

February 27, 2026

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In 2025, global and domestic markets experienced sharp divergences. Lebanon’s NEER and REER both declined, driven by a weakening US dollar and easing domestic inflation. Internationally, the US dollar posted its worst annual performance since 2017 due to interest-rate cuts, policy uncertainty, and rising fiscal concerns. Meanwhile, precious metals, especially gold and silver, recorded extraordinary gains amid geopolitical tensions, falling rates, and global demand for safe-haven assets. In contrast, crude oil markets weakened significantly under the weight of excess supply and lower than expected demand. **The following sections explore these dynamics in detail across currencies, precious metals, and energy markets, and outline expectations for 2026.**

I. Forex Markets

a. Lebanese Pound (LBP)

Figure 1: Lebanese Pound (LBP) Performance

	31-Dec-25	31-Dec-24	Change in 2025
LBP/USD	89,500	89,500	0.00%
NEER Index	225.433	234.205	-3.75%
US Dollar Index	98.322	108.487	-9.37%

Sources: LSEG, BLOMINVEST Bank

The Nominal Effective Exchange Rate (NEER) of the Lebanese pound fell by 3.75% in 2025, settling at 225.433 points, against a basket of 21 influential currencies, including the Euro and British pound.

This depreciation was primarily attributed to the Lebanese pound's peg to the US dollar at an exchange rate of 89,500 LBP/USD, coupled with a weakening US dollar throughout the year.

The peg itself is a reflection of the Banque du Liban's (BDL) restrictive currency board framework, where the domestic currency issuance moves in tandem with foreign reserves, ensuring the fixity of the exchange rate and full and immediate convertibility for all holders of Lebanese pounds (See: [Has BDL Followed a Currency-Board Exchange Rate Regime in the Last Two Years?](#)).

From the NEER calculated by BLOMINVEST, we can derive the real effective exchange rate (REER), after adjusting it for inflation differentials:

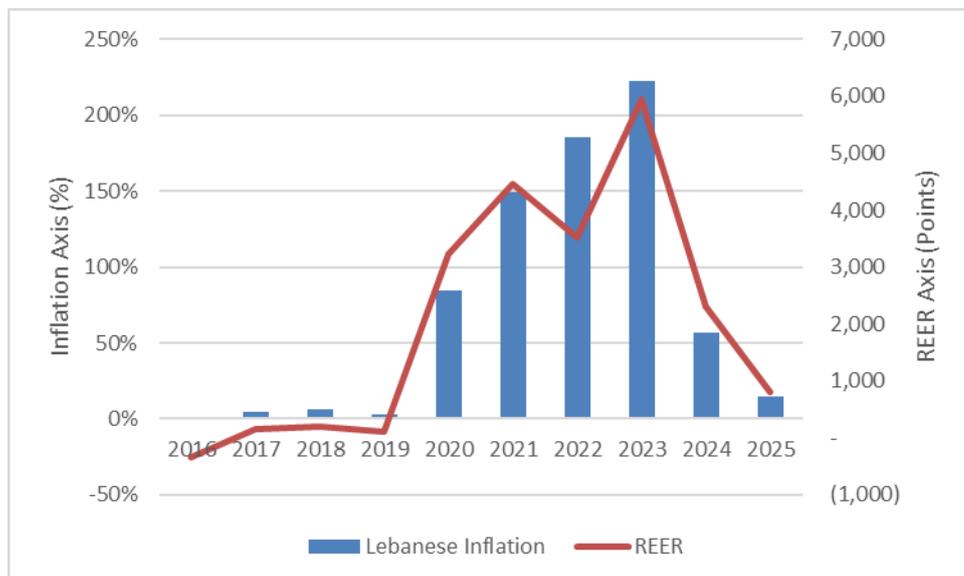
$$\text{REER} = \text{NEER} \times \left(\frac{\text{CPI}_{\text{Domestic}}}{\text{CPI}_{\text{Foreign}}} \right)$$

As discussed in [From Theory to Practice – When a Weaker Currency Doesn't Boost Exports – The Case of Lebanon](#), the REER is used to assess whether a currency is aligned with its fair value, helping determine if the currency is overvalued or undervalued. Generally:

- REER Decline → Improving competitiveness, as export goods become relatively cheaper abroad.
- REER Increase → Reduced competitiveness, as exports become relatively more expensive.

In 2025, Lebanon's REER fell, largely due to a significant drop in the country's average inflation rate to 14.6% from 56.36% in 2024.

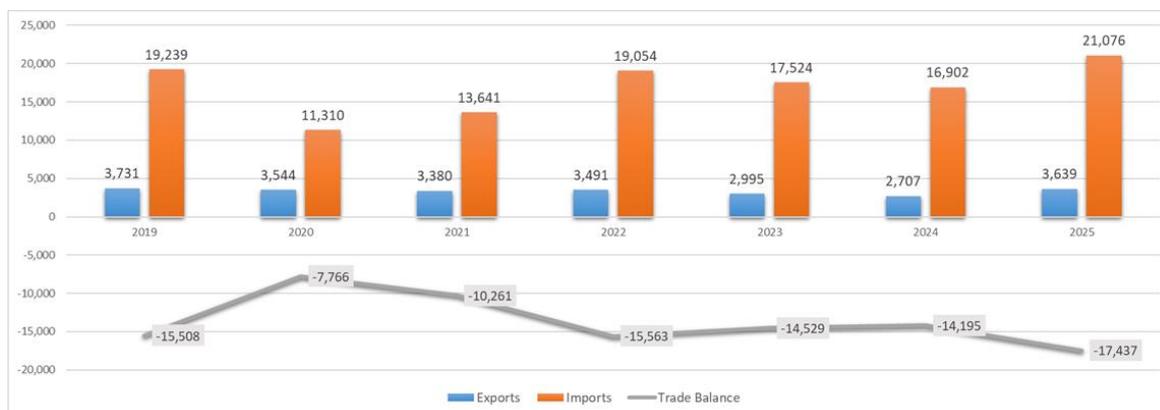
Figure 2: Lebanon’s REER vs Inflation



Sources: CAS, BLOMINVEST Bank

By theory, this decline should have led to a reduction in Lebanon’s trade deficit, as Lebanese products would have become more competitive, reducing imports as households substitute toward local goods, and increasing exports as Lebanese products become cheaper for holders of foreign currencies. However, as the figure below shows, while exports did rise in 2025, imports increased at an even faster pace and by a larger absolute amount. As a result, Lebanon’s trade deficit widened, returning to levels seen before the crisis erupted. *This outcome indicates that trade in Lebanon responds more strongly to changes in income rather than by price competitiveness.*

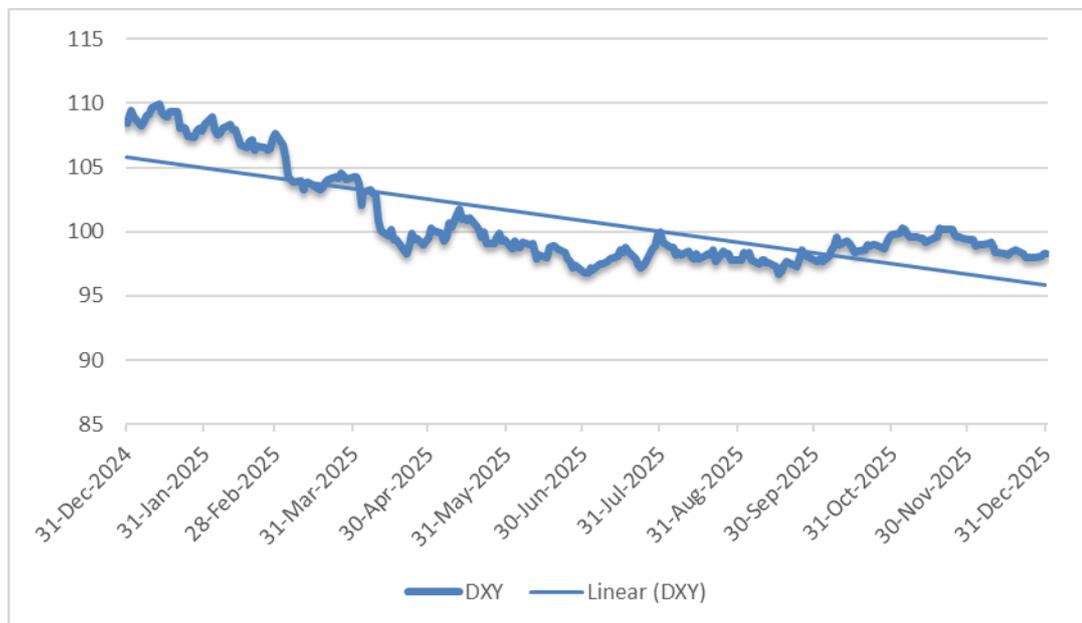
Figure 3: Lebanon’s Trade Indicators (Million USD)



Sources: Lebanese Customs, BLOMINVEST Bank

b. US Dollar Index (DXY)

Figure 4: US Dollar Index Performance in 2025



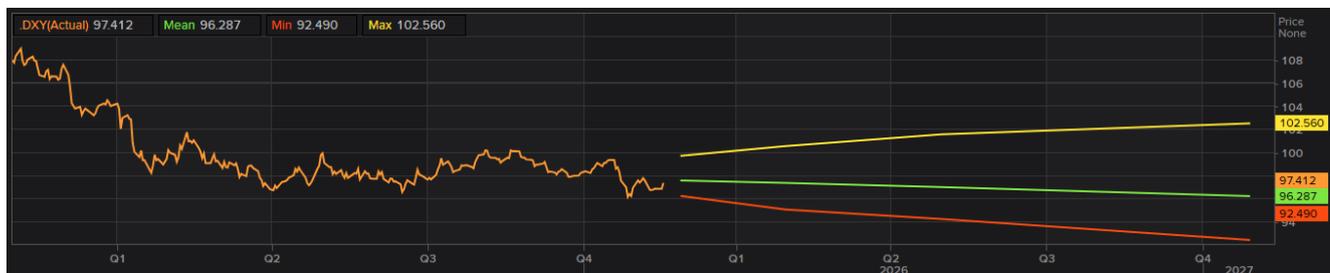
Sources: LSEG, BLOMINVEST Bank

In international currency markets, the **US Dollar Index (DXY)**, which measures the dollar's strength against six major currencies, experienced a notable decline of 9.37% in 2025, closing the year at 98.32 points. This marked its worst annual performance since 2017, driven by several interconnected factors:

- Federal Reserve Rate Cuts:** The Federal Reserve cut rates by 0.75% in 2025, responding to cooling inflation and softening labor market data. Lower rates reduced the attractiveness of US assets, prompting global investors to reallocate capital to countries offering higher yields, thereby reducing demand for the dollar and initiating a self-reinforcing cycle of depreciation as outflows continued.
- Loss of Safe Haven Appeal:** The dollar lost part of its safe-haven status amid rising policy unpredictability. Sudden tariff measures, recurring policy reversals, threats to the Federal Reserve's independence, a prolonged US government shutdown for more than a month, and market-shaking comments from administration officials all contributed to reduced confidence. As a result, investors increasingly rotated into other safe-haven assets, including the euro, Swiss franc, Japanese yen, and gold.

- **Escalating US Debt and Deficits:** U.S. national debt rose by 6% in 2025 to more than \$38 trillion, raising concerns about long-term fiscal sustainability, inflation pressures, and potential credit-rating risks. Growing deficits reduced confidence in the dollar as a store of value and made foreign investors more reluctant to hold U.S. assets.
- **Trump's 2025 Tariff Policies and Global Retaliation:** In April 2025, President Trump imposed broad tariffs on most trading partners. Many countries retaliated, reducing U.S. export demand and increasing macroeconomic uncertainty. Unlike unilateral tariffs, which can strengthen a currency, **tariffs met with retaliation typically weaken it** because goods produced outside the U.S. became comparatively more appealing to non U.S. markets.

Figure 5: DXY Expected to Weaken Further in 2026 (Reuters Poll – Feb 4, 2026)



Source: LSEG

Looking ahead, the latest Reuters poll projected a further weakening of the dollar index in 2026, with an anticipated fall to 96.287 points.

II. Commodities Markets

a. Precious Metals: Gold and Silver

Precious metals demonstrated exceptional performance in 2025. **Gold** surged by 64.5%, reaching \$4,315 per ounce, marking its strongest annual performance in nearly half a century, driven by:

- **Broad-based Buying:** Central banks, asset managers, Exchange Traded Funds (ETFs), and retail investors significantly increased their allocations to gold.
- **Weakening US Dollar:** The depreciation of the US dollar made gold more affordable for holders of other currencies, thereby boosting global demand.
- **Central Banks Cutting Rates:** As central banks across most economies cut rates, with the exception of some countries like Japan and Brazil, the opportunity cost of holding non-yielding assets like gold decreased, enhancing its investment appeal.
- **Hedging Against Currency Risk:** Fears over mounting debt across major economies, such as the U.S., U.K., Eurozone, Japan, and China, have pushed central banks to increase their gold holdings as a hedge against potential fiat-currency instability. This dynamic has also encouraged investors to move into gold, as they seek assets whose value cannot be eroded by central bank policies such as printing money. As billionaire investor and Bridgewater Associates founder Ray Dalio put it, “It’s the beginning of the end of the monetary system as we know it.”
- **Hedging Against Inflation:** As central banks in most major economies cut interest rates despite inflation remaining above target, investors are increasingly turning to gold as an inflation hedge. Rate cuts typically stimulate demand and loosen financial conditions, which can reignite inflationary pressures, making precious metals more attractive as a store of value.
- **Escalating Geopolitical Tensions:** Heightened global uncertainty, including US tariff policies and subsequent retaliation, ongoing conflict in the Middle East, and the Russia-Ukraine war, accelerated safe-haven flows into gold.

Figure 6: Gold vs Silver Performance in 2025



Sources: LSEG, BLOMINVEST Bank

Silver, which exhibits a strong positive correlation of 0.92 with gold, outperformed gold on a percentage basis, rising by 147% to \$71.3 per ounce and also reaching record highs in 2025. This exceptional performance was largely driven by robust industrial demand from the artificial intelligence (AI) and solar sectors.

Figure 7: Gold and Silver Market Expectations for 2026 (Reuters, Feb 2026)

Precious Metals Forecasts	Q1 2026	Q2 2026	2026	2027
Gold	4,776.46	4,898.11	4,897.35	5,024.8
Silver	87.34	86.62	84.24	83.64

Source: LSEG

Looking ahead, the latest Reuters poll projected a stabilization of the gold and silver markets in 2026.

b. Energy Sector: Crude Oil

In contrast to metals, the energy sector struggled throughout 2025. Both WTI and Brent crude oil ended the year substantially lower, declining by 19.94% and 18.48% respectively, to \$57.42 per barrel for WTI and \$60.85 per barrel for Brent.

The primary drivers of this decline included:

- **Non-OPEC Production:** Global oil production surged from non-OPEC nations such as the US and Russia, increasing supply.
- **OPEC+ Production:** The OPEC+ group reversed prior production cuts, adding barrels to the market since April 2025, which further exacerbated the oversupply.
- **Weak Demand Growth:** Global demand fell short of expectations, especially in China, the US, and Europe, as slowing economic conditions and escalating trade tariffs weighed on consumption.
- **Geopolitical Risk Discounting:** Geopolitical risks periodically lifted prices, but their impact on physical supply remained limited. Policymakers consistently emphasized securing adequate energy flows, preventing any sustained rally. Even events like Israel’s June 13 strikes on Iran or infrastructure attacks in the Russia–Ukraine conflict generated only short-lived upward pressure.

Figure 8: Gold and Silver Market Expectations for 2026 (Reuters, Jan 30, 2026)

Oil Forecasts	Q1 2026	Q2 2026	Q3 2026	Q4 2026	2026	2027	2028	2029	2030
Brent	61.47	61.53	61.85	62.47	62.02	64.43	67.55	69.78	71.43
WTI	57.96	58.25	58.5	59.22	58.72	60.56	63.69	66.09	67.75

Source: LSEG

Looking ahead, the latest Reuters poll projected a stabilization of the oil markets in 2026.

In conclusion, 2025 showed that Lebanon’s exchange-rate stability still primarily depends on robust tourism and diaspora inflows, reinforced by a restrictive monetary architecture that keeps market volatility in check.

Globally, precious metals surged, but investors may be overstating long-term inflation risks: rate cuts only followed a sharp decline in inflation in 2023–2024, and real interest rates remain relatively high, meaning monetary policy is still effectively tight even if easing has begun.

In energy markets, medium-term oil prices face pressure from the accelerating shift toward renewables, yet the rapid expansion of AI, an energy-intensive sector, acts as a meaningful counter-force that could support demand. **Altogether, 2025 emphasized that currencies, commodities, and energy markets are now driven by a complex balance of macroeconomic policies, geopolitical stability, and supply-demand fundamentals.**

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