

Lebanese Bond Investors Await Key Financial Reforms Ahead of IMF Talks



BLOMINVEST
BANK

April 11, 2025

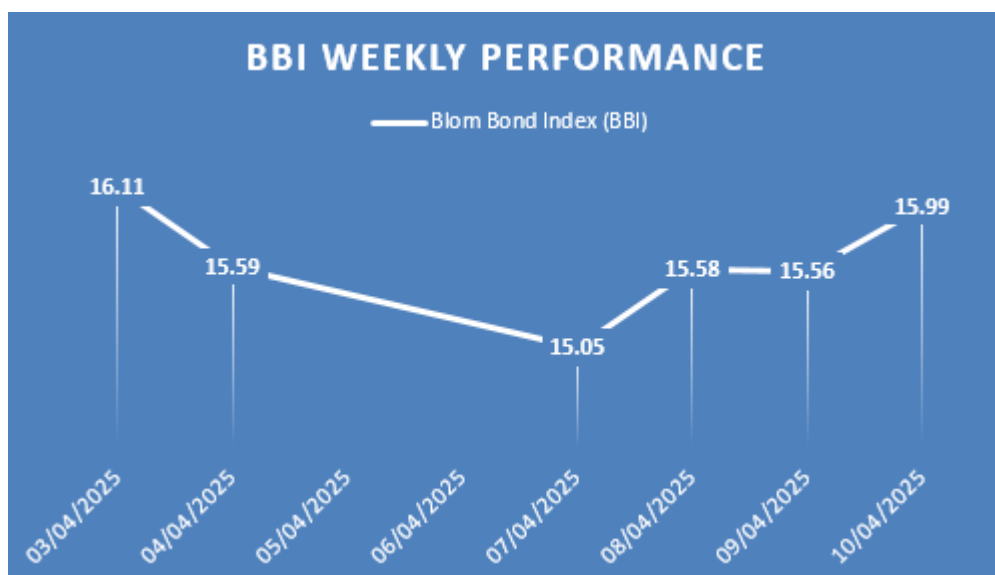
Contact Information

Mira Said

mira.said@blominvestbank.com

	10/04/2025	03/04/2025	Change	Year to Date
BLOM Bond Index (BBI)	15.99	16.11	-0.77%	20.30%
Weighted Yield	101.78%	100.36%	1.41%	-1.72%
Weighted Spread	9,764.48	9,622.56	1.47%	-1.65%

The BLOM Bond Index (BBI), which tracks Lebanese government Eurobonds (excluding coupon payments), fell by 0.77% in the week ending 10 April 2025 to 16 points.



As shown in the chart above, the BBI experienced an overall decline throughout the week but reversed course, recovering some of its losses by the end of the week.

One important development is that the IMF has warned Lebanese officials that foreign aid will not be provided unless key conditions are met. These include appointing a new board for the Council for Development and Reconstruction and passing two financial reform laws. It is important to note that IMF meetings are set to take place from April 21 to April 26.

The first amends banking secrecy regulations, with Finance Minister Yassine Jaber expecting parliamentary approval within days.

The second, a more complex law on bank restructuring and regulation, remains unapproved, with ministers expected to submit feedback for refinement by the end of the week. The last draft has faced significant criticism from the banking sector, particularly from the Association of Banks, which submitted extensive remarks.

A third law, the Financial Gap Law, will define banking sector losses and deposit recovery but is not required before the IMF meetings. However, some officials warn that addressing restructuring independently of banking losses poses challenges as these financial figures can significantly affect the reform framework.

That said, Israeli violations of the ceasefire agreement with Lebanon persist for yet another week, further escalating tensions and undermining stability in the region.

On a positive note, increasing pressure for Hezbollah's disarmament has led a senior Hezbollah official to tell Reuters that the group is open to talks with Lebanon's president about disarmament, contingent on Israel's withdrawal from south Lebanon and an end to its strikes. Meanwhile, Prime Minister Nawaf Salam stated that the cabinet would address the issue of Hezbollah's weapons soon. This move signals a potential reduction in geopolitical tensions. A lasting peace with Israel could attract investments to the country, boost Lebanon's economy and revenues, and enable the government to prioritize key reform policies, including debt restructuring. Additionally, the government's willingness to address the issue through official channels reinforces the perception of institutional progress, further supporting bond prices.

When bond prices go down, yields go up. Consequently, the yield on 5-year bonds rose by 130 basis points to 100.8%, and the yield on 10-year bonds increased by 70 basis points to 71.1% this week.

	10/04/2025	03/04/2025	Change
JP Morgan EMBI	896.11	919.96	-2.59%
5Y LEB	100.80%	99.50%	130
10Y LEB	71.10%	70.40%	70
5Y US	4.04%	3.75%	29
10Y US	4.40%	4.06%	34
5Y SPREAD	9,676	9,575	101
10Y SPREAD	6,670	6,634	36

Similarly, in the U.S., treasury yields increased this week by 29 basis points for 5-year bonds and 34 basis points for 10-year bonds, settling at 4.04% and 4.4%, respectively.

This increase reflects deepening worries over the stability of the U.S. economy and sustainability of US trade policies. Markets continue to price in the potential impact of U.S. President Donald Trump's tariffs, even with a 90-day pause that temporarily reduces rates to a universal 10%. This postponement excludes China, which now faces a cumulative 145% tariff on its goods, further intensifying the trade war and fueling concerns about significant economic fallout. In response, Beijing on Friday raised its tariffs on U.S. imports to 125%, escalating tensions further. Investors are selling off bonds, signaling a shift in market fundamentals—an unusual trend, as U.S. Treasuries are considered a safe haven during periods of volatility. This came despite an increase in inflation's index CPI by only 2.4% year over year (YoY) in March, lower than the expected 2.6% YoY, according to Dow Jones' economists survey.

Some market reports suggest that the Chinese government could be behind the large-scale bond sales, given its position as the second-largest foreign holder of U.S. Treasury bonds. While this move would come at a significant cost by reducing the value of China's foreign reserves because the bonds are sold at a discount, it remains a powerful tool in its trade war with the U.S. However, since trading activity is confidential, the extent of China's involvement remains uncertain.

Traders are now pricing in a 34.6% probability of a 0.25% cut at the Federal Reserve's May meeting, while assigning a 65.4% likelihood to no change, according to the CME Group's FedWatch tool.

5Y Credit Default Swaps (CDS)		
	10/04/2025	03/04/2025
KSA	102.83	78.95
Dubai	69.29	67.79
Brazil	200.11	191.97
Turkey	337.58	294.57
Source: Bloomberg		

Maturity	Coupon in %	Prices		Weekly Change	Yields		Weekly Change bps
		10/04/2025	03/04/2025		10/04/2025	03/04/2025	
28/11/2026	6.6	15.445	15.546	-0.65%	178.69%	175.36%	333.20
23/03/2027	6.85	15.386	15.579	-1.24%	148.87%	146.24%	263.16
29/11/2027	6.75	15.482	15.579	-0.62%	109.13%	107.88%	124.52
03/11/2028	6.65	15.413	15.568	-1.00%	84.00%	83.02%	98.01
26/02/2030	6.65	15.368	15.5	-0.85%	66.55%	66.02%	53.09
22/04/2031	7	15.512	15.548	-0.23%	59.59%	59.34%	24.39
23/03/2032	7	15.529	15.593	-0.41%	55.36%	55.16%	20.46
02/11/2035	7.05	15.45	15.556	-0.68%	48.27%	47.94%	32.81
23/03/2037	7.25	15.363	15.512	-0.96%	48.58%	48.18%	39.60

**For your Queries:
BLOMINVEST BANK s.a.l.**

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Mira Said

mira.said@blominvestbank.com

Research Department

Tel: +961 1 991 784

research@blominvestbank.com

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.