Lebanese Eurobonds are Down and US Treasury Yields Marginally Higher

BLOMINVEST BANK

May 22, 2026

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	21/05/2026	14/05/2026	Change	Year to Date
BLOM Bond Index (BBI)	26.98	27.01	-0.11%	12.02%
Weighted Yield	60.28%	59.86%	0.70%	-11.12%
Weighted Spread	5645.32	5607.82	0.67%	-12.22%

The **BLOM Bond Index (BBI)**, which tracks Lebanese government Eurobonds (excluding coupon payments), fell by **0.11%** over the course of the week ending **May 21st 2026**, closing at **26.98 points**, attributed to persistent security and geo-political tensions in the Middle East. However, BBI improved significantly by 12.02% YTD. And as bond prices decreases, yields increase and so the weighted yield rose by **70** basis points to **60.28%.**

On the political front, there is still no advance in talks between the Lebanese State and Hezbollah regarding surrendering all weapons to the Lebanese Official Army. However, despite the absence of agreement, the State is continuing in the roadmap agreed upon in latest direct talks between Lebanon and Israel in Washington in which Lebanon is forming the military team that will attend the meeting at the Pentagon at the end of this month and followed by another political meeting at the beginning of the next month.

On the security front, Israel's attacks on South Lebanon is persistent despite the latest renewal of ceasefire agreement between Lebanon and Israel signaling that Israel is separating between Lebanon and Hezbollah. Israeli army is "wiping towns off the map" in Southern Lebanon claiming that it is striking Hezbollah's military infrastructure.

The Israeli war on Lebanon in 2024 and 2026 resulted in huge economic and infrastructure losses that exceed Lebanese State's capacity to endure. As per Lebanese Minister of Finance interview with Reuters on Wednesday, Mr. Yassine Jaber stated that the ongoing war between Hezbollah and Israel is expected to result in a contraction of Lebanese economy by at least 7% along with losses of around $20 billion (which accounts for around half of its Gross Domestic Product). To add insult to injury, the humanitarian aid granted to Lebanon in the current phase of the war was far less than 2024 phase despite the fact that the losses and number of people displaced this year exceeds 2024 phase. As per Mr. Jaber, during 2024 war, Lebanon received around $700 million in humanitarian aid in addition to dozens of planeloads of aid compared to only €45 million grant from European Union in addition to a $200 million loan from the World Bank.

	21/05/2026	14/05/2026	Change
BBI	26.98	27.01	-0.11%
JP Morgan EMBI	1025.67	1035.33	-0.93%
5Y LEB	47.10%	46.70%	40
10Y LEB	32.00%	32.05%	(5)
5Y US	4.25%	4.13%	12
10Y US	4.57%	4.47%	10
5Y SPREAD	4,285	4,257	28
10Y SPREAD	2,743	2,758	(15)

In the U.S., Treasury yields rose marginally over the course of the week, the 5-year and 10-year bonds yields increased by 12 and 10 basis points respectively to record 4.25% and 4.57%. The increase was mainly driven by the geopolitical tensions in the Middle East and deadlock in the negotiations between the United States and Iran, despite the Pakistani mediator's persistent and rapid efforts to narrow the gaps and reach a declaration of intent between the United States and Iran, to reach a final agreement.

On the geo-political front, the tensions between United States and Iran is still elevated despite the fragile ceasefire agreement. This week witnessed a dramatic situation in the negotiations where President Trump declared that he asked the Pentagon to freeze the strikes decision an hour before the planned schedule. This freeze was a culmination of the ongoing efforts by the Crown Prince of Saudi

Arabia, the Emir of Qatar, and the President of the United Arab Emirates to prevent the Middle East from sliding back into war. In addition to the Arab mediators, Pakistan is still playing a vital role to close the gaps between US and Iranian conditions for the peace and nuclear agreement.

On the economic front, economic data released this week helped also in increasing longer-dated treasury yields as May 2026 industrial production data reinforced the view that the underlying demand in the US economy remained firm despite tighter financial conditions. S&P Global Manufacturing PMI Flash increased from 54.5 to 55.3 pointing to a renewed pricing pressures in the industrial sector.

Latest data from US Department of Labor revealed stable labor-market indicators as initial jobless claims decreased by 3,000 to 209,000 on the second week of May. Also, US's 4-week moving average for initial jobless claims, that dismisses week-to-week volatility, dropped to 202.5k in May 16 compared to 204k in the prior week.

On the monetary front, the latest Federal Open Market Committee minutes of meeting that was held on Wednesday signaled that the mojority of Fed officials supports future firm policy in case inflation kept above the targeted 2% inflation rate.

In addition, markets were also influenced by the release of latest Federal Open Market Committee (FOMC) press release that signaled that policymakers remained wary regarding interest rate cuts amid eminent inflation risks resulting from persistent energy price rises and geopolitical tensions in the Middle East. As such, markets are currently pricing a 97.2% probability of keeping rates unchanged at 3.5% - 3.75% in the next FOMC meeting as shown in the CME Group Fedwatch table below.

TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 20 MAY 2026	1 WEEK 15 MAY 2026	1 MONTH 22 APR 2026
325-350	0.0%	2.7%	1.3%	1.7%
350-375 (Current)	97.2%	97.3%	98.7%	98.3%
375-400	2.8%	0.0%	0.0%	0.0%

* Data as of 22 May 2026 03:09:43 CT

5Y Credit Default Swaps (CDS)

	21/05/2026	14/05/2026
KSA	64.49	63.32
Dubai	81.08	78.61
Brazil	121.57	128.37
Turkey	261.39	234.57

Source: Bloomberg

Maturity	Coupon in %	Prices 21/05/2026	14/05/2026	Weekly Change	Yields 21/05/2026	14/05/2026	Weekly Change bps
29/11/2027	6.75%	25.565	25.62	-0.20%	131.04%	128.87%	216.83
20/03/2028	7.00%	25.588	25.66	-0.27%	107.91%	106.55%	135.76
03/11/2028	6.65%	25.705	25.66	0.19%	80.49%	80.07%	41.60
25/05/2029	6.85%	25.734	25.61	0.48%	67.49%	67.34%	14.90
27/11/2029	11.50%	25.817	25.86	-0.16%	71.53%	71.12%	41.73
26/02/2030	6.65%	25.856	25.88	-0.07%	55.42%	55.17%	25.06
22/04/2031	7.00%	25.935	26.03	-0.35%	46.41%	46.17%	23.31
20/11/2031	7.15%	25.998	26.06	-0.22%	43.55%	43.37%	18.22
23/03/2032	7.00%	26.096	26.21	-0.42%	41.37%	41.16%	21.14
17/05/2033	8.20%	26.765	26.86	-0.34%	39.93%	39.78%	15.78
17/05/2034	8.25%	26.713	26.71	0.03%	37.83%	37.80%	2.81
27/07/2035	12.00%	26.691	26.80	-0.41%	47.37%	47.17%	19.91
02/11/2035	7.05%	26.427	26.38	0.19%	32.29%	32.33%	-3.22
23/03/2037	7.25%	26.556	26.37	0.70%	31.14%	31.31%	-16.67

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