

Lebanon's Eurobonds Slide: Debt Restructuring Plan Nears Cabinet, But IMF Agreement Remains Uncertain



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	25/09/2025	18/09/2025	Change	Year to Date
BLOM Bond Index (BBI)	23.04	24.75	-6.89%	73.40%
Weighted Yield	75.42%	70.58%	6.87%	-27.17%
Weighted Spread	7,167.15	6,688.82	7.15%	-27.81%

The **BLOM Bond Index (BBI)**, which tracks Lebanese government Eurobonds (excluding coupon payments), **fell by 6.9% in the week ending September 25, 2025, to 23.04 points.**

A long-awaited debt restructuring plan may reach the cabinet within weeks, according to a source quoted by Reuters. However, some economists warn it may fall short of securing a critical agreement with the International Monetary Fund (IMF)—a prerequisite for restoring investor confidence and enabling a formal restructuring of Lebanon's sovereign debt.

Besides, a key obstacle remains the law governing how financial losses are shared among the state, central bank (BDL), commercial banks, and depositors. As previously discussed (see: [Some Neglected Thoughts about the Lebanese Government's Debt to BDL](#)), the IMF and Ministry of Finance dispute BDL's insistence on including \$16.5 billion in government debt in its recovery plan. A tentative compromise suggests the government may commit to repaying \$8.7 billion, but this figure remains under negotiation with the IMF delegation currently in Beirut. The more the government agrees to repay, the higher is the government debt, hence the deeper the haircut on Eurobonds—resulting in lower recovery values for bondholders.

In addition, J.P. Morgan's latest report estimates recovery values at 27–28 cents on the dollar under its base-case scenario (see: [*J.P. Morgan on Lebanese Eurobonds: 'We Think There is Value in the Curve'*](#)), suggesting limited upside given current trading levels of 22–23.5 cents.

Politically, in a recent interview with Sky News Arabia, U.S. envoy Tom Barrack criticized the Lebanese government's inaction and urged it to publicly commit to disarming Hezbollah and to limit its influence. Barrack also disclosed that Israel maintains five military positions in South Lebanon and intends to stay. He also warned that Hezbollah is rebuilding its capabilities, citing an estimated \$60 million in monthly funding from undisclosed sources. These remarks heighten Lebanon's geopolitical risk profile, further erode investor sentiment, and complicate the country's ability to secure external financing critical to its economic recovery.

On Thursday evening, following the close of Eurobond trading hours, Hezbollah supporters marked the upcoming anniversary of Israel's assassination of their former leader Hassan Nasrallah by projecting images of him and his successor onto Beirut's Raouche rock—a move that openly defied the Prime Minister's ban. While symbolic, such acts risk deepening concerns among international stakeholders about Lebanon's institutional coherence and governance. From a market perspective, they add to the uncertainty surrounding sovereign risk, further complicating efforts to restore investor confidence and improve the recovery outlook for Lebanon's defaulted Eurobonds. It is worth noting that such developments may complicate Lebanon's path to an IMF agreement. Given the United States' influential role within the Fund, any opposition from Washington could effectively block the deal, delaying much-needed financial support, and exercising downward pressure on Eurobonds' prices.

When bond prices go down, yields go up. Consequently, the yield on 5-year and 10-year bonds rose by 280 basis points this week, reaching 51.6% and 45.6%, respectively.

	25/09/2025	18/09/2025	Change
JP Morgan EMBI	988.92	986.27	0.27%
5Y LEB	51.60%	48.80%	280
10Y LEB	45.60%	42.80%	280
5Y US	3.75%	3.67%	8
10Y US	4.18%	4.11%	7
5Y SPREAD	4,785	4,513	272
10Y SPREAD	4,142	3,869	273

Similarly, in the U.S., Treasury yields rose this week, with the 5-year and 10-year notes increasing by 8 and 7 basis points to 3.75% and 4.18%, respectively.

The uptick reflects stronger-than-expected economic data, which has tempered expectations for near-term rate cuts by the Federal Reserve.

US Q2 GDP was revised upward to 3.8% year-on-year, surpassing both the initial 3% estimate and the second reading of 3.3%. Economists believe this momentum likely extended into Q3, reinforcing the economy's resilience.

Meanwhile, initial jobless claims fell by 14,000 from the prior week to 218,000 for the week ending September 20—well below Dow Jones' 235,000 consensus estimate.

As a result, market expectations for a rate cut at the Fed's October meeting have eased. According to CME's FedWatch tool, the probability of a 25-basis-point cut at the Fed's upcoming meeting in October dropped to 87.7%—down from 91.9% a week earlier—while the odds of holding rates steady rose to 12.3%.

Target Rate (bps)	Probability(%)			
	Now *	1 Day 25-Sep-25	1 Week 19-Sep-25	1 Month 26-Aug-25
375-400	87.70%	85.50%	91.90%	43.20%
400-425 (Current)	12.30%	14.50%	8.10%	50.60%
425-450	0.00%	0.00%	0.00%	6.20%
* Data as of 26 Sep 2025 04:55:59 CT				

5Y Credit Default Swaps (CDS)		
	25/09/2025	18/09/2025
KSA	69.30	62.60
Dubai	56.91	54.85
Brazil	137.80	126.48
Turkey	56.91	54.85
Source: Bloomberg		

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Maturity	Coupon in %	Prices		Weekly Change	Yields		Weekly Change bps
		25/09/2025	18/09/2025		25/09/2025	18/09/2025	
28/11/2026	6.6	22.276	23.856	-6.62%	198.42%	182.88%	1,553.36
23/03/2027	6.85	22.229	23.929	-7.10%	151.39%	140.06%	1,133.20
29/11/2027	6.75	22.298	23.837	-6.46%	100.84%	94.83%	600.67
20/03/2028	7	22.23	23.926	-7.09%	90.21%	84.60%	561.24
03/11/2028	6.65	22.269	23.903	-6.84%	72.78%	68.59%	419.37
25/05/2029	6.85	22.298	23.925	-6.80%	63.91%	60.36%	354.58
27/11/2029	11.5	22.341	23.951	-6.72%	71.72%	67.79%	393.23
26/02/2030	6.65	22.266	23.966	-7.09%	55.07%	51.98%	308.71
22/04/2031	7	22.221	23.934	-7.16%	48.12%	45.40%	271.38
20/11/2031	7.15	22.299	23.935	-6.84%	45.66%	43.20%	245.53
23/03/2032	7	22.249	23.952	-7.11%	44.02%	41.55%	246.98
17/05/2033	8.2	22.266	23.913	-6.89%	44.27%	41.80%	247.36
17/05/2034	8.25	22.247	23.944	-7.09%	42.44%	39.96%	248.67
27/07/2035	12	22.3	23.972	-6.97%	55.04%	51.56%	348.28
02/11/2035	7.05	22.336	23.932	-6.67%	36.05%	34.06%	198.66
23/03/2037	7.25	22.278	23.9	-6.79%	35.50%	33.44%	206.21

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