energix-Renewable Energies	47.17
Mobileye Global Inc-A	40.90
Novocure Ltd	38.99
Electra Ltd	33.55

NAME (BOTTOM TOTAL RETURN)	TOTAL RETURN
OPC Energy Ltd	-9.67
Strauss Group Ltd	-10.31
Isracard Ltd	-14.23
Kenon Holdings Ltd	-14.94
Next Vision Stabilized Systems	-16.34
Nice Ltd - Spon ADR	-17.60
Energean PLC	-19.62
Delek Group Ltd	-21.68
Amdocs Ltd	-21.68
Wix.com Ltd	-49.63

Source: MarketVector, Refinitiv. Date as of June 30, 2026. All data in USD.
Bank of Israel (2026), Research department staff forecast. Retrieved July 17, 2026

Domestic vs. Global Economic Exposure

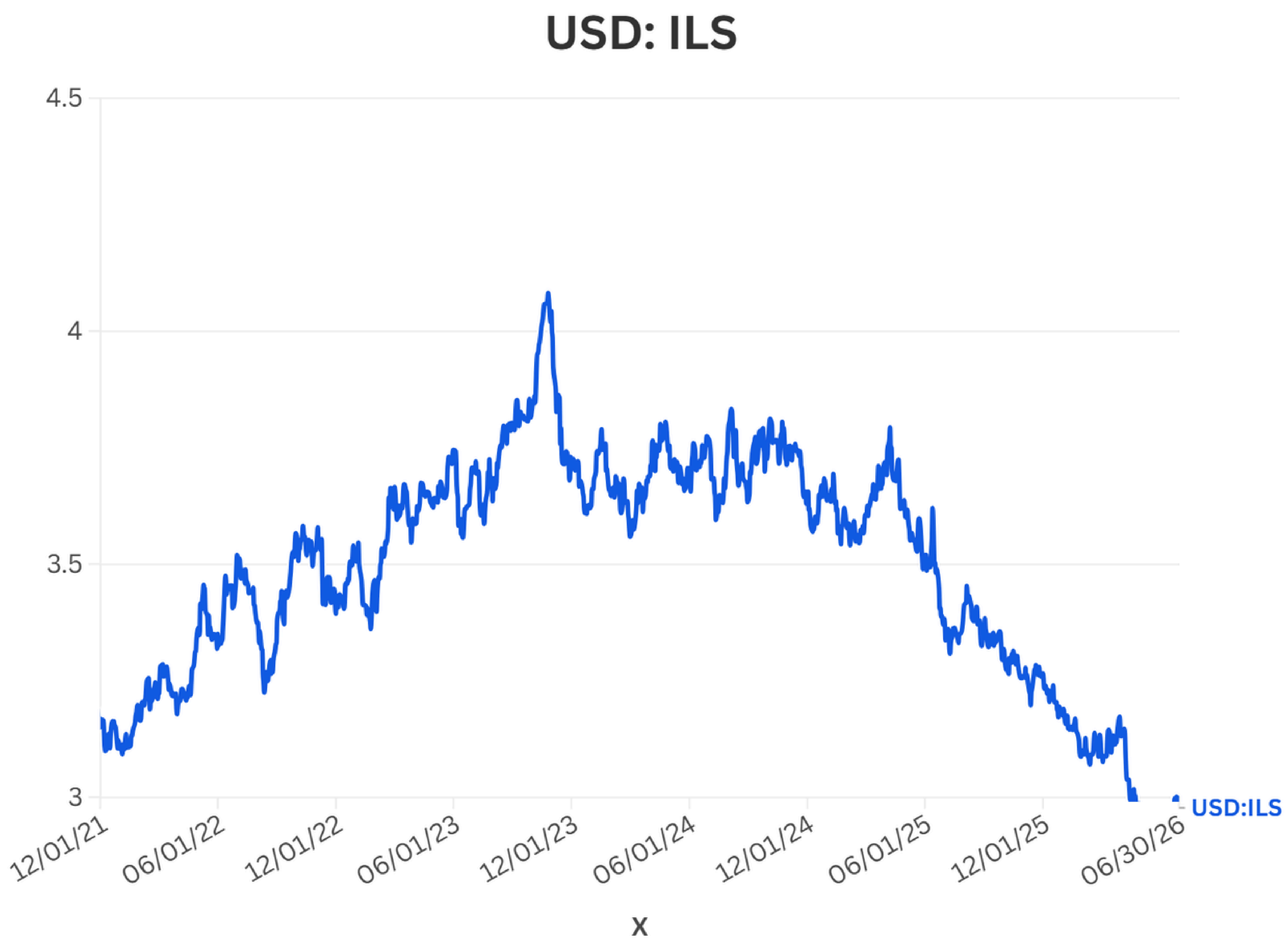
Domestic-oriented Israeli equities remained supported in Q2 by moderating inflation, monetary easing, and improving confidence in economic normalization.

The shekel's appreciation added an important tailwind for international investors by increasing the U.S.-dollar value of local equity returns. Currency strength also helped contain imported inflation and supported the Bank of Israel's ability to reduce interest rates, benefiting domestically focused sectors sensitive to consumption, credit conditions, and local investment.

Currency movements can also drive a divergence between domestic and globally oriented Israeli companies. Domestic businesses tend to earn more revenue in shekels and therefore provide greater exposure to Israel's economic recovery. Global companies are driven more by overseas demand, but a stronger shekel can increase their local operating costs relative to foreign-currency revenues and create margin pressure.

As a result, domestic exposure is generally more sensitive to Israeli growth, interest rates, and currency appreciation, while global exposure behaves more like an international technology, healthcare, or industrial allocation with an Israeli corporate connection.

Domestic vs. Global Economic Exposure



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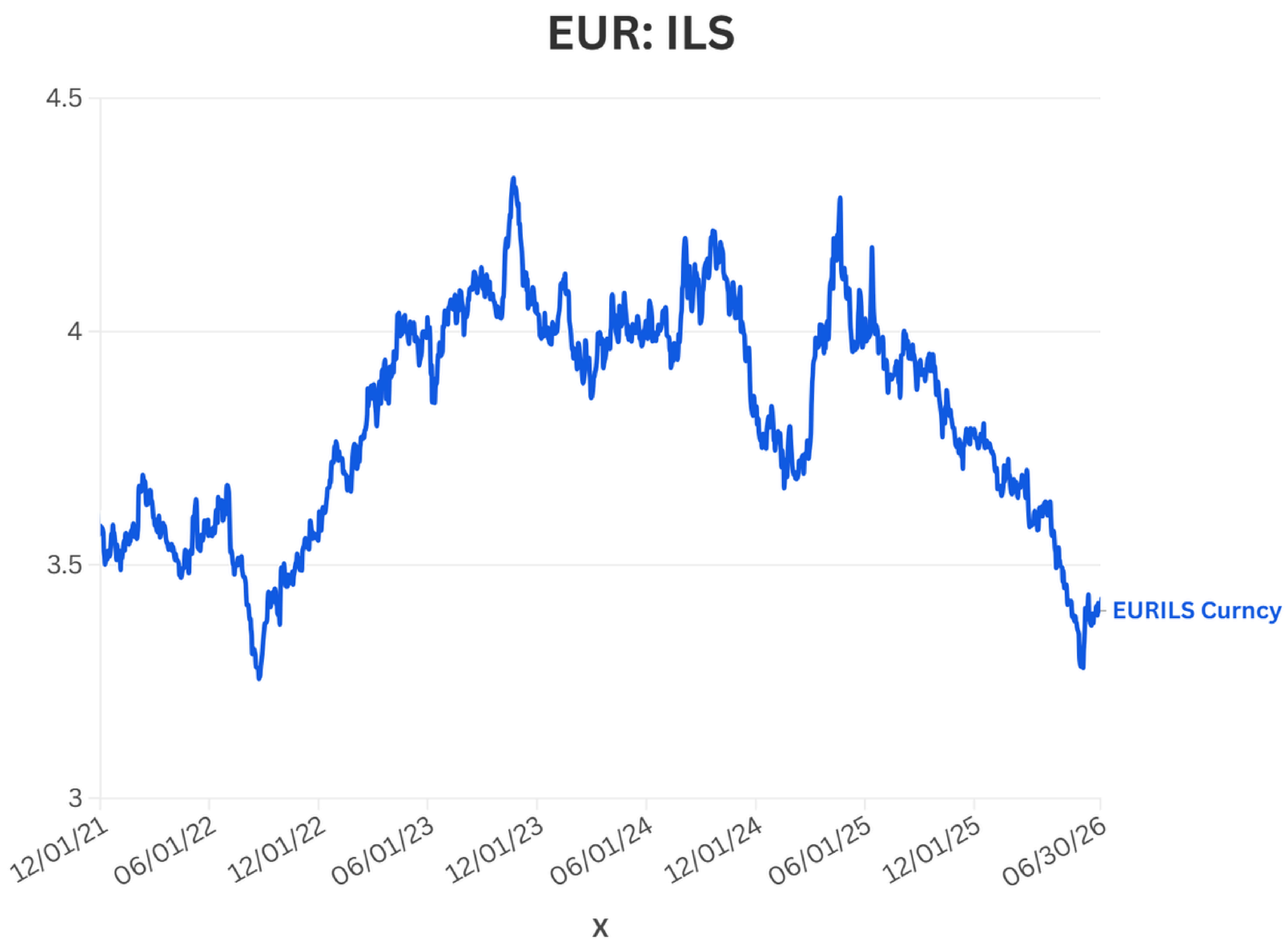

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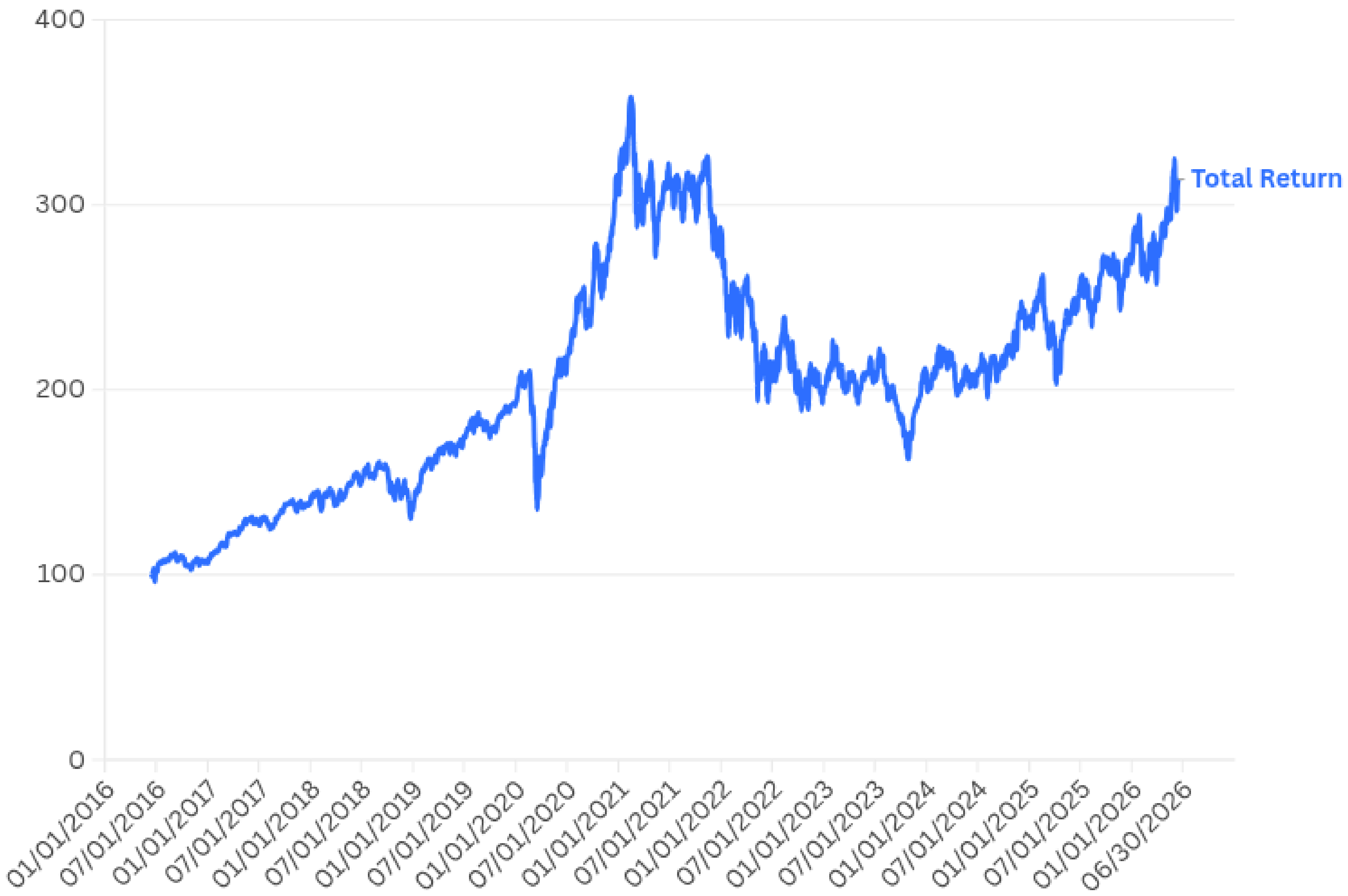
BlueStar® Israel Global Technology Index

BIGITech® regained leadership in Q2, rising 15.81% versus BIGI®'s 7.74% gain. The rebound was broad across Israeli technology exposure, with software, cybersecurity, digital platforms, semiconductors, and mobility-related names all contributing.



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BlueStar® Israel Global Technology Index

Several factors supported BIGITech® during the quarter. Global appetite for AI-related software infrastructure, cybersecurity, and semiconductor exposure improved, while lower rates helped long-duration growth assets. Israel's private technology market also showed renewed strength, with high-tech fundraising reaching approximately $4.2 billion in Q2 and $7.6 billion in H1, led by cyber and other innovation-driven segments.

JFrog was a key contributor last quarter. Revenue rose 26% year-over-year to $154 million, cloud revenue increased 50%, and customers with more than $1 million in ARR rose 48%. Management also highlighted demand from AI-powered coding agents, reinforcing JFrog's role as software development volumes accelerate.

About the BlueStar Indexes®

The BlueStar Indexes® were launched in 2011 by BlueStar Global Investors, a research-driven provider of indexes and financial data. BlueStar®´s Indexes were acquired by MarketVector Indexes™ ("MarketVector") in August 2020 and are now continued as a sub-brand of MarketVector.

BlueStar Indexes® produced updates on the Israeli market since 2012. In this Israel Equity Review and Outlook we provide data and insight on the performance of Israeli equity benchmarks, stocks and sectors driving performance, key economic data for the Israeli market, as well as data on our flagship Israeli equity indexes, BIGI® and BIGITech®.

In general, we provide an outlook on key economic, geopolitical, and domestic political developments.

The BlueStar® Israel Global Index (BIGI® or BLS & BLSTR INDEX on Bloomberg) is the broadest and deepest benchmark for Israeli equities trading. BIGI® is tracked by an NYSE-listed ETF, as well as an Israel-domiciled index fund.

The BlueStar® Israel Global Technology Index (BIGITech® or BGTH & BGTHTR INDEX on Bloomberg) is the broadest and deepest benchmark tracking the performance of Israeli companies operating in innovative sectors such as information technology, defense technology, clean technology, and bio-technology. BIGITech® is tracked by an NYSE-listed ETF. In addition, there are two Israel- domiciled investment vehicles tracking BIGITech® managed by KSM.

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