

US 10-Year Treasury Bonds Yield Increases as Moody's Downgraded US Rating from Aaa to Aa1



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	22/05/2025	15/05/2025	Change	Year to Date
BLOM Bond Index (BBI)	17.99	17.95	0.19%	35.35%
Weighted Yield	98.74%	97.96%	0.80%	-4.65%
Weighted Spread	9,446.01	9,372.30	0.79%	-4.85%

The BLOM Bond Index (BBI), which tracks Lebanese government Eurobonds (excluding coupon payments), rose marginally by 0.19% in the week ending May 22nd, 2025 to 17.99 points.

The BBI fluctuated throughout the past week, it increased and reached 18.01 on May 20th, 2025 and then decreased to 17.99 on May 22nd, 2025 due to several key factors.

Firstly, the third phase of municipality elections in Beirut and Bekaa passed without significant problems and the preparation for the fourth phase in South Lebanon and Nabatieh is in process. Second, the positive results of President's visits to Arab countries started materializing as UAE gave permission to its citizens to travel to Lebanon and other countries will follow.

On the political front, the situation in Lebanon is still unsteady. The talks between Lebanese President and Hezbollah regarding latter's

weapon did not start yet, thus the full implement of the UN Resolution 1701 is still not fulfilled.

Additionally, Israeli's breach of cease-fire persists as the airstrikes are targeting Hezbollah's military leaders. Thirdly, the war on Gaza is still strengthening with no end in the foreseen future.

The yield on 5-year bonds rose by 70 basis points to 97.3% and the yield on 10-year bonds increased by 30 basis points to 67% this week.

	22/05/2025	15/05/2025	Change
BBI	17.99	17.95	0.19%
JP Morgan EMBI	919.42	921.78	-0.26%
5Y LEB	97.30%	96.60%	70
10Y LEB	67.00%	66.70%	30
5Y US	4.11%	4.07%	4
10Y US	4.54%	4.45%	9
5Y SPREAD	9,319	9,253	66
10Y SPREAD	6,246	6,225	21

In the U.S., treasury yields marginally increased this week, as 1-year, 5-year, and 10-year bonds' yields increased by 3, 4, and 9 basis points to record 4.13 %, 4.11%, and 4.54% respectively. On Friday May 16th, 2025, Moody's rating agency lowered United States' credit rating from triple Aaa to Aa1, thus resulting in the loss of last triple A rating from the top three credit rating agencies as S&P lowered its rating in 2011 and tracked by Fitch in 2023. The reason behind the downgrade is the increase in government debt and broadening budget deficit. Additionally, President's Trump latest proposal to cut taxes including hundreds of billions dollars of new taxes and it was approved by a key congressional committee on Sunday. As per Trump's administration, these tax cuts will motivate economic growth, increase government revenues and reduce deficit. However, it is likely that this legislation

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will increase the current \$36 trillion debt by around \$4 trillion. The probability of easing interest rates in June 18th, 2025 meeting is currently 5.3% with markets expecting a 25 basis points cuts in September and December 2025.

5Y Credit Default Swaps (CDS)

	22/05/2025	15/05/2025
KSA	75.35	74.26
Dubai	57.46	57.55
Brazil	166.22	166.78
Turkey	297.92	302.92

Source: Bloomberg

Maturity	Coupon in %	Prices		Weekly Change	Yields		Weekly Change bps
		22/05/2025	15/05/2025		22/05/2025	15/05/2025	
28/11/2026	6.6	17.407	17.339	0.39%	179.76%	177.34%	243
23/03/2027	6.85	17.281	17.261	0.12%	145.67%	144.25%	142
29/11/2027	6.75	17.338	17.285	0.31%	105.94%	105.29%	65
03/11/2028	6.65	17.286	17.284	0.01%	79.96%	79.65%	31
26/02/2030	6.65	17.365	17.345	0.12%	62.18%	62.06%	12
22/04/2031	7	17.386	17.341	0.26%	55.47%	55.49%	(2)
23/03/2032	7	17.41	17.37	0.23%	51.20%	51.23%	(3)
02/11/2035	7.05	17.383	17.373	0.06%	43.84%	43.86%	(2)
23/03/2037	7.25	17.382	17.39	-0.05%	43.49%	43.47%	2

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