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On 30 March 2026, Goldman Sachs (GS) published a CEEMEA in Focus research note titled “Bond Math Suggests Further Downside Risks to Lebanon Recovery Values”. The report argues that despite the decline in Eurobonds prices since the re-escalation of the war, this pricing remains too generous. In GS’ view, the renewed conflict has worsened the three structural parameters that determine the Eurobonds valuation.

Three Parameters, Three Sources of Downside

GS argues that the war has weighed on Eurobond valuations in three main ways.

- 1. Timing of Restructuring:** The conflict has stalled Lebanon’s reform agenda, including progress on the Gap Law. Security developments, particularly Israel’s push for a buffer zone in southern Lebanon, have further complicated the outlook. **We add** that policy focus has also shifted toward urgent humanitarian needs, notably those of internally displaced people. This reduces the time value of the bonds. GS assumes a baseline delay of at least one year versus the pre-war scenario, with each additional year of discounting reducing present value by 1.5¢ on the dollar.
- 2. Debt Sustainability and Nominal Haircut:** The conflict has delivered a dual blow to Lebanon’s debt dynamics. Infrastructure destruction, mass displacement and security risks decrease the country’s productive capacity and weigh on the medium-term GDP. At the same time, reconstruction costs layer additional liabilities on top of an already unsustainable debt stock. GS estimates that a \$10 billion rise in medium-term financing needs, combined with a 10% contraction in nominal USD GDP, would push the required nominal haircut from 65% pre-war to approximately 72%, assuming a post-restructuring debt-to-GDP target of 80%. For their base case, the authors round this down conservatively to a 5-percentage-point increase in the required haircut, and a decline in recovery values by around 4 cents on the dollar.

Figure 1: A US\$10bn Increase in Debt Combined with a 10% Decline in GDP Implies an Additional 7% Nominal Haircut

US\$bn unless otherwise indicated

	Pre-War Base Case	Post War - Unchanged	Post War - Higher Haircut
Existing debt	50	50	50
Additional liabilities	18	28	28
Total	68	78	78
Nominal GDP	30	25	27
Haircut	65%	63%	72%
Debt/GDP Post Restructuring	80%	115%	80%

Source: Haver Analytics, IMF, Goldman Sachs Global Investment Research

- Exit Yield:** GS argues that wider geopolitical risk premium across Middle East sovereigns, driven by the conflict, warrant a 1–2% higher exit yield for Lebanon’s Eurobonds; each 1% increase reduces recovery values by roughly 2¢ on the dollar.

Against this backdrop, GS values Lebanese Eurobonds at 22–23¢ on the dollar, implying that current market levels remain overvalued under a baseline assumption of a 2028 restructuring, a 70% nominal haircut, and an 11% exit yield.

GS highlights that Figure 2 allows investors to assess multiple scenarios. For instance, the red path “B” is more bullish, assuming a deal in 2028 instead of 2027, a 75% nominal haircut rather than a 70%, and a 12% exit yield instead of 10%. Under this path, recovery value drops by over 14 cents to about 15 cents on the dollar.

Figure 2: Assuming a Restructuring Next Year, Current Pricing is Approximately Consistent with a 70% Nominal Haircut and a 9% Exit Yield

Deal in 2027		Nominal Haircut (incl. PDI)				
		60%	65%	70%	75%	80%
Exit Yield	8%	40.4	35.4	30.4	25.3	20.3
	9%	36.9	32.3	27.5	23.7	18.5
	10%	33.7	29.5	25.2	21.0	16.9
	11%	30.8	27.0	23.1	19.3	15.4
	12%	28.2	24.7	21.2	17.7	14.1
Deal in 2028		Nominal Haircut (incl. PDI)				
		60%	65%	70%	75%	80%
Exit Yield	8%	39.2	34.3	29.4	24.5	19.6
	9%	35.4	31.0	26.5	22.1	17.7
	10%	32.1	28.0	24.0	20.0	16.0
	11%	29.0	25.4	21.8	18.1	14.5
	12%	26.3	23.0	19.8	16.5	13.2
Deal in 2029		Nominal Haircut (incl. PDI)				
		60%	65%	70%	75%	80%
Exit Yield	8%	37.9	33.1	28.4	23.7	18.9
	9%	33.9	29.6	25.4	21.2	16.9
	10%	30.4	26.6	22.8	19.0	15.2
	11%	27.3	23.9	20.5	17.0	13.6
	12%	24.5	21.5	18.4	15.3	12.3
Deal in 2030		Nominal Haircut (incl. PDI)				
		60%	65%	70%	75%	80%
Exit Yield	8%	36.5	31.9	27.4	22.8	18.3
	9%	32.4	28.3	24.0	20.2	16.2
	10%	28.8	25.2	21.6	18.0	14.4
	11%	25.6	22.4	19.2	16.0	12.8
	12%	22.8	19.5	17.1	14.3	11.4

Source: Goldman Sachs Global Investment Research

What Has Changed Since 30 March? What does this mean for Eurobonds?

Today is 22 April 2026, three weeks after the report's publication. Lebanese Eurobonds are trading near 27.5¢ on the dollar, indicating that while investors may be pricing different scenarios, overall market expectations remain more optimistic than GS'. **That said, we believe recent conflict dynamics have evolved in ways that skew GS's three key valuation parameters further to the downside.**

The Iran–U.S. ceasefire announced on April 8 explicitly excluded Lebanon, and within hours Israel launched what it called its most powerful attack of the war, killing over 357 people in a single day and compressing southern Lebanon further under a nascent "Yellow Line" military buffer that Israel has since stated it will not vacate. This casted doubt on the ceasefire and has been rejected by Lebanon and Hezbollah as a de facto occupation of sovereign territory. Direct Israel–Lebanon talks opened in Washington on April 14 — the first since 1983 — but proceeded while Israeli strikes continued, and the ten-day ceasefire that took effect on April 16 was immediately accompanied by reports of violations, with Israeli forces stating they would remain deployed inside southern Lebanon during the truce.

Updated Scenario Framework — Calibrated to GS Exhibit 3 Parameters

Relying on GS' recovery values derived from restructuring timing, exit yield, and nominal haircut, we construct three scenarios that we believe better reflect recent developments and assign a probability to each.

Figure 3: Lebanese Eurobonds' Scenario-Based Recovery Valuation

Scenario	Probability	Restructuring Start	Exit Yield	Nominal Haircut	Recovery Value (¢/USD)	Recovery Value vs. Market (27.5¢)
Bull	20%	2027	10%	70%	25.2	(2.3)
Base	50%	2028	12%	70%	19.8	(7.7)
Bear	30%	2030	12%	75%	14.3	(13.2)
Probability-Weighted Expected Value					19	(8.3)

Source: BLOMINVEST Bank based on GS' figure 2

Exit yield. We assume a 12% exit yield for the base and bear scenarios, in line with Ankura's assumptions, and 10% for the bull case. Historical EM restructuring outcomes have typically ranged from 9–15% since 2000. Given Lebanon's still-elevated political and fiscal risks, these assumptions are arguably optimistic, particularly in downside scenarios.

Nominal haircut. We assume a 70% haircut in the base and bull cases (in line with GS) and 75% in the bear case. For reference, our debt sustainability analysis published a year ago estimated a 65% haircut, implying the war has added roughly 5 percentage points. Even this may be optimistic given the scale of war-related destruction and its economic impact. (See: [Debt Sustainability Analysis: A Critical Note on Lebanon](#)).

Restructuring timing. We assume restructuring begins in 2027 (bull), 2028 (base), and is delayed to 2030 in the bear case.

The probability-weighted expected value of 19¢ implies the market is around 8¢ overvalued. In effect, prices embed a probability that the ten-day ceasefire extends, Washington talks yield a credible framework, growth outperforms expectations, and an IMF program materializes sooner than we assume. This is not an irrational bet, but given Lebanon's history, it is an optimistic one. It requires Israeli forces to withdraw from Lebanon, Hezbollah to accept some form of disarmament, Parliament to agree on the financial gap law, the bank restructuring law to materialize, and the IMF to move from dialogue to a funded program, all without substantial negative surprises. None of these prerequisites has yet been met, and with the ceasefire window already ticking down, time is not on the market's side.

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