



Q&A - You asked and we answer

The effect of the spread of the Corona virus on the capital market

Is the Stock Exchange continuing to operate? Why isn't trading on the Stock Exchange suspended when there are sharp fluctuations in the prices of shares and bonds?

- The Stock Exchange is an essential resource for industry and the economy and therefore it has the ability to function even in times of emergency.
- It is important that the Stock Exchange and other entities that are essential to the activity of the capital market (such as portfolio managers and investment advisors) will continue to operate even in periods in which various organizations in the economy are suspending their activity, in order to enable the public to continue to manage their investments.
- In cases of extreme fluctuations in the prices of securities, the Stock Exchange activates a mechanism known as "suspension of trading" for a limited period of time, following which trading is resumed.
- Declines in the prices of securities will not itself lead to a complete suspension of trading on the Stock Exchange. This is also the situation in other stock exchanges around the world where major declines in prices are observed during periods of crisis, including the current one, and activity is not suspended as a result.

Is it worthwhile selling investments in the capital market as a result of the Corona crisis?

- An investor needs to decide how to manage his savings, particularly during a crisis that is characterized by high volatility and uncertainty. Each investor has his own investment goals, needs and constraints and therefore must examine his investment decisions accordingly. It is recommended that he take advantage of the licensed professionals who have been trained for this purpose: investment advisors, investment marketers and portfolio managers.

It is important to keep in mind that even in times of crisis, the capital market provides investment possibilities that are suited the various preferences of investors. Investors also have the option of investing in solid and conservative assets, such as government bonds, rather than assets with greater volatility.

- Do you want to check whether an investment advisor, investment marketer or portfolio manager is supervised by the Israel Securities Authority (ISA)? Simply go to the ISA site to check whether he is supervised and whether he meets the standards established in the Securities Law by clicking on the following link: <https://bit.ly/2vvz4Cb>.



Can one lose an investment he made in a public company? Is there any entity responsibility for recovering money for investors?

- Investment in the capital market involves risk – both in normal times and during a crisis. In cases where money was invested in a company that defaults, then the risk implicit in the investment is realized and the money invested may be lost. It is often the case that companies that default enter into debt rescheduling arrangements, with the goal of improving their business activity and providing maximal value to their bondholders in the circumstances that have arisen. It is important to know that shareholders and other stakeholders, such as creditors, are paid from the company's assets and if there is a monetary loss there is no entity that will reimburse them.
- Past events show that over time the markets usually correct for the declines during a crisis and the share prices of certain companies return to previous levels. On the other hand, in previous crises there were companies whose business activity did not return to its previous levels and who even defaulted during the crisis or following it.

How can I access the financial reports of a company that I have invested in and thus to know if it is exposed to the effects of the Corona virus?

- The MAGNA system (the reporting system of ISA) contains all of the reports of reporting corporations.
- The corporations are required to report any material effects of the Corona events on their business activity, if there are any. The system is accessible to the public through ISA site or directly – www.magna.isa.gov.il.
- In parallel, share price movements can be viewed at the site of the Tel Aviv Stock Exchange.



Should I sell securities now in order to avoid further declines?

- The future is difficult to predict. It is possible that current prices are low and they will rise. And it is possible that the current trend will continue and that the prices of securities will drop even further. Apart from the general trend of the market, there are expected to be significant differences between the various investment channels and between securities of various companies.
- It is not possible to provide general advice without taking into consideration the situation of each individual and in particular his investment options and his risk tolerance. In general, it is worthwhile to carefully consider one's moves and to get advice from licensed professionals who have the appropriate training, prior to taking any steps that might harm one's investments.

Is it worth buying securities now when prices are low?

- The future is difficult to predict. It is possible that current prices are low and that they will rise and it is possible that the current trend will continue and the prices of securities will drop even further. The answer is determined by many factors, including the investment horizon of the investor.
- Beyond the general trend of the market, there are expected to be significant differences between investment channels and between securities of the various companies.

Who can I contact with questions?

- You can contact the Public Enquiries Department of the ISA by means of an online form on the Authority's site or using the following link: <https://bit.ly/2QobrTf>.
- Additional information can be found on the page Corona Updates on the Authority's site, or by means of the following link: <https://bit.ly/2Qpj9wn>.