

## Lebanese Eurobonds Steady amid UNIFIL uncertainty, While U.S. Treasury Hold on Fed Caution



BLOMINVEST  
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	21/08/2025	14/08/2025	Change	Year to Date
<b>BLOM Bond Index (BBI)</b>	20.21	20.24	-0.13%	52.08%
<b>Weighted Yield</b>	102.92%	101.48%	1.41%	-0.62%
<b>Weighted Spread</b>	9,881.14	9,744.23	1.41%	-0.47%

The **BLOM Bond Index (BBI)**, which tracks Lebanese government Eurobonds (excluding coupon payments), fell by **0.13%** in the week ending **21 August 2025**, closing at **20.21 points**. Moreover, when bond prices go down, yields go up; consequently, the yield on 5-year bonds rose by 20 basis points to 97% and the yield on 10-year bonds increased by 30 basis points to 64.5% this week.

On August 18, U.S. special envoy Tom Barrack met with President Joseph Aoun, after Lebanon formally endorsed a U.S.-backed plan to disarm Hezbollah. Barrack called for Israel to reciprocate with reduced military action and even discussed ideas for post-conflict reconstruction. The U.S. also urged Israel to comply with Lebanon's newly approved disarmament framework, which envisages a phased handover of arms in return for Israel sealing off hostilities.

Also, the UN Security Council opened critical talks on the future of UNIFIL, Lebanon's peacekeeping force stationed along the Israeli border. France proposed a gradual withdrawal tied to the Lebanese Army's ability to assume full control, while the U.S. favored only a one-year extension and even hinted at ending the mission entirely - a stance that drew strong pushback from European allies warning of a security vacuum that could empower Hezbollah. For Lebanon's financial markets, this uncertainty feeds directly into bond performance. Recent optimism from reform measures and disarmament initiatives has been tempered by geopolitical risks, as investors weigh the possibility of instability if UNIFIL's mandate falters. Bond prices may find some support if the mission is smoothly

renewed - whether under U.S. backing or with greater Chinese involvement - but any rupture in UNIFIL would likely trigger a deterioration in investor confidence.

Furthermore, it is interesting to add that on August 21, a major step unfolded as Palestinian factions in Beirut's Burj al Barajneh refugee camp started surrendering weapons of armed groups related to Palestinian State to the Lebanese Army. This initiative stems from a broader national strategy to enforce a state arms monopoly.

	21/08/2025	14/08/2025	Change
<b>BBI</b>	20.211	20.238	-0.13%
<b>JP Morgan EMBI</b>	967.93	970.99	-0.32%
<b>5Y LEB</b>	97.00%	96.80%	20
<b>10Y LEB</b>	64.50%	64.20%	30
<b>5Y US</b>	3.86%	3.77%	9
<b>10Y US</b>	4.33%	4.24%	9
<b>5Y SPREAD</b>	9,314	9,303	11
<b>10Y SPREAD</b>	6,017	5,996	21

Similarly, in the U.S., Treasury yields climbed this week, with 5-year and 10-year bonds rising by 9 basis points, respectively, settling at 3.86% and 4.33%.

This upward movement was largely driven as investors closely watched the Federal Reserve ahead of Jerome Powell's Jackson Hole speech. Markets have reduced their expectations of aggressive easing-pricing in about a 75-82% chance of a 25bps cut in September, down from over 90% last week.

Also, economic data reinforced this caution. PMI readings showed strong business activity, with input costs and selling prices rising at the fastest pace in three years, while the Philadelphia Fed's inflation gauge hit a three-year high. At the same time, jobless claims climbed to a 2021 high, signaling some labor market weakness.

Fed minutes confirmed policymakers are still more concerned about inflation than jobs, with officials stressing tariffs could add to price pressures. This has kept yields elevated as the market anticipates fewer cuts than previously expected.

Moreover, politically, President Trump pressured the Fed for rate cuts, even calling for Governor Lisa Cook's resignation, while Powell faces scrutiny with his term expiring in May. On the geopolitical front, Trump's meeting with Ukrainian President Zelenskyy - following inconclusive talks with Russia - kept markets mindful of global risk but did not shift yields significantly.

### 5Y Credit Default Swaps (CDS)

	21/08/2025	14/08/2025
<b>KSA</b>	62.85	61.15
<b>Dubai</b>	54.27	52.27
<b>Brazil</b>	141.87	136.91
<b>Turkey</b>	272.26	270.03

Source: Bloomberg

		Prices		Weekly	Yields		Weekly
Maturity	Coupon in %	21/08/2025	14/08/2025	Change	21/08/2025	14/08/2025	Change bps
28/11/2026	6.6	19.505	19.495	0.05%	201.30%	197.26%	404.66
23/03/2027	6.85	19.499	19.525	-0.13%	156.25%	153.54%	271.53
29/11/2027	6.75	19.497	19.507	-0.05%	106.99%	105.97%	102.63
03/11/2028	6.65	19.499	19.52	-0.11%	78.03%	77.51%	52.48
26/02/2030	6.65	19.505	19.547	-0.21%	59.76%	59.42%	33.99
22/04/2031	7	19.53	19.515	0.08%	52.26%	52.16%	10.34
23/03/2032	7	19.505	19.586	-0.41%	48.07%	47.82%	25.05
02/11/2035	7.05	19.548	19.604	-0.29%	40.00%	39.88%	12.33
23/03/2037	7.25	19.514	19.532	-0.09%	39.58%	39.51%	6.35

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