BBI Breaks the 30-Point Barrier for the First Time Since Feb 2020

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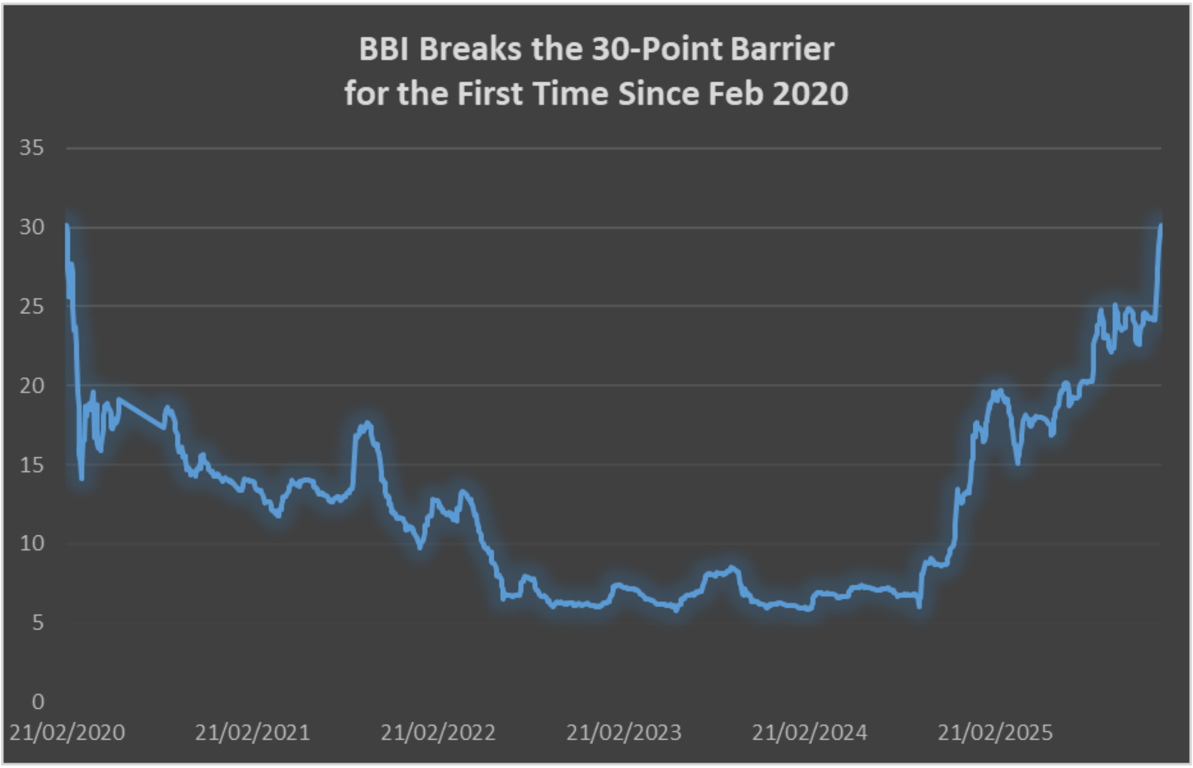
The **BLOM Bond Index (BBI)**, which tracks Lebanese government Eurobonds that haven't matured yet, excluding coupon payments, has surged by 24.8% since the start of 2026, reaching 30.17 points on January 14, 2026. Prices are now trading in the 28.9–29.3 cents range on the dollar, their highest level since February 2020, right before the March 2020 default. The rally reflects growing investor optimism over Lebanon restructuring its debt and paying back bondholders more than that previously anticipated.



Analysts remain divided over the implications of the latest proposed financial regulation and deposit recovery law, known as the financial gap law. Some argue that by allocating losses primarily to the central bank (BDL), commercial banks, and depositors, while leaving the government's share undefined, the law strengthens the state's financial position. In theory, this would enhance Lebanon's financial position, improve repayment prospects, and enhance its ability to meet obligations once enacted.

Ohers, however, argue that excluding the government's contribution, assuming good intentions, suggests it deliberately avoided committing funds to depositors in order to bypass potential legal challenges from Eurobond holders. In this view, withholding payments to depositors could translate into deeper haircuts on Eurobonds, contrary to the more optimistic narrative promoted by some market participants. Given widespread criticism over fairness and feasibility of each stakeholder's share, many believe this version of the law is unlikely to pass parliament.

Analysts may also have revised the valuation they were pricing in previously. For equilibrium to hold, the Eurobonds' anticipated future prices must not be less than their current market price once haircut and present value are accounted for. Otherwise, bondholders would rationally choose to sell in the market at the higher prices.

Another factor supporting Lebanese Eurobond prices has been Venezuela's bond rally following the ouster of President Nicolás Maduro. Both Venezuelan and Lebanese bonds fall within the same investment bracket, emerging markets (EM) defaulted sovereign debt. As Venezuelan bond prices rose, reducing their upside, vulture funds began searching for the next best distressed opportunity. Within EM sovereigns, the remaining candidates with spreads exceeding 1,000 basis points over U.S. Treasuries were Lebanon, Senegal, Gabon, and Mozambique. Lebanon recorded the widest spreads, which positioned it as the most attractive option. According to our calculations, the 5-year spread was 3,878 basis points and the 10-year spread was 2,525 basis points as of January 14, 2026. Given the inverse relationship between yields and prices, Lebanese bonds were also trading at the lowest price among their EM distressed peers.

Regional political developments also supported Lebanese Eurobonds prices. Protests in Iran following the sharp devaluation of its currency are expected to weaken Hezbollah, a group long backed by Tehran. A weakened Hezbollah could accelerate disarmament efforts and, as Israel claims, end cross-border strikes on Lebanon, ensuring security stability.

Earlier this month, the Lebanese army announced it had disarmed Hezbollah in the country's south, finishing the first phase of a broader strategy to dismantle all militias on Lebanese territory. Israel, however, still considered the move as "far from sufficient."

Ultimately, security stability remains a prerequisite for most reforms needed to restore Lebanon's economy. Doubts persist over a potential IMF deal amid fears of renewed escalation. For Lebanon's economy to recover and meet its debt obligations, stability is a must.

Looking at the current situation, Vulture funds such as Amundi and Morgan Stanley have notably benefited from the recent surge in Lebanese Eurobond prices, particularly those that entered at deeply discounted levels, as low as 6 cents on the dollar.

The rally has sparked criticism of the current government, with many arguing it missed a strategic opportunity to buy back Eurobonds at their lowest levels or at least to initiate negotiations before issuing optimistic public statements. In fact, premature positive talk did contribute to price increases and effectively raised the cost of future restructuring, even though its realization remains uncertain. This was translated into what some described as the government "shooting itself in the foot."

Current Eurobond obligations, including accrued interest, are estimated at more than $45 billion. With prices now significantly higher, bondholders are less likely to accept the steep haircuts they may have agreed to earlier. Given that any restructuring deal requires the approval of 75% of bondholders in each bond category, this shift strengthens their negotiating power and could increase the government's debt burden. Moreover, as time passes, interest continues to accumulate, further increasing the cost of delay. In this context, early action is not only prudent—it is essential.

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