Lebanese Eurobonds Hit New Post-Default Highs as IMF Visit Nears

January 30, 2026

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	29/01/2026	23/01/2026	Weekly Change	Year to Date
BLOM Bond Index (BBI)	30.43	29.53	3.06%	25.84%
Weighted Yield	57.70%	58.81%	-1.87%	-14.92%
Weighted Spread	5,419.78	5,526.66	-1.93%	-15.72%

The **BLOM Bond Index (BBI)**, which tracks Lebanese government Eurobonds that haven't matured yet (excluding coupon payments), surged by 3.06% in the week ending January 29, 2026, to 30.43 points. This Wednesday, the BBI reached its highest level since February 2020 at 30.61 points, shortly before Lebanon's default on its foreign debt.

This week's gains followed Prime Minister Nawaf Salam's announcement last Friday that the International Monetary Fund (IMF) will send a mission to Lebanon from February 9 to 13 to continue technical discussions, according to the National News Agency.

Speaking to Reuters, Salam explained that the IMF is seeking clearer provisions in the hierarchy of claim, a key element of the 'Financial Regularization & Deposit Recovery' Law (commonly referred to as the Financial Gap Law) that defines how financial losses will be distributed.

He emphasized that Lebanon is still pursuing a long-delayed IMF program but warned that time is running out. The country is already on the grey list and risks being downgraded to the black list if reforms stall. "The longer we delay, the more people's money will evaporate," he cautioned.

The draft law approved by Salam's government in December, has been passed for parliamentary review. Its passage in a form compliant with IMF conditions is a prerequisite for securing an IMF deal, an agreement that would be critical to restructuring Lebanon's debt and paying back Eurobond holders.

Meanwhile, the Central Bank of Lebanon (BDL) has seen its balance sheet strengthen significantly. BDL owns 286.83 tons of gold (9.18 million ounces). These reserves were valued at $13.7 billion on October 17, 2019, when the crisis began and gold traded at $1,491.89 per ounce. Today, they are worth $46.76 billion, based on a gold price of $5,093.55 per ounce at the time of writing.

This sharp increase in gold value highlights BDL's improved capacity to meet its own obligations under the Financial Gap Law, should it choose to mobilize these reserves, either through sale or leasing. However, such use would require amending the current law that prohibits the utilization of gold.

Some argue that if gold were used to repay depositors, Eurobond holders would demand repayment through it as well. However, gold belongs to BDL, not the Lebanese state, and Eurobond repayments must come from the state itself. Even though the state owns BDL, the two are separate institutions, meaning Eurobond holders cannot claim against BDL's gold reserves.

Bond prices are now trading between 29.03 and 29.42 cents on the dollar for maturities ranging from 2027 to 2037.

		Prices		Weekly	Yields		Weekly
Maturity	Coupon in %	29/01/2026	23/01/2026	Change	29/01/2026	23/01/2026	Change bps
23/03/2027	6.85	29.05	28.30	2.65%	159%	160%	(143.59)
29/11/2027	6.75	29.03	28.30	2.58%	96%	97%	(138.35)
20/03/2028	7	29.07	28.26	2.85%	83%	84%	(143.90)
03/11/2028	6.65	29.09	28.33	2.71%	65%	66%	(115.24)
25/05/2029	6.85	29.07	28.30	2.74%	56%	57%	(105.70)
27/11/2029	11.5	29.36	28.21	4.09%	61%	63%	(188.20)
26/02/2030	6.65	29.15	28.35	2.84%	47%	48%	(94.17)
22/04/2031	7	29.24	28.44	2.83%	40%	41%	(83.69)
20/11/2031	7.15	29.30	28.47	2.93%	38%	39%	(83.51)
23/03/2032	7	29.23	28.44	2.75%	37%	37%	(74.43)
17/05/2033	8.2	29.30	28.50	2.80%	36%	37%	(78.84)
17/05/2034	8.25	29.42	28.49	3.24%	34%	35%	(88.75)
27/07/2035	12	29.29	28.40	3.11%	44%	45%	(118.30)
02/11/2035	7.05	29.33	28.37	3.40%	29%	30%	(79.43)
23/03/2037	7.25	29.35	28.43	3.26%	28%	29%	(75.63)

This uptick extended the ongoing rally, with the BBI surging 25.84% since the start of the year. This surge has been fueled by regional turmoil in Iran, which raised hopes for greater stability in Lebanon; the advancement of the ‘Financial Regularization & Deposit Recovery’ Law (commonly referred to as the Financial Gap Law) to parliament; and Lebanon’s widest spreads over U.S. Treasuries among distressed emerging-market sovereigns, making its Eurobonds the most attractive target for vulture funds (see: BBI Breaks the 30-Point Barrier for the First Time Since Feb 2020).

When bond prices go up, yields go down. Consequently, the yield on 5-year bonds fell by 90 basis points to 42.5%, while the yield on 10-year bonds decreased by 75 basis points to 29.25%.

	29/01/2026	23/01/2026	Weekly Change
JP Morgan EMBI	1,023.21	1,022.50	0.07%
5Y LEB	42.50%	43.40%	(90)
10Y LEB	29.25%	30.00%	(75)
5Y US	3.80%	3.84%	(4)
10Y US	4.24%	4.24%	-
5Y SPREAD	3,870	3,956	(86)
10Y SPREAD	2,501	2,576	(75)

In the U.S., the 5-year note marginally fell by 4 basis points to 3.8%, while the 10-year note held steady at 4.24%.

Yields remained stable as traders awaited President Trump’s announcement of the next Federal Reserve chair in the next few hours. Market speculation points to former Fed Governor Kevin Warsh, who is believed to be more in line with President Trump’s stance on monetary policy.

Still, traders expect the Fed to cut rates this year, regardless of who succeeds Jerome Powell as Federal Reserve chair in May.

At its January meeting on Wednesday, the Fed kept interest rates steady at 3.5%–3.75%, pausing its recent series of cuts, like anticipated.

Analysts' expectations for a rate cut at the March 18, 2026 meeting have shifted only slightly from last week. Traders are now pricing in an 84.7% probability that rates will remain unchanged, compared with 84.6% a week earlier, according to the CME Group's FedWatch tool.

Target Rate (bps)	Probability(%)			
	Now *	1 Day 29-Jan-26	1 Week 23-Jan-26	1 Month 30-Dec-25
300-325	0.00%	0.00%	0.50%	6.80%
325-350	15.30%	13.40%	14.90%	44.10%
350-375 (Current)	84.70%	86.60%	84.60%	49.10%

* Data as of 30 Jan 2026 04:20:49 CT

5Y Credit Default Swaps (CDS)	29/01/2026	23/01/2026
KSA	73.60	71.82
Dubai	50.96	50.56
Brazil	129.08	131.44
Turkey	185.59	179.50

Source: Bloomberg

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