Lebanese Eurobonds Slide as Banks Had Reservations About the Deposit Recovery Law Draft

BLOMINVEST BANK S.A.L

December 19, 2025

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	18/12/2025	12/12/2025	Weekly Change	Year to Date
BLOM Bond Index (BBI)	24.31	24.60	-1.19%	82.89%
Weighted Yield	66.58%	65.54%	1.59%	-35.71%
Weighted Spread	6,306.97	6,199.17	1.74%	-36.47%

The **BLOM Bond Index (BBI)**, which tracks Lebanese government Eurobonds (excluding coupon payments), fell by 1.19% in the week ending December 18, 2025, to 24.31 points. The drop followed the reservations voiced by the *Association of Banks in Lebanon (ABL)* on the latest draft on the "*Financial Regularization & Deposit Recovery*" Law (commonly referred to as the *Financial Gap Law*), as it shows banks are expected under the plan to bear most of the losses alongside depositors. For further details on *ABL's* stance, see: *ABL: Proposed Deposit Recovery Law Carries Serious Flaws*. The IMF has also raised concerns over the draft, highlighting additional challenges to its passage in cabinet and pointing to ongoing tensions between the central bank and the Fund. The draft is set to be discussed in the cabinet later today. The passage of this law remains a prerequisite for securing an IMF agreement to restructure Lebanon's debt.

Bond prices are now trading between 23.29 and 23.64 cents on the dollar for maturities ranging from 2027 to 2037. *On December 5, 2025, the BLOM Bond Index (BBI) was recalibrated to exclude the bond maturing on November 27, 2026.*

		Prices		Weekly	Yields		Weekly
Maturity	Coupon in %	18/12/2025	12/12/2025	Change	18/12/2025	12/12/2025	Change bps
23/03/2027	6.85	23.44	23.75	-1.30%	174%	169%	458.34
29/11/2027	6.75	23.50	23.77	-1.16%	109%	107%	187.82
20/03/2028	7	23.33	23.68	-1.47%	95%	93%	175.17
03/11/2028	6.65	23.45	23.70	-1.04%	75%	74%	95.45
25/05/2029	6.85	23.29	23.72	-1.83%	65%	64%	113.63
27/11/2029	11.5	23.49	23.74	-1.06%	72%	71%	71.70
26/02/2030	6.65	23.41	23.65	-1.02%	55%	55%	58.92
22/04/2031	7	23.34	23.79	-1.91%	48%	47%	76.90
20/11/2031	7.15	23.47	23.74	-1.11%	45%	45%	44.06
23/03/2032	7	23.42	23.87	-1.88%	43%	42%	67.61
17/05/2033	8.2	23.55	23.87	-1.37%	43%	42%	49.20
17/05/2034	8.25	23.44	23.71	-1.15%	41%	41%	39.85
27/07/2035	12	23.64	23.88	-0.97%	52%	52%	49.67
02/11/2035	7.05	23.56	23.86	-1.26%	35%	34%	36.83
23/03/2037	7.25	23.35	23.74	-1.63%	34%	34%	47.87

Since this is our final weekly brief on the bond market, we note that the BBI has risen 82.89% year-to-date. Gains were driven by the weakening of Hezbollah's political influence in Lebanon—coinciding with the fall of its ally Bashar al-Assad's regime in Syria—which investors believe could pave the way for renewed foreign inflows. Hezbollah's dominance had previously triggered a boycott by Gulf countries. Some Gulf countries, such as the UAE, now allow their citizens to visit Lebanon. However, Saudi Arabia has yet to lift its restrictions on travel or Lebanese exports. Prior to the ban, Saudi Arabia was a major trade partner for Lebanon's exports.

At the same time, the election of a president—supported by countries such as the U.S. and Saudi Arabia—alongside a prime minister and cabinet perceived as pro-reform, has strengthened investor confidence. Progress this year includes reduced customs tax evasion and the passage of both the banking secrecy law and the bank restructuring law, which are prerequisites for an IMF deal. However, signing an IMF deal and the achievement of lasting security stability remain unresolved. Despite the ceasefire, Israeli strikes persist in southern and Beqaa regions, with Israel maintaining a presence in five key locations in Lebanon, citing Hezbollah's rearmament. The Lebanese Army has pledged to disarm the group by year-end, though reports suggest the deadline is unlikely to be met.

Beyond political stability, the key obstacle remains the passage of the Financial Gap Law, a prerequisite for an IMF deal. No final plan has yet been approved. Banks argue the crisis is systemic and that losses should be distributed among the state, the central bank, and the banking sector. However, the latest draft assigns the majority of losses to banks as discussed above.

Many analysts caution that the rally in Lebanese bond prices may have peaked, given the lack of tangible progress on both political and economic fronts. The state appears unable to disarm Hezbollah or agree on a credible plan to restructure local banks.

When bond prices go down, yields go up. Consequently, the yield on 5-year bonds rose by 70 basis points to 49.75%, while the yield on 10-year bonds increased by 35 basis points to 34.75%.

	18/12/2025	12/12/2025	Weekly Change
JP Morgan EMBI	1,015.39	1,012.63	0.27%
5Y LEB	49.75%	49.05%	70
10Y LEB	34.75%	34.40%	35
5Y US	3.66%	3.75%	(9)
10Y US	4.12%	4.19%	(7)
5Y SPREAD	4,609	4,530	79
10Y SPREAD	3,063	3,021	42

In the U.S., Treasury yields declined this week, with the 5-year note falling by 9 basis points to 3.66% and the 10-year yield decreasing by 7 basis points to 4.12%.

This comes as the Consumer Price Index rose 2.7% year-on-year in November, down from 3% in September, according to a delayed Bureau of Labor Statistics report. The October CPI was not released due to the government shutdown. Economists surveyed by Dow Jones had expected a 3.1% increase. The softer reading has given investors hope that inflationary pressures are easing enough to allow U.S. monetary policy to be loosened more than Wall Street currently anticipates.

On the labor front, US unemployment rose to 4.6% in November—the highest since September 2021—up from 4.4% in September. The economy added 64,000 jobs in November but lost 105,000 in October, largely due to a 162,000 drop in federal government employment. This adds pressure on the Federal Reserve to ease policy further in 2026. The Bureau of Labor Statistics did not release October’s unemployment figure also because of the governmental shutdown.

As a result, market expectations for a rate cut at the Fed’s January 28, 2026, meeting have slightly increased. According to CME’s FedWatch tool, traders now see a 26.6% chance of a 25-basis-point cut, up from 24.4% a week earlier, while the probability of no change has fallen to 73.4%.

	Probability(%)			
	Now *	1 Day 18-Dec-25	1 Week 12-Dec-25	1 Month 19-Nov-25
325-350	26.60%	26.60%	24.40%	15.30%
350-375 (Current)	73.40%	73.40%	75.60%	50.40%
375-400	0.00%	0.00%	0.00%	34.30%
* Data as of 19 Dec 2025 03:25:20 CT				

5Y Credit Default Swaps (CDS)		
	18/12/2025	12/12/2025
KSA	67.28	65.91
Dubai	51.05	48.83
Brazil	142.05	135.78
Turkey	176.29	185.12
Source: Bloomberg		

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