A Week of Divergence: Lebanese Eurobonds Drop While U.S. Treasury Yields Edge Higher

BLOMINVEST BANK

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	18/06/2026	11/06/2026	Change	Year to Date
BLOM Bond Index (BBI)	26.33	26.62	-1.08%	9.33%
Weighted Yield	62.94%	61.90%	1.67%	-7.21%
Weighted Spread	5,894.78	5,805.42	1.54%	-8.34%

The **BLOM Bond Index (BBI)**, which tracks Lebanese government Eurobonds (excluding coupon payments), fell by **1.08%** over the course of the week ending **June 18th 2026**, closing at **26.33 points**, attributed to the persistent security concerns on Southern Lebanon. In spite of the weekly decline, BBI improved noticeably by 9.33% YTD. And as bond prices decreases, yields increase and so the weighted yield rose by **167** basis points to **62.94%.**

Lebanon remained at the intersection of regional security pressures and diplomatic efforts. Security concerns centered on continued clashes along the southern border, while economically the country faced ongoing reform challenges amid conflict-related disruptions. Politically, regional negotiations and international initiatives increasingly shaped discussions about Lebanon's future stability, governance, and sovereignty.

Despite the United States – Iran cease-fire agreement that should have included Lebanon, Israeli breaches are persisting as strikes continue. As such, Hezbollah is also launching drones and missiles on Israeli forces.

On the political front, no advancements achieved regarding the disarming of Hezbollah’s weapons especially that they consider the agreement between United States and Iran is a win for Iran and its affiliates. In addition, they are still against the direct talks with Israeli representatives in Washington. On the other hand, the Lebanese official representatives are still considering the current direct talks is the most appropriate solution to establish the cease-fire agreement, end the destruction of Southern Lebanon, release Lebanese hostages, and return of displaced people to their hometowns.

	18/06/2026	11/06/2026	Change
BBI	26.33	26.62	-1.08%
JP Morgan EMBI	1047.48	1039.77	0.74%
5Y LEB	48.30%	47.90%	40
10Y LEB	32.65%	32.40%	25
5Y US	4.23%	4.18%	5
10Y US	4.46%	4.45%	1
5Y SPREAD	4,407	4,372	35
10Y SPREAD	2,819	2,795	24

In the U.S., 5-year bonds and 10-year Treasury yields rose marginally over the course of the week, it increased by 5 and 1 basis points respectively to record 4.23% and 4.46% despite mounting inflationary pressures. The minor surge in the U.S. Treasury yield echoed a mixture of persistent inflation pressures, stronger-than-expected economic data, and a more hawkish Federal Reserve outlook. These reasons led investors to reconsider the possibility of higher interest rates remaining in place for longer, while ongoing Treasury issuance added modest upward pressure on yields. However, easing energy-price concerns and continued demand for long-term government bonds helped contain the move, leading to only a negligible rise in yields over the period.

Geo-political tensions in the Middle East eased as a preliminary agreement was reached between the United States and Iran, despite the different media leaks from the two parties regarding the preliminary agreement points. However, it seams that there is agreement on ending United States' blockade of Hormuz Strait in response to Iranian opening of the Starit infront of all ships. This lead to an immediate and sharp decrease in prices of energy sources that ease inflation concerns.

Latest data from US Department of Labor revealed that initial jobless claims dropped by 4,000 to 226k as expected on the second week of June. Moreover, continuing jobless claims in the United States increased from 1,786k in to 1,810k in the week ending June 13th, 2026. Also, US's 4-week moving average for initial jobless claims, that dismisses week-to-week volatility, advanced to 223.25k in June 13 compared to 219.25k in the prior week.

On the monetary front, this week witnessed the first Federal Open Market Committee (FOMC) meeting under new Fed Chair Kevin Warsh. Interest rates remained unchanged as expected with a possibility of rate hike in 2026 as inflationary pressures are expected to remian till year end.

As such, markets are currently pricing a 63.7% probability of keeping rates unchanged at 3.5% - 3.75% and a 36.3% probability of a 25 bps hike in the next FOMC meeting on July 28th and 29th as shown in the CME Group Fedwatch table below.

Target Rate (bps)	Probability(%)			
	Now *	1 Day 18 Jun 2026	1 Week 12 Jun 2026	1 Month 19 May 2026
325-350	0.0%	0.0%	2.3%	0.8%
350-375 (Current)	63.7%	61.5%	89.3%	84.4%
375-400	36.3%	38.5%	8.3%	14.8%

* Data as of 19 Jun 2026 03:45:20 CT

5Y Credit Default Swaps (CDS)

	18/06/2026	11/06/2026
KSA	59.45	62.91
Dubai	62.23	74.92
Brazil	124.28	125.84
Turkey	219.45	240.17

Source: Bloomberg

		Prices		Weekly	Yields		Weekly
Maturity	**Coupon in %**	**18/06/2026**	**11/06/2026**	**Change**	**18/06/2026**	**11/06/2026**	**Change bps**
29/11/2027	6.75%	24.94	25.44	-1.96%	141.46%	137.07%	438.74
20/03/2028	7.00%	24.86	25.32	-1.81%	115.33%	112.29%	304.71
03/11/2028	6.65%	24.97	25.33	-1.44%	84.70%	83.11%	159.43
25/05/2029	6.85%	24.96	25.35	-1.55%	70.58%	69.34%	123.32
27/11/2029	11.50%	25.11	25.45	-1.31%	74.02%	73.05%	97.65
26/02/2030	6.65%	25.07	25.42	-1.38%	57.68%	56.82%	86.02
22/04/2031	7.00%	25.43	25.56	-0.53%	47.57%	47.26%	31.44
20/11/2031	7.15%	25.36	25.69	-1.25%	44.71%	44.19%	51.94
23/03/2032	7.00%	25.47	25.54	-0.27%	42.47%	42.30%	17.20
17/05/2033	8.20%	26.38	26.56	-0.70%	40.56%	40.29%	26.93
17/05/2034	8.25%	26.36	26.37	-0.03%	38.34%	38.30%	3.59
27/07/2035	12.00%	26.04	26.20	-0.63%	48.55%	48.24%	31.18
02/11/2035	7.05%	25.89	26.14	-0.94%	32.91%	32.64%	27.10
23/03/2037	7.25%	25.85	26.11	-1.03%	31.91%	31.62%	28.83

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