Prolonged Lebanese Insecurity, Political, and Economic Stagnation Weighs on Lebanese Eurobonds

BLOMINVEST BANK

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	23/10/2025	16/10/2025	Change	Year to Date
BLOM Bond Index (BBI)	23.83	25.11	-5.09%	79.29%
Weighted Yield	76.05%	72.20%	5.33%	-26.56%
Weighted Spread	7,237.08	6,856.31	5.55%	-27.10%

The **BLOM Bond Index (BBI)**, which tracks Lebanese government Eurobonds (excluding coupon payments), fell by **5.09%** in the week ending **October 23rd 2025**, closing at **23.83 points**. As bond prices decrease, yields increase, so the weighted yield rose by **533** basis points to **76.05%**.

This week, Israel's breaches to the cease-fire agreement signed on November 2024 continued with some escalation. In addition, US ambassador to Turkey and special commissioner to Syria Tom Barak said in an interview with an Arabic Newspaper that Israel might escalate more in case unofficial armed parties did not surrender their weapons.

On the political front, the debate regarding the voting of expatriates is still ongoing as one party wants to restrict expatriates voting to only 6 members distributed among continents while the opposing party urges to amend it to allow expatriates to vote to candidates in their designated electoral district.

In addition, on the economic front, Lebanese delegations' meetings with the IMF representatives in the IMF and World Bank Fall meetings in Washington were not optimistic. It seems that there are still differences in tackling the crisis between IMF and the Lebanese officials. One example is the bank restructuring law recently issued by the Lebanese Parliament that the IMF has 30 comments on. As such, the Lebanese Finance Minister stated that the government will amend the law and then send it to the Parliament. As for the financial gap law, it seems that the law will not be issued before the May 2026 elections since it might result in additional losses to depositors and due to the fact that a new government should be formed after the elections.

	23/10/2025	16/10/2025	Change
BBI	23.83	25.11	-5.09%
JP Morgan EMBI	1002.03	997.45	0.46%
5Y LEB	50.90%	48.80%	210
10Y LEB	44.40%	42.50%	190
5Y US	3.61%	3.55%	6
10Y US	4.01%	3.99%	2
5Y SPREAD	4,729	4,525	204
10Y SPREAD	4,039	3,851	188

However, in the U.S., Treasury yields rose this week, the 5-year bonds increased by 6 basis points to 3.61% and 10-year bonds increased by 2 basis points to 4.01%.

The US government shutdown continues for the 23rd day due to lawmakers' failure to reach a short-term funding deal, resulting in interrputed services, federal workers layoff, and delayed key economic data releases such as nonfarm payrolls report and retail sales to name a few. As for the CPI data, it is expected to be released later today despite the government shutdown. Investors expect that headline inflation in September increased for the second month, recording the highest since May 2024. Nevertheless, annual core inflation is expected to remain steady, thus tariff-related price pressures will remain controlled. As per Reuters, Trump adminstration and Republican leaders in Congress warned that flight disrumptions will rise as 13,000 air traffic controllers will not receive their monthly paycheck on Tuesday, as they must work without pay during the shutdown.

On the international front, US President Donald Trump sanctioned major Russain oil producers resulting in oil prices spikes, causing fears of increased inflation. Moreover, traders are evaluating renewed tariff risks as Trump administration is weighing actions to restrict wide range of software-powered exports to China in retaliation for Beijing's latest restrains on rare earth exports, despite that Trump later announced that a meeting is arranged with Chinese President Xi Jinping.

As such, traders are currently pricing a 98.9% probability of 25 bps rate cut in the Federal Open Market Committee next meeting on October 29th, 2025.

Target Rate (bps)	Probability(%)			
	Now *	1 Day 22 Oct 2025	1 Week 17 Oct 2025	1 Month 24 Sep 2025
350-375	0.0%	0.0%	1.6%	0.0%
375-400	98.9%	97.3%	98.4%	91.9%
400-425 (Current)	1.1%	2.7%	0.0%	8.1%

* Data as of 24 Oct 2025 02:13:00 CT

5Y Credit Default Swaps (CDS)

	23/10/2025	16/10/2025
KSA	65.54	69.77
Dubai	50.80	50.99
Brazil	143.90	148.88
Turkey	267.59	266.86

Source: Bloomberg

		Prices		Weekly	Yields		Weekly
Maturity	Coupon in %	23/10/2025	16/10/2025	Change	23/10/2025	16/10/2025	Change bps
27/11/2026	6.60%	23.09	24.25	-4.78%	209.87%	196.04%	1,382.96
23/03/2027	6.85%	23.048	24.25	-4.96%	155.29%	146.46%	883.03
29/11/2027	6.75%	23.065	24.25	-4.89%	101.92%	96.97%	495.06
20/03/2028	7.00%	22.987	24.214	-5.07%	90.30%	86.08%	422.40
03/11/2028	6.65%	23.041	24.264	-5.04%	72.64%	69.38%	325.90
25/05/2029	6.85%	23.065	24.265	-4.95%	63.46%	60.78%	267.75
27/11/2029	11.50%	23.045	24.271	-5.05%	70.95%	67.93%	302.05
26/02/2030	6.65%	23.018	24.264	-5.14%	54.38%	52.11%	226.97
22/04/2031	7.00%	22.978	24.27	-5.32%	47.42%	45.38%	203.42
20/11/2031	7.15%	23.011	24.264	-5.16%	44.96%	43.10%	186.35
23/03/2032	7.00%	22.951	24.287	-5.50%	43.23%	41.35%	187.59
17/05/2033	8.20%	23.061	24.298	-5.09%	43.31%	41.50%	181.25
17/05/2034	8.25%	23.072	24.334	-5.19%	41.40%	39.60%	179.23
27/07/2035	12.00%	23.013	24.274	-5.19%	53.50%	50.98%	251.96
02/11/2035	7.05%	22.979	24.294	-5.41%	35.37%	33.77%	159.24
23/03/2037	7.25%	23.061	24.265	-4.96%	34.50%	33.05%	144.74

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