Lebanese Eurobonds Rally Driven by Regional Stability Optimism and IMF Progress

BLOMINVEST BANK

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	16/10/2025	09/10/2025	Change	Year to Date
BLOM Bond Index (BBI)	25.11	22.27	12.72%	88.90%
Weighted Yield	72.20%	78.89%	-8.48%	-30.28%
Weighted Spread	6,856.31	7,513.88	-8.75%	-30.94%

The **BLOM Bond Index** (BBI), which tracks Lebanese government Eurobonds (excluding coupon payments), **rose by 12.72% in the week ending October 17, 2025, to 25.11 points**. Bonds prices are now trading between 24.21 and 24.33 cents on the dollar.

		Prices		Weekly	Yields		Weekly
Maturity	Coupon in %	16/10/2025	09/10/2025	Change	16/10/2025	09/10/2025	Change bps
28/11/2026	6.6	24.25	21.53	12.66%	196%	213%	(1,745.93)
23/03/2027	6.85	24.25	21.53	12.64%	146%	160%	(1,336.27)
29/11/2027	6.75	24.25	21.53	12.65%	97%	106%	(855.87)
20/03/2028	7	24.21	21.51	12.56%	86%	94%	(764.46)
03/11/2028	6.65	24.26	21.51	12.80%	69%	76%	(617.81)
25/05/2029	6.85	24.27	21.50	12.86%	61%	66%	(545.08)
27/11/2029	11.5	24.27	21.49	12.96%	68%	74%	(641.58)
26/02/2030	6.65	24.26	21.54	12.63%	52%	57%	(463.50)
22/04/2031	7	24.27	21.54	12.68%	45%	49%	(411.10)
20/11/2031	7.15	24.26	21.53	12.68%	43%	47%	(394.95)
23/03/2032	7	24.29	21.60	12.46%	41%	45%	(377.23)
17/05/2033	8.2	24.30	21.55	12.78%	41%	46%	(405.91)
17/05/2034	8.25	24.33	21.54	12.98%	40%	44%	(405.33)
27/07/2035	12	24.27	21.55	12.62%	51%	57%	(577.99)
02/11/2035	7.05	24.29	21.52	12.88%	34%	37%	(344.08)
23/03/2037	7.25	24.27	21.53	12.69%	33%	37%	(348.54)

The rally coincides with rising optimism around regional stability, particularly following IMF Managing Director Kristalina Georgieva's remarks linking a sustained Gaza ceasefire to potential economic gains across the region. For Lebanon, which remains in active—albeit slow—engagement with the IMF, this reinforces the view that geopolitical calm could unlock external support and improve macro fundamentals, supporting bond valuations.

Domestically, Economy Minister Amer Bisat announced that the cabinet is expected to approve and submit the financial gap law to parliament soon—a key prerequisite for debt restructuring and IMF program finalization. While acknowledging the slow pace of negotiations, Bisat emphasized that policy precision is critical given the long-term implications.

However, expectations for a full IMF deal before the May 2026 elections are fading. The cabinet faces a narrowing window to pass the financial gap law soon before its term approaches its end, adding urgency to the reform timeline. Finance Minister Yassine Jaber noted that the banking sector reform law is roughly 60% aligned with IMF requirements. Completed steps such as lifting banking secrecy signal progress, while a draft law has been submitted to address remaining gaps. Delays could weigh on bonds' prices, but near-term action may offer upside if reforms are enacted fast.

At the macro level, the World Bank downgraded Lebanon's 2025 growth forecast to 3.5% (from 4.7% in April) and projects 4% in 2026. This contrasts with Bisat's more optimistic 5% estimate for 2024—the highest since 2011. The divergence underscores uncertainty around Lebanon's recovery path, tempering bullish sentiment and reinforcing the need for credible reform to sustain bond gains.

At the macro level, the World Bank revised its 2025 growth forecast for Lebanon down to 3.5%, from 4.7% in April, and projects 4% growth in 2026. This contrasts with Economy Minister Bisat's more optimistic estimate of 5% growth in 2025—the highest since 2011—highlighting a gap between official projections and external assessments of Lebanon's recovery trajectory.

When bond prices go up, yields go down. Consequently, the yield on 5-year and 10-year bonds fell by 430 and 450 basis points this week, reaching 48.8% and 42.5%, respectively.

	16/10/2025	09/10/2025	Change
JP Morgan EMBI	997.45	992.75	0.47%
5Y LEB	48.80%	53.10%	-430
10Y LEB	42.50%	47.00%	-450
5Y US	3.55%	3.74%	-19
10Y US	3.99%	4.14%	-15
5Y SPREAD	4,525	4,936	-411
10Y SPREAD	3,851	4,286	-435

Similarly, U.S. Treasury yields declined this week, with the 5-year and 10-year notes falling 19 and 15 basis points to 3.55% and 3.99%, respectively.

The drop in Treasury yields reflects a flight to safe havens, triggered by renewed banking sector stress. Shares of Zions and Western Alliance fell over 10% after both banks revealed troubled loans with two counterparties, compounding concerns already heightened by recent bankruptcies at First Brands and subprime lender Tricolor. Investors responded by rotating into Treasurys, seeking shelter from rising credit risk.

In parallel, intensifying US-China trade tensions, an extended government shutdown for a third week, and rising expectations of further Fed rate cuts continued to pressure yields. Fed Governor Christopher Waller backed another cut this month due to labor market risks, while Fed Governor Stephen Miran called for a bigger rate cut. The Fed's Beige Book added to concerns, highlighting increased layoffs and weaker spending among middle- and lower-income households. These statements are particularly important now because the government shutdown has paused official economic data releases, making Fed comments one of the few signals markets can rely on.

As a result, market expectations for a rate cut at the Fed's October 29 meeting have risen. According to CME's FedWatch tool, traders now assign a 100% probability to a cut—split between a 96.8% chance of a 25-basis-point (bp) move and a 3.2% chance of a deeper 50 bp cut. This marks a shift from last week, when the 98.3% probability was entirely concentrated in the 25 bp cut scenario.

Target Rate (bps)	Probability(%)			
	Now *	1 Day 16-Oct-25	1 Week 10-Oct-25	1 Month 17-Sep-25
350-375	3.20%	3.70%	0.00%	0.30%
375-400	96.80%	96.30%	98.30%	87.40%
400-425 (Current)	0.00%	0.00%	1.70%	12.30%

* Data as of 17 Oct 2025 04:00:33 CT

5Y Credit Default Swaps (CDS)		
	16/10/2025	09/10/2025
KSA	69.77	66.70
Dubai	50.99	51.31
Brazil	148.88	143.48
Turkey	230.90	222.78

Source: Bloomberg

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