

deficit shows the government is serious about getting its house in order, and it could boost share prices when passed by parliament.

The plan faces its final two votes in parliament next week, and macro-economic analyst Eli Politansky of Investec Israel expects it to be approved largely in its current format, despite tough parliamentary and union opposition.

"We expect the economic plan to pass pretty much as is," said Politansky. "That could give stocks a further boost, although I think the market is close to being fully priced.

"The market was very undervalued, so I was not surprised at the rise. The surprise was how quickly it went up. I think the market will stay at this level. I do not believe it can go much higher," Politansky said.

He said shares were also being boosted by the Bank of Israel's interest rate cuts in recent months, \$9 billion in loan guarantees Israel has secured from the United States and rises on U.S. stock exchanges.

Financial commentator Sever Plocker of the Yedioth Ahronoth daily believes the Tel Aviv exchange's rise reflects companies' streamlining efforts due to the deep recession rather than any economic revival or renewed political outlook.

"The business sector has been forced to carry out deep efficiency measures to remain competitive, and that makes them leaner and more attractive to investors," Plocker said on Israel Radio. "It is certainly not due to an economic revival, because we are likely to post another year of recession this year."

Battered by a two-and-a-half year Palestinian uprising and the global slowdown, Israel has posted two years of recession, with little or no growth seen this year.

(\$1 = 4.52 shekels).

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