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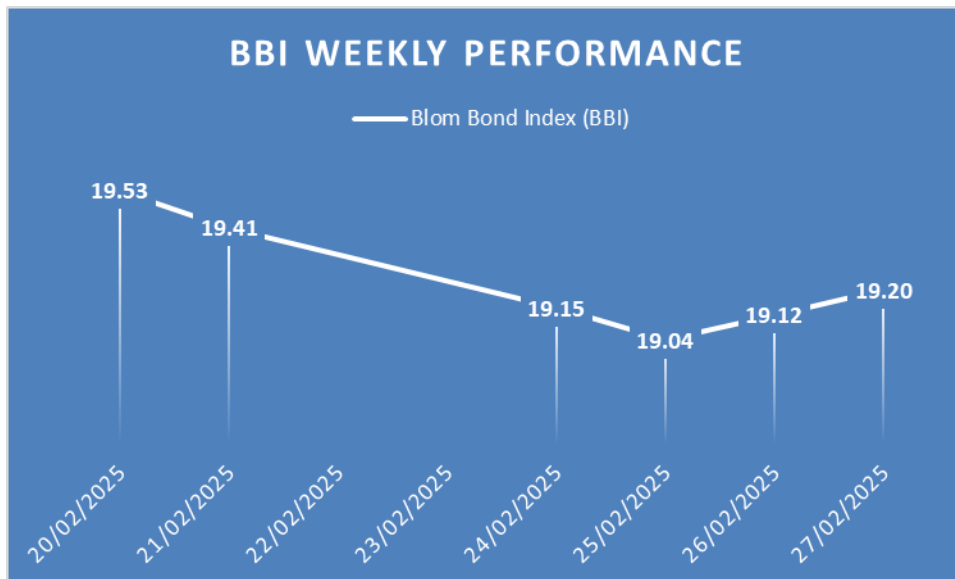
	27/02/2025	20/02/2025	Change	Year to Date
BLOM Bond Index (BBI)	19.20	19.53	-1.69%	44.50%
Weighted Yield	84.87%	83.17%	2.03%	-18.05%
Weighted Spread	8,064.28	7,888.93	2.22%	-18.77%

The BLOM Bond Index (BBI), which tracks Lebanese government Eurobonds (excluding coupon payments), declined by 1.7% this week to 19.2 points.

This drop succeeded the massive turnout at the funeral of former Hezbollah leader Hassan Nasrallah and Hashem Safieddine, who led Hezbollah for a week after Nasrallah's death. [Reuters](#) estimated the crowd size to be in the hundreds of thousands. This suggests that Hezbollah's influence could remain strong despite recent military setbacks and could impact political decisions.

On top of that, on Thursday, Israel's Defense Minister, Israel Katz, said that Israeli troops will "stay indefinitely" in the Lebanon border buffer zone, following a U.S. approval to maintain their positions. Lebanese President Joseph Aoun, along with other national leaders, asserted that any Israeli presence on Lebanese soil is deemed an "occupation".

Additionally, ongoing Israeli strikes in Lebanon contributed to the decline.



However, some optimism reversed the bonds' trajectory, although not enough to fully correct it.

On Tuesday, February 25, the Lebanese Ministry of Finance updated the Eurobond agreement, so it prevents Lebanon from using time limits as an excuse to avoid paying back interest on Eurobonds until March 9, 2028, for all Lebanese-issued Eurobonds. This is in accordance with the Cabinet's decision on January 7, 2025. This move aimed to prevent bond holders to raise lawsuits against the Lebanese republic, and to allow for the establishment and completion of an orderly restructuring plan for the Eurobond portfolio.

On Wednesday, February 26, Lebanon's new government secured a parliamentary confidence vote with the support of 95 out of 128 lawmakers, including members of Hezbollah. The Prime Minister Nawaf Salam vowed to implement economic and financial reforms and begin negotiations with the International Monetary Fund (IMF).

Salam also emphasized the government's commitment to ensuring national security, implementing UN Security Council Resolution 1701, liberating Lebanese territories from Israeli occupation, and deploying the army along the border. He also reiterated the government's exclusive authority to possess arms. This stance could potentially pave the way for ending Israel's occupation of Lebanon and fostering a more diplomatic solution between the two nations.

When bond prices go down, yields go up. Consequently, the yield on 5-year bonds rose by 155 basis points to 85.7%, and the yield on 10-year bonds increased by 90 basis points to 61.4% this week.

	27/02/2025	20/02/2025	Change
JP Morgan EMBI	921.85	912.91	0.98%
5Y LEB	85.70%	84.15%	155
10Y LEB	61.40%	60.50%	90
5Y US	4.09%	4.34%	-25
10Y US	4.29%	4.50%	-21
5Y SPREAD	8,161	7,981	180
10Y SPREAD	5,711	5,600	111

In the U.S., treasury yields fell this week by 25 basis points for 5-year bonds and 21 basis points for 10-year bonds, settling at 4.1% and 4.3%, respectively. The 10-year Treasury yield is trading near its lowest level since early December 2024. Recent economic reports pointed to a slowing economy, prompting markets to increase their pricing in for potential Federal Reserve rate cuts.

Traders are now factoring in a 7.5% chance of a quarter-point rate cut at the Federal Reserve's March meeting, up from 6% last week, according to the CME Group's FedWatch tool.

TARGET RATE (BPS)	NOW*	1 DAY	1 WEEK	1 MONTH
	26 FEB 2025	21 FEB 2025	28 JAN 2025	
375-400	0.0%	0.0%	0.0%	0.6%
400-425	7.5%	4.0%	6.0%	30.9%
425-450 (Current)	92.5%	96.0%	94.0%	68.5%

The latest data shows that jobless claims for the week ending February 22 surged by 22K to 242K, surpassing the Dow Jones economists' estimate of 225K, signaling potential weakness in the labor market. In addition, the second estimate for US GDP growth held steady at 2.3% annually, unchanged from the advance estimates, and down from 3.1% in Q3. A weakening economy indicates higher probabilities of rate cuts, which cause Treasury yields to fall. On the other hand, if inflation remains sticky, the Fed might not cut rates. Traders are now monitoring the latest PCE price index report, the Federal Reserve's preferred inflation gauge, for more clarity on the trajectory of interest rates. Bloomberg intelligence expects it to have accelerated in January.

Investors are also worried about the recent tariff threats from U.S. President Donald Trump and their implications for inflation and the U.S. economy, in addition to their unclear impact on the monetary path. Trump announced that tariffs on Mexico and Canada will be implemented on March 4, and China will face an additional 10% tariff on the same date. Trump also said a 25% tariff on imports from the European Union will follow and that the tariffs would generally apply to "cars and all other things." These measures will drive inflation higher by raising the cost of imported goods and local products with foreign raw materials, implying a more cautious approach to rate reductions. However, retaliatory measures are expected, which will decrease demand for U.S. goods and further weaken the U.S. economy, potentially leading to a more dovish monetary policy.

5Y Credit Default Swaps (CDS)

	27/02/2025	20/02/2025
KSA	62.36	62.09
Dubai	59.19	62.81
Brazil	179.19	166.99
Turkey	220.92	212.65
Source: Bloomberg		

Maturity	Coupon in %	Prices		Weekly	Yields		Weekly
		27/02/2025	20/02/2025	Change	27/02/2025	20/02/2025	Change bps
28/11/2026	6.6	18.485	18.84	-1.88%	144.76%	141.05%	371.30
23/03/2027	6.85	18.575	18.814	-1.27%	122.23%	119.85%	237.49
29/11/2027	6.75	18.525	18.857	-1.76%	92.57%	90.85%	172.14
03/11/2028	6.65	18.604	18.872	-1.42%	71.82%	70.81%	101.88
26/02/2030	6.65	18.488	18.841	-1.87%	57.83%	56.89%	94.09
22/04/2031	7	18.496	18.876	-2.01%	51.83%	50.97%	85.63
23/03/2032	7	18.56	18.88	-1.69%	48.10%	47.41%	68.92
02/11/2035	7.05	18.595	18.875	-1.48%	41.12%	40.59%	53.06
23/03/2037	7.25	18.58	18.906	-1.72%	40.95%	40.30%	64.46

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