# Lebanon's Disarmament Debate Weighs Positively on Eurobonds; in The U.S. Treasuries Fall

BLOMINVEST BANK

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| | 11/09/2025 | 04/09/2025 | Change | Year to Date |
|---|---|---|---|---|
| **BLOM Bond Index (BBI)** | 23.83 | 22.63 | 5.31% | 79.33% |
| **Weighted Yield** | 93.44% | 96.20% | -2.86% | -9.77% |
| **Weighted Spread** | 8,969.22 | 9,231.64 | -2.84% | -9.65% |

The **BLOM Bond Index (BBI)**, which tracks Lebanese government Eurobonds (excluding coupon payments), rose by **5.31%** in the week ending **11 September 2025**, closing at **23.83 points**. Moreover, the weighted yield fell by 182 basis points to 93.44%; similarly, both yields decreased this week, the yield on 5-year bonds by 290 basis points to 88.30% and the yield on 10-year bonds by 210 basis points to 58.10%.

On September 5, Lebanon's cabinet convened to review a proposal presented by Army Commander Rodolphe Haykal that aimed to consolidate all weapons under state control, effectively initiating a disarmament process for Hezbollah. The government welcomed the plan in principle, marking a symbolic step toward asserting state sovereignty and addressing long-standing international demands for arms regulation. However, the proposal lacked a clear timeline and acknowledged the army's limited capacity in manpower and logistics, meaning implementation will be gradual and uncertain. Politically, the session was disrupted when all five Shiite ministers - representing Hezbollah, Amal, and their allies - walked out in protest. Their departure highlighted deep sectarian divisions and raised doubts about the cabinet's ability to move forward with consensus on such a sensitive issue.

Hezbollah responded cautiously, framing the cabinet's endorsement of the army's plan as an "opportunity" but conditioning any disarmament on Israel halting military operations in southern Lebanon and withdrawing from occupied territories. At the same time, Israeli airstrikes on Hermel and the Bekaa killed several Hezbollah members, fueling tensions and reinforcing the group's argument that it cannot lay down its arms in the face of ongoing hostilities. This dynamic underscored the fragility of Lebanon's internal stability: while the government is seeking to establish a monopoly over weapons to reassure international partners, Hezbollah remains entrenched militarily and politically, resisting unilateral disarmament under current conditions. However, the disarmament debate seems to have had a positive effect on the BBI.

| | 11/09/2025 | 04/09/2025 | Change |
|---|---|---|---|
| **BBI** | 23.833 | 22.631 | 5.31% |
| **JP Morgan EMBI** | 988.52 | 974.92 | 1.39% |
| **5Y LEB** | 88.30% | 91.20% | (290) |
| **10Y LEB** | 58.10% | 60.20% | (210) |
| **5Y US** | 3.59% | 3.65% | (6) |
| **10Y US** | 4.01% | 4.17% | (16) |
| **5Y SPREAD** | 8,471 | 8,755 | (284) |
| **10Y SPREAD** | 5,409 | 5,603 | (194) |

In the U.S., Treasury yields also fell this week, the 5-year bonds dropped by 6 basis points to 3.59%, and 10-year bonds by 16 basis points to 4.01%.

This decrease is attributed to U.S. Treasury yields dropping to their lowest levels in five months as fresh data confirmed a sharp cooling in the labor market. Initial jobless claims rose to their highest since 2021, while the Bureau of Labor Statistics revised payrolls down by 911,000 for the year through March, the steepest annual adjustment on record. August's nonfarm payrolls also badly missed expectations, adding just 22,000 jobs compared with 79,000 in July. These figures strengthened the view that employment conditions are weakening faster than anticipated, heightening the urgency for monetary easing.

Alongside labor concerns, inflation data provided further support for lower yields. The August Consumer Price Index rose 0.4% month-on-month, with the annual rate steady at 2.9%, in line with expectations. More notably, producer price data showed both headline and core PPI declining unexpectedly in August, following a downward revision in July. This raised hopes of disinflation and gave investors confidence that price pressures are easing, even as tariff-related costs and longer-term inflation expectations linger.

The combination of soft labor and price data has cemented expectations for Federal Reserve action. Markets are pricing in a 93% probability of a 25bps cut at the September 17 meeting, while odds of a larger 50bps move have increased. Looking ahead, futures suggest 75bps of cuts by year-end, equivalent to one reduction at each of the remaining FOMC meetings. Strong demand in recent Treasury auctions, with the 10-year clearing through by three basis points, confirmed investor appetite for safe-haven assets. At the same time, the yield curve steepened, signaling that inflation risks and growth uncertainty remain embedded in longer maturities.

Political developments have also added to volatility. The Trump administration's attempt to dismiss Fed Governor Lisa Cook was temporarily blocked by a federal judge, a case now under appeal. Meanwhile, Stephen Miran, a dovish nominee, advanced in the Senate Banking Committee's confirmation process. These events stirred concerns about central bank independence, which investors are factoring into the risk premium on U.S. bonds.

**5Y Credit Default Swaps (CDS)**

| | 11/09/2025 | 04/09/2025 |
|---|---|---|
| **KSA** | 62.82 | 62.19 |
| **Dubai** | 55.07 | 54.37 |
| **Brazil** | 131.32 | 137.08 |
| **Turkey** | 260.24 | 268.43 |

**Source:** Bloomberg

| | | Prices | | Weekly | Yields | | Weekly |
|---|---|---|---|---|---|---|---|
| **Maturity** | **Coupon in %** | **11/09/2025** | **04/09/2025** | **Change** | **11/09/2025** | **04/09/2025** | **Change bps** |
| 28/11/2026 | 6.60% | 22.979 | 21.908 | 4.89% | 184.91% | 189.10% | -419.41 |
| 23/03/2027 | 6.85% | 22.931 | 21.732 | 5.52% | 143.03% | 147.31% | -427.99 |
| 29/11/2027 | 6.75% | 22.967 | 21.908 | 4.83% | 96.82% | 99.58% | -276.18 |
| 03/11/2028 | 6.65% | 22.926 | 21.746 | 5.43% | 70.41% | 72.84% | -243.26 |
| 26/02/2030 | 6.65% | 23.033 | 21.858 | 5.38% | 53.41% | 55.36% | -195.61 |
| 22/04/2031 | 7.00% | 23.044 | 21.925 | 5.10% | 46.60% | 48.25% | -164.11 |
| 23/03/2032 | 7.00% | 23.056 | 21.827 | 5.63% | 42.68% | 44.39% | -170.69 |
| 02/11/2035 | 7.05% | 23.053 | 21.857 | 5.47% | 35.08% | 36.59% | -151.38 |
| 23/03/2037 | 7.25% | 23.097 | 21.822 | 5.84% | 34.39% | 36.04% | -165.75 |

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